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You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person. The Prospectus has been prepared solely in connection with the 1 for 5 rights issue (the **Rights Issue**) of 325,009,968 new ordinary shares with a nominal value of 25 pence each (the **New Ordinary Shares**) in the capital of the Company, and the offer and sale of any New Ordinary Shares not taken up in the Rights Issue to certain institutional and professional investors (together with the Rights Issue, the **Offering**).

The Prospectus has been approved by the UK Financial Conduct Authority (the **FCA**) in accordance with section 87A of the Financial Services and Markets Act 2000, and will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules of the FCA. The Prospectus together with the documents incorporated into it by reference (as set out in Part VI: *"Information Incorporated by Reference"* of the Prospectus) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.marksandspencer.com/shareholder and at the Company's registered office at Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom. Prospective investors are advised to access such information prior to making an investment decision.

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NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED, TAKEN UP, EXERCISED, RESOLD, RENOUNCED, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN OR INTO THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

The Securities have also not been and will not be registered under the securities laws of the Abu Dhabi Global Market, the Dubai International Financial Centre, Israel, Hong Kong, Japan, the People's Republic of China, New Zealand, Singapore, South Africa, Switzerland and the United Arab Emirates and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption.

This electronic transmission and the attached document and the Offering when made are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU) (**Qualified Investors**). This electronic transmission and the attached document must not be acted on or relied on in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only in any member state of the European Economic Area (other than the United Kingdom) to Qualified Investors, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company and Morgan Stanley & Co. International plc (**Morgan Stanley**), BNP PARIBAS (**BNP**), HSBC Bank plc (**HSBC**) and Shore Capital Stockbrokers Limited (**Shore Capital** and, together with Morgan Stanley, BNP and HSBC, the **Banks**) that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acquiring such securities in "offshore transactions", as defined in, and in reliance on, Regulation S under the Securities Act; (ii) if you are in any member state of the European Economic Area other than the UK, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors to the extent you are acting on behalf of persons or entities in the European Economic Area other than the UK; (iii) you are an institutional investor that is eligible to receive this document; and (iv) you consent to delivery by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the

laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. None of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the New Ordinary Shares. The Banks and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached document.

The Banks are acting exclusively for the Company and no one else in connection with the Rights Issue. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Rights Issue or any transaction or arrangement referred to in the attached document.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission and the attached document is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Dated 24 May 2019.

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (FSMA), if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

Subject to the restrictions set out below, if you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 a.m. on 29 May 2019 (the **Ex-Rights Date**) please send this document (the **Prospectus**) together with, if applicable, the accompanying Provisional Allotment Letter, duly renounced, if and when received, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. **None of these documents should, however, be distributed, forwarded or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to (subject to certain exemptions) the United States or any of the other Excluded Territories.** Please refer to paragraphs 7 and 8 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus if you propose to send this Prospectus and/or the Provisional Allotment Letter outside the United Kingdom. If you sell or have sold or transferred part of your holding of Existing Ordinary Shares (other than ex-rights) you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected. If you sell or transfer or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear, which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. Instructions regarding split applications are set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus and the Provisional Allotment Letter.

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States.

Marks and Spencer Group plc (the **Company** or **M&S**) and the Directors, whose names appear on page 53 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of Marks and Spencer Group plc and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect the import of such information.

M&S

EST. 1884

MARKS AND SPENCER GROUP PLC

(Incorporated and registered in England and Wales with registered number 4256886)

1 for 5 Rights Issue of 325,009,968 New Ordinary Shares at 185 pence per New Ordinary Share

Sole Sponsor, Sole Global Co-ordinator, Sole Bookrunner and Joint Financial Adviser

Morgan Stanley

Co-Bookrunners

BNP Paribas

HSBC

Shore Capital

Lead Financial Adviser to the Company

Rothschild & Co

Your attention is drawn to the letter from the Chairman of Marks and Spencer Group plc which is set out in Part VII: “*Letter from the Chairman of the Company*” of this Prospectus. You should read the whole of this Prospectus, any accompanying document and any documents incorporated by reference prior to making any investment decision. Your attention is drawn to Part II: “*Risk Factors*” of this Prospectus for a discussion of

certain factors which should be taken into account when considering the matters referred to in this Prospectus and deciding whether or not to purchase the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

This document comprises a prospectus relating to the Rights Issue prepared in accordance with the Prospectus Rules of the FCA under Section 73A of FSMA and has been approved by the FCA in accordance with Section 87A of FSMA. A copy of this Prospectus has been filed with the FCA and has been made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules by the same being made available at www.marksandspencer.com/shareholder and at the Company's registered office at Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities. Applications have been made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on its main market for listed securities (together, **Admission**). It is expected that Admission will become effective, and that dealings in the New Ordinary Shares, nil paid, will commence, at 8.00 a.m. on 29 May 2019.

The distribution of this Prospectus, any other offering or public material relating to the Rights Issue and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares through CREST or otherwise into a jurisdiction other than the United Kingdom may be restricted by law and, accordingly, persons into whose possession this Prospectus and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. In particular, subject to certain exceptions, the documents should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory.

Each of Morgan Stanley & Co. International plc (**Morgan Stanley**, or the **Sole Sponsor, Sole Global Co-ordinator, Sole Bookrunner and Joint Financial Adviser**), HSBC Bank plc (**HSBC**) and Shore Capital Stockbrokers Limited (**Shore Capital**) is authorised by the Prudential Regulation Authority (the **PRA**) and regulated by the PRA and the FCA in the United Kingdom. BNP PARIBAS (**BNPP** and, together with HSBC and Shore Capital the **Co-Bookrunners**, and the Co-Bookrunners together with Morgan Stanley, the **Underwriters**) is supervised by the European Central Bank (**ECB**) and the French *Autorité de Contrôle Prudentiel et de Résolution* (**ACPR**) and the *Autorité des marchés financiers* (**AMF**) and its London branch is lead-supervised by the ECB and the ACPR and is authorised by the ECB, the ACPR and the PRA and subject to limited regulation by the FCA and the PRA. N.M. Rothschild & Sons Limited (**Rothschild & Co** or the **Lead Financial Adviser**) is authorised and regulated by the FCA in the United Kingdom. The Underwriters and the Lead Financial Adviser are acting exclusively for Marks and Spencer Group plc and no one else in connection with the Rights Issue, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Rights Issue and will not be responsible to anyone other than Marks and Spencer Group plc for providing the protections afforded to their respective clients, or for providing advice, in relation to the Rights Issue or any other transaction, arrangement or matter referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley, BNPP, HSBC, Shore Capital and Rothschild & Co by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Morgan Stanley, BNPP, HSBC, Shore Capital, Rothschild & Co nor any of their respective affiliates, directors, officers, employees or advisers accepts any responsibility whatsoever, or makes any representation or warranty, express or implied, as to the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on behalf of it, the Company, the Directors or any other person, in connection with the Company or the Rights Issue, and nothing in this Prospectus should be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of Morgan Stanley, BNPP, HSBC, Shore Capital, Rothschild & Co and their respective affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser in connection with the purchase of the New Ordinary Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

The investors also acknowledge that: (i) they have not relied on Morgan Stanley, BNPP, HSBC, Shore Capital or Rothschild & Co or any person affiliated with Morgan Stanley, BNPP, HSBC, Shore Capital or Rothschild & Co in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) that no person has been authorised to give any information or to make any representation concerning the Company

or its subsidiaries or the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Morgan Stanley, BNPP, HSBC, Shore Capital or Rothschild & Co.

It is expected that Qualifying CREST Shareholders (subject to certain exceptions) will receive a credit to the appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 29 May 2019. The Nil Paid Rights so credited in CREST are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. Qualifying CREST Shareholders should refer to their CREST Sponsors regarding the action to be taken in connection with this Prospectus and the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Underwriters' obligations under the Underwriting Agreement are conditional upon certain matters being satisfied or not breached prior to Admission. If these conditions are not satisfied or (where permitted) waived by Admission, the Underwriting Agreement will terminate. After Admission, the Underwriters have no right to terminate the Underwriting Agreement.

In connection with the Rights Issue, the Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares in the Rights Issue as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Nil Paid Rights, Fully Paid Rights and New Ordinary Shares) and may offer or sell such securities otherwise than in connection with the Rights Issue, provided that the Underwriters and their respective affiliates may not engage in short selling for the purpose of hedging their commitments under the Underwriting Agreement (subject to certain exceptions contained in the Underwriting Agreement). Accordingly, references in this Prospectus to Nil Paid Rights, Fully Paid Rights and New Ordinary Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferrable, except in accordance with, and the distribution of this Prospectus is subject to, the restrictions set out in paragraph 7 of Part IX: *Terms and Conditions of the Rights Issue* of this Prospectus. No action has been taken by the Company, the Sole Sponsor, the Sole Global Co-ordinator, the Underwriters or the Lead Financial Adviser that would permit a public offer of the New Ordinary Shares or rights thereto or possession or distribution of this Prospectus or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights or the Fully Paid Rights in any jurisdiction where action for that purpose is required except pursuant to an applicable exemption from registration or qualification requirements. It is expected that this Prospectus will be passported into Ireland, France, Germany and Spain. There will be no public offer of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares in Ireland, France, Germany or Spain, and until this Prospectus has been passported into those jurisdictions, they shall be deemed to be Excluded Territories for the purposes of this Prospectus and the Rights Issue.

The latest time and date for acceptance of, and payment in full for, New Ordinary Shares is expected to be 11.00 a.m. on 12 June 2019. The procedure for acceptance and payment is set out in Part IX: *Terms and Conditions of the Rights Issue* of this Prospectus and, for Qualifying Non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 5 of Part IX: *Terms and Conditions of the Rights Issue*.

Qualifying CREST Shareholders should note that they will receive no further written communication from the Company in respect of the Rights Issue. They should accordingly retain this Prospectus for, among other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this Prospectus and the Rights Issue. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Copies of this Prospectus are available free of charge from Marks and Spencer Group plc, Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

Notice to Overseas Shareholders

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Excluded Territories except pursuant to an applicable exemption from registration or qualification requirements. This Prospectus and the Provisional Allotment Letter do not constitute an offer to sell or issue, or a solicitation of an offer to buy or subscribe for, any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to certain very limited exceptions, neither this Prospectus nor any Provisional Allotment Letters will be distributed in or into any Excluded Territory, including the United States, and neither this Prospectus nor any Provisional Allotment Letter (if and when received) constitute a public offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any Shareholder with a registered address in, or who is resident or located in (as applicable), any Excluded Territory.

The attention of Overseas Shareholders and any person (including, without limitation, nominees, custodians or trustees) who has a contractual or legal obligation to forward this Prospectus and any accompanying documents to a jurisdiction outside the United Kingdom is drawn to paragraphs 7 and 8 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

Notice to U.S. Shareholders

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or any of the other Excluded Territories.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Underwriters may arrange for the offer of the New Ordinary Shares not taken up in the Rights Issue in the United States only to persons reasonably believed to be “qualified institutional buyers”, as defined in Rule 144A under the Securities Act (**QIBs**), in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights are being offered outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Prospective investors are hereby notified that the sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The Company is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**).

Any person in the United States who obtains a copy of this Prospectus and/or the Provisional Allotment Letter and who is not a QIB is required to disregard it.

Notice to All Investors

Any reproduction or distribution of this Prospectus in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited, except to the extent such information is available publicly. By accepting delivery of this Prospectus, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

No action has been taken by the Company, the Underwriters or the Lead Financial Adviser that would permit a public offer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or possession or distribution of this Prospectus, the Provisional Allotment Letters or any other offering or publicity material relating to the Rights Issue in any jurisdiction where action for that purpose is required, other than the United Kingdom, Ireland, France, Germany and Spain. None of the Company, Morgan Stanley, BNPP, HSBC, Shore Capital, Rothschild & Co or any of their respective affiliates, directors, officers, employees or advisers is making any representation to any offeree, purchaser or acquirer of Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares regarding the legality of an investment in the Rights Issue by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

SUBJECT TO CERTAIN VERY LIMITED EXCEPTIONS, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO INVESTORS WHO ARE IN THE UNITED STATES OR ANY EXCLUDED TERRITORY AND NO DOCUMENT ISSUED BY THE COMPANY IN CONNECTION WITH THE RIGHTS ISSUE IS OR CONSTITUTES AN INVITATION OR OFFER OF SECURITIES FOR SUBSCRIPTION, SALE OR PURCHASE TO ANY PERSON WITH A REGISTERED ADDRESS, OR WHO IS RESIDENT OR LOCATED, IN THE UNITED STATES OR ANY OTHER EXCLUDED TERRITORY.

This Prospectus is dated 24 May 2019.

CONTENTS

	Page
PART I	Summary Information 7
PART II	Risk Factors..... 21
PART III	Directors, Secretary, Registered Office and Advisers 53
PART IV	Expected Timetable of Principal Events and Rights Issue Statistics 55
PART V	Important Information..... 57
PART VI	Information Incorporated by Reference 63
PART VII	Letter from the Chairman of the Company 64
PART VIII	Information Concerning the New Ordinary Shares 73
PART IX	Terms and Conditions of the Rights Issue..... 75
PART X	Questions and Answers about the Rights Issue 110
PART XI	Business Overview of the Group..... 119
PART XII	Directors and Corporate Governance..... 132
PART XIII	Selected Financial Information of the Group..... 137
PART XIV	Operating and Financial Review of the Group..... 143
PART XV	Unaudited Pro Forma Financial Information of the Group..... 174
PART XVI	Key Transaction Terms..... 178
PART XVII	Additional Information..... 187
PART XVIII	Definitions..... 228

PART I

SUMMARY INFORMATION

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not applicable”.

Section A – Introduction and warnings		
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the New Ordinary Shares should be based on consideration of the Prospectus as a whole by the prospective investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable; the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.

Section B – Issuer		
B.1	Legal and commercial name of the issuer	Marks and Spencer Group plc (the Company).
B.2	Domicile / Legal Form / Legislation / Country of incorporation	The Company is a public limited company, incorporated in England and Wales with registered number 4256886 and having its registered office in England. The Company operates under the Companies Act.
B.3	Current operations / Principal activities and markets	<p>The Group is one of the United Kingdom’s leading retailers with a strong heritage of brand values and customer relationships. The Group operates a family of businesses, including Food and Clothing & Home, as well as M&S Bank operated by HSBC UK Bank plc (HSBC UK). Although primarily based in the United Kingdom, the Group sells into 57 countries from 1,487 stores and 36 websites. In FY19, the Group employed over 80,000 colleagues who served approximately 32 million customers in the United Kingdom.</p> <p>The Group’s business is divided into two geographic operating segments: United Kingdom (comprising Food and Clothing & Home) and International</p> <p>→ <i>United Kingdom—Food</i>: The Group’s Food business focuses on high-quality, sustainably sourced, fresh and convenient products</p>

PART I CONTINUED

		<p>and comprises five main categories: (i) protein, deli and dairy; (ii) produce; (iii) ambient and in-store bakery; (iv) meals, dessert and frozen; and (v) hospitality and “Food On The Move”. The Group predominantly sells own-brand products, which are exclusively manufactured and marketed under the “M&S” brand. The Group sells its Food products through its 275 full-line stores, which also offer Clothing & Home products, 301 owned Simply Food stores and 433 Simply Food franchise stores in high-volume, convenience locations. In February 2019, the Group announced a proposed joint venture (JV) with Ocado, a leading online grocer focussed on the home delivery of a wide range of high-quality food, drink and household goods.</p> <p>→ <i>United Kingdom—Clothing & Home:</i> The Group sells high-quality, sustainably sourced, predominantly own-brand clothing and homeware through 275 full-line stores, outlets and the M&S website. The Group’s principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home products. The Group retains a strong customer base and strong customer franchises in lingerie, back-to-school and tailoring, as well as products such as denim.</p> <p>→ <i>International:</i> The Group exports the best of M&S Clothing & Home and Food around the world, with stores and an online presence across Europe, the Middle East and Asia and an online presence in markets such as the United States and Australia.</p> <p>The Group reported profit before tax and adjusting items of £523.2 million in FY19 (FY18: £580.9 million; FY17: £613.8 million) and profit before tax of £84.6 million in FY19 (FY18: £66.8 million; FY17: £176.4 million) on revenue of £10.4 billion in FY19 (FY18: £10.7 billion; FY17: £10.6 billion). Profit before tax and adjusting items is consistent with how business performance is measured internally.</p>
B.4	<p>Significant recent trends affecting the issuer’s group and the industry in which it operates</p>	<p>The retail industry is highly competitive, and the Group faces the ongoing challenge of a changing competitive landscape across the markets in which it operates.</p> <p>The UK food market is undergoing an extraordinary period of change. Although the grocery market returned growth of 2.3 per cent. for the 52 weeks ended 24 March 2019, this was largely driven by inflation (<i>Source: Kantar, 52 w/e 24 March 2019</i>). Home delivery and online are the United Kingdom’s fastest growing grocery channel, expected to grow by 52 per cent. from 2018 to 2023 (<i>Source: IGD</i>). In 2018, the online grocery market value was £11.4 billion, compared to the overall UK grocery market value of £190.3 billion (<i>Source: IGD</i>). The discount sector is also expected to continue to grow by 37 per cent. from 2018 to 2023 (<i>Source: IGD</i>). In addition, in an effort to support margins and growth, the large grocers are seeking to match M&S at the quality end of the market. Therefore, the competitive pressures on the Group’s Food business are expected to continue to be intense.</p> <p>The UK clothing market is impacted by three long-term trends which are expected to continue. Firstly, the UK clothing market has continued to migrate online, with online sales accounting for approximately 28 per cent. of the total UK clothing market for the 52 weeks ended 10 March 2019 (<i>Source: Kantar, 52 w/e 10 March 2019</i>). Secondly, price-led discounters have developed a strong market position with the continued growth of Primark, as well as the major grocers who offer inexpensive clothing and home products. Finally, the Group’s competitiveness is increasingly impacted by global scale competitors, such as H&M, Inditex and Uniqlo, and online-only retailers, such as Asos.</p>

PART I CONTINUED

B.5	Description of the issuer's group	The Company is the parent company of the Group.																		
B.6	Notifiable interest in the Existing Ordinary Shares, different voting rights, controlling interests	<p>As at 22 May 2019 (being the Latest Practicable Date), in so far as it is known to the Company by virtue of the notifications made pursuant to the Companies Act and/or Chapter 5 of the Disclosure Guidance and Transparency Rules, the name of each person, other than a Director, who, directly or indirectly, is interested in voting rights representing 3 per cent. or more of the total voting rights in respect of the Company's issued ordinary share capital, and the amount of such person's holding, is as follows:</p> <table border="1" data-bbox="606 560 1388 806"> <thead> <tr> <th data-bbox="606 560 1053 627">Name</th> <th data-bbox="1053 560 1228 627">Number of Ordinary Shares</th> <th data-bbox="1228 560 1388 627">Percentage of Ordinary Shares</th> </tr> </thead> <tbody> <tr> <td data-bbox="606 627 1053 672">BlackRock, Inc.....</td> <td data-bbox="1053 627 1228 672">126,433,157</td> <td data-bbox="1228 627 1388 672">7.78%</td> </tr> <tr> <td data-bbox="606 672 1053 705">Schroders plc.....</td> <td data-bbox="1053 672 1228 705">90,153,730</td> <td data-bbox="1228 672 1388 705">5.55%</td> </tr> <tr> <td data-bbox="606 705 1053 739">Ameriprise Financial, Inc. and its group.....</td> <td data-bbox="1053 705 1228 739">82,524,463</td> <td data-bbox="1228 705 1388 739">5.08%</td> </tr> <tr> <td data-bbox="606 739 1053 772">Majedie Asset Management Ltd.....</td> <td data-bbox="1053 739 1228 772">81,070,667</td> <td data-bbox="1228 739 1388 772">4.99%</td> </tr> <tr> <td data-bbox="606 772 1053 806">The Bank of Nova Scotia.....</td> <td data-bbox="1053 772 1228 806">51,235,305</td> <td data-bbox="1228 772 1388 806">3.15%</td> </tr> </tbody> </table> <p>Save as disclosed in this section, the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) by persons which will represent 3 per cent. or more of the total voting rights in respect of the issued ordinary share capital of the Company as at 22 May 2019.</p> <p>All Ordinary Shares have the same voting rights.</p>	Name	Number of Ordinary Shares	Percentage of Ordinary Shares	BlackRock, Inc.....	126,433,157	7.78%	Schroders plc.....	90,153,730	5.55%	Ameriprise Financial, Inc. and its group.....	82,524,463	5.08%	Majedie Asset Management Ltd.....	81,070,667	4.99%	The Bank of Nova Scotia.....	51,235,305	3.15%
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The Bank of Nova Scotia.....	51,235,305	3.15%																		
B.7	Selected historical key financial information	<p>The tables below summarise certain key financial information relating to the Group for the periods indicated. The consolidated financial information of the Group as at and for (i) Financial Year 2019 has been extracted without material adjustment from the audited consolidated financial statements included in the 2019 Annual Report and Financial Statements, (ii) Financial Year 2018 has been extracted without material adjustment from the audited consolidated financial statements included in the 2018 Annual Report and Financial Statements and (iii) Financial Year 2017 has been extracted without material adjustment from the audited consolidated financial statements included in the 2017 Annual Report and Financial Statements, incorporated by reference in this Prospectus. The financial information has been prepared in accordance with IFRS as adopted by the European Union.</p>																		

PART I CONTINUED

Group Income Statement Data

	52 weeks ended								
	30 March 2019			31 March 2018			1 April 2017		
	Profit before adjusting items	Adjusting items ⁽¹⁾	Total	Profit before adjusting items	Adjusting items ⁽¹⁾	Total	Profit before adjusting items	Adjusting items ⁽¹⁾	Total
	<i>(£ millions)</i>								
Revenue.....	10,377.3	—	10,377.3	10,698.2	—	10,698.2	10,622.0	—	10,622.0
Operating profit.....	601.0	(438.6)	162.4	670.6	(514.1)	156.5	690.6	(437.4)	253.2
Finance income.....	33.8	—	33.8	24.1	—	24.1	36.2	—	36.2
Finance costs.....	(111.6)	—	(111.6)	(113.8)	—	(113.8)	(113.0)	—	(113.0)
Profit before tax.....	523.2	(438.6)	84.6	580.9	(514.1)	66.8	613.8	(437.4)	176.4
Income tax expense	(106.0)	58.7	(47.3)	(125.4)	87.7	(37.7)	(122.4)	61.7	(60.7)
Profit for the year...	417.2	(379.9)	37.3	455.5	(426.4)	29.1	491.4	(375.7)	115.7

(1) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS.

Summary Group Statement of Financial Position Data

	As at		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Assets			
Non-Current Assets.....	5,709.8	6,232.3	6,569.2
Current Assets.....	1,490.4	1,317.9	1,723.3
Total Assets	7,200.2	7,550.2	8,292.5
Liabilities			
Current Liabilities.....	2,228.4	1,826.0	2,368.0
Non-Current Liabilities.....	2,290.9	2,770.0	2,774.1
Total Liabilities	4,519.3	4,596.0	5,142.1
Net Assets	2,680.9	2,954.2	3,150.4

Summary Group Statement of Cash Flows Data

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Net Cash Inflow from Operating Activities.....	935.3	849.8	1,067.7
Net Cash Used in Investing Activities.....	(388.0)	(316.3)	(372.0)
Net Cash Used in Financing Activities.....	(505.0)	(765.2)	(491.1)
Closing Net Cash	213.1	171.0	406.2

PART I CONTINUED

Segmental Information				
Revenue				
52 weeks ended				
	30 March 2019	31 March 2018	31 March 2018	1 April 2017
	<i>Restated⁽¹⁾</i>			
	<i>(£ millions)</i>			
Clothing & Home revenue ⁽¹⁾	3,537.3	3,671.0	3,741.1	3,792.7
Food revenue ⁽¹⁾	5,903.4	5,940.0	5,869.9	5,649.0
UK revenue.....	9,440.7	9,611.0	9,611.0	9,441.7
Franchised.....	409.1	360.6	360.6	314.0
Owned.....	527.5	726.6	726.6	866.3
International revenue.....	936.6	1,087.2	1,087.2	1,180.3
Group revenue.....	10,377.3	10,698.2	10,698.2	10,622.0
(1) FY18 revenue has been restated for the reclassification of £70.1 million of revenue relating to cards and gift wrap from Clothing & Home to Food. FY17 has not been restated.				
Operating profit				
52 weeks ended 30 March 2019				
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	<i>(£ millions)</i>			
Clothing & Home gross profit.....	2,021.2			
Food gross profit.....	1,834.7			
UK gross profit.....	3,855.9	(384.9)	—	3,471.0
UK operating costs.....	(3,409.6)	384.9	(400.3)	(3,425.0)
M&S Bank.....	27.6	—	(20.9)	6.7
M&S Energy.....	0.1	—	—	0.1
UK operating profit.....	474.0	—	(421.2)	52.8
International operating profit.....	127.0	—	(17.4)	109.6
Group operating profit.....	601.0	—	(438.6)	162.4
(1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £384.9 million in FY19.				
(2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS.				

PART I CONTINUED

52 weeks ended 31 March 2018				
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	<i>Restated⁽³⁾ (£ millions)</i>			
Clothing & Home gross profit ⁽³⁾	2,090.6			
Food gross profit ⁽³⁾	1,854.8			
UK gross profit	3,945.4	(370.0)	—	3,575.4
UK operating costs	(3,450.3)	370.0	(477.5)	(3,557.8)
M&S Bank	40.3	—	(34.7)	5.6
UK operating profit	535.4	—	(512.2)	23.2
International operating profit	135.2	—	(1.9)	133.3
Group operating profit	670.6	—	(514.1)	156.5
<p>(1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £370.0 million in FY18.</p> <p>(2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS.</p> <p>(3) FY18 gross profit has been restated for the reclassification of £26.1 million of gross profit relating to cards and gift wrap from Clothing & Home to Food.</p>				
52 weeks ended 31 March 2018				
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	<i>(£ millions)</i>			
Clothing & Home gross profit	2,116.7			
Food gross profit	1,828.7			
UK gross profit	3,945.4	(370.0)	—	3,575.4
UK operating costs	(3,450.3)	370.0	(477.5)	(3,557.8)
M&S Bank	40.3	—	(34.7)	5.6
UK operating profit	535.4	—	(512.2)	23.2
International operating profit	135.2	—	(1.9)	133.3
Group operating profit	670.6	—	(514.1)	156.5
<p>(1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £370.0 million in FY18.</p> <p>(2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS.</p>				

PART I CONTINUED

	52 weeks ended 1 April 2017			
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	(£ millions)			
Clothing & Home gross profit.....	2,128.7			
Food gross profit	1,837.7			
UK gross profit.....	3,966.4	(360.5)	—	3,605.9
UK operating costs.	(3,390.4)	360.5	(254.5)	(3,284.4)
M&S Bank.....	50.2	—	(44.1)	6.1
UK operating profit.	626.2	—	(298.6)	327.6
International operating profit.....	64.4	—	(138.8)	(74.4)
Group operating profit.....	690.6	—	(437.4)	253.2

(1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £360.5 million in FY17.

(2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS.

Certain significant changes to the Group's financial condition and results of operations occurred during the periods under review. These changes are set out below.

Operating profit increased by 3.8 per cent. to £162.4 million in FY19 from £156.5 million in FY18, primarily due to a reduction in UK gross profit offset by lower adjusting items year-on-year. Operating profit decreased by 38.2 per cent. to £156.5 million in FY18 from £253.2 million in FY17, primarily due to an increase in adjusting items. Operating profit before adjusting items decreased by 10.4 per cent. to £601.0 million in FY19 from £670.6 million in FY18, primarily due to headwinds on sales, partly offset by a reduction in operating costs under the Transformation Programme. Operating profit before adjusting items decreased by 2.9 per cent. to £670.6 million in FY18 from £690.6 million in FY17, primarily due to a reduction in UK gross profit and an increase in operating costs.

Profit before tax increased by 26.6 per cent. to £84.6 million in FY19 from £66.8 million in FY18, primarily due to lower adjusting items year-on-year. Profit before tax decreased by 62.1 per cent. to £66.8 million in FY18 from £176.4 million in FY17, primarily due to lower operating profit year-on-year. Profit before tax and adjusting items decreased by 9.9 per cent. to £523.2 million in FY19 from £580.9 million in FY18, primarily due to a reduction in UK gross profit, partially offset by the decrease in operating costs. Profit before tax and adjusting items decreased by 5.4 per cent. to £580.9 million in FY18 from £613.8 million in FY17, primarily due to the reduction in UK gross profit and the increase in operating costs in the year.

Profit for the year increased by 28.2 per cent. to £37.3 million in FY19 from £29.1 million in FY18, primarily due to lower adjusting items year-on-year. Profit for the year decreased by 74.8 per cent. to £29.1 million in FY18 from £115.7 million in FY17, primarily due to lower operating profit and the increase in adjusting items due to the Group's strategic transformation programmes.

PART I CONTINUED

		There has been no significant change to the Group's financial condition and results of operations subsequent to the period covered by the consolidated financial information of the Group incorporated by reference in this Prospectus.																																																							
B.8	Unaudited Pro Forma Financial Information	<p>The summary unaudited <i>pro forma</i> financial information for the Group (the Summary Unaudited Pro Forma Financial Information) has been prepared to illustrate the effect on the profit of the Group of the Rights Issue and entry into the proposed JV transaction as if they had occurred on 1 April 2018.</p> <p>The Summary Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only. Because of its nature, the Summary Unaudited Pro Forma Financial Information addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.</p> <p>The Summary Unaudited Pro Forma Financial Information has been prepared on the basis set out in the notes below, and in a manner consistent with the accounting policies adopted by the Group in preparing its audited consolidated financial statements for the year ended 30 March 2019, and in accordance with the requirements of items 1 to 6 of Annex II to the Prospectus Directive.</p> <p>Summary Unaudited Pro Forma Income Statement</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Group 30 March 2019</th> <th colspan="2" style="text-align: center;">Adjustments</th> <th style="text-align: center;">Pro forma Group 30 March 2019</th> </tr> <tr> <th></th> <th style="text-align: center;">Note 1</th> <th style="text-align: center;">Proposed JV Note 2</th> <th style="text-align: center;">Other costs Note 3</th> <th></th> </tr> <tr> <th></th> <th></th> <th colspan="2" style="text-align: center;">(£ millions)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue.....</td> <td style="text-align: right;">10,377.3</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">10,377.3</td> </tr> <tr> <td>Operating profit</td> <td style="text-align: right;">162.4</td> <td style="text-align: center;">—</td> <td style="text-align: right;">(0.8)</td> <td style="text-align: right;">161.6</td> </tr> <tr> <td>Share of profits of the proposed JV</td> <td style="text-align: center;">—</td> <td style="text-align: right;">15.0</td> <td style="text-align: center;">—</td> <td style="text-align: right;">15.0</td> </tr> <tr> <td>Finance income...</td> <td style="text-align: right;">33.8</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">33.8</td> </tr> <tr> <td>Finance costs.....</td> <td style="text-align: right;">(111.6)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">(111.6)</td> </tr> <tr> <td>Profit before tax.....</td> <td style="text-align: right;">84.6</td> <td style="text-align: right;">15.0</td> <td style="text-align: right;">(0.8)</td> <td style="text-align: right;">98.8</td> </tr> <tr> <td>Income tax expense.....</td> <td style="text-align: right;">(47.3)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">(47.3)</td> </tr> <tr> <td>Profit for the year.....</td> <td style="text-align: right;"><u>37.3</u></td> <td style="text-align: right;"><u>15.0</u></td> <td style="text-align: right;"><u>(0.8)</u></td> <td style="text-align: right;"><u>51.5</u></td> </tr> </tbody> </table> <p>(1) The income statement for the Group for the year ended 30 March 2019 has been extracted, without material adjustment, from its audited consolidated financial statements incorporated by reference into this document.</p> <p>(2) (a) The adjustment reflects the Group's 50 per cent. share of profit of the proposed JV on an equity accounting basis. Share of profits is shown before interest, tax, depreciation and amortisation.</p>		Group 30 March 2019	Adjustments		Pro forma Group 30 March 2019		Note 1	Proposed JV Note 2	Other costs Note 3				(£ millions)			Revenue	10,377.3	—	—	10,377.3	Operating profit	162.4	—	(0.8)	161.6	Share of profits of the proposed JV	—	15.0	—	15.0	Finance income...	33.8	—	—	33.8	Finance costs.....	(111.6)	—	—	(111.6)	Profit before tax	84.6	15.0	(0.8)	98.8	Income tax expense.....	(47.3)	—	—	(47.3)	Profit for the year.....	<u>37.3</u>	<u>15.0</u>	<u>(0.8)</u>	<u>51.5</u>
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Profit for the year.....	<u>37.3</u>	<u>15.0</u>	<u>(0.8)</u>	<u>51.5</u>																																																					

PART I CONTINUED

		<p>The share of profit for the proposed JV is calculated below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; border-bottom: 1px solid black;">Proposed JV</th> </tr> <tr> <th></th> <th style="text-align: right; font-size: small;">Note 2b (£ millions)</th> </tr> </thead> <tbody> <tr> <td>Revenue.....</td> <td style="text-align: right;">1,466.6</td> </tr> <tr> <td>Cost of sales.....</td> <td style="text-align: right;">(1,043.0)</td> </tr> <tr> <td>Gross profit.....</td> <td style="text-align: right;">423.6</td> </tr> <tr> <td>Other income.....</td> <td style="text-align: right;">59.8</td> </tr> <tr> <td>Distribution costs.....</td> <td style="text-align: right;">(403.3)</td> </tr> <tr> <td>Administrative expenses.....</td> <td style="text-align: right;">(50.0)</td> </tr> <tr> <td>Operating profit.....</td> <td style="text-align: right;">30.1</td> </tr> <tr> <td>Group share of the proposed JV operating profit on equity accounting basis (50 per cent.).....</td> <td style="text-align: right;">15.0</td> </tr> </tbody> </table> <p>(b) The information on the proposed JV for the 52 weeks ended 2 December 2018 has been extracted without material adjustment from footnote 2 to the Unaudited <i>Pro Forma</i> Income Statement in Part IV of Ocado's Notice of General Meeting and Class 1 Circular in relation to the proposed arrangements with Marks and Spencer Group plc, dated 26 April 2019 (the Ocado Circular). Footnote 2 to the Unaudited <i>Pro Forma</i> Income Statement in Part IV of the Ocado Circular is incorporated by reference in this Prospectus.</p> <p>(c) It reflects the results of the proposed JV for the 52 weeks ended 2 December 2018. It has been prepared on a basis consistent with the accounting policies of the Group. In addition, it is not possible to provide a meaningful allocation of depreciation, amortisation, interest or taxation charges for the proposed JV as these items were managed centrally by Ocado Group plc and not on a divisional basis. Therefore, the adjustments in respect of the share of profits of the proposed JV have only been prepared to a profit before interest, tax, depreciation and amortisation level.</p> <p>The operating profit above of £30.1 million differs from the £34.2 million as announced by the Group on 27 February 2019, as it excludes certain capital charges and other items that do not meet the strict criteria for an adjustment in a <i>pro forma</i> per Annex II.</p> <p>As noted above, operating profit is prepared before interest, tax, depreciation and amortisation and is therefore for the purposes of this Summary Unaudited Pro Forma Financial Information assumed to be equivalent to EBITDA.</p> <p>(3) (a) Other costs relates to an estimated £33.4 million of fees from banks and other professional service providers in respect of the Rights Issue and the proposed JV. Of this, £3.4 million has already been expensed in the Group's FY19 results, with a further £0.8 million to be incurred as shown in the above <i>pro forma</i> as an adjustment to operating profit.</p> <p>(b) There is no material impact of the Rights Issue on the income statement <i>pro forma</i> as it is assumed that the proposed JV initial consideration will be financed entirely from the Rights Issue. Any interest income earned from the time the Rights Issue proceeds are received and the payment of the proposed JV consideration are assumed to be not material.</p> <p>(4) No account has been taken of the trading activity or other transactions of the Group since 30 March 2019 or of the proposed JV since 2 December 2018 or of the synergies expected to arise as a result of the Transaction. No account has been taken of the fair value exercise and purchase price allocation exercise which will take place after completion of the Transaction. For the purposes of the Summary Unaudited Pro Forma Financial Information, all of the excess of the cost of the investment over the net assets of the proposed JV has been allocated to goodwill.</p>		Proposed JV		Note 2b (£ millions)	Revenue	1,466.6	Cost of sales.....	(1,043.0)	Gross profit	423.6	Other income.....	59.8	Distribution costs.....	(403.3)	Administrative expenses.....	(50.0)	Operating profit	30.1	Group share of the proposed JV operating profit on equity accounting basis (50 per cent.)	15.0
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B.9	Profit forecast /estimate	Not applicable; there is no profit forecast or estimate in this Prospectus.																				
B.10	Audit report – qualifications	Not applicable; there are no qualifications in the auditor's reports on the consolidated financial information relating to the Group included in or incorporated by reference in this Prospectus.																				
B.11	Insufficient working capital	Not applicable; the Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for																				

PART I CONTINUED

		at least the next 12 months from the date of publication of this Prospectus.
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Section C – Securities		
C.1	Description of the Rights Issue	The Rights Issue comprises 325,009,968 New Ordinary Shares with a nominal value of 25 pence each and the ISIN GB0031274896. The ISIN for the Nil Paid Rights is GB00BCV1NW62 and the ISIN for the Fully Paid Rights is GB00BCV1P089.
C.2	Currency of issue	Pounds sterling.
C.3	Issued share capital	As at the Latest Practicable Date, the Company has in issue 1,625,049,840 fully paid Ordinary Shares.
C.4	Rights attaching to the securities	<p>The New Ordinary Shares will rank equally with the Existing Ordinary Shares for voting purposes. On a show of hands, each Shareholder has one vote and on a poll each Shareholder has one vote per Ordinary Share held.</p> <p>Each New Ordinary Share ranks equally with each Existing Ordinary Share for any dividend declared, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the Financial Year 2019. Each New Ordinary Share ranks equally with each Existing Ordinary Share for any distributions made on a winding up.</p>
C.5	Restrictions on transfer	The New Ordinary Shares and the Existing Ordinary Shares are freely transferable and there are no restrictions on transfer set out in the constitutional documents of the Company.
C.6	Admission to trading	<p>Applications have been made for the New Ordinary Shares (nil paid and fully paid) in the Company to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.</p> <p>The London Stock Exchange's main market is a regulated market. It is expected that admission to listing of the New Ordinary Shares, nil paid, and dealings in the New Ordinary Shares, nil paid, on the London Stock Exchange's main market for listed securities will commence at 8.00 a.m. on 29 May 2019.</p>
C.7	Dividend policy	<p>The Company is taking proactive steps to strengthen its balance sheet to provide a secure platform for the Group's transformation programme, and the right balance of investment and shareholder returns. On 27 February 2019, the Company announced that it intends to reduce the Company's dividend to a sustainable level, which it aims to grow in line with earnings over time.</p> <p>The final dividend per share for the Financial Year 2019 and prior dividends per share will be restated in the Company's future accounts to reflect the bonus factor adjustment resulting from the Rights Issue in due course. The bonus factor adjustment arises due to the Rights Issue involving bonus shares issued at the Rights Issue price which is below the Closing Price on 21 May 2019.</p> <p>The Company paid an interim dividend for Financial Year 2019 of 6.8 pence on 11 January 2019. The Company has announced a final dividend of 7.1 pence for Financial Year 2019. The total dividend for Financial Years 2018 and 2017 was 18.7 pence and 23.3 pence, respectively.</p>

PART I CONTINUED

Section D – Risks		
D.1	Key information on the key risks that are specific to the issuer or its industry	<p>The Group operates, and the proposed JV will operate, in highly competitive sectors, particularly with respect to merchandise selection and quality, store location and design, inventory, price, brand, customer service, credit availability and advertising, both on the high street and online. Some of the Group's or the proposed JV's competitors may have greater financial resources, greater purchasing economies of scale or lower cost bases, which may give them a competitive advantage over the Group or the proposed JV and could result in a loss in the Group's or the proposed JV's market shares and adversely affect their businesses, results of operations, financial condition or prospects.</p> <p>An adverse change in macroeconomic conditions, whether in the United Kingdom or internationally, may adversely affect consumer confidence and consumer spending decisions. Such conditions include higher inflation, higher interest rates, declining access to credit, lower or stagnating wages, increasing unemployment, weakness in housing and real estate markets, changes in government fiscal or tax policies, removal of subsidies, reduced public spending or credit crises affecting disposable incomes, increases in fuel prices, a loss of consumer confidence and a change in customer spending preferences, any of which could have a material adverse effect on the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.</p> <p>The Group and the proposed JV may be materially adversely impacted by the exit of the United Kingdom from the EU, particularly in the event of a "no-deal" Brexit. A continued or sustained future strengthening of foreign currencies against the pound sterling and the effective price inflation or the imposition of import duties on goods arriving into the United Kingdom could result in increased costs with respect to the products that the Group imports from outside the United Kingdom. Similarly, the Group and its suppliers may experience delays at ports while importing goods from the EU, which could result in inefficiencies and waste in the Group's supply chain and certain of its suppliers ceasing to do business with UK companies, including the Group.</p> <p>A failure to timely execute the Group's strategy, including the Group's business transformation programme, could materially adversely affect its business, results of operations, financial condition or prospects. The Transformation Programme is based on numerous assumptions and is subject to a number of variables such as the timescale and implementation costs and there can be no assurance that the steps being taken by the Group will improve its future results or achieve its strategic objectives within the expected timeframes or at all. The Group has not undergone any transformational programme of this scale in the past and the successful execution of the Transformation Programme has required, and will continue to require, focus from senior management and high levels of cross business engagement to achieve its various objectives.</p> <p>The success of the Group's business depends on its ability to increase its online presence and sales in its Food and its Clothing & Home businesses. Similarly, the Group's investments to increase its online presence and sales, including through the proposed JV, are subject to a number of risks and uncertainties. Any failure of the Group to increase its online sales could materially adversely affect its business, results of operations, financial condition or prospects.</p> <p>The Group's Food business may be unable to deliver its plans to broaden customer appeal and increase sales and the Group may fail to reshape its Clothing & Home business to deliver greater value to customers. The Group may be unable to effectively and accurately identify consumer preferences in a timely manner or fail to improve the value perception of</p>

PART I CONTINUED

		<p>its Food products and the value proposition of its Clothing & Home products, any of which could have a material adverse effect on its business, results of operations, financial condition or prospects.</p> <p>The Group's success depends upon its ability to create a high-quality store estate by timely executing on its UK store closure programme as well as renewing and modernising its store formats. Further, the value of the Group's freehold property portfolio may decline whereas the Group is also subject to risks and costs associated with its leasehold property portfolio. If the Group is unsuccessful in managing a high-quality store estate or any of the risks related to its freehold and leasehold property portfolios occurs, the Group's business, results of operations, financial condition or prospects could be materially adversely affected.</p> <p>To achieve the Group's strategic objectives and remain competitive, the Group must continue to develop and enhance its use of technology. The Group appointed TCS to allow the Group to streamline its IT functions as well as consolidate and simplify its technology supplier base. Further, the Group is in the process of implementing, or plans to implement, a range of IT developments that are significant to the Group's business. However, there can be no assurance that the Group will be successful in implementing these changes and investments, that they will achieve the anticipated business benefits or that there will not be cost overruns.</p> <p>The Group and the proposed JV may be subject to IT failures, cyber-attacks or breaches, including due to hacking or vandalism. A significant IT failure or breach, in particular in connection with the Group's or the proposed JV's online sales channels, could affect the efficient and uninterrupted operations of the Group's or the proposed JV's websites and mobile applications and restrict the Group's and the proposed JV's ability to serve their customers online.</p> <p>The Group is, and the proposed JV will be, subject to regulation regarding the use of personal data and debit and credit card data. The Group collects, processes and, in some cases, stores personal data of customers and employees (some of which may be sensitive) as part of the Group's business and therefore must comply with strict data protection and privacy laws. If either the Group or the proposed JV fail to store or transmit customer information and payment details online in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group or the proposed JV could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of the goodwill of the Group's or the proposed JV's customers and deter new customers, which could have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.</p> <p>The Transaction is subject to the satisfaction or waiver, where applicable, of a number of conditions. There can be no guarantee that this will occur in a timely manner and on terms acceptable to both the Group and Ocado, or at all, or can be met only after undue diversion of financial resources or management time and attention.</p> <p>The proposed JV may not perform in line with expectations and the Group may not realise the anticipated returns from its investment in the proposed JV. The proposed JV faces risks in connection with the online grocery market competitive environment, risks relating to building and retaining customer relationships, and risks in connection with the supply of its products, any of which could have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.</p> <p>The Group faces risks in connection with the materialisation of the targeted synergies from the proposed JV. The realisation of such synergies is subject to certain assumptions made by the Group and there can be no assurance that such synergies will be realised within the</p>
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PART I CONTINUED

		<p>expected timeframe, if at all. Accordingly, the Group's ability to achieve the projected synergies is subject to a number of factors, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.</p>
D.3	Key information on the key risks that are specific to the securities	<p>The Ordinary Shares are priced in pounds sterling and are quoted and traded in pounds sterling. In addition, any dividends the Company may pay will be declared and paid in pounds sterling. Accordingly, holders of the Ordinary Shares resident outside the United Kingdom are subject to risks arising from adverse movements in the value of their local currencies against the pound sterling.</p> <p>The market price for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside the Company's control.</p> <p>Shareholders who do not take up any rights to subscribe for New Ordinary Shares under the Rights Issue will experience a dilution in their ownership and voting rights in the Company.</p>

Section E – Rights Issue

E.1	Net Proceeds / Expenses	<p>The net proceeds of the Rights Issue will be approximately £570.7 million, after estimated fees and expenses of approximately £30.6 million.</p> <p>No expenses will be charged to subscribers of New Ordinary Shares in connection with the Admission or the Rights Issue by the Company.</p>
E.2	Reasons for the Rights Issue / Use of Proceeds	<p>The Company intends to use the net proceeds of the Rights Issue to fund the initial consideration of £562.5 million, which is due on completion of the acquisition of its 50 per cent. share of the proposed JV. The Transaction is expected to close in August 2019.</p>
E.3	Terms and conditions of the Rights Issue	<p>The Company proposes to offer New Ordinary Shares pursuant to the Rights Issue to Qualifying Shareholders (other than, subject to certain very limited exceptions, shareholders with a registered address or which are resident or located in the United States or any of the Abu Dhabi Global Market, the Dubai International Financial Centre, Israel, Hong Kong, Japan, the People's Republic of China, New Zealand, Singapore, South Africa, Switzerland, the United Arab Emirates and any other jurisdiction where the extension and availability of the Rights Issue (and any other transaction contemplated in relation to it) would breach any applicable laws or regulations (the Excluded Territories)).</p> <p>The Rights Issue is made on the basis of 1 New Ordinary Share for every 5 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date.</p> <p>Qualifying Shareholders with fewer than 5 Existing Ordinary Shares at the close of business on the Record Date will not be entitled to subscribe for any New Ordinary Shares under the terms of the Rights Issue.</p> <p>The Rights Issue Price of 185 pence per New Ordinary Share represents a 31.8 per cent. discount to the Closing Price of 271.2 pence per Existing Ordinary Share and a discount of 30.0 per cent. to the Closing Price of 264.1 pence per Existing Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, in each case on 21 May 2019, being the last Business Day before the announcement of the Rights Issue. Additionally, it represents an approximately 28.0 per cent. discount to the theoretical ex-rights price of 256.8 pence per New Ordinary Share, or a discount of approximately 26.3 per cent. to the theoretical ex-rights price of 250.9 pence per New Ordinary Share when adjusted to reflect the Ordinary Shares becoming</p>

PART I CONTINUED

		<p>ex-dividend during the Rights Issue offer period, both calculated by reference to that Closing Price. The Directors believe that it is necessary to offer the New Ordinary Shares at a discount to complete the Rights Issue to allow the Company to raise the required funding and accordingly believe that such discount is in the best interests of the Shareholders, and that the Rights Issue Price is appropriate for the Rights Issue.</p> <p>The Rights Issue will result in 325,009,968 New Ordinary Shares being issued (representing approximately 20.0 per cent. of the existing issued share capital of the Company and 16.7 per cent. of the enlarged issued share capital of the Company immediately following Admission of the New Ordinary Shares).</p> <p>The Rights Issue is fully underwritten by the Underwriters pursuant to the terms and subject to the conditions of the Underwriting Agreement.</p> <p>The Rights Issue is conditional, <i>inter alia</i>, upon (a) the Underwriting Agreement becoming unconditional and (b) Admission becoming effective.</p> <p>Applications have been made to the FCA for the New Ordinary Shares (nil paid and fully paid) proposed to be issued in connection with the Rights Issue to be admitted to the Official List, and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that admission of the New Ordinary Shares (nil paid) will become effective and that dealings in the New Ordinary Shares (nil paid) will commence on 29 May 2019.</p> <p>The New Ordinary Shares, when issued and fully paid, will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions made, paid or declared (if any) after the date of issue of the New Ordinary Shares.</p> <p>The last time and date for acceptance and payment in full under the Rights Issue is expected to be no later than 11.00 a.m. on 12 June 2019.</p>
E.4	Material interests	Not applicable; there are no other interests including conflicting interests that are material to the Rights Issue.
E.5	Name of offeror Details of lock-up arrangements	<p>Not Applicable. The Rights Issue constitutes an offer of New Ordinary Shares by the Company.</p> <p>Pursuant to the Underwriting Agreement, the Company has agreed, subject to customary exceptions, not to issue any Ordinary Shares or rights to subscribe for Ordinary Shares during the period of 180 days from the date of settlement of the Underwriters' payment obligations under the Underwriting Agreement, without the prior written consent of the Sole Global Co-ordinator (on behalf of the Underwriters).</p>
E.6	Dilution	A Qualifying Shareholder who sells or otherwise elects not to take up or who is not able or permitted to take up its, his or her Nil Paid Rights (for example because they are located or resident in an Excluded Territory) will experience a 16.7 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 16.7 per cent.) as a result of the Rights Issue.
E.7	Estimated expenses charged to the investor by the issuer	Not applicable; there are no expenses to be charged to Qualifying Shareholders by the Company in connection with the Rights Issue except in the following circumstance. Any Qualifying Non-CREST Shareholder who is an individual whose registered address is in the United Kingdom or in any other jurisdiction in the EEA may elect to sell all of their Nil Paid Rights, or effect a Cashless Take-up, using the Equiniti Dealing Service. Equiniti Financial Services Limited will charge a commission of 1.5 per cent. of the gross proceeds of sale of the Nil Paid Rights which are the subject of the sale, with no minimum charge.

PART II

RISK FACTORS

An investment in the Company and the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and/or related instruments is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below, and all of the information incorporated by reference into this Prospectus prior to making an investment in the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and/or related instruments. The Group's, and to the extent relevant, the proposed JV's, business, results of operations, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.

The risks below are all those which the Directors are aware of as at the date of this Prospectus and which they currently believe may materially affect the Company, the Group or the proposed JV. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The risks set out in this section are based on information known at the date of this Prospectus. Additional risks and uncertainties that are not presently known to the Directors, or which the Directors currently deem immaterial, may exist or become material and could adversely and materially affect the Company, the Group or the proposed JV. This Prospectus also contains estimates that involve risks and uncertainties. The Group's or the proposed JV's results may differ significantly from those previously estimated as a result of certain factors, including the risks which it faces, as described below.

1. RISKS RELATING TO THE GROUP'S AND THE PROPOSED JV'S BUSINESSES

1.1. *The Group operates, and the proposed JV will operate, in highly competitive sectors and their competitors' actions could lead to a loss in their market shares and adversely affect their businesses, results of operations, financial condition or prospects.*

The retail industry is highly competitive, particularly with respect to merchandise selection and quality, store location, size and design, inventory, price, brand, customer service, credit availability and advertising, both on the high street and online. The Group competes with a diverse range of retailers in both Food and Clothing & Home who operate different models and formats through a variety of physical, digital and integrated distribution channels and who offer a range of distinct product propositions, from the premium to the value end of the market, in the various geographical markets in which the Group operates.

The Group's competitors may adopt aggressive pricing policies, expand or decrease their store portfolios (particularly in locations in close proximity to the Group's own store portfolio), undertake more extensive marketing and advertising campaigns or sell products which may be more appealing to customers. Actions taken by the Group's competitors, as well as actions taken by the Group to maintain its competitiveness and reputation, have placed and will continue to place pressure on the Group's pricing strategy, margins and profitability. Similarly, the Group may fail to source its products in the wholesale market on advantageous terms or at prices that are at least as favourable to the terms and prices that its primary competitors achieve. In addition, some of the Group's competitors may have greater market presence and brand recognition than the Group, or may be perceived to offer better value products at the same or lower prices than the Group.

In its Food business, the Group is facing intense competitive pressure from both discounters and supermarkets, some of whom may seek to imitate aspects of the Group's brand products by seeking, for example, to match the Group's fresh product ranges and innovation. The Group's Food business competes with UK-based retailers, including Aldi, Asda, Lidl, Morrisons, Sainsbury's, Tesco and Waitrose. In Clothing & Home, the Group competes with global scale competitors and local players, including H&M, Inditex, Next plc and Uniqlo, and online-only retailers, such as Asos. In addition, price-led discounters have developed a strong market position with the continued growth of Primark, as well as the major grocers who offer inexpensive clothing and home products.

Some of the Group's competitors may have greater financial resources, greater purchasing economies of scale or lower cost bases, any of which may give them a competitive advantage over the Group. The Group's competitors also may merge or form strategic partnerships, which could result in significant additional competition for the Group. Any future merger or strategic partnership between two or more of the Group's competitors could enable the relevant competitors to offer better prices to consumers and source its products from suppliers in more favourable terms, which could increase competitive pressure to other market participants in the food retail business, including the Group.

Moreover, the Group expects competition from e-commerce (including m-commerce) providers to intensify in the future. Specifically, in connection with the Group's Clothing & Home business, barriers to entry for e-commerce providers are generally lower. Further, several of the Group's Clothing & Home competitors operate

PART II CONTINUED

a fast fashion model, which is based on rapidly identifying and translating the latest trends in high fashion into products for the average consumer. If the Group fails to anticipate and meet changing consumer preferences, including by way of offering competitive products and delivery services, such failure could result in a loss of the Group's market share. In addition, the Group's Clothing & Home online sales as a proportion of its total Clothing & Home sales are lower than the online sales of several of its competitors and there can be no assurance that the Group's online offering will grow as expected. In the Food market, the proposed JV will face intense competition from online grocers such as Amazon Fresh, Asda, Morrisons, Sainsbury's, Tesco and Waitrose, see "*—The proposed JV may not perform in line with expectations and the Group may not realise the anticipated returns from its investment in the proposed JV.*" As a result of competition from e-commerce providers, the Group and the proposed JV may experience pricing pressures and loss of market share.

With respect to the Group's International business, the Group and its franchisees compete against both new entrants and longer-established competitors who are more likely to have better developed brand recognition and customer loyalty, existing store and distribution networks and greater knowledge of customer tastes and preferences in their local markets. The Group's International business is also impacted by the growth of other international fashion brands and the Group is facing competitive pressure from global scale competitors. If the Group or its franchisees are not able to compete successfully, the Group's business, results of operations, financial condition or prospects could be materially adversely affected.

1.2. An adverse change in macroeconomic conditions, whether in the United Kingdom or internationally, may adversely affect consumer confidence and consumer spending decisions.

As the significant majority of the Group's revenues are generated from retailing activities in the United Kingdom and the Republic of Ireland, the Group's business, results of operations, financial condition or prospects are, and will continue to be, particularly affected by prevailing economic conditions in the United Kingdom and the Republic of Ireland. The Group is also affected by macroeconomic conditions in other markets in which the Group carries on or will carry on its businesses including regions such as Europe, the Middle East and Asia and an online presence in markets including the United States and Australia. Such conditions include higher inflation, higher interest rates, declining access to credit, lower or stagnating wages, increasing unemployment, weakness in housing and real estate markets, changes in government fiscal or tax policies, removal of subsidies, reduced public spending or credit crises affecting disposable incomes, increases in fuel prices, a loss of consumer confidence and a change in customer spending preferences. Similarly, the proposed JV will operate solely in the United Kingdom and its business, results of operations, financial condition or prospects will be particularly affected by prevailing economic conditions in the United Kingdom.

Consumer purchases of discretionary items, including the Group's Food products and Clothing & Home products, often decline during periods when disposable income is adversely affected or there is economic uncertainty. In particular, the Group's Food products have typically been viewed by customers to be more expensive than products of other retailers and, therefore, more vulnerable to any decrease in consumers' discretionary spending for food and related products. Similarly, the Group's products offered through its International business are often deemed as part of a premium priced UK brand and, thus, the Group could be more significantly affected by discretionary consumer spending cuts compared to other brands which offer lower, or perceived to be lower, prices. Adverse changes in the global economy or in any of the markets in which the Group sells its products could reduce consumer confidence, and thereby could adversely affect the Group's sales. The Group cannot predict whether or when economic circumstances may improve or worsen, or what impact, if any, such circumstances could have on the Group's or the proposed JV's businesses. Any combination of these adverse changes to general economic conditions or the cost of doing business, particularly in the United Kingdom, could have a material adverse effect on the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.

1.3. The Group and the proposed JV may be materially adversely impacted by the exit of the United Kingdom from the EU, particularly in the event of a "no-deal" Brexit.

The United Kingdom held a referendum on 23 June 2016, to determine whether the United Kingdom should leave the EU or remain as a member state, and the outcome of that referendum was in favour of leaving the EU (**Brexit**). Under Article 50 of the 2009 Lisbon Treaty (**Article 50**), the United Kingdom will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the United Kingdom) unanimously decides to extend this period or the United Kingdom revokes Article 50. On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the EU. On 25 November 2018, the EU and the UK government agreed on a draft withdrawal agreement, which was rejected by the UK parliament on 15 January 2019. On 10 April 2019, the EU and the UK government agreed to delay Brexit to

PART II CONTINUED

31 October 2019 as a result of the failure to reach a mutually satisfactory withdrawal agreement. Discussions between the United Kingdom and the EU regarding a withdrawal agreement are on-going. The continued delay in agreeing the nature and timing of Brexit creates uncertainty that could impact the performance of the Group's business.

Regardless of the outcome, there are likely to be changes in the legal rights and obligations of commercial parties across all industries following Brexit. The United Kingdom could lose access to the single EU market and customs union (and the UK government has stated its expectation that the United Kingdom will lose such access) resulting in an impact on the general and economic conditions in the United Kingdom. Until the United Kingdom officially exits the EU, EU laws and regulations will continue to apply, and changes to the application of these laws and regulations are unlikely to occur during negotiations. However, due to the size and importance of the UK economy, and the uncertainty and unpredictability concerning the United Kingdom's legal, political and economic relationship with the EU after Brexit, there may continue to be instability in the market, significant currency fluctuations, and/or otherwise adverse effects on trading agreements or similar cross border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including beyond the date of Brexit.

While an orderly exit would allow business planning to more effectively address the consequences of change against a defined timeframe, a no deal outcome would have a more immediate and negative impact. Either outcome is expected to place increased pressure on how the Group's business performs. The potential impacts include, but are not limited to, (i) a continued deterioration in customer sentiment; (ii) operational complexity, cost and delays due to restrictions on the movement of goods and stricter border controls; (iii) costs passed through from the Group's suppliers; (iv) continuity of supply and supplier viability; (v) the impact of import and export duties; (vi) volatility in currency and corporate bond rates; (vii) tightening of the labour market; (viii) additional regulatory responsibilities and costs; and (ix) increased complexity and cost in the Group's international operations, including franchise partners.

Specifically, these developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. In addition, Brexit may lead to a down-turn in the United Kingdom or other European economies and could result in lower levels of consumer spending if consumer confidence declines or if individuals have less disposable income. Any reduction in the Group's or the proposed JV's customers' willingness or ability to spend due to Brexit-related changes in the economic environment of the United Kingdom and Europe could materially affect the Group's and the proposed JV's sales. A general slow-down in the UK economy due to Brexit may also adversely impact the Group's growth strategies as well as the Group's current and future projections, business, results of operations, financial condition or prospects. As a substantial part of the Group's products and raw materials are sourced and produced outside the United Kingdom through contracts denominated in foreign currencies, a continued or sustained future strengthening of such foreign currencies against the pound sterling and the effective price inflation could result further in increased costs with respect to the products that the Group sources from outside the United Kingdom and a reduction in the Group's gross profit margins.

In addition, approximately 5 per cent. of the Group's employees are citizens of the EU but not of the United Kingdom as at 30 March 2019. Accordingly, any restrictions, whether perceived or actual, on the free movement of EU nationals to and from the United Kingdom could impact the Group's ability, or the ability of its suppliers, to efficiently recruit employees and result in a decrease in labour supply and increase their respective labour costs, which could in turn have an adverse effect on the Group's business, results of operations, financial condition or prospects. Lack of clarity about future UK laws and regulations as the United Kingdom determines which EU laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, data privacy and collection laws and regulations and tax and free trade agreements, may increase costs associated with operating in the United Kingdom.

Any of the above risks could have a material adverse effect on the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.

1.4. A failure to timely execute the Group's strategy, including the Group's business transformation programme, could materially adversely affect its business, results of operations, financial condition or prospects.

In November 2017, the Group set out a five-year business transformation programme (the **Transformation Programme**), to address the headwinds the Group's business is facing such as the continued migration of the Clothing & Home markets towards online, increasing global competition, the growth of home delivery in Food and increased competition from discounters, both in the Food and Clothing & Home businesses. The

PART II CONTINUED

Transformation Programme includes, among others, projects seeking to achieve the creation of a high-quality store estate, the implementation of a technology transformation programme, reshaping the Group's Clothing & Home business, modernising its Food business and implementing a cost savings programme.

Although the various projects comprising the Transformation Programme are significant in their own right, the increased level of interdependency between the various projects requires a high degree of alignment for the successful execution of the Transformation Programme in its entirety. The Group has not undergone any transformational programme of this scale in the past and the successful execution of the Transformation Programme has required, and will continue to require, focus from senior management and high levels of cross business engagement to achieve its various objectives. Whilst the Transformation Programme is supported by experienced personnel, the Group may fail to implement the Transformation Programme due to poor prioritisation, ineffective cost management or loss of key personnel. The Group may also face significant resource constraints to meet the demands of the Transformation Programme's implementation in addition to the Group's ordinary course of business.

The Transformation Programme is based on numerous assumptions and is subject to a number of variables such as the timescale and implementation costs. There can be no assurance that the steps being taken by the Group will improve its future results or achieve its strategic objectives. Further, the Group has commenced the implementation of a cost savings programme through which it is seeking to generate cost savings of at least £350 million by the end of 2020/21 to lower its operational costs; however, there can be no assurance that the Group will be able to achieve such cost savings at all, or within the targeted timeframe, or that the reduction of such costs will not have unintended consequences such as operational inefficiencies or a deterioration in the Group's products quality or service levels. Similarly, the Group expects its capital expenditures to increase in the near-term and medium-term in order to implement various projects related to the Transformation Programme, such as investments in the Group's IT infrastructure or improvements in the Group's supply chain. Although the Group believes that these investments should generate significant returns over time, the Group cannot guarantee that its planned investments will result in increased sales or profitability or greater operational efficiencies.

Although the Group regularly reviews the implementation of the Transformation Programme, if any of the Transformation Programme's underlying assumptions prove to be incorrect or if it is not effectively prioritised, managed, communicated or implemented, the Group may not be able to realise the benefits it expects either at all or within its expected timeframes, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.5. The Group may fail to increase its online sales, which could materially adversely affect the Group's business, results of operations, financial condition or prospects.

The success of the Group's business depends on its ability to increase its online presence and sales both in its Food and its Clothing & Home businesses.

The Group's Clothing & Home online operations are, and will continue to be, increasingly significant to the Group and the Group is seeking to achieve one-third of its total Clothing & Home sales from online sales by FY23, compared to 22 per cent. of Clothing & Home revenue in FY19 (FY18: 19 per cent). To meet this target, the Group has made investments to improve the basic elements of its online shopping experience such as improvements in site speed, a redesigned homepage, simpler check-out and improved delivery proposition, in addition to improving its online fulfilment capabilities. In addition, the Group has invested in its national distribution and e-commerce centre at Castle Donington to improve its fulfilment capabilities for its online offering. However, there can be no assurance that such investments or efforts will deliver the expected results (see "*—A significant disruption to or failure of Castle Donington could materially adversely impact the fulfilment of the Group's online sales*"). The Group may also fail to improve or maintain its website and customer user experience. For example, customers may find the Group's website or mobile application difficult to use or not feel confident that they are secure or without risks, which could result in a decrease in the number of Clothing & Home customers shopping online. The Group is also subject to risks in connection with integrating the Group's online platform with its store network. For example, customers could face difficulties returning products which they purchased online to the Group's stores or the Group may fail to fulfil online orders for store collection in a timely manner, any of which could result in decreased sales for the Group's online platform.

In its Food business, the Group is seeking to increase its online Food presence through the proposed JV but this is subject to a number of risks and uncertainties (see "*Risks Relating to the Proposed JV and the Transaction—The proposed JV may not perform in line with expectations and the Group may not realise the anticipated returns from its investment in the proposed JV*").

PART II CONTINUED

Any failure to increase the Group's online sales could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.6. If the Group's Food business is unable to deliver its plans to broaden customer appeal and increase sales, its business, results of operations, financial condition or prospects may be materially adversely affected.

The Group's Food business is facing basic operating weaknesses and its success depends on the continued appeal of its product range, including customers' value perception of its Food offering, and the Group's ability to differentiate its Food offering from that of its competitors.

The Group's Food business is facing significant competitive pressure from both discounters and supermarkets, in terms of price and challenges to its fresh product ranges and innovation. Such competitive pressure could restrict the Group's ability to differentiate its products and result in the Group becoming less competitive, particularly at the premium end of the Food market. As part of its efforts to increase Food sales, the Group is seeking to increase the frequency of customer shopping visits to its stores and also adapt its Food categories and product offering to broaden their appeal to a wider range of customers, including responding to changes in customer demands, such as increasing healthy and vegetarian or vegan options. However, there can be no assurance that the Group will accurately identify the preferences of consumers on a timely basis and such products offerings may not result in the expected increased sales. In addition, the Group may not succeed in increasing the frequency of customer shopping visits if consumers increase their online grocery shopping compared to in-store shopping or prefer to dine at restaurants instead of cooking at home.

The Group is seeking to improve the value perception of its products among its customers who tend to think that the Group's Food products are considerably more expensive than the products of other retailers. Such perception has further increased due to significant competition from discounters which has resulted, and may continue to result, in customers seeking lower prices. For example, the Group is taking steps to reduce the prices of "everyday" items to retain and attract customers who want high-quality food for great value. In addition, simpler price and promotional messaging has commenced in stores. Although the Group is seeking to reduce its prices and implement measures to change consumer perception, there can be no assurance that it will be successful. For example, such price reductions could result in a decrease in quality in the Group's products, which could harm the Group's reputation as a premium Food retailer. An increase in sales of the Group's value products could also result in a decrease in the Group's more premium products, which tend to have higher margins, and a decrease in the Group's profitability.

The Group has also commenced a process to reduce costs in its Food business. This includes implementing a cost out programme focused on identifying internal cost saving opportunities and also lowering supply costs, while also improving supply chain efficiency and the effectiveness of the Group's supplier management processes, including through the "Fuse" programme, which seeks to improve the timing and scope of mark-downs and achieve greater stock file accuracy and reduce excess ambient stock. There can be no assurance, however, that the Group will succeed in achieving targeted cost reductions or that such reductions will not result in adverse operational challenges. For example, improved supplier management processes, including potential rationalisation of the supplier base or the timely identification of alternative suppliers, may not be successful. Although cost savings may be achieved by reducing the number of suppliers for a certain product, this could increase the risk to the Group if such supplier performance is poor. Similarly, the Group's Food offering depends on an efficient and flexible supply chain to deliver its products to its stores, franchisees and customers in a timely manner. Any efforts to reduce the Group's supply chain costs or any failure to effectively implement process changes could result in operational inefficiencies in the Group's supply chain (see "*—The Group's or the proposed JV's business, results of operations, financial condition or prospects could be harmed if they fail to maintain proper inventory*").

Any failure of the Group to deliver its plans to broaden customer appeal and increase sales of its Food business could have a material adverse effect on its business, results of operations, financial condition or prospects.

1.7. If the Group fails to reshape its Clothing & Home business to deliver greater value to customers, its business, results of operations, financial condition or prospects may be materially adversely affected.

As part of the Transformation Programme, the Group is seeking to reshape its Clothing & Home business, which is characterised by, among other things, an ageing customer base and an overly wide range.

The Group is focusing, for example, on reducing the number of product lines in its Clothing & Home range by prioritising everyday wearable style and wardrobe essentials and improving the value proposition of its

PART II CONTINUED

products while broadening their appeal to younger family-age customers. The Group's product range remained too wide in FY19, with the volume of options in the Group's range splintering the Group's buying scale and making shops challenging to navigate for customers. The Group's size ratios have also been historically misaligned with the profile of the contemporary family-age customer to which the Group aims to appeal. Success will depend on the Group's ability to effectively predict and respond to changing consumer tastes with pace and to translate market trends into appropriate, saleable merchandise offerings. There can be no assurance that the Group will accurately predict consumers' preference for fewer lines compared to a broader variety of products or that the Group will be successful in identifying which product lines should be discontinued compared to others. In addition, the Group may fail to successfully identify the style preferences of younger family-age customers and, thus, may be unable to attract and retain such customers, which could result in a failure to grow the Group's Clothing & Home business. Similarly, the Group's removal of certain product lines that the Group deems unprofitable might prove to be unpopular with the Group's customers and have a material adverse effect on the Group's sales.

In addition, the Group is taking steps to improve the value proposition of its Clothing & Home products. In particular, the Group is focusing on restoring full-price sales by reducing the number of promotions and historically reducing the number of clearance sales while reducing the price of several "everyday" lines. Although such price reductions might lead to increased sales in the short-term, if these reductions are not matched with increased volumes, respective reductions in operating costs or lower prices from the Group's suppliers, they could result in lower profit margins. Similarly, if the Group offers products for lower prices but of lower quality, or of perceived lower quality, compared to its existing products, the Group's business or reputation could be materially adversely impacted. Lower prices for certain ranges of the Group's products could also decrease sales of the Group's more premium products, which tend to have higher margins, and, thus, impact the Group's profitability. In addition, a reduction in the Group's number of promotions and clearance sales could decrease the overall frequency of customer visits to the Group's stores, which could result in decreased sales. Similarly, the increasing focus of customers to purchase products mostly during promotional seasons and not during the rest of the year could result in customers perceiving that the Group's fully-priced products are overall more expensive compared to the discounted products of its competitors. For example, in FY18, the Group reduced the number of major Clothing & Home sales from four annually to two annually, which contributed to lower Clothing & Home revenue and like-for-like revenue during the period.

The Group aims to increase its Clothing & Home online sales to one-third of its total Clothing & Home sales but there can be no assurance that the Group will be successful in achieving such target (see "*—The Group may fail to increase its online sales, which could materially adversely affect the Group's business, results of operations, financial condition or prospects*"). The Group is also seeking to make improvements to its Clothing & Home distribution network and supply chain by investing in various projects and programmes, including transitioning to a single-tier network of national UK distribution centres and implementing the Fuse programme. However, there can be no assurance that the implementation of such programmes will deliver the anticipated benefits in terms of efficiency, improved reliability and cost reductions to the Group's distribution network and supply chain or that their implementation will be completed in a timely manner, if at all. For more information, see "*—The Group is, and the proposed JV will be, dependent on the efficiency, availability and reliability of their respective warehousing and distribution infrastructure, and any disruption to such infrastructure, or failure to develop effectively the Group's network and logistics infrastructure, may materially adversely affect the Group's supply chain and business, results of operations, financial condition or prospects*" and "*—The Group's or the proposed JV's business, results of operations, financial condition or prospects could be harmed if they fail to efficiently manage their inventory*").

Any failure of the Group to reshape successfully its Clothing & Home business could have a material adverse effect on its business, results of operations, financial condition or prospects.

1.8. The Group's success depends upon its ability to create a high-quality store estate by timely executing on its UK store closure programme as well as renewing and modernising its store formats.

The Group's stores represent a geographically diversified presence throughout the United Kingdom and include its flagship stores, high street stores, retail park stores, outlet stores and convenience stores. The location of the Group's stores, their design (both internally and externally), store surroundings and the type of other retailers adjacent to the store locations are among the variety of factors that impact the quality of the store portfolio in the eyes of the Group's customers and thus affect the Group's performance.

In November 2016, the Group announced a five-year strategic programme to transform its UK store estate, including through the closure of approximately 25 per cent. of the Group's FY16 Clothing & Home retail space. During FY18 and FY19, the Group accelerated and extended the reshaping of its store estate. As at 30 March 2019, the Group has closed 35 full-line stores as part of its store closure programme, with additional low

PART II CONTINUED

volume, higher cost “Simply Food” stores to be relocated or rationalised. There can be no assurance that the Group will be successful in implementing its UK store closure programme within the estimated timetable and expected budget. For example, the Group may fail in identifying the appropriate stores and close stores that could otherwise prove economically profitable or by not closing stores that prove to be unprofitable. This challenge is heightened by the existing retail environment where certain UK high street retailers have experienced serious financial difficulties, entered into administration or otherwise closed multiple stores, which has led and could continue to lead to a decrease in the value of the Group’s adjacent stores. Thus, the Group may fail in predicting which areas will be most affected by such events or trends adversely impacting the Group’s accurate assessment on which stores to close or which leases to assign in a commercially acceptable manner. In addition, the Group may not be successful in finding purchasers for the identified stores on commercially acceptable terms or at all or that any termination or modification or assignment of a lease over any such property will be obtained or completed on commercially acceptable terms or at all or will not include the incurrence of significant dilapidation expenditure to effect such sale or transfer of lease. The Group may also face operational challenges in executing its store closure programme, such as the successful implementation of redundancies associated with the closure programme and the redeployment of staff from one store to another. The implementation of its UK store closure programme has in the past and may continue to result in negative press, disengagement with local communities and consumer associations or frustration among its employees, any of which could materially adversely affect the Group’s business and reputation. In addition, the Group may consider redeveloping some of its larger, older city centre sites, which, if undertaken, could pose risks of cost overruns, poor returns on investment and loss of customers as a result of store closures during the redevelopment period.

The Group locates many of its stores in prominent locations within shopping centres and town centres. Many of the Group’s stores are situated in high footfall locations in some of the United Kingdom’s largest shopping areas. The Group’s revenue at these stores is dependent, to a significant degree, on the volume of customer traffic in those retail destinations and the surrounding areas. The Group’s stores located in or near retail destinations benefit from the ability of other tenants in those retail destinations to generate consumer traffic in the vicinity of the Group’s stores and the continuing popularity of those areas as retail destinations. The Group cannot control the availability or cost of appropriate locations within shopping centres, competition with other retailers for prominent locations or the success of individual shopping centres and there is no guarantee that the Group’s store locations will retain their attractiveness over time. Changing consumer habits, such as a move away from city or town centre shopping, or buying online, may mean that the Group’s store locations become less attractive over time as a result of lower numbers of visiting customers. Similarly, the emergence of competing retail destinations nearby, the closing of anchor stores or deterioration in the financial condition of retail destination operators or developers could, for example, limit their ability to finance tenant improvements for the Group and other retailers.

The Group also monitors the quality and profitability of its stores and may decide to reformat existing stores to create a more modern, customer and service friendly store environment. However, there can be no assurance that any such improvements will remain within budget and deliver the expected returns on investment by increasing their appeal to its customers. Further, the Group’s in-store technology and systems have been underinvested in historically and require improvement. Although the Group has started to address this problem by giving all store managers tablet computers to improve their operational capabilities or by accelerating its self-checkout programme to reduce queuing issues, there can be no assurance that such measures will be successfully implemented without causing other operational inefficiencies or that they will appeal to customers. In modernising or refurbishing or in changing the layout of a store in its existing store portfolio, the Group may require consents from its respective landlords or local authorities. Such landlord or local authority consents may not be forthcoming or, in the case of landlord consents, may not be given on terms that are commercially acceptable to the Group, as the case may be, which might impact the Group from maximising the use of the store in a manner the Group deems as adequate and profitable.

If the Group is unsuccessful in managing a high-quality store estate, its business, results of operations, financial condition or prospects could be materially adversely affected.

1.9. The value of the Group’s freehold property portfolio may decline and the Group is subject to risks and costs associated with its leasehold property portfolio.

As at 30 March 2019, 26 per cent. of space in the Group’s real estate portfolio in the United Kingdom was freehold. There is a risk that the value of the Group’s freehold property portfolio, including certain of its offices, may decline materially over time. For example, a slowdown in the property market or in general economic conditions could require the Group to impair the value of its freehold property portfolios or result in freehold properties being difficult to sell or only being sellable at a lower price than their book value or the price that was paid for them. Store closures by other retailers and vacancies in shopping centres and other retail

PART II CONTINUED

destinations may also decrease the value of the Group's surrounding properties. Specifically, factors such as closure of other retailers' stores, including anchor stores, due to adverse economic conditions or due to financial collapse could result in a decrease in consumer traffic to such retail destinations and, consequently, to a loss in value in the Group's properties.

The Group also leases a substantial part of its stores, as well as a number of its offices, and, as a result, the Group is susceptible to changes in the property rental market and increases in its rent costs. As at 30 March 2019, approximately 55 per cent. of space in the Group's real estate portfolio in the United Kingdom was on market rent leases. Approximately half of the Group's lease liabilities fall due within ten years, and the average remaining tenure per store on market rent leases is approximately 20 years. As at 30 March 2019, the Group's lease commitments amounted to £4,089.9 million. The leases also provide for periodic rent reviews, at which time the Group's rents may increase. The Group has made certain assumptions about future rent reviews in respect of its leasehold property. If rent reviews were to be agreed at rates higher than currently anticipated, there could be an adverse impact on the Group's business, results of operations, financial condition or prospects. As a substantial leasehold property holder, the Group is exposed to index-linked and variable uplift rent inflation, which could result in increased maintenance costs in connection with its leasehold property portfolio over time. Leases may also not be renewed in due course or at all. This could result in additional costs being incurred in identifying appropriate or equally suitable alternative premises, which may not be available. If the Group's lease payments increase or the Group is unable to renew existing leases or lease suitable alternative locations, the Group's profitability may be significantly reduced. Conversely, because some of the Group's stores are held on long-term leases, it may be difficult for the Group to exit a store location that the Group deem to no longer be desirable and the Group may have to incur costs associated with the termination of a lease before its term, in particular if such lease does not provide for a break clause or the penalties to the Group for exercising such break clause are high, including additional payments for dilapidation costs, or for finding replacement tenants in such circumstances.

The Group may seek to close a store or one of its offices prior to expiry of the relevant lease and assign or sub-lease the property for the remainder of the term of the lease. The Group is potentially subject to a number of contingent liabilities arising from the assignment of its leases. In the event that any of its assignees should default under such a lease, the lease could revert to the Group and it could then be liable for the fulfilment of the obligations under the lease. The Group also has sub-leased certain of its properties and is therefore exposed to the risk that the sub-tenants under those sub-leases fail to comply with their obligations under those sub-leases, including obligations to make payments to the Group in respect of rent under those sub-leases.

Additionally, the economic environment may at times make it difficult to determine the fair market rent of retail real estate properties, in particular given the existing environment where certain UK high street retailers have experienced serious financial difficulties, entered into administration or otherwise closed multiple stores. This could impact the quality of the Group's decisions regarding whether or not to obtain new leases and renew expiring leases at negotiated rents or assign its existing leases in a profitable manner. These factors may result, among other things, in significant alterations to rental terms (including increasing rental rates), an inability to effect site renewals or a failure to secure real estate locations that are desirable or profitably assign the Group's leases, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. The occurrence of any of these risks could have a material adverse effect on the Group's businesses, results of operations, financial condition or prospects.

1.10. The Group may fail to keep pace with, develop and deliver its innovation and technology capability.

To achieve the Group's strategic objectives and remain competitive, the Group must continue to develop and enhance its use of technology. To that end, the Group is undertaking a range of activities to improve its IT infrastructure and capabilities to create a more agile, faster and commercial function that will work with the business to deliver growth and cost efficiency while also improving the Group's operational capability to meet anticipated online demand.

As part of the Group's technology transformation programme, the Group appointed Tata Consultancy Services (TCS) in January 2018 as its principal technology partner, to allow the Group to streamline its IT functions as well as consolidate and simplify its technology supplier base. However, there can be no assurance that the Group will be successful in implementing these changes, achieving the anticipated business benefits or that there will not be cost overruns. Further, the Group is in the process of implementing, or plans to implement, a range of IT developments that are significant to the Group's business. For example, the Group has made investments in connection with replacing its mainframe, which was near the end of its remaining life, and expects to have successfully migrated off its mainframe by June 2019. The Group is also making investments to replace its points of sale and check-out equipment and is transitioning various IT systems, including its

PART II CONTINUED

website platform hosting, to cloud services in order to improve its IT capabilities. However, there can be no assurance that the Group's investments in these and other IT related projects will return the expected results. For example, any delay in the decommissioning of the Group's existing mainframe would require the Group to incur additional costs and could also impact the deployment of solutions to replace such mainframe. Similarly, there can be no assurance that a transition to cloud services will be completed in a timely manner and within the budgeted costs or that such cloud services will prove a reliable platform to improve the Group's IT capabilities.

If the Group is unable to develop and deliver its IT infrastructure plans, its business, results of operations, financial condition or prospects could be materially adversely affected.

1.11. The Group and the proposed JV may be subject to IT failures, cyber-attacks or breaches, including due to hacking or vandalism, and a significant IT failure or breach, in particular in connection with the Group's or the proposed JV's online sales channels, may materially adversely affect their businesses, results of operations, financial condition, prospects or reputations.

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

- impair or prevent the processing (in-store and online) of customer transactions;
- impair the processing and storage of data and the day-to-day management of the Group's store services and the Group's or the proposed JV's online services;
- affect the security or availability of the Group's store and online services and the online services of the proposed JV, which could, as a result, prevent or inhibit the ability of customers to access such services;
- result in loss of information, unintended disclosure of sensitive information to third parties, litigation and/or financial or other regulatory penalties; and
- adversely affect the Group's or the proposed JV's revenue in the short term and may result in a loss of customers and a loss of market share which could result in a reduction in their revenues, margins or profitability.

Any of the above risks could affect the efficient and uninterrupted operations of the Group's or the proposed JV's websites and mobile applications and restrict the Group's and the proposed JV's ability to serve their customers online. For example, their respective websites or dedicated applications may become unstable or unavailable either due to increased traffic, necessary upgrades or disruptions, which could result in the Group's or the proposed JV's inability to process customer orders.

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

1.12. The Group and the proposed JV may be subject to privacy or data protection failures, breaches or cyber-attacks, the occurrence of any of which may materially adversely affect their respective businesses, results of operations, financial condition or prospects, and result in financial or regulatory penalties.

The Group is, and the proposed JV will be, subject to regulation regarding the use of personal data and debit and credit card data. The Group collects, processes and, in some cases, stores personal data of customers and employees (some of which may be sensitive) as part of the Group's business and therefore must comply with

PART II CONTINUED

strict data protection and privacy laws. Such laws restrict the Group's ability to collect and use personal information relating to customers including the use of that information for marketing purposes. The Group relies on its employees and third parties to maintain its databases and is seeking to provide procedures that monitor and safeguard compliance with data protection regulations.

Data protection laws and regulations have increased in recent years. The General Data Protection Regulation (Regulation (EU) 2016/679) (**GDPR**) and the UK Data Protection Act 2018 significantly change the data protection landscape in the EU and the United Kingdom. Such laws and regulations strengthen the rights of individuals (data subjects), impose stricter controls over the processing of personal data by both controllers and processors of personal data and impose stricter sanctions with substantial administrative fines and potential claims for damages from data subjects for breach of their rights. The GDPR also offers data subjects the option to allow privacy organisations to litigate on their behalf, including collecting potential damages, which may result in a substantial increase in claims being brought. Should a serious data breach occur, the GDPR provides for increased obligations to notify regulators and data subjects whose personal data has been compromised and may result in the imposition of significant sanctions and penalties.

Complying with all relevant data protection laws and regulation is relatively complex. Furthermore, ongoing education of the Group's employees is required to reduce the likelihood of an attack or breach and there is no assurance that the Group will be able to adequately and timely educate its employees, if at all. Notwithstanding the Group's efforts to comply with all applicable data protection laws and regulations, the Group is exposed to the risk that personal data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, including due to a cyber-attack. If either the Group or the proposed JV fail to store or transmit customer information and payment details online in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group or the proposed JV could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of the goodwill of the Group's or the proposed JV's customers and deter new customers, which could have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

1.13. The Group and the proposed JV may face risks related to food and product safety and are required to comply with food safety, product safety and other consumer protection laws and regulations and may face product recalls or be subject to product liability claims in connection with their products.

Product safety, in particular food safety, and the public's perception that the Group's products are safe and healthy are essential to the Group's image and business and in maintaining the reputation of the M&S brand. The Group sells, and the proposed JV will sell, food products for human consumption, which subjects the Group, and will subject the proposed JV, to safety risks such as animal disease, product contamination, spoilage, cold chain failure, mislabelling, misbranding and product tampering, the occurrence of any of which could require product withdrawals or recalls or destruction of inventory and could result in negative publicity, temporary warehouse closures and substantial costs of compliance or remediation. The Group and the proposed JV may also be impacted by negative publicity regarding any assertion that the Group's and the proposed JV's products caused illness or injury. In addition, the proliferation of modern methods of mass communication facilitated by the Internet makes it easier for false or unfounded allegations to adversely affect the Group's or the proposed JV's brand and reputation. The Group or the proposed JV could also be subject to claims or lawsuits relating to an actual or alleged illness stemming from product contamination or any other incidents that compromise the safety and quality of their products, in particular food products. Similarly, the Group may face challenges in developing and introducing new Food products and categories to its customers and there can be no assurance that such products will be perceived as safe and healthy among its customers.

As the Group does not own any factories or farms to produce or manufacture its products but sources its products through its suppliers, the Group requires its suppliers to have systems designed to monitor food and product safety risks. Although the Group's suppliers' sites are audited for compliance by independent third parties, the Group does not control its suppliers and cannot guarantee that any issues related to food and product quality or food safety will not materialise. For example, there is a risk that the Group's quality control procedures may not detect defects or quality issues in the products that it receives. If the Group sells defective or low quality products, it could adversely impact customer loyalty and harm the Group's brand or expose the Group to increased product returns and claims for damages by customers. Furthermore, the Group has experienced product recalls from its suppliers in the past and there can be no assurance that the Group will not experience such recalls in the future, which could have an adverse effect on the Group's business and reputation.

The Group could be also exposed to liability claims for damages as a result of the consumption or use of its products. Awards of damages, settlement amounts and fees and expenses resulting from such claims and the

PART II CONTINUED

public relations implications of any such claims, could have an adverse effect on its business. The availability and price of insurance to cover claims for damages are subject to market forces that the Group do not control, and such insurance would not cover damage to its reputation. Even if product liability claims against the Group are not successful or fully pursued, these claims could be costly and time-consuming and may divert the Group's management's time and resources towards defending them rather than operating the Group's business. Any adverse publicity concerning such claims could cause customers to lose confidence in the safety and quality of the Group's products and damage its reputation and brand image, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is, and the proposed JV will be, also subject to risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns or the effects of any allergy related incident. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and consumers may perceive certain products to be unsafe or unhealthy, regardless of whether such products are actually unsafe or unhealthy, which could require the Group, the proposed JV or their respective suppliers, to find alternative supplies or ingredients that may or may not be available at commercially reasonable prices and within acceptable time constraints or adversely impact demand for certain of the Group's Food products. In addition, such governmental regulations may require the Group and the proposed JV to identify replacement products to offer to their customers or, alternatively, to discontinue certain offerings or limit the range of products they offer. The Group and the proposed JV may be unable to find substitutes that are as appealing to their customer base, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for the Group's products.

1.14. A significant disruption to or failure of Castle Donington could materially adversely impact the fulfilment of the Group's online sales.

The Group operates a national distribution and e-commerce centre in Castle Donington, UK, providing general distribution services but also, most importantly, the fulfilment of the Group's online sales. Should Castle Donington fail to operate for any reason, or operate in a sub-optimal capacity, the Group might be required to reduce its online sales fulfilment, resulting in significant loss and damage to its reputation and brand. The Group's disaster recovery procedures in connection with Castle Donington, may not be sufficient to mitigate the harm that may result from any significant disruption in Castle Donington. Similarly, should the Group fail to operate Castle Donington in an efficient manner, the fulfilment of online orders from Castle Donington may be delayed, a significant portion of inventory may be damaged or the Group's ability to adequately stock products it sells could be impaired, which could result in lower revenue and higher costs of sales. Further, the Group has made, and is continuing to make, investments to improve Castle Donington's operational performance to better address increased customer demand during peak times. For example, the Group expects to invest approximately £9 million in further process improvements to meet its growth plans for FY20. However, there can be no assurance that such investments will deliver the expected results and such improvements may not prove sufficient to tackle the capacity issues that the Group has faced in Castle Donington in the past. Although the Group expects that its need for an additional fulfilment centre has been deferred for the next two to three years, there can be no assurance that Castle Donington's capacity will be sufficient for the Group's needs in the medium term, either due to operational inefficiencies at Castle Donington or because of higher than expected demand in the Group's Clothing & Home online sales, which may result in further capital expenditures for an additional fulfilment centre to meet the Group's capacity needs.

If Castle Donington were to suffer any significant disruption or failure, the Group's business, results of operations, financial condition or prospects could be materially adversely affected.

1.15. The Group is, and the proposed JV will be, dependent on the efficiency, availability and reliability of their respective warehousing and distribution infrastructure, and any disruption to such infrastructure, or failure to develop effectively the Group's network and logistics infrastructure, may materially adversely affect the Group's supply chain and business, results of operations, financial condition or prospects.

The Group's business requires an efficient and reliable supply chain and warehousing and distribution infrastructure to enable the Group to distribute products to its stores, customers, joint venture partners or franchisees. Factors outside the Group's control could create operational disruptions, including factors such as natural disasters, strikes, riots, failure of the Group's suppliers and terrorist activity. The Group's distribution centres are predominantly located in the United Kingdom and the Republic of Ireland and comprise, among others, national distribution centres, one e-commerce centre at Castle Donington, regional distribution centres, holding centres and holding hubs, and are owned or operated either by the Group or third parties. If the Group

PART II CONTINUED

was to experience an incident, such as a serious fire or flood, at its distribution centres or at one or more of its other holding centres or holding hubs, the Group's ability to manage its operations effectively and to distribute products to its stores, its customers, joint venture partners or franchisees may be materially adversely affected. Similarly, the proposed JV's ability to distribute its products depends on Ocado's logistics and distribution capabilities, including the efficient and reliable operations of Ocado's Customer Fulfilment Centres (**CFCs**) (see "*Risks Relating to the Proposed JV and the Transaction—The proposed JV relies on Ocado's operational capacity and technological capabilities as well as Ocado's ability to design and develop new technology systems*").

As part of the Transformation Programme, the Group is seeking to deliver network and logistics improvements, including by way of establishing and operating a single-tier Clothing & Home logistics network of national UK distribution centres, by removing a number of regional distribution and holding centres from its network and consolidating its inventory holding, which will enable inventory to be handled only once within the UK logistics network, incurring fewer costs. The Group closed four sites in FY19 as part of the Transformation Programme and opened a new Clothing & Home national distribution centre at Welham Green. However, there can be no assurance that the Group will be able to establish such single-tier logistics network in a timely manner or within the budgeted costs or that it will deliver the expected results.

The above risks are exacerbated in connection with the Group's main distribution centres, including Castle Donington. For example, the Bradford centre is the Group's main distribution centre for the storage and distribution of the Group's beer, wine and spirits (**BWS**) products both in-store and online. Similarly, the Bedworth distribution centre is the Group's main centre for the storage of its frozen products. Should the Bradford or Bedworth distribution centres fail for any reason, the Group would not be able to distribute any BWS products or frozen products to its stores or customers, respectively. Similarly, the Group relies on its International export centre in Hemel, which consolidates products from the Group's UK network and prepares them for export to the Group's own stores, joint ventures or franchisees operating elsewhere, through the Group's international hub network. The Group also relies on its consolidation hub in Malaysia where the Group consolidates products mostly from its suppliers in Asia and then prepares them for export to the Group's joint ventures or franchisees operating abroad. Should there be any failure in the Group's Hemel export centre or in its international hub network for any reason, the Group's ability to distribute products abroad could be materially adversely affected.

If the Group's business continues to grow, the Group will need to expand its warehousing and distribution capacity and there can be no assurance that the Group will be able to do so in a timely and cost-efficient manner. Failure to expand the capacity of the Group's existing distribution centres or the acquisition or construction of new distribution centres may materially adversely affect the Group's prospects, in particular if customer demand for the Group's products is greater than the Group's capacity to process such demand.

Any of the foregoing could have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

1.16. The Group's or the proposed JV's business, results of operations, financial condition or prospects could be harmed if they fail to efficiently manage their inventory.

The Group's and the proposed JV's businesses rely on efficient inventory management. The Group's inventory consists of a broad range of products including food products, clothing products and others. If the Group does not accurately predict customer demand in general or at particular stores when making buying and distribution decisions, the Group may have to offer markdowns and discounts or even recall stock to the Group's distribution centres to clear the excess inventory. Conversely, if the Group underestimates future demand for a particular product or does not respond quickly enough to replenish its best performing products, the Group may experience a shortfall in inventory of such products, likely leading to unfulfilled orders, increased distribution costs and foregone revenue.

Historically, the Group has experienced issues with efficiently managing its inventory, which resulted in sub-optimal performance in terms of stock levels, products availability, markdowns and waste levels, in particular its Food waste levels which remain amongst the highest in the industry. For example, the Group's Clothing & Home sales both in store and online have been frustrated by poor availability in the fourth quarter of FY19 and many popular lines sold out prematurely because of the failure to buy in depth and the slowness of the stock flow. Although the Group has implemented various comprehensive programmes in connection with improving its inventory management capabilities as part of the Transformation Programme, including the "Fuse" programme, which seeks, among others, to improve the timing and scope of mark-downs and achieve greater stock file accuracy and reduce excess ambient stock, as well as other new management inventory tools and procedures, there can be no assurance that such programmes, including Fuse, will be successful to improve stock bottlenecks and slow replenishment rates which affect the Group. Similarly, no assurance can be given

PART II CONTINUED

that the Group will be able to smoothly integrate newly developed inventory management tools and procedures within the Group's existing infrastructure. Further, the Group's efforts to reduce waste and stock bottlenecks could result in the adverse effect of reducing product availability, which could restrict the Group's ability to meet consumer demand and could result in lower sales and foregone revenue.

In addition, the Group is subject to the risk of inventory loss and theft. While the Group has not experienced significant levels of inventory shrinkage in the past, there can be no assurance that incidents of inventory loss or theft will not increase in the future or that the measures the Group is taking will effectively decrease inventory shrinkage. Further, the Group may be unable to monitor inventory theft or losses arising from its own suppliers or their employees. If any of the foregoing occurs, the Group's and the proposed JV's businesses, results of operations, financial condition or prospects may be materially adversely affected.

1.17. The Group's business is, and the proposed JV's business will be, subject to seasonality and their businesses could suffer as a result of extreme or unseasonal weather conditions.

The Group's business is, and the proposed JV's business will be, highly seasonal. The Group's business is subject to seasonal peaks associated with Christmas, Easter and the back-to-school period, and products for special events are an important part of the Group's sales mix. The Group has historically performed more strongly in terms of higher sales and operating profits during the financial quarters that include these periods. Specifically, the Group's Food business sales have in the past typically decreased during the summer months, as declines in the Group's sales in urban areas are only partially offset by increases at summer vacation destinations. Variations to seasonal peaks, which are outside the Group's control, have affected and will continue to affect the Group's results. For example, like-for-like revenue for the fourth quarter of FY19 for both Food and Clothing & Home was adversely impacted by an estimated 1.9 per cent. in Food and 0.4 per cent. in Clothing & Home compared to the fourth quarter of FY18 due to the earlier timing of Easter, which fell on 1 April in 2018. The Group's business is also subject to sales and order peaks due to the effects of promotional periods. These peaks in revenue have generally been influenced by higher than average levels of spending on promotions and marketing in the period immediately prior to, and during, these promotional periods. If sales during peak seasonal and promotional periods are significantly lower than expected for any reason, the Group may be unable to adjust its expenses in time to react to reduced levels of sales. For these reasons, sequential quarterly comparisons may not be a good indication of the Group's performance or how it may perform in the future.

The Group's results, in particular the results of its Clothing & Home business, are affected by periods of abnormal, severe or unseasonal weather conditions. Adverse weather (such as heavy snowfall or flooding) can deter consumers from shopping. Moreover, unforeseen periods of warm or cold weather could render a portion of the Group's inventory incompatible with prevailing conditions. For example, Clothing & Home revenue declined in the second half of FY18 in part due to unseasonal weather conditions. Although the above risks are mitigated by the Group's online offering given that its customers can process their shopping online, such mitigation may not be sufficient to fully address the effects of abnormal, severe or unseasonal weather conditions. Similarly, extreme or unseasonal weather could affect the Group's suppliers and may cause delays and longer delivery times of the Group's products from its suppliers or from the Group to its customers. Fluctuations in seasonal and promotional periods, or unseasonal or other adverse weather conditions could have a material adverse effect on the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.

1.18. The Group depends, and the proposed JV will depend, upon their senior management and key personnel, and the departure of any such senior management or any failure of the Group or the proposed JV to adequately train, attract, motivate or retain key personnel could materially adversely affect their businesses, results of operations, financial condition or prospects.

The Group's and the proposed JV's success depend in part on the continued service of senior management and key personnel, and on the Group's and the proposed JV's ability to continue to train, attract, motivate and retain suitably qualified employees. The loss of the services of the Group's senior management or key personnel could harm the Group's operations. Attracting, developing and retaining quality individuals also depends in part on factors outside of the Group's control, such as the competitive landscape and labour environment. Although the Group offers performance-based incentive schemes and annual bonuses in order to incentivise key management and staff, there can be no assurance that such schemes will be successful. The Group and the proposed JV may also fail in delivering the appropriate training to enhance the technical and function skills as well as the digital capabilities of their personnel, which could result in the Group or the proposed JV underperforming compared to their peers.

PART II CONTINUED

The execution, implementation and monitoring of the Transformation Programme could also place additional strain on the Group's senior management and key employees. If the Group is unable to provide additional support and assurance for key individuals and operational staff through this period of change, the Group could lose management and other key personnel, which could have a material adverse effect on the Group's reputation, business, results of operations, financial condition or prospects.

1.19. The Group relies, and the proposed JV will rely, on their third-party suppliers and manufacturers to produce and deliver goods to the Group and the proposed JV on time and to their specifications.

The Group depends upon third-party suppliers for the manufacture of all of its products and the proposed JV will depend upon third-party suppliers, including the Group, for the manufacture of its products. A significant portion of the Group's Clothing & Home products are manufactured to its specifications by foreign manufacturers, mostly located in Asia, whereas the Group's Food products are mostly sourced from the United Kingdom and elsewhere in Europe. The Group's end-suppliers range from individual farmers and growers to major, multinational processors, producers and manufacturers. The Group relies on its 30 largest suppliers to source a substantial part of its Food products and because of such reliance, the Group may suffer significant disruption to its supply chain if these suppliers were to fail to meet their supply obligations to the Group for any reason, including unexpected closure or damage to a supplier's or their subcontractors' factories due to fire, employee strikes, financial difficulties, bankruptcy, political unrest or natural disaster. The Group generally has long-term relationships with its suppliers, and on occasion enters into long-term contracts with its suppliers and, as a result, the termination of any of these major supply relationships could adversely affect the Group's ability to source its products and the Group might not be able to find alternative suppliers that would meet its quality specifications and standards or at a reasonable cost to source its products in a timely manner.

Similarly, the Group's suppliers may dispute the contractual terms of their agreements with the Group, and there can be no certainty that the Group will be effective in enforcing its contractual rights against its suppliers if the relevant agreements lack legal clarity and certainty or if the contractual terms are unfavourable to the Group.

With respect to the Group's Clothing & Home products, the Group sources a substantial part of its products from suppliers and manufacturers operating in Bangladesh. Bangladesh, as well as other emerging markets from which the Group sources its products, may be subject to a greater risk than more developed markets of being perceived negatively by investors based upon external events, including political and economic instability, civil strife or labour unrest, bribery and corruption, and financial turmoil, which could disrupt the business environment in such markets. In particular, Bangladesh's infrastructure is vulnerable to risks such as congestion, supply chain failures and terrorist attacks. In addition, the country's main port, Chittagong, is Bangladesh's main port for commercial sea exports, including the Group's products, and there are limited alternatives in terms of scalable transport options should the Chittagong port fail to operate for any reason.

If any of the foregoing occurs, the Group or the proposed JV may experience significant delays and sourcing failures, which could have a material adverse effect on the Group's and the proposed JV's business, results of operations, financial condition or prospects.

1.20. The Group relies, and the proposed JV will rely, on relationships with third party service providers, a failure of which may materially adversely affect the Group's or the proposed JV's operational activities.

The Group relies on relationships with certain key third party service providers, including for the provision of IT services, logistics and distribution services, maintenance services, payroll and customer services. The proposed JV will also rely on relationships with certain key third party service providers. With respect to IT services, and as part of the Group's technology transformation programme, the Group relies on TCS and its services to allow it to streamline its IT functions as well as to consolidate and simplify its technology supplier base (see "*The Group may fail to keep pace with, develop and deliver its innovation and technology capability*"). The Group also outsources the development, operation and monitoring of several of its IT services and relies on its IT service providers to supply it with these services on favourable terms. Should any of these service providers fail to comply with its contractual commitments, the Group may be unable to replace such provider in a timely manner or in terms that are favourable to the Group.

In addition, the Group relies on certain key service providers in connection with logistics and distribution services. For example, the Group has entered into a long-term contract with Cist Limited (**Cist**) to provide the Group with food logistics services and distribute the Group's products across the United Kingdom as well as the Republic of Ireland and France. Cist is the Group's major food logistics provider pursuant to such long-

PART II CONTINUED

term contract and, thus, the Group depends on Gist's ability to timely and efficiently distribute the Group's food products. If Gist's distribution capabilities were impaired or if Gist does not keep pace with technological developments, the Group's ability to distribute its products could be adversely affected. The Group also relies on other providers for the provision of distribution and warehouse management logistics for both of its Food and Clothing & Home businesses and should any of these providers fail to deliver the expected results, the Group may be unable to deliver its products to its stores, franchisees or customers in a timely manner, if at all.

Further, the Group relies on key third party service providers to provide it with outsourced maintenance services, customer services and payroll services. For example, the Group relies on SDWorx for administering the Group's outsourced payroll services and calculating the salary of its employees, approving payments using appropriate procedures and producing payment reports. Any disruption to the business of these or other service providers, or a disruption to the Group's or the proposed JV's relationships with such providers, could materially adversely affect the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

1.21. The Group relies on key franchise partners, which subjects it to risks beyond its control.

The Group has entered into franchise agreements with unaffiliated franchisees to operate stores both in the United Kingdom and internationally. The franchise agreements the Group enters into with its franchise partners vary from time to time and location. Third parties operate stores and sell food, apparel and related products under the Group's brand names, either on a standalone basis or to complement their offering. For example, one of the Group's key franchise partners in the United Kingdom is BP, which offers M&S food products to over 252 of its petrol forecourt locations. The Group's key international franchise partner since 1997 is the AL-Futtaim Group (**AL-Futtaim**) which operates M&S stores, selling both Food and Clothing & Home products, in, among others, United Arab Emirates, Saudi Arabia and Bahrain. In December 2017, the Group also sold and franchised its then wholly-owned operations in Hong Kong and Macau to AL-Futtaim.

The effect of these franchise arrangements on the Group's business, results of operations, financial condition or prospects depends upon various factors, including the demand for the Group's products in new markets both in the United Kingdom and internationally and the Group's ability to successfully identify appropriate third parties to act as franchisees and the Group's ability to fulfil orders. Certain aspects of these franchise arrangements are not within the Group's control, such as the ability of these third party franchisees to meet their projections regarding store locations, store openings and sales. Other risks that may affect these third parties include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, and political instability. Moreover, while the agreements the Group has entered into provide it with certain termination rights, the value of the Group's brand could be significantly impaired to the extent that these third parties do not operate their stores in a manner consistent with the Group's requirements regarding its brand identities and customer experience standards. The Group thus depends upon its franchisees to operate their respective businesses effectively, on ethical and commercially favourable terms, in compliance with applicable laws and regulations and in a manner that does not negatively impact the reputation of the M&S brand. In addition, the Group may experience disputes with the Group's franchisees over a variety of matters, including the amount and timing of payments due to the Group under the franchise agreements as well as other provisions of the agreements (such as exclusivity and termination rights). Any of the foregoing risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.22. The Group's estimates, assumptions and judgements underlying its guidance and other forward-looking statements may prove inaccurate, and, as a result, the Group may be unable to successfully meet its expectations or achieve desired business or financial results.

This Prospectus includes certain guidance and other forward-looking statements about the Group. This information represents the Group's estimates or targets only and should not be relied upon to predict or forecast its actual results or future events. Such estimates and targets reflect a number of assumptions relating to the Group's Transformation Programme and future cost savings, any of which may not be borne out due to both known and unforeseen risks, uncertainties and other important factors beyond the control of the Group. Such estimates, targets and other forward-looking information carry an inherent degree of uncertainty and may not take into account all relevant considerations. If the assumptions upon which such data is based prove to be inaccurate, this may result in a material adverse impact on the Group's business, results of operations, financial condition or prospects.

PART II CONTINUED

1.23. The Group is, and the proposed JV will be, subject to various laws, regulations and standards. Failure to comply with such laws, regulations or standards could materially adversely affect the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.

The Group and the proposed JV are subject to numerous laws and regulations which apply to UK corporates generally and govern the import, promotion and sale of products and the operation of retail stores and warehouse facilities, both in the United Kingdom and also the various international markets in which the Group operates. Such laws are related to key areas such as employment laws, planning and zoning laws, packaging regulation, regulation of the transportation, food safety and hygiene standards, environmental, trading standards, health and safety and fire safety laws, alcohol regulation, sale of other age restricted products, regulation of e-commerce, competition law, regulated consumer credit activities, data protection and privacy, payment card industry security standards, anti-bribery and corruption, tax, sanctions and export controls, human rights and modern slavery laws, consumer protection laws, marketing and advertising laws, anti-discrimination laws, legal duties regarding dealings with direct suppliers of groceries products and others. These laws and regulations are enforced by governmental or regulatory bodies or agencies, the most relevant of which are: the Information Commissioner's Office, Trading Standards Officers, Environmental Health Officers, Police, Local Authorities, Licensing Authorities, Competition and Markets Authority, Financial Conduct Authority, Groceries Code Adjudicator, Health and Safety Executive, HM Revenue and Customs and other government agencies.

The Group's compliance with applicable laws and regulations is complex, given the Group's operations in different jurisdictions, which have differing rules and regulations. In addition, the Group currently has websites available to customers based in the United Kingdom, as well as other countries such as Australia, Canada, France and Germany, and, thus, the Group is required to comply with differing laws and regulations associated with operating such websites, in particular, data and consumer protection laws. The Group's failure to comply with the provisions of different laws, rules or regulations may give rise to civil or criminal liability (with consequences including public censure or financial penalties), result in the imposition of disciplinary sanctions by such governmental authorities, impair the enforceability of certain consumer agreements or give rise to the loss of a licence, and more generally may impair the Group's reputation.

Legal requirements are subject to frequent changes and differing interpretations, and the Group and the proposed JV may be unable to predict the ultimate cost of compliance with these requirements or their effect on their operations. The Group or the proposed JV may be required to make significant expenditures or modify their business practices in order to comply with amendments to existing laws and regulations and with future laws and regulations, which may increase the Group's or the proposed JV's costs and limit their ability to operate their businesses. As a result, the Group's or the proposed JV's businesses, results of operations, financial condition or prospects could be materially adversely affected.

1.24. The Group and the proposed JV may be unable to deliver against their corporate responsibility and sustainability commitments, including with respect to their suppliers' ethical business practice, and may be exposed to events that could adversely affect the reputation of, or value, design and/or quality associated with, their respective brands.

A number of stakeholders, including suppliers, employees, including the employees of the Group's or the proposed JV's suppliers, shareholders, communities, councils, media, governments, civil society groups and non-governmental organisations are affected by the Group's business, or will be affected by the proposed JV's business, or have a legitimate interest in the Group's or the proposed JV's operations. Although the Group sets itself high quality and ethical standards, there can be no assurance that the Group will be successful in meeting its stakeholders' corporate responsibility and sustainability expectations, which could result in a material adverse effect to the Group's reputation.

For example, the Group's reputation could be harmed if it fails to maintain ethical standards for the production, manufacture or sourcing of its products. Any negative publicity regarding these types of concerns may reduce demand for the Group's products. The Group's Clothing & Home products are manufactured primarily by suppliers based in Bangladesh, Cambodia, China, India, Sri Lanka, Turkey and Vietnam. The Group's Food products are sourced from a significant number of countries, including Kenya, Morocco and Thailand. The working conditions and living standards of employees in some of these countries historically have been and continue to be subject to criticism from international bodies, such as the International Labour Organisation. Failure to comply with ethical, social, product, labour, health and safety or environmental standards, or related political considerations, could damage the Group's reputation and potentially result in various adverse consumer actions, including boycotts. Similarly, the Group's reputation could be affected by damage to the reputation of one of its competitors or the food or clothing and home industries in general, none of which is

PART II CONTINUED

within the Group's control or responsibility. Moreover, given the Group's presence in multiple markets, damage to the Group's brand in one of the markets in which it operates could adversely affect its reputation in the other markets in which the Group operates.

The Group seeks to ensure that its suppliers operate in an ethical manner, in part by requiring them to sign a code of conduct which is based on the Base Code of the Ethical Trading Initiative (**ETI**), an alliance of companies, trade unions and voluntary organisations that seek to improve the lives of workers worldwide who produce consumer goods and it also requires all new suppliers to join the Supplier Ethical Data Exchange (**SEDEX**), a non-profit organisation which enables companies around the world to share ethical data within their supply chains. However, there can be no assurance that such suppliers will adhere either to ETI or the rules of SEDEX. Although the Group's suppliers' sites are audited for compliance by independent third parties, the Group does not control its suppliers and the Group's suppliers or their subcontractors may fail to comply with the Group's standards, or may otherwise fail to operate their respective businesses in an appropriate ethical manner. Unfavourable publicity concerning the Group's own ethical practices or those of the Group's suppliers could result in substantial erosion in the reputation of, or value associated with, the Group's brand, customer boycotts and the incurrence of costs and potential shortfall in the supply of products as the Group addresses the underlying concern with the supplier, any of which could result in a material adverse effect to the Group's reputation.

Similarly, environmental sustainability is an important point of focus for the Group and is likely to be of continuing importance to governments, regulators and other interested or influential bodies. There is an increased pressure on retailers to reduce the environmental impact of their respective businesses, particularly in relation to the packaging and labelling of their products, implementing new methods of reducing waste and energy usage across stores, emission charges and the delivery of customers' groceries in plastic bags.

Further, there is increased pressure on employers to promote diversity and inclusivity within the workplace and employers are expected to tackle issues such as gender pay gap or take measures to increase the representation of women or persons drawn from ethnic minorities in management teams.

Any failure to deliver against their corporate responsibility and sustainability commitments could materially adversely affect the Group's or the proposed JV's reputation.

1.25. The Group invests, and the proposed JV will invest, in marketing and other initiatives to promote their brand and they may be unable to obtain an adequate return on such investment or successfully build and retain customer relationships.

The Group and the proposed JV invest in various marketing communication, advertising and other activities to affirm and communicate their respective brands and to build customer loyalty. These investments include significant expenditure on offline marketing such as seasonal shootings, TV advertisements, advertising in magazines and newspapers, billboards and online marketing activities through internet and social media applications. The Group also organises direct marketing activities, in-store events and invests in its store windows, which are designed in accordance with its market targeting and its brand positioning. These investments also increase the volume of the Group's advertisement expenses. For FY19, the Group's marketing and related expenditure amounted to £155.1 million, which represented 4.5 per cent. of its total UK operating costs (FY18: £151.6 million, or 4.4 per cent. of the Group's total operating costs; FY17: £162.7 million, or 4.8 per cent. of the Group's total operating costs). Although the Group recently reorganised its marketing team as part of the Transformation Programme, there can be no assurance that such change will deliver the expected results and improve the Group's sales. Similarly, sales campaigns and other marketing activities may not be successful or the Group may not be able to make investments in these activities in a cost-effective manner. If the Group or the proposed JV fail to invest in marketing communications or other sales campaigns efficiently or at a commercially reasonable cost or if they fail to achieve a favourable return on their investments, they may not be able to attract and retain customers, which could materially adversely affect the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

In addition, the Group has sought to engage and build relationships with customers in part through the establishment of its customer loyalty programme, Sparks. As at 30 March 2019, the Group had approximately 7 million Sparks members. Under this programme, customers can currently elect to donate to a chosen charity linked to each transaction and collect points based on the value of purchases, which entitles them to benefits such as early access to sales or promotional offers. The Group is currently evaluating the Sparks programme and if it were to change or replace the current programme, this could ultimately prove unsuccessful with customers and adversely affect customer loyalty.

PART II CONTINUED

1.26. Growth in the Group's or the proposed JV's online business may reduce customer activity in the Group's stores.

Increased customer activity on the Group's website or the proposed JV's website may result in reduced footfall in the Group's stores, particularly as customers may prefer home delivery services for certain products. Any reduction in customer footfall may result in reduced sales and revenues in stores. With respect to the Group's Food business following the launch of the proposed JV, certain of its customers may substitute shopping from the Group's stores to the proposed JV's online offering (see "*Risks Relating to the Proposed JV and the Transaction—The proposed JV may not perform in line with expectations and the Group may not realise the anticipated returns from its investment in the proposed JV*"). Such substitution could result in a decrease in the Group's in-store sales. Similarly, the Group is seeking to increase its Clothing & Home online sales to represent one-third of its total Clothing & Home sales. However, such increased online sales could reduce the Group's in-store sales, which would not result in increased aggregate sales for the Group. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.27. Future funding requirements of the Group's pension schemes, including due to regulatory changes, could materially adversely affect the Group's financial condition.

The Group operates a defined benefit pension scheme, the Marks and Spencer Pension Scheme (the **M&S Pension Scheme**), a small Republic of Ireland defined benefit pension scheme and unfunded pension liabilities (together the **DB Pension Schemes**) and a post-retirement healthcare scheme (the **Healthcare Scheme**). The M&S Pension Scheme closed to the future accrual of benefit on 1 April 2017. As at 30 March 2019, the estimated surplus for accounting purposes, which is the difference between the value of a scheme's assets and the present value of the future liabilities for the DB Pension Schemes and the Healthcare Scheme, was £914.3 million (FY18: £948.2 million) before deferred tax, which is partially due to the income stream from the M&S Scottish Limited Partnership (the **SLP**), as detailed below. The Group contributed £37.9 million to the DB Pension Schemes and the Healthcare Scheme in FY19 (FY18: £41.4 million).

The M&S Pension Scheme is a limited partner in the SLP. The SLP holds £1.4 billion of properties which have been leased back to Marks and Spencer plc. The M&S Pension Scheme is entitled to receive annual distributions from the SLP of £71.9 million until June 2022, additional annual distributions of £36.4 million until June 2031 and a capital sum in 2031 equal to the lower of £350 million or any actuarial funding deficit in the M&S Pension Scheme at that point in time. A default by the Group on the rental payments to SLP or a future change in legislation could trigger earlier or higher payments to the M&S Pension Scheme, or an increase in the collateral to be provided by the Group, which could increase the Group's funding obligations towards the M&S Pension Scheme.

Although there is an actuarial funding surplus in the DB Pension Schemes there is no guarantee that such surplus will not turn into a deficit as a result of various factors which are outside of the Group's control, such as increases in life expectancy, inflation, the value of investments in connection with the DB Pension Schemes and the returns derived from such investments and legislative or regulatory changes that could result in an increase in the schemes' liabilities. For example, a recent decision of the UK High Court ordered that the trustees of defined benefit pension schemes that provided guaranteed minimum pensions (**GMPs**), such as the M&S Pension Scheme, must amend their schemes to equalise benefits for men and women as a result of unequal GMPs. The issues determined by the judgement have a potential consequence for many other defined benefit pension schemes and are likely to result in an increase in the liabilities of the M&S Pension Scheme, reducing the DB Pension Scheme's funding surplus. As a result, the Group could be obliged to make additional contributions to the M&S Pension Scheme. The Group is currently looking at the impact of this decision on the M&S Pension Scheme and is also reviewing whether other changes need to be made to the benefits provided under the M&S Pension Scheme to ensure compliance with the Equality Act 2010, which could result in a further increase in the liabilities of the M&S Pension Scheme. Further, although the M&S Pension Scheme has purchased pensioner buy-in policies covering approximately two-thirds of its pensioner portfolio, such insurance does not cover the Group's exposure in connection with the remaining one-third of the M&S Pension Scheme's pensioner portfolio or the M&S Pension Scheme's deferred pensioner portfolio. Similarly, the assumptions and methodology for calculating the DB Pension Scheme's estimated surplus may have been inaccurate, and the actual actuarial surplus might prove to be lower than originally estimated or even prove to be an actuarial deficit.

In addition, the pensions regulator in the United Kingdom (the **Pensions Regulator**) may impose a scheme funding target and employer contribution rate, if those matters cannot be agreed between the trustee of the M&S Pension Scheme and the Group. The Pensions Regulator may require funding or other funding support from the Group (in the form of a contribution notice or financial support direction) for defined benefit pension

PART II CONTINUED

schemes in various circumstances. In addition, the trustees may alter the investment profile of the DB Pension Schemes. For example, the trustees could exchange equity investments for lower risk investments such as bonds, which would typically increase the employer funding obligations in relation to the schemes because of the lower rate of return expected from lower risk investments. The materialisation of any of the above could have a material adverse effect on the Group's financial condition.

1.28. The Group faces risks related to its participation in, and reliance on, joint ventures.

Some of the Group's current and future operations and investments, such as the proposed JV, are or will be in jointly controlled entities and associated companies. Participation in joint projects contains an inherent risk in their management as the Group may not have full control over its joint ventures. Joint venture partners may also have economic or business interests or goals that are inconsistent with those of the Group, be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or experience financial, operational or other difficulties, any of which may materially adversely affect the success of the relevant investment.

Further, the Group (through the relevant Group joint venture company) may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners. Although the Group will seek to exert a degree of influence over the management and operation of its investments by negotiating to obtain positions on management committees, to share control of the entity with its joint venture partners and to have veto rights in respect of key decisions, the Group may not always be successful. Similarly, the Group's reputation and brand is affected by the reputation of its joint venture partners, which often is outside of the Group's control and due to the Group's operation in several international markets, the Group's reputation, or the reputation of its joint venture partners, in one market could affect the Group's reputation in other markets. Therefore, the Group may be affected by any material damage to the business reputation of one of its joint venture partners, which could, in turn, materially adversely affect its own reputation.

For example, the Group relies on its joint venture with Reliance Retail in India (with the Group owning a 51 per cent. share), which, as at 30 March 2019, owned 77 stores. Similarly, the Group relies on and operates a joint venture with Marinopoulos Holding SARL in Greece (with the Group owning an 80 per cent. share), which owned 25 stores as 30 March 2019. Any failure of the joint venture with Reliance Retail or Marinopoulos to successfully increase the joint venture's business, attract more customers and expand the M&S brand, could adversely affect the Group's reputation, business, results of operations, financial condition or prospects. The Group can make no assurance that the operations of its joint venture with Reliance Retail in India and Marinopoulos in Greece will prove successful in the future.

For a discussion on the risks related to the proposed JV and the Transaction, see "*Risks Relating to the Proposed JV and the Transaction*".

1.29. Changes in accounting standards may impact the Group's or the proposed JV's financial condition or prospects.

The Group's consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union. From time to time, the IASB issues new accounting standards or amendments to existing standards. The IASB issued IFRS 16, "Leases" (IFRS 16) a new standard on lease accounting in 2016 that replaces IAS 17, "Leases", with an effective date for annual periods beginning on or after 1 January 2019 and therefore will be effective in the Group's financial statements for FY20. A consequence of this new standard is to recognise substantially all leases on the consolidated balance sheet and thereby bring an end to off-balance sheet lease accounting. Lessees will recognise a right of use asset and a corresponding liability on the balance sheet. As at 30 March 2019, the Group had a large number of operating lease commitments that were not included on its consolidated balance sheet. Specifically, for FY19 the Group had a £4,089.9 million operating commitment in connection with such operating leases. The Group transitioned to IFRS 16 on 31 March 2019. The balance sheet at transition is significantly impacted due to leasehold properties (including stores, warehouses and offices) held by the Group. It is expected on a pre-tax basis that a right of use asset of approximately £1.7 billion and lease liability of approximately £2.6 billion will be recognised, along with the derecognition of onerous lease provisions of approximately £0.2 billion and other working capital balances (including lease incentives) of approximately £0.4 billion, which results in an overall adjustment to retained earnings of approximately £0.3 billion. This also resulted in changes in the Group's leverage ratio. In addition, the implementation of IFRS 16 will have an impact on the Group's income statement and classification of cash flows. These and any other future changes in accounting standards could have a material adverse effect on the Group's or the proposed JV's financial condition or prospects.

PART II CONTINUED

1.30. M&S Bank's contribution to the Group's results may not be in line with expectations.

M&S Bank offers credit cards, deposit accounts, personal loans and deposits. In the past, M&S Bank was wholly owned and operated by the Group until the Group sold its interest in M&S Bank to HSBC Bank plc in 2004. HSBC Bank plc transferred its rights and obligations under the Relationship Agreement (as defined below) to HSBC UK through a novation agreement in 2018. Since then, M&S Bank is a wholly-owned subsidiary of HSBC UK and the Group has an economic interest in M&S Bank. A relationship agreement (the **Relationship Agreement**) governs the relationship between HSBC UK, M&S Bank and the Group. The Relationship Agreement entitles the Group to a 50 per cent. share of the profits of M&S Bank after appropriate deductions whereas HSBC UK operates M&S Bank, and the Group only has limited rights in its partnership with HSBC UK over M&S Bank. The Group's operating profit from M&S Bank has been in decline the last three Financial Years and there can be no assurance that it will not further decline in the future.

Specifically, the Group derived £6.7 million of statutory income from M&S Bank in FY19 compared to £5.6 million in FY18. The above figure excludes certain adjustments to reflect an estimated liability for redress to customers in respect of possible mis-selling of financial products that M&S Bank has recognised in its financial statements and the Group's fee income from M&S Bank has been reduced by the deduction of such estimated liability. Such adjustment amounted to £20.9 million in FY19 (FY18: £34.7 million). Although the deadline for any claims to be brought by customers expires on 29 August 2019, there can be no assurance that the estimated liabilities M&S Bank has recognised in its financial statements will be sufficient to cover any liability in connection with such claims and, should any liability prove higher than the estimates M&S Bank has recognised, the Group's fee income derived from M&S Bank may be lower than expected. Similarly, M&S Bank may not grow if the Group fails to adopt a proactive and clearly engaged way of working with HSBC UK and take advantage of commercial opportunities. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.31. The Group may face reputational damage in connection with M&S Bank.

The Group is exposed to reputational risks in connection with M&S Bank. Although M&S Bank is a wholly owned subsidiary of HSBC UK and the Group only has limited rights in its partnership with HSBC UK over M&S Bank, the brand of M&S Bank is closely associated with the Group's brand. Therefore, any adverse publicity event in connection with the M&S Bank would likely affect the Group's brand and reputation as customers could perceive that such event resulted from a failure of the Group to effectively operate M&S Bank despite that the Group has only limited control over M&S Bank. Further, the Group may not be able to implement measures to adequately prevent the occurrence of an adverse event which could affect M&S Bank's brand and reputation, and, consequently, also affect the Group's brand and reputation. If the Group's brand and reputation were to be adversely impacted by M&S Bank for whatever reason, the Group's business, results of operations, financial condition or prospects could be materially adversely affected.

1.32. Wage regulations and wage inflation could have an impact on the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.

The Group needs, and the proposed JV will need, to comply with labour laws and regulations such as National Minimum Wage and National Living Wage requirements and face the risk that more stringent labour regulations will be implemented in the future. Group individuals may be subject to criminal prosecution for deliberately not complying with the legislation and anyone found guilty may be disqualified from being a company director for a certain number of years. Moreover, such requirements are subject to frequent changes and differing interpretations and the Group might be subject to retrospective penalties or fines in connection with past events or deemed violations of National Minimum Wage or National Living Wage laws. Any increase in the National Minimum Wage or the National Living Wage, or their scope, would increase the Group's operating costs. Further, many of the Group's products are manufactured in Asian countries such as Bangladesh, Cambodia and China, where increasing minimum wages and inflationary pressures have been experienced recently. Such trends are expected to continue and may adversely affect the Group's cost of sales and decrease the Group's profit margins. Any of the above could adversely affect the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

PART II CONTINUED

1.33. The Group is, and the proposed JV will be, exposed, either directly or indirectly, to price fluctuations or price increases related to their products or the raw materials and ingredients of their products, which may result in higher costs or reduced sales.

Food products and raw materials for the Group's clothing products, such as fabrics and packaging materials, are subject to fluctuations in availability and price. Such fluctuations are attributable to, among other things, changes in supply and demand for crops or other commodities, including wool and cotton, changes in tariffs on imported goods, energy prices, government-sponsored agricultural and livestock programmes, high demand for fabrics and global health concerns. General economic conditions, unanticipated demand, problems in production or distribution, natural disasters, adverse weather conditions during the growing and harvesting seasons, plant and livestock diseases and local, national or international quarantines, or compliance with environmental regulations can also adversely affect availability and prices of commodities in the long and short term. In the future, the Group may be affected by the imposition of national or international quotas regulating, for example, volumes of raw materials, especially on fish and seafood products. If the UK government or a regulatory regime establishes such measures, the price of raw materials could increase, and the Group's gross margins could be affected. The availability and the price of vegetables and other agricultural commodities, including meat and fish, can be particularly volatile. Similarly, an increase in the price of certain raw materials, such as wool and cotton, may significantly impact costs and thereby reduce the Group's margins. Increases in energy, including electricity, gas and fuel, may increase the cost of sales, adversely affect the Group's results of operations due to consequential increases in operating costs and will divert financial and management resources from more beneficial uses. Any of the above could have a material adverse effect on the Group's and the proposed JV's business, results of operations, financial condition or prospects.

1.34. The Group relies, and the proposed JV will rely, on third parties to provide the Group with payment processing services and may be subject to payments-related risks.

A significant part of the Group's business relies, and the proposed JV's business will rely, on electronic payment methods. The Group accepts payments using credit and debit cards and Apple Pay. If the Group offers new payment options to customers, the Group and its customers may be increasingly exposed to fraud. Similarly, the Group's points of sale and check-out equipment are old and have a short remaining life, which increases the risk of failure in the Group's payment systems and increases the likelihood of fraud against the Group and its customers. The Group also relies on third parties to provide payment processing services and should such providers fail or become unable to provide such services to the Group, the Group's ability to accept and process payments could be adversely affected. The Group pays interchange and other fees for these card payments, which may increase over time and raise operating costs and lower margins. Interchange fees currently are subject to an effective minimum amount, set by Mastercard and Visa, which is beyond the Group's control. Any failure, compromise or breach of the Group's or the proposed JV's payment processing systems, including the Group's check-out facilities, whether caused by a systems failure or otherwise, will adversely affect the Group's or the proposed JV's income in the short term and may result in the Group or the proposed JV losing customers which may have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

1.35. Litigation and other adversarial actions in the ordinary course of business could have a material adverse effect on the Group's or the proposed JV's business, results of operations, financial condition or prospects.

At any given time, the Group or the proposed JV may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of their respective businesses. Other than as set out in Part XVII: "Additional Information—17. Litigation and Arbitration", there are no material legal proceedings against the Group outstanding as at the date of this Prospectus; however, there can be no assurance that the Group will not be subject to material legal proceedings in the future. The Group may be subject to disputes, claims and complaints, including adversarial actions, by customers, employees, suppliers, insurers and others in the ordinary course of business. Also, adverse legal publicity or substantial litigation against the Group could adversely affect the Group's reputation, even if the Group is not found liable. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Group's or the proposed JV's operations and may result in the Group having to pay monetary damages, any of which could have a material adverse effect on the Group's or the proposed JV's respective businesses, results of operations, financial condition or prospects.

PART II CONTINUED

1.36. The Group is, and the proposed JV will be, exposed to the risk of fraud and other dishonest activity by third parties.

While the Group has checks and controls in place at its business, there remains the potential for fraud and other dishonest activity at all levels of the business and the risk of fraud or dishonest activity affecting the Group or the Group's customers in the future cannot be excluded. The proposed JV is also expected to face a similar risk. It is possible that the internal controls and processes that the Group or the proposed JV have in place to prevent and detect fraud may be inadequate. Although the Group has a policy in connection with whistleblowing to encourage its employees or the employees of the Group's suppliers to combat fraud (and other operational or behavioural concerns), there can be no assurance that such activities will be effective. For example, the Group may fail to adequately monitor its suppliers and be unable to detect instances of fraud amongst them or their employees. Similarly, should the Group accurately detect instances of fraud, there can be no assurance that the Group will be able to enforce adequate penalties against relevant third parties in a timely manner to deter further instances of fraud. Any fraud incident or dishonest activity affecting the Group or the proposed JV may result in financial losses, a loss of customer trust and confidence, as well as litigation or financial or other regulatory penalties being imposed, any of which may have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

1.37. The Group and the proposed JV may be subject to investigations or challenges with respect to their tax liabilities or subject to changes in tax legislation.

Changes in taxation rates or law or interpretation of tax law, or misinterpretation of the law or any failure to manage tax risks adequately could result in increased costs, financial loss, including interest and penalties, and reputational damage. Various products the Group sells, and the proposed JV will sell, including, in particular, alcohol, are subject to varying types of taxes including VAT and duty. From time to time, the Group is involved in discussions or disputes with tax authorities regarding the Group's tax liabilities, which may lead to revision of the Group's tax liabilities, and therefore impact the Group's financial condition. In such event, the Group may be subject to negative public attention, which could have an adverse impact on the Group's reputation or relations with the Group's customers, employees, franchisees, suppliers or other third parties. In addition, regardless of the outcome of any such investigations or challenges, such proceedings could result in substantial costs and may require that the Group devotes substantial time and resources to defend them. Furthermore, tax legislation may be enacted in the future, domestically or abroad, that adversely affects the Group's or the proposed JV's current or future tax structure and tax liability. Any of the above could have a material adverse effect on the Group's or the proposed JV's respective businesses, results of operations, financial condition or prospects.

1.38. Interest rates and foreign exchange fluctuations, as well as hedging risks, could materially adversely affect the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

The Group's business is subject to risks due to fluctuations in foreign currency exchange rates, primarily from the import of goods sourced from overseas suppliers and also from the export of goods from the United Kingdom to the Group's overseas activities. The most significant exposure is to the U.S. dollar, incurred in the sourcing of Clothing & Home products from Asia. The proposed JV's business will also be subject to risks due to fluctuations in foreign currency exchange rates.

The exchange rates between U.S. dollars, euro and sterling, have fluctuated in recent years and may fluctuate significantly in the future. Although the Group may benefit from any future weakening of the U.S. dollar or the euro, in particular given that a substantial proportion of the Group's imports are paid for in U.S. dollars, the Group could be adversely affected by future unfavourable shifts in currency exchange rates, particularly by a strengthening of the U.S. dollar compared to sterling.

The Group's sales are denominated primarily in sterling, and the Group reports its consolidated financial results in sterling. However, a part of the Group's sales are denominated in foreign currencies (FY19: 6 per cent.). Thus, the Group is exposed to foreign exchange effects from the translation of income statements of its subsidiaries that are denominated in foreign currencies into sterling upon consolidation. The higher the contribution of non-sterling revenues to consolidated turnover, the more susceptible consolidated results are to foreign exchange fluctuations.

The Group is exposed to interest rate risk in relation to sterling, U.S. dollar and euro variable rate financial assets and liabilities. As at 30 March 2019, floating rate borrowings amounted to £447.0 million (compared to £513.4 million as at 31 March 2018) representing 25 per cent. of the Group's total borrowings (29 per cent. as

PART II CONTINUED

at 31 March 2018). As a portion of the Group's total borrowings is linked to floating rates, any rise in short-term interest rates exposes the Group to increased borrowing costs.

Although the Group engages in derivative contracts to hedge interest rate risk and forward foreign exchange contracts to mitigate the effects of currency fluctuations, the Group's hedging strategies may not be effective in protecting the Group against interest rate risk or may limit any benefit that the Group might otherwise receive from favourable movements in exchange rates and a failure to manage this risk could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. For a sensitivity analysis of the Group's foreign currency and interest rate risks, see Note 21 of the 2019 Annual Report and Financial Statements.

1.39. The Group's ability to repay or refinance its indebtedness on time and distribute dividends to its shareholders depends upon its future cash flows from operations, as well as prevailing market conditions and the effects of an actual or potential credit rating downgrade.

The Group's indebtedness primarily consists of bonds issued in the capital markets, bilateral facilities and finance leases. The Group's ability to make payments on and refinance its indebtedness and to fund working capital, capital expenditures and other expenses will depend on the Group's future operating performance and ability to generate cash from operations. Similarly, the Group's ability to refinance its debt will depend in part on its financial condition at such time. Any refinancing of the Group's debt could be at higher interest rates than its current debt and may require the Group to comply with more onerous covenants, which could restrict the Group's operations. In particular, should the Group experience a credit rating downgrade, its cost of borrowing might increase and it may experience obstacles in refinancing its existing indebtedness.

Should the Group experience a credit rating downgrade, its cost of borrowing would increase and it may experience obstacles in refinancing its existing indebtedness. Specifically, as at the date of this Prospectus, the Company's solicited credit ratings are BBB- (negative outlook) by Standard & Poor's Global Ratings (**S&P**), and Baa3 (stable outlook) by Moody's Investors Service, Inc. (**Moody's**). It also has an unsolicited rating of BBB- (stable outlook) by Fitch Ratings Ltd. (**Fitch**). There can be no assurance that such ratings will not be revised downwards by one notch or more in the future. A one notch downgrade by either S&P or Moody's would trigger an interest rate increase of 1.25 per cent. per annum in relation to the Group's sterling bond issues, effective from the next annual interest payment date, and result in the Group incurring an increase in annualised finance costs of approximately £14 million. For example, if a one notch downgrade occurred at the date of this Prospectus, the impact on the FY20 finance costs would be approximately £5 million. In addition, lower credit ratings from any ratings agency could make it more difficult or more expensive for the Group to obtain financing in the future or to refinance its existing debt, and could negatively impact the market price of the Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

Further, the Company is a holding company and its ability to repay its debt, pay dividends or make other contributions to its shareholders depends on its subsidiaries' ability to pay cash to the Company pursuant to dividend payments and or other obligations. The ability of the Company's subsidiaries to pay dividends to the Company in the future will depend on their earnings, covenants contained in future financing or other agreements and on regulatory restrictions. Similarly, the Company's subsidiaries may be unable to distribute dividends to the Company, which would result in M&S's inability to timely service its debt and, consequently, to a potential credit downgrade. Thus, the Company may not be able to have sufficient funds to pay its debt or distribute dividends.

If financial and economic conditions were to deteriorate, including as a result of political and economic uncertainty or instability, or if interest rates were to increase, it may be costlier and more difficult for the Group to access new credit or to refinance the Group's debt on terms that are acceptable to the Group, if at all. This could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.40. The Group's and the proposed JV's businesses may be materially adversely affected by the default of their respective counterparties.

Counterparty risk exists where the Group or the proposed JV can suffer financial losses through the default or non-performance of the financial institutions with whom they transact. A counterparty may fail to comply with its contractual commitments resulting in it defaulting on its obligations with little or no notice to the Group or the proposed JV, which could limit the Group's or the proposed JV's ability to take action to mitigate the Group's or the proposed JV's exposure. Additionally, the Group's ability to mitigate its exposures may be constrained by the terms of its contractual arrangements or because market conditions prevent the Group from taking effective action. If one of the Group's counterparties becomes insolvent or files for bankruptcy, the

PART II CONTINUED

Group's ability to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceeding. Although the Group manages its exposures in accordance with its Group treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss, there can be no assurance that the Group's policy provides adequate protection to the Group. If any of the foregoing occurs, it could have a material adverse effect on the Group's or the proposed JV's businesses, results of operations, financial condition or prospects.

1.41. The Group's and the proposed JV's insurance may be insufficient, and, due to factors beyond the Group's or the proposed JV's control, their insurance premiums may increase significantly, which may materially adversely affect their financial condition.

The Group's and the proposed JV's insurance costs may increase substantially in the future and may be affected by natural catastrophes, acts of terrorism, intervention by governments or a decrease in the number of insurance carriers. In addition, and although the Group's insurance policy provides the Group with a cancellation right if its carrier fails to maintain certain minimum credit ratings, the carriers with which the Group holds its policies may go out of business, or may be otherwise unable to fulfil their contractual obligations. In addition, in the event of any significant claims by the Group, the Group's insurance premiums may increase significantly. Furthermore, for certain types or levels of risk, such as risks associated with natural catastrophes, terrorist attacks or cyber event, the Group may determine that it cannot obtain commercial insurance at acceptable prices, if at all. The Group does not maintain separate funds or otherwise set aside reserves to cover losses or claims by third parties. Therefore, if an uninsured loss was to occur, the Group could experience significant disruption to its operations, suffer significant losses and be required to make significant payments for which the Group would not be compensated, any of which in turn could have a material adverse effect on the Group's or the proposed JV's respective businesses, results of operations, financial condition or prospects.

1.42. The Group or the proposed JV may not have adequate protection for their intellectual property rights or may be accused of infringing intellectual property rights of third parties.

The Group regards its intellectual property (including patents, trademarks, service marks, copyrights, trade dress, trade secrets, proprietary technology and similar intellectual property) as critical to its success, and the Group relies on patent, trademark and copyright law, trade secret protection, and confidentiality and/or licence agreements with its employees, customers and others to protect its proprietary rights.

The Group or the proposed JV may not be able to discover or determine the extent of any unauthorised use of its proprietary rights. Third parties that licence the Group's proprietary rights such as the Group's franchisees may also take actions that diminish the value of its proprietary rights or reputation. The protection of the Group's intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps the Group takes to protect its intellectual property may not adequately protect its rights or prevent third parties from infringing or misappropriating its proprietary rights.

Other parties may also claim that the Group infringes their proprietary rights. The Group may be subject to claims and legal proceedings regarding alleged infringement by the Group of the intellectual property rights and patents of third parties. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against the Group, or the payment of damages, including satisfying indemnification obligations. The Group may need to obtain licences from third parties who allege that the Group has infringed their rights, but such licences may not be available on terms acceptable to the Group, if at all. In addition, the Group may not be able to obtain or utilise on terms that are favourable to the Group, or at all, licences or other rights with respect to intellectual property the Group does not own. The realisation of any of the above could have a material adverse effect on the Group's or the proposed JV's respective businesses, results of operations, financial condition or prospects.

1.43. Any merger and acquisition activity may be unsuccessful.

The Group may seek to expand through mergers, acquisitions and joint ventures in the future. Acquisitions could necessarily leave the Group exposed, at least to some degree, to any operational failings of the target company and potentially to overpaying for any such target. Mergers or acquisitions, including the difficulties involved in integrating companies, businesses or assets, may divert financial and management resources from the Group's core business, which could have an adverse effect on the Group's business, results of operations, financial condition or prospects. There can be no assurance that the Group will be able to identify future acquisition targets or that acquired businesses will be fully integrated into the Group or that expected cost

PART II CONTINUED

savings and revenue generation opportunities will be realised. Further, the Group has not recently engaged in complex transactions such as mergers and acquisitions, and may not have the required experience to successfully execute and implement such complex transactions. Similarly, should the Group elect to dispose certain of its assets, there can be no assurance that such sale will be in commercially acceptable terms or will not otherwise materially adversely affect the Group's business. Therefore, the Group's future acquisitions may not achieve the initially defined goals and consequently may become part of portfolio optimisations including, but not limited to, divestment considerations. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.44. *There may be a decrease in demand for the Group's or the proposed JV's products in the event of pandemics.*

In recent years, there have been outbreaks of a number of diseases that have had the potential to spread rapidly over very large geographic areas. Any outbreak of disease could increase the Group's or the proposed JV's costs in sourcing alternative suppliers and/or have an adverse impact on consumer preferences and spending. A widespread outbreak of any disease, or any customer perception to that effect, in the United Kingdom or elsewhere could have an adverse effect on the Group's suppliers and customers and on the economy in general, with a consequential material adverse effect on the demand for products sold by the Group and the proposed JV, and their respective businesses, results of operations, financial condition or prospects.

2. RISKS RELATING TO THE PROPOSED JV AND THE TRANSACTION

2.1. *The Transaction is subject to the satisfaction or waiver, where applicable, of a number of conditions.*

Completion is conditional upon the satisfaction (or, where applicable, waiver) of the following conditions on or before 31 March 2020:

- (a) completion of a restructuring to transfer the business and assets within an agreed perimeter to Ocado Retail and to transfer any business and assets not within such perimeter from Ocado Retail to one or more members of the Ocado Group ("the completion of the Separation");
- (b) the relevant member of the Ocado Group having either: (i) obtained all waivers, consent and releases under the existing Ocado Financing; or (ii) redeemed, replaced, terminated or defeased in full the existing Ocado Financing to the extent required to ensure the shares in Ocado Retail are capable of being transferred free from any encumbrance and that Ocado Retail is free from any obligation or liability under or in connection with the Ocado Financing; and
- (c) the Competition and Markets Authority not having requested submission of a merger clearance filing as at the date on which all other conditions are satisfied or waived, or, if it does, approval by the Competition and Markets Authority.

Whilst the Group is confident that all conditions to the Transaction can be satisfied or waived, as applicable, there can be no guarantee that this will occur in a timely manner and on terms acceptable to both the Group and Ocado, or at all or can be met only after undue diversion of financial resources or management time and attention. If this were the case, the Transaction may be delayed (which would prolong the period of uncertainty for the Group, the proposed JV and Ocado and may result in additional costs to their businesses), or may not become effective. Further, if the Transaction does not become effective, the Group could incur additional costs and divert additional resources in seeking alternatives to secure its presence in the online Food market and there can be no assurance that such alternatives will be identified or that the Group will be able to implement alternative solutions to increase its online Food presence on commercially acceptable terms, if at all. Any of the foregoing which could have a material adverse effect on the business, results of operations, financial condition or prospects of the Group.

2.2. *The proposed JV may not perform in line with expectations and the Group may not realise the anticipated returns from its investment in the proposed JV.*

The Group seeks to increase its online presence in the Food market through the proposed JV. However, there can be no assurance that the proposed JV will deliver the expected results or that the Group will realise the anticipated return on investment within the expected timeframe.

PART II CONTINUED

The online grocery market is extremely competitive and the proposed JV's ability to maintain and increase its market share is subject to a number of risks and uncertainties (see "*The Group operates, and the proposed JV will operate, in highly competitive sectors and their competitors' actions could lead to a loss in their market shares and adversely affect their businesses, results of operations, financial condition or prospects*").

The proposed JV also faces risks associated with retaining its existing consumer relationships or establishing new customer relationships. For example, the proposed JV faces the risk of being unable to retain Ocado Retail's existing customers once the proposed JV commences offering M&S products and stops offering Waitrose products (which represented 26 per cent. of Ocado Retail's sales in 2018) through the ocado.com platform. In particular, the proposed JV faces the risk that certain of its customers will migrate to Waitrose's online platform, waitrose.com, to have access to Waitrose-branded products and for their grocery shopping. Although the Group expects that M&S products are viewed positively by existing Ocado Retail's customers, these customers may migrate platforms for reasons such as their loyalty to the Waitrose brand or customers' perception of the quality associated with Waitrose products, any of which could adversely affect the proposed JV's sales.

Further, the Group expects that a number of its existing Food customers, which currently conduct their online grocery shopping with other grocers will switch their online grocery shopping to the proposed JV when they will be offered with the opportunity to buy M&S products. However, there can be no assurance that the proposed JV will be successful in establishing relationships with new customers or such customers will be willing to shop with the proposed JV if they have already established relationships with an existing online grocer. Similarly, even if certain of the Group's customers migrate to the proposed JV from their existing grocer, the number of such customers may be lower than the Group expects for the proposed JV to realise its anticipated benefits from the proposed JV.

In addition, the proposed JV's and the Group's businesses' success also depends on the average basket size that the proposed JV's customers may carry. In particular, the Group's existing in-store customers typically carry smaller average baskets compared to the average basket sizes carried by Ocado Retail's, as well as other online grocers', customers. Larger baskets tend to have higher profit margins compared to smaller baskets due to the fixed operational costs associated with the fulfilment and delivery of each separate order; therefore, the profitability associated with such smaller baskets is lower compared to larger basket sizes. The Group expects that it will benefit from the proposed JV's larger basket size and also believes that the Group's products will form a significant part of such basket. However, there can be no assurance that M&S products will form a significant part of the proposed JV's customer baskets or that customers will continue to carry such large baskets in the future. For example, the proposed JV's customers may elect to purchase third party products or Ocado own-label products and not M&S products, which could result in lower than anticipated sales for the Group's own-branded products through the ocado.com platform. Further, customers' preferences may evolve towards ordering smaller baskets but in a higher frequency, which could result in lower profitability for the proposed JV.

Further, the Group faces risks in connection with developing new M&S products and categories which will be offered exclusively through the proposed JV and there can be no assurance that such new products and categories will be in line with customers' expectations in terms of quality or price with the Group's existing products, which could result in the proposed JV not achieving the expected level of sales. In addition, the Group faces risks in connection with the supply of such new products and categories. The Group's existing suppliers may not have the operational and technical capabilities to supply the Group with such new products and the Group may fail to identify and contract with new suppliers for the provision of such new products and categories on commercially favourable terms, if at all, which could decrease the proposed JV's profit margins and impair its ability to meet consumer preferences. Further, following the expiry or termination of the Waitrose sourcing agreement, the proposed JV will source its own-label products through the Group or other third party suppliers. However, there can be no assurance that the proposed JV or the Group will be successful in sourcing the proposed JV's products on favourable terms or terms comparable to the terms offered by Waitrose, which could result in an increase in the proposed JV's costs of sale and lower profit margins. Further, the Group faces the risk that the proposed JV's sales could result in a decrease in the Group's in-store Food sales, which could materially adversely affect the Group's business, results of operations, financial condition and prospects (see "*Risks relating to the Group's and the proposed JV's business—Growth in the Group's or the proposed JV's online business may reduce customer activity in the Group's stores*").

Further, the proposed JV's future results depend on receiving the expected returns on its investments in additional CFCs under a smart platform agreement (the **Ocado Smart Platform Agreement**), under which the proposed JV shall order the equivalent of a further eight CFCs pursuant to an agreed roll-out programme over the first 12 years of the Ocado Smart Platform Agreement and must pay certain design and set-up fees for each of these CFCs. Such costs could have an adverse impact on the proposed JV's cash flow and there can be no assurance that the roll-out of additional CFCs will translate in revenue growth. For example, additional capacity derived from any new CFCs may prove insufficient in meeting the proposed JV's capacity

PART II CONTINUED

requirements or such CFCs may face operational difficulties, any of which could result in the proposed JV's inability to meet consumer demand in a timely manner. Further, should such investments prove insufficient to meet the proposed JV's capacity requirements, the proposed JV could require additional investments to meet such requirements, which could result in additional capital expenditures.

Any of the foregoing could have a material adverse effect on the Group's or the proposed JV's business, results of operations, financial condition or prospects.

2.3. *The Group's and the proposed JV's actual results of operations may differ materially from the unaudited pro forma financial information included in this Prospectus.*

The unaudited *pro forma* financial information contained in this Prospectus is presented for illustrative purposes only. Because of its nature, the unaudited *pro forma* financial information addresses a hypothetical situation and does not, therefore, represent the Group's or the proposed JV's actual results. It may not, therefore, give a true picture of the Group's or the proposed JV's results had the Transaction and the Rights Issue been completed as of 1 April 2018 nor is it indicative of the results that may or may not be expected to be achieved in the future. The Group's and the proposed JV's future reported results of operations data may therefore differ from those that might be expected based on the unaudited *pro forma* financial information set forth in this Prospectus.

2.4. *The Separation may not be successful or completed in a timely manner.*

The proposed JV's ability to successfully execute its growth strategy depends in large part on the successful completion of the Separation. Ocado has developed a separation blueprint which is intended to enable Ocado Retail to continue to run smoothly as it transitions to operate on a standalone basis. However, there are significant risks associated with the implementation of the separation blueprint and there can be no assurance that Ocado Retail will be able to operate efficiently and on an independent basis following the completion of the Separation. In particular, Ocado Retail, and following Completion, the proposed JV, may encounter challenges to business continuity while certain functions of the business such as sales and supplier relationships, vehicle assets and central retail functions are separated into Ocado Retail. In addition, pursuant to a third party logistics services agreement (the **Third Party Logistics Services Agreement**), the proposed JV will also rely on certain transitional services to be provided by Ocado, including certain IT, HR, financial, facilities and contact centre services. Similarly, the proposed JV will face risks in connection with its reliance on Ocado and its employees to provide such transitional services. For example, the proposed JV may fail to adequately monitor, incentivise or integrate such staff within its operations, which could result in operational inefficiencies or increased costs. After these transitional services expire, the proposed JV will need to replace these services and may be unable to obtain such services at prices or terms as favourable as those provided in the Third Party Logistics Services Agreement, any of which could have an adverse effect on the success of the Separation's completion. A failure to successfully complete the Separation, in whole or in part, may have a material adverse effect on the Group's and the proposed JV's businesses, results of operations, financial condition or prospects.

2.5. *The Group may not realise the targeted synergies from the proposed JV.*

The Group believes that the proposed JV will give the Group significant opportunity for cost synergies. The Group expects net sensitised synergies for the Group to reach a recurring run-rate of at least £70 million per year by the end of the third year following Completion. However, more detailed analysis will need to be undertaken, before such synergies are realised and there can be no assurance that such synergies will be realised within the above timeframe, if at all. Such synergies are expected to arise from increased buying scale, harmonised buying terms, conversion of M&S customers who currently account for approximately one-third of online grocery spend, joint marketing, shared innovation, and complementary category and regional mixes. However, the realisation of the above synergies is subject to certain assumptions made by the Group such as cost savings approximations, estimates on the effects of Waitrose-branded products' replacement by the Group's products or the assumption that no cannibalisation between the Group's in-store sales and the proposed JV's online sales will occur, and there can be no assurance that such estimates and assumptions will prove accurate. Accordingly, the Group's ability to achieve the projected synergies is dependent upon a significant number of factors. For example, there is a risk that the projected synergy benefits will fail to materialise within the expected timetable, or that such synergy benefits may be materially lower than have been estimated or that costs or dis-synergies expected to arise in respect of implementation of the Transaction may be greater than expected. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

PART II CONTINUED

2.6. The proposed JV relies on Ocado's operational capacity and technological capabilities as well as Ocado's ability to design and develop new technology systems.

Pursuant to the Ocado Smart Platform Agreement, which will be entered into at Completion, the Ocado Group will undertake to provide the proposed JV with access to the Ocado Smart Platform (**OSP**), namely the mechanical handling equipment at Ocado's CFCs and Ocado's integrated e-commerce and fulfilment software platform. Similarly, the Ocado Group will provide the proposed JV with certain operating and IT services through the Third Party Logistics Services Agreement. Thus, the Ocado Group will continue to operate the logistics, distribution and certain other elements, of the proposed JV's business, including operating the proposed JV's trading platform (www.ocado.com). Therefore, the proposed JV's success depends on the operational capacity and technological capabilities of the Ocado Group as well as its ability to keep pace with such capabilities.

Specifically, Ocado's IT infrastructure, including its online platform, could be adversely affected by various risks such as a failure of Ocado's hosting sites, a failure or breach of its IT systems or network outages, any of which could affect the proposed JV's ability to take and fulfil online orders, loss of information or expose the proposed JV's customers to risk of fraud (see "*Risks Relating to the Group's and the Proposed JV's Businesses —The Group and the proposed JV may be subject to IT failures, cyber-attacks or breaches, including due to hacking or vandalism, and a significant IT failure or breach, in particular in connection with the Group's or the proposed JV's online sales channels, may materially adversely affect their businesses, results of operations, financial condition, prospects or reputations*"). Similarly, Ocado's logistics and distribution capabilities, including the efficient operation of its CFCs, are key to the proposed JV's business. Any incident, such as a flood or fire, to Ocado's CFCs could materially adversely affect the proposed JV's business. If Ocado fails to successfully and efficiently operate its CFCs or there is a significant disruption in Ocado's CFCs, the proposed JV's deliveries could be delayed, a significant portion of its inventory could be damaged and its ability to stock its products impaired. For example, Ocado's Andover CFC experienced a significant fire incident in February 2019, which resulted in severe damage to the CFC's property, inventory damage as well as disruption and delays in Ocado Retail's deliveries, and there can be no assurance that such incident will not materialise in the future, which could materially adversely affect the proposed JV's business, results of operations, financial condition or prospects.

In addition, no assurance can be given that Ocado will be able to continue to design, develop, implement or utilise, in a cost-effective manner, information systems and logistics and distribution solutions that provide the capabilities necessary for the proposed JV to remain competitive. For example, Ocado's competitors may develop better logistics and distribution systems in the future, which could result in lower costs, faster delivery times and better inventory management capabilities for the proposed JV's competitors, and, therefore, could result in lower sales for the proposed JV and a decline in its market share. Further, the proposed JV would be precluded from taking advantage of its competitors more advanced systems by contracting with other third-party suppliers due to the exclusivity provisions in the Ocado Smart Platform Agreement which require the proposed JV to use Ocado's solutions for a ten year exclusivity period. Similarly, Ocado may fail to successfully implement and integrate any new technology systems with the proposed JV's systems or fail to upgrade its existing IT systems or transition to more advanced IT systems in a timely manner, if at all, and there can be no assurance that such systems will deliver the expected results without resulting in operational inefficiencies. Any of the foregoing could have a material adverse effect on the proposed JV's business, results of operations, financial condition or prospects.

2.7. The Group has relied on representations and warranties that Ocado has provided to the Group under the Sale and Purchase Agreement.

Ocado has given certain customary representations and warranties under the Sale and Purchase Agreement related to Ocado Retail's business. The Group has relied on these representations and warranties about Ocado Retail's business in connection with the Transaction. If these representations and warranties are not true and correct in all material respects, the Group may suffer losses or be unable to perform to expectations. However, there can be no assurance that the Group will be able to recover damages in relation to such breaches or losses in an amount sufficient to fully compensate the Group for its losses or underperformance.

2.8. Management of the proposed JV will be shared with Ocado and, therefore, the Group's ability to pursue its strategy in connection with the proposed JV could be constrained.

Under the terms of the Sale and Purchase Agreement, the Group will have a 50.0 per cent. stake in Ocado Retail and the remainder will be held by the Ocado Group. Similarly, each of the proposed JV's shareholders will have the right to appoint two directors to the proposed JV's board, which in turn will have the right to

PART II CONTINUED

appoint the proposed JV's CEO and CFO. For a minimum of five years and a maximum of six years following Completion, the Group will have the right to appoint one of the proposed JV's directors as chair and in the event of an unresolved deadlock regarding: (i) the appointment or removal of the CEO and the determination of their remuneration (within certain limits); or (ii) the approval of the business plan and/or budget, the matter will be resolved in accordance with the Ocado Group's instruction. This means that the Ocado Group will have certain powers to manage and operate the proposed JV without the Group's consent during the Ocado Control Period. The above limitations could constrain the Group's ability to pursue its strategy and manage and operate the proposed JV in the manner the Group deems the most efficient and profitable during the Ocado Control Period. Further, there is a risk that the challenges associated with the proposed JV's operations will result in management of the Group being distracted, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

2.9. *The proposed JV will enter into certain material agreements with Ocado and such agreements might not prove successful to the proposed JV's business, results of operations, financial condition and results of operations.*

Ocado's historical and future actions, or failure to comply with its obligations under the Transaction Agreement and the other agreements to be entered into in connection with the Transaction, may materially affect the proposed JV's business, financial condition, operating results or prospects. In connection with the Transaction, the proposed JV will enter into certain agreements with the Ocado Group, including the Transaction Agreement, the Third Party Logistics Services Agreement, the Ocado Smart Platform Agreement and the Brand Licence Agreement. Ocado's failure to comply with any part of these agreements, including the indemnities therein, for any reason could inhibit the proposed JV from operating or expanding its business in the future and/or result in significant additional costs to the proposed JV. For example, if Ocado fails to provide necessary commercial services, the proposed JV may not be able to operate its business effectively until it is able to perform these services on its own or procure replacement services from third party suppliers, which may have a material impact on the proposed JV's operating results during that time. The proposed JV could incur material additional costs and liabilities if Ocado fails to meet its obligations.

2.10. *The Group has incurred and will incur substantial costs in connection with the Transaction and the proposed JV.*

The Group has incurred and will incur significant transaction fees and other costs associated with completing the Transaction. These fees and costs are substantial and include financing, financial advisory, legal and accounting fees and expenses. Although the Group believes that the benefits of the Transaction will offset the transaction costs over time, this net benefit may not be achieved in the near term, or at all.

2.11. *The Shareholders' Agreement contains provisions which limit the ability to sell shares in the proposed JV's and which could require Marks and Spencer Holdings to sell all of its shares following a change of control of the Company or in case of certain events of default.*

The Shareholders' Agreement contains certain exit and event of default provisions which govern transfers and sales of Ocado Holdings' shares in Ocado Retail. Subject to certain limited exceptions, Marks and Spencer Holdings will be unable to dispose of its shares in Ocado Retail (which includes the creation of any encumbrance on or affecting such shares) before the fifth anniversary of Completion, following which, subject to certain limited exceptions, a disposal may be made, but only by way of a permitted public offering or a transfer to Ocado.

The Company's shares are publicly traded and therefore the Company does not have control over who acquires its Ordinary Shares. If the Company is subject to a change of control whereby control is gained by a competitor of Ocado, Ocado Holdings may require Marks and Spencer Holdings to sell its shares in Ocado Retail to Ocado. The price at which Marks and Spencer Holdings would be required to sell its shares will be agreed between the shareholders in Ocado Retail, failing which it will be determined by an independent expert in accordance with the agreed procedures set out in the Shareholders' Agreement.

PART II CONTINUED

3. RISKS RELATING TO THE ORDINARY SHARES**3.1. *The value of an investment in the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares may go down as well as up and any fluctuations may be material.***

The Company's share price has fluctuated and may continue to fluctuate. The market price of the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares could also be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The factors which may affect the Company's share price, and the price of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, include (but are not limited to):

- the Company's expected and actual performance and the performance of the industries and markets in which it operates;
- speculation regarding mergers or acquisitions involving, and/or major divestments by, the Company or its competitors;
- future issues of Ordinary Shares, or large purchases or sales of Ordinary Shares in the market; and
- announcements of changes in the Company's credit rating.

Furthermore, the Company's share price, and the price of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, may fall in response to market appraisal of its current strategy or if the Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors. In addition, stock markets have from time to time experienced significant price and volume fluctuations that have affected the market price of securities and which may be unrelated to the Group's operating performance and prospects.

Any of these events could result in a decline in the market price of the Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

3.2. *A trading market for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not occur when, or develop as, expected.*

Applications have been made to admit the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective at 8.00 a.m. on 29 May 2019. There can be no assurance, however, that Admission will become effective or that an active trading market in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares will develop upon or following Admission. In addition, because the trading price of the Nil Paid Rights and Fully Paid Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights prices may be volatile and subject to the same risks as noted elsewhere in this Prospectus in respect of the Ordinary Shares.

3.3. *The market price for the Ordinary Shares may decline below the Rights Issue Price.*

The public trading market price of the Ordinary Shares may decline below the Rights Issue Price. Should that occur prior to the latest time and date for acceptance under the Rights Issue, Shareholders who exercise their rights in the Rights Issue will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the subscription price for those shares. Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer them. If the public trading market price of the Ordinary Shares declines below the Rights Issue Price, investors who have acquired any such Nil Paid Rights in the secondary market will likely suffer a loss as a result.

The market price of the Ordinary Shares may fluctuate and may not always reflect the underlying asset value of the Group.

3.4. *Shareholders located outside the United Kingdom may not be permitted to take up their entitlements under the Rights Issue.*

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders resident in such jurisdictions in the Rights Issue. In particular, the Rights Issue will not be registered under the U.S. Securities Act and therefore Shareholders located in the United States may not be permitted to take up their entitlements under the Rights Issue unless an exemption from the registration requirements of the

PART II CONTINUED

Securities Act is available. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders with a registered address in, or who are a resident in or are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or the New Ordinary Shares.

3.5. Shareholders who do not (or are not permitted to) subscribe for New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company.

If any Shareholder does not take up the offer of New Ordinary Shares under the Rights Issue, either because the Shareholder is in the United States or another jurisdiction where their participation is restricted for legal, regulatory and other reasons or because the Shareholder does not respond by 11.00 a.m. on 12 June 2019, being the expected latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of the New Ordinary Shares, and that Shareholder's Nil Paid Rights to subscribe for the New Ordinary Shares lapse, the Shareholders' proportionate ownership and voting interests as well as the percentage that their shares will represent of the total issued ordinary share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell their unexercised Nil Paid Rights, or such Nil Paid Rights are sold on their behalf, the consideration the Shareholder receives may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

If, however, the Underwriters are unable to find subscribers for such New Ordinary Shares or are unable to achieve a price at least equal to the Rights Issue Price and the related expenses of procuring such subscribers, Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up.

Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to subscribe for the New Ordinary Shares, their proportionate ownership and voting interest in the Company will be reduced and the percentage that the Ordinary Shares of that Shareholder would represent of the total share capital of the Company will also be reduced accordingly. Any consideration received may not be sufficient to compensate that Qualifying Shareholder fully for the dilution of their percentage ownership of the Company's issued ordinary share capital that may be caused as a result of the Rights Issue.

3.6. Any future issue of Ordinary Shares will further dilute the holdings of Shareholders of the Company and could adversely affect the market price of the Ordinary Shares.

Other than pursuant to the Rights Issue, the Company has no current plans for an offering of Ordinary Shares apart from possible offerings in relation to employee share plans. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future, either to raise capital or for other purposes. If Shareholders did not take up such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of the Company would be reduced accordingly. Any additional offering, issues of Ordinary Shares or significant sales of Ordinary Shares by major Shareholders could have a material adverse effect on the market price of the Ordinary Shares.

3.7. It may not be possible to effect service of process upon the Company or the Directors or enforce court judgements against the Company or the Directors.

The Company is incorporated in England and Wales. A significant amount of the Company's assets is located in the United Kingdom. In addition, the majority of the Directors and senior management are located in the United Kingdom. As a result, it may not be possible for investors outside the United Kingdom to effect service of process against the Company or the Directors or to enforce the judgement of a court outside the United Kingdom against the Company or the Directors based on civil liabilities under that country's securities laws. There can be no assurance that a non-UK Shareholder will be able to enforce any judgements in civil and commercial matters or any judgements under the securities laws of countries other than the United Kingdom against the Company's directors and executive officers who are residents of the United Kingdom or countries other than those in which the judgement is made. In addition, English or other courts may not impose civil liability on the Company or the Company's directors and executive officers in any original action based solely on foreign securities laws brought against the Company or the Company's directors and executive officers in a court of competent jurisdiction in England and Wales or other countries.

PART II CONTINUED

3.8. The Company's ability to continue to pay dividends on the Ordinary Shares is subject to restrictions.

The Company's ability to pay dividends is limited under English company law and any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, applicable law, regulations, the result of the Group's operations, capital and cash requirements, future projects and plans and other factors that the Board may deem relevant. Specifically, on 27 February 2019 the Board reviewed the Company's dividend policy and announced a reduction in the dividend per share of 40 per cent. to a sustainable level, with a reduction in the final dividend to FY19 to 7.1 pence. In addition, as a holding company, the Company's ability to pay dividends in the future is affected by its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of Ordinary Shares.

3.9. Shareholders may be subject to exchange rate risks.

The Ordinary Shares are priced in sterling and are quoted and traded in sterling. In addition, any dividends the Company pays will be declared and paid in sterling. Accordingly, holders of the Ordinary Shares are subject to risks arising from adverse movements in the value of their local currencies against sterling, which may reduce the value of the Ordinary Shares, as well as that of any dividends paid by the Company.

PART III

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	<p>Archie Norman (<i>Non-Executive Chairman</i>) Steve Rowe (<i>Chief Executive Officer, Executive Director</i>) Humphrey Singer (<i>Chief Finance Officer, Executive Director</i>) Andy Halford (<i>Senior Independent Non-Executive Director</i>) Katie Bickerstaffe (<i>Independent Non-Executive Director</i>) Alison Brittain, CBE (<i>Independent Non-Executive Director</i>) Andrew Fisher, OBE (<i>Independent Non-Executive Director</i>) Justin King, CBE (<i>Independent Non-Executive Director</i>) Pip McCrostie (<i>Independent Non-Executive Director</i>)</p>
Company Secretary	Nick Folland
Registered Office of the Company	<p>Waterside House 35 North Wharf Road London W2 1NW United Kingdom</p>
Lead Financial Adviser	<p>N.M. Rothschild & Sons Limited New Court, St Swithin's Lane London EC4N 8AL United Kingdom</p>
Sole Sponsor, Sole Global Co-ordinator, Sole Bookrunner, Joint Financial Adviser and Underwriter	<p>Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom</p>
English and U.S. legal advisers to the Company	<p>Allen & Overy LLP One Bishops Square London E1 6AD United Kingdom</p>
English and U.S. legal advisers to the Sole Sponsor, Sole Global Co-ordinator, Sole Bookrunner, Joint Financial Adviser, the Co-Bookrunners and Underwriters	<p>Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom</p>
Reporting Accountants and Auditors of M&S	<p>Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom</p>
Registrar and Receiving Agent	<p>Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA United Kingdom</p>

PART III CONTINUED

Co-Bookrunners and Underwriters

BNP PARIBAS
16, Boulevard des Italiens
75009 Paris
France

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU
United Kingdom

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND RIGHTS ISSUE STATISTICS

Announcement of the Rights Issue.....	22 May 2019
Record Date for entitlement under the Rights Issue.....	close of business on 22 May 2019
Publication of the Prospectus.....	24 May 2019
Dispatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) ⁽¹⁾	28 May 2019
Ex entitlement date for the Rights Issue.....	8.00 a.m. on 29 May 2019
Admission and commencement of dealings in New Ordinary Shares, nil paid, on the London Stock Exchange	8.00 a.m. on 29 May 2019
Stock accounts credited with Nil Paid Rights (for Qualifying CREST Shareholders only).....	as soon as practicable after 8.00 a.m. on 29 May 2019
Nil Paid Rights and Fully Paid Rights enabled in CREST.....	as soon as practicable after 8.00 a.m. on 29 May 2019
Latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.....	5.00 p.m. on 5 June 2019
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form).....	4.30 p.m. on 6 June 2019
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form).....	3.00 p.m. on 7 June 2019
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid.....	3.00 p.m. on 10 June 2019
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 12 June 2019
Results of Rights Issue to be announced through a Regulatory Information Service.....	by 8.00 a.m. on 13 June 2019
Commencement of dealings in New Ordinary Shares fully paid on the London Stock Exchange	8.00 a.m. on 13 June 2019
New Ordinary Shares credited to CREST accounts (for Qualifying CREST Shareholders only).....	as soon as practicable after 8.00 a.m. on 14 June 2019
Dispatch of definitive share certificates for New Ordinary Shares in certificated form (to Qualifying Non-CREST Shareholders only).....	by no later than 26 June 2019

(1) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 7 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus.

Each of the times and dates in the above timetable is subject to change in which event details of the new times and dates will be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders through a Regulatory Information Service. References to times are to London time unless otherwise stated.

PART IV CONTINUED

RIGHTS ISSUE STATISTICS

Rights Issue Price.....	185 pence
Basis of Rights Issue.....	1 New Ordinary Share for every 5 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at the Latest Practicable Date.....	1,625,049,840
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue ⁽¹⁾	325,009,968
Number of Ordinary Shares in issue immediately following the completion of the Rights Issue ⁽¹⁾	1,950,059,808
New Ordinary Shares as a percentage of the enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽¹⁾ ...	16.7 per cent.
Estimated gross proceeds of the Rights Issue.....	£601.3 million
Estimated net proceeds of the Rights Issue receivable by the Company, after deduction of estimated fees and expenses of the Rights Issue	approximately £570.7 million

(1) The actual number of New Ordinary Shares will be subject to rounding to eliminate fractions.

PART V

IMPORTANT INFORMATION

1. GENERAL

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

Investors should rely solely on the information contained in this Prospectus and the information incorporated by reference into this Prospectus (and any supplementary prospectus produced to supplement the information contained in this Prospectus) when making a decision as to whether to acquire New Ordinary Shares. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, Morgan Stanley, BNPP, HSBC, Shore Capital or Rothschild & Co. In particular, the content of the Company's website does not form part of this Prospectus and prospective investors should not rely on such content. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87C(1) of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any issue or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company, or of the Company and its subsidiaries taken as a whole, since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to its date.

No statement in this Prospectus or incorporated by reference into this Prospectus is intended as a profit forecast or profit estimate for any period and no statement in this Prospectus or incorporated by reference into this Prospectus should be interpreted to mean that the earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial statements of the Company.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley, BNPP, HSBC, Shore Capital or Rothschild & Co by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Morgan Stanley, BNPP, HSBC, Shore Capital, Rothschild & Co, nor any of their respective affiliates, directors, officers, employees or advisers accept any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the New Ordinary Shares, the Rights Issue or Admission, and nothing in this Prospectus should be relied upon as a promise of representation in this respect, whether as to the past or the future. Each of Morgan Stanley, BNPP, HSBC, Shore Capital and Rothschild & Co and their respective affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

2. PRESENTATION OF FINANCIAL INFORMATION WITH RESPECT TO THE GROUP

Unless otherwise indicated, the consolidated financial information with respect to the Group presented and incorporated by reference in this Prospectus has been prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union and the International Financial Reporting Standards Interpretations Committee interpretations as adopted by the European Union, and those parts of the Companies Act applicable to the companies reporting under IFRS. IFRS as adopted by the European Union differs in certain aspects from the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. Further details are set out in the paragraph titled "*Critical accounting policies and sources of estimation uncertainty*" of Part XIV: "*Operating and Financial Review of the Group*" of this Prospectus. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the notes to the consolidated financial information incorporated by reference in this Prospectus (see Part VI: "*Information Incorporated by Reference*").

References in this Prospectus to:

- **"Financial Year 2020"** or **"FY20"** are to the 52-week period ending 28 March 2020;
- **"Financial Year 2019"** or **"FY19"** are to the 52-week period ended 30 March 2019;

PART V CONTINUED

- “**Financial Year 2018**” or “**FY18**” are to the 52-week period ended 31 March 2018; and
- “**Financial Year 2017**” or “**FY17**” are to the 52-week period ended 1 April 2017.

The consolidated financial information of the Group as at and for (i) Financial Year 2019 has been extracted without material adjustment from the Group’s consolidated financial statements included in the Group’s annual report and financial statements for the 52 weeks ended 30 March 2019 (**2019 Annual Report and Financial Statements**), (ii) Financial Year 2018 has been extracted without material adjustment from the consolidated financial statements included in the Group’s annual report and financial statements for the 52 weeks ended 31 March 2018 (**2018 Annual Report and Financial Statements**) and (iii) Financial Year 2017 has been extracted without material adjustment from the consolidated financial statements included in the Group’s annual report and financial statements for the 52 weeks ended 1 April 2017 (**2017 Annual Report and Financial Statements**), incorporated by reference in this Prospectus.

The consolidated financial information relating to the Group presented and incorporated by reference in this Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations that would apply if the Ordinary Shares were to be registered in the United States. Compliance with such requirements would require the modification or exclusion of certain information included in this Prospectus and the presentation of certain information that is not included in this Prospectus.

3. PRESENTATION OF *PRO FORMA* INFORMATION WITH RESPECT TO THE PROPOSED JV

In this Prospectus, any reference to “*pro forma*” financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part XV: “*Unaudited Pro Forma Financial Information of the Group*” of this Prospectus. The unaudited *pro forma* financial information contained in Part XV: “*Unaudited Pro Forma Financial Information of the Group*” of this Prospectus has been prepared to illustrate the effect on the profit of the Group of the Rights Issue and entry into the proposed JV transaction as if they had occurred on 1 April 2018.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only. Because of its nature, the unaudited *pro forma* financial information addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results. It may not, therefore, give a true picture of the Group’s financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited *pro forma* financial information has been prepared on the basis set out in the notes therein, the accounting policies adopted by the Group in preparing its consolidated audited financial statements for the year ended 30 March 2019, and in accordance with the requirements of items 1 to 6 of Annex II to the Prospectus Directive.

The unaudited *pro forma* financial information has not been prepared, and shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

4. OTHER

The financial information presented and incorporated by reference in this Prospectus was not prepared in accordance with U.S. Generally Accepted Accounting Principles (**U.S. GAAP**) or audited in accordance with U.S. Generally Accepted Auditing Standards (**U.S. GAAS**) or the standards of the Public Company Accounting Oversight Board (**PCAOB Standards**). No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

5. NON-IFRS FINANCIAL INFORMATION

This Prospectus contains certain financial information that is not defined or recognised under IFRS as adopted by the European Union, including profit before tax and adjusting items, like-for-like revenue growth, management gross margin, adjusted earnings per share, net debt, free cash flow, return on capital employed, operating profit before adjusting items, depreciation and amortisation before adjusting items and free cash flow before adjusting items. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group’s performance with that of other companies and should not be considered in isolation or as a substitute for any profitability measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. For further information on this non-IFRS financial information, including reconciliations, as

PART V CONTINUED

applicable, to the Group's consolidated financial information, please see Part XIV: "Operating and Financial Review of the Group—Alternative performance measures and other non-IFRS financial data".

6. ROUNDING

Percentages and certain amounts included in this Prospectus have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

7. CURRENCIES

Unless otherwise indicated, in this Prospectus, all references to **pound(s) sterling, sterling, £ or pence** are to the lawful currency of the United Kingdom, all references to **U.S. dollar(s) or US\$** are to the lawful currency of the United States and all references to **euro, € or EUR** are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. For the majority of members of the Group in the United Kingdom, the functional currency is pounds sterling and the Group presents its financial statements in pounds sterling.

The basis of translation of foreign currency transactions and amounts in the financial information set out in Part XIV: "Operating and Financial Review of the Group" of this Prospectus is described in each Part. Information derived from this financial information set out elsewhere in this Prospectus has been translated on the same basis.

The tables below show the period-end average, high and low exchange rates of the pound sterling per U.S. dollar and per euro for each of the three years ended 31 December 2016, 2017 and 2018 and for each full month in 2019 up to the Latest Practicable Date, expressed as the number of U.S. dollars and euros (as applicable) per £1.00 as published by Bloomberg. These rates may differ from the actual rates used in the preparation of the Company's financial statements and other financial information appearing in this Prospectus. The average is calculated using the exchange rates set on each Business Day during the period. These exchange rates are provided only for the convenience of the reader.

	U.S. dollar			
	Period End	Average	High	Low
Year ended 31 December				
2016.....	1.2345	1.3554	1.4810	1.2158
2017.....	1.3524	1.2886	1.3582	1.2068
2018.....	1.2746	1.3351	1.4325	1.2516
Month in 2019				
January.....	1.3122	1.2893	1.3176	1.2587
February.....	1.3266	1.3014	1.3302	1.2805
March.....	1.2993	1.3164	1.3285	1.2993
April.....	1.3042	1.3030	1.3170	1.2902
May (up to the Latest Practicable Date).....	1.2675	1.2928	1.3147	1.2675
	Euro			
	Period End	Average	High	Low
Year ended 31 December				
2016.....	1.1705	1.2243	1.3645	1.0983
2017.....	1.1250	1.1416	1.1968	1.0758
2018.....	1.1130	1.1302	1.1568	1.0999
Month in 2019				
January.....	1.1461	1.1290	1.1551	1.1078
February.....	1.1655	1.1466	1.1699	1.1336
March.....	1.1581	1.1504	1.1745	1.1652
April.....	1.1628	1.1599	1.1712	1.1533
May (up to the Latest Practicable Date).....	1.1361	1.1548	1.1743	1.1361

PART V CONTINUED

8. FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. All statements other than statements of historical fact included in this Prospectus are forward-looking statements. They appear in a number of places throughout this Prospectus and include statements regarding the Directors’ or the Group’s intentions, beliefs or current expectations concerning, among other things, its operating results, financial condition, prospects, growth, expansion plans, strategies, the industry in which the Group operates, and the proposed JV will operate, and the general economic outlook.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and therefore are based on current beliefs and expectations about future events. These risks and uncertainties include, but are not limited to:

- the highly competitive sectors in which the Group operates, and the proposed JV will operate, as well as the actions of their competitors;
- adverse changes in macroeconomic conditions, whether in the United Kingdom or internationally;
- the United Kingdom’s exit from the EU, particularly in the event of a “no-deal” Brexit;
- a failure to execute the Group’s strategy, including the Group’s transformation programme;
- a failure to increase the Group’s online sales;
- the Group’s Food business’ inability to deliver its plans to broaden customer appeal and increase sales;
- the Group’s failure to reshape the Group’s Clothing & Home business to deliver greater value to customers;
- the Group’s inability to create a high-quality store estate and to timely execute its UK store closure programme or renew and modernise its store formats;
- any decline in the Group’s freehold property portfolio as well as risks and costs associated with the Group’s leasehold property portfolio;
- any failure of the Group to keep pace with, develop and deliver its innovation and technology capability;
- food and product safety as well as the Group’s and the proposed JV’s compliance with food safety, product safety and other consumer protection laws or risks related to product recalls and product liability claims;
- significant disruptions to, or any failure of, Castle Donington, which could impact the fulfillment of the Group’s online sales;
- the Group’s and the proposed JV’s dependency on the efficiency, availability and reliability of their warehousing and distribution infrastructure, including any disruption thereto, or a failure to develop effectively the Group’s network and logistics infrastructure;
- any failure of the Group or the proposed JV to efficiently manage their inventory;
- the seasonality of the Group’s and the proposed JV’s businesses and the effects of extreme or unseasonal weather conditions;
- the Group’s dependency upon its senior management and key personnel and risks associated with the departure of such personnel as well any failure to adequately train, attract, motivate or retain key personnel;
- any failure of the proposed JV to perform in line with expectations;
- any failure of the Group to realise the targeted synergies from the proposed JV;
- the Separation not being successful or completed in a timely manner; and
- the proposed JV’s reliance on Ocado’s operational capacity and technological capabilities as well as Ocado’s ability to design and develop new technology systems.

Forward-looking statements are not guarantees of future performance and the Group’s actual operating results and financial condition, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Group’s operating results, financial condition, and the development of the industry in which the Group

PART V CONTINUED

operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Accordingly, prospective investors should not rely on these forward-looking statements.

These forward-looking statements are further qualified by risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. Please see Part II: “*Risk Factors*” of this Prospectus.

Any forward-looking statements that the Group makes in this Prospectus speak only as at the date of the Prospectus, and none of the Company, the Directors, the Underwriters or the Lead Financial Adviser undertakes any obligation to update such statements unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules or the Market Abuse Regulation.

Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. These forward-looking statements do not seek to qualify the working capital statement contained in paragraph 19 of Part XVII: “*Additional Information*” of this Prospectus.

9. NOTICE TO OVERSEAS SHAREHOLDERS

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Excluded Territories except pursuant to an applicable exemption from registration or qualification requirements. Neither this Prospectus nor any accompanying documents (including any Provisional Allotment Letters if and when received) constitutes an invitation or offer to sell or the solicitation of an invitation or an offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to certain very limited exceptions, neither this Prospectus nor any accompanying documents will be distributed in or into any Excluded Territory including the United States, and neither this Prospectus nor any accompanying documents (including any Provisional Allotment Letters if and when received) constitutes a public offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any Shareholder with a registered address in, or who is resident or located in (as applicable), any Excluded Territory.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales and operating under the Companies Act. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this Prospectus, if and when received, or other document to a jurisdiction outside the United Kingdom, should read paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

An Overseas Shareholder may not be able to enforce a judgement against some or all of the Directors and executive officers. Most of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgements of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgements in civil and commercial matters or any judgements under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgement is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

10. NOTICE TO ALL SHAREHOLDERS

Any reproduction or distribution of this Prospectus or the Provisional Allotment Letters, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus and the Provisional Allotment Letters, each offeree of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares agrees to the foregoing.

PART V CONTINUED

The distribution of this Prospectus and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the Excluded Territories please see Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

No action has been taken by the Company or by Morgan Stanley, BNPP, HSBC, Shore Capital or Rothschild & Co that would permit an offer of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares or possession or distribution of this Prospectus, the Provisional Allotment Letters or any other offering or publicity material in any of the Excluded Territories.

11. THIRD PARTY SOURCES

This Prospectus includes market share, economic and industry data, which the Company has obtained from industry publications and surveys, industry reports prepared by consultants, internal surveys and customer feedback. The market share, economic and industry data included in this Prospectus has been derived and extrapolated from information from the following third party sources:

- GfK Consumer Confidence Index; 29 March 2019 (**GfK**);
- IGD RetailAnalysis – UK Channel Opportunities 2018-2023; June 2018 (**IGD**); and
- Kantar Worldpanel Data (**Kantar**); 52 weeks ended 25 March 2018, 10 March 2019 and 24 March 2019.

All sources referenced in this Prospectus are publicly available or historically commissioned reports, and are not expert reports for the purposes of the Prospectus Rules. The Company has not independently verified any of the data from third party sources, nor has it ascertained the underlying economic assumptions relied upon therein. Statements or estimates as to the Group’s market size, growth rates, the Group’s market share or market position, and other industry data pertaining to the Group, its business or the markets in which it operates or which it targets, which are not attributed to independent sources, consist of Directors’ estimates based on data compiled by professional organisations, on data from other external sources and on data from internal information currently available to the Group. In determining such sources to be reliable, and in determining the basis for the statements presented in this prospectus as statements of belief, the Directors have also relied upon their own estimates, assumptions and judgements in respect of the conclusions drawn by such sources. The Company and the Directors confirm that information sourced from third parties has been accurately reproduced and, as far as they are aware and are able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information is used in this Prospectus, the source of such information has been given. Estimates extrapolated from these data involve risks and uncertainties and are subject to change based on various factors, including those discussed in Part II: “*Risk Factors*” of this Prospectus.

12. NO INCORPORATION OF WEBSITE INFORMATION

The contents of the websites of the Company (including any materials which are hyperlinked to such websites) do not form part of this Prospectus and prospective investors should not rely on them.

13. REFERENCES TO DEFINED TERMS

Certain terms used in this Prospectus are defined, and certain technical and other terms used in this Prospectus are explained, in Part XVIII: “*Definitions*” of this Prospectus.

In this Prospectus, references to the proposed JV refer to Ocado Retail following the completion of the Group’s acquisition of 50.0 per cent. of the total issued share capital of Ocado Retail from the Ocado Group under the terms of the Sale and Purchase Agreement, whereas references to Ocado Retail refer to Ocado Retail prior to completion.

PART VI

INFORMATION INCORPORATED BY REFERENCE

The following documents, which have been approved, filed with or notified to the FCA, and which are available for inspection in accordance with paragraph 25 of Part XVII: "Additional Information" of this Prospectus, contain information about the Group which is relevant to this Prospectus:

- 2019 Annual Report and Financial Statements;
- 2018 Annual Report and Financial Statements;
- 2017 Annual Report and Financial Statements; and
- Ocado's Notice of General Meeting and Class 1 Circular in relation to the proposed arrangements with Marks and Spencer Group plc, dated 26 April 2019 (the **Ocado Circular**).

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this Prospectus, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus.

Reference document	Information incorporated by reference in this Prospectus	Page number(s) in reference document
As at and for the 52 weeks ended 30 March 2019		
2019 Annual Report and Financial Statements	Independent Auditor's report to the members of Marks and Spencer Group plc.....	81 – 90
	Consolidated income statement.....	91
	Consolidated statement of comprehensive income.....	91
	Consolidated statement of financial position.....	92
	Consolidated statement of changes in equity.....	93
	Consolidated statement of cash flows.....	94
	Notes to the financial statements.....	95 – 136
As at and for the 52 weeks ended 31 March 2018		
2018 Annual Report and Financial Statements	Independent Auditor's report to the members of Marks and Spencer Group plc.....	68 – 76
	Consolidated income statement.....	77
	Consolidated statement of comprehensive income.....	77
	Consolidated statement of financial position.....	78
	Consolidated statement of changes in equity.....	79
	Consolidated statement of cash flows.....	80
	Notes to the financial statements.....	81 – 114
As at and for the 52 weeks ended 1 April 2017		
2017 Annual Report and Financial Statements	Independent Auditor's report to the members of Marks and Spencer Group plc.....	84 – 91
	Consolidated income statement.....	92
	Consolidated statement of comprehensive income.....	92
	Consolidated statement of financial position.....	93
	Consolidated statement of changes in equity.....	94
	Consolidated statement of cash flows.....	95
	Notes to the financial statements.....	96 – 127
Ocado Circular	Footnote 2 to the Unaudited <i>Pro Forma</i> Income Statement in Part IV: "Unaudited <i>Pro Forma</i> Financial Information".....	26

PART VII

LETTER FROM THE CHAIRMAN OF THE COMPANY

Marks and Spencer Group plc

(Incorporated and registered in England and Wales with registered number 4256886)

Registered and Head Office

Waterside House
35 North Wharf Road
London W2 1NW
United Kingdom

Directors

Archie Norman	<i>(Non-Executive Chairman)</i>
Steve Rowe	<i>(Chief Executive Officer, Executive Director)</i>
Humphrey Singer	<i>(Chief Finance Officer, Executive Director)</i>
Andy Halford	<i>(Senior Independent Non-Executive Director)</i>
Katie Bickerstaffe	<i>(Independent Non-Executive Director)</i>
Alison Brittain, CBE	<i>(Independent Non-Executive Director)</i>
Andrew Fisher, OBE	<i>(Independent Non-Executive Director)</i>
Justin King, CBE	<i>(Independent Non-Executive Director)</i>
Pip McCrostie	<i>(Independent Non-Executive Director)</i>

24 May 2019

Dear Shareholder

1 for 5 Rights Issue at 185 pence per New Ordinary Share

1. INTRODUCTION

On 27 February 2019, M&S announced the creation of a new 50/50 proposed JV with Ocado Group Plc (Ocado), the United Kingdom's leading pure play digital grocer, to transform online grocery shopping for UK consumers. Under the proposed JV M&S is acquiring a 50 per cent. share of Ocado's UK retail business, which will be supported by Ocado Smart Platform (OSP), for a total consideration of up to £750.0 million, comprising an initial payment of £562.5 million in cash on closing and deferred consideration of up to £187.5 million (plus interest at 4 per cent. per annum), which is contingent upon the satisfaction of certain financial and operating conditions¹. The Transaction is being primarily financed with equity by means of a Rights Issue to raise approximately £601.3 million.

The purpose of this letter is to set out the background to and the reasons for the Rights Issue, explain why the Board believes it is in the best interests of M&S and its Shareholders as a whole and provide details of how you can participate in the Rights Issue.

Under the terms of the Rights Issue, the Company is offering 325,009,968 New Ordinary Shares by way of a rights issue to Qualifying Shareholders at 185 pence per New Ordinary Share. Section 12 of this letter and paragraph 3 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus set out the actions to be taken by Qualifying Shareholders who wish to take up their entitlements under the Rights Issue.

Further information on the Rights Issue (including the full terms and conditions of the Rights Issue) is set out in the remainder of this Prospectus. You should read the whole of this Prospectus, any accompanying document and any documents incorporated by reference prior to making any investment decision. Your attention is drawn to Part II: "Risk Factors" of this Prospectus for a discussion of certain factors which should

¹ Ocado Holdings shall (subject to the terms of the Sale and Purchase Agreement) be entitled to receive deferred consideration of up to a maximum of £187,500,000 as follows:

- (a) an amount equal to £156,250,000 if the adjusted EBITDA for the financial year ending on the closest Sunday to 30 November 2023 reaches or exceeds an agreed threshold;
- (b) an amount equal to £15,625,000 if utilised capacity in the customer fulfilment centre located at Church Manorway, Erith DA8 1DE meets an agreed threshold for a continuous period of three months on or before 30 November 2023; and
- (c) an amount equal to £15,625,000 following the first delivery to a customer being made from the next customer fulfilment centre to be established by Ocado Retail (excluding any facilities developed as replacements for the customer fulfilment centre previously located at Flinders Close, Walworth Business Park, Andover SP10 5QZ).

PART VII CONTINUED

be taken into account when considering the matters referred to in this Prospectus and deciding whether or not to purchase the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

A list of defined technical terms used in this letter is included in Part XVIII: “Definitions” of this Prospectus.

1.1 Background to the Transaction and the Rights Issue

Context

In September 2017, I took over as Chairman of Marks & Spencer. I did so in the belief that a determined turnaround programme driven by a strong management team can revive one of the United Kingdom’s most special brands. I said at the time that we faced formidable headwinds, including the continued migration of Clothing & Home online, the continued development of global competition, the growth of home delivery in food and the march of the discounters, and that the changes needed were transformative, not a touch of the tiller. Therefore we are aiming to transform all the pieces of the jigsaw: the way we are organised, the way we work, our technology, our store base, our products, our supply chains and our value in the market.

Following this, Steve Rowe set out his diagnosis of our problems in November 2017 and announced a five-year Transformation Programme, “Making M&S Special Again”. The first phase of the Transformation Programme is about restoring the basics; getting the organisation and infrastructure of the business fit for the future. In this first phase we made substantial changes in our leadership and organisation, moving away from a heavyweight corporate structure to a family of accountable businesses who share M&S’ brand values, stores, colleagues, technology and customer data. The managing directors of each of these businesses now have functional accountability for their divisions, including for marketing, supply chain and technology.

In tackling the problems that we face in order to transform our business we still have important advantages. First, we have a brand which many people in the United Kingdom still hold in great affection and want to succeed. Second, we have great operators in our stores and many colleagues with an extraordinary passion for the business who are longing to be given the freedom to get M&S back to its best. Third, we have our technical skills in both clothing and food and our understanding of quality, ingredients, sourcing and size remain strong.

M&S remains in the early stages of transformation and although we are confident in the eventual outcome, we have experienced in the periods under review very challenging trading conditions in both our main businesses, Food and Clothing & Home. While we expect some improvement in trading in each of our major businesses in the year ahead, progress is likely to be second half weighted and the market headwinds are strong.

Given the high operating risk the business faces, the Board believes it is important to maintain a strong balance sheet and cashflow to provide security and underpin the changes we need to make. In the next four years, in addition to the investment in the proposed JV, we have substantial debt repayments due on our bond financing and a significant pension obligation to fund. Further, in uncertain times our strong preference is to limit dependence on bank debt financing. Therefore, having considered carefully other options, we believe it is appropriate to fund the initial consideration for the Transaction by means of a Rights Issue and to reduce the Group’s annual dividend payment to a sustainable level, which we aim to grow in line with earnings over time.

Food strategy and online offering

Our Food brand remains strong and our strategy is to protect the “magic” which is based on our quality, freshness, and innovation credentials whilst reshaping our store estate, infrastructure, operating systems, cost management and supply relationships. The proposed JV is a natural partner for the brand and opens up the opportunity to significantly increase our grocery market share in the medium term.

To help unlock this potential, we are at the early stages of reengineering our food categories and development pipeline to broaden our appeal and increase the frequency of shopping. This includes reducing our dependency on both short-term promotions and complex multi-buy offers, to invest in everyday prices. In addition, we are tackling the historical weakness in our supply chain where waste and availability remain worse than market comparator levels. During the course of this year we will trial new, slightly larger format stores which express better our Food credentials and have broader appeal.

To take full advantage of the potential of Food we need to broaden our offering and secure access to online which is the fastest growing channel in the United Kingdom. Regular M&S shoppers account for approximately one-third of the online grocery market, but today they have to buy through our competitors as we have not historically had a viable online grocery platform. We have carried out trials to develop our online offer. However, these trials were uneconomic due to both low basket sizes and the high expense of manually picking from store, including costs associated with moving stock from distribution centres to stores and store

PART VII CONTINUED

replenishment. Developing our own technology and investing in fulfilment centres on a standalone basis, would be prohibitively expensive and delay the implementation of our Transformation Programme.

1.2 Reasons for the Transaction

The Transaction represents a unique opportunity within our Transformation Programme to unlock growth. The proposed JV enables us to take our food online in a profitable, scalable and sustainable way. Under the proposed JV, we are acquiring a 50 per cent. share of Ocado's UK retail business, including its existing retail customers, sales, supplier relationships and customer data. The proposed JV will continue to carry out all pricing, category management and brand communications, as it does today. Importantly, this means that the proposed JV starts with approximately £1.5 billion of sales, over 700,000 customer accounts and is profitable, with a track record of strong revenue growth, thereby providing a strategically compelling route to unlock growth for M&S Food, including from its existing customer base. The proposed JV will operate as a fully aligned partnership with complementary skills and assets. M&S will provide its product range and development capabilities to the proposed JV at cost from September 2020 at the latest, following the termination of Ocado's current Waitrose sourcing agreement. On 26 February 2019, Ocado served a notice to terminate its existing arrangements with Waitrose, such that the proposed JV will carry M&S own-label products online by the earlier of: (i) 1 September 2020; (ii) any earlier date on which the sourcing arrangements between Ocado Retail and Waitrose Limited and its affiliates terminate in accordance with their terms before 1 September 2020; and (iii) any earlier date which may be agreed by Waitrose, M&S and Ocado Retail. The proposed JV will be supported by an OSP contract with Ocado's solutions business for its end to end e-commerce platform and customer fulfilment centre technology and will also be provided with logistics services and driver management for a management fee.

As a partnership with aligned interests, we have the ability to create the United Kingdom's leading online grocery business with a number of unique advantages. M&S brings a reputation for quality, innovative, fresh food, over 12 million weekly food shoppers, over 7 million Sparks loyalty members and approximately 3 million active bank customers, together representing an important source of potential new customers for the proposed JV. Combining this with Ocado's best-in-class order accuracy and delivery punctuality and wide product range of over 50,000 SKUs, spanning from entry price to super premium and an average basket spend of over £100 has the potential to drive significant profitable growth in the proposed JV. It also allows us to leverage our existing strengths in "Food for Now" and "Food for Tonight" through Ocado's delivery innovations such as Zoom.

The proposed JV will enable us to deliver a comprehensive online offering, greatly extend our reach and range and enable us to communicate with our customers directly about our products. Evidence from our competitors suggests that customers who shop online and in physical stores spend more, and additionally given our small market share and limited number of stores with a full range, we believe the risk of cannibalisation is low.

In addition to the growth potential from the proposed JV, this investment provides M&S with additional opportunity to generate synergies within its business which would not otherwise be available. We aim to achieve synergies of at least £70 million by the third full year following completion, including the potential benefits of increasing buying scale in core product areas, harmonised buying terms across the Group and more efficient new product development processes. For the proposed JV, we believe that being part of the M&S family will provide a lower cost route to customer acquisition and, as a future possibility, the ability to access a strong and relevant Clothing & Home offer and M&S Bank services.

Completion of the Transaction is conditional on the satisfaction or waiver of several conditions, as outlined in paragraph 5 to this letter. If the Transaction does not proceed, we will have to reconsider our online Food strategy going forward and we could incur additional costs and divert additional resources in seeking alternatives to secure our presence in the online Food market. Even if the Transaction proceeds, there can be no assurance that the proposed JV will deliver the expected results or that we will realise the anticipated return on investment within the expected timeframe. See Part II: "Risk Factors—2. Risks Relating to the Proposed JV and the Transaction" for further risks and uncertainties relating to the proposed JV and the Transaction.

1.3 Rationale for the Rights Issue

As I outlined in last year's annual report, the headwinds facing our business are not new, but the tide in the marketplace is running more strongly against us now than at any previous time. The purpose of the Transformation Programme is to restore the business to sustainable, profitable growth over three to five years, whilst also establishing a strong balance sheet through finding the right balance between investment in the business, dividends for Shareholders and our credit metrics. Given this context of maintaining a strong balance sheet in uncertain times, we concluded that the Rights Issue was the best source of funding for the Transaction and is in the best interests of Shareholders.

PART VII CONTINUED

2. USE OF PROCEEDS

The Company intends to use the net proceeds of the Rights Issue to fund the initial consideration of £562.5 million, which is due on completion of the acquisition of its 50 per cent. share of the proposed JV. The Transaction is expected to close in August 2019.

3. FINANCIAL IMPACT OF THE TRANSACTION AND THE RIGHTS ISSUE

For the 52 weeks ended 2 December 2018, the proposed JV would have generated revenue of £1,466.6 million, gross profit of £423.6 million, and operating profit of £30.1 million, taking into account the newly created OSP contract and other fees and services. M&S anticipates accounting for its share of the proposed JV as an associate. Giving effect to the Rights Issue and entry into the proposed JV transaction as if they had occurred on 1 April 2018, the Group's *pro forma* profit for the year ended 30 March 2019 was £51.1 million. For further information, please refer to Part XV: "*Unaudited Pro Forma Financial Information of the Group*".

As a result of the Rights Issue, the Group anticipates a 20.0 per cent. increase in the number of Ordinary Shares. FY20 earnings per share and dividend per share and prior results will be restated for the bonus factor adjustment resulting from the Rights Issue.

4. PRINCIPAL TERMS OF THE RIGHTS ISSUE AND UNDERWRITING COMMITMENTS

The Company is proposing to raise approximately £601.3 million by way of the Rights Issue.

Subject to the fulfilment of, among other things, the conditions set out below, the Company will offer 325,009,968 New Ordinary Shares to Qualifying Shareholders at a Rights Issue Price of 185 pence per New Ordinary Share, payable in full on acceptance. The Rights Issue will be offered on the basis of:

1 New Ordinary Share for every 5 Existing Ordinary Shares

held by Qualifying Shareholders on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus.

The Rights Issue is being fully underwritten by the Underwriters, subject to certain customary conditions, on the basis set out in the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XVIII: "*Additional Information*" of this Prospectus. The Rights Issue Price of 185 pence per New Ordinary Share, which is payable in full on acceptance by no later than 11.00 a.m. on 12 June 2019, represents a 31.8 per cent. discount to the closing middle-market price of the Company of 271.2 pence per Existing Ordinary Share, or a discount of 30.0 per cent. to the closing middle-market price of 264.1 pence per Existing Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, in each case on 21 May 2019, the last trading day prior to the announcement of the Rights Issue. Additionally, it represents a discount of approximately 28.0 per cent. to the theoretical ex-rights price of 256.8 pence per New Ordinary Share, or a discount of approximately 26.3 per cent. to the theoretical ex-rights price of 250.9 pence per New Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, both calculated by reference to the closing middle-market price on the same basis. If a Qualifying Shareholder does not take up any of his or her entitlement to New Ordinary Shares, his or her proportionate shareholding will be diluted by 16.7 per cent. However, if a Qualifying Shareholder takes up his or her New Ordinary Shares in full, he or she will, after the Rights Issue has been completed, and subject to the rounding down of any fractions, as nearly as practicable have the same proportionate voting rights and distribution rights as he or she had on the Record Date.

If a Qualifying Shareholder does not subscribe for the New Ordinary Shares to which he or she is entitled, such Shareholder can instead sell his or her rights to those New Ordinary Shares and receive the net proceeds in cash. This is referred to as dealing in the rights "nil paid" and, subject to the fulfilment of certain conditions, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 29 May 2019.

Qualifying Non-CREST Shareholders with registered addresses in the United States, Canada or in any of the other Excluded Territories will not be sent Provisional Allotment Letters and Qualifying CREST Shareholders in such territories will not have their CREST stock accounts credited with Nil Paid Rights, except where the Company and the Sole Global Co-ordinator (on behalf of the Underwriters) are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractions of New Ordinary Shares will not be allotted to any Qualifying Certificated Shareholders or Qualifying CREST Shareholders, but the Sole Global

PART VII CONTINUED

Co-ordinator (on behalf of the Underwriters) will use its reasonable endeavours to place the aggregated Nil Paid Rights in respect of such New Ordinary Shares in the market for the benefit of the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive in full all dividends and other distributions declared, made or paid by reference to a record date after the date of their issue, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the Financial Year 2019.

The Rights Issue is conditional upon, among other things:

- Admission of the New Ordinary Shares (nil paid) becoming effective by not later than 8.00 a.m. on 29 May 2019 (or such later time and/or date as the Company and the Sole Global Co-ordinator may agree, being not later than 12 June 2019);
- the delivery of certain documents to the Sole Sponsor, Sole Global Co-ordinator and the Underwriters by the times and dates specified in the Underwriting Agreement;
- M&S having complied with its obligations under the Underwriting Agreement and under the terms of the Rights Issue, save to the extent that, in the sole opinion of the Sole Global Co-ordinator (on behalf of the Underwriters) acting in good faith, would not be material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or Admission;
- the warranties on the part of M&S under the Underwriting Agreement being true, accurate and not misleading on the date of the Underwriting Agreement, the date of this Prospectus and immediately before Admission;
- the Sale and Purchase Agreement remaining in full force and effect and not having been terminated, having lapsed or ceased to be capable of completion in accordance with its terms, prior to Admission;
- no event requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplementary prospectus being published by or on behalf of the Company before Admission, which the Sole Global Co-ordinator, in its sole opinion, considers to be material in the context of the Rights Issue; and
- in the opinion of the Sole Global Co-ordinator (acting in good faith), no material adverse change having occurred in respect of the Group at any time prior to Admission (whether or not foreseeable at the date of the Underwriting Agreement).

The results of the Rights Issue, including the aggregate amount raised is expected to be announced by the Company to a Regulatory Information Service by 8.00 a.m. on 13 June 2019.

Applications have been made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission of the New Ordinary Shares, nil paid, will become effective and dealings (for normal settlement) in the New Ordinary Shares will commence, nil paid, at 8.00 a.m. on 29 May 2019.

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB0031274896. The ISIN number for the Nil Paid Rights is GB00BCV1NW62 and the ISIN for the Fully Paid Rights is GB00BCV1P089.

Some questions and answers, together with further terms and conditions of the Rights Issue, are set out in Part IX: "*Terms and Conditions of the Rights Issue*" and Part X: "*Questions and Answers about the Rights Issue*" of this Prospectus.

5. PRINCIPAL TERMS OF THE TRANSACTION

Under the terms of the Transaction, the Company, through its wholly-owned subsidiary Marks and Spencer Holdings, will acquire 50.0 per cent. of the issued share capital of Ocado Retail. Completion of the Transaction is conditional on the satisfaction or waiver of the following conditions on or before 31 March 2020:

- completion of a restructuring to transfer the business and assets within an agreed perimeter to Ocado Retail and to transfer any business and assets not within such perimeter from Ocado Retail to one or more members of the Ocado Group;

PART VII CONTINUED

- the relevant member of the Ocado Group having either: (i) obtained all waivers, consent and releases under the existing Ocado Financing; or (ii) redeemed, replaced, terminated or defeased in full the existing Ocado Financing to the extent required to ensure the shares in Ocado Retail are capable of being transferred free from any encumbrance and that Ocado Retail is free from any obligation or liability under or in connection with the Ocado Financing; and
- the Competition and Markets Authority not having requested submission of a merger clearance filing as at the date on which all other conditions are satisfied or waived, or, if it does, approval by the Competition and Markets Authority.

The aggregate consideration for the Transaction will be up to £750,000,001, comprising initial consideration of £562,500,001 (subject to customary post-Completion net debt and working capital adjustments) and deferred consideration of up to £187,500,000 (plus interest at 4 per cent. per annum), which is contingent upon the satisfaction of certain financial and operating conditions.

On Completion, members of the Group and members of the Ocado Group will enter into various agreements to govern their relationship as shareholders in respect of, and their commercial relationships with, Ocado Retail.

More detailed summaries of the key terms of the Sale and Purchase Agreement and of the agreements relating to the Transaction to be entered into on Closing are set out in Part XVI: “*Key Transaction Terms*” of this Prospectus.

6. INFORMATION RELATING TO THE GROUP

The Group is one of the United Kingdom’s leading retailers with a strong heritage of brand values and customer relationships. The Group operates a family of businesses, including Food and Clothing & Home, as well as M&S Bank operated by HSBC UK. Although primarily based in the United Kingdom, the Group sells into 57 countries from 1,487 stores and 36 websites. In FY19, the Group employed over 80,000 colleagues who served approximately 32 million customers in the United Kingdom.

The Group’s business is divided into two geographic operating segments: United Kingdom (comprising Food and Clothing & Home) and International.

- *United Kingdom—Food*: The Group’s Food business focuses on high-quality, sustainably sourced, fresh and convenient products and comprises five main categories: (i) protein, deli and dairy; (ii) produce; (iii) ambient and in-store bakery; (iv) meals, dessert and frozen; and (v) hospitality and “Food On The Move”. The Group predominantly sells own-brand products, which are exclusively manufactured and marketed under the “M&S” brand. The Group sells its Food products through its 275 full-line stores, which also offer Clothing & Home products, 301 owned Simply Food stores and 433 Simply Food franchise stores in high-volume, convenience locations. In February 2019, the Group announced a proposed JV with Ocado, a leading online grocer focussed on the home delivery of high-quality food, drink and household goods.
- *United Kingdom—Clothing & Home*: The Group sells high-quality, sustainably sourced, predominantly own brand clothing and homeware through 275 full-line stores, outlets and the M&S website. The Group’s principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home products. The Group retains a strong customer base and strong customer franchises in lingerie, back-to-school and tailoring, as well as products such as denim.
- *International*: The Group exports the best of M&S Clothing & Home and Food around the world, with stores and an online presence across Europe, the Middle East and Asia and an online presence in markets such as the United States and Australia.

The Group reported profit before tax and adjusting items of £523.2 million in FY19 (FY18: £580.9 million; FY17: £613.8 million) and profit before tax of £84.6 million in FY19 (FY18: £66.8 million; FY17: £176.4 million) on revenue of £10.4 billion in FY19 (FY18: £10.7 billion; FY17: £10.6 billion). Profit before tax and adjusting items is consistent with how business performance is measured internally. For a discussion of these adjusting items, see Part XIV: “*Operating and Financial Review of the Group—Group results of operations—Adjusting items*”.

7. DIVIDEND POLICY

We are taking proactive steps to strengthen our balance sheet to provide a secure platform for the Transformation Programme, and the right balance of investment and shareholder returns. In addition to the Rights Issue, on 27 February 2019 the Board announced a reduction of dividend per share of 40 per cent. to a sustainable level, which we aim to grow in line with earnings over time. This began with a reduction in the final dividend to FY19 to 7.1 pence. The FY19 final dividend per share and prior dividends per share will be restated in future accounts to reflect the bonus factor adjustment resulting from the Rights Issue in due course. The

PART VII CONTINUED

bonus factor adjustment arises due to the Rights Issue involving bonus shares issued at the Rights Issue Price which is below the Closing Price on 21 May 2019.

8. CURRENT TRADING AND PROSPECTS

M&S reported its FY19 results on 22 May 2019. As reported in those results, we remain in the difficult early stages of our Transformation Programme and, while we expect some improvement in trading in each of our major businesses in the year ahead, progress is likely to be second half weighted. The Group's trading in the first seven weeks of its financial year was in line with Board expectations, although the pattern of trade remains volatile in the context of weather and events.

9. EMPLOYEE SHARE PLANS

The number of Ordinary Shares subject to awards or options outstanding under the Share Plans (as defined in paragraph 9 of Part XVII: "Additional Information") and the exercise price (if any) may be adjusted, in accordance with the rules of the relevant Share Plan, to take account of the issue of the New Ordinary Shares pursuant to the Rights Issue. Holders of awards or options under the Share Plans will be contacted separately and in due course with further information on how their options and awards may be affected by the Rights Issue. Participants in the Marks and Spencer Group Share Incentive Plan 2002 (the **SIP**) will be contacted separately regarding their participation in the Rights Issue as beneficial owners of Ordinary Shares held in the SIP.

10. OVERSEAS SHAREHOLDERS

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this Prospectus, a Provisional Allotment Letter and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in paragraphs 7 and 8 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus. In particular, subject to certain very limited exceptions, the Rights Issue is not being made to Shareholders in the United States or into any other Excluded Territory.

Notwithstanding any other provision of this Prospectus or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his or her rights if the Company and the Sole Global Co-ordinator (on behalf of the Underwriters) in their absolute discretion are satisfied that the transaction in question will not violate applicable laws.

The Company has made arrangements under which the Underwriters will try to find subscribers for the New Ordinary Shares provisionally allotted to such Shareholders (and other Shareholders who have not taken up their rights) by 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find subscribers and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those subscribers (including any applicable brokerage and commissions and amounts in respect of VAT), such Shareholders will be paid in pounds sterling by credit assured payment or BACS payment to the mandated bank account registered with Equiniti Limited for the payment of dividends, provided that where no mandated bank account has been registered with Equiniti Limited, the payment will be held until such time as a mandated bank account has been registered, for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of irrecoverable VAT), so long as the amount in question is at least £1.85 (except Qualifying Share Service Shareholders who will be paid regardless of value). If any person in the United States or any other Excluded Territory receives a Provisional Allotment Letter, that person should not seek to, and will not be able to, take up his or her rights thereunder, except as described in paragraph 7 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus. The provisions of paragraphs 6 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus will apply to Overseas Shareholders who cannot or do not take New Ordinary Shares provisionally allotted to them.

Persons who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

PART VII CONTINUED

11. TAXATION

Information on UK taxation with regard to the Rights Issue is set out in paragraph 15 of Part XVII: “*Additional Information*” of this Prospectus. This information is intended only as a general guide to the current tax position in the United Kingdom.

If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser without delay.

12. ACTIONS TO BE TAKEN

If you are a Qualifying Non-CREST Shareholder other than a Shareholder with a registered address, or who is resident or located (as applicable), in one of the Excluded Territories or, subject to certain exceptions, the United States and Canada, you have been sent a Provisional Allotment Letter with this Prospectus giving you details of your Nil Paid Rights. If you are a Qualifying CREST Shareholder, you have not been sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 29 May 2019. Such crediting does not in itself constitute an offer of New Ordinary Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 29 May 2019, please forward this document and any Provisional Allotment Letter at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States, Canada and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instructions regarding split applications in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 12 June 2019, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this document and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders who take up their rights other than Shareholders with a registered address, or located or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States and Canada, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be dispatched by no later than 26 June 2019 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place by 8.00 a.m. on 14 June 2019.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Rights Issue. If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

The Company has engaged Equiniti Financial Services Limited to make the Special Dealing Service available either online or by post in order for certain Qualifying Non-CREST Shareholders (who are individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in paragraph 4.5 of Part IX of this Prospectus and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter.

PART VII CONTINUED

13. RISK FACTORS

Shareholders should consider fully and carefully the risk factors associated with the Group. We draw attention to the risk factors set out in Part II: “*Risk Factors*” of this Prospectus.

14. FURTHER INFORMATION

Your attention is drawn to the risk factors in Part II: “*Risk Factors*” and the additional information set out in Part XVII: “*Additional Information*” of this Prospectus. Investors should read the whole of this Prospectus and the information incorporated by reference and not rely solely on information summarised in this letter, including the summarised financial information.

15. SHAREHOLDER AUTHORISATION

At the Annual General Meeting of the Company held on 10 July 2018, the Resolutions were passed by the requisite majorities of Shareholders. The New Ordinary Shares will be allotted and issued pursuant to the authorities granted under the Resolutions. It is therefore not necessary to obtain any further approval from Shareholders to implement the Rights Issue.

16. BOARD CONFIRMATIONS

The Board believes the Rights Issue to be in the best interests of the Group and the Shareholders as a whole.

The Directors, who hold in aggregate 429,072 Existing Ordinary Shares representing 0.03 per cent. of the Company’s existing issued ordinary share capital as at the Latest Practicable Date, intend to take up in full the New Ordinary Shares to which he or she is entitled under the Rights Issue.

Yours faithfully

Archie Norman
Non-Executive Chairman

PART VIII

INFORMATION CONCERNING THE NEW ORDINARY SHARES

1. DESCRIPTION OF THE TYPE AND CLASS OF NEW ORDINARY SHARES BEING OFFERED

The New Ordinary Shares to be issued by the Company will be ordinary shares with a nominal value of 25 pence each, with ISIN GB0031274896, being the same ISIN as that of the Existing Ordinary Shares. Following Admission of the New Ordinary Shares, nil paid, which is expected to occur on 29 May 2019, the Company will have one class of Ordinary Shares, the rights of which are set out in the Articles.

When issued (fully paid), the New Ordinary Shares will be credited as fully paid and will be free from all liens, equities, charges, encumbrances and other interests.

2. LEGISLATION UNDER WHICH THE NEW ORDINARY SHARES WILL BE CREATED

The New Ordinary Shares will be created under the Companies Act.

3. LISTING

The Existing Ordinary Shares are listed on the Official List and are admitted to trading on the main market for listed securities of the London Stock Exchange. Applications have been made to the FCA for the New Ordinary Shares to be listed on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities.

It is expected that Admission of the New Ordinary Shares, nil paid, will become effective, and that dealings for normal settlement in the New Ordinary Shares will commence, nil paid, at 8.00 a.m. on 29 May 2019.

4. FORM AND CURRENCY OF THE NEW ORDINARY SHARES

The New Ordinary Shares will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form. The Registrars are Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). No share certificates will be issued in respect of the New Ordinary Shares in uncertificated form. If any such shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with applicable legislation. The New Ordinary Shares will be denominated in pounds sterling.

5. RIGHTS ATTACHED TO THE NEW ORDINARY SHARES

Each New Ordinary Share will rank *pari passu* in all respects with each other and with each Existing Ordinary Share, and will have the same rights and restrictions as each other and as each Existing Ordinary Share, including with respect to dividends but save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the Financial Year 2019. There are no restrictions on the free transferability in relation to the New Ordinary Shares or Existing Ordinary Shares. Further details of the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares are set out in paragraph 3.6 of Part XVII: "Additional Information" of this Prospectus.

6. RESOLUTIONS, AUTHORISATIONS AND APPROVALS RELATING TO THE NEW ORDINARY SHARES

At the Annual General Meeting of the Company held on 10 July 2018, the Resolutions were passed by the requisite majorities of Shareholders. The New Ordinary Shares will be allotted and issued pursuant to the authorities granted under the Resolutions.

7. DILUTION

Following the issue of the New Ordinary Shares to be allotted pursuant to the Rights Issue, Qualifying Shareholders who do not participate in the Rights Issue will suffer a total dilution of up to 16.7 per cent. of their interests in the Company.

PART VIII CONTINUED

8. TAXATION

Please see paragraph 15 of Part XVII: "*Additional Information*" of this Prospectus for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of Ordinary Shares, irrespective of their tax residence).

PART IX

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. SUMMARY OF THE RIGHTS ISSUE

The Company is proposing to raise gross proceeds of approximately £601.3 million by way of a 1 for 5 Rights Issue at a price of 185 pence per New Ordinary Share.

The Rights Issue Price of 185 pence per New Ordinary Share represents a discount of approximately 31.8 per cent. to the Closing Price of an Existing Ordinary Share of 271.2 pence and a discount of approximately 30.0 per cent. to the Closing Price of an Existing Ordinary Share of 264.1 pence when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, in each case on 21 May 2019 (being the last Dealing Day prior to the announcement of the Rights Issue). Additionally, it represents a discount of approximately 28.0 per cent. to the theoretical ex-rights price of 256.8 pence per New Ordinary Share, or a discount of approximately 26.3 per cent. to the theoretical ex-rights price of 250.9 pence per New Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, both calculated by reference to that Closing Price.

Of the expected approximately £570.7 million of net proceeds from the Rights Issue, the Board currently intends to fund the initial consideration of £562.5 million, which is due on completion of the acquisition of its 50 per cent. share of the proposed JV. The Transaction is expected to close in August 2019.

The Underwriters have agreed to underwrite fully, severally and in their Relevant Proportions, the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Underwriters' obligations under the Underwriting Agreement are conditional (although, with certain exceptions, these conditions can be waived) upon, among other things:

- Admission becoming effective by not later than 8.00 a.m. on 29 May 2019 (or such later time and/or date as the Company and the Sole Global Co-ordinator may agree, being not later than 12 June 2019);
- the delivery of certain documents to the Sole Sponsor, the Sole Global Co-ordinator and the Underwriters by the times and dates specified in the Underwriting Agreement;
- the Company having complied with its obligations under the Underwriting Agreement and under the terms of the Rights Issue, save to the extent that, in the sole opinion of the Sole Global Co-ordinator (on behalf of the Underwriters) acting in good faith, such non-compliance would not be material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or Admission;
- the warranties on the part of the Company under the Underwriting Agreement being true, accurate and not misleading in any respect on and as of the date of the Underwriting Agreement, the date of this Prospectus and immediately before Admission;
- the Sale and Purchase Agreement remaining in full force and effect and not having been terminated, having lapsed or ceased to be capable of completion in accordance with its terms, prior to Admission;
- no event requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplement being published by the Company before Admission which the Sole Global Co-ordinator, in its sole opinion, considers to be material in the context of the Rights Issue; and
- in the opinion of the Sole Global Co-ordinator (acting in good faith), no material adverse change having occurred in respect of the Group prior to Admission (whether or not foreseeable at the date of the Underwriting Agreement).

The Underwriting Agreement is not subject to any rights of termination after Admission (including in respect of any statutory withdrawal rights). The Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares which they would otherwise be required to subscribe for.

2. TERMS AND CONDITIONS OF THE RIGHTS ISSUE

Subject to the terms and conditions set out in this Prospectus (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter), the New Ordinary Shares will be offered by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses in the Excluded Territories) on the following basis:

1 New Ordinary Share at 185 pence for every 5 Existing Ordinary Shares

held and registered in their name at the close of business on the Record Date.

PART IX CONTINUED

Qualifying Shareholders who do not, or who are not permitted to, take up any rights (for example because they are Qualifying Shareholders with a registered address in the Excluded Territories) will have their proportionate shareholdings in the Company diluted by approximately 16.7 per cent. following the Rights Issue. Those Qualifying Shareholders who are permitted to, and do, take up all of their rights to the New Ordinary Shares provisionally allotted to them will, subject to the rounding down of fractions, have the same proportionate voting and distribution rights as held by them at the Record Date.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings to calculate entitlements under the Rights Issue, as will holdings under different designations and in different accounts.

Fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Certificated Shareholders or Qualifying CREST Shareholders and fractional entitlements will be rounded down to the nearest whole number of Ordinary Shares. Such fractions will be aggregated and the Sole Global Co-ordinator (on behalf of the Underwriters) will use its reasonable endeavours to procure placees for the Nil Paid Rights in respect of such New Ordinary Shares at a premium over the expenses of the placing (including any irrecoverable VAT) or such Nil Paid Rights will be otherwise acquired by the Underwriters as principals (or subunderwriters) pursuant to the Underwriting Agreement. The net proceeds of such sales (after deduction of expenses and any irrecoverable VAT) will be aggregated and an equivalent amount will accrue for the ultimate benefit of the Company. Qualifying Shareholders with fewer than 5 Existing Ordinary Shares at the close of business on the Record Date will not be entitled to subscribe for any New Ordinary Shares under the terms of the Rights Issue.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus or, in the case of Qualifying Non-CREST Shareholders, a Provisional Allotment Letter into a jurisdiction other than the United Kingdom is drawn to paragraphs 7 and 8 of this Part IX. In particular, subject to the provisions of paragraph 7 of this Part IX, although New Ordinary Shares will be provisionally allotted (nil paid) to all Shareholders in the register at the Record Date; including Overseas Shareholders, Qualifying Shareholders with registered addresses in the Excluded Territories will not be sent any Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

At the Annual General Meeting of the Company held on 10 July 2018, the Resolutions were passed by the requisite majorities of Shareholders. The New Ordinary Shares will be allotted and issued pursuant to the authorities granted under the Resolutions. The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the rights to receive all future dividends or other distributions made, paid or declared by reference to a record date after the date of their issue.

Applications have been made to the FCA for the New Ordinary Shares (nil and fully paid) to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 29 May 2019.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

The Existing Ordinary Shares are already admitted to CREST. The Existing Ordinary Shares are, and, when issued, the New Ordinary Shares will be, in registered form and capable of being held in certificated form or uncertificated form via CREST.

Applications will be made for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions are satisfied before Euroclear will admit the New Ordinary Shares to CREST. It is expected that these conditions will be satisfied on Admission of the New Ordinary Shares. As soon as practicable after Admission of the New Ordinary Shares, the Company will confirm this to Euroclear.

Subject to any relevant conditions being satisfied, it is expected that:

- (a) Provisional Allotment Letters in respect of the Nil Paid Rights will be dispatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, such Qualifying Non-CREST Shareholders with registered addresses in any of the Excluded Territories) on 28 May 2019;
- (b) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in any of the Excluded Territories) with such Shareholders' entitlement to Nil Paid Rights, as soon as practicable after 8.00 a.m. on 29 May 2019;

PART IX CONTINUED

- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear on 29 May 2019, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;
- (d) the New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights as soon as practicable after 8.00 a.m. on 14 June 2019; and
- (e) share certificates for the New Ordinary Shares will be posted to Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights by no later than 26 June 2019 (at their own risk).

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many instruction (**MTM Instruction**) to Euroclear will be deemed to have given the representations and warranties set out in paragraph 5.2 of this Part IX, unless such requirement is waived by the Company.

The Underwriters have agreed to fully underwrite the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Underwriting Agreement is conditional upon certain conditions being satisfied and certain undertakings not being breached, and it may be terminated by the Sole Global Co-ordinator (on behalf of the Underwriters) prior to Admission upon the occurrence of certain specified events (in which case the Rights Issue will not proceed). The Underwriting Agreement is not subject to any rights of termination after Admission (including in respect of any statutory withdrawal rights). The Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares for which the Underwriters might otherwise be required to subscribe pursuant to the terms of the Underwriting Agreement. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 13 of Part XVII: "Additional Information" of this Prospectus.

The Underwriters and any of their respective affiliates may engage in certain trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Nil Paid Rights, Fully Paid Rights and New Ordinary Shares). None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Underwriters and their affiliates may enter into certain financing arrangements (including swaps or contracts for difference) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares.

If the Rights Issue is delayed so that the Provisional Allotment Letters cannot be dispatched on 28 May 2019, Part IV: "Expected Timetable of Principal Events and Rights Issue Statistics" in this Prospectus will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letter and announced through a Regulatory Information Service, in which case all references in this Part IX should be read as being subject to that adjustment.

All documents and cheques posted to, by, from, or on behalf of Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part IX.

3. ACTION TO BE TAKEN

The action to be taken by Qualifying Shareholders in respect of the New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters), held through the Marks & Spencer Share Service (that is, are represented by a Share Service Forms of Instruction) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and (subject to certain limited exceptions as set out in paragraph 7 of this Part IX) do not have a registered address in the Excluded Territories, please refer to paragraphs 4, 6 and 8-13 (inclusive) of this Part IX.

If you are a Qualifying CREST Shareholder and (subject to certain limited exceptions as set out in paragraph 7 of this Part IX) do not have a registered address, or are not located or resident, in the Excluded Territories, please refer to paragraphs 5, 6 and 8-13 (inclusive) of this Part IX and to the CREST Manual for further information on the CREST procedures referred to below.

CREST Sponsored Members should refer to their CREST Sponsors, as only their CREST Sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST Sponsored Members.

PART IX CONTINUED

If you are a Qualifying CREST Shareholder or a Qualifying Non-CREST Shareholder who has a registered address, or is located or resident, in any of the Excluded Territories, please refer to paragraph 7 below of this Part IX.

If you have any questions relating to this Prospectus, or the completion and return of the Form of Proxy or the Provisional Allotment Letter, please refer to www.marksandspencer.com/shareholder or telephone the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0371-384-2220 from within the United Kingdom or +44 121-415-0140 if calling from outside the United Kingdom. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give any financial, legal, tax or investment advice.

4. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS OR SHARE SERVICE FORMS OF INSTRUCTION

4.1 General

Provisional Allotment Letters and Share Service Forms of Instruction (Rights Issue Forms of Instruction for Marks and Spencer Share Service Holders) are expected to be dispatched to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States, Canada or any of the Excluded Territories) on 28 May 2019. Each Provisional Allotment Letter and Share Service Form of Instruction will set out:

- (a) the holding of Existing Ordinary Shares in certificated form or in the Marks and Spencer Share Service on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (b) the aggregate number and cost of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;
- (c) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of its, his or her entitlement or to convert all or part of its, his or her entitlement into uncertificated form;
- (d) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation; and
- (e) the procedure to give instructions to sell all of his or her Nil Paid Rights or effect a Cashless Take-up through the Special Dealing Service offered by Equiniti Financial Services Limited.

On the basis that dealings will commence at 8.00 a.m. on 29 May 2019, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 12 June 2019.

If the Provisional Allotment Letters are not dispatched on 28 May 2019 or if the Rights Issue is delayed, the expected timetable, as set out in Part IV: "Expected Timetable of Principal Events and Rights Issue Statistics" of this Prospectus, will be adjusted accordingly and the revised dates will be announced through a Regulatory Information Service, in which case all relevant references in this Prospectus should be read as being subject to such adjustment.

4.2 Procedure for acceptance and payment

(a) Qualifying Non-CREST Shareholders who wish to accept in full

Holders of Provisional Allotment Letters or Share Service Forms of Instruction who wish to take up all of their Nil Paid Rights should either do so online or by post, as set out below.

Online Application

Qualifying Non-CREST Shareholders will each be provided with login details with their Provisional Allotment Letter or Share Service Form of Instruction to enable them to access the personalised website where an application can be made (the **Online Application**). Each Provisional Allotment Letter or Share Service Form of Instruction will include a unique rights issue reference number and allotment number which will be used to identify online the maximum number of New Ordinary Shares for which each Qualifying Non-CREST Shareholder is entitled to apply for under the Rights Issue. The Online Application is not transferable and Qualifying Non-CREST Shareholders are not able to assign the benefit of their Nil

PART IX CONTINUED

Paid Rights to any other person, corporate entity or trust or designate any other person, corporate entity or trust as an alternative to taking up all or some of their Nil Paid Rights, selling all of their Nil Paid Rights or a cashless take up of their Nil Paid Rights.

Postal Application

If Qualifying Non-CREST Shareholders wish to apply by post with a supporting cheque to pay for their New Ordinary Shares, the Provisional Allotment Letter or Share Service Form of Instruction should be completed in accordance with its instructions thereon. The Provisional Allotment Letter or Share Service Form of Instruction must be returned, together with the cheque or building society cheque in pounds sterling, written in black ink, made payable (i) in the case of Qualifying Certificated Shareholders, to "Equiniti Ltd Re M&S Rights Issue" and crossed "A/C payee only", or (ii) in the case of Qualifying Share Service Shareholders to "Equiniti FS Ltd Client AC CSN RI M&S" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter or Share Service Form of Instruction, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 12 June 2019. A reply-paid envelope will be enclosed for use within the United Kingdom only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery (for instance, allowing four days for first class post within the United Kingdom). Please note that banker's draft and payments via CHAPS, BACS or electronic transfer will not be accepted. Postdated cheques will also not be accepted.

Once the Provisional Allotment Letter or Share Service Form of Instruction, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the Qualifying Non-CREST Shareholder will have been deemed to have accepted the offer to subscribe for the number of New Ordinary Shares specified on their Provisional Allotment Letter or Share Service Form of Instruction.

(b) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters or Share Service Forms of Instruction who wish to take up some but not all of their Nil Paid Rights can do so through the online facility or, if a postal application is preferred, refer to the instructions below.

It should be noted that due to the particular transaction reporting information required from holders who are nationals in certain countries, although eligible to take advantage of the Special Dealing Service, Qualifying Non-CREST Shareholders will not be able make an Online Applications to sell all their Nil-Paid Rights or elect for the Cashless Take-up if they are nationals of Estonia, Spain, Iceland, Italy, Malta or Poland and should submit their instruction for these options by using the Provisional Allotment Letter or Share Service Form of Instruction.

(i) *Qualifying Certificated Shareholders*

Qualifying Certificated Shareholders who wish to take up some (but not all) of their entitlement, without selling or transferring the remainder, should complete the Provisional Allotment Letter in accordance with the instructions printed thereon and return it, together with a cheque or building society cheque in pounds sterling, written in black ink, for the amount payable for the number of Nil Paid Rights such Qualifying Certificated Shareholder wishes to take up, by post using the reply paid envelope provided or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 12 June 2019.

Alternatively, Qualifying Certificated Shareholders who wish to take up some (but not all) of their entitlement and wish to sell some or all of those rights which they do not want to take up (other than effecting Cashless Take-up using the Special Dealing Service described in paragraph 4.5 below), should return by post using the reply paid envelope provided or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive as soon as possible and in any event so as to be received by not later than 3.00 p.m. on 10 June 2019, (the last date and time for splitting Nil Paid Rights), the following:

- (a) the Provisional Allotment Letter duly completed in accordance with the instructions printed thereon;
- (b) a cheque or building society cheque in pounds sterling, written in black ink, made payable to "Equiniti Ltd Re M&S Rights Issue" and crossed "A/C payee only", for the amount payable for the number of Nil Paid Rights such Qualifying Certificated Shareholder wishes to take up; and

PART IX CONTINUED

- (c) a covering letter, signed by the Qualifying Certificated Shareholder(s), stating the number of split Provisional Allotment Letters required for the Nil Paid Rights not being taken up and the number of Nil Paid Rights to be comprised in each such split Provisional Allotment Letter. Refer to paragraph 4.7 below for further information about splitting your Provisional Allotment Letter.

In this case, the split Provisional Allotment Letters (representing the Nil Paid Rights the Qualifying Certificated Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

(ii) *Qualifying Share Service Shareholders*

Qualifying Share Service Shareholders who wish to take up some but not all of their entitlement, without selling or transferring the remainder, should complete the Share Service Form of Instruction and return it, together with a cheque or building society cheque in pounds sterling, written in black ink, made payable to "Equiniti FS Ltd Client AC CSN RI M&S" and crossed "A/C payee only" for the full amount payable for the number of Nil Paid Rights such Qualifying Share Service Shareholder wishes to take up, in accordance with the instructions printed thereon, by post using the reply paid envelope provided or by hand (during normal business hours only) to Equiniti Limited at the address referred to in paragraph (a) above, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 12 June 2019.

Qualifying Share Service Shareholders who wish to effect a Cashless Take-up (i.e. effecting the sale of such number of Nil Paid Rights to which they are entitled as will generate sufficient sale proceeds to enable them to take up all of the remaining Nil Paid Rights (or entitlements thereto)) should see paragraph 4.5 below for further details. If a Qualifying Share Service Shareholder is considering any other options, he or she should contact the Shareholder Helpline detailed on page 110.

(c) *Qualifying Non-CREST Shareholders who do not wish to take up their rights at all*

Qualifying Non-CREST Shareholders who do not wish to take up their rights at all do not need to do anything. If Qualifying Non-CREST Shareholders do not return their Provisional Allotment Letters or Share Service Forms of Instruction by 11.00 a.m. on 12 June 2019, the Company has made arrangements under which the Underwriters will try to find investors to take up such rights. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable commission and amounts in respect of irrecoverable VAT), then Qualifying Non-CREST Shareholders so entitled will be paid for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable commission and amounts in respect of irrecoverable VAT), so long as the amount in question is at least £1.85 (except Qualifying Share Service Shareholders who will be paid regardless of value), in pounds sterling by BACS payment to the mandated bank account registered with Equiniti Limited for the payment of dividends. Where no mandated bank account has been registered with Equiniti Limited, the payment will be held until such time as a mandated bank account has been registered. A communication will be sent to those holders who have not registered a mandated bank account but are due a payment to advise them to register a mandated bank account so that such payment can be made.

(d) *Discretion as to validity of acceptances*

If payment is not received by post or online in full by 11.00 a.m. on 12 June 2019, the provisional allotment will be deemed to have been declined and will lapse. However, the Company and the Sole Global Co-ordinator may, but shall not be obliged to, treat as valid acceptances in respect of which remittances for the full amount are received prior to 11.00 a.m. on 12 June 2019 from an authorised person (as defined in Section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter or Share Service Form of Instruction, duly completed, by a time and date which are satisfactory to the Company and the Sole Global Co-ordinator, in their sole discretion.

The Company may also (in its absolute discretion) treat a Provisional Allotment Letter or Share Service Form of Instruction as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, dispatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in, an Excluded Territory.

PART IX CONTINUED

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 4.2 of this Part IX is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this Prospectus and the Provisional Allotment Letter or Share Service Form of Instruction and subject to the Articles.

(e) *Payments*Online Applications

Payments for New Ordinary Shares in respect of an Online Application must be made by a debit card that has been issued by a bank that has enrolled in 3D Secure. 3D Secure is an online authentication to reduce fraud by allowing the issuer (bank) to check whether the user of the debit card is who they say they are. Most UK, EEA and US banks are enrolled for 3D Secure; however, Qualifying Non-CREST Shareholders who are unsure as to whether their bank is enrolled for 3D Secure should contact their bank directly to check with them.

Payments by credit cards will not be accepted. There will be no additional charge levied by the Company, or the Receiving Agent, for payments for New Ordinary Shares made by debit card.

Online Applications can only be for a maximum of £10,000.

By submitting an Online Application, the holder declares that only one application has been made and that the Provisional Allotment Letter or Share Service Form of Instruction, as applicable, will be destroyed.

If an Online Application is not accepted, all monies paid will, subject to the terms and conditions of the Rights Issue, be returned, without interest. If more is debited from a holder than is required to pay for the Nil Paid Rights allocated to that holder, the excess amount will be returned to the holder.

Postal applications

All payments made by Qualifying Non-CREST Shareholders must be made in pounds sterling by cheque or building society cheque, written in black ink, made payable (i) in the case of Qualifying Certificated Shareholders, to "Equiniti Ltd Re M&S Rights Issue" and crossed "A/C payee only", or (ii) in the case of Qualifying Share Service Shareholders, to "Equiniti FS Ltd Client AC CSN RI M&S" and crossed "A/C payee only". Third party cheques may not be accepted except building society cheques where the building society has inserted the full name of the account holder and have either added the building society stamp or have provided a supporting letter confirming the source of funds. Cheques or building society cheques must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and building society cheques to be cleared through facilities provided by either of these companies. Such cheques and building society cheques must bear the appropriate sorting code in the top right-hand corner. Post-dated cheques will not be accepted. Payments via bankers' drafts, CHAPS, BACS or electronic transfer will not be accepted.

Cheques and building society cheques will be presented for payment on receipt. No interest will be paid on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter by a Qualifying Non-CREST Shareholder will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and building society cheques sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been allotted to Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Shareholders' acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Qualifying Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholders pursuant to the provisions of this Part IX in respect of the acquisition of such shares) on behalf of such Qualifying Shareholders. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Shareholders as a result.

PART IX CONTINUED

4.3 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Provisional Allotment Letter or Share Service Form of Instruction is lodged with payment (which requirements are referred to below as the **verification of identity requirements**). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter or Share Service Form of Instruction. The person lodging the Provisional Allotment Letter or Share Service Form of Instruction with payment (the **applicant**), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and agree for the Receiving Agent to make a search using a credit reference agency for the purpose of confirming such identity; where deemed necessary a record of the search will be retained. Return of a Provisional Allotment Letter or Share Service Form of Instruction by a Qualifying Non-CREST Shareholder will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements applies to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements applies, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or building society cheque was drawn. If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is dispatched to the applicant, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations.

The verification of identity requirements will not usually apply if:

- (a) the applicant is an organisation required to comply with the EU Money Laundering Directive (2005/60/EC) as amended;
- (b) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;
- (d) the applicant (not being an applicant who delivers their application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or
- (e) the aggregate price for taking up the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent).

PART IX CONTINUED

When the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) payments must be made by cheque or building society cheque in pounds sterling drawn on a branch of a bank or building society in the United Kingdom and bear a United Kingdom bank sort code in the top right-hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable (i) in the case of Qualifying Certificated Shareholders, to "Equiniti Ltd Re M&S Rights Issue" and crossed "A/C payee only" or (ii) in the case of Qualifying Share Service Shareholders, to "Equiniti FS Ltd Client AC CSN RI M&S" and crossed "A/C payee only". Third party cheques may not be accepted except for building society cheques where the building society has inserted the full name of the account holder and have either added the building society stamp or have provided a supporting letter confirming the source of funds. The account name should be the same as that shown on the Provisional Allotment Letter or Share Service Form of Instruction; or
- (ii) if the Provisional Allotment Letter or Share Service Form of Instruction is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (a) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, members of the Gulf Cooperation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, the Republic of Korea, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) or Share Service Form(s) of Instruction and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter or Share Service Form of Instruction is lodged by hand by the applicant in person, they should ensure that they have with them evidence of identity bearing their photograph (for example, a passport) and evidence of their address.

In order to confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should refer to www.marksandspencer.com/shareholder or contact the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). The telephone number of the Shareholder Helpline is 0371-384-2220 or +44 121-415-0140 if calling from overseas. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give any financial, legal, tax or investment advice.

4.4 Dealings in Nil Paid Rights

Assuming that the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 29 May 2019.

(a) *Qualifying Certificated Shareholders*

A transfer of Nil Paid Rights can be made (in the case of Qualifying Certificated Shareholders) by renunciation of the relevant Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is expected to be 11.00 a.m. on 12 June 2019.

In addition, Qualifying Certificated Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA can elect to sell all of their Nil Paid Rights or to effect a Cashless Take-up, in each case using the Special Dealing Service, details of which are set out in paragraph 4.5 below.

(b) *Qualifying Share Service Shareholders*

Qualifying Share Service Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA can elect to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up, in each case using the Special Dealing Service, details of which are set out in paragraph 4.5 below.

PART IX CONTINUED

The transfer of an entitlement to Nil Paid Rights cannot be made by renunciation of a Share Service Form of Instruction.

4.5 Special Dealing Service

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA may elect to: (a) sell all of the Nil Paid Rights to which they are entitled; or (b) effect a Cashless Take-up, using the Special Dealing Service.

- (a) *Qualifying Non-CREST Shareholders who wish to sell all of their entitlement using the Special Dealing Service*

Qualifying Non CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so by making an Online Application or by completing and returning the Provisional Allotment Letter or Share Service Form of Instruction in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive as soon as possible and in any event so as to be received by not later than 5.00 p.m. on 5 June 2019, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service. A reply-paid envelope will be enclosed with the Provisional Allotment Letter or Share Service Form of Instruction for this purpose. If you post your Provisional Allotment Letter or Share Service Form of Instruction within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Equiniti Financial Services Limited will charge a commission of 1.5 per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, with no minimum charge, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Equiniti Financial Services Limited will normally sell all of the Nil Paid Rights for a Qualifying Non-CREST Shareholder on the Business Day following 5.00 p.m. on 5 June 2019, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

Equiniti Financial Services Limited will aggregate instructions from all Qualifying Non-CREST Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as having been received) by 5.00 p.m. on 5 June 2019, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service. In this case, Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately.

Notwithstanding the above, the Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. In this case, Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights sold in that period. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST Shareholder who is considering giving an instruction to sell all of their Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of the Nil Paid Rights will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights.

- (b) *Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service*

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up may elect to do so by making an Online Application or by completing and returning the relevant Provisional Allotment Letter or Share Service Form of Instruction in accordance with the instructions printed on it, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive as soon as possible and in any event so as to be received by not later than 5.00 p.m. on 5 June 2019, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service. A reply-paid envelope will be enclosed with the Provisional Allotment Letter or Share Service Form of Instruction for this purpose. If you post your Provisional Allotment Letter or Share Service Form of Instruction within the UK by first-

PART IX CONTINUED

class post, it is recommended that you allow at least four days for delivery. Equiniti Financial Services Limited will charge a commission of 1.5 per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, with no minimum charge, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Equiniti Financial Services Limited will sell such number of Nil Paid Rights as is required to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder on the Business Day following receipt from such Qualifying Non-CREST Shareholder of an Instruction for Cashless Take-up. Any Instruction received after 5.00 p.m. on 5 June 2019, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service will be treated as invalid.

Equiniti Financial Services Limited will aggregate instructions from all Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received) by 5.00 p.m. on 5 June 2019, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service. In this case, Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with above. This may result in Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if the Nil Paid Rights the subject of the instruction were sold separately.

Notwithstanding the above, such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder under the Special Dealing Service may be sold in several transactions and on separate days. In this case, Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights sold in that period. This may result in Qualifying Non-CREST Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that Cashless Take-up will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights.

(c) *General*

Following receipt of a valid election or instruction under the Special Dealing Service, the Provisional Allotment Letter or Share Service Form of Instruction to which such election or instruction relates will cease to be valid for any purpose. By making an election or giving an instruction under the Special Dealing Service a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that he or she will not thereafter seek to take any action in respect of his or her Provisional Allotment Letter or Share Service Form of Instruction. By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have renounced their Nil Paid Rights, as applicable to their instruction.

The terms and conditions of the Special Dealing Service are set out in the "Rights Issue Guide" accompanying the Provisional Allotment Letter or Share Service Form of Instruction. A Qualifying Non-CREST Shareholder who is eligible and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this Prospectus and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of the sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders using the Special Dealing Service should note that they will be clients of Equiniti Financial Services Limited and not of the Company when using such service. Equiniti Financial Services Limited's liability to such a Qualifying Non-CREST Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions, and neither Equiniti Financial Services Limited nor the Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder using the Special Dealing Service except as set out in those Special Dealing Service Terms and Conditions. None of the Company, or the Banks or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Equiniti Financial Services Limited and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders, and may each in their sole discretion interpret instructions (including handwritten markings) on the Provisional Allotment Letter or Share

PART IX CONTINUED

Service Form of Instruction or received by making an Online Application, and none of the Company, the Banks, Equiniti Financial Services Limited or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion.

All remittances will be sent by post, at the risk of the Qualifying Certificated Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders or the Marks & Spencer Share Service Register (as applicable)).

No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

4.6 Dealings in Fully Paid Rights

After acceptance by a Qualifying Certificated Shareholder of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus and the Provisional Allotment Letter, the resultant Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only), to the Receiving Agent so as to be received not later than 11.00 a.m. on 12 June 2019. To do this, a Qualifying Non-CREST Shareholder will need to have their fully paid Provisional Allotment Letter returned to them after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by placing an "X" in the appropriate box on the Provisional Allotment Letter. The New Ordinary Shares are expected to be held in registered form and transferable in the usual way from 14 June 2019.

No dealings in Fully Paid Rights may be effected using the Special Dealing Service.

It should be noted that Qualifying Non-CREST Shareholders who wish to sell their Fully Paid Rights will have to take-up their rights by returning their Provisional Allotment Letter and cheque in the post by following the instructions in paragraph 4.2 above.

4.7 Renunciation and splitting of Provisional Allotment Letters

Although the following is substantive compared to some other instructions, it should be noted that this will be relevant to a very small population of Qualifying Certificated Shareholders.

(a) *Provisional Allotment Letters*

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split up to 3.00 p.m. on 10 June 2019 nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights represented by a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 12 June 2019 and from 14 June 2019 the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his or her name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights represented by that Provisional Allotment Letter but to different persons, they may have the Provisional Allotment Letter split, for which purpose they must sign and date Form X of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, by not later than 3.00 p.m. on 10 June 2019, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be represented by each split Provisional Allotment Letter should be stated in an accompanying letter. Form X of split Provisional Allotment Letters will be

PART IX CONTINUED

marked "Original Duly Renounced" before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraph in relation to transferring the Nil Paid Rights or (as appropriate) the Fully Paid Rights represented by each split Provisional Allotment Letter. Once the holder's split Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on that split Provisional Allotment Letter.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque for the appropriate amount made payable to "Equiniti Ltd Re M&S Rights Issue" and crossed "A/C payee only" to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or building society cheque must be received by the Receiving Agent by 11.00 a.m. on 12 June 2019, being the last time and date for acceptance. Once the holder's Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on their Provisional Allotment Letter.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of whom the Board believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

(b) *Share Service Forms of Instruction*

Share Service Forms of Instruction cannot be renounced, are not transferable by delivery and cannot be split.

4.8 Registration in names of Qualifying Certificated Shareholders

A Qualifying Certificated Shareholder who wishes to have all the New Ordinary Shares to which they are entitled registered in their name must accept and make payment for such allotment in accordance with the provisions set out in this Prospectus and the Provisional Allotment Letter but need take no further action. A share certificate in respect of the New Ordinary Shares is expected to be dispatched to such Qualifying Non-CREST Shareholders by post no later than 26 June 2019.

4.9 Registration in names of persons other than Qualifying Certificated Shareholders originally entitled

To register the New Ordinary Shares in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or their agent(s) must complete Form Y of the Provisional Allotment Letter (unless the renounee is a CREST Member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 5.2 of this Part IX)) and send the entire Provisional Allotment Letter, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received by not later than 11.00 a.m. on 12 June 2019. Registration cannot be effected unless and until the New Ordinary Shares represented by a Provisional Allotment Letter are fully paid for.

The New Ordinary Shares represented by two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters, complete Form Y of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number, the number of New Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated. All the Provisional Allotment Letters to be consolidated must be lodged in one batch together.

4.10 Registration in Marks & Spencer Share Service Register

A Qualifying Share Service Holder who wishes to have all of his or her entitlement to New Ordinary Shares registered in his or her name in the Marks & Spencer Share Service Register must make payment and instruct the Marks & Spencer Share Service Nominee by completing the Share Service Form of Instruction or an Online Application in accordance with the provisions set out in this Prospectus and the

PART IX CONTINUED

Share Service Form of Instruction but need take no further action. Qualifying Share Service Holders' entitlements to New Ordinary Shares taken up are expected to be included in the June Quarterly Statement which will be available to view through your Shareview Portfolio from the end of June. Further information about your Shareview Portfolio is provided in the "Rights Issue Guide".

4.11 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. As provided below in this paragraph 4.11 of this Part IX or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. Shareholders are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear in the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service (the **CCSS**). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS, and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If a Shareholder wishes to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, they must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited.

A holder of the Nil Paid Rights (or, as appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, as appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 12 June 2019. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 12 June 2019) is 3.00 p.m. on 7 June 2019.

When Form X and the CREST Deposit Form have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and for the avoidance of doubt, any entries in Form Y of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST Sponsored Members should contact their CREST Sponsors as only their CREST Sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST Sponsored Members.

4.12 Issue of share certificates in respect of New Ordinary Shares

(a) *Qualifying Certificated Shareholders*

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be dispatched by post by 26 June 2019 (at the risk of the person(s) entitled to them) to accepting Qualifying Certificated Shareholders or to the person(s) entitled to them at their registered address (unless lodging agent details have been completed in the Provisional Allotment Letter). After dispatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any

PART IX CONTINUED

purpose whatsoever. Pending dispatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register, and/or, in the case of renounced Provisional Allotment Letters, against the registration receipt, Form Y, bearing the stamp of the Registrar.

(b) *Qualifying Share Service Holders*

Qualifying Share Service Holders' entitlements to New Ordinary Shares taken up are expected to be included in the June Quarterly Statement which will be available to view through your Shareview Portfolio from the end of June. Further information about your Shareview Portfolio is provided in the "Rights Issue Guide".

5. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS OR FULLY PAID RIGHTS IN CREST**5.1 General**

Subject as provided in paragraph 7 of this Part IX in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to their CREST stock account of their entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 29 May 2019. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which they receive a credit of entitlement into their stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights and Fully Paid Rights each constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company decides otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this Prospectus may be adjusted as appropriate. References to dates and times in this Prospectus should be read as being subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST Members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. CREST Sponsored Members should consult their CREST Sponsor if they wish to take up their entitlements as only their CREST Sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with their Nil Paid Rights or Fully Paid Rights.

5.2 Procedure for acceptance and payment(a) *MTM Instruction*

CREST Members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, in the case of CREST Sponsored Members, procure that their CREST Sponsor sends) an MTM Instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (i) above; and

PART IX CONTINUED

- (iii) the crediting of a stock account of the accepting CREST Member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM Instruction) of the corresponding number of Fully Paid Rights to which the CREST Member is entitled on taking up their Nil Paid Rights referred to in paragraph (i) above.

(b) *Contents of MTM Instructions*

The MTM Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST Member;
- (iii) the member account ID of the accepting CREST Member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA73;
- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA317101;
- (vi) the number of Fully Paid Rights that the CREST Member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11.00 a.m. on 12 June 2019);
- (ix) the Nil Paid Rights ISIN which is GB00BCV1NW62;
- (x) the Fully Paid Rights ISIN which is GB00BCV1P089;
- (xi) the corporate action number (as this term is defined in the CREST Manual) for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- (xii) a contact name and telephone number (in the free format shared note field); and
- (xiii) a priority of at least 80.

(c) *Valid acceptance*

An MTM Instruction complying with each of the requirements as to authentication and contents set out in paragraph (b) above will constitute a valid acceptance where either:

- (i) the MTM Instruction settles by not later than 11.00 a.m. on 12 June 2019; or
- (ii) at the discretion of the Company: (A) the MTM Instruction is received by Euroclear by not later than 11.00 a.m. on 12 June 2019; (B) the number of Nil Paid Rights inserted in the MTM Instruction is credited to the CREST stock account of the accepting CREST Member specified in the MTM Instruction at 11.00 a.m. on 12 June 2019; and (C) the relevant MTM Instruction settles by 2.00 p.m. on 12 June 2019 (or such later date as the Company has determined).

An MTM Instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST Member (or by the CREST Sponsored Member's CREST Sponsor). This will be conclusively determined by the input time stamp applied to the MTM Instruction by the Network Provider's Communications Host.

(d) *Representations, warranties and undertakings of CREST Members*

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with this paragraph 5.2 of this Part IX represents, warrants and undertakes to the Company that they have taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by them or by their CREST Sponsor (as appropriate) to ensure that the MTM Instruction concerned is capable of settlement at 11.00 a.m. on 12 June 2019 and remains capable of settlement at all times after that until 2.00 p.m. on 12 June 2019 (or until such later time and date as the Company may

PART IX CONTINUED

determine). In particular, the CREST Member or CREST Sponsored Member represents, warrants and undertakes that at 11.00 a.m. on 12 June 2019 and at all times thereafter until 2.00 p.m. on 12 June 2019 (or until such later time and date as the Company may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM Instruction to settle. CREST Sponsored Members should contact their CREST Sponsor if they are in any doubt. In addition, such CREST Sponsored Member taking up entitlements makes the representations and gives the warranties set out in paragraph 8 of this Part IX.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST Member or CREST Sponsored Member for such amount to be debited or the CREST Member's or CREST Sponsored Member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST Member or CREST Sponsored Member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST Member or CREST Sponsored Member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST Member or CREST Sponsored Member pursuant to the provisions of this Part IX in respect of the acquisition of such shares) on behalf of such CREST Member or CREST Sponsored Member. None of the Company, the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST Member or CREST Sponsored Member as a result.

(e) *CREST procedures and timings*

CREST Members and CREST Sponsors (on behalf of CREST Sponsored Members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM Instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that his or her CREST Sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 12 June 2019. In this connection, CREST Members and (where applicable) CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(f) *CREST Member's undertaking to pay*

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2 of this Part IX: (i) undertakes to pay to the Company, or procure the payment to the Company of the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST Member (or CREST Sponsored Member) to pay the amount payable on acceptance); and (ii) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this Prospectus and subject to the Articles.

If the payment obligations of the relevant CREST Member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been issued to the CREST Member or CREST Sponsored Member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST Member or CREST Sponsored Member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and all amounts payable by the CREST Member or CREST Sponsored Member pursuant to the provisions of this Part IX in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST Member or CREST Sponsored Member (whichever is lower) on trust for such CREST Member or CREST Sponsored Member. In these circumstances, neither the Underwriters nor the Company shall be responsible for, or have any liability for, any loss, expenses or damage arising as a result.

PART IX CONTINUED

(g) *Discretion as to rejection and validity of acceptances*

The Company may agree (having consulted with the Underwriters and taken into account their reasonable comments) to:

- (i) reject any acceptance constituted by an MTM Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5.2 of this Part IX. Where an acceptance is made as described in this paragraph 5.2 of this Part IX which is otherwise valid, and the MTM Instruction concerned fails to settle by 2.00 p.m. on 12 June 2019 (or by such later time and date as the Company may determine), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 5.2 of this Part IX, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5.2 of this Part IX unless the Company and the Sole Global Co-ordinator are aware of any reason outside the control of the CREST Member or CREST Sponsor (as appropriate) concerned for the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST Member or CREST Sponsored Member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2 of this Part IX;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM Instruction and subject to such further terms and conditions as the Company may determine;
- (iv) treat a properly authenticated dematerialised instruction (the **first instruction**) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and/or
- (v) accept an alternative instruction or notification from a CREST Member or (where applicable) a CREST Sponsor, or extend the time for acceptance and/or settlement of an MTM Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to take up all or part of their Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

5.3 Money Laundering Regulations

If a person holds their Nil Paid Rights in CREST and applies to take up all or part of their entitlement as agent for one or more persons and they are not a United Kingdom or EU-regulated person or institution (e.g. a United Kingdom financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf such person is making the application. Such person must therefore contact the Receiving Agent before sending any MTM Instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above is an undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM Instruction concerned to proceed to settlement, but without prejudice to the right of the Company to take proceedings to recover any loss suffered as a result of failure by the applicant to provide satisfactory evidence.

PART IX CONTINUED

5.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 29 May 2019. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 12 June 2019.

5.5 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The latest time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 12 June 2019. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 12 June 2019.

From 14 June 2019, the New Ordinary Shares will be in registered form and transferable in the usual way (see paragraph 5.7 of this Part IX).

5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, as appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 6 June 2019, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, as appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 12 June 2019. It is recommended that reference is made to the CREST Manual for details of such procedures.

5.7 Issue of New Ordinary Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 12 June 2019 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from 8.00 a.m. on the second Business Day following the close of CREST business on 12 June 2019 (expected to be 14 June 2019).

5.8 Right to allot/issue in certificated form

Despite any other provision of this Prospectus, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

6. PROCEDURE IN RESPECT OF NEW ORDINARY SHARES NOT TAKEN UP AND WITHDRAWAL RIGHTS**6.1 Procedure in respect of New Ordinary Shares not taken up**

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment shall be deemed to have been declined and will lapse. If an entitlement to New Ordinary Shares is not validly taken up by 11.00 a.m. on 12 June 2019 in accordance with the procedure laid down for acceptances and payment, then the Underwriters will use reasonable endeavours to procure, by not later than 5.00 p.m. on 14 June 2019, subscribers for all (or as many as possible) of those New Ordinary Shares not taken up if an amount which is not less than the total of the Rights Issue Price and the expenses of procuring such subscribers (including any related commissions and amounts in respect of irrecoverable VAT) can be obtained.

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, or if procurement

PART IX CONTINUED

of subscribers would give rise to a breach of law, the relevant New Ordinary Shares will be subscribed for by the Underwriters as principals pursuant to the Underwriting Agreement or their sub-underwriters (if any), in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Rights Issue Price and the expenses of procuring such subscribers, including any applicable brokerage and commissions and amounts in respect of irrecoverable VAT), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments on the basis set out below, save that no payment will be made of amounts of less than £1.85, which amounts will be aggregated and will ultimately accrue to the benefit of the Company:

- (a) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared in the Provisional Allotment Letter;
- (b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (c) to the extent not provided above, where an Overseas Shareholder received neither a Provisional Allotment Letter nor a credit to their CREST account, to that Overseas Shareholder.

Any transactions undertaken pursuant to this paragraph 6.1 of this Part IX shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Underwriters or any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above.

For Qualifying Certificated Shareholders, payments for the amounts due will be made in pounds sterling by BACS payment to the mandated bank account registered with Equiniti Limited for the payment of dividends, provided that where no mandated bank account has been registered with Equiniti Limited, the payment will be held until such time as a mandated bank account has been registered. Where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST Member's (or CREST Sponsored Member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Shareholders will not be entitled to apply for New Ordinary Shares in excess of their entitlement.

6.2 Withdrawal rights

Qualifying Shareholders wishing to exercise statutory withdrawal rights after the issue by the Company of a document supplementing this Prospectus must do so by sending a written notice of withdrawal which must include the account number, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST Member, the participant ID and the member account ID of such CREST Member, in writing to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received no later than two Business Days after the date on which the supplementary document is published.

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment in full by the relevant person in respect of their New Ordinary Shares taken up and the allotment of those New Ordinary Shares to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of paragraph 6.1 of this Part IX as if the entitlement had not been validly taken up.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of

PART IX CONTINUED

the Company. The provisions of this paragraph 6.2 of this Part IX are without prejudice to the statutory rights of Qualifying Shareholders. In such event, Qualifying Shareholders are advised to seek independent legal advice.

For further details, Shareholders should refer to www.marksandspencer.com/shareholder or contact the Shareholder Helpline which is available between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0371-384-2220 (from inside the United Kingdom) or +44 121-415-0140 (from outside the United Kingdom). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give any financial, legal, tax or investment advice.

7. OVERSEAS SHAREHOLDERS

This Prospectus has been approved by the FCA, being the competent authority in the United Kingdom. Accordingly, the making of the Rights Issue to persons resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under the Rights Issue to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 of this Part IX are intended as a general guide only and any Overseas Shareholder who is in doubt as to their position should consult their professional adviser without delay.

7.1 General

The distribution of this Prospectus or any other documents issued by the Company in connection with the Rights Issue and the making of the Rights Issue to persons who have registered addresses in, or who are located resident, or who are generally resident in, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom, or to persons who are agents or nominees of or are custodians, trustees or guardians for persons located or resident in countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to take up the Nil Paid Rights and/or offer of Fully Paid Rights. In particular, subject to certain very limited exceptions, this Prospectus or any other documents issued by the Company in connection with the Rights Issue should not be distributed, forwarded or transmitted into the United States or any other Excluded Territory.

This paragraph 7 of this Part IX sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this Prospectus to a jurisdiction outside the United Kingdom or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares (nil paid) will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Overseas Shareholders with registered addresses in the Excluded Territories except where the Company and the Sole Global Co-ordinator are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Receipt of this Prospectus and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who has received or receives a copy of this Prospectus and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may (a) treat the same as constituting an invitation or offer to them, nor (b) should they in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, in the relevant territory, unless (in the case of (a) or (b) above) such an invitation or offer could

PART IX CONTINUED

lawfully be made to them or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons who have received a copy of this Prospectus or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, any Excluded Territory. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by their agent or nominee, they must not seek to take up the rights referred to in the Provisional Allotment Letter or in this Prospectus or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this Prospectus or a Provisional Allotment Letter in or into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7 of this Part IX.

Any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up their rights under the Rights Issue must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 of this Part IX are intended as a general guide only and any Shareholder who is in any doubt as to their position should consult their professional advisers without delay.

The Company (after consultation with the Sole Global Co-ordinator (on behalf of the Underwriters)) may treat as invalid any exercise or purported exercise of Nil Paid Rights or any acceptance or purported acceptance of the offer of Fully Paid Rights or New Ordinary Shares which appears to the Company or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in or, in the case of a credit of New Ordinary Shares in CREST, a CREST Member or CREST Sponsored Member whose registered address is in any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit or if the Board believes or its agents believe that the same may violate applicable legal or regulatory requirements. The attention of U.S. persons and Qualifying Shareholders with registered addresses in the United States or holding Ordinary Shares on behalf of persons with such addresses is drawn to paragraph 7.3 of this Part IX. The attention of Qualifying Shareholders with registered addresses in other Excluded Territories or holding Ordinary Shares on behalf of persons with such addresses is drawn to paragraph 7.4 of this Part IX.

Despite any other provision of this Prospectus or the Provisional Allotment Letter, the Company reserves the right (after consultation with the Sole Global Co-ordinator (on behalf of the Underwriters)) to permit any Qualifying Shareholder to take up their rights if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if they are a Qualifying Non-CREST Shareholder or, if they are a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Qualifying Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4.2 and 5.2 of this Part IX.

The provisions of paragraph 6 of this Part IX will apply to all Qualifying Shareholders with registered addresses in the Excluded Territories who do not or are unable to take up the New Ordinary Shares provisionally allotted to them. Accordingly, such Qualifying Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Underwriters will endeavour to procure, on behalf of such Qualifying Shareholders, subscribers for the New Ordinary Shares.

7.2 European Economic Area (other than the United Kingdom)

7.2.1 General

In relation to each Relevant Member State (other than the United Kingdom), an offer to the public of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights may not be made in that Relevant Member State pursuant to the Rights Issue prior to the publication of a prospectus in relation to the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights which has been approved by the

PART IX CONTINUED

competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the first Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be made at any time:

- (a) to any legal entity which is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights shall result in a requirement for the Company, the Underwriters or the Lead Financial Adviser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company, the Underwriters or the Lead Financial Adviser that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2 (1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an **offer to the public** in relation to any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to be offered so as to enable a prospective investor to decide to purchase any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive and (a) the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, or in circumstances in which the prior consent of the Sole Global Co-ordinator (on behalf of the Underwriters) has been obtained to each such proposed offer or resale; or (b) where New Ordinary Shares, or Nil Paid Rights or Fully Paid Rights have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to it is not treated under the Prospectus Directive as having been made to such persons. The Company, the Underwriters and the Lead Financial Adviser and each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement.

7.3 United States

Subject to certain exceptions, this Prospectus and the Provisional Allotment Letters are intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and are not to be sent or given to any person with a registered address, or who is resident or located in, the United States. Subject to certain exceptions, neither this Prospectus nor the Provisional Allotment Letters constitute or will constitute an offer, or an invitation to apply for, or an offer or invitation to acquire, any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in the United States. Except in the limited circumstances described below, the Provisional Allotment Letters have not been and will not be, sent to, and the Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in the United States.

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been approved, disapproved or recommended by the SEC, any state securities commission in the United States or any other

PART IX CONTINUED

U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters or confirmed the accuracy or completeness or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under section 5 of the Securities Act provided by Rule 144A thereunder.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain very limited exceptions, none of this Prospectus and the Provisional Allotment Letter constitutes, or will constitute, or forms any offer or an invitation to apply for or an offer or an invitation to acquire or subscribe for any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States. Subject to certain very limited exceptions, neither this Prospectus nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States. Subject to certain very limited exceptions, Provisional Allotment Letters or renunciations thereof sent from or postmarked in the United States will be deemed to be invalid and all persons subscribing for New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Notwithstanding the foregoing, the Nil Paid Rights may be offered and delivered to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Qualifying Shareholders whom the Company determines, in its sole discretion, are able, based on such procedures and certifications as it deems appropriate, to participate in the Rights Issue pursuant to an applicable exemption from the registration requirements of the Securities Act (each a **Permitted U.S. Shareholder**). Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a Permitted U.S. Shareholder is required to disregard them.

Permitted U.S. Shareholders that satisfy the Company as to their status may exercise the Nil Paid Rights and the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in this Prospectus. Permitted U.S. Shareholders must also complete, execute and return to the Company an Investor Representation Letter as described in paragraph 8.4 of this Part IX, and may be required to make certain certifications in the Provisional Allotment Letter for the Nil Paid Rights and the Fully Paid Rights. Overseas Shareholders who hold Ordinary Shares through a bank, a broker or other financial intermediary, should procure that the relevant bank, broker or financial intermediary submits an Investor Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed Investor Representation Letter or any other required additional documentation.

Potential purchasers of the New Ordinary Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of such New Ordinary Shares. Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

For the purposes of the Rights Issue, the Company will be relying on an exemption from the registration requirements under the Securities Act for an offer and sale that do not involve a public offering in the United States. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be deposited, or caused to be deposited, in any unrestricted depositary receipt facility in the United States. The Company is not subject to the periodic reporting requirements of the Exchange Act.

The Company and the Underwriters reserve the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company and the Underwriters or their respective agents to have been executed in or dispatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring or subscribing for the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or where the Board believes acceptance of such Provisional Allotment Letter may infringe

PART IX CONTINUED

applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM Instruction sent by or on behalf of any CREST Member with a registered address in the United States in respect of the Nil Paid Rights.

The provisions of paragraph 6.1 above of this Part IX will apply to any rights not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as non-exercising holders and the Underwriters will endeavour to procure, on behalf of such non-exercising holders, subscribers for the New Ordinary Shares.

7.4 Australia

This Prospectus and the offer is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) (the **Corporations Act**), including to existing shareholders in the Company under ASIC Corporations (Foreign Rights Issues) Instrument 2015/356. This Prospectus is not a prospectus, product disclosure statement or any other form of "disclosure document" for the purposes of the Corporations Act and is not required to, and does not contain all the information which would be required in a disclosure document under the Corporations Act.

The persons referred to in this document may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to the New Ordinary Shares. No "cooling-off" regime will apply to an acquisition of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares is appropriate in light of your own financial circumstances or seek professional advice.

7.5 Canada

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters will not be qualified for sale under the securities laws of any province or territory of Canada. None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters may be offered, sold or distributed, directly or indirectly, in Canada or to residents of Canada, other than in compliance with procedures and documentation approved by the Company for establishing eligibility and permitting participation.

Any Qualifying Shareholder of the Company that is located or resident in Canada and wishes to participate in the Rights Issue must first obtain and review a copy of the Canadian Offering Memorandum, which consists of this Prospectus and a Canadian-specific supplement attached at the front (the **Canadian Wrapper**), and must complete and return the Canadian Investor Letter, which forms part of the Canadian Wrapper. Copies of the Canadian Offering Memorandum are available on request from the Company. Qualifying Non-CREST Shareholders in Canada will not be sent Provisional Allotment Letters and Qualifying CREST Shareholders in Canada will not have their CREST stock accounts credited with Nil Paid Rights until they have completed and returned the Canadian Investor Letter, which forms part of the Canadian Wrapper.

The Underwriters may arrange for the offer of the New Ordinary Shares not taken up in the Rights Issue in Canada in the Provinces of Alberta, British Columbia, Ontario and Quebec, but only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus or the Canadian Offering Memorandum dated the same date as this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by

PART IX CONTINUED

the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

7.6 Isle of Man

The Rights Issue is available, and is and may be made, in or from within the Isle of Man and this Prospectus is being provided in or from within the Isle of Man only: (i) by an Isle of Man financial services licenceholder licensed under Section 7 of the Financial Services Act 2008 in order to do so; or (ii) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011 (as amended) or exemption contained in the Financial Services (Exemptions) Regulations 2011 (as amended).

The Rights Issue and this Prospectus, and any other document issued by the Company in connection with the Rights Issue, are not available in or from within the Isle of Man other than in accordance with the above paragraph and must not be relied upon by any person unless made or received in accordance with the above paragraph.

7.7 Excluded Territories

Due to restrictions under the securities laws of the Excluded Territories, and subject to certain exceptions, no Provisional Allotment Letters will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to, a stock account in CREST of, persons with registered addresses, or who are resident or located, in the Excluded Territories and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of Section 6.1 of this Part IX. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be transferred or sold to, or renounced or delivered in, the Excluded Territories. No offer of New Ordinary Shares is being made by virtue of this Prospectus or the Provisional Allotment Letters into the Excluded Territories.

7.7.1 Abu Dhabi Global Market

This document relates to an Exempt Offer in accordance with the Markets Rules of the Financial Services Regulatory Authority (the **FSRA**). This document is intended for distribution only to persons of a type specified in those Rules. It must not be delivered to, or relied on, by any other person. The FSRA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The FSRA has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their re-sale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial adviser.

7.7.2 Dubai International Financial Centre

This document relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority (**DFSA**). This document is intended for distribution only to persons of a type specified in those Rules. It must not be delivered to, or relied on, by any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their re-sale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial adviser.

7.7.3 Hong Kong

This document has not been approved by the Securities and Futures Commission in Hong Kong nor has a copy of this document been registered with the Registrar of Companies of Hong Kong and, accordingly, (i) the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may not be offered or sold in Hong Kong by means of this document or any other document other than to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or in other circumstances which do not result in the document being a

PART IX CONTINUED

“prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as set out above).

7.7.4 Japan

The Rights Issue has not been and shall not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended: the **FIEA**). Accordingly, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares have not, directly or indirectly, been offered or sold and shall not, directly or indirectly, been offered or sold in Japan or to or for the benefit of a resident of Japan (as defined in Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act No. 228 of 1949, as amended), or to others for re-offering or re-sale, directly or indirectly, in Japan, or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws, regulations and ministerial guidelines of Japan.

Prospective investors are hereby notified that the Company may be relying on the exemption from registration under sub-item 3, item 2, paragraph 3, article 2 of the Financial Instruments and Exchange Act. The investor or purchaser holding the Nil Paid Rights and/or the Fully Paid Rights is prohibited from transferring them unless that person transfers Nil Paid Rights or Fully Paid Rights altogether to a single person in Japan.

7.7.5 People’s Republic of China

The Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may not be offered, sold or delivered, or offered or sold or delivered to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the People’s Republic of China (the PRC, excluding Hong Kong, Macau and Taiwan) in contravention of any applicable laws.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Company does not represent that this Prospectus may be lawfully distributed, or that any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, 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 Company which would permit a public offering of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares or distribution of this document in the PRC. Accordingly, the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are not being offered or sold within the PRC by means of this Prospectus or any other document. Neither this Prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

7.7.6 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. This Prospectus and any other document or material in connection with any offer or sale, or invitation for subscription or purchase, of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may not be circulated or distributed, nor may the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to institutional investors pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA) or (ii) to only accredited investors pursuant to Section 275(1) of the SFA and in accordance with the conditions specified therein.

PART IX CONTINUED

7.7.7 Switzerland

The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on SIX Swiss Exchange Ltd. or on any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. or the listing rules of any other stock exchange or regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Rights Issue, the Company, or the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares have been or will be filed with or approved by, and the offers of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

7.7.8 United Arab Emirates

In accordance with the provisions of the United Arab Emirates (**UAE**) Securities and Commodities Authority's (**SCA**) Promotion and Introduction Regulations, the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to which this Prospectus relates may only be promoted in the UAE as follows: without the prior approval of SCA, only in so far as the promotion is directed to (i) the UAE federal government and local governments, governmental institutions and authorities; (ii) companies fully owned by any of the aforementioned; (iii) international bodies and organizations; (iv) entities licensed to engage in a commercial business in the UAE, provided that at least one of their stated objectives is to engage in investment business; (v) regulated asset managers acting under a client mandate and (vi) investors following a reverse enquiry; or with the prior approval of the SCA. Any approval of the SCA to the promotion of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares in the UAE does not represent a recommendation to purchase or invest in the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. The SCA has not verified the Prospectus or other documents in connection with the Rights Issue and the SCA may not be held liable for the accuracy or completeness of the information in the Prospectus. The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective investors should conduct their own due diligence on the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares. If you do not understand the contents of this document you should consult an authorised financial advisor.

7.8 Other overseas territories

Qualifying Shareholders in jurisdictions other than the United States or the other Excluded Territories may, subject to the laws of their relevant jurisdiction, take up the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares under the Rights Issue in accordance with the instructions set out in this Prospectus and, if relevant, the Provisional Allotment Letter. Each person to whom the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares to have represented and agreed to the representations and warranties set out in this Part IX.

Qualifying Shareholders who have registered addresses in or who are resident or located in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

8. REPRESENTATIONS AND WARRANTIES RELATING TO OVERSEAS SHAREHOLDERS**8.1 Qualifying Non-CREST Shareholders**

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction:

PART IX CONTINUED

- (a) such person is not in the United States and is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares from within the United States;
- (b) such person is not in any of the other Excluded Territories or in any territory in which it is not otherwise unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it;
- (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the Excluded Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless, (i) the instruction to accept was received from a person outside the United States, and (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction, and (B) either (I) has investment discretion over such account or (II) is an investment company that is subscribing for the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S; and
- (d) such person is not subscribing for New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any Excluded Territory or any other territory referred to in paragraph (b) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (1) appears to the Company and the Underwriters to have been executed in, or dispatched from, the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement, (2) provides an address in the United States or any of the other Excluded Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, or (3) purports to exclude the warranty required by this paragraph 8.1 of this Part IX.

8.2 Qualifying CREST Shareholders

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedures set out in this Part IX represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within the United States, or otherwise located in the United States;
- (b) such person is not in any of the other Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares;
- (c) such person is not accepting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States, or any of the other Excluded Territories, or any of the other territories referred to in paragraph (b) above at the time the instruction to accept was given, and such person is not accepting for the account or benefit of any person who is located within the United States, unless: (i) the instruction to accept was received from someone outside the United States; and (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction, and (B) either (I) has investment discretion over such account or (II) is an investment manager or investment company that is subscribing for the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S; and
- (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or subscribing for New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into the United States or any Excluded Territory or any other territory referred to in paragraph (b) above.

The Company may treat as invalid any MTM Instruction which appears to the Company to have been dispatched from the United States, any of the other Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil Paid Rights, Fully Paid Rights or subscribe for New Ordinary Shares, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agent believes the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this paragraph 8 of this Part IX.

PART IX CONTINUED

8.3 Further representations applicable to Qualifying Shareholders outside the United States

Each person or purchaser (except for Permitted U.S. Shareholders executing an Investor Representation Letter) to whom the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letter are distributed, offered or sold, directly or through its direct or indirect nominee, will also be deemed by its subscription for, or purchase of, the New Ordinary Shares to represent, warrant and agree that:

- (a) it is, and the person, if any, for whose account or benefit it is acting is, outside the United States (within the meaning of Regulation S) at the time (1) it, or its direct or indirect nominee, receives the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, (2) it, or its direct or indirect nominee, makes its subscription, or (3) in the case of a purchaser, the buy order for such securities is originated outside the United States;
- (b) it understands that the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to significant restrictions on transfer;
- (c) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act;
- (d) it has carefully read and understands this Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to any persons within the United States, nor will it do any of the foregoing;
- (e) it understands that the Company and the Underwriters and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and will not recognise any offer, sale, pledge or other transfer of the securities made other than in compliance with the above stated restrictions; and
- (f) if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Underwriters, and, if it is acquiring any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

8.4 Further representations applicable to Qualifying Shareholders in the United States

Subject to certain very limited exceptions, each Permitted U.S. Shareholder that exercises its rights in respect of any Nil Paid Rights or Fully Paid Rights or otherwise acquires any New Ordinary Shares in the Rights Issue acknowledges, represents to and agrees with the Company and the Underwriters (and acknowledges that it may be required to execute an Investor Representation Letter to such effect), that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

- (a) it is (1) a QIB as defined in Rule 144A; (2) acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares for its own account or for the account, with respect to which it has full investment discretion, of one or more QIBs with respect to whom it has the full power and authority to make, and does make, the representations and warranties set forth herein; (3) acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares for investment purposes, and not with a view to any resale or further distribution of such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares within the meaning of the U.S. securities laws; and (4) aware, and each beneficial owner of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares has been advised, that the offer and sale of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares to it or to such beneficial owner is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (b) it understands that the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the Securities Act and understands that no action has been taken in any jurisdiction (including the United States) by the Company or the Underwriters that would result in a public offering of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the possession, circulation or distribution of this Prospectus or any other material relating to the

PART IX CONTINUED

Company or the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in any jurisdiction where action for such purpose is required and that the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (1) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; (2) in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S; (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or (4) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It further (i) understands that the New Ordinary Shares may not be deposited into any unrestricted depository receipt facility in respect of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares established or maintained by a depository bank, including the Level I American Depositary Receipt program with Deutsche Bank Trust Company Americas (the **Deutsche Bank ADR Program**); (ii) acknowledges that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares; and (iii) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares made other than in compliance with the above-stated restrictions;

- (c) it acknowledges that the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and understands that so long as New Ordinary Shares are "restricted securities", no such New Ordinary Shares may be deposited into any unrestricted depository receipt facility established or maintained by a depository bank, including the Deutsche Bank ADR Program, other than a restricted depository receipt facility, and that such New Ordinary Shares will not settle or trade through the facilities of The Depository Trust Company or any other U.S. exchange or clearing system;
- (d) it acknowledges that it has (1) conducted its own investigation and appraisal with respect to the New Ordinary Shares, the Company and the proposed JV and (2) received and reviewed all information, including a copy of this Prospectus, that it believes is necessary or appropriate in connection with its investment decision to purchase the New Ordinary Shares as contemplated hereby on the basis of its own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of the Company, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares. It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares. It has carefully read and reviewed a copy of this Prospectus. It acknowledges that neither the Company, the Underwriters nor any person representing the Company or the Underwriters has made any representation to it with respect to the Company or the offering or sale or exercise of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares other than (in the case of the Company and its affiliates only) as set forth in the Prospectus, upon which it will rely solely in making its investment decision with respect to the Nil Paid Rights, Fully Paid Rights and such New Ordinary Shares. It has had access to and is relying exclusively on, such financial and other information (including the business, financial condition, prospects, creditworthiness, status and affairs of the Company) concerning the Company and the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares including, without limitation, the information noted above, as it has deemed necessary in connection with its own investment decision to exercise its Nil Paid Rights and/or take up the Fully Paid Rights or the New Ordinary Shares. It acknowledges that its investment decision is based upon its own judgment, due diligence and analysis and not upon any view expressed or information provided by or on behalf of the Underwriters or their respective affiliates. It acknowledges that it has not relied on any information contained in any research reports prepared by the Underwriters or any of their respective affiliates;
- (e) it acknowledges that the Company is not a reporting company under the Exchange Act;
- (f) it understands that the Prospectus has been prepared in accordance with UK format and style, which differs from U.S. format and style. In particular, but without limitation, the financial information contained in the Prospectus relating to the Rights Issue has been prepared in accordance with IFRS, and thus are not directly comparable to financial statements of U.S. companies prepared in accordance with U.S. generally accepted accounting principles;

PART IX CONTINUED

- (g) it understands that there may be certain consequences under United States and other tax laws resulting from an investment in the Fully Paid Rights and the New Ordinary Shares and it has made such investigation and has consulted its own independent advisors or otherwise has satisfied itself concerning, without limitation, the effects of United States federal, state and local income tax laws and foreign tax laws, generally, and the Securities Act, specifically;
- (h) it has held and will hold the Prospectus and any Provisional Allotment Letter that it has received or will receive in confidence, and it understands that the Prospectus and any Provisional Allotment Letter are solely for its use and that it has not duplicated, distributed, forwarded, transferred or otherwise transmitted such documents or any other presentational or other materials concerning the Rights Issue (including electronic copies thereof) to any persons within the United States, and it acknowledges and agrees that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by it within the United States;
- (i) it, and each other QIB, if any, for whose account it may subscribe for or acquire Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, in the normal course of business, invests in or purchases securities similar to the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing or subscribing for any of the Nil Paid Rights, Fully Paid Rights and such New Ordinary Shares, fully understands the limitations on ownership and transfer and restriction on sales of the Nil Paid Rights, Fully Paid Rights and such New Ordinary Shares and is aware that it must bear the economic risk of an investment in its Nil Paid Rights, Fully Paid Rights or New Ordinary Shares for an indefinite period of time and is able to afford the complete loss of such investment and bear such risk for an indefinite period;
- (j) it acknowledges and agrees that it is not taking up or acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as a result of any "general solicitation" or "general advertising" (as those terms are defined in Regulation D under the Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television, or as a result of any seminar or meeting whose attendees have been invited by general solicitation or general advertising, or directed selling efforts (as such terms in defined in Regulation S under the Securities Act);
- (k) it understands and agrees that any Provisional Allotment Letter it has received or will receive in respect of the Rights Issue shall bear a legend substantially in the form below:

THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES OF THE COMPANY TO WHICH THIS PROVISIONAL ALLOTMENT LETTER RELATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER PROVINCE OR TERRITORY OF THE UNITED STATES. THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES MAY NOT, SUBJECT TO CERTAIN EXCEPTIONS, BE OFFERED, SOLD, TAKEN UP OR DELIVERED, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OR ITS TERRITORIES OR POSSESSIONS.

- (l) it understands that the New Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:
- THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER PROVINCE OR TERRITORY OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT (A) TO THE COMPANY; (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; (C) TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN AND IN COMPLIANCE WITH RULE 144A; OR (D) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER PROVINCE OR TERRITORY OF THE UNITED STATES. BY ITS ACCEPTANCE OF THESE SECURITIES THE PURCHASER REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND THAT IT IS EITHER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER PURCHASERS WHO ARE QIBs AND AGREES THAT THE SECURITIES ARE NOT BEING ACQUIRED WITH A VIEW TO DISTRIBUTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE

PART IX CONTINUED

CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY WILL BE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(A)(3) UNDER THE SECURITIES ACT AND FOR SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" (AS SO DEFINED) THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS."

- (m) it understands and acknowledges that the Company shall have no obligation to recognise any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein, and that the Company may make notation on its records or give instructions to the Company's registrar and any transfer agent of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in order to implement such restrictions;
- (n) it is aware and understands that an investment in the Fully Paid Rights and New Ordinary Shares involves a considerable degree of risk and that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the New Ordinary Shares;
- (o) it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, it shall notify such subsequent transferee of the transfer restrictions set out herein;
- (p) it understands and acknowledges that the Underwriters are assisting the Company in respect of the Rights Issue and that the Underwriters are acting solely for the Company and no one else in connection with the Rights Issue and, in particular, are not providing any service to it, making any recommendations to it, advising it regarding the suitability of any transactions it may enter into to subscribe for or purchase any Fully Paid Rights or New Ordinary Shares nor providing advice to it in relation to the Company, the Rights Issue or the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, and it has not relied and will not rely on the Underwriters nor any of their respective affiliates in connection with its analysis or decision to participate in the Rights Issue or any investigation that the Underwriters may have conducted with respect to the Company or the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares. Further, it waives any and all claims, actions, liabilities, damages or demands it may have against the Underwriters in respect of their engagement with the Company.
- (q) it is not an affiliate (as defined in rule 501(b) under the Securities Act) of the Company, and is not acting on behalf of an affiliate of the Company;
- (r) it understands that the terms and provisions of these representations and agreements shall inure to the benefit of and shall be enforceable by the Company, the Underwriters, and their respective successors and permitted assigns, and the terms and provisions hereof shall constitute its legal, valid and binding obligations and the legal, valid and binding obligations on its permitted successors in title, permitted assigns and permitted transferees and of any other person for whose account it is acting. It confirms that to the extent it is acquiring or purchasing the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares for the account of one or more other persons, it has been duly authorised to sign an Investor Representation Letter on their behalf and any other person for whose account they are acting;
- (s) it and any person acting on its behalf have all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto;
- (t) it understands that the foregoing acknowledgements, representations, warranties, agreements and confirmations are required in connection with United States securities laws and that the Company, its affiliates and agents, the Underwriters and their respective affiliates are relying on the acknowledgements, representations, warranties, agreements and confirmations contained herein in order to comply with the Securities Act, other U.S. states securities laws and other securities laws and that the Company, its affiliates and agents, the Underwriters and their respective affiliates, and others are entitled to rely upon the truth and accuracy of the acknowledgements, representations, warranties, agreements and confirmations contained herein. It agrees that if any of the acknowledgements, representations, warranties, agreements and confirmations made herein are at any time no longer accurate, it will promptly notify the Company and the Underwriters in writing if any of the foregoing statements ceases to be true, and in any event prior to any attempted purchase of or subscription for, as applicable, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, and in any event at any time prior to 13 June 2019. If it receives any New Ordinary Shares and has failed to return an executed copy of the Investor Representation Letter to the Company, it will be deemed to have made for the benefit of the Underwriters, the Company

PART IX CONTINUED

and their respective affiliates all of the acknowledgements, representations, warranties, agreements and confirmations contained therein. It irrevocably authorises the Company, its affiliates, the Underwriters and their respective affiliates to produce these representations and agreements or a copy thereof to any interested party in any administrative or legal proceeding, dispute or official enquiry with respect to the matters set forth herein. All representations, warranties, agreements and acknowledgements it has made or will make in any Investor Representation Letter shall survive the execution and delivery thereof;

- (u) it understands that the Investor Representation Letter is not a confirmation of a sale of New Ordinary Shares or the terms thereof, and that any such confirmation will be sent to it separately; and
- (v) it acknowledges and agrees that its purchase will be made pursuant to an Investor Representation Letter and the terms and conditions of the Rights Issue which is governed by English law as described in this Prospectus.

The Company, the Underwriters and their affiliates will rely on the truth and accuracy of the foregoing acknowledgements, representations, warranties, agreements and confirmations.

9. WAIVER

The provisions of paragraphs 7 and 8 of this Part IX and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company and the Sole Global Co-ordinator (on behalf of the Underwriters) in their absolute discretion. Subject to this, the provisions of paragraphs 7 and 8 of this Part IX supersede any terms of the Rights Issue inconsistent herewith. References in paragraphs 7 and 8 of this Part IX to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of paragraph 8.3 of this Part IX shall apply to them jointly and to each of them.

10. TAXATION

Information on taxation in the United Kingdom and the United States in relation to the Rights Issue is set out in paragraphs 15 and 16 (respectively) of Part XVII: "*Additional Information*" of this Prospectus. The information contained in paragraph 15 of Part XVII: "*Additional Information*" of this Prospectus is intended only as a general guide to the current tax position in the United Kingdom and the information contained in paragraph 16 of Part XVII: "*Additional Information*" of this Prospectus is intended only as a general guide to the current tax position in the United States. Qualifying Shareholders in the United Kingdom and the United States should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

11. TIMES AND DATES

The Company shall, after consultation with its financial and legal advisers, be entitled to amend the dates on which Provisional Allotment Letters are dispatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this Prospectus and in such circumstances shall notify the Financial Conduct Authority and the London Stock Exchange and make an announcement issued via a Regulatory Information Service. Qualifying Shareholders may not receive any further written communication.

If a supplementary document is issued by the Company two days or fewer before the date specified in this Prospectus as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between the Company and the Sole Global Co-ordinator (on behalf of the Underwriters)), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Dealing Days after the date of issue of the supplementary document (and the dates and times of principal events due to take place following such date shall be extended accordingly).

12. EMPLOYEE SHARE PLANS

The number of Ordinary Shares subject to awards or options outstanding under the Share Plans (as defined in paragraph 9 of Part XVII: "*Additional Information*") and the exercise price (if any) may be adjusted, in accordance with the rules of the relevant Share Plan, to take account of the issue of the New Ordinary Shares pursuant to the Rights Issue. Holders of awards or options under the Share Plans will be contacted separately and in due course with further information on how their options and awards may be affected by the Rights

PART IX CONTINUED

Issue. Participants in the SIP have been contacted separately regarding their participation in the Rights Issue as beneficial owners of Ordinary Shares held in the SIP.

13. GOVERNING LAW AND JURISDICTION

The terms and conditions of the Rights Issue as set out in this Prospectus and the Provisional Allotment Letter, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this Prospectus or the Provisional Allotment Letter, including (without limitation) disputes relating to any non-contractual obligations arising out of or in connection with the Rights Issue, this Prospectus or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this Prospectus and, where applicable, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART X

QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part X are intended to be in general terms only and, as such, you should read Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or if not, from another appropriately authorised independent financial adviser.

This Part X deals with general questions relating to the Rights Issue and more specific questions relating to Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 7 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus for full details of what action you should take. If you are a CREST Sponsored Member, you should also consult your CREST Sponsor.

If you do not know whether you hold Existing Ordinary Shares in certificated form or in uncertificated form (that is, through CREST), you can refer to your Shareview Portfolio, or activate your Shareview Portfolio at www.shareview.com which will allow you to view your holding to gain confirmation of how you hold your shares, or please call the Shareholder Helpline.

For further information or questions relating to the Rights Issue, please refer to www.marksandspencer.com/shareholder or contact the Shareholder Helpline on 0371-384-2220 (from inside the United Kingdom) or +44 121-415-0140 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or provide financial, investment, legal or tax advice. Calls to the +44 121-415-0140 number from outside the United Kingdom are charged at applicable international rates.

1. GENERAL

1.1 What is a rights issue?

A rights issue is one way for companies to raise money by giving their existing shareholders a right to buy further shares for cash in proportion to their existing shareholdings.

This Rights Issue comprises an offer by the Company of 325,009,968 New Ordinary Shares at a price of 185 pence per New Ordinary Share. If you hold Existing Ordinary Shares on the Record Date, you will be a Qualifying Shareholder. Qualifying Shareholders (other than, subject to certain exceptions, those who have a registered address, or are resident in, the Excluded Territories) will be entitled to buy New Ordinary Shares under the Rights Issue. If you hold Existing Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

The Rights Issue Price of 185 pence per New Ordinary Share represents a 31.8 per cent. discount to the Closing Price as derived from the Official List of 271.2 pence per Ordinary Share, or a discount of 30.0 per cent. to the Closing Price of 264.1 pence per Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, in each case on 21 May 2019 (the last Business Day prior to the announcement of the Rights Issue). Because of this discount and while the market value of the Existing Ordinary Shares exceeds the Rights Issue Price, the right to buy the New Ordinary Shares is potentially valuable. The New Ordinary Shares, when fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, respectively.

The Rights Issue is on the basis of 1 New Ordinary Share for every 5 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date.

If you are a Qualifying Shareholder other than, subject to certain exceptions, a Shareholder with a registered address, or resident, in any of the Excluded Territories, and you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights (called "Nil Paid Rights") to those New Ordinary Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing "nil paid".

PART X CONTINUED

1.2 What happens next?

Provisional Allotment Letters are due to be dispatched on 28 May 2019 to Qualifying Non-CREST Shareholders and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders as soon as practicable after 8.00 a.m. on 29 May 2019.

2. ORDINARY SHARES IN CERTIFICATED FORM**2.1 How do I know if I am eligible to participate in the Rights Issue?**

If you are a holder of Ordinary Shares and receive a Provisional Allotment Letter and do not, subject to certain exceptions, have a registered address in the Excluded Territories, then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 29 May 2019 (the time when the Existing Ordinary Shares are expected to be marked “ex-rights” by the London Stock Exchange), in which case you will need to follow the instructions on the front page of this Prospectus).

However, if you receive a Provisional Allotment Letter and you have a registered address in, or are a citizen, resident or national of, a country other than the United Kingdom, you must satisfy yourself as to the full observance of the applicable laws of such territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Receipt of this Prospectus or a Provisional Allotment Letter does not constitute an offer in those jurisdictions in which it would be illegal to make such an offer. Overseas Shareholders should refer to paragraph 7 of *Part IX: “Terms and Conditions of the Rights Issue”* of this Prospectus for further details.

If you do not receive a Provisional Allotment Letter, and you do not hold your shares in CREST, this probably means you are not eligible to acquire any New Ordinary Shares. However, see the question in paragraph 2.4 of this Part X.

2.2 What do I need to do in relation to the Rights Issue?

If you hold your Existing Ordinary Shares in certificated form at the Record Date and, subject to certain exceptions, do not have a registered address in any of the Excluded Territories, you will be sent a Provisional Allotment Letter that shows:

- (a) how many Existing Ordinary Shares you held at the close of business on 22 May 2019 (the Record Date for the Rights Issue);
- (b) how many New Ordinary Shares you are entitled to buy; and
- (c) how much you need to pay if you want to take up your right to buy all the New Ordinary Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the Excluded Territories, you will not receive a Provisional Allotment Letter.

2.3 What are my choices?

- (a) *If you want to take up all of your rights in full*

If you want to take up all of your rights to subscribe for the New Ordinary Shares to which you are entitled, you can:

Apply online

Using the Rights Issue Reference number and Allotment Letter number which appear on Page 1 of the Provisional Allotment Letter or Share Service Form of Instruction, access the Online Application site at www.marksandspencer.com/shareholder and choose to take up all your Nil Paid Rights.

You will be required to pay in full for all the rights you take up. Payments for New Ordinary Shares in respect of an Online Application must be made by a debit card that has been issued by a bank that has enrolled in 3D Secure. 3D Secure is an online authentication to reduce fraud by allowing the issuer (bank) to check whether the user of the debit card is who they say they are. Most UK, EEA and US banks are enrolled for 3D Secure but, if you are unsure as to whether your bank is enrolled for 3D Secure, you should contact your bank to check with them. Payment for New Ordinary Shares in respect of an Online Application must be made by a U.K. EEA or US debit card, or any other debit card enrolled that has been issued by a bank that has enrolled in 3D Secure.

PART X CONTINUED

Payments by credit cards will not be accepted. There will be no additional charge levied by the Company or the Receiving Agent for payments for New Ordinary Shares made. Applications online can only be for a maximum of £10,000.

By submitting an Online Application the holder declares that only one application has been made and that the Provisional Allotment Letter or Share Service Form of Instruction will be destroyed.

Apply by post

Send the Provisional Allotment Letter or Share Service Form of Instruction, together with your cheque or building society cheque for the full amount shown in your Provisional Allotment Letter or Share Service Form of Instruction, payable (i) in the case of Qualifying Certificated Shareholders, to "Equiniti Ltd Re M&S Rights Issue" and crossed "A/C payee only" or (ii) in the case of Qualifying Share Service Shareholders, to "Equiniti FS Ltd Client AC CSN RI M&S" and crossed "A/C payee only", by post or (during normal business hours only) by hand to the Receiving Agent, Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, to arrive by no later than 11.00 a.m. on 12 June 2019. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus and will be set out in the Provisional Allotment Letter (if applicable). You will be required to pay in full for all the rights you take up. A definitive share certificate will then be sent to you for the New Ordinary Shares that you take up. Your definitive share certificate for New Ordinary Shares is expected to be dispatched to you by no later than 26 June 2019.

Cheques must be in pounds sterling and drawn on a UK account. Third party cheques may not be accepted with the exception of building society cheques where the building society or bank has inserted the full name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The account name should be the same as that shown on the Provisional Allotment Letter. Post-dated cheques will not be accepted.

(b) *If you do not want to take up your rights at all*

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter or Share Service Form of Instruction subscribing for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 12 June 2019, the Company has made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken them up. If the Underwriters find investors who agree to pay a premium above the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of irrecoverable VAT), you will be paid for your share of the amount of that premium, so long as the amount in question is at least £1.85, except Qualifying Share Service Shareholders who will be paid regardless of the value, in pounds sterling by BACS payment to the mandated bank account registered with Equiniti Limited for the payment of dividends. Where no mandated bank account has been registered with Equiniti Limited, the payment will be held until such time as a mandated bank account has been registered. A communication will be sent to those holders who have not registered a mandated bank account but are due a payment to advise them to register a mandated bank account so that such payment can be made. If the Underwriters cannot find investors who agree to pay a premium over the Rights Issue Price and related expenses so that your entitlement would be £1.85 or more (£0.01 or more to Qualifying Share Service Shareholders), you will not receive any payment. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraphs (d) and (e) below).

(c) *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, (other than by effecting a Cashless Take-up using the Special Dealing Service);

Apply online

Using the Rights Issue Reference number and Allotment Letter number which appear on Page 1 of the Provisional Allotment Letter or Share Service Form of Instruction, access the Online Application site at www.marksandspencer.com/shareholder and complete the Partial Take up choice.

You will be required to pay in full for all the rights you take up. Payments for New Ordinary Shares in respect of an Online Application must be made by a debit card that has been issued by a bank that has enrolled in 3D Secure. 3D Secure is an online authentication to reduce fraud by allowing the issuer (bank) to check whether the user of the debit card is who they say they are. Most UK, EEA and US banks are enrolled for 3D Secure but, if you are unsure as to whether your bank is enrolled for 3D Secure, you

PART X CONTINUED

should contact your bank to check with them. Payment for New Ordinary Shares in respect of an Online Application must be made by a U.K. EEA or US debit card, or any other debit card enrolled that has been issued by a bank that has enrolled in 3D Secure.

Payments by credit cards will not be accepted. There will be no additional charge levied by the Company, or the Receiving Agent for payments for New Ordinary Shares made. Applications online can only be for a maximum of £10,000.

By submitting an Online Application the holder declares that only one application has been made and that the Provisional Allotment Letter or Share Service Form of Instruction will be destroyed.

Apply by post

You should first apply to have your Provisional Allotment Letter split by completing Form X (the form of renunciation) on the Provisional Allotment Letter, and returning it by post or (during normal business hours only) by hand to the Receiving Agent to be received by 3.00 p.m. on 10 June 2019, together with confirmation of the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter(s) representing the New Ordinary Shares that you wish to accept together with your cheque or building society cheque to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom (see paragraph (a) above), to be received by 11.00 a.m. on 12 June 2019, while the split Provisional Allotment Letter(s) relating to the rights you wish to sell should be forwarded to your agent undertaking the sale.

Further details are set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus and will be set out in the Provisional Allotment Letter.

(d) *If you want to sell some of your rights*

If you want to sell some of your rights, you will first need to apply to have your Provisional Allotment Letter split (see paragraph (c) above). Please note that the ability to sell your rights is dependent on demand for such rights and that the price of Nil Paid Rights will fluctuate.

(e) *If you want to sell all of your rights*

If you want to sell all of your rights other than through the Special Dealing Service, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked “Original Duly Renounced”) and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or the Restricted Territories). Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 12 June 2019.

(f) *If you want to use the Special Dealing Service*

If you are an individual Qualifying Non-CREST Shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service to either (i) sell all of your Nil Paid Rights or (ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder (that is, effect a Cashless Take-up).

If you want to use the Special Dealing Service to sell all of your Nil Paid Rights, you have the option to give your instruction online via www.marksandspencer.com/shareholder or by post.

Online Application

Using the Rights Issue Reference number and Allotment Letter number which appear on Page 1 of the Provisional Allotment Letter or Share Service Form of Instruction, access the Online Application site at www.marksandspencer.com/shareholder and complete either the “Sell aLL your Rights” or the “Partial Take-up” choice.

It should be noted that due to the particular transaction reporting information required from holders who are nationals in certain countries, although eligible to take advantage of the Special Dealing Service, Qualifying Non-CREST Shareholders will not be able make an Online Application to sell all their Nil-Paid Rights or elect for the Cashless Take-up if they are nationals of Estonia, Spain, Iceland, Italy, Malta or Poland and should submit their instruction for these options by using the Provisional Allotment Letter or Share Service Form of Instruction.

PART X CONTINUED

Postal Instructions

If you want to elect to sell all of your Nil Paid Rights, you should place an "X" in the Option 3 box on the front page of your Provisional Allotment Letter or Share Service Form of Instruction, sign and date it in part 2 and return the Provisional Allotment Letter or Form of Instruction by 5.00 p.m. on 5 June 2019.

If you want to effect a Cashless Take-up, you should place an "X" in the Option 4 box on the front page of your Provisional Allotment Letter or Share Service Form of Instruction, sign and date it in part 2 and return the Provisional Allotment Letter or Form of Instruction by 5.00 p.m. on 5 June 2019.

General

Equiniti Financial Services will charge a commission of 1.5 per cent. of the gross proceeds of any sale of Nil Paid Rights effected using the Special Dealing Service, with no minimum charge.

You should be aware that by returning your Provisional Allotment Letter or Share Service Form of Instruction and electing to use the Special Dealing Service, you will be deemed to be agreeing to the Special Dealing Service Terms and Conditions and make a legally binding agreement with Equiniti Financial Services Limited on those terms. The Special Dealing Service Terms and Conditions are included in the "Rights Issue Guide" accompanying the Provisional Allotment Letter, if you hold your Shares in certificated form, or Share Service Form of Instruction, if your shares are held in the Marks & Spencer Share Service.

Further details are set out in Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus and will be set out in the Provisional Allotment Letter and the Share Service Form of Instruction. Full Terms and Conditions of the Special Dealing Service are set out in the "Rights Issue Guide" accompanying the Provisional Allotment Letter and the Share Service Form of Instruction.

(g) *Can I sell some rights and use the proceeds to take up my remaining rights?*

This is known as a Cashless Take-up or "tail-swallowing". You should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Alternatively, if you are an individual certificated shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service either by Online Application or by completing and returning the Provisional Allotment Letter or Share Service Form of Instruction following the instructions thereon. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights.

Further details are set out in Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus and will be set out in the Provisional Allotment Letter and the Share Service Form of Instruction. The full Special Dealing Service Terms and Conditions are set out in the "Rights Issue Guide" accompanying the Provisional Allotment Letter and the Share Service Form of Instruction.

2.4 What if I do not receive a Provisional Allotment Letter?

If you do not receive a Provisional Allotment Letter but hold your Existing Ordinary Shares in certificated form, this probably means that you are not eligible to participate in the Rights Issue. However, some Qualifying Shareholders will not receive a Provisional Allotment Letter but may still be eligible to participate in the Rights Issue, namely:

- (a) Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 22 May 2019 and who have converted them to certificated form;
- (b) Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares prior to the close of business on the Record Date but were not registered as the holders of those Existing Ordinary Shares at the close of business on 22 May 2019; and
- (c) certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please contact the Shareholder Helpline on 0371-384-2220 (from within the United Kingdom) or +44 121-415-0140 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax, legal or investment advice.

PART X CONTINUED

2.5 If I buy Ordinary Shares after the Record Date, will I be eligible to participate in the Rights Issue?

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 29 May 2019 (the time when the Existing Ordinary Shares are expected to start trading ex-rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Ordinary Shares at or after 8.00 a.m. on 29 May 2019 (the **Ex-Rights Date**), you will not be eligible to participate in the Rights Issue in respect of those Shares.

2.6 I hold my Existing Ordinary Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Ordinary Shares?

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by no later than 26 June 2019.

2.7 Can I change my decision to take up my rights?

Once you have returned your Provisional Allotment Letter, as applicable, you cannot withdraw your application or change the number of New Ordinary Shares for which you have applied, except in the very limited circumstances set out at paragraph 6 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

2.8 I hold my Existing Ordinary Shares in certificated form. What if I want to sell the New Ordinary Shares for which I have paid?

Provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 12 June 2019. After that time, you will be able to sell your New Ordinary Shares in the normal way. The share certificate relating to your New Ordinary Shares is expected to be dispatched to you by no later than 26 June 2019. Pending dispatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders have the following options:

Online Application

Using the Rights Issue Reference number and Allotment Letter number which appear on Page 1 of the Provisional Allotment Letter or Share Service Form of Instruction, access the Online Application site at www.marksandspencer.com/shareholder and choose to sell all of your Rights or select Cashless Take-up.

It should be noted that due to the particular transaction reporting information required from holders who are nationals in certain countries, although eligible to take advantage of the Special Dealing Service, Qualifying Non-CREST Shareholders will not be able make an Online Applications to sell all their Nil-Paid Rights or elect for the Cashless Take-up if they are nationals of Estonia, Spain, Iceland, Italy, Malta or Poland and should submit their instruction for these options by using the Provisional Allotment Letter or Share Service Form of Instruction.

Postal Application

You complete and return the Provisional Allotment Letter or Share Service Form of Instruction in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by not later than 5.00 p.m. on 5 June 2019, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

PART X CONTINUED

Further details are set out in Part IX: *“Terms and Conditions of the Rights Issue”* of this Prospectus and will be set out in the Provisional Allotment Letter and the Share Service Form of Instruction. The full Special Dealing Service Terms and Conditions are set out in the *“Rights Issue Guide”* accompanying the Provisional Allotment Letter and the Share Service Form of Instruction.

3. ORDINARY SHARES IN CREST

3.1 How do I know if I am eligible to participate in the Rights Issue?

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights on 29 May 2019. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled as soon as practicable after 8.00 a.m. on 29 May 2019. If you are a CREST Sponsored Member, you should consult your CREST Sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with a registered address in the United States, Canada or any of the Excluded Territories will not be credited with Nil Paid Rights. Overseas Shareholders should refer to paragraph 7 of Part IX: *“Terms and Conditions of the Rights Issue”* of this Prospectus.

3.2 How do I take up my rights using CREST?

If you are a Qualifying CREST Shareholder, you should refer to paragraph 5 of Part IX: *“Terms and Conditions of the Rights Issue”* of this Prospectus for details on how to take up and pay for your rights.

If you are a CREST Member you should ensure that an MTM Instruction has been inputted and has settled by 11.00 a.m. on 12 June 2019 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST Sponsored Member, you should speak directly to the agent who looks after your stock or your CREST Sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 0845 964 5648 (+44 845 964 5648 if you are calling from outside the United Kingdom).

3.3 If I buy Ordinary Shares before 8.00 a.m. on 29 May 2019 (the date that the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?

If you buy Ordinary Shares before 8.00 a.m. on 29 May 2019, but are not registered as the holder of those Ordinary Shares on the Record Date, you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any further Ordinary Shares acquired on or after the Ex-Rights Date.

3.4 What should I do if I sell or transfer all or some of my Ordinary Shares before 8.00 a.m. on 29 May 2019 (the Ex-Rights Date)?

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before the Ex-Rights Date, to send this Prospectus to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 How many New Ordinary Shares am I entitled to acquire?

Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to acquire. You will be entitled to acquire 1 New Ordinary Share for every 5 Existing Ordinary Shares you hold on 22 May 2019, the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a CREST Sponsored Member, you should consult your CREST Sponsor.

3.6 If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights on 14 June 2019.

PART X CONTINUED

4. FURTHER PROCEDURES FOR ORDINARY SHARES WHETHER IN CERTIFICATED FORM OR IN CREST**4.1 What if the number of New Ordinary Shares to which I am entitled is not a whole number; am I entitled to fractions of New Ordinary Shares?**

Your entitlement to New Ordinary Shares will be calculated at the Record Date (other than in the case of those who bought Existing Ordinary Shares after the Record Date but before the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not receive a fraction of a New Ordinary Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Qualifying Certificated Shareholders and Qualifying CREST Shareholders will be aggregated and, if possible, sold in the market nil paid for the benefit of the Company.

4.2 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

Certain information about taxation in the United Kingdom and the United States is contained in Part XVII: "Additional Information" of this Prospectus. This information is intended as a general guide for Qualifying Shareholders as to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult an appropriate professional adviser as soon as possible. Please note the Shareholder Helpline will not be able to assist you with taxation issues.

4.3 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called "Nil Paid Rights") to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period, a person can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or can trade in the Nil Paid Rights during the nil paid dealing period (between 8.00 a.m. on 29 May 2019 and 11.00 a.m. on 12 June 2019), subject to demand and market conditions. Please note that your ability to sell your rights is dependent on demand for such rights and that the price of the Nil Paid Rights will fluctuate.

If you wish to sell or transfer all or some of your Nil Paid Rights and you hold your Existing Ordinary Shares in certificated form, you will need to complete Form X (the form of renunciation) of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his or her Ordinary Shares in certificated form will need to forward to you his or her Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 12 June 2019, in accordance with the instructions in the Provisional Allotment Letter.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying Non-CREST Shareholders who are CREST Members or CREST Sponsored Members can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST Sponsor or stockbroker, bank or other appropriate financial adviser for further details.

4.4 What should I do if I live outside the United Kingdom?

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights.

Shareholders with registered addresses, or who are resident or located, in the United States or any of the other Excluded Territories are, subject to certain very limited exceptions, not eligible to participate in the Rights Issue. Shareholders with registered addresses, or who are resident or located, in the United States who are QIBs may be able to acquire New Ordinary Shares in the Rights Issue. Your attention is drawn to the information in paragraph 7 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus.

PART X CONTINUED

4.5 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST Member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X (the form of renunciation) and the CREST Deposit Form (both on the Provisional Allotment Letter), and ensure they are delivered to the Receiving Agent to be received by 3.00 p.m. on 7 June 2019 at the latest. CREST Sponsored Members should arrange for their CREST Sponsors to do this on their behalf.

If you have transferred your rights into the CREST system, you should refer to paragraph 5.2 of Part IX: *“Terms and Conditions of the Rights Issue”* of this Prospectus for details on how to pay for the New Ordinary Shares.

4.6 What should I do if I think my holding of Ordinary Shares is incorrect?

If you have bought or sold Existing Ordinary Shares shortly before 22 May 2019, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of shares is incorrect, please contact the Shareholder Helpline on 0371-384-2220 (from within the United Kingdom), or +44 121-415-0140 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

4.7 What if I hold options and/or awards under any of M&S's Share Plans?

Holders of awards or options under the Share Plans will be contacted separately and in due course with further information on how their options and awards may be affected by the Rights Issue. Participants in the Marks and Spencer Group Share Incentive Plan 2002 (the **SIP**) will be contacted separately regarding their participation in the Rights Issue as beneficial owners of Ordinary Shares held in the SIP.

4.8 Where can I find further information on the Rights Issue?

For further information on the Rights Issue, please refer to www.marksandspencer.com/shareholder or contact the Shareholder Helpline on 0371-384-2220 (from within the United Kingdom), or +44 121-415-0140 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax, legal or investment advice.

PART XI

BUSINESS OVERVIEW OF THE GROUP

The following should be read in conjunction with the other information regarding the Group in this Prospectus, including Part II: “Risk Factors”, Part XIV: “Operating and Financial Review of the Group” and the Group’s consolidated historical financial information and the related notes incorporated by reference in this Prospectus. Unless otherwise stated, the financial information relating to the Group set out in this part of the document has been extracted without material adjustment from the 2019, 2018 and 2017 Annual Reports and Financial Statements incorporated by reference in this Prospectus.

This section includes forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus.

Overview

The Group is one of the United Kingdom’s leading retailers with a strong heritage of brand values and customer relationships. The Group operates a family of businesses, including Food and Clothing & Home, as well as M&S Bank operated by HSBC UK. Although primarily based in the United Kingdom, the Group sells into 57 countries from 1,487 stores and 36 websites. In FY19, the Group employed over 80,000 colleagues who served approximately 32 million customers in the United Kingdom.

The Group’s business is divided into two geographic operating segments: United Kingdom (comprising Food and Clothing & Home) and International.

- *United Kingdom—Food:* The Group’s Food business focuses on high-quality, sustainably sourced, fresh and convenient products and comprises five main categories: (i) protein, deli and dairy; (ii) produce; (iii) ambient and in-store bakery; (iv) meals, dessert and frozen; and (v) hospitality and “Food On The Move”. The Group predominantly sells own-brand products, which are exclusively manufactured and marketed under the “M&S” brand. The Group sells its Food products through its 275 full-line stores, which also offer Clothing & Home products, 301 owned Simply Food stores and 433 Simply Food franchise stores in high-volume, convenience locations. In February 2019, the Group announced a proposed JV with Ocado, a leading online grocer focussed on the home delivery of a wide range of high-quality food, drink and household goods.
- *United Kingdom—Clothing & Home:* The Group sells high-quality, sustainably sourced, predominantly own-brand clothing and homeware through 275 full-line stores, outlets and the M&S website. The Group’s principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home products. The Group retains a strong customer base and strong customer franchises in lingerie, back-to-school and tailoring, as well as products such as denim.
- *International:* The Group exports the best of M&S Clothing & Home and Food around the world, with stores and an online presence across Europe, the Middle East and Asia and an online presence in markets such as the United States and Australia.

The Group reported profit before tax and adjusting items of £523.2 million in FY19 (FY18: £580.9 million; FY17: £613.8 million) and profit before tax of £84.6 million in FY19 (FY18: £66.8 million; FY17: £176.4 million) on revenue of £10.4 billion in FY19 (FY18: £10.7 billion; FY17: £10.6 billion). Profit before tax and adjusting items is consistent with how business performance is measured internally. For a discussion of these adjusting items, see Part XIV: “Operating and Financial Review of the Group—Group results of operations—Adjusting items”.

History of the Group

Marks & Spencer was established in 1884 when Michael Marks opened the first store in Leeds. Michael Marks and Thomas Spencer formed a partnership in 1894, and M&S rapidly grew into a chain of 36 branches specialising in textiles. In 1926, the Group became a publicly listed company on the London Stock Exchange. In 1931, the Group introduced a Food department that sold fresh produce, canned goods and cakes. In 1956, the Group began selling virtually all products under its own brand. Selling M&S own-brand products remains a cornerstone of the Group’s approach to retailing.

The Group’s first international store opened in 1972 in Canada. The Group launched its online store in 1999. In 2001, the Group launched a network of “Simply Food” stores, which offers an edited range of its Food in a convenience format.

PART XI CONTINUED

Since 2001, the Group has faced strong competition in its markets, for example from the emergence of clothing and food discounters and the development of the online market.

In the past two years, the Group has built a substantially new leadership team. The Group's ambition is to intensify cultural and behavioural change throughout M&S, driving the business to act "bigger, bolder, faster".

Within this context, in 2017, the Group announced the Transformation Programme, "Making M&S Special". The Transformation Programme's objective is to create a profitable, growing family of businesses under the M&S brand within three to five years, bound together not only by a common consumer brand but also by shared sites, employment values, technology and customer data. In the first phase of its plan, the Group is focused on restoring the basics of its organisation and infrastructure to enable growth in future years. In May 2018, the Group set out the following nine key pillars of the first phase of the Transformation Programme, "restoring the basics", and the Group is reporting on its performance against these pillars as the Transformation Programme progresses:

1. Transforming the Group's leadership
2. Building greater accountability
3. Becoming a "digital first" retailer across M&S
4. Reshaping the ranges and customer profile in Clothing & Home
5. Protecting the "magic" but modernising the rest in Food
6. Rebuilding profitable growth in International
7. Creating a high-quality store estate fit for the future
8. Modernising the Group's Clothing & Home and Food supply chains
9. Cost savings of at least £350 million by 2020/21

For a further discussion of these key pillars, see "—Description of the Group's segments" below.

In February 2019, the Group announced a proposed JV with Ocado. The proposed JV aims to combine the strength of the Group's brand, as well as its leading food quality and innovation, with Ocado's unique and proprietary technology and broad range of products to create a compelling online grocery offer for customers. The proposed JV will trade as Ocado.com but will benefit from access to the Group's brand, products and customer database from September 2020, at the latest. For further information on the proposed JV, see Part XVI: "Key Transaction Terms".

Description of the Group's segments

The Group's business is divided into two geographic operating segments: United Kingdom and International. The UK operating segment, which represented 91.0 per cent. of the Group's total revenue in FY19, consists of the Food and Clothing & Home businesses. The International operating segment, which represented 9.0 per cent. of the Group's total revenue in FY19, consists of M&S's owned businesses in Europe and Asia and its international franchise operations.

The following table presents the Group's revenue by business for the periods indicated:

	52 weeks ended			
	30 March 2019	31 March 2018	31 March 2018	1 April 2017
		<i>Restated ⁽¹⁾</i>		
		<i>(£ millions)</i>		
Group	10,377.3	10,698.2	10,698.2	10,622.0
Clothing & Home ⁽¹⁾	3,537.3	3,671.0	3,741.1	3,792.7
Food ⁽¹⁾	5,903.4	5,940.0	5,869.9	5,649.0
UK.....	9,440.7	9,611.0	9,611.0	9,441.7
Franchised.....	409.1	360.6	360.6	314.0
Owned.....	527.5	726.6	726.6	866.3
International.....	936.6	1,087.2	1,087.2	1,180.3

(1) FY18 revenue has been restated for the reclassification of cards and gift wrap from Clothing & Home to Food.

PART XI CONTINUED

United Kingdom

The Group's UK business comprises Food, Clothing & Home and income from its economic interest in M&S Bank and M&S Energy. The Group's Food business represented 62.5 per cent. of the Group's UK revenue in FY19 and 56.9 per cent. of the Group's total revenue in FY19. The Group's Clothing & Home business represented 37.5 per cent. of the Group's UK revenue in FY19 and 34.1 per cent. of the Group's total revenue in FY19. The Group accounts for income generated from M&S Bank and M&S Energy within its operating profits. M&S Bank represented 12.7 per cent. of the Group's UK operating profit in FY19 and 4.1 per cent. of the Group's total operating profit in FY19. M&S Energy represented 0.2 per cent. of the Group's UK operating profit in FY19 and 0.1 per cent. of the Group's total operating profit in FY19.

*Food*Overview

The Group's Food business focuses on high-quality, sustainably sourced, fresh and convenient products and comprises five main categories: (i) protein, deli and dairy; (ii) produce; (iii) ambient and in-store bakery; (iv) meals, dessert and frozen; and (v) hospitality and "Food On The Move". The Group predominantly sells own-brand products, which are exclusively manufactured and predominantly marketed under the "M&S" brand.

The Group is at the early stages of re-engineering its food categories and the innovation model to broaden the appeal of the Group's products to attract a wider range of customers and increase the frequency of customer shopping visits. Over recent years, the product range gradually became more premium and the Group became dependent on complex promotions, in particular multi-buy offers. These problems have been compounded by the rising intensity of competition from discounters and supermarkets, both of which have sought to emulate the success of M&S by offering fresh product ranges and improved innovation. The Group has made good progress in restoring trust in its value at relatively little cost to margin by reducing base prices and removing promotional complexity. The Group has also significantly reduced its dependence on short-term promotions and complex multi-buy offers, removing nearly 70 per cent. of multi-buy offers and reducing promotional participation by over 10 percentage points as a percentage of sales by 30 March 2019, without significant loss of customers. This enabled the Group to invest in everyday prices, and the Group reduced the prices of over 400 lines over FY19, focussing on conveying the affordability of items customers buy every day.

Product offer

The Group's Food business maintains a strong brand reputation among consumers with its offering known for high-quality and innovative products across its fresh and convenience categories. The Group believes it sets market-leading standards for quality and product innovation. The Group is focused on building on three customer missions to drive further growth: Dinner Tonight, Special Occasions and Eat Now, creating great tasting, high-quality food that is loved by customers.

The Group aims to be the destination for "Dinner Tonight", serving customers who want to cook from scratch, have something semi-prepared or pick up a ready-made meal. In addition, the Group sells a wide range of fresh everyday food such as bread and milk, fresh meat, fish and produce. In prepared meals, the Group offers a variety of cuisines designed to appeal to different tastes. The Group also carries ranges which appeal to its more health-conscious customers, such as the low-fat, low-calorie "Count on Us" range and the "Balanced for You" range, which provides nutritionally balanced meal solutions that were developed to be in line with the UK government guidelines on balanced diets. All of the Group's ready meals have a short shelf life to ensure freshness. The Group also offers vegetarian, vegan and children's meal options with the "Veggie", "Plant Kitchen" and "Taste Buds" ranges, respectively. The Group has also developed "Cook" which includes all the raw and fresh ingredients that can be easily assembled and cooked at a customer's home to create a complete meal.

The Group also offers special occasion foods, including cakes, desserts and party foods, and, in particular, sells a range of products relating to certain holidays and special occasions, such as Christmas, Easter and Valentine's Day. Holidays and special occasions are especially important sales periods for the Group, as many customers who do not regularly shop with the Group decide to trade up to M&S products at these times of the year.

The Group also has a large lunchtime food business and is one of the largest sandwich retailers in the United Kingdom. Over the last two decades, the Group has frequently been voted as the "Sandwich Retailer of the Year" at food industry awards. The "Food on the Move" range, aimed at the eat-out lunchtime customer, offers quick, convenient and healthy lunchtime food.

PART XI CONTINUED

Suppliers and logistics

In all of its products, the Group is selective with respect to the ingredients it uses and works closely with its suppliers to procure responsibly and sustainably-produced ingredients, including fish and meat. By offering products under its own brand, the Group believes that it can exert greater assurance over the sourcing of ingredients and the preparation of its food. Accordingly, the Group believes that it is well-positioned to continue to respond to customers' demand for high-quality, healthy and responsibly-sourced food for which the ingredients can be traced, including to individual farmers and growers.

The Group's end-suppliers range from individual farmers and growers to major, multinational processors, producers and manufacturers, with many of whom the Group has long-standing relationships. The Group has worked with some of its suppliers to develop new and unique products, such as its British "Oakham" chicken and certain fruit and vegetable varieties, which are available only in M&S stores.

The Group operates from two national distribution centres and eight regional Food distribution centres throughout the United Kingdom. Products are distributed based on geography, with each distribution centre serving a nearby region of the United Kingdom and the Republic of Ireland. A specialist refrigerated distribution and warehouse logistics operator, Gist, distributes the Group's Food products to all stores. Store stock replenishment is managed by the Group.

The Group operates with high and demanding standards of freshness and code life. However, both waste and availability remain at uncompetitive levels compared to rivals. A comprehensive supply chain improvement programme, including the "Fuse" programme, is underway to implement end-to-end changes. The "Fuse" programme has been successfully launched across stores, with the aim of improving the timing and scope of mark-downs, optimising the cost of units per tray, achieving greater stock file accuracy through new counting processes and reducing excess ambient stock by re-setting store space.

However, the Group expects that longer term progress will require more far reaching restructuring of the logistics network. In order to do so, the Group aims to develop its end-to-end operating model, create an integrated network and transport strategy, and establish a more effective forecasting and store allocation system.

The Group's major food logistics provider is Gist, pursuant to a long-term contract under which Gist provides the Group with food logistics services and distributes the Group's products across the United Kingdom, as well as the Republic of Ireland and France. The Group's improved working relationship with Gist in FY19 has demonstrated substantial opportunity to modernise and better integrate the Group's Food supply chain.

The Group is also working to improve speed to market. For example, on a number of recent product launches, the Group has improved product development timelines from 24 weeks to six weeks. In order to do so, the Group is fixing its legacy systems to support improved decision making and reducing costs through greater collaboration with supplier partners.

Sales channels

In addition to the stores which offer both Food and Clothing & Home products, as described "*—Stores and sales channels—Store profile*" below, the Group has a chain of stand-alone Food stores under the "Simply Food" brand. The Group had 734 such stores as at 30 March 2019. Of these, 301 were wholly-owned and 433 were operated by franchise partners in high-traffic locations, such as railway and motorway stations, airports and petrol station forecourts. These stores enable the Group to extend the reach of its food offering into new geographic markets, as well as grow market share in more established city markets by directly serving the "Eat Now" and "Dinner Tonight" shopping missions.

In recent years, the Group's expansion has been focused on opening smaller Simply Food units. While profitable, many of these stores offer a limited range and have restricted opportunities for growth. In FY19, the Group reduced its opening programme to focus on only the highest returning locations, opening 47 new Simply Food stores, compared to 62 stores in FY18. These new openings were partly offset by the closure of 26 full-line stores. In FY20, the Group expects to open a number of larger trial stores, with a broader appeal.

As part of the Transformation Programme, the Group aims to secure access to the fast-growing online grocery channel through its proposed JV with Ocado. For further information on the proposed JV, see Part XVI: "*Key Transaction Terms*".

The Group also offers a Food to Order business on the M&S website (www.marksandspencer.com), which includes flowers, wines, gift hampers and special occasion foods.

PART XI CONTINUED

Industry and competition

The UK food market is undergoing an extraordinary period of change. Although the grocery market returned growth of 2.3 per cent. for the 52 weeks ended 24 March 2019, this was largely driven by inflation (Source: Kantar, 52 w/e 24 March 2019). Home delivery and online are the United Kingdom's fastest growing grocery channel, expected to grow by 52 per cent. from 2018 to 2023 (Source: IGD). In 2018, the online grocery market value was £11.4 billion, compared to the overall UK grocery market value of £190.3 billion (Source: IGD). The discount sector is also expected to continue to grow by 37 per cent. from 2018 to 2023 (Source: IGD). In addition, in an effort to support margins and growth, the large grocers are seeking to match Marks & Spencer at the quality end of the market. Therefore, the competitive pressures on the Group's Food business are expected to be intense.

According to Kantar, the Group's market share in the overall grocery market in Great Britain was 3.4 per cent. for the 52 weeks ended 24 March 2019 (Source: Kantar, 52 w/e 24 March 2019), although the Group tends to offer a more focused product range in contrast to most major food retailers. The Group typically offers approximately 6,500 product lines, roughly 40 per cent. of which are chilled. This differs from typical supermarkets, which tend to carry products in a wider variety of product categories, but proportionately fewer product lines in those fresh categories, the majority of which tend to be dry, longer shelf life goods. The Group also differs from other grocers in that it is predominantly an own-brand retailer with branded goods accounting for a very small proportion of total sales. The Group is in the early stages of developing its range to broaden its appeal and increase its relevance across more shopping missions.

Clothing & HomeOverview

The Group sells high-quality, predominantly own-brand clothing, homeware and beauty products through 275 full-line stores, outlets and the M&S website. The Group's principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home. The Group retains a strong customer base and strong customer franchises in lingerie, back-to-school and workwear, as well as products such as denim.

The Group caters to all age groups and demographics, but its largest market share in adult clothing has traditionally been in the over-45 age demographic. In addition to selling core ranges of merchandise under the M&S brand, the Group sells a number of sub-brands that it has acquired (such as *Per Una*) or developed internally (such as *Blue Harbour* and *Autograph*) to cater to different demographics and tastes.

The Group's in-house buying teams have responsibility for designing and buying the Clothing & Home products. At present, the Group offers too wide a range of products, which has the potential to result in excess stockholding within its supply chain. In line with the objective of the Transformation Programme to restore style and value in Clothing & Home, the Group is beginning to reshape its ranges by reducing the number of options and buying more stylish and contemporary product in greater depth. By focusing on wearable "Must-Have" essentials and building on strong customer franchises in denim, lingerie, back-to-school and workwear, the Group aims to attract family-aged customers seeking style, quality and value. In FY20, the Group expects to deliver a more marked reduction in options and range duplication, a significant improvement in size ratios, further focus on style and fashion, and additional investment in value. This will be reinforced by the update of the sub-brand strategy, including the re-launch of the *Per Una* range where the initial customer reaction to early changes the Group has made has been positive.

The Group considers product innovation to be a key part of its business. The Group employs more than 50 technologists developing innovations across clothing. Its past clothing innovations include the United Kingdom's first machine-washable men's suits, as well as seamless moulded bras and shapewear in women's lingerie.

The Group aims to shift to a "first price, right price" trading philosophy and further reduce the percentage of Clothing & Home sold at discount.

Product offer

The Group's principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home, each as described below. Despite strong levels of competition over a number of years, the Group retains leading market shares in a number of areas.

- *Womenswear (excluding lingerie)* – The Group is the largest womenswear retailer in Great Britain, with a market share of 7.4 per cent. (Source: Kantar, 52 w/e 10 March 2019). The Group's product offer includes formal clothes, such as dresses and suits; casualwear, such as jeans and casual tops; outerwear, such as

PART XI CONTINUED

coats and jackets; and footwear and accessories, such as jewellery and handbags. In addition to its core offer, the Group has several sub-brands, including *Autograph*, with formal and casualwear ranges made of high-quality fabrics to high-design specification; and *Per Una*, a range of stylish items aimed at different age groups. Recognising the diverse needs of customers, the Group also caters to niche segments through its petite and plus-size product ranges.

- *Menswear* – The Group is the largest menswear retailer in Great Britain, with a 9.2 per cent. share of the market (Source: Kantar, 52 w/e 10 March 2019). The Group's menswear range includes casualwear, such as jeans, knitwear, casual shirts and T-shirts; formal clothing, such as suits, blazers and coats, trousers, shirts and ties; everyday needs, such as underwear and socks; and footwear. In addition to its core offer, the Group has a few key sub-brands, including *Blue Harbour*, a casualwear brand providing garments for all age groups; and *Autograph*, a more fashionable, design and style-led range aimed at more fashion-conscious customers.
- *Lingerie* – Lingerie has been a product area of traditional strength for the Group, and it has the largest market share in Great Britain with 26.7 per cent. (Source: Kantar, 52 w/e 10 March 2019). The Group's lingerie offer includes underwear, hosiery, shapewear and sleepwear. In addition to its everyday bra and knickers selection in underwear, the Group has several labels and sub-brands designed to appeal to different age groups and lifestyles. These include *Flexifit*, smooth and simple lines designed for everyday comfort, and *Rosie for Autograph*, made from high-quality silk and lace. The Group also caters to niche market segments through its bridal, sports and post-surgery ranges.
- *Kidswear* – The Group's market share in kidswear in Great Britain was 6.2 per cent., making the Group the fourth largest retailer of kidswear in Great Britain (Source: Kantar, 52 w/e 10 March 2019). While not large in terms of revenue, kidswear is an important part of the business as it brings younger customers and their families into M&S stores. The Group also has a strong market position in school uniform at 21.1 per cent. (Source: Kantar, 52 w/e 10 March 2019), supported by the Group's ranges in babywear (zero months to three years), younger girls' and boys' wear (three months to seven years) and older girls' and boys' wear (three years to 16 years).
- *Home* – The Group's focus is on providing home products that offer value, convenience and inspiration in stores and on the M&S website. The Group's Home range includes furniture; bedroom products, including pillows, duvets and bed linens; kitchen products, including cookware, tableware and electrical appliances; bathroom products, including towels and accessories; and other home accessories, including candles, photo frames and glassware. The Group also offers gifting ranges around seasonal events.

Suppliers and logistics

Geographically, approximately 51 per cent. of the Group's Clothing & Home merchandise is sourced from South Asia (India, Sri Lanka and Bangladesh), approximately 34 per cent. from the Far East (China, Cambodia, Vietnam and Myanmar) and approximately 14 per cent. from the EMEA (Europe, Middle East, Africa) region. The Group operates a network of sourcing offices in Hong Kong, Shanghai, China, Vietnam and Cambodia (covering the Far East); Bangalore and Delhi (India), Colombo (Sri Lanka) and Dhaka (Bangladesh) (covering South Asia); and Istanbul (Turkey) (covering EMEA). The Group's sourcing offices have over 500 employees and assist the Group's in-house buying teams to identify new sources of direct supply, negotiate prices, manage the critical path and capacity planning, as well as ensuring that the Group's full-service vendors are offering competitive prices in the market. The Group rigorously assesses each potential new supplier and looks for high-quality, competitively priced and responsibly produced sources of supply.

The Group requires each of its suppliers worldwide to operate in a safe and ethical manner and in full compliance with the law. It employs compliance experts who carry out regular audits of suppliers to confirm adherence with the Group's standards. The Group endeavours to audit all of its own-brand suppliers periodically and ensure all sourcing teams have received training on supply chain labour standards. In addition, the Group's in-house ethics team plays an important role in monitoring the labour standards of the Group's suppliers.

The Group has 16 distribution centres for Clothing & Home products in the United Kingdom. These include one national distribution and e-commerce centre at Castle Donington, four national distribution centres, three regional distribution centres, three holding centres, two cross docking hubs, two furniture sites and one e-commerce returns site. The Group opened a new national distribution centre at Welham Green in FY19, which is now ramping up its boxed storage capacity. As part of the Transformation Programme, the Group is transitioning to a single-tier UK distribution network by removing a number of regional distribution and holding centres from its network and consolidating its inventory holding, which will enable inventory to be handled only once within the UK logistics network, incurring fewer costs. This will enable the Group to reduce stock holding points which slow down store deliveries, and will improve the efficiency of the Group's network. Four sites were closed in FY19 as part of the Transformation Programme. The Group expects the new national

PART XI CONTINUED

distribution centre at Welham Green to enable it to increase its single-tier network coverage to approximately 85 per cent.

Merchandise logistics specialists DHL and XPO are suppliers of distribution and warehouse logistics management to all of the Group's stores in the United Kingdom and the Republic of Ireland. Fulfilment of orders made through the Group's website is principally handled from the Group's Castle Donington site using specialist business-to-customer delivery companies—DPD, Yodel, UK Mail and Royal Mail—to deliver web orders to both customers' homes and stores through Click & Collect.

Sales channels

78 per cent. of the Group's UK reported Clothing & Home revenue came from sales at its physical stores in FY19, including flagship stores, high street stores, retail park stores and outlet stores, compared to 81 per cent. in FY18. In addition, the Group offers nearly its full range of Clothing & Home products online, as well as the broadest range of clothing sizes not available in all stores and online exclusive products. 22 per cent. of the Group's UK reported Clothing & Home revenue came from online sales in FY19, compared to 19 per cent. in FY18.

The Group's ambition is to become a digitally enabled business, not only competitive online but also adept at using artificial intelligence to improve the efficiency of its store operations and to develop a more personalised relationship with its customers, including through the Sparks loyalty programme. The Group aims to develop innovative ways to help customers gain inspiration online and find the right product for their look. As at 30 March 2019, over 310,000 customers have signed up for "Try Tuesday", the Group's online styling service, and 62 per cent. of "Try Tuesday" customers say they have bought something as a result of the service.

The Group's in-store technology and systems have been underinvested in historically and require improvement. The Group has started to address this problem, giving all store managers tablet computers in order to release office-bound time for the shop floor. The successful Honeywell hand-held terminal programme, which gives colleagues hand-held technology to enable retail tasks such as shelf replenishment, has also been extended. In FY20, the Group expects to roll out new applications and accelerate its self checkout programme to reduce queuing issues. In addition, the Group expects to upgrade its in-store WiFi with the objective of delivering a universal high-speed capability for customers and store colleagues.

For more information on the Group's stores and sales channels, see "*—Stores and sales channels*" below.

Industry and competition

Whilst the consumer confidence index in the United Kingdom is negative, it has remained broadly stable in FY19 (*Source: Cfk*). Individual consumers' views on their personal finances are marginally positive going into FY20, but sentiment towards the general economic condition remains negative. Against this backdrop, the clothing market in Great Britain declined 0.7 per cent. (*Source: Kantar, 52 w/e 10 March 2019*).

The UK clothing market is impacted by three long-term trends which are expected to continue. Firstly, the UK clothing market has continued to migrate online, with online sales accounting for approximately 28 per cent. of the total UK clothing market for the 52 weeks ended 10 March 2019 (*Source: Kantar, 52 w/e 10 March 2019*). The Group's principal competitor, Next plc, reported 38 per cent. of UK brand sales online in FY19. Secondly, price-led discounters have developed a strong market position with the continued growth of Primark, as well as the major grocers who offer inexpensive clothing and home products. Finally, the Group's competitiveness is increasingly impacted by global scale competitors, such as H&M, Inditex and Uniqlo, and online-only retailers, such as Asos.

The UK home market is very fragmented, and accordingly the Group competes with a variety of retailers, including those offering value, such as Dunelm, and those offering a one stop shop offer, such as IKEA.

M&S Bank

The Group's UK segment includes income from its economic interest in M&S Bank, which is wholly-owned by HSBC UK. M&S Bank has its own banking licence and its own board of directors. Pursuant to an arrangement with HSBC UK, the Group provides ongoing services to M&S Bank, principally promoting and facilitating the sale of financial services to the Group's customers. The Group receives fees annually based on 50 per cent. of the net profit of M&S Bank (after notional tax and capital cost charges), as well as incentive payments related to sales of M&S Bank products and an annual licence fee.

M&S Bank provides a range of banking, insurance and savings and investment products, including ISAs and fixed rate savings; car, home, pet and travel insurance; personal loans and mortgages; and current accounts. It

PART XI CONTINUED

also offers the M&S Credit Card, used by over two million card holders in FY19. Holders of an M&S Credit Card are entitled to participate in a loyalty programme whereby spending on the card is rewarded with M&S gift vouchers. M&S Bank also operates 29 in-store branches and over 120 in-store Bureau de Change outlets, which served millions of customers in FY19.

Since 2008, charges relating to the mis-selling of PPI have been annually offset against M&S Bank income. The FCA have set an industry-wide deadline of 29 August 2019 for remaining consumer complaints to be submitted.

Together with HSBC UK, the Group is committed to the growth of this business and continues to explore opportunities.

M&S Energy

The Group launched its strategic partnership with Octopus, an energy industry disruptor with strong digital capabilities, in September 2018 following the end of its relationship with SSE earlier in the year. The Group selected its new partner to align with a company that closely mirrors the Group's transformation ambitions. The Group remains at an early stage of this relationship. However, given the strength of the Group's brand and Octopus' digital capabilities and customer service focus, underpinned by a fully renewable energy offer, the Group believes it can grow M&S Energy into a digital, progressive and commercially competitive part of the family of businesses.

International

The Group exports the best of M&S Clothing & Home and Food around the world, with stores and an online presence across Europe, the Middle East and Asia and an online presence in markets including the United States and Australia.

The Group operates its International business on wholly-owned, joint venture and franchisee bases, which respectively represented 39 per cent., 17 per cent. and 44 per cent. of the Group's International revenue in FY19. As at 30 March 2019, the Group and its partners operated 444 "M&S" stores in 56 countries outside of the United Kingdom (with an online presence in 35 countries).

	Number of stores as at 30 March 2019
Franchise.....	308
Owned.....	34
India JV.....	77
Greece JV.....	25
Total International stores.....	444

In FY17, the Group announced its intention to close its wholly-owned stores in ten international markets to create a competitive network of mainly partner-led businesses in territories with growth potential. As part of this transformation, the Group sold and franchised its wholly-owned operations in Hong Kong to an existing franchise partner in December 2017. The Group's international closure programme was substantially complete in FY18.

The partner-led model is a capital light approach where the franchise partner makes all of the country-level investment or the joint venture partner shares in such investment. As at 30 March 2019, the Group's franchise business consisted of 308 stores, predominantly in Central and Eastern Europe, North Africa, the Middle East and Asia, each of which, like the Group's UK stores, sell M&S branded products. The Group operates a wholesale model, with products designed and bought by the Group's UK-based teams and sold to its local franchise partners. Although international stores carry the same general merchandise lines as in the United Kingdom, the Group adapts its product offerings to meet the demands of local markets. By working with local franchise partners, the Group is able to provide support with business planning, product selection and marketing whilst also drawing on local franchise partners' knowledge and experience. This allows the Group's franchise partners to better manage the selection and opening of new stores as well as their day-to-day management.

As at 30 March 2019, the Group's wholly-owned business comprised 34 stores in the Republic of Ireland and the Czech Republic. In addition, the Group operates two joint ventures with Reliance Retail in India (with the

PART XI CONTINUED

Group owning a 51 per cent. share) and Marinopoulos Holding SARL in Greece (with the Group owning an 80 per cent. share), which comprised 77 and 25 stores, respectively, as at 30 March 2019.

As the Group aims to build a scalable business internationally, it continues to localise M&S ranges for each market. This included a substantial increase to approximately 15 per cent. of locally-designed clothing ranges, including in the growing Indian joint venture. In addition, the Group launched its first Halal meat range in the UAE in FY19 and launched six country-specific websites. The Group also re-platformed the website for its business in the Republic of Ireland.

The ongoing strategy for the Group's International business is to adapt International ranges and prices to compete in local markets not just as a premium-priced British brand. The implementation of this "market right pricing" programme has delivered encouraging volume uplifts during the period under review, with progressive sales since implementation up 8 per cent. and volumes up 20 per cent., following a net 10 per cent. reduction in selling prices. This performance has helped to build confidence with the Group's international franchise partners to reinvest into the business. In FY19, the Group opened 37 international stores and modernised a further 56 stores.

Stores and sales channels

Store profile

The Group's stores represent a geographically diversified presence throughout the United Kingdom and follow one of five formats:

- *Shopping centre.* The Group's shopping centre stores are between approximately 60,000 and 140,000 square feet and offer a full range of Food and Clothing & Home products. Typically these stores are located within a complex of many retailers, with high footfall and customers walking between retailers under cover.
- *Retail park stores.* The Group's retail park stores, which are generally between approximately 20,000 and 150,000 square feet, are located in out-of-town retail parks as part of a distinct complex of many retailers with car parking.
- *High street stores.* The Group's large high street stores are between approximately 40,000 and 160,000 square feet, whilst other high street stores are between 6,000 and 40,000 square feet. Typically, these stores are located on principal shopping streets in town and city centres.
- *Outlet stores.* The Group's outlet stores, which are generally between 5,000 and 20,000 square feet, allow the Group to sell its excess products year-round at discounted prices without taking selling space away from new ranges in the main stores. The Group's outlet stores offer discounted Clothing & Home products and some offer a small range of Food products as a convenience to outlet store customers. Typically, these stores are located in specialist outlet malls.
- *"Simply Food" stores.* The Group's Simply Food stores are generally between 2,000 and 20,000 square feet. While Simply Food stores focus on Food products, a number of the largest stores also sell a limited range of basic Clothing & Home products. The Group operates two types of stores: wholly-owned and franchised that are operated by the Group's franchise partners. Typically, owned stores are located in high foot traffic retail areas, such as shopping streets where there are no full range stores. Franchised stores tend to be located in train stations, motorway stations, airports and petrol stations operated by BP.

PART XI CONTINUED

The following table presents the Group's store and space portfolio as at 30 March 2019:

	31 March 2018	Openings	Closures	Changes	30 March 2019
UK					
Shopping centre.....	16	0	0	0	16
Retail park.....	70	1	(1)	0	70
High street – large.....	86	0	(4)	(4)	82
High street.....	128	0	(21)	(21)	107
Outlets.....	39	0	(5)	(5)	34
Simply Food – owned.....	286	24	(9)	15	301
Simply Food – franchise.....	410	24	(1)	23	433
Add back downside to Simply Food ⁽¹⁾	0	(1)	1	0	0
UK stores.....	1,035	48	(40)	8	1,043
Selling space (absolute, million sq ft).....	17.6				17.2
					11.0
Clothing & Home.....	11.0				10.6
Food.....	6.6				6.6
International					
Owned.....	124	16	(4)	12	136
Franchise.....	304	21	(17)	4	308
International stores.....	428	37	(21)	16	444
Selling space (absolute, million sq ft).....	5.2				4.9

(1) One retail park store was downsized from a full-line store to an owned Simply Food store.

As at 30 March 2019, approximately 55 per cent. of space in the Group's real estate portfolio in the United Kingdom were on market rent leases and 26 per cent. of space was freehold, with the balance largely related to long leasehold stores on nominal rents.

In November 2016, the Group announced its intention to transform the UK store estate under the Transformation Programme, including the closure of over 100 full-line stores. During FY18 and FY19, the Group accelerated and extended this programme to include additional Simply Food stores to be relocated or rationalised, in line with the Group's strategic aim to grow its online share of sales and concentrate on higher volume stores with good access and car parking. As at 30 March 2019, the Group has closed 35 full-line stores as part of its store closure programme, with sales transfer rates to nearby stores remaining above 20 per cent. Some of the Group's larger stores which were not closed under the Transformation Programme are being downsized with the aim of achieving a more cohesive portfolio. In FY19, the Group also opened 47 new Simply Food stores as part of its scaled-back Simply Food opening programme. In FY20, the Group expects to open a number of larger trial stores, displaying its broader food offer to encourage customers to buy more of their weekly groceries from M&S.

In addition to the UK store closure programme, the Group is assessing the renewal of its store formats in the next stage of the Transformation Programme to create a more modern, customer-friendly layout for both Food and Clothing & Home which is capable of delivering growth over the long term. In addition, the Group is examining the possibility of redeveloping some of its larger, older city centre sites with surplus space. The Group has appointed a new property development director and expects to initiate a number of redevelopments in FY20. However, at this stage expenditure on the store estate remains tightly controlled with limited low-cost investment to improve sight lines and basic customer services.

Online

It is the Group's objective to achieve one-third of UK Clothing & Home sales online by FY23. In FY19, the Group had an average of 8.8 million visits per week on its website, compared to 8.3 million in FY18. Online sales represented 22 per cent. of the Group's Clothing & Home sales in FY19, up from 19 per cent. in FY18 and 17 per cent. in FY17.

The Group offers customers a direct buying channel through the M&S website (www.marksandspencer.com) and, to a much lesser extent, through a telephone ordering service. The Group primarily sells Clothing & Home products through the website, such as clothing, homeware and beauty products, with a more focused Food offer including flowers, wines and gift hampers. Customers also have the option to purchase special occasion foods online, such as cakes, canapés and party foods, available for collection in-store. Customers ordering

PART XI CONTINUED

Clothing & Home products online can either have deliveries sent to their home address or arrange for in-store collection, including at the majority of Simply Food stores. In FY19, approximately two-thirds of online Clothing & Home orders were collected in store.

Over FY19, the Group focused on improving basic elements of its online shopping experience, such as improvements in site speed, a redesigned homepage, enhanced product imagery, a simpler check-out and an improved delivery proposition. These improvements have collectively contributed to an increase of over 9 per cent. in the conversion of website traffic to customer purchases. The Group is in the top quartile amongst its peers with respect to page load speed. In the next phase, the Group will focus on improving navigation and personalisation on-site, as well as product marketing. The Group has also invested in improving operations at its fulfilment centre at Castle Donington and extending the cut-off time for next-day deliveries to stores to 10.00 p.m. This investment resulted in Castle Donington's best peak performance since it opened, with significant improvements in most key metrics. The Group expects to invest approximately £9 million in further process improvements to meet its growth plans for FY20. However, the Group expects the need for an additional fulfilment centre has been successfully deferred for another two to three years.

The Group currently has websites available to customers based in the United Kingdom, as well as Albania, Australia, Austria, Belgium, Brunei, Canada, the Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Israel, Italy, Japan, Jersey, Kuwait, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Qatar, the Republic of Ireland, Singapore, Spain, Sweden, Switzerland, the United Arab Emirates and the United States. Orders are fulfilled through the Group's distribution centre in Castle Donington and through Global-E, who manage the delivery to each country (except the Republic of Ireland).

In February 2019, the Group announced a proposed JV with Ocado. The proposed JV aims to combine the strength of the Group's brand, as well as its leading food quality and innovation, with Ocado's unique and proprietary technology and broad range of products to create a broad online grocery offer for customers. Online supermarket Ocado.com was established in 2000, and Ocado Retail is one of Britain's leading online grocers. Ocado Retail is at the forefront of the development of online shopping and technology, delivering its services from a number of CFCs in the United Kingdom. Delivering to over 74 per cent. of UK households, every shopping bag is carefully packed in one of three CFCs using market-leading software and technology. Customer orders are then delivered to customers, either directly from the CFCs or via a network of regional Spokes, which are trans-shipment sites used for the intermediate delivery of Ocado.com's customers' orders. With award-winning mobile apps, Ocado Retail today delivers over 50,000 products, including big-name brands, a range of Ocado Retail own-brand products and a growing non-food selection (including through its online pet store, fetch.co.uk).

The proposed JV will trade as Ocado.com but benefit from access to the Group's brand, products and customer database from September 2020, at the latest. The Group expects to achieve significant potential synergies arising from the proposed JV, estimated to be at least £70 million per annum to be achieved by the third year following completion. These synergies are expected to arise from increased buying scale, harmonised buying terms, conversion of M&S customers who currently account for approximately one-third of online grocery spend, joint marketing, shared innovation, and complementary category and regional mixes.

For further information on the proposed JV, see Part XVI: "*Key Transaction Terms*".

Marketing, advertising and branding

The "M&S" brand is an important part of the Group's business and underpins the Group's reputation and marketing. It has been associated with quality, value and innovation for more than 100 years and is one of the most recognised brands in the United Kingdom.

Consistent with the creation of the separate accountable businesses in 2018, the Group's marketing has pivoted from Group-level branding campaigns towards a more effective business led retail and digital programme. The Group runs a series of campaigns featuring UK celebrities using the full spectrum of media outlets, television, radio, print, billboard, direct mail, social media and online advertising. The Group's recent "Must-Haves" and "Love it for Less" campaigns captured the central themes of stylish, everyday essentials and value-for-money in Clothing & Home. The Group has also re-directed some of its marketing efforts towards social media channels, which appeals to a different target audience at a lower cost than traditional media. The Group's marketing and related expenditure was £155.1 million in FY19.

The Group engages with its customers through its "Sparks" loyalty scheme, which enables the Group to offer targeted promotions based on customer preferences and spend history. As at 30 March 2019, the Group had approximately 7 million Sparks members. In 2018, the Group announced that it was reviewing the Sparks loyalty scheme with the aim of significantly improving the Sparks proposition. The Group expects that Sparks will be repositioned, revamped and re-launched over the next year.

PART XI CONTINUED

The Group controls its brand internationally, and all stores outside the United Kingdom use the same signage and visual merchandising as the UK stores. The Group's franchise partners are responsible for managing their own marketing budgets, but the Group works with them to ensure a consistent brand message is delivered to all customers.

The Group owns trademark rights secured through registration and through the use for various words, images, branding elements and other signs in various countries around the world. The Group has a worldwide trademark watching service in place to look for identical and similar applications to certain key brands owned by the Group. Moreover, the Group is the owner of key domain names containing "Marks & Spencer", and Group companies own several domain names for the ".com" and ".co.uk" domains. The Group believes that its core intellectual property rights are adequately protected. Owing to the importance of the M&S brand to the Group's business, the Group takes protecting its trademarks, copyright, patents, designs and any other intellectual property seriously, and, as appropriate, the Group takes legal action in the United Kingdom and elsewhere to enforce its rights if necessary.

Regulatory environment

The Group's operations are subject to regulation, legislation and other mandatory requirements issued by authorities within the United Kingdom, the European Union and other relevant jurisdictions (**Regulations**). The Regulations are enforced by government bodies and agencies and other regulatory bodies in the United Kingdom, the European Union and elsewhere. Sanctions for non-compliance with the Regulations include civil enforcement and prosecution, enforcement notices, civil monetary penalties and criminal fines. In some cases, a breach of the Regulations may also result in civil liability to affected individuals who are able to issue civil claims for breach of statutory duty.

The Regulations concern, among other things: export and import quotas and other customs regulations; sanctions; labelling; packaging; e-commerce (including, for example, in relation to online payment systems); consumer credit; consumer and data protection; the advertisement, promotion and sale of products; product safety and food hygiene standards; trading standards (including weights and measures); the health, safety and working conditions of the Group's employees (including minimum wages and working hours); the safety of customers and other visitors to the Group's stores and other premises and their accessibility for the disabled; anti-discrimination requirements; environmental matters; anti-bribery and corruption; taxation; interaction with direct groceries suppliers; alcohol licensing and the Group's competitive and market place conduct.

Information technology systems

As part of the Transformation Programme to become a "digital first" retailer, the Group announced a technology transformation programme in FY18 to create a more agile, faster and more commercial technology function that works with the business to deliver growth and cost efficiency. As part of this technology transformation programme, the Group has appointed a leading technology company, TCS, as its principal partner. This partnership has allowed the Group to streamline its IT function, as well as to consolidate and simplify its technology supplier base. The Group has made good progress on its technology transformation programme during FY19, including migrating its online platform to the cloud and rolling out new warehouse management software to enable the decommissioning of obsolete systems and the old mainframe base, which will deliver annualised savings of over £30 million. The Group has also focused on information security as part of its technology transformation programme. For FY18 and FY19, the Group had incurred a combined £31.1 million of exceptional charges (described as adjusting items in Note 5 of the 2019 Annual Report and Financial Statements) in connection with its technology transformation programme.

The Group also has long-term partnerships with Microsoft, Decoded, Founders Factory and True Capital which enable the Group to access the best of digital innovation and entrepreneurial ideas and to become a data-driven and digitally-enabled workforce.

Corporate responsibility and sustainability

The Group sets itself high quality and ethical standards, acting with integrity is at the heart of how it does business. These standards help maintain customer trust in the business; attract, retain and motivate talented people; make the Group more efficient by cutting resource use and waste; and future proof the Group's business model against rapid changes in consumer and societal expectation, government policy or tax, and climate change, amongst others. The Group manages these issues through its Plan A programme and the integration of environmental and social issues into accountable business units supported by strong governance, transparency and reporting.

PART XI CONTINUED

Insurance

Through the Group's insurance brokers, the Group arranges insurance to cover risks associated with operating a chain of general retail stores inside and outside the United Kingdom, including, but not limited to property damage, business interruption, public and product liability, employer's liability and directors' and officers' insurance. The Group believes that its insurance coverage is adequate, notwithstanding that certain risks are uninsured or insured subject to customary limitations.

Employees

In FY19, the Group employed an average of 80,097 people globally. The following table sets out the average monthly number of employees by operating segment for each of the last three financial years:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
UK stores			
Management and supervisory categories.....	5,480	6,004	5,617
Other.....	63,957	66,540	66,385
UK head office			
Management and supervisory categories.....	2,968	3,088	3,172
Other.....	832	856	862
UK operations			
Management and supervisory categories.....	81	89	191
Other.....	1,066	1,153	1,267
Overseas.....	5,713	6,891	7,445
Total average number of employees.....	80,097	84,621	84,939

If the number of hours worked was converted on the basis of a normal working week, the equivalent average number of full-time employees would have been 55,440 in FY19 (FY18: 58,928; FY17: 59,764).

Legal proceedings

In the ordinary course of business, the Group may be involved in litigation, including customer and supplier disputes and litigation to protect its brand and other intellectual property. Other than as set out in Part XVII: "Additional Information—17. Litigation and Arbitration", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.

PART XII

DIRECTORS AND CORPORATE GOVERNANCE

1. DIRECTORS

The current members of the Board are:

Name	Position	Date of Birth
Archie Norman	<i>(Non-Executive Chairman)</i>	1 May 1954
Steve Rowe	<i>(Chief Executive Officer, Executive Director)</i>	22 July 1967
Humphrey Singer	<i>(Chief Finance Officer, Executive Director)</i>	14 December 1965
Andy Halford	<i>(Senior Independent Non-Executive Director)</i>	18 March 1959
Katie Bickerstaffe	<i>(Independent Non-Executive Director)</i>	2 April 1967
Alison Brittain, CBE	<i>(Independent Non-Executive Director)</i>	9 February 1965
Andrew Fisher, OBE	<i>(Independent Non-Executive Director)</i>	18 April 1969
Justin King, CBE	<i>(Independent Non-Executive Director)</i>	17 May 1961
Pip McCrostie	<i>(Independent Non-Executive Director)</i>	15 October 1957

The business address of each of the Directors is: Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

Archie Norman – *Non-Executive Chairman*

Archie was appointed Chairman in September 2017. Archie has a breadth of retail experience with an extensive track record in business change and value creation. He was instrumental in transforming a number of major British businesses including Kingfisher, Asda and Energis. He is Chairman of Lazard UK and has served as Chairman of ITV and Hobbycraft. He was the first and only FTSE 100 Chairman to be elected a Member of Parliament, where he served for eight years. His current external roles include: Adviser to the Board of Wesfarmers Limited, Director of Target Pty Limited and Deputy Chairman of Coles Limited. In 2016 he was appointed by the Department for Business, Energy & Industrial Strategy as its Lead Non-Executive Director. Archie is Chairman of the Nomination Committee and a member of the Remuneration Committee.

Steve Rowe – *Chief Executive Officer, Executive Director*

Steve was appointed as Chief Executive Officer in April 2016. Steve joined the Group in 1989 where he progressed in a variety of roles within store management and has extensive experience across all parts of the business in a M&S career that has spanned more than 25 years. He joined Head Office in 1992 as a Merchandiser for Menswear, working across all areas of the Group. In 1998, Steve became Category Manager in the Furniture Department, leading the team developing the Home Growth Strategy. Steve was appointed Head of Home categories in 2003, going on to become Director of Home in 2004. Between 2004 and 2008 Steve also assumed responsibility for Beauty and New Business Development. He was appointed Director of Retail and a member of the Executive Committee in March 2008 and his remit was extended to include e-commerce in 2009. He was then appointed to the Board in October 2012 as Executive Director of Food before becoming Executive Director of General Merchandise in July 2015.

Humphrey Singer – *Chief Finance Officer, Executive Director*

Humphrey was appointed as Chief Finance Officer in July 2018. Humphrey joined the Group from Dixons Carphone, where he was Group Finance Director. He was previously Group Finance Director of Dixons Retail plc, and has also held senior finance roles at Cadbury Schweppes and Coca-Cola Enterprises UK. Humphrey is a non-executive director of Taylor Wimpey plc.

Andy Halford – *Senior Independent Non-Executive Director*

Andy was appointed in January 2013. He has a strong finance background gained from CFO positions in global listed companies. Andy is Chief Financial Officer of Standard Chartered plc, which he joined in July 2014 after 15 years at Vodafone Group plc, nine of which were spent as Chief Financial Officer. Along with his financial knowledge, Andy brings to the Board valuable international, consumer and digital experience. Andy joined Vodafone in 1999 as Financial Director for Vodafone Limited, the UK operating company, and in 2001 became Financial Director for Vodafone's Northern Europe, Middle East and Africa Region. From 2002 to 2005 he was Chief Financial Officer of Verizon Wireless in the United States and a member of the Board of Representatives

PART XII CONTINUED

of the Verizon Wireless partnership until 2013. Prior to joining Vodafone he was Group Finance Director at East Midlands Electricity plc. Andy is a former Chairman of The Hundred Group of Finance Directors in the UK and is a Fellow of the Institute of Chartered Accountants in England and Wales. Andy is a member of the Nomination Committee and Chairman of the Audit Committee.

Katie Bickerstaffe – *Independent Non-Executive Director*

Katie was appointed in July 2018. She brings extensive experience of retail transformation from a career in a variety of functions in leading UK retailers and consumer companies. Katie brings a deep understanding of retail and operations, as well as experience in marketing, people, property, and as a non-executive director, to the Group. Katie was Chief Executive (Designate) of the new independent British energy supply and services company that was created by the proposed merger of SSE plc's retail unit and Npower. Until April 2018, Katie was Chief Executive, UK and Ireland of Dixons Carphone plc. She joined Dixons in 2008 and was appointed to its Board in 2012. Prior to this she worked with many well-known food retail and consumer companies including, Kwik Save, PepsiCo, Unilever, Dyson and Somerfield. Katie has served as a Non-Executive Director of SSE, where she was chair of the SSE Remuneration Committee. Katie is a member of the Nomination Committee and the Remuneration Committee.

Alison Brittain, CBE – *Independent Non-Executive Director*

Alison was appointed in January 2014. She brings significant financial and commercial experience to the Board, combined with considerable knowledge of running large-scale, multi-site consumer businesses. Alison is Chief Executive of Whitbread plc, an organisation with a broad portfolio of hospitality brands including Premier Inn and a portfolio of restaurants. Established in 1742, Whitbread is the United Kingdom's oldest hospitality company and employs approximately 35,000 people and operates in the UK, Europe and the Middle East. Alison was previously Group Director of Lloyds Banking Group plc's Retail Division, with responsibility for the Lloyds, Halifax and Bank of Scotland retail branch networks, remote and intermediary channels and products, in addition to the Retail Business Banking and UK Wealth businesses. Prior to Lloyds, Alison was Executive Director for Retail Distribution and a Board Director at Santander UK plc. She previously worked at Barclays for almost 20 years and held various senior roles, including Director of Barclays and Woolwich Retail Networks and Managing Director of Barclays Small Business Banking. Alison attended university in Scotland and the USA and has an MBA from Cambridge University's Judge Institute. She is a Council Member and Trustee of the Prince's Trust and has previously been a member of the Prime Minister's Advisory Council. In 2017, Alison was named the Veuve Clicquot Business Woman of the Year and was awarded a CBE in the 2019 New Year Honours List. Alison is a member of the Nomination Committee and the Audit Committee.

Andrew Fisher, OBE – *Independent Non-Executive Director*

Andrew was appointed in December 2015. He has substantial experience of the international consumer and technology sectors and extensive knowledge of high-growth digital businesses that seek to transform established market sectors such as the television advertising industry. Over the past 20 years, Andrew has led the successful growth of a number of technology focused enterprises. Andrew was previously CEO and Executive Chairman of Shazam, where he was instrumental in developing and executing a growth strategy to establish one of the world's leading mobile consumer brands. He restructured the company and diversified the business' focus from the music market into television, radio and cinema advertising as well as in-store promotion. Shazam was acquired by Apple in 2018. Prior to joining Shazam, Andrew founded and was Managing Director of TDLI.com, which was acquired by InfoSpace Inc (now Blucora). As European Managing Director at InfoSpace Inc Andrew led the company's significant European growth, focusing on media and ecommerce services for many leading consumer internet companies, e-tailers and mobile operators. Andrew is a non-executive director of Merlin Entertainments plc, MoneySupermarket.com Group plc, a Member of the Royal Marsden Clinical Care and Research Appeal Board and was also an Adviser to the Secretary of State for the Review of the BBC Charter. He was awarded an OBE for services to the Digital Economy in 2016. Andrew is chair of the Remuneration Committee and member of the Nomination Committee.

Justin King, CBE – *Independent Non-Executive Director*

Justin was appointed in January 2019. With over 30 years of experience working in and leading large businesses, Justin brings in-depth knowledge of retail transformation and operations as well as a good historic understanding of the M&S business and values. Justin is currently Vice Chairman of Terrafirma, where he acts as an adviser to the General Partner. Prior to this, Justin was the CEO of Sainsbury's between 2004 and 2014, where he led the business through a major turnaround which led to nine years of profit growth. Before joining Sainsbury's, Justin was Head of Food at Marks & Spencer where he was one of the pioneers of the development of the Simply Food business. He held prior roles at Asda, Haagen-Dazs, PepsiCo and Mars and

PART XII CONTINUED

was a board member of the London Organising Committee of the Olympic and Paralympic Games. Justin was also a member of the UK Prime Minister's Business Advisory Group. Justin sits on the PIB of PWC and was awarded a CBE (Commander of the Order of the British Empire) in 2011.

Pip McCrostie – *Independent Non-Executive Director*

Pip was appointed in July 2018. With strong experience of finance and transactions from a career at Ernst & Young, where she transformed and led the Global Corporate Finance business, Pip's understanding of global businesses, M&A, corporate transactions, and as a Non-Executive Director, brings strong financial and analytical discipline and skills to the Board. Pip was a member of EY's Global Executive team, the organisation's highest management body, acting as global leader of Corporate Finance, one of EY's four global businesses. During her time with EY, Pip played key roles in major transactions in the U.S. and Europe. Pip was also the founder of the Global Transaction Tax network and co-founded the UK Transaction Tax group. She has been a Non-Executive Director of Inmarsat since 2016 and is also a member of the Peterson Institute for International Economics Board of Directors, where she is chair of the Audit Committee. Pip is a member of the Nomination Committee and the Audit Committee.

2. CORPORATE GOVERNANCE

The UK Corporate Governance Code, published by the Financial Reporting Council in July 2018 (the **UK Corporate Governance Code**), recommends that the Board of a company with a premium listing should include an appropriate combination of executive and non-executive directors (and in particular independent non-executive directors), with independent non-executive directors (excluding the Chairman) comprising at least one-half of the board.

The Directors support high standards of corporate governance. The Company is currently in compliance with the UK Corporate Governance Code.

The Board comprises nine individuals, being the Chairman, two Executive Directors and six independent Non-Executive Directors. All Non-Executive Directors are considered to be independent and the Chairman was considered to be independent on appointment.

Under the UK Corporate Governance Code, the board of directors of the Company should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement and should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination. The composition of the Board is reviewed regularly by the Nomination Committee to ensure there is an appropriate mix of skills and a range of diverse experience.

The UK Corporate Governance Code recommends that the board should appoint one of its independent non-executive directors to be the senior independent director (the **SID**). The Company's SID is Andy Halford. The SID's responsibilities include the provision of an additional channel of communication between the Chairman and the Non-Executive Directors. The SID also provides another point of contact for the shareholders if they have concerns that the normal channels of Chairman, Chief Executive Officer or other executive directors have failed to resolve or for which such channel of communication is inappropriate.

3. AUDIT, REMUNERATION AND NOMINATION COMMITTEES

As envisaged by the UK Corporate Governance Code, the Board has established Audit, Remuneration and Nomination Committees. The UK Corporate Governance Code requires that the Audit Committee and Remuneration Committee should each have at least three independent non-executive directors and that, in the case of the Nomination Committee, a majority of the members should be independent non-executive directors.

3.1 Audit Committee

The Audit Committee consists of independent Non-Executive Directors only. The current members are Andy Halford, Alison Brittain and Pip McCrostie. The Audit Committee is chaired by Andy Halford.

The Audit Committee meets at least five times a year to coincide with key dates within the financial reporting and audit cycle. The committee's main responsibilities are to: (a) monitor the integrity of the financial statements of the Group and any formal announcements relating to its financial performance, reviewing significant financial reporting judgements contained in them; (b) review the Group's internal

PART XII CONTINUED

controls and the systems of internal control and risk management; and (c) maintain an appropriate relationship with the Company's auditors and review the independence, objectivity and effectiveness of the audit process, taking account of the relevant professional and regulatory requirements.

The terms of reference of the Audit Committee include all matters indicated by DTR 7.1 of the Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code. The terms of reference of the Audit Committee, which were reviewed and updated in April 2019 and are in line with the latest regulatory developments, are available on the Company's website or on application to the company secretary. The terms of reference cover such issues as membership and the frequency of meetings, together with requirements of any quorum for, and the right to attend, meetings. The duties of the Audit Committee covered in the terms of reference include: financial and narrative reporting, risk management and internal control, internal audit and external audit. The terms of reference also set out the authority of the committee to carry out its duties.

3.2 Remuneration Committee

The Remuneration Committee consists of independent Non-Executive Directors only. The current members are Andrew Fisher, Archie Norman and Katie Bickerstaffe. The Remuneration Committee is chaired by Andrew Fisher and the quorum for meetings is two members. The Remuneration Committee meets at least three times a year and its main duties are to: (a) make recommendations to the Board on the Group's policies on Executive Directors' remuneration and ensure alignment to the strategic plan of the Group; (b) determine, on the Board's behalf, the specific remuneration packages of the Chairman, Executive Directors and Company secretary; and (c) review workforce remuneration and related policies and ensure the alignment of incentives and rewards with culture in line with the UK Corporate Governance Code.

The terms of reference of the Remuneration Committee are available on the Company's website or on application to the company secretary and cover such issues as membership and frequency of meetings, together with the requirements for quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to determining and monitoring policy on and setting levels of remuneration, contracts of employment, early termination, performance-related pay, pension arrangements, reporting and disclosure, share schemes and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its duties.

3.3 Nomination Committee

The Nomination Committee consists of at least three members, the majority of whom shall be independent non-executive directors. The current members are Archie Norman, Andy Halford, Katie Bickerstaffe, Alison Brittain, Andrew Fisher, Justin King and Pip McCrostie. The Nomination Committee is chaired by Archie Norman.

The Nomination Committee meets at least twice a year. The committee's main responsibilities are to: (a) review the structure, size and composition of the Board; (b) consider succession planning for Directors and other senior executives; and (c) oversee the development of a diverse pipeline for succession.

The terms of reference of the Nomination Committee are available on the Company's website or on application to the company secretary and cover such issues as membership and frequency of meetings, together with the requirements for quorum for and the right to attend meetings. The duties of the Nomination Committee covered in the terms of reference relate to the following: structure, size and composition of the Board, succession planning (with due regard to the benefits of diversity of the Board, including gender), Board appointments and recommendation to the Board. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its duties.

4. TAKEOVER REGULATION

The City Code on Takeovers and Mergers (the **City Code**) is issued and administered by the Takeover Panel. The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code when (a) a person acquires an interest in shares which (taken together with shares he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting

PART XII CONTINUED

rights of a company subject to the City Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the City Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights, unless the Company has obtained the approval of over 50 per cent. of its independent Shareholders in advance of such increase.

5. SHARE DEALING CODE

The Company has adopted a code on dealings in relation to the Company's securities (the **Code**) to ensure that, amongst other things, the persons discharging managerial responsibilities (**PDMRs**) and certain employees of the Company comply with the requirements of the Disclosure Requirements and that they do not abuse, and do not place themselves under suspicion of abusing, price-sensitive or specific inside information to which they may have, or be thought to have, direct or indirect access. The Company requires the PDMRs and other restricted employees within the Group to comply with the Code and takes all proper and reasonable steps to notify them and secure their acknowledgment of their obligations under it. In addition, the Company has adopted a dealing policy which requires all restricted or inside employees, including PDMRs, not to deal in any of the Company's securities if the individual is in possession of inside information about the Group.

Under the Code, PDMRs and restricted employees must not deal in the Company's securities on their own behalf, or on behalf of anyone else, without obtaining prior clearance from the Company. PDMRs and restricted employees must submit a written request for permission to the company secretary through the Company's insider management system before dealing in shares of the Company, stating amongst other things the nature of the intended transaction (e.g. a purchase, sale or exercise of options) and how many shares or options are covered by the request. Permission to deal will not be granted to PDMRs or restricted employees who are deemed to be in possession of inside information. If an individual becomes aware that they are or may be in possession of inside information after submitting a request, they must inform the Company secretary as soon as possible and must refrain from dealing.

Dealing is prohibited for all PDMRs and restricted employees during closed periods, which typically comprise at least the 30 day periods prior to the announcement of the Company's full year, half year and third quarter results, but can also cover any other period that is communicated to PDMRs and restricted employees as a closed period. Irrespective of whether permission to deal has been granted to a PDMR or restricted employee, he or she remains subject to the insider dealing prohibitions set out in the Disclosure Requirements and the Criminal Justice Act 1993. The Company is not obliged to provide any reason if an individual is refused permission to deal, however has confirmed that such permission will not be unreasonably withheld. In addition, any refusal must be kept confidential. If clearance is given, the dealing must take place as soon as possible and in any event within two business days of receiving clearance. Clearance to deal may be given subject to conditions.

PART XIII

SELECTED FINANCIAL INFORMATION OF THE GROUP

The selected consolidated financial information set forth below shows the Group's historical consolidated financial information as at and for the Financial Years 2019, 2018 and 2017. The information set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Group's audited consolidated financial information incorporated by reference in this Prospectus (See Part VI: "Information Incorporated by Reference" of this Prospectus).

The selected consolidated financial information of the Group should also be read in conjunction with Part XIV: "Operating and Financial Review of the Group" and Part V: "Important Information" of this Prospectus.

Group Income Statement Data

	52 weeks ended								
	30 March 2019			31 March 2018			1 April 2017		
	Profit before adjusting items	Adjusting items ⁽¹⁾	Total	Profit before adjusting items	Adjusting items ⁽¹⁾	Total	Profit before adjusting items	Adjusting items ⁽¹⁾	Total
	(£ millions)								
Revenue.....	10,377.3	—	10,377.3	10,698.2	—	10,698.2	10,622.0	—	10,622.0
Operating profit....	601.0	(438.6)	162.4	670.6	(514.1)	156.5	690.6	(437.4)	253.2
Finance income.....	33.8	—	33.8	24.1	—	24.1	36.2	—	36.2
Finance costs.....	(111.6)	—	(111.6)	(113.8)	—	(113.8)	(113.0)	—	(113.0)
Profit before tax...	523.2	(438.6)	84.6	580.9	(514.1)	66.8	613.8	(437.4)	176.4
Income tax expense	(106.0)	58.7	(47.3)	(125.4)	87.7	(37.7)	(122.4)	61.7	(60.7)
Profit for the year	417.2	(379.9)	37.3	455.5	(426.4)	29.1	491.4	(375.7)	115.7

(1) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see Part XIV: "Operating and Financial Review of the Group—Group results of operations—Adjusting items". Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part XIV: "Operating and Financial Review of the Group—Alternative performance measures and other non-IFRS financial data" and Part V: "Important Information—5. Non-IFRS financial information" for further information on the uses and limitations of these alternative performance measures.

PART XIII CONTINUED

Group Statement of Financial Position Data

	As at		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Assets			
Non-Current Assets			
Intangible assets	499.9	599.2	709.0
Property, plant and equipment	4,028.5	4,393.9	4,837.8
Investment property	15.5	15.5	15.5
Investment in joint ventures	4.0	7.0	7.0
Other financial assets	9.9	9.9	3.0
Retirement benefit asset	931.5	970.7	706.0
Trade and other receivables	200.7	209.0	234.1
Derivative financial instruments	19.8	27.1	56.8
	5,709.8	6,232.3	6,569.2
Current Assets			
Inventories	700.4	781.0	758.5
Other financial assets	141.8	13.7	14.5
Trade and other receivables	322.5	308.4	318.6
Derivative financial instruments	40.3	7.1	163.1
Cash and cash equivalents	285.4	207.7	468.6
	1,490.4	1,317.9	1,723.3
Total Assets	7,200.2	7,550.2	8,292.5
Liabilities			
Current Liabilities			
Trade and other payables	1,461.3	1,405.9	1,553.8
Partnership liability to the Marks & Spencer UK Pension Scheme	71.9	71.9	71.9
Borrowings and other financial liabilities	513.1	125.6	518.0
Derivative financial instruments	7.3	73.8	10.5
Provisions	148.6	98.8	147.2
Current tax liability	26.2	50.0	66.6
	2,228.4	1,826.0	2,368.0
Non-Current Liabilities			
Retirement benefit deficit	17.2	22.5	13.2
Trade and other payables	322.4	333.8	328.5
Partnership liability to the Marks & Spencer UK Pension Scheme	200.5	263.6	324.6
Borrowings and other financial liabilities	1,279.5	1,670.6	1,711.7
Derivative financial instruments	2.8	30.7	0.8
Provisions	250.1	193.1	113.5
Deferred tax liabilities	218.4	255.7	281.8
	2,290.9	2,770.0	2,774.1
Total Liabilities	4,519.3	4,596.0	5,142.1
Net Assets	2,680.9	2,954.2	3,150.4
Equity			
Issued share capital	406.3	406.2	406.2
Share premium account	416.9	416.4	416.4
Capital redemption reserve	2,210.5	2,210.5	2,210.5
Hedging reserves	(2.9)	(65.3)	17.3
Other reserve	(6,542.2)	(6,542.2)	(6,542.2)
Foreign exchange reserve	(44.7)	(29.3)	30.5
Retained earnings	6,237.1	6,560.4	6,617.6
Total shareholders' equity	2,681.0	2,956.7	3,156.3
Non-controlling interests in equity	(0.1)	(2.5)	(5.9)
Total equity	2,680.9	2,954.2	3,150.4

PART XIII CONTINUED

Group Statement of Cash Flows Data

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Cash flows from operating activities			
Cash generated from operations.....	1,041.0	944.1	1,165.7
Income tax paid.....	(105.7)	(94.3)	(98.0)
Net Cash Inflow from Operating Activities.....	935.3	849.8	1,067.7
Cash flows from investing activities			
Proceeds on property disposals.....	48.1	3.2	27.0
Purchase of property, plant and equipment.....	(217.8)	(274.9)	(309.1)
Proceeds on disposal of Hong Kong business.....	—	22.9	—
Purchase of intangible assets.....	(95.1)	(74.3)	(101.1)
(Purchase)/sale of current financial assets.....	(128.1)	0.8	4.6
Interest received.....	7.4	6.0	6.6
Purchase of investment in joint venture.....	(2.5)	—	—
Net Cash Used in Investing Activities.....	(388.0)	(316.3)	(372.0)
Cash flows from financing activities			
Interest paid ⁽¹⁾	(86.4)	(112.2)	(111.2)
Cash outflow from borrowings.....	(46.7)	—	(32.7)
Cash inflow from borrowings.....	—	43.8	—
Repayment of syndicated loan.....	—	—	(215.3)
Decrease in obligations under finance leases.....	(3.3)	(2.6)	(2.0)
Payment of liability to the Marks & Spencer UK Pension Scheme.....	(61.6)	(59.6)	(57.9)
Equity dividends paid.....	(303.5)	(303.4)	(377.5)
Shares issued on exercise of employee share options.....	0.6	0.1	5.5
Purchase of own shares by employee trust.....	(5.5)	(3.1)	—
Issuance/(redemption) of medium-term notes.....	1.4	(328.2)	300.0
Net Cash Used in Financing Activities.....	(505.0)	(765.2)	(491.1)
Net cash inflow/(outflow) from activities.....	42.3	(231.7)	204.6
Effects of exchange rate changes.....	(0.2)	(3.5)	5.6
Opening net cash.....	171.0	406.2	196.0
Closing Net Cash.....	213.1	171.0	406.2

(1) Includes interest on the partnership liability to the Marks & Spencer UK Pension Scheme.

PART XIII CONTINUED

Segmental Information

Revenue

	52 weeks ended			
	30 March 2019	31 March 2018	31 March 2018	1 April 2017
		<i>Restated ⁽¹⁾</i>		
		<i>(£ millions)</i>		
Clothing & Home revenue ⁽¹⁾	3,537.3	3,671.0	3,741.1	3,792.7
Food revenue ⁽¹⁾	5,903.4	5,940.0	5,869.9	5,649.0
UK revenue.....	9,440.7	9,611.0	9,611.0	9,441.7
Franchised.....	409.1	360.6	360.6	314.0
Owned.....	527.5	726.6	726.6	866.3
International revenue.....	936.6	1,087.2	1,087.2	1,180.3
Group revenue	10,377.3	10,698.2	10,698.2	10,622.0

(1) FY18 revenue has been restated for the reclassification of £70.1 million of revenue relating to cards and gift wrap from Clothing & Home to Food. FY17 has not been restated.

Operating profit

	52 weeks ended 30 March 2019			
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
		<i>(£ millions)</i>		
Clothing & Home gross profit.....	2,021.2			
Food gross profit.....	1,834.7			
UK gross profit.....	3,855.9	(384.9)	—	3,471.0
UK operating costs.....	(3,409.6)	384.9	(400.3)	(3,425.0)
M&S Bank.....	27.6	—	(20.9)	6.7
M&S Energy.....	0.1	—	—	0.1
UK operating profit.....	474.0	—	(421.2)	52.8
International operating profit.....	127.0	—	(17.4)	109.6
Group operating profit	601.0	—	(438.6)	162.4

(1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £384.9 million in FY19.

(2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see Part XIV: "Operating and Financial Review of the Group—Group results of operations—Adjusting items". Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part XIV: "Operating and Financial Review of the Group—Alternative performance measures and other non-IFRS financial data" and Part V: "Important Information—5. Non-IFRS financial information" for further information on the uses and limitations of these alternative performance measures.

PART XIII CONTINUED

52 weeks ended 31 March 2018				
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	<i>Restated⁽³⁾</i> <i>(£ millions)</i>			
Clothing & Home gross profit ⁽³⁾	2,090.6			
Food gross profit ⁽³⁾	1,854.8			
UK gross profit.....	3,945.4	(370.0)	—	3,575.4
UK operating costs.....	(3,450.3)	370.0	(477.5)	(3,557.8)
M&S Bank.....	40.3	—	(34.7)	5.6
UK operating profit.....	535.4	—	(512.2)	23.2
International operating profit.....	135.2	—	(1.9)	133.3
Group operating profit.....	670.6	—	(514.1)	156.5

- (1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £370.0 million in FY18.
- (2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see Part XIV: "Operating and Financial Review of the Group—Group results of operations—Adjusting items". Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part XIV: "Operating and Financial Review of the Group—Alternative performance measures and other non-IFRS financial data" and Part V: "Important Information—5. Non-IFRS financial information" for further information on the uses and limitations of these alternative performance measures.
- (3) FY18 gross profit has been restated for the reclassification of £26.1 million of gross profit relating to cards and gift wrap from Clothing & Home to Food.

52 weeks ended 31 March 2018				
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	<i>(£ millions)</i>			
Clothing & Home gross profit.....	2,116.7			
Food gross profit.....	1,828.7			
UK gross profit.....	3,945.4	(370.0)	—	3,575.4
UK operating costs.....	(3,450.3)	370.0	(477.5)	(3,557.8)
M&S Bank.....	40.3	—	(34.7)	5.6
UK operating profit.....	535.4	—	(512.2)	23.2
International operating profit.....	135.2	—	(1.9)	133.3
Group operating profit.....	670.6	—	(514.1)	156.5

- (1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £370.0 million in FY18.
- (2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see Part XIV: "Operating and Financial Review of the Group—Group results of operations—Adjusting items". Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part XIV: "Operating and Financial Review of the Group—Alternative performance measures and other non-IFRS financial data" and Part V: "Important Information—5. Non-IFRS financial information" for further information on the uses and limitations of these alternative performance measures.

PART XIII CONTINUED

	52 weeks ended 1 April 2017			
	Management	Logistics Adjustment ⁽¹⁾	Adjusting items ⁽²⁾	Statutory
	<i>(£ millions)</i>			
Clothing & Home gross profit.....	2,128.7			
Food gross profit.....	1,837.7			
UK gross profit.....	3,966.4	(360.5)	—	3,605.9
UK operating costs.....	(3,390.4)	360.5	(254.5)	(3,284.4)
M&S Bank.....	50.2	—	(44.1)	6.1
UK operating profit.....	626.2	—	(298.6)	327.6
International operating profit.....	64.4	—	(138.8)	(74.4)
Group operating profit.....	690.6	—	(437.4)	253.2

(1) Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £360.5 million in FY17.

(2) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see Part XIV: "Operating and Financial Review of the Group—Group results of operations—Adjusting items". Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part XIV: "Operating and Financial Review of the Group—Alternative performance measures and other non-IFRS financial data" and Part V: "Important Information—5. Non-IFRS financial information" for further information on the uses and limitations of these alternative performance measures.

PART XIV

OPERATING AND FINANCIAL REVIEW OF THE GROUP

The section that follows should be read in conjunction with Part V: “Important Information” and Part XI: “Business Overview of the Group” in this Prospectus and with the financial information incorporated by reference in this Prospectus (see Part VI: “Information Incorporated by Reference”).

The financial information as at and for Financial Years 2019, 2018 and 2017 considered in this Part XIV have been extracted without material adjustment from the 2019, 2018 and 2017 Annual Reports and Financial Statements incorporated by reference in this Prospectus.

In addition to historical information, the following discussion and other parts of this Prospectus contain forward-looking information that involves risks and uncertainties. Accordingly, the results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and the Group’s actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under Part II: “Risk Factors” of this Prospectus. Prospective investors should read the entire document and not just rely on the information set out below.

Overview

The Group is one of the United Kingdom’s leading retailers with a strong heritage of brand values and customer relationships. The Group operates a family of businesses, including Food and Clothing & Home, as well as M&S Bank operated by HSBC UK. Although primarily based in the United Kingdom, the Group sells into 57 countries from 1,487 stores and 36 websites. In FY19, the Group employed over 80,000 colleagues who served approximately 32 million customers in the United Kingdom.

The Group’s business is divided into two geographic operating segments: United Kingdom (comprising Food and Clothing & Home) and International.

- *United Kingdom—Food:* The Group’s Food business focuses on high-quality, sustainably sourced, fresh and convenient products and comprises five main categories: (i) protein, deli and dairy; (ii) produce; (iii) ambient and in-store bakery; (iv) meals, dessert and frozen; and (v) hospitality and “Food On The Move”. The Group predominantly sells own-brand products, which are exclusively manufactured and marketed under the “M&S” brand. The Group sells its Food products through its 275 full-line stores, which also offer Clothing & Home products, 301 owned Simply Food stores and 433 Simply Food franchise stores in high-volume, convenience locations. In February 2019, the Group announced a proposed JV with Ocado, a leading online grocer focussed on the home delivery of a wide range of high-quality food, drink and household goods.
- *United Kingdom—Clothing & Home:* The Group sells high-quality, sustainably sourced, predominantly own-brand clothing and homeware through 275 full-line stores, outlets and the M&S website. The Group’s principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home products. The Group retains a strong customer base and strong customer franchises in lingerie, back-to-school and tailoring, as well as products such as denim.
- *International:* The Group exports the best of M&S Clothing & Home and Food around the world, with stores and an online presence across Europe, the Middle East and Asia and an online presence in markets such as the United States and Australia.

The Group reported profit before tax and adjusting items of £523.2 million in FY19 (FY18: £580.9 million; FY17: £613.8 million) and profit before tax of £84.6 million in FY19 (FY18: £66.8 million; FY17: £176.4 million) on revenue of £10.4 billion in FY19 (FY18: £10.7 billion; FY17: £10.6 billion). Profit before tax and adjusting items is consistent with how business performance is measured internally. For a discussion of these adjusting items, see Part XIV: “Operating and Financial Review of the Group—Group results of operations—Adjusting items”.

Current trading and prospects

The Group reported its FY19 results on 22 May 2019. As reported in those results, the Group remains in the difficult early stages of the Transformation Programme and, while the Group expects some improvement in trading in each of its major businesses in the year ahead, progress is likely to be second half weighted. The Group’s trading in the first seven weeks of its financial year was in line with Board expectations, although the pattern of trade remains volatile in the context of weather and events.

PART XIV CONTINUED

Full-year guidance FY20

	Full-year guidance
UK Food	
Space contribution ⁽¹⁾ (%).....	c. (1)
Gross margin change (bps).....	-25 to +25
UK Clothing & Home	
Space contribution ⁽¹⁾ (%).....	c. (3)
Gross margin change (bps).....	-25 to +25
UK operating costs (%).....	c. 0 to (1)
Tax rate (%).....	c. 23
Capital expenditure (£ millions).....	350 to 400

(1) As at 28 March 2020.

All guidance is shown before the effects of IFRS 16.

- In Food, the Group expects net store closures to reduce sales by approximately 1 per cent. as the accelerated UK store closure programme is not fully offset by new Simply Food and full-line stores. The Group anticipates gross margin to be -25 basis points to +25 basis points as the Group balances further investment in trusted value with the cost reduction programme.
- In Clothing & Home, the Group expects net store closures to reduce sales by approximately 3 per cent. The Group anticipates gross margin to be -25 basis points to +25 basis points, with further investment in trusted value.
- The Group expects UK operating costs to decrease by approximately up to 1 per cent., largely as a result of continued cost efficiencies, store closures and lower depreciation.
- Capital expenditure is expected to increase in FY20 to between £350 million and £400 million, largely as a result of an increase in investment in store environment, new store trials and Clothing & Home logistics capacity.
- The Group expects an adjusted effective tax rate of approximately 23 per cent.

Key factors affecting the Group's results of operations and financial condition

The Group's results of operations and financial condition are affected by a variety of factors, a number of which are outside the control of the Group. Set out below is a discussion of the most significant factors that have affected the Group's financial results during the periods under review and which the Group currently expects to affect its financial results in the future. Factors other than those presented below could also have a significant impact on the Group's results of operations and financial condition in the future.

General economic conditions

The Group's results of operations are affected by prevailing economic conditions globally and in the markets in which it operates. Changes in general economic conditions may lead to, amongst other things, changes in the rate of inflation or interest rates, declining access to credit, lower or stagnating wages, increasing unemployment, weakness in housing and real estate markets, changes in government fiscal or tax policies, removal of subsidies, reduced public spending or credit crises affecting disposable incomes, increases in fuel prices, a loss of consumer confidence and a change in customer spending preferences, any of which could affect the Group's sales volumes and revenue.

In addition, changes in general economic conditions may affect the Group's cost of doing business as a result of, amongst other things, changes in the cost of raw materials (such as food ingredients, petroleum, other commodity costs, electricity and other fuels) being passed up supply chains, the effect of exchange rate movements on non-sterling procurement transactions, and changes to other costs of doing business, such as property lease expenses. Any such changes may affect the Group's costs of sales, administrative and other costs, and operating profit. For example, in FY18 UK operating costs increased by 1.8 per cent. compared to FY17, driven largely by wage inflation and rental rate increases on the Group's stores. If the Group seeks to reflect cost changes in retail price adjustments, market share, sales volumes and revenues may also be affected.

PART XIV CONTINUED

On 23 June 2016, a majority of voters in the United Kingdom elected in a national referendum to withdraw from the European Union (commonly referred to as “Brexit”). On 29 March 2017, the UK Prime Minister, Theresa May, formally triggered the Brexit process by serving notice under Article 50 of the Lisbon Treaty. On 10 April 2019, the EU and the UK government agreed to delay Brexit to 31 October 2019 as a result of the failure to reach a mutually satisfactory withdrawal agreement. Discussions between the United Kingdom and the EU regarding a withdrawal agreement are on-going. The continued delay in agreeing the nature and timing of Brexit creates uncertainty that could impact the performance of the Group’s business. While an orderly exit would allow business planning to more effectively address the consequences of change against a defined timeframe, a no deal outcome would have a more immediate and negative impact. Either outcome is expected to place increased pressure on how the Group’s business performs. The significant political and economic uncertainty resulting from Brexit, or the terms of future trading relationships between the United Kingdom and the European Union and other countries outside the European Union (which are currently unknown), could cause changes to general economic conditions of the types and with the effects described above, as well as other disruptions to and uncertainty around the Group’s business. The potential impacts include, but are not limited to, (i) a continued deterioration in customer sentiment; (ii) operational complexity, cost and delays due to restrictions on the movement of goods and stricter border controls; (iii) costs passed through from the Group’s suppliers; (iv) continuity of supply and supplier viability; (v) the impact of import and export duties; (vi) volatility in currency and corporate bond rates; (vii) tightening of the labour market; (viii) additional regulatory responsibilities and costs; and (ix) increased complexity and cost in the Group’s international operations, including franchise partners. The Group continues to monitor the ongoing negotiations between the United Kingdom and the EU to assess the potential impact and any transitional arrangements that may be agreed.

Competitive environment

The Group faces the ongoing challenge of a changing competitive landscape across the markets in which it operates. The Group competes with a diverse range of retailers and wholesalers in both Food and Clothing & Home who operate different models and formats through a variety of physical, digital and integrated distribution channels and who offer a range of distinct product propositions, from the premium to the value end of the market. The Group faces competition from traditional UK retailers as well as global-scale operations and “pure play” online competitors and discounters. These competitive pressures affect the Group’s ability to make retail price adjustments to reflect changes to its cost of sales without affecting customer loyalty and market share, which ultimately impacts sales volumes and revenues. In addition, the Group has had to invest in its product proposition and its online channel in order to keep up with competitors, which has impacted margins over the period under review but is expected to improve the trend in like-for-like revenue growth in the future.

For a further discussion of the Group’s competitive environment, see Part XI: “*Business Overview of the Group —Description of the Group’s segments*”.

Transformation Programme

In May 2018, the Group identified nine key pillars which will guide the first phase of the Transformation Programme: (i) transforming the Group’s leadership; (ii) building greater accountability; (iii) becoming a “digital first” retailer across M&S; (iv) reshaping the ranges and customer profile in Clothing & Home; (v) protecting the “magic” but modernising the rest in Food; (vi) rebuilding profitable growth in International; (vii) creating a high-quality store estate fit for the future; (viii) modernising the Group’s Clothing & Home and Food supply chains; and (ix) cost savings of at least £350 million by 2020/21.

The Group has reported and will continue to report on its performance against each of these pillars as the Transformation Programme progresses. If the Group is able to successfully deliver on certain of these nine key pillars, the Group’s results of operations are expected to improve to reflect a more efficient cost base and an improved trend in revenue growth driven by improved brand loyalty, greater customer spend and a broadened customer base.

Business strategies are, however, based on numerous assumptions, and are subject to a number of variables outside the Group’s control, such as general economic conditions and consumer preferences. Whilst the Group regularly reviews its business strategies, including the nine key pillars, in order to assess their effectiveness, if the Group is unable to realise the benefits that the Transformation Programme is expected to deliver, its results of operations may fail to improve or may deteriorate.

For a further discussion of the Transformation Programme, see Part XI: “*Business Overview of the Group*”. Discussed below are the pillars of the Transformation Programme that have had the greatest impact on the

PART XIV CONTINUED

Group's results of operations and financial condition during the periods under review and that the Group currently expects to affect its results of operations and financial condition in the future.

Clothing & Home and Food proposition

The Group depends on its ability to grow and sustain like-for-like UK revenue by offering trusted value and high-quality product offerings. In order to become more relevant to more British households, the Group aims to reshape its Clothing & Home and Food businesses as part of the Transformation Programme.

In Clothing & Home, the Group's objective is to restore its style credentials and broaden its appeal to younger family-age customers, providing high-quality products that offer contemporary, wearable style at great prices. In order to do so, the Group aims to reduce the size of its range and buy more stylish and contemporary product in greater depth, as well as deliver market-leading value. The Group's product range remained too wide in FY19, with the volume of options in the Group's range splintering the Group's buying scale and making shops challenging to navigate for customers. The Group's size ratios have historically been misaligned with the profile of the contemporary family-age customer to which the Group aims to appeal. However, the Group has made progress in pruning options and introducing slimmer fits and more mid-sizes, with strong customer response. For example, the Group's new denim launch produced an initial 20 per cent. sales uplift and sales of £15 women's jeggings were up 30 per cent. over the campaign period.

The Group also aims to focus on full-price sales in Clothing & Home by reducing the price of hundreds of everyday lines and shifting to a "first price, right price" trading philosophy. The Group has therefore reduced the number of clearance sales in FY18 and FY17. See "*Promotional periods, seasonality and weather*" below. The Group aims to further lower the volume of clearance merchandise, which reduced by 14 per cent. in FY19.

In Food, the Group aims to improve its appeal to family-age shoppers, which was partially lost as the Group's product range gradually became more premium over time, and reduce its dependence on both short-term promotions and complex multi-buy deals. As part of its effort to restore like-for-like revenue growth, the Group is in the early stages of reengineering its Food categories and developing a pipeline to broaden its appeal to attract a wider range of customers and increase the frequency of customer shopping visits. For example, the Group's food innovation pipeline has been re-orientated towards more mainstream, high-volume family products. The Group also aims to restore "trusted value" by reducing the prices of "everyday" items and removing promotions in order to retain and attract customers who want high-quality food for great value. The Group has made good progress in restoring trust in its value at relatively little cost to margin by reducing base prices and removing promotional complexity. The Group has significantly reduced its dependence on short-term promotions and complex multi-buy offers, removing nearly 70 per cent. of multi-buy offers and reducing promotional participation by over 10 percentage points as a percentage of sales by 30 March 2019, without significant loss of customers. This enabled the Group to invest in everyday prices, and the Group reduced the prices of over 400 lines over FY19, narrowing the Group's price differential to the lowest it has been for some years.

Store portfolio

The Group operates an ageing store estate with numerous legacy issues, reflecting the fact that it has been reluctant to close marginally contributing stores over many years. Accordingly, the Group carries a long tail of stores, some over 75 years old, which have negatively impacted the like-for-like revenue performance and which are brand damaging in their configuration. As a result, store closures, openings and refurbishments have had and may continue to have a significant impact on the Group's results of operations.

In November 2016, the Group announced its intention to transform the UK store estate under the Transformation Programme, including the closure of over 100 full-line stores. During FY18 and FY19, the Group accelerated and extended this programme to include additional Simply Food stores, in line with the Group's strategic aim to grow its online share of sales and concentrate on higher volume stores with good access and car parking. As at 30 March 2019, the Group has closed 35 full-line stores as part of its store closure programme, with sales transfer rates to nearby stores remaining above 20 per cent. Clothing & Home like-for-like revenue decreased 1.6 per cent. in FY19 and 1.9 per cent. in FY18, while total Clothing & Home revenue decreased 3.6 per cent. and 1.4 per cent., respectively, over the same periods, reflecting the impact of the Group's UK store closure programme. In Food, the Group has cut back on its Simply Food opening programme during the period under review, focusing on trading opportunities in sites with good returns. In FY19, the Group opened 47 new Simply Food stores, compared to 62 in FY18. The positive revenue impact of these new openings was partly offset by the closure of full-line stores.

Although the Group anticipates further net reductions in overall retail space and it currently expects to close a further approximately 85 full-line stores and approximately 25 Simply Food stores (in addition to the 35 full-

PART XIV CONTINUED

line stores closed as at 30 March 2019), the Group's strategy is also focused on right sizing, relocation and new openings. Therefore, the Group anticipates its owned store base will likely remain broadly level. The Group intends to open new full-line, high-volume stores, as well as Simply Food stores, where the Group can exploit current weak retail demand to secure excellent sites for relocations. In FY19, the Group closed 40 stores and opened 48 stores across its UK estate, with an overall space reduction of approximately 2.5 per cent. at 30 March 2019.

As the Group reshapes its core store portfolio, it intends to assess the renewal of its store formats in the next stage of the Transformation Programme to create a more modern, customer friendly layout for both Food and Clothing & Home which is capable of delivering revenue growth over the long term. The Group has also commenced a programme of development feasibility to unlock value from large, old town centre stores with surplus space. The Group has appointed a new property development director and expects to initiate a number of redevelopments in the coming year.

For more information on the Group's evolving store portfolio, see Part XI: "*Business Overview of the Group—Stores and sales channels—Store profile*".

Online channel

The Group has historically offered primarily its Clothing & Home products online in the United Kingdom and internationally, with a limited range of Food products available online. However, both the retail market and grocery market are continuing to migrate to online. For example, home delivery and online is the United Kingdom's fastest growing grocery channel, expected to grow by 52 per cent. from 2018 to 2023 (*Source: IGD*). As such, the Group's online operations are a significant, growing part of the business.

The Group aims to achieve one-third of UK Clothing & Home sales online by FY23. In FY19, online sales represented 22 per cent. of the Group's Clothing & Home sales, up from 19 per cent. in FY18 and 17 per cent. in FY17. The Group has invested in this area during the period under review to drive growth and improve both customer service and efficiency. Improvements in site speed, a redesigned homepage, enhanced product imagery, a simpler check-out and an improved delivery proposition have collectively contributed to an increase of over 9 per cent. in the conversion of website traffic to customer purchases. Improvements to the Group's website have helped to deliver UK Clothing & Home online growth of 9.8 per cent. in FY19, with Womenswear up 19 per cent., improving the Group's online clothing market share by 0.3 per cent. In addition, the Group has invested in its online fulfilment capabilities, including investment in the national distribution and e-commerce centre at Castle Donington to improve reliability, efficiency and capacity. This investment resulted in Castle Donington's best peak performance since it opened, with significant improvements in most key metrics, including a later delivery cut off. The Group expects to invest approximately £9 million in further process improvements to meet its growth plans for FY20. However, the Group expects the need for an additional fulfilment centre has been successfully deferred for another two to three years. Further investment has been and will continue to be made to support multi-channel opportunities, such as Click & Collect, and to improve the competitiveness of the Group's online offer.

The Group has not historically offered its full range of Food products online. The Group's prior online trial was uneconomic due to both low basket sizes and high costs associated with moving stock from distribution centres to stores and store replenishment costs. The Group believes that developing automated technology itself or with a partner, and investing in fulfilment centres on a standalone basis, would be expensive, technically risky, take longer to establish and further delay the Group's capability to meet its customers' needs and compete effectively in online grocery. In order to bring the Food offer online in a profitable, scalable and sustainable way, the Group announced in February 2019 a proposed JV with Ocado, a leading online grocer focussed on the home delivery of high-quality food, drink and household goods. Through the proposed JV, the Group will offer its own-brand Food products through Ocado's platform from September 2020, at the latest. The Group expects to achieve significant potential synergies arising from the proposed JV, estimated to be at least £70 million per annum to be achieved by the third year following completion. For further information on the proposed JV, see Part XVI: "*Key Transaction Terms*".

Supply chain and distribution network

The Group's results of operations and financial condition are impacted by the effectiveness of its supply chain and distribution network. Inefficiencies in the supply chain infrastructure have historically had an impact on stock levels, availability, markdown and waste. In order to be a faster and more commercial business, the Group aims to improve its supply chain. Comprehensive programmes, such as the "Fuse" programme, are underway to deploy new tools which will help the Group reduce excess stock and waste in both Clothing & Home and Food.

PART XIV CONTINUED

In Clothing & Home, the Group historically operated an outdated, fragmented supply chain. This, combined with a wide product range and insufficient depth in core products, has meant the Group is slow to market, carries too much stock and has not been able to replenish fast moving lines. The Group's sales both in store and online have been frustrated by poor availability in the fourth quarter of FY19. Although the Group made good progress reducing overall stock levels, with stock cover down almost three weeks and stock-into-sale down 14 per cent. in FY19, many popular lines sold out prematurely because of the failure to increase the depth of buy and the slowness of the stock flow. As part of its efforts to improve its supply chain, the Group is transitioning to a single-tier network of national UK distribution centres. As part of this transition, the Group has opened a new Clothing & Home distribution centre in Welham Green in March 2019 and closed four existing distribution centres and warehouses in FY19. In order to achieve the goal of one-third of Clothing & Home revenue online, the Group has also invested in e-commerce fulfilment. For example, the Group has improved its operations at Castle Donington to better serve online customers at busy times. See "*—Online Channel*" above. For a further discussion of the Clothing & Home supply chain transformation, see Part XI: "*Business Overview of the Group—Description of the Group's segments—United Kingdom—Clothing & Home—Suppliers and logistics*".

In Food, the Group has a high-cost and complex end-to-end distribution model which limits availability and increases waste. The Group's Food waste levels remain amongst the highest in the industry and availability has not significantly improved. The Group is therefore rolling out operational improvements across its stores with the aim of improving stock file accuracy, reducing stock held in the back of the Group's stores and delivering order quantities that are store specific. The Group has also improved its working relationship with Gist, the Group's primary logistics partner, which has demonstrated a substantial opportunity in modernising and better integrating the Food supply chain. For a further discussion of the Food supply chain transformation, see Part XI: "*Business Overview of the Group—Description of the Group's segments—United Kingdom—Food—Suppliers and logistics*".

The Group's operating results have been and will continue to be impacted by the success of these efficiency measures under the Transformation Programme. See "*—Cost savings programme*" below.

Cost savings programme

Operational costs have become significant at all levels of M&S in recent years, therefore the Group has set out targets to reduce costs as part of the first phase of the Transformation Programme. In FY18, the Group set a target to achieve cost savings of at least £350 million by 2020/21 to create a leaner, more efficient base for the business. In FY20, the Group anticipates ongoing savings from the annualisation of FY19 initiatives and additional benefits in areas, including a new contract for store maintenance, and in central costs which should result in a further decline in total UK operating costs.

In FY19, cost savings of approximately £100 million (in addition to the operating costs of stores which have closed) were derived from areas including the retail management restructure, the technology transformation programme, property costs, depreciation and central costs. These cost savings enabled the Group to offset inflation, new space and channel shift and, as a result, UK operating costs before adjusting items declined by 1.2 per cent. in FY19. The closure of marginal, low-contributing stores and the rationalisation of unprofitable categories and ranges are expected to unlock significant further cost, margin, working capital and maintenance capital savings over time. See "*—Store portfolio*" above. In addition, the move towards the single-tier national distribution network for Clothing & Home is expected to generate significant cost savings over the longer term. See "*—Supply chain and distribution network*" above.

As it changes the culture of its business, the Group is clear that a focus on costs will become a core part of its philosophy.

International operations

The Group's International operations are an important part of the business, consisting of wholly-owned stores in the Republic of Ireland and the Czech Republic, joint ventures in India and Greece and franchise stores in 33 other countries.

In FY17 and FY18, the Group closed its wholly-owned stores in ten loss-making international markets in order to create a competitive network of mainly partner-led businesses in territories with growth potential. As part of this programme, the Group sold and franchised its wholly-owned operations in Hong Kong to an existing franchise partner in December 2017. Total closure costs incurred related to the International wholly-owned store closure programme were £142.8 million during the period under review. International revenue at constant currency decreased by 10.2 per cent. in FY18 and 13.4 per cent. in FY19, driven largely by the exit from loss-making wholly-owned markets and the sale of the Group's operations in Hong Kong. Excluding these effects,

PART XIV CONTINUED

the Group's International revenue at constant currency increased 2.8 per cent. in FY18 and 1.1 per cent. in FY19.

The ongoing strategy for the Group's International business is to adapt International ranges and prices to compete in local markets not just as a premium-priced British brand. The implementation of this "market right pricing" programme has delivered encouraging volume uplifts during the period under review, with progressive sales since implementation up 8 per cent. and volumes up 20 per cent., following a net 10 per cent. reduction in selling prices. This performance has helped to build confidence with the Group's international franchise partners to reinvest into the business. In FY19, the Group opened 37 international stores and modernised a further 56 stores.

Promotional periods, seasonality and weather

The Group's business is subject to seasonal peaks associated with Christmas, Easter and the back-to-school period, and products for special events are an important part of the Group's sales mix. The Group has historically performed more strongly in terms of higher sales and operating profits during the financial quarters that include these periods. Additionally, the Group's costs are higher in advance of and during these seasons as the Group builds its stock levels and hires temporary workers to reflect the anticipated peak in demand. If sales during these periods were lower than expected, for example as a result of a severe and prolonged weather event, this could adversely impact the Group's results of operations for the whole of the relevant financial year. In Food, the Group's reputation for being "special and different" resulted in strong performance at Christmas and Easter during the periods under review. However, like-for-like revenue for the fourth quarter of FY19 for both Food and Clothing & Home was adversely impacted by an estimated 1.9 per cent. in Food and 0.4 per cent. in Clothing & Home compared to the fourth quarter of FY18 due to the earlier timing of Easter, which fell on 1 April in 2018.

The Group's business is also subject to sales and order peaks due to the effects of promotional periods. These peaks in revenue have generally been influenced by higher than average levels of spending on promotions and marketing in the period immediately prior to, and during, these promotional periods. Due to the revenue peaks as well as the marketing and other costs associated with these promotional periods, the timing of these promotional periods in a given year can also result in a fluctuation of the Group's periodic results of operations when compared to prior year periods. In FY18, the Group reduced the number of major Clothing & Home sales from four annually to two annually, which contributed to lower Clothing & Home revenue and like-for-like revenue during the period.

The Group's results of operations can also be affected by periods of abnormal, adverse or unseasonal weather conditions, which can impact sales due to changes in footfall or if the Group does not have appropriate merchandise in stock for the prevailing weather conditions. For example, Clothing & Home revenue declined in the second half of FY18 in part due to unseasonal weather conditions.

Description of key income statement items

Revenue

Revenue comprises sales of goods to customers outside the Group less an appropriate deduction for actual and expected returns, discounts and loyalty scheme vouchers, and is stated net of value added tax and other sales taxes. In FY17 and FY18, revenue is recognised when goods are delivered to the Group's franchise partners or the customer and the significant risks and rewards of ownership have been transferred to the buyer. In FY19 and going forward, revenue is recognised when performance obligations are satisfied and goods are delivered to the Group's franchise partners or the customer and the control of goods is transferred to the buyer.

Under IFRS 15 (Revenue from Contracts with Customers), which was effective for the periods beginning on or after 1 January 2018 and therefore was effective in the Group financial statements for FY19, a right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover products from the customer are recognised.

Finance income

Finance income comprises bank and other interest receivable, other financial income and pension net finance income.

PART XIV CONTINUED

Finance costs

Finance costs consist of interest on payable bank borrowings, syndicated bank facility, medium-term notes, finance leases, ineffectiveness on financial instruments, unwind of discount on provisions and unwind of discount on partnership liability to the M&S Pension Scheme. See Part XVII: "Additional Information—10. Pension Schemes". The ineffectiveness on financial instruments represents the measure of the extent to which the change in the fair value or cash flows of the hedging instrument does not offset or more than offsets those of the hedged item.

Income tax expense

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity. Current tax represents current tax and adjustments in respect of prior years in both the United Kingdom and overseas.

Deferred tax is accounted for using a temporary difference approach, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, applying tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Group results of operations

The table below sets out the Group's results of operations for the periods indicated:

	52 weeks ended								
	30 March 2019			31 March 2018			1 April 2017		
	Profit before adjusting items	Adjusting items ⁽¹⁾	Total	Profit before adjusting items	Adjusting items ⁽¹⁾	Total	Profit before adjusting items	Adjusting items ⁽¹⁾	Total
	(£ millions)								
Revenue.....	10,377.3	—	10,377.3	10,698.2	—	10,698.2	10,622.0	—	10,622.0
Operating profit.....	601.0	(438.6)	162.4	670.6	(514.1)	156.5	690.6	(437.4)	253.2
Finance income.....	33.8	—	33.8	24.1	—	24.1	36.2	—	36.2
Finance costs.....	(111.6)	—	(111.6)	(113.8)	—	(113.8)	(113.0)	—	(113.0)
Profit before tax.....	523.2	(438.6)	84.6	580.9	(514.1)	66.8	613.8	(437.4)	176.4
Income tax expense...	(106.0)	58.7	(47.3)	(125.4)	87.7	(37.7)	(122.4)	61.7	(60.7)
Profit for the year.....	417.2	(379.9)	37.3	455.5	(426.4)	29.1	491.4	(375.7)	115.7

(1) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see "—Adjusting items" below. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See "—Alternative performance measures and other non-IFRS financial data" below and Part V: "Important Information—5. Non-IFRS financial information" for further information on the uses and limitations of these alternative performance measures.

PART XIV CONTINUED

Revenue

Revenue decreased by 3.0 per cent. to £10,377.3 million in FY19, as compared to £10,698.2 million in FY18, driven by a decrease in revenue in Clothing & Home partly impacted by store closures, a decrease in revenue in Food as a result of Easter timing, a reduction in promotions and investment in price, and a decrease in International revenue largely due to the closure of stores in exit markets and the sale of the Group's business in Hong Kong.

Revenue increased by 0.7 per cent. to £10,698.2 million in FY18, as compared to £10,622.0 million in FY17, driven primarily by an increase in revenue from Food as a result of new Food store openings. This was partially offset by a decrease in like-for-like revenue, a decrease in revenue from UK Clothing & Home and a reduction in International revenue as the Group exited loss-making owned markets and sold its operations in Hong Kong to a franchise partner.

For a further discussion of Food, Clothing & Home and International revenue, see “—*Segmental results of operations*” below.

Operating profit

Operating profit increased by 3.8 per cent. to £162.4 million in FY19, as compared to £156.5 million in FY18. Operating profit before adjusting items decreased by 10.4 per cent. to £601.0 million in FY19, as compared to £670.6 million in FY18, driven primarily by headwinds on sales, partly offset by the cost savings programme.

Operating profit decreased by 38.2 per cent. to £156.5 million in FY18, as compared to £253.2 million in FY17. Operating profit before adjusting items decreased by 2.9 per cent. to £670.6 million in FY18, as compared to £690.6 million in FY17, largely due to a reduction in UK gross profit and an increase in operating costs in the year. For more information on the Group's UK operating costs, see “—*Segmental results of operations—UK operating costs*” below.

Finance income

Finance income increased by £9.7 million to £33.8 million in FY19, as compared to £24.1 million in FY18, driven primarily by an increase in pension finance income as a result of a higher UK defined pension scheme surplus at the start of the year compared to the start of FY18.

Finance income decreased by £12.1 million to £24.1 million in FY18, as compared to £36.2 million in FY17, driven primarily by reduced pension net finance income as a result of the lower UK defined benefit scheme surplus at the start of the year. The lower UK defined benefit scheme surplus at the start of the year was largely due to the closure of the UK defined benefit scheme to future accrual, which triggered a one-off curtailment charge of £127.0 million in FY17.

Finance costs

Finance costs decreased by £2.2 million to £111.6 million in FY19, as compared to £113.8 million in FY18, driven primarily by a decrease in interest payable as a result of the repayment of the US\$500 million bond which matured in December 2017, partly offset by the unwind of discount on provisions, reflecting the Group's UK store closure programme and central London office reorganisation.

Finance costs remained broadly stable at £113.8 million in FY18, as compared to £113.0 million in FY17. The increased finance costs arising from the ineffectiveness on financial instruments and the higher unwind of discount on property provisions were offset by lower interest on the Group's bank borrowings, lower interest payable on the Group's syndicated bank facility, lower interest payable on the Group's medium-term notes and the lower unwind of discount on partnership liability to the M&S Pension Scheme.

Profit before tax

Profit before tax increased by 26.6 per cent. to £84.6 million in FY19, as compared to £66.8 million in FY18. Profit before tax and adjusting items was £523.2 million, down 9.9 per cent. compared to £580.9 million in FY18. The decrease was principally due to the reduction in UK gross profit, partially offset by the decrease in operating costs in the year.

PART XIV CONTINUED

Profit before tax decreased by 62.1 per cent. to £66.8 million in FY18, as compared to £176.4 million in FY17. Profit before tax and adjusting items was £580.9 million in FY18, down 5.4 per cent. compared to £613.8 million in FY17. The decrease was due to the reduction in UK gross profit and the increase in operating costs in the year.

Income tax expense

Income tax expense increased by 25.5 per cent. to £47.3 million in FY19, as compared to £37.7 million in FY18. Income tax expense before adjusting items decreased by 15.5 per cent. to £106.0 million in FY19, as compared to £125.4 million in FY18. The effective tax rate on profit before tax and adjusting items was 20.3 per cent. in FY19 (compared to 21.6 per cent. in FY18). This was higher than the UK statutory rate predominantly due to the recapture of previous tax relief under the Marks and Spencer Scottish Limited Partnership (**SLP**) structure, partially offset by the recognition of deferred tax assets in the Group's Indian entity, following its return to profitability. The effective tax rate on statutory profit before tax was 55.9 per cent. (compared to 56.4 per cent. in FY18) due to the impact of disallowable adjusting items.

Income tax expense decreased by 37.9 per cent. to £37.7 million in FY18, as compared to £60.7 million in FY17. Income tax expense before adjusting items increased by 2.5 per cent. to £125.4 million in FY18, as compared to £122.4 million in FY17. The effective tax rate on profit before tax and adjusting items was 21.6 per cent. in FY18 (compared to 19.9 per cent. in FY17). This was higher than the UK statutory rate of 19.0 per cent. (compared to 20.6 per cent. in FY17) due to the recapture of previous tax relief under the SLP structure. The effective tax rate on statutory profit before tax was 56.4 per cent. in FY18 (compared to 34.4 per cent. in FY17) due to the impact of the SLP structure and disallowable adjustments items.

In FY18, the Group's total cash tax contribution to the UK Exchequer was £921 million (FY17: £881 million), split between taxes ultimately borne by the Company of £421 million (FY17: £423 million) (i.e. corporation tax, customs duties, employer's NIC, business rates and sundry taxes) and taxes attributable to the Company's economic activity and which were collected on behalf of the UK government of £500 million (FY17: £458 million) (i.e. PAYE, employees' NIC, value added tax, excise duties and sundry taxes).

Profit for the year

Profit for the year increased by 28.2 per cent. to £37.3 million in FY19, as compared to £29.1 million in FY18, driven primarily by lower adjusting items year-on-year.

Profit for the year decreased by 74.8 per cent. to £29.1 million in FY18, as compared to £115.7 million in FY17, driven primarily by lower adjusted operating profit and the increase in adjusting items due to the Group's strategic transformation programmes.

Adjusting items

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures that provide stakeholders with additional information that the Group believes is helpful to better understand the performance of the business. Further material charges relating to the Group's strategic programmes are anticipated as these programmes progress. Each of the Group's adjusting items is considered to be significant in nature and/or quantum to the financial statement line item or applicable disclosure note or are consistent with items treated as adjusting in prior periods. The total adjusting items reported for FY19 was a total charge of £438.6 million, compared to £514.1 million in FY18 and £437.4 million in FY17.

For further details on these adjusting items and the Group's policy for adjusting items, please see Note 1 and Note 5 to the 2019 Annual Report and Financial Statements.

PART XIV CONTINUED

The following table presents the adjusting items for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Strategic programmes			
UK store estate.....	(222.1)	(321.1)	(51.6)
UK organisation.....	(51.8)	(30.7)	(24.0)
Operational transformation.....	(16.4)	—	—
IT restructure.....	(15.6)	(15.5)	—
UK logistics.....	(14.3)	(13.1)	9.8
Changes to pay and pensions.....	(6.2)	(12.9)	(156.0)
International store closures and impairments.....	(5.3)	(5.0)	(132.5)
UK store impairments, asset write-offs and onerous lease charges.....	(62.1)	(63.4)	(48.8)
M&S Bank charges incurred in relation to the insurance mis-selling provision.....	(20.9)	(34.7)	(44.1)
GMP and other pension equalisation.....	(20.5)	—	—
Establishing the proposed JV.....	(3.4)	—	—
Other.....	—	(17.7)	9.8
Adjusting items.....	(438.6)	(514.1)	(437.4)

The following table shows the income tax adjustments for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions, unless otherwise indicated)</i>		
Adjusting items.....	(438.6)	(514.1)	(437.4)
Tax rate.....	19%	19%	20%
Notional tax.....	83.3	97.6	87.4
Depreciation and other amounts in relation to fixed assets that do not qualify for tax relief.....	—	(8.0)	—
UK store and strategic programme impairments where no tax relief is available.....	(14.9)	(6.6)	(7.7)
International store closures and impairments.....	(0.8)	8.3	(26.0)
Other strategic programme income and expenses that are not taxable or allowable for tax purposes.....	(8.9)	(3.4)	1.7
Other.....	—	(0.2)	—
Retranslation of deferred tax balances due to the change in statutory UK tax rates.....	—	—	(4.3)
Overseas profits taxed at rates different to the change in UK tax rates.....	—	—	10.6
Tax credit on adjusting items.....	58.7	87.7	61.7

In FY19, the Group recognised a number of charges relating to the implementation of its strategic programmes including:

- a charge of £222.1 million in relation to the Group's accelerated and expanded store closure programme, which has been expanded to include a number of Food stores. This charge includes accelerated depreciation, impairment of assets, estimated onerous leases and other closure costs. Further material charges relating to the closure and re-configuration of the UK store estate are anticipated as the programme progresses, the quantum of which is subject to change throughout the programme period as decisions are taken in relation to the size of the store estate and the specific stores affected. Based on current plans, further charges before the adoption of IFRS 16 are expected to be incurred predominantly in the next two years and are anticipated to be approximately £100 million, bringing total programme costs to approximately £680 million;

PART XIV CONTINUED

- a charge of £51.8 million largely in relation to costs associated with centralising and rationalising the Group's London office functions as well as redundancy costs related to the review of the retail organisational structure;
- a charge of £16.4 million in relation to the transformation and simplification of the Group's supply chain and operations across Clothing & Home and Food. This includes initiatives to reengineer the end-to-end supply chain, remove costs and complexity and working capital;
- a charge of £15.6 million in relation to the technology transformation programme which the Group began in FY18;
- a net charge of £14.3 million as the Group continues to transition to a single-tier Clothing & Home UK distribution network, including the closure of two of the Group's distribution centres; and
- a charge of £6.2 million for transitional payments to employees impacted by the closure of the M&S Pension Scheme to future accrual.

In FY17, the Group announced its intention to close owned stores in ten international markets. A net charge of £5.3 million has been recognised in FY19 reflecting the actualisation of previously estimated closure costs.

In response to the ongoing pressures impacting the retail industry, as well as reflecting the Group's strategic focus towards growing online market share, the Group has revised future projections for certain UK stores. As a result, UK store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £52.8 million has been incurred primarily in respect of the impairment of assets associated with these stores. The charge has been classified as an adjusting item on the basis of the significant value of the charge in the year to the results of the Group. Additional detail is in Note 15 to the 2019 Annual Report and Financial Statements. In addition, the Group has entered into property arrangements impacting ten stores. The Group has recognised a net charge of £9.3 million associated with the sale and leaseback and lease surrender costs for these stores.

The Group continues to incur charges in relation to M&S Bank insurance mis-selling provision resulting in a charge of £20.9 million during FY19. The deadline for any claims to be brought by customers expires on 29 August 2019. The estimated liability continues to be reviewed in FY20 to ensure it reflects the best estimate of likely settlement, which could lead to further charges or releases.

The Group has recognised a non-cash charge of £20.5 million in respect of the Group's defined benefit pension liability arising from equalisation of GMP and other pension equalisation costs following a High Court ruling in October 2018. Additional detail on the Group's GMP assessment is detailed in Note 11 to the 2019 Annual Report and Financial Statements.

In February 2019, the Group announced its proposed JV with Ocado, the UK's leading pure play digital grocer. Transaction costs of £3.4 million were incurred in FY19.

In FY18, the Group recognised a number of charges relating to the implementation of its strategic programmes:

- a charge of £321.1 million in relation to the impairment of assets, accelerated depreciation and estimated onerous lease and closure costs relating to the Group's UK store closure programme;
- a charge of £30.7 million primarily relating to the consolidation of the Group's central London Head Office buildings;
- a charge of £15.5 million in relation to the Group's technology transformation programme reflecting costs associated with the simplification and consolidation of the technology supplier base;
- a net charge of £13.1 million as the Group continues to transition to a single tier Clothing & Home UK distribution network;
- a charge of £12.9 million for the first year of transitional payments to employees impacted by the closure of the M&S Pension Scheme to future accrual; and
- a charge of £5.0 million relating to the International exit programme.

The Group recognised a number of charges in FY18 associated with reductions to the carrying value of items of property, plant and equipment. UK store impairment testing (excluding those stores which were captured as part of the UK store closure programme) identified certain stores where the current and anticipated future performance did not support the carrying value of the stores. As a result, a charge of £12.6 million was incurred primarily in respect of the impairment of assets associated with these stores. This impairment charge is considered to be an adjusting item as it is considered to be consistent with the treatment of related impairments in FY17.

PART XIV CONTINUED

Following the announcement of the UK store estate strategy in November 2016, the Group conducted a review of the £4.8 billion net book value (as at 1 April 2017) of the property, plant and equipment on its balance sheet. A one-off non-cash adjustment was made to depreciation of leasehold buildings assets of £45.8 million. Of the £45.8 million, £43.2 million related to assets in the United Kingdom and £2.6 million related to assets in the Republic of Ireland. Additionally, the Group recognised an additional charge of £5.0 million related to the write-off of store environment assets that are no longer used by the Group. The Group considers these costs to be adjusting items as the charges were significant in nature and value to the results of the Group for FY18.

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's fee income from M&S Bank was reduced by the deduction of the estimated liability in both FY18 and FY17. The deduction in FY18 was £34.7 million. The Group considers this cost to be an adjusting item, despite its recurring nature, as the charges were significant in nature and value in each of FY18 and FY17 to the results of the Group.

Other includes profit on the disposal of the Group's retail business in Hong Kong and Macau (as discussed below) and charges for potential liabilities for certain employee-related matters in FY18. FY17 income related to litigation settlements. These amounts are considered to be adjusting items as they are significant in nature and value to the results of the Group.

On 30 December 2017, the Group completed the disposal of the retail business in Hong Kong and Macau to Al-Futtaim for consideration of HKD360.7 million (£33.9 million). The profit on disposal of the business was £5.8 million including the recycling of amounts previously taken to equity in respect of foreign currency translation and net investment hedging. This profit is considered to be an adjusting item as it is significant in nature to both the results of the Group and the International segment.

Alternative performance measures and other non-IFRS financial data

The Group tracks a number of alternative performance measures in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are that are not calculated in accordance with IFRS.

The Group believes that these alternative performance measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these alternative performance measures are also used for the purpose of setting remuneration targets.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable to similarly-titled measures reported by other companies due to differences in the way they are calculated. See Part V: "Important Information—5. Non-IFRS financial information" of this Prospectus.

PART XIV CONTINUED

The table below sets out the Group's key alternative performance measures and other non-IFRS financial data for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018 ⁽¹⁾	1 April 2017
	<i>(£ millions, unless otherwise indicated)</i>		
<i>Alternative performance measures</i>			
Profit before tax and adjusting items ⁽²⁾	523.2	580.9	613.8
Like-for-like UK revenue growth ⁽³⁾			
Food	(2.3)%	(0.3)%	(0.8)%
Clothing & Home	(1.6)%	(1.9)%	(3.4)%
Management gross margin ⁽⁴⁾			
Food	31.1%	31.2%	32.5%
Clothing & Home	57.1%	56.6%	56.1%
Adjusted earnings per share ⁽⁵⁾	25.4p	27.8p	30.4p
Net debt ⁽⁶⁾	(1,545.1)	(1,827.5)	(1,934.7)
Free cash flow ⁽⁷⁾	584.1	417.5	585.4
Return on capital employed ⁽⁸⁾	14.1%	14.0%	13.7%
<i>Other non-IFRS financial data</i>			
Net finance costs ⁽⁹⁾	(77.8)	(89.7)	(76.8)

(1) FY18 has not been restated for the reclassification of revenue relating to cards and gift wrap from Clothing & Home to Food.

(2) Profit before the impact of tax and adjusting items, being those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see "—Group results of operations—Adjusting items" above.

(3) Like-for-like UK revenue growth represents the period-on-period change in revenue (excluding VAT) from stores which have been trading and where there has been no significant (greater than 10 per cent.) change in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.

The following table presents a reconciliation of like-for-like revenue to total revenue under IFRS for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018 ^(b)	1 April 2017
	<i>(£ millions)</i>		
<i>Food</i>			
Like-for-like	5,630.4	5,567.3	5,321.5
Net new space ^(a)	273.0	302.6	327.5
Total Food revenue	5,903.4	5,869.9	5,649.0
<i>Clothing & Home</i>			
Like-for-like	3,479.3	3,684.9	3,717.7
Net new space ^(a)	58.0	56.2	75.0
Total Clothing & Home revenue	3,537.3	3,741.1	3,792.7

(a) Represents the net impact of new stores, closed stores and stores with significant (greater than 10 per cent.) footage change for each financial year.

(b) FY18 has not been restated for the reclassification of revenue relating to cards and gift wrap from Clothing & Home to Food.

(4) Management gross margin is calculated as gross profit on a management basis divided by revenue. The gross profit used in this calculation is based on an internal measure of margin rather than the statutory margin, which excludes certain downstream logistics costs.

PART XIV CONTINUED

- (5) Adjusted earnings per share is defined as profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year. The following table presents a reconciliation of adjusted earnings per share to profit attributable to equity shareholders of the Company for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions, unless otherwise indicated)</i>		
Profit attributable to equity shareholders of the Company	33.5	25.7	117.1
Adjusting items (net of tax) ^(a)	379.9	426.4	375.7
Profit before adjusting items attributable to equity shareholders of the Company	413.4	452.1	492.8
Weighted average number of ordinary shares in issue (<i>million</i>).....	1,624.1	1,624.0	1,623.1
Adjusted earnings per share.....	25.4	27.8	30.4

- (a) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see "*Group results of operations—Adjusting items*" above. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part V: "*Important Information—5. Non-IFRS financial information*" for further information on the uses and limitations of these alternative performance measures.
- (6) Net debt comprises total borrowings (bank, bonds and finance lease liabilities net of accrued interest), net derivative financial instruments that hedge the debt and the SLP liability to the M&S Pension Scheme less cash, cash equivalents and unlisted and short term investments.
- (7) Free cash flow is defined as the cash generated from the Group's operating activities less capital expenditure and interest paid.

The following table presents a reconciliation of free cash flow to net cash inflow from operating activities for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Net cash inflow from operating activities	935.3	849.8	1,067.7
Capital expenditure and disposals	(264.8)	(346.0)	(383.2)
Proceeds on disposal of Hong Kong business	—	22.9	—
Interest	(79.0)	(106.2)	(104.6)
Purchase of investment in joint venture	(2.5)	—	—
Share transactions	(4.9)	(3.0)	5.5
Free cash flow	584.1	417.5	585.4

PART XIV CONTINUED

- (8) Return on capital employed is calculated as EBIT before adjusting items divided by the average of opening and closing capital employed.

The following table sets out the measures used in this calculation:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
EBIT before adjusting items ^(a)	601.0	670.6	690.6
ROCE net assets ^(b)	3,497.6	4,372.6	4,690.1
ROCE exceptional provisions ^(c)	381.8	283.8	222.1
Revised ROCE net assets	3,879.4	4,656.4	4,912.2
Average capital employed ^(d)	4,267.9	4,784.3	5,031.6

- (a) Defined as profit before the impact of adjusting items, net finance costs and tax, as disclosed on the face of the consolidated income statement.
- (b) Defined as the net total of assets and liabilities as at the balance sheet date of each reporting period, as reported in the annual financial statement excluding assets and liabilities in relation to investment property, net retirement benefit position, derivatives, current and deferred tax liabilities, SLP liability, non-current borrowings and provisions in respect of adjusting items. The balance as at 26 March 2016 was £5,128.0 million.
- (c) Defined as provisions in relation to those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. See "*Group results of operations—Adjusting items*" above. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See Part V: "*Important Information—5. Non-IFRS financial information*" for further information on the uses and limitations of these alternative performance measures. The balance as at 26 March 2016 was £23.1 million.
- (d) Defined as the average of the current year revised ROCE net assets and the prior year revised ROCE net assets.
- (9) Net finance costs represents the aggregate of finance income and finance costs as reported on the face of the consolidated income statement.

For a discussion of profit before tax and adjusting items for the periods under review, see "*Group results of operations—Profit before tax*" above. For a discussion of like-for-like revenue growth and gross margin for Food and Clothing & Home during the periods under review, see "*Segmental results of operations*" below. For a discussion of net debt and free cash flow for the periods under review, see "*Liquidity and capital resources—Cash flow and net debt*" below.

Adjusted earnings per share

Adjusted basic earnings per share decreased by 8.6 per cent. to 25.4p in FY19, due to lower adjusted profit year-on-year. The weighted average number of shares in issue during the period was 1,624.1 million (compared to 1,624.0 million in FY18).

Adjusted earnings per share decreased by 8.6 per cent. to 27.8p in FY18, due to the lower adjusted profit generated in the year. The weighted average number of shares in issue during the period was 1,624.0 million (compared to 1,623.1 million in FY17).

Return on capital employed

Return on capital employed increased to 14.1 per cent. in FY19, as compared to 14.0 per cent. in FY18, largely reflecting the reduction in the carrying value of property, plant and equipment outweighing the decrease in EBIT.

Return on capital employed increased to 14.0 per cent. in FY18, as compared to 13.7 per cent. in FY17, largely reflecting the reduction in the carrying value of property, plant and equipment.

PART XIV CONTINUED

Net finance cost

The following table sets out the Group's net finance cost for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
		<i>(£ millions)</i>	
Interest payable ⁽¹⁾	(82.0)	(95.4)	(100.2)
Interest income.....	7.6	6.0	6.6
Net interest payable	(74.4)	(89.4)	(93.6)
Pension net finance income.....	25.8	17.7	29.3
Unwind of discount on SLP liability.....	(8.8)	(10.9)	(12.6)
Unwind of discount on provisions.....	(17.3)	(5.2)	(0.2)
Hedge ineffectiveness on financial instruments ⁽²⁾	(3.1)	(1.9)	0.3
Net finance cost	(77.8)	(89.7)	(76.8)

(1) Interest payable includes interest on bank borrowings, interest payable on syndicated bank facility, interest payable on medium-term notes and interest payable on finance leases.

(2) Hedge ineffectiveness on financial instruments includes ineffectiveness on financial instruments included within finance costs net of ineffectiveness on financial instruments included within other finance income.

Net finance cost decreased by £11.9 million to £77.8 million in FY19, primarily due to a decrease in interest payable as a result of the repayment of the US\$500 million bond which matured in December 2017. Pension net finance income increased by £8.1 million in FY19, driven by a higher UK defined benefit pension scheme surplus at the start of the year compared to the start of FY18. The unwind of discount on provisions reflects the Group's UK store closure programme and the central London office reorganisation.

Net finance cost increased by £12.9 million to £89.7 million in FY18, largely due to reduced pension net finance income as a result of the lower UK defined benefit scheme surplus at the start of the year and the unwind of discount on property provisions. Net interest payable reduced by £4.2 million primarily due to the repayment of the US\$500 million bond which matured in December 2017.

Segmental results of operations

The Group's operating segments are UK and International. The UK segment consists of the UK retail business and UK franchise operations, the results of which are consolidated and reported by business (Food and Clothing & Home). The International segment consists of M&S owned businesses and the international franchise operations. The Group also provides additional voluntary disclosure analysing revenue within the reportable segments by sub-category and gross profit within the UK segment by sub-category.

The following table presents the Group's revenue by reportable segment for the periods indicated:

	52 weeks ended			
	30 March 2019	31 March 2018	31 March 2018	1 April 2017
		<i>Restated ⁽¹⁾</i>		
		<i>(£ millions)</i>		
Clothing & Home revenue ⁽¹⁾	3,537.3	3,671.0	3,741.1	3,792.7
Food revenue ⁽¹⁾	5,903.4	5,940.0	5,869.9	5,649.0
UK revenue.....	9,440.7	9,611.0	9,611.0	9,441.7
Franchised.....	409.1	360.6	360.6	314.0
Owned.....	527.5	726.6	726.6	866.3
International revenue.....	936.6	1,087.2	1,087.2	1,180.3
Group revenue	10,377.3	10,698.2	10,698.2	10,622.0

(1) FY18 revenue has been restated for the reclassification of £70.1 million of revenue relating to cards and gift wrap from Clothing & Home to Food. FY17 has not been restated.

PART XIV CONTINUED

The following table presents the Group's operating profit by reportable segment for the periods indicated:

52 weeks ended 30 March 2019				
Management	Logistics Adjustment	Adjusting items	Statutory	
<i>(£ millions)</i>				
Clothing & Home gross profit.....	2,021.2			
Food gross profit.....	1,834.7			
UK gross profit.....	3,855.9	(384.9)	—	3,471.0
UK operating costs.....	(3,409.6)	384.9	(400.3)	(3,425.0)
M&S Bank.....	27.6	—	(20.9)	6.7
M&S Energy.....	0.1	—	—	0.1
UK operating profit.....	474.0	—	(421.2)	52.8
International operating profit.....	127.0	—	(17.4)	109.6
Group operating profit.....	601.0	—	(438.6)	162.4

52 weeks ended 31 March 2018				
Management	Logistics Adjustment	Adjusting items	Statutory	
<i>Restated ⁽¹⁾ (£ millions)</i>				
Clothing & Home gross profit ⁽¹⁾	2,090.6			
Food gross profit ⁽¹⁾	1,854.8			
UK gross profit.....	3,945.4	(370.0)	—	3,575.4
UK operating costs.....	(3,450.3)	370.0	(477.5)	(3,557.8)
M&S Bank.....	40.3	—	(34.7)	5.6
UK operating profit.....	535.4	—	(512.2)	23.2
International operating profit.....	135.2	—	(1.9)	133.3
Group operating profit.....	670.6	—	(514.1)	156.5

(1) FY18 gross profit has been restated for the reclassification of £26.1 million of gross profit relating to cards and gift wrap from Clothing & Home to Food.

52 weeks ended 31 March 2018				
Management	Logistics Adjustment	Adjusting items	Statutory	
<i>(£ millions)</i>				
Clothing & Home gross profit.....	2,116.7			
Food gross profit.....	1,828.7			
UK gross profit.....	3,945.4	(370.0)	—	3,575.4
UK operating costs.....	(3,450.3)	370.0	(477.5)	(3,557.8)
M&S Bank.....	40.3	—	(34.7)	5.6
UK operating profit.....	535.4	—	(512.2)	23.2
International operating profit.....	135.2	—	(1.9)	133.3
Group operating profit.....	670.6	—	(514.1)	156.5

PART XIV CONTINUED

	52 weeks ended 1 April 2017			
	Management	Logistics Adjustment	Adjusting items	Statutory
	(£ millions)			
Clothing & Home gross profit.....	2,128.7			
Food gross profit.....	1,837.7			
UK gross profit.....	3,966.4	(360.5)	—	3,605.9
UK operating costs.....	(3,390.4)	360.5	(254.5)	(3,284.4)
M&S Bank.....	50.2	—	(44.1)	6.1
UK operating profit.....	626.2	—	(298.6)	327.6
International operating profit.....	64.4	—	(138.8)	(74.4)
Group operating profit.....	690.6	—	(437.4)	253.2

UK: Food

In FY19, Food revenue decreased 0.6 per cent., with like-for-like revenue down 2.3 per cent., or 1.5 per cent. when adjusted for the later timing of Easter. Revenue reflected the effects of price investment and a change in product mix as the Group reduced promotions. However, during the second half of FY19, the Group experienced an improving trend with volumes up 1.8 per cent. in the fourth quarter, adjusted for Easter. The Group opened 48 new stores during FY19 in line with the Group's plan to focus new store expansion on only the highest returning locations, although the contribution from space diminished through the year as the Group's UK store closure programme progressed.

Management gross margin was down 15 basis points year-on-year at 31.1 per cent. in FY19. The benefit of promotional savings and the Group's cost savings programme largely offset the effects of cost inflation and price investment.

In FY18, Food revenue increased 3.9 per cent. as the Group opened 62 new Simply Food stores; however, like-for-like revenue was down 0.3 per cent. While the Group performed well in key periods such as Christmas and Easter, the Group's everyday performance was poor, with intense competition and reflecting a progressive decline in competitiveness in the core ranges. Market share was level year-on-year (Source: Kantar, 52 w/e 25 March 2018).

The decline in management gross margin of 140 basis points year-on-year was more than the Group expected. During the second half of FY18, the Group continued to absorb input cost inflation.

The Group reviewed its Simply Food opening programme in FY18 to limit future store expansion to only the highest returning locations. In addition, the Group's accelerated UK store closure programme resulted in a further reduction to the number of full-line stores.

UK: Clothing & Home

In FY19, Clothing & Home revenue declined 3.6 per cent., partly driven by the Group's store closure programme, with like-for-like sales down 1.6 per cent. Discounted sales decreased, as a result of the planned reduction in stock-into-sale. UK Clothing & Home online revenue grew 9.8 per cent. in FY19, which was ahead of the online clothing market in the United Kingdom, with strong growth in womenswear, as the Group made improvements to its website and delivery proposition and focused on key categories, such as dresses, in the 'Must Haves' campaign.

Management gross margin increased 20 basis points to 57.1 per cent. in FY19. Buying margin was down 20 basis points as adverse currency headwinds more than offset sourcing gains across FY19. Discounting reduced by 40 basis points in FY19 largely as a result of the 14 per cent. reduction in stock-into-sale.

In FY18, Clothing & Home revenue declined 1.4 per cent., with like-for-like revenue down 1.9 per cent. as the Group removed two clearance sales. Full-price sales were broadly level. In addition, revenue declined in the second half of FY18 in a more challenging market with unseasonal weather conditions. The Group delivered solid growth in strategic focus areas such as Kidswear, bras and footwear.

Management gross margin was in line with expectations in FY18, up 50 basis points year-on-year. The Group offset significant currency headwinds by working with its supply base and through the direct sourcing

PART XIV CONTINUED

programme. The Group put approximately 8 per cent. less stock-into-sale across FY18 as a result of the planned removal of two clearance sales. However, challenging trading conditions in the second half of FY18 resulted in an increased depth of cut.

M&S.com revenues (including Food, marketplaces and localised International websites) increased by 5.2 per cent. in FY18 at constant currency. Performance was adversely impacted by the reduction in the number of clearance sales and capacity remained constrained at the Castle Donington warehouse in the third quarter of FY18.

In FY18, the Group accelerated the reshaping of its store portfolio to address the decline of the legacy estate and moved to a more cohesive, modern space and layout, resulting in a charge to adjusting items of £321.1 million.

UK operating costs

The following table sets out the Group's operating costs for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Store staffing.....	1,044.7	1,070.6	1,010.3
Other store costs.....	950.4	992.1	1,000.7
Distribution & warehousing.....	564.6	538.0	519.6
Marketing.....	155.1	151.6	162.7
Central costs.....	694.8	698.0	697.1
Total.....	3,409.6	3,450.3	3,390.4

UK operating costs before adjusting items decreased 1.2 per cent. in FY19. Store closures more than offset the cost of new space and channel shift. Cost savings across the business outweighed inflation related increases.

Store staffing costs reduced in FY19, as savings from store management restructuring, closures and other efficiencies more than offset pay inflation. Other store costs reduced driven by lower depreciation, due to the Group's store closure programme and as a number of assets have reached the end of their useful life, which more than offset rent and rates inflation in FY19.

The growth in distribution and warehousing costs in FY19 was largely driven by inflation and the costs of channel shift, as well as costs associated with the closure of an equipment warehouse, with some offset achieved from improved efficiencies at Castle Donington.

The increase in marketing costs reflected investments in the Group's Food brand and the planned increase in costs in the second half of the year due to the timing of campaigns.

Central costs reduced in FY19 as lower incentive costs year-on-year, the benefits of the technology transformation programme and other cost efficiencies more than offset system investment write-offs and expenditure on the "Fuse" programme.

In FY18, UK operating costs before adjusting items grew at 1.8 per cent., which was below expectations. Costs associated with new space and volume drove a 2 per cent. increase overall. Wage and other inflation-related increases and investment in store staffing were largely offset by marketing and retail efficiencies.

Other store costs reduced in FY18. Favourable rates settlements, lower depreciation and reduced charges for utilities helped to offset the costs of new space.

The growth in distribution and warehousing costs in FY18 was largely driven by inflation, volume and the costs of channel shift. In Clothing & Home, the Group delivered improved costs per single in FY18 as it increased utilisation of the Bradford warehouse.

Central costs increased in a number of areas in FY18, including IT and the introduction of the UK government's apprentice levy. However, these were offset by reduced costs following the head office restructuring and lower incentive costs year-on-year.

PART XIV CONTINUED

M&S Bank

M&S Bank income before adjusting items of £20.9 million (FY18: £34.7 million) was down £12.7 million to £27.6 million in FY19. This was predominantly the result of an increase in bad debt provisioning due to the impact of revised forward estimates of economic indicators, including the impact of Brexit, as required by IFRS 9, as well as a modest increase in underlying bad debt due to the risk of customer default. Underlying credit income was slightly up as a result of more competitive pricing. M&S Bank income after adjusting items increased £1.1 million to £6.7 million in FY19.

M&S Bank income before adjusting items of £34.7 million (FY17: £44.1 million) was down £9.9 million to £40.3 million in FY18. This was a result of changes to the assumed effective interest rate in both years and the implementation of IFRS 9, which resulted in higher bad debt provisioning. There was also a modest reduction in underlying interest-bearing balances in FY18 compared to FY17.

International

The following tables set out the Group's International revenue for the periods indicated:

	52 weeks ended		Change	Change Constant Currency ⁽²⁾	Change Constant Currency (excl. Hong Kong) ⁽²⁾
	30 March 2019	31 March 2018			
	(<i>£ millions</i>)			(%)	
Revenue					
Franchise	409.1	360.6	13.4	13.3	2.2
Owned retained ⁽¹⁾	527.5	660.2	(20.1)	(19.3)	0.3
Total retained	936.6	1,020.8	(8.2)	(7.7)	1.1
Owned exit	—	66.4	—	—	—
Total	936.6	1,087.2	(13.9)	(13.4)	(6.1)

(1) Hong Kong results reported in owned retained until the business was sold to the Group's franchise partner. In FY18, £128.6 million of Hong Kong revenue was included in owned retained and £12.6 million was included in franchise.

(2) Change at constant currency represents the period-on-period change in revenue retranslating FY18 revenue at the average actual periodic exchange rates used in FY19. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.

The following table shows the impact of this foreign exchange retranslation for FY18:

	52 weeks ended		
	30 March 2019	31 March 2018	
	(<i>£ millions</i>)		(%)
International revenue			
At constant currency	936.6	1,081.3	(13.4)
Impact of FX retranslation	—	5.9	—
At reported currency	936.6	1,087.2	(13.9)

PART XIV CONTINUED

	52 weeks ended		Change	Change Constant Currency ⁽²⁾	Change Constant Currency (excl Hong Kong) ⁽²⁾
	31 March 2018	1 April 2017			
	(£ millions)			(%)	
Revenue					
Franchise	360.6	314.0	14.8	13.3	9.3
Owned retained ⁽¹⁾	660.2	674.0	(2.0)	(4.8)	(1.1)
Total retained	1,020.8	988.0	3.3	0.9	2.8
Owned exit	66.4	192.3	(65.5)	(66.7)	(66.7)
Total	1,087.2	1,180.3	(7.9)	(10.2)	(10.4)

(1) Hong Kong results reported in owned retained until the business was sold to the Group's franchise partner. In FY18, £128.6 million of Hong Kong revenue was included in owned retained and £12.6 million was included in franchise.

(2) Change at constant currency represents the period-on-period change in revenue retranslating FY17 revenue at the average actual periodic exchange rates used in FY18. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.

The following table shows the impact of this foreign exchange retranslation for FY17:

	52 weeks ended		Change
	31 March 2018	1 April 2017	
	(£ millions)		(%)
International revenue			
At constant currency	1,087.2	1,211.3	(10.2)
Impact of FX retranslation	—	(31.0)	—
At reported currency	1,087.2	1,180.3	(7.9)

The following table sets out the Group's International operating profit before adjusting items for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	(£ millions)		
Operating profit before adjusting items			
Franchise	72.2	86.1	81.9
Owned retained ⁽¹⁾	52.7	53.1	16.8
Total retained	124.9	139.2	98.7
Owned exit ⁽¹⁾	2.1	(4.0)	(34.3)
Total	127.0	135.2	64.4

(1) Restated in FY17 for closure of the Group's online business in China. Hong Kong results reported in owned retained until the business was sold to the Group's franchise partner.

Total International revenue decreased 13.4 per cent. in FY19 at constant currency. Excluding the impact from exit markets and Hong Kong, revenue at constant currency increased 1.1 per cent. in FY19. This was driven by the Group's franchise operations, where Food revenue increased by 8 per cent., with notable growth in France, the Middle East and Singapore. The Group implemented "market right" pricing for its International clothing and home products across all markets and experienced an improving trend in retail sales in the fourth quarter. Owned retained revenue reflects solid growth in India and Greece, which largely offsets ongoing difficult trading conditions in the Republic of Ireland.

International operating profit before adjusting items decreased 6.1 per cent. in FY19, with total retained operating profit down 10.3 per cent. This was largely driven by the sale of our business in Hong Kong and the implementation of market right pricing. The decline in franchise operating profit reflects a allocation of £8 million of costs from owned to franchise following the closure of owned markets and the sale of the Group's business in Hong Kong, in addition to the implementation of "market right" pricing. Owned retained

PART XIV CONTINUED

profit increased, excluding the effects of the disposal of Hong Kong. The £2.1 million profit in owned exit markets largely reflected the recovery of an historical VAT receivable.

International revenue decreased 7.9 per cent. in FY18. This was driven by the exit from loss-making owned markets and the sale of the Group's operations in Hong Kong to an existing franchise partner.

Excluding these effects, revenue at constant currency was up 2.8 per cent. in FY18. The Group generated strong growth in franchise revenue, with an improved performance in the Middle East, Russia and Turkey, and from expansion of the Group's Food business. Revenue in owned retained markets was down 1.1 per cent. with a strong performance in India where the Group opened seven new stores, offset by difficult trading in the Republic of Ireland.

International operating profit before adjusting items increased by 109.9 per cent. in FY18 compared to FY17. The Group completed the planned exit of loss-making markets and generated improved margins in owned retained markets in FY18, largely driven by transactional currency gains.

Liquidity and capital resources

The Group's primary sources of liquidity have historically been cash flows from operations and borrowings under available credit facilities and capital market issuances. The Group's primary uses of liquidity have historically been operations, capital expenditure and debt service.

Working capital

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

Borrowings

The table below shows the Group's borrowings and other financial liabilities as at the dates indicated:

	As at		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
Current			
Bank loans and overdrafts ⁽¹⁾	72.3	88.4	70.3
Finance lease liabilities	0.3	0.3	0.4
6.250% US\$500 million medium-term notes due 2017 ⁽²⁾ ..	—	—	328.1
6.125% £400 million medium-term notes due 2019 ⁽³⁾	399.8	—	—
Interest accrued on medium-term notes	37.0	36.9	46.4
Revaluation of medium-term notes	3.7	—	72.8
	513.1	125.6	518.0
Non-current			
6.125% £400 million medium-term notes due 2019 ⁽³⁾	—	400.1	400.2
6.125% £300 million medium-term notes due 2021 ⁽⁴⁾	298.7	298.2	297.8
3.000% £300 million medium-term notes due 2023 ⁽⁵⁾	297.4	296.9	296.3
4.750% £400 million medium-term notes due 2025 ⁽⁶⁾	399.3	397.5	397.1
7.125% US\$300 million medium-term notes due 2037 ⁽⁷⁾ ..	192.1	192.0	191.9
Revaluation of medium-term notes	45.8	38.2	80.1
Finance lease liabilities	46.2	47.7	48.3
	1,279.5	1,670.6	1,711.7
Total	1,792.6	1,796.2	2,229.7

(1) FY18 and FY17 includes a £5.0 million loan from the Hedge End Park Limited joint venture that was repaid during FY19. The loan was received from the joint venture on 9 October 2002. It is repayable on five business days' notice and was renewed on 31 December 2017. Interest was charged on the loan at 2.0 per cent. until 31 December 2009 and 0.5 per cent. thereafter.

(2) Represents the 6.250% U.S. dollar denominated medium-term notes issued by Marks & Spencer plc, which matured in 2017. Interest on these notes is payable semi-annually.

PART XIV CONTINUED

- (3) Represents the 6.125% sterling denominated medium-term notes issued by Marks & Spencer plc, which will mature in 2019. These notes are issued under Marks & Spencer plc's £3 billion European medium-term note programme and pay interest annually.
- (4) Represents the 6.125% sterling denominated medium-term notes issued by Marks & Spencer plc, which will mature in 2021. These notes are issued under Marks & Spencer plc's £3 billion European medium-term note programme and pay interest annually.
- (5) Represents the 3.000% sterling denominated medium-term notes issued by Marks & Spencer plc, which will mature in 2023. These notes are issued under Marks & Spencer plc's £3 billion European medium-term note programme and pay interest annually.
- (6) Represents the 4.750% sterling denominated medium-term notes issued by Marks & Spencer plc, which will mature in 2025. These notes are issued under Marks & Spencer plc's £3 billion European medium-term note programme and pay interest annually.
- (7) Represents the 7.125% U.S. dollar denominated medium-term notes issued by Marks & Spencer plc, which will mature in 2037. Interest on these notes is payable semi-annually.

For further details of the Group's credit agreements, see paragraph 14 of Part XVII: "Additional Information".

Capitalisation and indebtedness

The following table sets out the Group's capitalisation and indebtedness as at 30 March 2019. The figures have been extracted without material adjustment from the 2019 Annual Report and Financial Statements incorporated by reference in this Prospectus. The following table does not reflect the impact of the Rights Issue.

	As at 30 March 2019
	<i>(£ millions)</i>
Current debt	
Guaranteed.....	—
Secured ⁽¹⁾	0.3
Unguaranteed/unsecured ⁽²⁾	584.7
Total current debt	585.0
Non-current debt	
Guaranteed.....	—
Secured ⁽¹⁾	46.2
Unguaranteed/unsecured ⁽³⁾	1,433.8
Total non-current debt	1,480.0
Shareholders equity	
Share capital.....	406.3
Share premium.....	416.9
Legal reserves.....	—
Other reserves.....	1,857.7
Total capitalisation	2,680.9

(1) Includes finance lease liabilities.

(2) Comprises of current bank loans and overdrafts (£72.3 million), partnership liability to the M&S Pension Scheme (£71.9 million), medium-term notes (£403.5 million) and accrued interest on medium-term notes (£37.0 million).

(3) Comprises of medium-term notes (excluding hedging derivatives) (£1,233.3 million) and partnership liability to the M&S Pension Scheme (£200.5 million).

(4) Other reserves includes the capital redemption reserve of £2,210.5 million, hedging reserve of (£14.6 million), cost of hedging reserve of £11.7 million, foreign exchange reserve of (£44.7 million), other reserves of (£6,542.2 million), non-controlling interest of (£0.1 million) and retained earnings of £6,237.1 million.

There have been no material changes in the capitalisation of the Group, as set out in the above table, since 30 March 2019.

PART XIV CONTINUED

The following table sets out the Group's net financial indebtedness as at 30 March 2019. The figures have been extracted without material adjustment from the 2019 Annual Report and Financial Statements incorporated by reference in this Prospectus.

	As at 30 March 2019
	<i>(£ millions)</i>
Cash and cash equivalents.....	285.4
Trading securities.....	141.8
Liquidity	427.2
Current financial receivable ⁽¹⁾	—
Current bank debt.....	(72.3)
Current portion of non-current debt.....	(37.0)
Other current financial debt ⁽²⁾	(403.8)
Current financial debt	(513.1)
Net current financial indebtedness	(85.9)
Non-current bank loans.....	—
Bonds issued ⁽³⁾	(1,233.3)
Other non-current loans ⁽⁴⁾	(46.2)
Non-current financial indebtedness	(1,279.5)
Net financial indebtedness	(1,365.4)

(1) £178.4 million of financial assets in the form of trade and other receivables excluding prepayments held by the Group have not been included within this line.

(2) Comprises medium-term notes (£403.5 million) and finance lease liabilities (£0.3 million). Excludes partnership liability to the M&S Pension Scheme (£71.9 million).

(3) Medium-term notes issued excluding the impact of hedging derivatives.

(4) Comprises of finance lease liabilities (£46.2 million). Excludes partnership liability to the M&S Pension Scheme (£200.5 million).

The Group has no indirect or contingent indebtedness as at 30 March 2019.

PART XIV CONTINUED

Cash flow and net debt

The table below sets out the Group's cash flow and net debt for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
		<i>(£ millions)</i>	
Operating profit.....	162.4	156.5	253.2
Adjusting items ⁽¹⁾	438.6	514.1	437.4
Adjusted operating profit.....	601.0	670.6	690.6
Depreciation and amortisation before adjusting items.....	544.9	580.6	589.5
Working capital.....	59.1	(96.8)	(7.5)
Defined benefit scheme pension funding.....	(37.9)	(41.4)	(36.6)
Capital expenditure and disposals.....	(264.8)	(346.0)	(383.2)
Interest and taxation.....	(184.7)	(200.5)	(202.6)
Investment in joint venture.....	(2.5)		
Non-cash share based payment charges.....	19.2	18.9	10.6
Share transactions.....	(4.9)	(3.0)	5.5
Free cash flow before adjusting items.....	729.4	582.4	666.3
Adjusting items cash outflow.....	(145.3)	(164.9)	(80.9)
Free cash flow.....	584.1	417.5	585.4
Ordinary dividends paid.....	(303.5)	(303.4)	(303.0)
Special dividend.....	—	—	(74.5)
Free cash flow after shareholder returns.....	280.6	114.1	207.9
Opening net debt.....	(1,827.5)	(1,934.7)	(2,138.3)
Exchange and other non-cash movements.....	1.8	(6.9)	(4.3)
Closing net debt.....	(1,545.1)	(1,827.5)	(1,934.7)

(1) Adjusting items are those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. For a summary of these adjusting items, see "*—Group results of operations—Adjusting items*" above. Metrics presented "before adjusting items" are alternative performance measures which are not defined or specified under the requirements of IFRS. See "*—Alternative performance measures and other non-IFRS financial data*" below and Part V: "*Important Information—5. Non-IFRS financial information*" for further information on the uses and limitations of these alternative performance measures.

The business generated free cash flow before adjusting items of £729.4 million in FY19, up £147.0 million compared to FY18 primarily as a result of working capital inflow, lower capital expenditure and lower interest and taxation payments. The working capital inflow was driven by the planned reductions in Clothing & Home inventory levels and the timing of creditors at year end. Lower interest and taxation payments in FY19 reflect both the repayment of a bond in December 2017 and lower taxable profit in FY18.

Defined benefit scheme pension funding of £37.9 million largely reflects the second limited partnership interest distribution to the pension scheme in FY19.

Adjusting items in cash flow in FY19 were £145.3 million. These included £27.3 million in relation to the UK store closure programme, £24.9 million in relation to organisational change, £20.9 million for M&S Bank, £12.7 million relating to the closure of stores in international markets and £11.1 million in relation to the technology transformation programme. Total adjusting items in cash flow are anticipated to be a similar amount in FY20, prior to the implementation of IFRS 16.

After the payment of the final dividend from FY18 and interim dividend from the first half of FY19, net debt was down £282.4 million compared to FY18.

The business generated free cash flow before adjusting items of £582.4 million in FY18, down £83.9 million compared to FY17 primarily as a result of lower adjusted operating profit and a higher cash outflow on working capital partially offset by lower capital expenditure. The working capital outflow was driven by the

PART XIV CONTINUED

impact of International market exits, a lower incentive accrual year-on-year and higher Clothing & Home stock at year end.

Defined benefit scheme pension funding in FY18 reflected the £36.4 million second limited partnership interest distribution to the pension scheme in FY18 as well as the final contribution for the defined benefit scheme paid after the prior year end.

Adjusting items in cash flow during FY18 included amounts relating to the closure of stores in international markets of £85.7 million, the transition payments in respect of pensions and pay premia of £36.7 million and M&S Bank of £34.7 million. These were partially offset by the cash inflow associated with the disposal of the Hong Kong retail business of £22.9 million.

Despite the significant cash outflows associated with the Group's strategic programmes in FY18, net debt was down £107.2 million compared to FY17.

Capital expenditure

The table below presents a breakdown of the Group's capital expenditure for the periods indicated:

	52 weeks ended		
	30 March 2019	31 March 2018	1 April 2017
	<i>(£ millions)</i>		
UK store environment.....	26.0	26.6	22.6
New UK stores.....	40.1	72.1	75.0
International.....	11.0	11.6	13.4
Supply chain.....	48.7	23.8	34.0
IT & M&S.com.....	88.2	91.9	122.9
Property maintenance.....	69.0	72.9	90.3
Capital expenditure before disposals.....	283.0	298.9	358.2
Proceeds from property disposals.....	(48.1)	(3.2)	(27.0)
Capital expenditure.....	234.9	295.7	331.2

Capital expenditure is expected to increase in FY20 to between £350 million and £400 million, largely as a result of an increase in investment on store environment, new store trials and Clothing & Home logistics capacity.

Group capital expenditure before disposals remained tightly controlled in FY19, resulting in a 5.3 per cent. reduction year-on-year, before disposal proceeds.

UK store environment spend was slightly down in FY19, reflecting investment in store layout in FY18, partially offset by investment in improved visual merchandising and Click & Collect facilities in a number of stores. Spend on UK store space was lower in FY19 as the Group opened 15 fewer owned Simply Food and full-line stores than in FY18. International expenditure remained focused on the store opening and modernisation programme.

Supply chain expenditure increased in FY19 due to investment in the Welham Green distribution centre as the Group moves towards a single-tier network for Clothing & Home and improvements to the Group's capabilities at Castle Donington. Spend in IT and M&S.com in FY19 was driven by the migration from the mainframe system, investment in the Welham Green distribution centre and website enhancements to optimise user experience. Spend was slightly lower than FY18 due to the ongoing move towards more cloud-based solutions and following the technology transformation programme. Property maintenance spend in FY19 largely related to investment in the Group's stores as well as investment in energy efficiency projects and reconfiguring the central London office building to rationalise the use of office space.

Proceeds from property disposals in FY19 related to the sale of six closed stores and the sale and leaseback of eight Simply Food stores.

In FY19, 39 per cent. of the Group's total capital expenditure was efficiency capital expenditure (investments expected to result in reduced cost of goods sold or operating costs (including avoidance of cost increases) or expected to reduce the Group's working capital), 26 per cent. was growth capital expenditure (investments expected to result in increased Group revenues) and 35 per cent. was other capital expenditure (investments in

PART XIV CONTINUED

essential asset replacement and investments to comply with legal, regulatory or internal policies that are not expected to deliver additional returns).

Group capital expenditure before disposals also remained well controlled in FY18, which resulted in a further 17 per cent. reduction compared to FY17, before disposal proceeds.

UK store environment spend in FY18 reflected the rebalancing of in-store layouts towards strategic growth priorities such as Kidswear and the rebranding of a number of Foodhalls.

Spend on UK store space was slightly down in FY18. Whilst the Group opened 40 new owned stores in FY18 compared to 35 in FY17, the reduction reflected a freehold purchase in the prior year and slightly higher landlord contributions.

Supply chain expenditure reduced in FY18, reflecting the completion of larger projects such as the Bradford distribution centre in FY17. During the second half of FY18, the Group began investment in the new Welham Green distribution centre as the Group moved towards completing its single tier network for Clothing & Home.

The decline in IT and M&S.com expenditure in FY18 reflected the ongoing move towards more cloud-based software solutions and the investment in handheld devices and store technology in stores in FY17. The Group also invested to migrate from its mainframe system.

Lower property disposal proceeds in FY18 reflected the receipt of the final instalment from the sale of the White City warehouse received in FY17.

In FY18, 35 per cent. of the Group's total capital expenditure was efficiency capital expenditure, 29 per cent. was growth capital expenditure and 36 per cent. was other capital expenditure.

Pension

Marks and Spencer plc reached an agreement with the trustee of the M&S Pension Scheme with regards to the triennial actuarial valuation as at 31 March 2018. This resulted in a statutory surplus of £652 million and is an improvement on the previous position at 31 March 2015 (statutory surplus of £204 million), primarily due to lower assumed life expectancy. Marks and Spencer plc and the Trustee have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing SLP arrangements and which are included in the calculation of the statutory surplus).

At 30 March 2019, the IAS 19 net retirement benefit surplus was £914.3 million, compared to £948.2 million as at 31 March 2018. The IAS 19 surplus includes the first partnership interest in the scheme assets, valued at £278.5 million. The decrease in the surplus is largely due to a decrease in the discount rate partially offset by a change in mortality assumptions and by the return on scheme assets.

In April 2019, following the end of FY19, the M&S Pension Scheme purchased two additional pensioner buy-in policies with two insurers for £1.4 billion. Together with the two policies purchased in March 2018, the M&S Pension Scheme has now, in total, hedged its longevity exposure for around two-thirds of the cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing Marks and Spencer plc's exposure to changes in longevity, interest rates, inflation and other factors.

As at 31 March 2018, the IAS 19 net retirement benefit surplus was £948.2 million, compared to £692.8 million as at 1 April 2017. The increase in the surplus was largely due to an increase in the discount rate and a change in mortality assumptions.

In March 2018, the M&S Pension Scheme entered into pensioner buy-in policies with two insurers for £1.4 billion which reduced its longevity exposure to around one-third of the pensioner cash flow liabilities.

See Part XVII: "Additional Information—10. Pension Schemes" for further information.

PART XIV CONTINUED

Contractual obligations and commitments

The Group incurs contractual obligations in the ordinary course of business, as described below. The funds required to satisfy these obligations are expected to be derived from operating cash flows and from committed facilities.

Capital commitments

	As at		
	30 March 2019	31 March 2018	1 April 2017
		(£ millions)	
Commitments in respect of properties in the course of construction.	90.1	121.8	156.4
Software capital commitments.....	6.8	17.2	11.0
Total	96.9	139.0	167.4

Other material contracts

In the event of termination of trading arrangements with certain warehouse operators, the Group has a number of options and commitments to purchase some property, plant and equipment, at values ranging from historical net book value to market value, which are currently owned and operated by the warehouse operators on the Group's behalf. These options and commitments would have an immaterial impact on the Group's statement of financial position.

See Note 12 to the 2019 Annual Report and Financial Statements for details on the Group's partnership arrangement with the M&S Pension Scheme.

Commitments under operating leases

The Group leases various stores, offices, warehouses and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The table below sets out the Group's commitments under operating leases as at the dates indicated:

	As at		
	30 March 2019	31 March 2018	1 April 2017
		(£ millions)	
Within one year.....	296.1	288.5	342.0
Later than one year and not later than five years.....	1,053.7	1,026.1	1,115.9
Later than five years and not later than ten years.....	871.2	896.8	964.1
Later than ten years and not later than 15 years.....	499.5	503.8	421.9
Later than 15 years and not later than 20 years.....	280.1	304.6	285.3
Later than 20 years and not later than 25 years.....	124.8	149.4	166.8
Later than 25 years.....	964.5	1,026.8	1,069.5
Total	4,089.9	4,196.0	4,365.5

The total future sublease payments to be received were £214.6 million as at 30 March 2019, compared to £27.4 million as at 31 March 2018 and £34.6 million as at 1 April 2017.

Of the total commitments under operating leases disclosed above, £308.5 million in FY19 (FY18: £172.5 million; FY17: £129.1 million) has been provided for on the Group's balance sheet as onerous lease provisions with regards to stores identified as part of the UK store closure programme. In relation to the International wholly-owned store closure programme, in FY17, £70 million of total commitments under operating leases was provided for with regards to expected lease exit costs. No commitments remained in FY18 or FY19 relating to the International wholly-owned store closure programme.

PART XIV CONTINUED

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

The Group recorded the following movements in provisions during FY19:

	Property	Restructuring	Other	Total
		<i>(£ millions)</i>		
At 31 March 2018	233.3	28.4	30.2	291.9
Provided in the year.....	181.5	29.2	3.6	214.3
Released in the year.....	(22.8)	(2.4)	(1.4)	(26.6)
Utilised during the year.....	(63.3)	(32.3)	(1.0)	(96.6)
Exchange differences.....	(0.1)	(0.3)	—	(0.4)
Discount rate unwind.....	17.3	—	—	17.3
Reclassification to trade and other payables.....	(0.1)	(1.1)	—	(1.2)
At 30 March 2019	345.8	21.5	31.4	398.7

Property provisions relate to onerous lease contracts and dilapidations primarily arising as a result of the closure of stores in the United Kingdom, as part of the UK store closure programme, together with the centralisation of the London head office functions into one building. These provisions are expected to be utilised over the period to the end of each specific lease.

Restructuring provisions relate to the estimated costs associated with the International exit strategy and the strategic programme to transition to a single tier UK distribution network. These provisions are expected to be utilised within the next year.

Other provisions include amounts in respect of potential liabilities for employee-related matters. The utilisation during the year primarily related to the payment of transition amounts in respect of pay and premia. These provisions are expected to be utilised within the next year.

Off balance sheet arrangements

Other than as disclosed under “—Contractual obligations and commitments” above, the Group had no off balance sheet arrangements as at 30 March 2019.

Quantitative and qualitative disclosure about market risk

The Group is exposed to a variety of market and financial risks, including risks relating to liquidity and funding, interest rates, foreign currency and counterparties. For a discussion of these risks, see Note 1 and Note 21 to the Group’s consolidated audited financial statements included in the 2019 Annual Report and Financial Statements, which is incorporated by reference in this Prospectus.

Critical accounting policies and sources of estimation uncertainty

The preparation of consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

A detailed description of certain of the main accounting policies used in preparing the Group’s historical financial information and the estimates and judgements which have a significant risk of causing material adjustment to the carrying amount of assets and liabilities is set forth in Note 1 to the Group’s consolidated

PART XIV CONTINUED

audited financial statements included in the 2019 Annual Report and Financial Statements, which is incorporated by reference in this Prospectus.

Recent and prospective changes in accounting policies

IFRS 16

IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. The Group will adopt the new financial reporting standard from 31 March 2019. The financial statements for FY20 will be the first prepared under IFRS 16. The Group has decided to adopt using the fully retrospective transition approach meaning the comparative period will also be restated at this time.

There will be a significant impact on the opening balance sheet as at 30 March 2019. It is expected on a pre-tax basis that a right of use asset of approximately £1.7 billion and lease liability of approximately £2.6 billion will be recognised, along with the derecognition of onerous lease provisions of approximately £0.2 billion and other working capital balances (including lease incentives) of approximately £0.4 billion, which results in an overall adjustment to retained earnings of approximately £0.3 billion.

Operating profit and EBIT before adjusting items increase due to the depreciation expense being lower than the lease expense it replaces. The overall impact on profit before tax and adjusting items depends on the relative maturity of the lease portfolio. Rounded to the nearest £10 million, it is estimated that for FY19:

- profit before tax when applying IFRS 16 is approximately £10 million higher than that reported in the 2019 Annual Report and Financial Statements under current accounting standards, including IAS 17 Leases;
- profit before tax and adjusting items is approximately £10 million lower; and
- operating profit before tax and adjusting items is approximately £130 million higher.

The application of IFRS 16 requires a reclassification of cash flow from operations to net cash used in financing activities, however, the impact to the Group is cash flow neutral.

For further detail on IFRS 16, please see Note 1 to the 2019 Annual Report and Financial Statements.

PART XV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

SECTION A – UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited *pro forma* financial information for the Group (the **Unaudited Pro Forma Financial Information**) set out in this Part XV has been prepared to illustrate the effect on the profit of the Group of the Rights Issue and entry into the proposed JV transaction as if they had occurred on 1 April 2018.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only. Because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The Unaudited Pro Forma Financial Information has been prepared on the basis set out in the notes below in this Part XV, and in a manner consistent with the accounting policies adopted by the Group in preparing its audited consolidated financial statements for the year ended 30 March 2019, and in accordance with the requirements of items 1 to 6 of Annex II to the Prospectus Directive.

Unaudited Pro Forma Income Statement

	Adjustments			Pro forma Group 30 March 2019
	Group 30 March 2019	Proposed JV	Other costs	
	Note 1	Note 2 (£ millions)	Note 3	
Revenue.....	10,377.3	—	—	10,377.3
Operating profit.....	162.4	—	(0.8)	161.6
Share of profits of the proposed JV.....	—	15.0	—	15.0
Finance income.....	33.8	—	—	33.8
Finance costs.....	(111.6)	—	—	(111.6)
Profit before tax.....	84.6	15.0	(0.8)	98.8
Income tax expense.....	(47.3)	—	—	(47.3)
Profit for the year.....	37.3	15.0	(0.8)	51.5

(1) The income statement for the Group for the year ended 30 March 2019 has been extracted, without material adjustment, from its audited consolidated financial statements incorporated by reference into this document (see Part VI: "Information Incorporated by Reference").

(2) (a) The adjustment reflects the Group's 50 per cent. share of profit of the proposed JV on an equity accounting basis. Share of profits is shown before interest, tax, depreciation and amortisation.

The share of profit for the proposed JV is calculated below:

	Proposed JV
	Note 2b (£ millions)
Revenue.....	1,466.6
Cost of sales.....	(1,043.0)
Gross profit.....	423.6
Other income.....	59.8
Distribution costs.....	(403.3)
Administrative expenses.....	(50.0)
Operating profit.....	30.1
Group share of the proposed JV operating profit on equity accounting basis (50 per cent.).....	15.0

(b) The information on the proposed JV for the 52 weeks ended 2 December 2018 has been extracted without material adjustment from footnote 2 to the Unaudited *Pro Forma* Income Statement in Part IV of the Ocado Circular. Footnote 2 to the Unaudited *Pro Forma* Income Statement in Part IV of the Ocado Circular is incorporated by reference in this Prospectus (see Part VI: "Information Incorporated by Reference").

(c) It reflects the results of the proposed JV for the 52 weeks ended 2 December 2018. It has been prepared on a basis consistent with the accounting policies of the Group. In addition, it is not possible to provide a meaningful allocation

PART XV CONTINUED

of depreciation, amortisation, interest or taxation charges for the proposed JV as these items were managed centrally by Ocado Group plc and not on a divisional basis. Therefore, the adjustments in respect of the share of profits of the proposed JV have only been prepared to a profit before interest, tax, depreciation and amortisation level.

The operating profit above of £30.1 million differs from the £34.2 million as announced by the Group on 27 February 2019, as it excludes certain capital charges and other items that do not meet the strict criteria for an adjustment in a *pro forma* per Annex II.

As noted above, operating profit is prepared before interest, tax, depreciation and amortisation and is therefore for the purposes of this Unaudited Pro Forma Financial Information assumed to be equivalent to EBITDA.

- (3) (a) Other costs relates to an estimated £33.4 million of fees from banks and other professional service providers in respect of the Rights Issue and the proposed JV. Of this, £3.4 million has already been expensed in the Group's FY19 results, with a further £0.8 million to be incurred as shown in the above *pro forma* as an adjustment to operating profit.
- (b) There is no material impact of the Rights Issue on the income statement *pro forma* as it is assumed that the proposed JV initial consideration will be financed entirely from the Rights Issue. Any interest income earned from the time the Rights Issue proceeds are received and the payment of the proposed JV consideration are assumed to be not material.
- (4) No account has been taken of the trading activity or other transactions of the Group since 30 March 2019 or of the proposed JV since 2 December 2018 or of the synergies expected to arise as a result of the Transaction. No account has been taken of the fair value exercise and purchase price allocation exercise which will take place after completion of the Transaction. For the purposes of the Unaudited Pro Forma Financial Information, all of the excess of the cost of the investment over the net assets of the proposed JV has been allocated to goodwill.

SECTION B – ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.

Deloitte LLP
1 New Street Square
EC4A 3HQ
London

The Board of Directors
on behalf of Marks and Spencer Group PLC
Waterside House
35 North Wharf Road
London
W2 1NW

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London
E14 4QA

24 May 2019

Dear Sirs,

Marks and Spencer Group PLC (the “Company”)

We report on the *pro forma* financial information (the “*Pro forma* financial information”) set out in Part XV of the prospectus dated 24 May 2019 (the “Investment Circular”), which has been prepared on the basis described in the notes 1-4 of Part XV of the Investment Circular, for illustrative purposes only, to provide information about how the Rights Issue and the entry into the proposed JV transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 March 2019. This report is required by the Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the *Pro forma* financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the *Pro forma* financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

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

Basis of Opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro forma* financial information has been

PART XV CONTINUED

properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

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

Opinion

In our opinion:

- (a) the *Pro forma* financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

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

PART XVI

KEY TRANSACTION TERMS

1. OVERVIEW OF THE TRANSACTION STRUCTURE

The Transaction will be effected by way of an acquisition by Marks and Spencer Holdings Limited (**Marks and Spencer Holdings**) of 50 per cent. of the total issued share capital of Ocado Retail Limited (**Ocado Retail**) from Ocado Holdings Limited (**Ocado Holdings**).

Following Completion, Marks and Spencer Holdings will hold directly 50 per cent. of the total issued share capital of Ocado Retail and Ocado Holdings will hold the remaining 50 per cent.

Marks and Spencer Holdings, Ocado Holdings and Ocado Retail will enter into a shareholders' agreement (the **Shareholders' Agreement**) on Completion which will govern the relationship between Marks and Spencer Holdings and Ocado Holdings in respect of the governance of Ocado Retail.

The following ancillary agreements will be entered into at Completion:

- (a) a shareholder loan agreement (the **Shareholder Loan Agreement**) between Marks and Spencer Holdings and Ocado Holdings governing the funding of capital expenditure and operating activities of Ocado Retail;
- (b) the Ocado Smart Platform Agreement governing Ocado Solutions (as defined below) provision of OSP to Ocado Retail;
- (c) the Third Party Logistics Services Agreement governing the provision of certain third party logistics, operational, IT and transitional services to Ocado Retail by Ocado Operating (as defined below);
- (d) a sourcing and branding agreement (the **Sourcing and Branding Agreement**) governing the supply of products to Ocado Retail by Marks and Spencer plc; and
- (e) a brand license agreement (the **Brand License Agreement**) governing Ocado Retail's right to use the "Ocado" brand.

The principal terms of the Shareholders' Agreement and each of the above ancillary agreements are summarised at paragraphs 3 to 8 of this Part XVI.

2. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below.

2.1 Introduction

The Sale and Purchase Agreement was entered into on 27 February 2019 among Ocado Holdings, Ocado Group plc, Marks and Spencer Holdings, Marks and Spencer plc and the Company. In accordance with the provisions of the Sale and Purchase Agreement and subject to the satisfaction or, if applicable, waiver of the conditions set out in the Sale and Purchase Agreement Marks and Spencer Holdings has agreed to acquire the Acquisition Shares from the Ocado Holdings.

Marks and Spencer plc and Ocado Group plc are parties to the Sale and Purchase Agreement to guarantee certain obligations of Marks and Spencer Holdings and Ocado Holdings respectively.

2.2 Consideration

The initial consideration payable on Completion under the Sale and Purchase Agreement is £562,500,001 (the **Initial Consideration**), subject to customary post-Completion net debt and working capital adjustments. Ocado Holdings shall (subject to the terms of the Sale and Purchase Agreement) also be entitled to receive deferred consideration of up to a maximum of £187,500,000 (plus interest at 4 per cent. per annum), which is contingent upon the satisfaction of certain financial and operating conditions. The total consideration for the acquisition will be up to £750,000,001, being the aggregate of the Initial Consideration and deferred consideration that becomes payable under the Sale and Purchase Agreement.

The Initial Consideration is subject to: (a) an adjustment to reflect the amount of net debt at Completion; and (b) a customary working capital adjustment by reference to an agreed target amount of working capital. An estimated consideration amount will be paid at Completion, with an adjusting payment to be made following the determination of any post-Completion adjustment.

PART XVI CONTINUED

Ocado Holdings shall (subject to the terms of the Sale and Purchase Agreement) be entitled to receive deferred consideration as follows:

- (a) an amount equal to £156,250,000 if the adjusted EBITDA for the financial year ending on the closest Sunday to 30 November 2023 reaches or exceeds an agreed threshold;
- (b) an amount equal to £15,625,000 if utilised capacity in CFC located at Church Manorway, Erith DA8 1DE meets an agreed threshold for a continuous period of three months on or before 30 November 2023; and
- (c) an amount equal to £15,625,000 following the first delivery to a customer being made from the next CFC to be established by Ocado Retail (excluding any facilities developed as replacements for the CFC previously located at Flinders Close, Walworth Business Park, Andover SP10 5QZ).

2.3 Conditions to Completion

Completion is conditional upon the satisfaction (or, where applicable, waiver) of the following conditions on or before 31 March 2020:

- (a) completion of a restructuring to transfer the business and assets within an agreed perimeter to Ocado Retail and to transfer any business and assets not within such perimeter from Ocado Retail to one or more members of the Ocado Group (the **Separation**);
- (b) the relevant member of the Ocado Group having either: (i) obtained all waivers, consent and releases under the existing Ocado Financing; or (ii) redeemed, replaced, terminated or defeased in full the existing Ocado Financing to the extent required to ensure the shares in Ocado Retail are capable of being transferred free from any encumbrance and that Ocado Retail is free from any obligation or liability under or in connection with the Ocado Financing; and
- (c) the Competition and Markets Authority not having requested submission of a merger clearance filing as at the date on which all other conditions are satisfied or waived, or, if it does, approval by the Competition and Markets Authority.

If the conditions are not satisfied or waived on or before 31 March 2020, then the Sale and Purchase Agreement will lapse and be of no further effect.

Ocado Holdings and Marks and Spencer Holdings have each undertaken to use commercially reasonable efforts to ensure that the conditions are satisfied as soon as reasonably practicable and in any event, on or before 31 March 2020. Furthermore, Ocado Holdings has agreed to secure any consent required from noteholders in connection with the condition referred to at paragraph (b) above as soon as practicable and no later than 30 June 2019. On 20 May 2019, Ocado's shareholders approved the resolutions required to be passed by them in order to implement and effect the Transaction. It is currently expected that all the conditions to the Sale and Purchase Agreement will be satisfied by 31 July 2019.

2.4 Warranties

The Sale and Purchase Agreement contains warranties given by Ocado Holdings which are customary for a transaction of this size and nature (including, amongst other things: (a) its title to the shares in Ocado Retail; (b) its capacity and authority to enter into the Sale and Purchase Agreement and other documents in connection with the Transaction; and (c) in respect of Ocado Retail, its assets and business, certain financial information and taxation).

Ocado Holdings' warranties (save for certain warranties in respect of taxation) are repeated at Completion, but will be subject to disclosure at such time.

Ocado Holdings has also undertaken that the business of Ocado Retail is carried on in the ordinary course in the period before Completion.

Marks and Spencer Holdings has given customary warranties as to its power and capacity to enter into the Sale and Purchase Agreement and other agreements in respect of the Transaction.

Ocado Holdings' aggregate liability for warranty claims (other than claims in respect of certain fundamental warranties) is capped at 30 per cent. of the total consideration for the acquisition (including the full amount of the deferred consideration) and claims are subject to customary minimum thresholds. Liability under the warranties shall terminate: (i) in respect of the fundamental warranties, on the fifth anniversary of Completion; and (ii) in respect of the tax warranties, on the seventh anniversary of Completion.

PART XVI CONTINUED

Ocado Holdings' liability in respect of claims under the Sale and Purchase Agreement that are not warranty claims, claims in respect of certain fundamental warranties or claims under the indemnity in respect of the Separation as referred to below is capped at 50 per cent. of the total consideration for the Transaction and will terminate 18 months after Completion. There are no limitations on the customary fundamental warranties given by either Marks and Spencer Holdings or Ocado Holdings.

2.5 Indemnities of Ocado Holdings

Ocado Holdings has agreed to indemnify and hold harmless, on an after taxation basis, Marks and Spencer Holdings against: (a) losses incurred or suffered by any member of the Group; and (b) an amount equal to 50 per cent. of losses incurred or suffered by Ocado Retail, in each case:

- (i) arising as a result of the failure by Ocado Holdings to correctly implement the Separation;
- (ii) which would not have arisen but for, and to the extent arising from, the implementation of the Separation; or
- (iii) arising out of, based upon or in connection with, directly or indirectly, any fact, matter or circumstance arising before, on or after Completion to the extent that such fact, matter or circumstance relates to assets, rights or activities that are not part of the business of Ocado Retail,

including reasonable costs and expenses in defending proceedings arising out of or in connection with the implementation or failure to implement the Separation, in aggregate up to an amount equal to 200 per cent. of the sum of the Initial Consideration and £187,500,000, such indemnity to terminate on the fifth anniversary of Completion.

Ocado Holdings has also agreed to indemnify and hold harmless, on an after taxation basis, Marks and Spencer Holdings against 50 per cent. of certain required costs paid by Ocado Retail after Completion in connection with the Separation up to a cap of £3,000,000.

3. PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

The Shareholders' Agreement is an agreed form document that will be entered into at Completion. The principal terms of the Shareholders' Agreement are summarised below.

3.1 Governance and Reserved Matters

Pursuant to the Shareholders' Agreement, each of Marks and Spencer Holdings and Ocado Holdings shall be entitled to appoint two directors (each a **Shareholder Director**) and the quorum for the transaction of any business requires at least one Shareholder Director appointed by each shareholder to be present or represented by an alternate (unless a quorum is not present for two consecutive meetings in relation to a matter).

In order to enable Ocado Retail to qualify for consolidation with the Ocado Group under IFRS 10, Ocado Holdings has certain additional rights as described in this paragraph 3.1 for the duration of the Ocado Control Period, following which Marks and Spencer Holdings may elect to exercise equivalent rights for an indefinite period. During the Ocado Control Period, Marks and Spencer Holdings has the right to appoint the chair from among the Shareholder Directors, following which the right to appoint the chair alternates between the shareholders on every third anniversary of the cessation of the Ocado Control Period, until commencement of the Marks and Spencer Control Period (if any). During the Marks and Spencer Control Period, Ocado Holdings shall have the right to appoint the chair from among the Shareholder Directors. The chair will not have a casting vote or special rights.

The CEO and CFO shall be appointed by the board of directors of Ocado Retail, provided that during the Ocado Control Period and the Marks and Spencer Control Period (if any), the direction of Ocado Holdings and Marks and Spencer Holdings respectively shall be determinative if, following conclusion of a deadlock resolution procedure, there is a deadlock between Shareholder Directors in respect of the appointment or removal of the CEO.

The Shareholders' Agreement contains a list of customary reserved matters that may not be undertaken by Ocado Retail without shareholder approval. If there is a deadlock in respect of the appraisal of Ocado Retail's business plan and / or budget during the Ocado Control Period or the Marks and Spencer Control Period (if any), then, following the conclusion of a deadlock resolution procedure, the direction of Ocado Holdings and Marks and Spencer Holdings respectively shall be determinative.

PART XVI CONTINUED

3.2 Funding

It is intended that, save as provided under the Shareholder Loan Agreement, Ocado Retail will be self-financing and will obtain any additional funds required from third parties without recourse to the shareholders in Ocado Retail. If Ocado Retail's board concludes that its funding requirements exceed its available cash resources from time to time, it will consider whether or not to seek external debt financing or, if such further finance cannot be raised on terms reasonably acceptable to the board, to draw down funding under the Shareholder Loan Agreement.

3.3 Transfer Restrictions

No shareholder may transfer its shares in Ocado Retail before the fifth anniversary of Completion, save for a transfer of all shares held by that shareholder to another wholly-owned member of its group or as a result of an event of default. Following the fifth anniversary of Completion, such shares may also be transferred in accordance with the exit provisions, which involve, among other things: (i) selling all shares held in Ocado Retail to the other shareholder; or (ii) in certain prescribed circumstances, implementing an initial public offering or a demerger.

Any loans to Ocado Retail from a transferring shareholder under the Shareholder Loan Agreement must be assigned to the new holder of the shares in Ocado Retail at the same time as such shares are transferred (save for a transfer on an event of default which shall be at the option of the non-defaulting shareholder or a transfer as a result of an initial public offering or demerger).

3.4 Call Option

Under the Shareholders' Agreement, Marks and Spencer Holdings has granted Ocado Retail an option to acquire the Group's food to order business (but excluding the Christmas food to order business) for £1.00, and such option is exercisable for six months following Completion (the **FTO Option**), (but completion of such transfer of the food to order business shall only be permitted to occur after the Switchover Date).

If Ocado Retail does not exercise the FTO Option, Ocado Holdings may, within three months, exercise an option to acquire the shares in Speciality Stores Limited and Paws and Purrs from Ocado Retail for £1.00.

3.5 Protective Covenant

The Shareholders' Agreement contains customary protective covenants from each shareholder to Ocado Retail and from Ocado Retail (in respect of paragraphs (b) and (c) only) to each shareholder in respect of:

- (a) solicitation of employees;
- (b) inducement of suppliers; and
- (c) reputationally harmful statements or actions.

3.6 Long Term Exit

Pursuant to the Shareholders' Agreement, from the tenth anniversary of Completion, either Ocado Holdings or Marks and Spencer Holdings will be permitted to trigger an initial public offering of Ocado Retail (or a new holding company of Ocado Retail) which both of them would be required to support and facilitate and in which both of them would be required to dispose of an equal proportion of their shares in Ocado Retail so as to ensure a public markets "free float" of between 30 and 50 per cent. on such initial public offering becoming effective.

4. PRINCIPAL TERMS OF THE SHAREHOLDER LOAN AGREEMENT

Marks and Spencer Holdings and Ocado Holdings will enter into the Shareholder Loan Agreement on Completion in connection with the funding of capital expenditure and operating activities of Ocado Retail. Under the Shareholder Loan Agreement, Marks and Spencer Holdings and Ocado Holdings have agreed to make available an aggregate commitment of £60,000,000 to Ocado Retail which may be drawn down upon request within five years from the date of Completion (provided that the commitment in respect of a shareholder shall be cancelled following a transfer of that shareholder's shares in Ocado Retail as a result of an event of default under the Shareholders' Agreement). The individual commitment of each of Marks and Spencer Holdings and Ocado Holdings is £30,000,000 and any draw down by Ocado Retail will be funded *pro rata* to the shareholders' outstanding commitments, provided that in the event of a failure to fund by one shareholder, the other may, but is not obliged to, fund the request in full.

PART XVI CONTINUED

Any loan advanced under the Shareholder Loan Agreement shall be interest bearing at LIBOR plus a margin of 4 per cent. per annum and shall be repaid in full on the twentieth anniversary of Completion, although Ocado Retail may make voluntary prepayments on notice which are applied in accordance with an agreed waterfall.

Marks and Spencer plc and Ocado Group plc are parties to the Shareholder Loan Agreement to guarantee the obligations of Marks and Spencer Holdings and Ocado Holdings respectively.

5. PRINCIPAL TERMS OF THE OCADO SMART PLATFORM AGREEMENT

At Completion, Ocado Retail and Ocado Solutions will enter into the Ocado Smart Platform Agreement. Ocado Retail will use the OSP at CFCs in consideration for a capacity fee applied to each module of capacity. Marks and Spencer plc will act as a guarantor for the *pro rata* proportion of Ocado Retail's payment obligations under the Ocado Smart Platform Agreement that are the responsibility of Marks and Spencer Holdings, and replacement credit support must be sourced if Marks and Spencer Holdings' percentage shareholding in Ocado Retail decreases after the Ocado Smart Platform Agreement is signed. Ocado Group will guarantee the performance of Ocado Solutions' obligations under the Ocado Smart Platform Agreement.

The Ocado Smart Platform Agreement will run for a different fixed term for each CFC. For the existing CFCs, these are as follows: until 27 September 2032 for Hatfield, until 14 May 2038 for Dordon and until 21 April 2046 for Erith. These terms are based on the current lease period for each of the CFCs.

Ocado Retail must order additional modules of capacity in line with an agreed roll-out programme. In total, it will need to order the equivalent of eight further CFCs in the first 12 years of the agreement. Ocado Retail agrees that it will use reasonable endeavours to secure a 25-year lease term for any new site. Ocado Solutions and Ocado Retail will negotiate a downward adjustment to the fees if a term of this length is not possible, so that there is still an economic advantage to Ocado Solutions of opening a new CFC. For each new CFC, Ocado Retail will pay a fee to Ocado Solutions in the form of a contribution to the upfront costs for the CFC (the **Design and Set-Up Fee**). The Design and Set-Up Fee is a fixed sum, plus additional fixed amounts dependent upon the module capacity allocated to Ocado Retail.

The Ocado Smart Platform Agreement sets out that capacity of these further CFCs will be agreed between Ocado Retail and Ocado Solutions when an order is placed. The agreement contains a method of determining the obligations that arise for each party if it fails to meet the agreed roll-out programme for the construction of a new CFC, including consequences for an extended period of delay. This mechanism uses monthly thresholds of delay that are set out in the Ocado Smart Platform Agreement.

Ocado Solutions will guarantee certain standards of performance to Ocado Retail, including the minimum ultimate capacity of each CFC (which will be measured in eaches capable of being processed in each week of operation) and other operational criteria for that CFC. Ocado Solutions will provide the OSP in accordance with the service levels that are set out in the Ocado Smart Platform Agreement, which specify certain performance standards for both the webshop and the physical equipment used at the CFCs. Ocado Retail's only remedy in relation to the performance of the OSP (or its failure to perform) will be through service credits.

For ten years following the Sourcing Start Date under the Sourcing and Branding Agreement, Ocado Solutions cannot provide the OSP or any platform substantially similar to the OSP to any competitor of Ocado Retail, for the operation of an online grocery retail business in the United Kingdom and the Republic of Ireland (provided that, until the fifth anniversary of the Sourcing Start Date, this restriction will not apply to either (i) Morrisons or (ii) Co-Op).

This restriction is subject to two further key exceptions. Firstly, following the fifth anniversary of the Sourcing Start Date, the restriction on Ocado Solutions providing OSP or a substantially similar platform only applies with respect to certain specified competitors (Tesco, Sainsbury's, Asda and Amazon). Secondly, with respect to one selected competitor of Ocado Retail (which could be any competitor, including Tesco, Sainsbury's, Asda or Amazon), from the Sourcing Start Date, Ocado Solutions or a member of its group can enter into confidential negotiations to provide a service similar to the OSP to this one competitor (but is not permitted to enter into any legally binding agreement until the date two and a half years after the Sourcing Start Date). This second exception is subject to certain conditions, including that Ocado Solutions is not permitted to make any modules available to the selected competitor until five years after the Sourcing Start Date, and that only up to 14 modules can be made available until the sixth anniversary of the Sourcing Start Date.

The restrictions on service provision to the selected competitor will end on the sixth anniversary of the Sourcing Start Date. However, within 30 days of the relevant module being made available to the selected competitor, Ocado Solutions must pay a penalty sum to Marks and Spencer plc.

For ten years from the Sourcing Start Date, Ocado Retail will not be allowed to procure similar services to those provided under the Ocado Smart Platform Agreement (namely the provision of mechanical handling equipment or other automated systems, or any software materially equivalent to the OSP for use in online

PART XVI CONTINUED

grocery retail) from any supplier other than Ocado Solutions. Ocado Retail must also only operate its online groceries delivery or collect operations in the United Kingdom and the Republic of Ireland through the use of OSP for this period.

The exclusivity rights granted to both Ocado Solutions and Ocado Retail under the Ocado Smart Platform Agreement may be extended due to delay to the CFC roll-out programme covered by the party subject to the exclusivity restriction or may terminate early in circumstances set out in the Ocado Smart Platform Agreement (including for certain material delays to the CFC roll-out programme covered by the party benefitting from the exclusivity restriction).

Specific provisions in the Ocado Smart Platform Agreement will apply to any CFCs located in the Republic of Ireland. Ocado Solutions will be allowed to enter into a contract with a third party to provide a service the same or similar to the OSP on an exclusive basis, if there have been no CFC orders in the Republic of Ireland for three years following the date of the Ocado Smart Platform Agreement. If such a contract is entered into by Ocado Solutions, from the date of that agreement Ocado Retail may not place an order for a CFC in the Republic of Ireland and the exclusivity in relation to the Republic of Ireland will fall away.

Either Ocado Retail or Ocado Solutions can terminate the Ocado Smart Platform Agreement for the other's material breach, insolvency, failure to meet delivery obligations for a new CFC by a longstop date or if the other is acquired by a competitor (the **Mutual Termination Rights**). If Ocado Retail terminates the Ocado Smart Platform Agreement for a future CFC due to Ocado Solutions' failure to meet delivery obligations by the longstop date, Ocado Retail must repay any Design and Set-Up Fee that it has already paid to Ocado Solutions for that CFC. Neither party can terminate the Ocado Smart Platform Agreement for convenience.

Ocado Solutions has the additional right to terminate the Ocado Smart Platform Agreement if Ocado Retail fails to pay any sums due within 90 days of a written reminder being issued. Ocado Retail can also terminate the Ocado Smart Platform Agreement for a change of control of Ocado Solutions more generally, regardless of whether or not it is to a competitor, if this results in a substantial decrease in performance over a period of 12 months after the change of control becomes effective, or for fundamental failure to reach the service levels.

Ocado Solutions has the option to purchase Ocado Retail's interests in any CFC other than a joint use CFC and the operating assets and liabilities at that CFC at their current market value if it terminates the Ocado Smart Platform Agreement for a Mutual Termination Right or failure to pay any sums within 90 days of a written reminder being issued. Ocado Retail may purchase all mechanical handling equipment at any CFC other than a joint use CFC and any Ocado Solutions assets and liabilities that are used exclusively in the operation of that CFC at the current market value if it terminates the Ocado Smart Platform Agreement for a Mutual Termination Right, fundamental service level failure or change of control that results in a deterioration in service provision.

The Ocado Smart Platform Agreement includes a customary framework of limits and exclusions of liability, including mutual annual liability caps.

6. PRINCIPAL TERMS OF THE THIRD PARTY LOGISTICS SERVICES AGREEMENT

At Completion, Ocado Retail and Ocado Operating will enter into the Third Party Logistics Services Agreement, which documents the provision of third party logistics, operational, IT and transitional services to Ocado Retail by Ocado Operating. Marks and Spencer plc will act as a guarantor for the *pro rata* proportion of Ocado Retail's payment obligations under the Third Party Logistics Services Agreement that are the responsibility of Marks and Spencer Holdings, and replacement credit support must be sourced if Marks and Spencer Holdings' percentage shareholding in Ocado Retail decreases after the Third Party Logistics Services Agreement is signed. Ocado Group plc will guarantee the performance of Ocado Operating's obligations under the Third Party Logistics Services Agreement.

Ocado Operating will provide three categories of services to Ocado Retail under the Third Party Logistics Services Agreement:

- (a) logistics services relating to the operation of CFCs, including end-to-end services, range management, planning and supply chain management, inventory management, last mile services and customer contact services (the **3PL Services**);
- (b) information technology services, to include transitional services for elements of the technology platform other than the OSP, IT shared services and services for functional IT systems (the **IT Services**); and
- (c) any other services that Ocado has historically provided to Ocado Retail, such as HR, financial and contact centre services (the **Transitional Services** and together with the 3PL Services and IT Services, the **Services**).

PART XVI CONTINUED

Ocado Operating agrees to perform the Services in accordance with applicable law and prudent industry practice. Ocado Operating must also perform the Transitional Services and the IT Services to at least the standard the equivalent services have been provided within the Ocado group in the 12 months prior to the signing of the Third Party Logistics Services Agreement.

Additionally, Ocado Operating must provide the 3PL Services in accordance with certain pre-agreed service levels, and failure to meet those service levels will result in a service credit being applied against the monthly fees payable by Ocado Retail. Ocado Retail's only remedy in relation to the performance or non-performance of the 3PL Services (or any other losses caused by, related to or arising from this performance or non-performance) is the provision of service credits.

If, within the first 12 months of the term of the Third Party Logistics Services Agreement, Ocado Retail identifies any additional services that were provided to Ocado Retail by Ocado in the 12 months prior to the signing of the Third Party Logistics Services Agreement and that are reasonably required for the operation of the online business but are not part of the Services or the services provided under the Ocado Smart Platform Agreement, it may inform Ocado Operating and require the additional services to be added to the scope of the Services on reasonable written notice.

The Third Party Logistics Services Agreement as a whole will terminate automatically if either all services provided under it have ended, whether through in-sourcing (see below) or termination, or if the Ocado Smart Platform Agreement has terminated. Unless the parties agree otherwise, the Third Party Logistics Services Agreement will terminate in respect of an individual CFC where the Ocado Smart Platform Agreement has terminated for that CFC. Either Ocado Retail or Ocado Operating can terminate the Third Party Logistics Services Agreement for the other's material breach, insolvency or if it is acquired by a competitor. A definition of "competitor" for this purpose is set out in the Third Party Logistics Services Agreement.

Ocado Operating has the additional right to terminate the Third Party Logistics Services Agreement if Ocado Retail fails to pay any sums due within 90 days of a written reminder being issued. Ocado Retail can also terminate the Third Party Logistics Services Agreement for a change of control more generally, regardless of whether or not it is to a competitor, if this results in a substantial decrease in performance over a period of 12 months after the change of control becomes effective, or for fundamental failure to reach the service levels.

Ocado Retail may terminate any Transitional Service or IT Service for convenience, subject to notice periods specified in the Third Party Logistics Services Agreement. Ocado Retail must also reimburse Ocado Operating for its reasonably incurred costs and expenses in connection with the provision of the Transitional Services after the period of termination.

Ocado Retail may also terminate certain 3PL Services for convenience on at least six months' notice. If it does so, Ocado Retail must purchase any assets that Ocado Operating was using exclusively to provide the terminated 3PL Service immediately before it was terminated from Ocado Operating, for their book value at the date of termination of the service. Upon termination of the 3PL Service, Ocado Retail must also pay a termination fee to Ocado Operating (in addition to any amount spent to acquire the assets) and reimburse Ocado Operating for its reasonably incurred costs and expenses in connection with the transition of the terminated Third Party Logistics Services Service.

The Ocado Operating Services will be charged at cost plus a management fee. The IT Services will be charged at a fixed price agreed between Ocado and Marks and Spencer plc, which will reflect the anticipated cost of providing the service. Neither a management fee nor a margin will apply to the IT Services during the expected term. The Transitional Services will be charged at cost with no management fee during the expected term. However, the operator may apply a management fee to the Transitional Services and to certain IT Services if Ocado Retail chooses to extend the term of any such services beyond the expected service term.

The Third Party Logistics Services Agreement includes a customary framework of limits and exclusions of liability, including mutual annual liability caps.

Under a separate reverse transitional services agreement, Ocado Retail will provide certain limited reverse transitional services such as merchandise planning, web trading and creative support to Ocado Operating in respect of (i) the online business carried out by Marie Claire Beauty Limited, known as fabled.com; and (ii) the online business carried out by Dobbies Garden Centres Limited, known as dobbies.com. The terms of that separate reverse transitional services agreement largely replicate the terms on which the Transitional Services are provided by Ocado Operating to Ocado Retail under the Third Party Logistics Services Agreement.

7. PRINCIPAL TERMS OF THE SOURCING AND BRANDING AGREEMENT

Marks and Spencer plc and Ocado Retail will enter into the Sourcing and Branding Agreement at Completion. Certain implementation and planning activities under the Sourcing and Branding Agreement take effect from

PART XVI CONTINUED

Completion, but the core product supply and sourcing obligations (see below) do not take effect until the Sourcing Start Date.

Marks and Spencer plc facilitates access for Ocado Retail to the suppliers and manufacturers of M&S own-label products and, for certain M&S products (to be agreed), Marks and Spencer plc will itself supply products directly to Ocado Retail. Marks and Spencer plc agrees to apply the same effort it applies in respect of its own retail store business to procure that any discounts or rebates received from its suppliers are also made available to Ocado Retail. These sourcing and supply arrangements are on an “at cost” basis for Marks and Spencer plc, with no margin applied.

Marks and Spencer plc grants Ocado Retail the exclusive right to sell M&S-branded grocery products using online retail channels for delivery to, or collection at, addresses in the United Kingdom and the Republic of Ireland. Marks and Spencer plc also grants Ocado Retail the right to distribute other M&S branded products in this way, although this right is non-exclusive. Appropriate exclusions are included for the Group’s online wine, hamper, flowers and “Food to Order” businesses. The agreement includes detailed definitions of online channels, with exclusions for any digital channels designed only for in-store functionality.

In return, Ocado Retail must not sell any “own label” grocery product of any retailer with a 1 per cent. or more share of the UK grocery market. There are exceptions to this for products designed for the wholesale market and not marketed under competitor retailer branding, subject to consultation between the parties and annual sales by Ocado Retail being less than £10,000,000 a year. At any time from the second anniversary of the Sourcing Start Date, both Ocado Retail’s exclusive rights and the restriction on the sale of competitor products by Ocado Retail may be terminated by either party if the sale of M&S own label grocery products are 10 per cent. or less of Ocado Retail’s grocery sales in any one-year period.

Additional services not set out in the initial agreement may be agreed between Ocado Retail and Marks and Spencer plc, such as the supply of Ocado-branded grocery products to Marks and Spencer plc for sale in its stores. Ocado Retail may also request Marks and Spencer plc’s assistance with product development (and Marks and Spencer plc agrees not to refuse reasonable product development requests). Ocado Retail agrees to reimburse any out-of-pocket expenses incurred by Marks and Spencer plc if it does assist Ocado Retail with product development.

Marks and Spencer plc may terminate the Sourcing and Branding Agreement for convenience on or after the twelfth anniversary of the Sourcing Start Date (on three years’ notice) if its shareholding in Ocado Retail drops below 40 per cent. at the time it serves the notice. Otherwise, either Marks and Spencer plc or Ocado Retail may terminate the Sourcing and Branding Agreement for convenience after 15 years (on three years’ notice). Customary rights to terminate for the other party’s insolvency or material breach are also included. These termination rights are subject to a six month notice period, which may be reduced to one month if there is a significant risk of damage to the terminating party’s brand.

A reciprocal brand licence between Ocado Retail and Marks and Spencer plc is included in the Sourcing and Branding Agreement and an agreed style guide will be used for joint branding. It is also envisaged that Ocado Retail and Marks and Spencer plc will work together in areas such as responding to customer complaints.

The agreement includes mutual indemnities that provide for cooperation between the parties in pursuing product issues caused by underlying suppliers or manufacturers. For claims not caused by suppliers or manufacturers, Ocado Retail agrees that it will indemnify Marks and Spencer plc against any third party claims relating to sourcing, supply or the sale of products by Ocado Retail, unless the claim relates to a product issue arising while the product was not in the possession of Ocado Retail. Marks and Spencer plc will indemnify Ocado Retail for third party claims due to Marks and Spencer plc’s breach of the Sourcing and Branding Agreement or for product issues arising from Marks and Spencer plc’s instructions or while products are in Marks and Spencer plc’s possession. The Sourcing and Branding Agreement includes a customary framework of limits and exclusions of liability, including mutual annual liability caps.

8. PRINCIPAL TERMS OF THE BRAND LICENCE AGREEMENT

Ocado Retail and Ocado Innovation have entered into an agreement (the **Brand Licence Agreement**) pursuant to which Ocado Innovation grants to Ocado Retail an exclusive, royalty-free, sub-licensable, perpetual licence of the “Ocado” trademark (including the swirl device mark), the “ZOOM” trade mark and the “Z” logo, in each case, to conduct business in the field of the sale of goods and services directly to retail consumers (the **Retail Field**) within the United Kingdom and the Republic of Ireland (the **Territory**).

The Brand Licence Agreement also grants Ocado Retail a non-exclusive, royalty-free, sub-licensable, perpetual right to use the domain www.ocado.com (along with the exclusive right to use, operate and control any websites hosted at www.ocado.com). The Ocado Group and Ocado Retail must migrate away from use of “@ocado.com” for personal email addresses over a reasonable transitional period, based on a migration plan to

PART XVI CONTINUED

be agreed between the parties. However, Ocado Retail will retain the right to use “@ocado.com” email addresses for certain customer-facing email accounts. Ocado Retail will have the option to require the Ocado Group to migrate away from all use of the www.ocado.com domain and to transfer the related domain name server to Ocado Retail in certain circumstances.

Ocado Innovation is prohibited from using, or licensing to a third party: (a) any of the licensed trademarks as the main name of a retail business outside the Territory; and (b) the swirl device mark for any purpose (after a reasonable transition period for Ocado Innovation to cease any existing use).

Under the Brand Licence Agreement, Ocado Retail shall have sole discretion as to the scope, manner and form of its use of the licensed rights in the Retail Field in the Territory, provided that, for ten years from Completion (the **Restricted Period**), Ocado Retail must not use the licensed rights or the name “Ocado” as part of a co-brand alongside the brand or name of any Ocado Innovation competitor. Ocado Innovation is subject to an equivalent restriction on co-branding with any Ocado Retail competitor during the Restricted Period. The Brand Licence Agreement also includes reciprocal restrictions intended to avoid any confusingly similar use of the “Ocado” brand as between the parties and reciprocal obligations as to brand protection and quality standards in respect of use of the licensed rights.

The Brand Licence Agreement takes effect from the date on which it is signed and continues post-Completion (on a perpetual basis) until it is terminated by Ocado Innovation for (i) any challenge by Ocado Retail to the validity or ownership of the licensed rights, or if Ocado Retail encourages or assists any third party to do the same, (ii) non-use of the “Ocado” name by Ocado Retail for an uninterrupted period of three years, (iii) any change of control (whether direct or indirect) of Ocado Retail to an Ocado Innovation competitor within the Restricted Period, or (iv) any Ocado Retail insolvency event.

PART XVII

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear in Part III: “*Directors, Secretary, Registered Office and Advisers*” of this Prospectus, and the Company accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTERED OFFICE

- 2.1** The Company was incorporated and registered in England and Wales on 7 August 2001 as a private company limited by shares under the Companies Act 1985 and with the registered number 04256886. The Company was re-registered on 24 January 2002 as a public company limited by shares under the Companies Act 1985.
- 2.2** The registered office of the Company is at Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom (telephone number +44(0)20 7935 4422).
- 2.3** The principal legislation under which the Company operates and under which the Ordinary Shares were created, is the Companies Act.

3. SHARE CAPITAL AND DIVIDENDS

- 3.1** As at the Latest Practicable Date, the share capital of the Company was £406,262,460, comprised of 1,625,049,840 Ordinary Shares. The Ordinary Shares in the share capital of the Company have a nominal value of 25 pence each and are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange’s main market for listed securities.
- 3.2** The following table shows the changes in the share capital of the Company which occurred from 31 March 2016 to the Latest Practicable Date:

	<u>Number of Ordinary Shares</u>
At 31 March 2016	1,622,964,807
At 31 March 2017	1,624,727,846
At 31 March 2018	1,624,757,346
At 30 March 2019	1,625,000,230
At 22 May 2019 (being the Latest Practicable Date)	1,625,049,840

- 3.3** As at the Latest Practicable Date, the issued and fully paid ordinary share capital of the Company was as follows:

	<u>Shares prior to the Rights Issue</u>	
	<u>Number of Ordinary Shares</u>	<u>Amount of share capital (£)</u>
Issued	1,625,049,840	406,262,460

- 3.4** The issued and fully paid ordinary share capital of the Company immediately following completion of the Rights Issue, is expected to be as follows:

	<u>Shares following the Rights Issue</u>	
	<u>Number of Ordinary Shares</u>	<u>Amount of share capital (£)</u>
Issued	1,950,059,808	487,514,952

- 3.5** Subject to Admission, pursuant to the Rights Issue, 325,009,968 New Ordinary Shares will be issued at a price of 185 pence per New Ordinary Share. This will result in the issued ordinary share capital of the Company increasing by approximately 20.0 per cent. Qualifying Shareholders who take up their *pro rata* entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who

PART XVII CONTINUED

do not take up any of their rights to subscribe for the New Ordinary Shares will be diluted by 16.7 per cent. following the Rights Issue (assuming no options granted under the Share Plans are exercised between the Latest Practicable Date and the date of completion of the Rights Issue).

3.6 At the Annual General Meeting, the Company passed resolutions:

- (a) authorising the Directors, in accordance with Section 551 of the Companies Act, to exercise all powers of the Company to allot Ordinary Shares and to grant rights to subscribe for or convert any security into shares in the Company up to a maximum nominal amount of £135,397,323; and
- (b) comprising equity securities (as defined in Section 560(1) of the Companies Act), up to a maximum nominal amount of £270,794,647 (such amount to be reduced by any shares allotted or rights granted under paragraph (a) above) in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,
- (c) giving the Directors power to allot equity securities for cash, provided that this power (other than in connection with a rights issue) is limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £20,309,599,

each such authority to expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution to be held in 2019 or, if earlier, at the close of business on 1 October 2019.

3.7 Section 561 of the Companies Act confers on shareholders certain rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in Section 1166 of the Companies Act. The Company is subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the statutory rights of pre-emption in Section 561 of the Companies Act. The statutory rights of pre-emption apply to the issue of New Ordinary Shares which are not the subject of the disapplication referred to in paragraph 3.6(b) of this Part XVII or reserved for issue in connection with share options and schemes (and other arrangements) referred to in paragraph 9 of this Part XVII. The statutory rights of pre-emption have been disapplied as set out in paragraph 3.6(b) of this Part XVII to give the Directors flexibility in relation to rights issues and otherwise permit the Directors to allot Ordinary Shares for cash having a nominal value of up to 10 per cent. of the issued ordinary share capital.

4. SUMMARY OF THE ARTICLES

The following is a summary of the Articles, which were adopted pursuant to a special resolution passed on 11 July 2017 and which are available for inspection as set out in paragraph 25 of this Part XVII. The Articles include provisions, *inter alia*, to the following effect:

4.1 Objects

The objects of the Company, in accordance with Section 31(1) of the Companies Act, are unrestricted.

4.2 Limited liability

The liability of the members is limited to the amount, if any, unpaid on the Ordinary Shares respectively held by them.

4.3 Rights attaching to Ordinary Shares

(a) Voting rights of members

On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote. On a poll, every member present in person or by proxy has one vote for every share of which he or she is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

PART XVII CONTINUED

(b) *Dividends*

Subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.

(c) *Capitalisation of reserves*

The Board may, with the authority of an ordinary resolution of the Company (A) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including the share premium account and capital redemption reserve or other undistributable reserves) or any sum which the Company is holding as net profits and (B) appropriate that sum as capital to the holders of ordinary shares in proportion to the nominal amount of the ordinary share capital held by them respectively and apply that sum on their behalf in paying up in full any shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account, the capital redemption reserve, any redenomination reserve and any sum not available for distribution in accordance with the applicable statutory provisions may only be applied in paying up shares to be allotted credited as fully paid up.

4.4 Transfer of shares

A member may transfer all or any of his or her shares in any manner which is permitted by any applicable statutory provision and is approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any share which is not fully paid up. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred (unless the transfer is being made by a person to whom the company was not required to, and did not, send a certificate) and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor and it is in respect of only one class of share. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

4.5 Alteration of share capital

The Company may exercise the powers conferred by the applicable statutory provisions to:

- (a) increase its share capital by allotting new shares;
- (b) reduce its share capital;
- (c) sub-divide or consolidate and divide all or any of its share capital;
- (d) reconvert stock into shares; and
- (e) redenominate all or any of its shares and reduce its share capital in connection with such redenomination.

4.6 Authority to allot shares and grant rights and disapplication of pre-emption rights

The Company may from time to time pass an ordinary resolution authorising, in accordance with Section 551 of the Companies Act, the Board to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company in accordance with Section 551 of the Companies Act, the Company may from time to time resolve, by

PART XVII CONTINUED

special resolution, that the Board be given power to allot equity securities for cash as if Section 561(1) of the Act did not apply to the allotment but that power shall be limited to (A) the allotment of equity securities in connection with a rights issue; and (B) the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

4.7 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares may from time to time (whether or not the Company is being wound up) be varied in such manner as those rights may provide or (if no such provision is made) either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the quorum is two members present in person or proxy holding at least one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, the quorum is one member present in person or by proxy holding shares of the class).

4.8 Disclosure of interests in shares

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in Section 793 of the Companies Act (a **Section 793 notice**) and, in respect of that share (a **default share**), has been in default for a period of 14 days after the Section 793 notice has been given in supplying to the Company the information required by the Section 793 notice, the following restrictions shall apply (A) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (B) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

- (a) to attend or to vote, either personally or by proxy, at any general meeting of the Company; or
- (b) to receive any dividend or other distribution; or
- (c) to transfer or agree to transfer any of those shares or any rights to them unless the Board is satisfied that they have been sold outright to an independent third party who is not connected with the shareholder or with any person appearing to be interested in the shares.

4.9 Uncertificated shares – general powers

The Board may permit any class of shares to be held in uncertificated form and to be transferred by means of a relevant system and may revoke any such permission. In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with: (a) any applicable statutory provision; or (b) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system, shall not apply. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.

4.10 Directors

- (a) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two nor more than 20 in number.
- (b) Each director must hold a minimum of 2,000 shares in the Company. A person who is appointed as a director may act as such before acquiring such shares but it shall be deemed a condition of his or her appointment that he or she acquire the minimum number of shares within two months of his or her appointment. Any period in which the directors are prohibited from dealing in the Company's shares shall not be taken into account in determining whether a director has complied with this. If a director fails to

PART XVII CONTINUED

comply with the shareholding qualification they shall no longer be a director of the Company and shall no longer be eligible for re-appointment as a director until they acquire the minimum number of shares in the Company.

- (c) All directors shall retire from office at each annual general meeting. A retiring director shall be eligible for re-election.
- (d) The directors shall be paid such fees not exceeding in aggregate £750,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the Board may decide to be divided among them in such proportion and manner as they may agree, or failing agreement, equally.
- (e) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Such special remuneration may be paid by way of lump sum, salary, commission, participation in profits or otherwise as the Board may decide in addition to his or her ordinary remuneration as a director.
- (f) The directors shall also be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the Board meetings, committee meetings and general meetings.
- (g) The directors or any committee authorised by the directors can decide whether to provide pensions, annual payments or other benefits to any director or former director of the Company, or any relation or dependant of, or person connected to, such a person. The directors can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes. The company can only provide pensions and other benefits to people who are or were directors but who have not been employed by, or held an office or executive position in, the company or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the company or any such other company or to relations or dependants of, or persons connected to, the directors or former directors if the shareholders approve this by ordinary resolution.
- (h) If a situation arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company (a **Relevant Situation**), the director must declare the nature and extent of his or her interest to the other directors and the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may resolve to authorise the Relevant Situation and the continuing performance by the director of his or her duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):
 - (i) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
 - (ii) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and
 - (iii) (without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his or her position as a director of the Company) information that is confidential to a third party, he or she will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.
- (i) If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with the Company, he or she must declare the nature and extent of that interest to the other directors.
- (j) Subject to any applicable statutory provisions and to having declared his or her interest to the other directors, a director may:
 - (i) enter into or be interested in any transaction or arrangement with the Company, either with regard to his or her tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise;
 - (ii) hold and be remunerated in respect of any other office or place of profit with the Company (except that of auditor) in conjunction with his or her office of director;

PART XVII CONTINUED

- (iii) act by himself or herself, or his or her firm, in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he or she were not a director;
 - (iv) be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which the Company may be interested; and
 - (v) be or become a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his or her appointment as a director of that other company.
- (k) A director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his or her own appointment (including fixing and varying its terms), or the termination of his or her own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his or her own appointment or the termination of his or her own appointment.
- (l) A director shall not vote (or be counted in the quorum at a meeting) in respect of any transaction or arrangement with the Company in which he or she has an interest which may reasonably be regarded as likely to give rise to a conflict of interest. Notwithstanding the above, a director may vote (and be counted in the quorum) on: (A) a resolution about giving him any guarantee, indemnity or security for money which he or she, or any other person, has lent or obligations he or she, or any other person, has undertaken at the request of or for the benefit of the company or any of its subsidiary undertakings; (B) a resolution about giving any guarantee, indemnity or security to another person for a debt or obligation which is owed by the company or any of its subsidiary undertakings to that other person if the director has taken responsibility for some or all of that debt or obligation. The director can take this responsibility by giving a guarantee, indemnity or security; (C) a resolution about giving him any other indemnity where all other directors are also being offered indemnities on substantially the same terms; (D) a resolution about the Company funding his or her expenditure on defending proceedings or the company doing something to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements; (E) a resolution relating to an offer by the Company or any of its subsidiary undertakings of any shares or debentures or other securities for subscription or purchase if the director takes part because he or she is a holder of shares, debentures or other securities or if he or she takes part in the underwriting or sub-underwriting of the offer; (F) a resolution about a contract in which he or she has an interest because of his or her interest in shares or debentures or other securities of the company or because of any other interest in or through the Company; (G) a resolution about a contract involving any other company if the director has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder in that company). This does not apply if he or she knows that he or she has a relevant interest in that company; (H) a resolution about a contract relating to a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the fund or scheme relates; (I) a resolution about a contract relating to an arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which only gives him benefits which are also generally given to the employees to whom the arrangement relates; and (J) a resolution about a contract relating to an arrangement for the benefit of employees of the company or of any of its subsidiary undertakings which only gives him benefits which are also generally given to the employees to whom the arrangement relates.

4.11 General meetings

An annual general meeting shall be held in accordance with the applicable statutory provisions. Other general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Companies Act.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

PART XVII CONTINUED

The requisite quorum for general meetings of the Company shall be two qualifying persons. A qualifying person is an individual who is a member of the Company, a corporate representative or a proxy.

4.12 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed an amount equal to two times the adjusted total capital and reserves (as defined in the Articles).

4.13 Dividends**(a) Declaration of dividends**

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

(b) Fixed and interim dividends

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

(c) Calculation and currency of dividends

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provides: (A) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (B) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (C) dividends may be declared or paid in any currency and the Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his or her shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid, and for the Company or any other person to bear any costs involved.

(d) Dividends not to bear interest

No dividend or other monies payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

(e) Calls or debts may be deducted from dividends

The Board may deduct from any dividend or other monies payable to any person on or in respect of a share all such sums as may be due from them to the Company on account of calls or otherwise in relation to shares of the Company.

(f) Dividends in specie

With the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.

(g) Scrip dividends

The Board may, with the authority of an ordinary resolution of the Company, decide that a dividend may be paid by distributing specific assets (and in particular, paid up shares or debentures of any other company).

PART XVII CONTINUED

(h) *Unclaimed dividends*

Any dividend unclaimed for a period of 12 years after having been declared payment shall be forfeited and cease to remain owing by the Company.

4.14 Forfeiture of shares

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest and expenses.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other monies payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

4.15 Communications by the Company

Subject to the applicable statutory provisions, a document or information may be sent or supplied by the Company to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned in accordance with the applicable statutory provisions (and any other rules applicable to the Company) of the presence of a document or information on the website. A member shall be deemed to have agreed that the Company may send or supply a document or information by means of a website if the conditions set out in the applicable statutory provisions have been satisfied.

4.16 Directors' indemnity, insurance and defence

As far as the applicable statutory provisions allow, the Company may:

- (a) indemnify any director of the Company (or of an associated body corporate) against any liability;
- (b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme;
- (c) purchase and maintain insurance against any liability for any director referred to in paragraph (a) or (a) above; and
- (d) provide any director referred to in paragraph (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

5. DIRECTORS

- 5.1** The biographies of the Directors are set out in Part XII: "*Directors and Corporate Governance*" of this Prospectus.
- 5.2** The business address of each of the Directors is: Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

PART XVII CONTINUED

5.3 In addition to their directorships of the Company and other members of the Group, the Directors hold, or have held, the following directorships and are or were members of the following partnerships, within the past five years:

Name	Current directorships/partnerships	Past directorships/partnerships
Archie Norman	Lazard & Co., Holdings Limited Lazard & Co., Limited Lazard & Co., Services Limited Wesfarmers Limited – Board Adviser Target Pty Limited Coles Group Pty Limited Department for Business, Energy & Industrial Strategy Nameco (No. 1069) Limited	Hobbycraft Group Limited ITV plc
Steve Rowe	Not applicable	Not applicable
Humphrey Singer	Taylor Wimpey plc	Dixons Carphone plc Dixons Retail plc
Andy Halford	Standard Chartered plc	Vodafone Group plc
Katie Bickerstaffe	Not applicable	SSE plc Dixons Carphone plc Dixons Retail plc
Alison Brittain, CBE	Whitbread plc Prince's Trust Council	Not applicable
Andrew Fisher, OBE	Merlin Entertainments plc MoneySupermarket.com Group plc Royal Marsden Clinical Care and Research Appeal Board	Shazam Entertainment Limited Address Intelligence Technologies Limited BBC Charter Review Advisory Group
Justin King, CBE	Terra Firma Capital Partners Annington Limited Brighterkind (Cb) Limited Carmel Capital IV S.à.r.l Trellis Holdco Limited Trellis Acquisitions Limited Trellis Finance Limited Trellis Investments Limited Trellis Management Limited Garden Centre Holdings Limited The Garden Centre Group Limited Harrison King LLP Harbury House Limited Made By Sport PwC Public Interest Body Tirreme Energy Holdings, Inc.	The Monkey Business Foundation Limited Motorsport Management Services Limited Staples, Inc. J Sainsbury plc Auldene Holdings Limited Auldene Nurseries Limited Beacon Garden Centres Limited Blooms Garden Centres Limited Blooms New Plants Limited Blooms of Bressingham Holdings Limited Blooms of Bressingham Limited Bressingham Limited Bridgemere Nurseries Limited Bridgemere Nurseries Trading Limited C.S.L. Holdings Limited Continental Shelf 399 Limited Continental Shelf 400 Limited Country Garden Centres Country Gardener Limited(The) Country Gardens Limited Coventry Garden Centre Limited EHGT Limited Floris Limited Foster Garden Centres Limited Foster Nurseries Limited Garden Centre Holdings Limited Garden Centre Property Developments Trading Limited GARDENEASY.COM Limited Gardenscapre Supplies Ltd Glamorgan Vale (Leisure Centres) Limited Golden Acres (Holdings) Limited

PART XVII CONTINUED

Name	Current directorships/partnerships	Past directorships/partnerships
		Golden Acres Nurseries Limited Gosforth Land Limited Great Gardens of England Investments Limited Great Gardens of England Limited Great Park Nurseries Limited H.Warburton(Timperley)Limited Heighley Gate Garden Centre Limited Jackwood Garden Centre Limited Jardinerie Limited Kennedys Garden Centres Limited L.R.Russell Limited Oakheart Limited Old Barn Nurseries Ltd Pacific Shelf 1435 Limited Pacific Shelf 1436 Limited Pacific Shelf 1437 Limited Pacific Shelf 1447 Limited Peter Barratt's (Beverley) Limited Peter Barratt's (G&S) Limited Peter Barratt's Garden Centres Limited Podington Nurseries Limited Prince's Garden Centres Limited Raglan Garden Centre Limited Sage Recruitment Limited Sanders Garden World Limited Stevenage Garden Centre Limited (The) The Garden & Leisure Centre Limited The Garden Centre Group Limited Waterside Garden Centre and Nursery Limited WGC Financial Services Limited WGC Seeds Holdings Limited WGC Seeds Limited WGC Trellis Holdco Limited Woodcote Green Nurseries (Holdings) Limited Woodcote Green Nurseries Limited Wych Cross Nurseries Limited WYE 2004 Limited Wyevale Acquisitions Borrower Limited Wyevale Acquisitions Limited Wyevale Garden Centres Acquisitions Limited Wyevale Garden Centres G&L Limited Wyevale Garden Centres Holdings Limited Wyevale Garden Centres Limited
Pip McCrostie	Inmarsat plc	Ernst & Young Europe LLP

5.4 At the date of this Prospectus, save as described below, none of the Directors has at any time within at least the past five years:

- (a) save as disclosed in this paragraph 5 of this Part XVII, been director or partner of any companies or partnerships; or
- (b) had any convictions in relation to fraudulent offences (whether spent or unspent); or
- (c) been adjudged bankrupt or entered into an individual voluntary arrangement; or
- (d) been a director of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

PART XVII CONTINUED

- (e) been a partner in a partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (f) had his or her assets form the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being the subject of a receivership; or
- (g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- (h) ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. DIRECTORS' INTERESTS IN THE COMPANY

6.1 As at the Latest Practicable Date, except as disclosed in paragraph 6.2 of this Part XVII, neither the Directors nor any of their respective immediate families, will have any interests in the share capital of the Company which:

- (a) are required to be notified to the Company pursuant to the Market Abuse Regulation and Chapter 3 of the Disclosure Guidance and Transparency Rules; or
- (b) are interests of a connected person (within the meaning of Schedule 11B of FSMA) which would be required to be disclosed under paragraph (a) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director, as at the Latest Practicable Date.

6.2 The following table sets out the interests of the Directors as at the Latest Practicable Date and immediately following completion of the Rights Issue:

Name	As at the Latest Practicable Date		Immediately following completion of the Rights Issue ⁽¹⁾	
	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of Ordinary Shares ⁽²⁾	Percentage of Ordinary Shares ⁽²⁾
Archie Norman.....	78,000	0.00	93,600	0.00
Steve Rowe.....	291,440	0.02	349,728	0.02
Humphrey Singer.....	—	0.00	—	0.00
Andy Halford.....	21,000	0.00	25,200	0.00
Katie Bickerstaffe.....	4,000	0.00	4,800	0.00
Alison Brittain, CBE.....	5,096	0.00	6,115	0.00
Andrew Fisher, OBE.....	3,536	0.00	4,243	0.00
Justin King, CBE.....	20,000	0.00	24,000	0.00
Pip McCrostie.....	6,000	0.00	7,200	0.00

Notes:

⁽¹⁾ Assuming full take up by such persons of their entitlements under the Rights Issue and that all of the New Ordinary Shares are issued. The Directors may decide to acquire additional rights to New Ordinary Shares in the Rights Issue.

⁽²⁾ Assuming that no further Ordinary Shares are issued as a result of any options or awards under the Share Plans between the Latest Practicable Date and the date of completion of the Rights Issue.

- 6.3** As at close of business on the Latest Practicable Date, there were no outstanding share options or awards held by the Directors under the Share Plans (described in paragraph 9 of this Part XVII).
- 6.4** The interests of the Directors together represent approximately 0.03 per cent. of the issued share capital of the Company as at the Latest Practicable Date and are expected to represent 0.03 per cent. of the issued share capital of the Company on completion of the Rights Issue (assuming full take up by such persons of their entitlements under the Rights Issue and that no further Ordinary Shares are issued as a result of any options or awards under the Share Plans between the Latest Practicable Date and the date of completion of the Rights Issue). The Directors may decide to acquire additional rights to New Ordinary Shares in the Rights Issue.
- 6.5** Save as set out in this Part XVII, no Director has any interest in the share or loan capital of the Company and, save as provided under the Share Plans, there is no person to whom any capital of any member of the Group is under award or option or agreed unconditionally to be put under award or option.
- 6.6** None of the Directors has any potential conflicts of interest between their duties to the Company and their private interests and/or their duties to third parties.

PART XVII CONTINUED

7. SIGNIFICANT SHAREHOLDERS

- 7.1** The following table sets out the name of each person (other than a Director) who, directly or indirectly, is interested in voting rights representing three per cent. or more of the total voting rights in respect of the Company's issued share capital, and the amount of such person's holding as at 22 May 2019, insofar as it is known to the Company by virtue of the notifications made pursuant to the Companies Act and/ or Chapter 5 of the Disclosure Guidance and Transparency Rules, and immediately following completion of the Rights Issue:

Name	As at the Latest Practicable Date		Immediately following completion of the Rights Issue ⁽¹⁾	
	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of Ordinary Shares	Percentage of Ordinary Shares
BlackRock, Inc.....	126,433,157	7.78%	151,719,788	7.78%
Schroders plc.....	90,153,730	5.55%	108,184,476	5.55%
Ameriprise Financial, Inc. and its group.....	82,524,463	5.08%	99,029,355	5.08%
Majedie Asset Management Ltd.....	81,070,667	4.99%	97,284,800	4.99%
The Bank of Nova Scotia.....	51,235,305	3.15%	61,482,366	3.15%

Notes:

⁽¹⁾ Assuming that such persons are entitled to participate in the Rights Issue in respect of all of the Ordinary Shares in which they have a notifiable interest as set out against their names in the table above and they take up their entitlements in full.

- 7.2** Save as disclosed in paragraph 7.1 of this Part XVII, the Directors are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) which will represent three per cent. or more of the total voting rights in respect of the issued share capital of the Company as at 22 May 2019 (being the Latest Practicable Date).
- 7.3** There are no differences between the voting rights enjoyed by the shareholder described in paragraph 7.1 of this Part XVII and those enjoyed by any other holder of Ordinary Shares in the Company.
- 7.4** The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

8. REMUNERATION AND BENEFITS**8.1 Executive Directors' service contracts****(a) General terms**

The following Executive Directors have service agreements with the Company as follows:

Name	Position	Date of appointment
Steve Rowe.....	Chief Executive Officer	2 April 2016
Humphrey Singer.....	Chief Finance Officer	9 July 2018

Steve Rowe is employed as Chief Executive Officer under a service agreement with the Company which took effect on 2 April 2016. He is entitled to a base salary of £810,000 per annum, which will increase to £834,500 on 1 July 2019.

Humphrey Singer is employed as Chief Finance Officer under a service agreement with the Company which took effect on 9 July 2018. He is entitled to a base salary of £600,000 per annum, which will increase to £612,000 on 1 July 2019.

The salaries of the Executive Directors are reviewed annually. The Executive Directors are eligible to participate in the Company's annual bonus plan, with a maximum bonus opportunity of 200 per cent. of salary, and the Company's performance share plan.

Their benefit package includes life assurance cover of four times salary. Steve Rowe received a cash payment in lieu of participation in a Company pension scheme. Steve Rowe is also a deferred member of the M&S Pension Scheme.

In addition to public holidays in England, Steve Rowe is entitled to 33 working days' paid holiday in each complete holiday year and Humphrey Singer is entitled to 28 working days' paid holiday in each complete holiday year.

PART XVII CONTINUED

(b) *Termination provisions*

The Company may choose to terminate the contract of the Executive Directors in line with the terms of their service agreements either by means of a payment in lieu of notice or through a series of phased payments subject to mitigation. Service agreements may be terminated without notice, and in certain circumstances, such as gross misconduct, without payments. Termination payments may include repatriation fees, outplacement fees and reasonable legal fees.

8.2 Non-Executive Directors' terms of appointment(a) *General terms*

The following Non-Executive Directors have agreed terms of appointment with the Company as follows:

Name	Position	Date of original appointment	Date of expiry of current appointment period
Archie Norman.....	Non-Executive Chairman	1 September 2017	Annual General Meeting 2019
Andy Halford.....	Senior Independent Non-Executive Director	1 January 2013	Annual General Meeting 2019
Katie Bickerstaffe.....	Independent Non-Executive Director	10 July 2018	Annual General Meeting 2019
Alison Brittain, CBE.....	Independent Non-Executive Director	1 January 2014	Annual General Meeting 2019
Andrew Fisher, OBE.....	Independent Non-Executive Director	1 December 2015	Annual General Meeting 2019
Justin King, CBE.....	Independent Non-Executive Director	1 January 2019	Annual General Meeting 2019
Pip McCrostie.....	Independent Non-Executive Director	10 July 2018	Annual General Meeting 2019

Archie Norman as Chairman of the Board is entitled to receive an annual fee of £600,000. Each Non-Executive Director is entitled to receive an annual fee of £70,000.

(b) *Termination provisions*

The appointment of each of the Non-Executive Directors (with the exception of Justin King, CBE) is terminable by either the Non-Executive Director or the Company on three months' notice. All Non-Executive Directors are subject to annual re-election, including Justin King. The appointment of the Chairman is terminable by either the Chairman or the Company on six months' notice. The appointment of any Non-Executive Director or the Chairman may also be terminated with immediate effect by the Company for cause, which is defined in the relevant contract.

A Non-Executive Director's appointment shall also terminate if the Non-Executive Director is not re-elected at any annual general meeting.

PART XVII CONTINUED

8.3 Directors' remuneration

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits to the Directors who served during Financial Year 2019, were as follows:

Name	Position	Basic salary or fees	Discretionary bonus	Benefits in kind	Pension contribution	Share payment	2019 Total
		(£)	(£)	(£)	(£)	(£)	(£)
Archie Norman.....	Non-Executive Chairman	600,000	—	—	—	—	600,000
Steve Rowe.....	Chief Executive Officer, Executive Director	810,000	—	33,000	203,000	621,000	1,667,000
Humphrey Singer.....	Chief Finance Officer, Executive Director	439,000	—	—	—	—	439,000
Andy Halford.....	Senior Independent Non- Executive Director	93,000	—	—	—	—	93,000
Katie Bickerstaffe.....	Independent Non-Executive Director	51,000	—	—	—	—	51,000
Alison Brittain, CBE..	Independent Non-Executive Director	70,000	—	—	—	—	70,000
Andrew Fisher, OBE.	Independent Non-Executive Director	78,000	—	—	—	—	78,000
Justin King, CBE.....	Independent Non-Executive Director	18,000	—	—	—	—	18,000
Pip McCrostie.....	Independent Non-Executive Director	51,000	—	—	—	—	51,000

For the Financial Year 2019, the aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) granted to the Directors by the Group was £3.1 million. It is estimated that for the Financial Year 2020, under arrangements in force at the date of this Prospectus, the remuneration of the Directors will be approximately £4 million.

The remuneration set out above is pursuant to the remuneration policy approved by Shareholders at the annual general meeting of the Company held on 11 July 2017.

9. EMPLOYEE SHARE PLANS

The Company operates the following employee share plans (the **Share Plans**):

- the Marks and Spencer Group Performance Share Plan 2015 (the **PSP**);
- the Marks and Spencer Group Restricted Share Plan 2015 (the **RSP**);
- the Marks and Spencer Group Deferred Share Bonus Plan 2015 (the **DSBP**);
- the Marks and Spencer Group Sharesave Plan 2017 (the **Sharesave Plan**);
- the Marks and Spencer Group Republic of Ireland Sharesave Plan 2009 (the **Irish Sharesave Plan**); and
- the Marks and Spencer Group Share Incentive Plan 2002 (the **SIP**).

The Company has also adopted the Marks and Spencer Employee Share Option Plan 2015 (the **ESOP**). No awards have been made under the ESOP. The key terms of the Share Plans are summarised below.

9.2 Terms common to the PSP, RSP and DSBP**(a) Eligibility**

Any employee (including an executive director) of the Company and participating subsidiary of the Group is eligible to participate in the PSP, the RSP and the DSBP.

(b) Grant of Awards

Awards under the PSP, the RSP and the DSBP may be granted at the discretion of the Remuneration Committee, and may be granted as nil-cost options, conditional awards or forfeitable share awards (together referred to as **Awards**).

Awards may usually be granted during the period of six weeks following the announcement of Company results for any period. Awards may also be granted when the Remuneration Committee considers circumstances are sufficiently exceptional to justify the grant of Awards. No PSP Awards may be granted more than ten years after shareholder approval of the PSP.

PART XVII CONTINUED

(c) *Dividend equivalents*

The Remuneration Committee may decide that an Award will include the right to a payment in cash or Ordinary Shares on vesting equivalent to dividends that would have been paid on the Ordinary Shares subject to the Awards between grant and vesting.

(d) *Malus and clawback*

The Remuneration Committee may in its absolute discretion determine before vesting to reduce the number of Ordinary Shares subject to an Award, cancel the Award or impose further conditions on the Award in circumstances it considers appropriate, including, but not limited to, a material misstatement of the Company's audited results. In addition, the Remuneration Committee may in its absolute discretion reclaim awards paid to individuals for up to two years after the vesting date, if the Remuneration Committee determines the circumstances to be appropriate. Circumstances include gross misconduct or where a material misstatement of the financial reports has occurred. Clawback may be effected by requiring transfer of Ordinary Shares, cash payment by a participant or reduction of other awards.

(e) *Variation of capital*

On a variation in the Company's share capital, a special dividend or any event that would materially affect the market price of the Ordinary Shares subject to Awards, the Remuneration Committee may adjust the number of Ordinary Shares subject to Awards as appropriate.

(f) *General*

Awards are not transferable except on death and are not pensionable. No payment is required for the grant of an Award. Ordinary Shares allotted under the PSP, RSP and DSBP rank equally with other Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

9.3 Awards granted under the PSP (PSP Awards)(a) *Individual limit*

An individual may not in any financial year receive PSP Awards over Ordinary Shares with a market value exceeding the maximum in the prevailing remuneration policy (currently 300 per cent. of annual base salary).

(b) *Plan limit*

No PSP Award may be granted which would cause the number of Ordinary Shares allocated in any ten-year period to exceed: (a) ten per cent. of the Company's issued ordinary share capital under the PSP and any other employee share plan adopted by the Company; and (b) five per cent. of the Company's issued ordinary share capital under the PSP and any other executive share plan adopted by the Company. These limits include Ordinary Shares held in treasury (unless institutional investor bodies decide they need not count) but exclude lapsed awards.

(c) *Vesting*

PSP Awards normally vest following the third anniversary of the date of grant, subject to the satisfaction of the applicable performance conditions and provided the participant remains employed in the Group. Following vesting, Awards which are granted as options are normally exercisable up to the tenth anniversary of the date of grant.

(d) *Leavers*

A PSP Award will lapse if a participant ceases to hold employment with the Group before the first anniversary of the date of grant. It will also lapse if a participant ceases employment between then and vesting, unless the cessation is by reason of death, disability, ill-health, injury, retirement with the agreement of his/her employer, redundancy, sale of the employing company or business unit out of the Group or any other reason at the Remuneration Committee's discretion. In these circumstances, the Award will vest on the normal vesting date (unless the Remuneration Committee permits vesting on cessation) to the extent performance conditions are satisfied. Awards will be pro-rated, unless the Remuneration Committee determines otherwise, to reflect the period between grant and cessation as a proportion of the original vesting period.

PSP Awards granted as options may be exercised during a period of 12 months commencing on the date of vesting, provided that options must be exercised before the expiry of ten years following the date of grant.

PART XVII CONTINUED

(e) *Corporate events*

On a takeover, scheme of arrangement or winding up (except an internal reorganisation), PSP Awards will vest to the extent that the performance conditions have, in the Remuneration Committee's opinion, been satisfied. Awards will be prorated (unless the Remuneration Committee determines otherwise) to reflect the period between grant and vesting as a proportion of the original vesting period. Awards granted as options may be exercised during a period of one month following the relevant event (provided always that options must be exercised before the expiry of ten years following the date of grant). On an internal reorganisation, Awards will be replaced by equivalent awards over shares in a new holding company unless the Remuneration Committee decides otherwise.

If a demerger, special dividend or similar event is proposed which, in the Remuneration Committee's opinion, would materially affect the market price of Ordinary Shares subject to PSP Awards, the Remuneration Committee may determine those Awards will vest to the extent the performance conditions have, in the Remuneration Committee's opinion, been satisfied. Awards will be prorated (unless the Remuneration Committee determines otherwise) to reflect the period between grant and vesting as the proportion of the original vesting period. Awards granted as options may be exercised during such period as the Remuneration Committee may determine.

(f) *Alterations*

The Remuneration Committee may amend the PSP at any time, save that shareholder approval is required for amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, Ordinary Shares or cash provided under the PSP and the adjustment of PSP Awards. Shareholder approval is not required for minor alterations to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any Group company.

The Remuneration Committee may amend any performance condition if an event occurs which causes it to consider it would not achieve its original purpose and the amended condition is, in its opinion, no less difficult to satisfy but for the event in question. The Company may also establish modified plans to take account of local tax, exchange control and securities laws in any overseas jurisdictions.

No amendment to the material disadvantage of participants may be made unless participants have been invited to indicate their approval of the alteration, and a majority of those who give such an indication approve the alteration.

9.4 Awards granted under the RSP (RSP Awards)(a) *Vesting*

RSP Awards normally vest following the end of the restricted period determined by the Remuneration Committee on the grant of the Award, and provided the participant remains employed in the Group. Following vesting, Awards which are granted as options are normally exercisable up to the tenth anniversary of the date of grant.

(b) *Leavers*

An RSP Award will lapse if a participant ceases to hold employment with the Group prior to vesting, unless the cessation is by reason of disability, ill-health, injury, retirement with the agreement of his/her employer, redundancy, sale of the employing company or business unit out of the Group or any other reason at the Remuneration Committee's discretion. In these circumstances the Award will vest on the date of cessation (unless the Remuneration Committee determines it will vest on another date). Awards will be pro-rated, unless the Remuneration Committee determines otherwise, to reflect the period between grant and cessation as a proportion of the original vesting period.

RSP Awards granted as options may be exercised during a period of 12 months commencing on the date of vesting, provided that options must be exercised before the expiry of ten years following the date of grant.

In the event of death, an RSP Award will vest in full if it has not already vested.

(c) *Corporate events*

RSP Awards will vest on a takeover, scheme of arrangement or winding up (except an internal reorganisation). Awards granted as options may be exercised during a period of one month following the relevant event (provided always that options must be exercised before the expiry of ten years following the grant date). On an internal reorganisation, Awards will be replaced by equivalent awards over shares in a new holding company unless the Remuneration Committee decides otherwise.

PART XVII CONTINUED

If a demerger, special dividend or similar event is proposed which, in the Remuneration Committee's opinion, would materially affect the market price of Ordinary Shares subject to Awards, the Remuneration Committee may determine those Awards will vest. Awards granted as options may be exercised during such period as the Remuneration Committee may determine.

(d) *Alterations*

The Remuneration Committee may amend the RSP at any time, save that no amendment to the material disadvantage of participants may be made unless participants have been invited to indicate their approval of the alteration, and a majority of those who give such an indication approve the alteration.

9.5 Awards granted under the DSBP (DSBP Awards)(a) *Individual limits*

The maximum total market value of Ordinary Shares over which a DSBP Award may be granted to any participant during any financial year of the Company may not exceed such amount as is specified in any discretionary bonus arrangement operated by a participating subsidiary of the Group.

(b) *Vesting*

DSBP Awards normally vest following the third anniversary of the date of grant provided the participant remains employed in the Group. Following vesting, Awards which are granted as options are normally exercisable up to the tenth anniversary of the date of grant.

(c) *Leavers*

A DSBP Award will lapse if a participant ceases to hold employment with the Group prior to vesting, unless the cessation is by reason of death, disability, ill-health, injury, retirement with the agreement of his/her employer, redundancy, sale of the employing company or business unit out of the Group or any other reason at the Remuneration Committee's discretion. In these circumstances, the Award will vest on the date of cessation (unless the Remuneration Committee determines it will vest on the normal vesting date).

DSBP Awards granted as options may be exercised during a period of 12 months commencing on the date of vesting, provided that options must be exercised before the expiry of ten years following the grant date.

(d) *Corporate events*

DSBP Awards will vest on a takeover, scheme of arrangement or winding up (except an internal reorganisation). Awards granted as options may be exercised during a period of one month following the relevant event (provided always that options must be exercised before the expiry of ten years following the grant date). On an internal reorganisation, Awards will be replaced by equivalent awards over shares in a new holding company unless the Remuneration Committee decides otherwise.

If a demerger, special dividend or similar event is proposed which, in the Remuneration Committee's opinion, would materially affect the market price of Ordinary Shares subject to Awards, the Remuneration Committee may determine those Awards will vest. Awards granted as options may be exercised during such period as the Remuneration Committee may determine.

(e) *Alterations*

The Remuneration Committee may amend the DSBP at any time, save that no amendment to the material disadvantage of participants may be made unless participants have been invited to indicate their approval of the alteration, and a majority of those who give such an indication approve the alteration.

9.6 Key terms of the Sharesave Plan(a) *General*

The Sharesave Plan is a UK tax advantaged share plan under Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. Ordinary Shares can be provided to UK employees under the Sharesave Plan in a tax-efficient manner.

(b) *Eligibility*

Employees and full-time directors of the Company and any designated participating subsidiary of the Group who are UK tax resident are eligible to participate in the Sharesave Plan. The Board may require employees to have completed a qualifying period of employment before the grant of options.

PART XVII CONTINUED

(c) *Grant of options*

Options may only be granted to employees who enter into an HMRC approved savings contract, under which monthly savings are normally made over a period of three or five years. Options will be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Ordinary Shares over which an option is granted will be such that the total option price payable for those Ordinary Shares will correspond to the proceeds on maturity of the related savings contract.

An option may not be granted more than ten years after shareholder approval of the Sharesave Plan. Options are not transferable except on death and are not pensionable.

(d) *Individual limit*

Monthly savings by an employee under all savings contracts linked to options granted under any sharesave plan may not exceed the statutory maximum (currently £500). The Board may set a lower limit in relation to any particular grant of options.

(e) *Option price*

The price per Ordinary Share payable on the exercise of an option will not be less than the higher of: (i) 80 per cent. of the average middle-market quotation of an Ordinary Share on the London Stock Exchange on the three days preceding a date specified in an invitation to participate in the Sharesave Plan (or such other day or days as HMRC may allow); and (ii) if the option relates only to new issue Ordinary Shares, the nominal value of an Ordinary Share.

The option price will be determined by reference to dealing days which fall within six weeks of the Company's announcement of its results for any period or at any other time when the Board considers there are exceptional circumstances which justify offering options under the Sharesave Plan.

(f) *Exercise of options*

Options will normally be exercisable for six months from the third or fifth anniversary of the start of the related savings contracts as applicable. Earlier exercise is permitted, however, in the following circumstances:

- (i) following cessation of employment by reason of death, injury, disability, redundancy, retirement or the employing company or business unit ceasing to be part of the Group;
- (ii) where employment ceases more than three years from grant because of severance (as defined under the relevant employing company's personnel policies from time to time); and
- (iii) in the event of a takeover, scheme of arrangement or winding-up of the Company, except in the case of an internal corporate reorganisation, when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

Except where described above, options will lapse on cessation of employment or directorship with the Group.

Ordinary Shares will be allotted or transferred to participants within 30 days of exercise.

(g) *Plan limit*

Options may be granted over new issue Ordinary Shares, Ordinary Shares held in treasury or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than ten per cent. of the issued ordinary share capital of the Company under the Sharesave Plan and any other employee share plan adopted by the Company.

Ordinary Shares held in treasury will count as new issue shares for the purposes of this limit (unless institutional investor bodies decide that they need not count) and options which lapse are excluded from this limit.

(h) *Variation of share capital*

If there is a variation in the Company's share capital, the Board may make such adjustment as it considers appropriate to the number of Ordinary Shares under option and the option price provided that such variation meets the requirements of the relevant tax legislation.

PART XVII CONTINUED

(i) *Rights attaching to Ordinary Shares*

Any Ordinary Shares allotted when an option is exercised under the Sharesave Plan will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

(j) *Alterations*

The Board may amend the provisions of the Sharesave Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of Ordinary Shares held in treasury, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Sharesave Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's Group.

The Company may also establish modified plans to take account of local tax, exchange control and securities laws in any overseas jurisdictions.

9.7 Key terms of the Irish Sharesave Plan

The Irish Sharesave Plan is approved by the Irish Revenue in order to provide tax-advantaged options to employees based in the Republic of Ireland. It operates on broadly the same terms as the Sharesave Plan as summarised above.

9.8 Key terms of the SIP(a) *General*

The SIP is a UK tax advantaged share plan under Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003. Ordinary Shares can be provided to UK employees under the SIP in a tax-efficient manner.

(b) *Eligibility*

All employees of the Company and any participating company who are UK resident taxpayers will be eligible and must be invited to participate in the SIP, provided they have been employed for a qualifying period determined by the Board which may not exceed 18 months. An employee will not be eligible to participate if, in any tax year, the employee participates at the same time in another tax-advantaged share incentive plan.

(c) *Operation of the SIP*

The Board may: (i) make an award of free shares (**Free Shares**); (ii) give employees the opportunity to acquire partnership shares (**Partnership Shares**); (iii) make an award of matching shares (**Matching Shares**) to those employees who acquire Partnership Shares (Free Shares, Partnership Shares and Matching Shares – together, **Plan Shares**); and/or (iv) require or allow employees to re-invest dividends paid on their Plan Shares in further shares (**Dividend Shares**). Currently, only Free Shares and Partnership Shares are awarded under the SIP. The SIP operates through a trust, which acquires Ordinary Shares by purchase or subscription and holds the Ordinary Shares on behalf of employees. Benefits received by participants under the SIP are not pensionable.

(d) *Plan limit*

The number of Ordinary Shares which may be issued (including any treasury shares which may be transferred) to the trustee under the SIP on any day must not, when added to the aggregate of the number of Ordinary Shares which have been allocated in the previous 10 years under the SIP and any other employee share plan operated by the Company, exceed 10 per cent. of the ordinary share capital of the Company in issue at that time. For the purposes of these limits, no account shall be taken of any Ordinary Shares where the option, award or other contractual right to acquire Ordinary Shares was released or lapsed without being exercised.

(e) *Free Shares*

The SIP provides that each participant may be awarded Ordinary Shares worth up to the statutory maximum (currently £3,600) each year. The allocation can be based on the achievement of individual, team, divisional or corporate performance targets which must be notified to all employees. Otherwise, Free Shares must be awarded to employees on the same terms, although awards can vary by reference

PART XVII CONTINUED

to remuneration, length of service or hours worked. Free Shares must be held in trust for the period specified by the Board of between three and five years. If a participant ceases employment within three years from the award day, the Free Shares will cease to be subject to the SIP and may be forfeited as determined by the Board.

(f) *Partnership Shares*

Participants may be offered the opportunity to purchase Partnership Shares out of pre-tax salary contributions up to the maximum set by the legislation (currently £1,800, or 10 per cent. of salary if less). The Company may set a minimum monthly deduction from an employee's salary which may not be greater than £10. The Partnership Shares may be acquired immediately or the salary contributions accumulated for any period of up to 12 months before they are used to buy Partnership Shares. The Board can scale down applications for Partnership Shares relative to any limit on the number which may be acquired and the contribution limits prescribed in any application. Partnership Shares can be withdrawn from the SIP by the participant at any time and are not subject to forfeiture provisions.

(g) *Matching Shares*

Where participants acquire Partnership Shares, they may be awarded Matching Shares by the Company, up to a current statutory maximum of two Matching Shares for each Partnership Share. The award of Matching Shares cannot be subject to performance targets. Matching Shares will be of the same class and carry the same rights as Partnership Shares. Each award of Matching Shares will be subject to a holding period of not less than three years nor more than five years (or any other periods required by the relevant legislation from time to time), beginning with the award date and which will be the same for all participants who receive an award at the same time. If a participant ceases employment or a participant withdraws their corresponding Partnership Shares within three years of purchase or such other forfeiture period as determined by the Board, the Matching Shares will cease to be subject to the SIP and may be forfeited.

(h) *Dividend Shares*

The Board may determine that some or all of the cash dividends paid in respect of Plan Shares will be re-invested in the purchase of Dividend Shares. Alternatively, participants may be permitted to re-invest cash dividends paid in respect of Plan Shares in the purchase of Dividend Shares. Dividend Shares are subject to a three year holding period, but are not subject to forfeiture. The Board may impose a limit on the amount of dividends which may be reinvested in Dividend Shares to be held on behalf of any participant, although there is no statutory maximum. To the extent that the cash dividends exceed any limit imposed, the trustee must pay over cash dividends to the relevant participant as soon as practicable.

(i) *Offers*

The participant may direct the trustee on the appropriate action to take in relation to any right relating to a participant's Ordinary Shares to receive other shares, securities or rights of any description, or an offer of cash, or to agree to a transaction pursuant to a compromise, arrangement or scheme in relation to a reconstruction or takeover.

(j) *Rights attaching to Ordinary Shares*

All Ordinary Shares acquired under the SIP will rank equally in all respects with Ordinary Shares then in issue except for any rights attaching to the Ordinary Shares by reference to a record date before the date of acquisition.

If required to do so by the Company, the trustee will invite participants to direct it how to exercise the voting rights attributable to the Ordinary Shares held on their behalf, and will not exercise those rights other than on the participants' instructions.

(k) *Leavers*

In general, and subject to any applicable forfeiture provisions, if a participant ceases employment with the Company or any associated company, the participant's Ordinary Shares will cease to be subject to the SIP.

Participants will not be liable to income tax or National Insurance contributions on their Ordinary Shares ceasing to be subject to the SIP on leaving employment on account of injury or disability, redundancy, by reason of a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applies, the company by which the participant is employed ceasing to be an associated company of the Company, retirement or the participant's death.

PART XVII CONTINUED

(l) Alterations

The Board, together with the trustee, may at any time amend the SIP. However, any amendments to the advantage of participants in relation to (i) the persons to whom, or for whom, Ordinary Shares may be acquired under the SIP; (ii) the limit on the number of Ordinary Shares which may be issued; (iii) the maximum entitlement for each participant and the basis for determining a participant's entitlement to Ordinary Shares; (iv) the basis of any adjustment if there is a capitalisation or rights issue, an open offer, a sub-division, consolidation or reduction or any other variation of share capital, must be approved in advance by shareholders in general meeting, unless the alteration or addition is minor in nature and is made to the benefit of the administration of the SIP; or is to take account of a change in legislation; and to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company, the trustees or any subsidiary.

(m) Termination

The Company may resolve to terminate the SIP at any time. On termination, the trustee must remove each participant's Ordinary Shares from the SIP and transfer the Ordinary Shares or distribute the proceeds of their sale to the participants as soon as practicable.

9.9 The Marks & Spencer Employee Benefit Trust

The Company has established the Marks & Spencer Employee Benefit Trust (the **EBT**) to facilitate and encourage the ownership of Ordinary Shares by or for the benefit of employees of the Group. The trustee of the EBT is Estera Trust (Jersey) Limited, which is incorporated in Jersey and is non-resident for UK tax purposes. The trustee of the EBT may be funded by way of contributions or loans made by the Company, to subscribe for or purchase in the market Ordinary Shares, to be used for the benefit of the beneficiaries of the EBT. As at the Latest Practicable Date, 3,728,974 Ordinary Shares were held in the EBT, which may be used to satisfy awards made under the Employee Share Plans and other employee share incentive arrangements operated by the Company. The beneficiaries of the EBT are the employees and former employees of the Group and the spouses and dependants of such employees and former employees.

10. PENSION SCHEMES

Pursuant to the remuneration policy approved by the Shareholders at the annual general meeting of the Company held on 11 July 2017, current directors may participate in the 'Your M&S Pension Saving Plan' (a defined contribution arrangement) or an alternative pension saving vehicle that the Company may offer, on the same terms as all other employees or receive a cash supplement in lieu of pension contributions into this scheme.

For FY19, Steve Rowe received a pension allowance of 25 per cent. of his base salary, which was paid by way of a cash allowance in lieu of pension contributions. The amount paid under Steve Rowe's pension allowance for FY19 was £202,500. Humphrey Singer did not receive a cash allowance in lieu of pension contributions.

Steve Rowe is also a deferred member of the M&S Pension Scheme. The transfer value of the accrued entitlement (which represents the value of the assets that the pension scheme would transfer to another pension provider on transferring the scheme's liability in respect of Steve Rowe's pension benefits) is £4,639,000 as at 30 March 2019. It does not represent sums payable to a director and therefore cannot be added meaningfully to annual remuneration.

11. UNDERTAKINGS

The Company is the principal operating and holding company of the Group. The subsidiary undertakings of the Company are set out on pages 140 to 141 of the 2019 Annual Report and Financial Statements, as included in Part VI: "Information Incorporated by Reference" of this Prospectus. During the period from 30 March 2019 to the Latest Practicable Date, there were no new significant subsidiaries or subsidiary undertakings.

12. PROPERTIES, PLANT AND EQUIPMENT

No single tangible fixed asset (including property, plant and equipment) accounts for more than 10 per cent. of the Group's net turnover or production.

PART XVII CONTINUED

13. UNDERWRITING ARRANGEMENTS

On 22 May 2019, the Company and the Underwriters entered into the Underwriting Agreement, pursuant to which the Company has appointed Morgan Stanley as Sole Sponsor, Sole Global Co-ordinator and Sole Bookrunner, and BNPP, HSBC and Shore Capital as Co-Bookrunners in connection with the Rights Issue.

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters (as agents for and on behalf of the Company) have undertaken severally to use their reasonable endeavours to procure subscribers for any New Ordinary Shares which have not been taken up under the Rights Issue as soon as reasonably practicable and in any event by not later than 5.00 p.m. on the second Dealing Day after the last date for acceptance under the Rights Issue, for an amount which is not less than the total of the Rights Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured plus the expenses of procurement (including any applicable brokerage and commissions and amounts in respect of irrecoverable VAT). If and to the extent that the Underwriters are unable to procure subscribers on the basis outlined above, the Underwriters have agreed to subscribe for (or procure subscriber(s) for), on a several basis (in their due proportions), any remaining New Ordinary Shares.

In consideration of their services provided under the Underwriting Agreement, and provided that the Underwriting Agreement becomes wholly unconditional and is not terminated in accordance with its terms before Admission, the Company shall pay the Underwriters an aggregate base commission of 1.75 per cent. of the amount equal to the product of the Rights Issue Price multiplied by the aggregate number of New Ordinary Shares (plus any applicable VAT). Out of such commission the Underwriters shall pay or procure the payment of any sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to subscribe for New Ordinary Shares. The Company will also pay (irrespective of whether Admission occurs) the fees, costs and expenses of, or in connection with, the Rights Issue.

The Company may, at its sole discretion, also pay the Underwriters (or any of them) a further discretionary commission of up to 0.25 per cent. of the amount equal to the product of the Rights Issue Price multiplied by the aggregate number of New Ordinary Shares.

The obligations of the Underwriters under the Underwriting Agreement are conditional on certain conditions customary in agreements of this type, including, among others:

- (a) Admission occurring not later than 8.00 a.m. on 29 May 2019 (or such later time and/or date as the Company and the Sole Global Co-ordinator may agree (being not later than 12 June 2019));
- (b) the delivery of certain documents to the Sole Sponsor and Sole Global Co-ordinator and the Underwriters by the times and dates specified in the Underwriting Agreement;
- (c) the Company having complied with its obligations under the Underwriting Agreement and under the terms of the Rights Issue, save to the extent that, in the sole opinion of the Sole Global Co-ordinator (on behalf of the Underwriters) acting in good faith, would not be material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or Admission;
- (d) the warranties on the part of the Company under the Underwriting Agreement being true, accurate and not misleading on the date of the Underwriting Agreement, the date of this Prospectus and immediately before Admission;
- (e) the Sale and Purchase Agreement remaining in full force and effect and not having been terminated, having lapsed or ceased to be capable of completion in accordance with its terms, prior to Admission;
- (f) no event requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplementary prospectus being published by or on behalf of the Company before Admission, which the Sole Global Co-ordinator, in its sole opinion, considers to be material in the context of the Rights Issue; and
- (g) in the opinion of the Sole Global Co-ordinator (acting in good faith), no material adverse change having occurred in respect of the Group at any time prior to Admission (whether or not foreseeable at the date of the Underwriting Agreement).

Under the Underwriting Agreement, the Company has given certain customary (for a transaction of this nature) representations, warranties and undertakings to the Underwriters concerning, among other things, the accuracy of the information in this Prospectus, and in relation to other matters relating to the Group and its business. The Company has also given a customary indemnity to the Underwriters, liability in respect of which is unlimited as to time and amount.

The Company has undertaken that (subject to certain limited exceptions) it will not, for a period of 180 days from the date for settlement of the Underwriters' payment obligations under the Underwriting Agreement

PART XVII CONTINUED

without the prior written consent of the Sole Global Co-ordinator (on behalf of the Underwriters), directly or indirectly offer, issue or grant any rights over any Ordinary Shares or related securities.

The Underwriting Agreement can be terminated at any time on or prior to Admission by the Sole Global Co-ordinator (on behalf of the Underwriters) giving notice to the Company in certain circumstances, including, among other things, where (a) any of the conditions in the Underwriting Agreement are not satisfied (or, where permitted, waived, by the Sole Global Co-ordinator (on behalf of the Underwriters)) at the required times, (b) where the Company fails to comply in any material respect with any of its obligations under the Underwriting Agreement or under the terms of the Rights Issue, or (c) in the event of certain changes in financial, political or economic conditions. Following Admission, the Underwriting Agreement will not be subject to any condition or right of termination (including with respect to statutory withdrawal rights).

14. MATERIAL CONTRACTS

14.1 The following is a summary of each contract (not being a contract entered into in the ordinary course of business) to which the Company or any other member of the Group is or has been a party:

- (a) within the two years immediately preceding the date of this Prospectus which is, or may be, material; or
- (b) at any time, which contains provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

14.2 Underwriting Agreement for the Rights Issue

For a description of the principal terms of the Underwriting Agreement, see paragraph 13 of this Part XVII.

14.3 Transaction Documents

For a description of the principal terms of the Sale and Purchase Agreement, see paragraph 2 of Part XVI.

For a description of the principal terms of the Shareholders' Agreement, see paragraph 3 of Part XVI.

For a description of the principal terms of the Shareholder Loan Agreement, see paragraph 4 of Part XVI.

For a description of the principal terms of the Ocado Smart Platform Agreement, see paragraph 5 of Part XVI.

For a description of the principal terms of the Third Party Logistics Services Agreement, see paragraph 6 of Part XVI.

For a description of the principal terms of the Sourcing and Branding Agreement, see paragraph 7 of Part XVI.

For a description of the principal terms of the Brand Licence Term Sheet, see paragraph 8 of Part XVI.

Altogether, these documents represent the **Transaction Documents**.

14.4 Banking Facilities

(a) *Revolving Credit Facility*

On 29 September 2011, the Group's main trading subsidiary, Marks and Spencer plc (the **Borrower**), entered into a £1,325,000,000 credit facility agreement, as amended and restated on 16 March 2016 when the facility was reduced down to £1,100,000,000 (the **Revolving Credit Facility**), with HSBC Bank plc as facility agent. The Revolving Credit Facility is available to be utilised for the general corporate and working capital purposes of the Group.

The Revolving Credit Facility is a syndicated multicurrency revolving loan facility up to a total amount of £1,100,000,000. The available commitments under the Revolving Credit Facility now aggregate £1,000,000,000.

The Revolving Credit Facility is unsecured and terminates on 15 April 2023. Each lender has the right to demand mandatory prepayment of their portion of the outstanding commitments upon a change of control should the Borrower not reach agreement with the facility agent (acting on the instructions of the lenders) on new terms and conditions acceptable to the lenders to continue to make the facility available within 60 days of the change of control occurring.

PART XVII CONTINUED

Under the terms of the Revolving Credit Facility, the Borrower may voluntarily prepay any part of a loan under the Revolving Credit Facility prior to the termination date, subject to a requirement that the prepayment is in a minimum amount of £1,000,000 or its equivalent in an optional currency.

The interest rate under the Revolving Credit Facility is equal to the aggregate of the applicable margin plus LIBOR or EURIBOR. The margin is 0.50 per cent. per annum and may be adjusted upwards or downwards between 0.30 per cent. and 0.70 per cent. per annum depending on the long-term credit rating of the Borrower as determined by the three main ratings agencies, subject to a set margin of 0.70 per cent. per annum if an event of default is outstanding.

The Borrower covenants that the ratio of consolidated EBITDAR to consolidated net rent and net interest will not be less than 2.75:1 at the end of each measurement period (being the period of approximately twelve months ending on the last day of the Borrower's financial half year and year end).

The Revolving Credit Facility contains certain events of default customary for facilities of this nature, including payment defaults, breach of other obligations, misrepresentation, cross-default, insolvency, insolvency proceedings, creditors' processes, cessation of business, illegality, unlawfulness and repudiation.

The Revolving Credit Facility and any non-contractual obligations arising out of or in connection with it are governed by English law.

(b) *Overdraft Facility*

On 6 December 2017, Marks and Spencer plc and certain other subsidiaries (the **Borrowers**) entered into a £15,000,000 overdraft facility with HSBC Bank plc (the **Overdraft Facility**).

The Overdraft Facility is unsecured and the lender may withdraw it or demand the repayment of all sums outstanding at any time.

The Overdraft Facility contains certain limited representations and warranties customary for facilities of this nature.

The Overdraft Facility and any non-contractual obligations arising out of or in connection with it are governed by English law.

(c) *Uncommitted Short Term Facilities*

Marks and Spencer plc has two uncommitted short term credit lines of £50,000,000 each with Sumitomo Mitsui Banking Corporation Europe Limited and HSBC Bank plc (the **Uncommitted Short Term Facilities**). The Uncommitted Short Term Facilities are unsecured and the lenders may withdraw them for new transactions at any time.

The Uncommitted Short Term Facilities and any non-contractual obligations arising out of or in connection with them are governed by English law.

(d) *Notes issued under Euro Medium Term Note Programme*

On 2 December 2009, Marks and Spencer plc issued £400,000,000 6.125 per cent. Notes due 2 December 2019 (the **2019 EMTN Notes**) under its £3,000,000,000 Euro Medium Term Note Programme, in respect of which the interest rate payable is subject to adjustment from time to time in the event of a rating change concerning Marks and Spencer plc's senior unsecured long-term debt.

On 6 December 2011, Marks and Spencer plc issued £300,000,000 6.125 per cent. Notes due 6 December 2021 (the **2021 EMTN Notes**) under its £3,000,000,000 Euro Medium Term Note Programme, in respect of which the interest rate payable is subject to adjustment from time to time in the event of a rating change concerning Marks and Spencer plc's senior unsecured long-term debt.

On 12 December 2012, Marks and Spencer plc issued £400,000,000 4.750 per cent. Notes due 12 June 2025 (the **2025 EMTN Notes**) under its £3,000,000,000 Euro Medium Term Note Programme, in respect of which the interest rate payable is subject to adjustment from time to time in the event of a rating change concerning Marks and Spencer plc's senior unsecured long-term debt.

On 8 December 2016, Marks and Spencer plc issued £300,000,000 3.000 per cent. Notes due 8 December 2023 (the **2023 EMTN Notes**, and together with the 2019 EMTN Notes, the 2021 EMTN Notes and the 2025 EMTN Notes, the **EMTN Notes**) under its £3,000,000,000 Euro Medium Term Note Programme, in respect of which the interest rate payable is subject to adjustment from time to time in the event of a rating change concerning Marks and Spencer plc's senior unsecured long-term debt. The 2023 EMTN Notes may be redeemed in whole or in part at any time prior to their maturity date at the option of Marks and Spencer plc at a make whole redemption amount. Such amount will be the higher of (a) 100 per cent. of the nominal amount outstanding of the 2023 EMTN Notes to be redeemed and

PART XVII CONTINUED

(b) the sum of the present values of the remaining principal and interest payments on the nominal amount to be redeemed, discounted to the date of redemption on an annual basis at a rate equal to the yield on the 2.250 per cent. UK Treasury Bond due September 2023 plus 30 basis points.

The EMTN Notes are governed by English law and their terms and conditions contain a negative pledge and events of default which are customary for euro medium term notes.

The EMTN Notes may be redeemed at par at the option of any holders of the EMTN Notes in certain circumstances following a change of control in respect of Marks and Spencer plc. Where this option is exercised with respect to at least 80 per cent. of a series of EMTN Notes outstanding, then Marks and Spencer plc may elect to redeem the remaining notes of the relevant series. In addition, in the event of certain changes affecting taxation, Marks and Spencer plc may elect to redeem the EMTN Notes at par prior to their stated maturity.

(e) *U.S. Notes*

On 6 December 2007, Marks and Spencer plc issued US\$300,000,000 7.125 per cent. Notes due 1 December 2037 (the **U.S. Notes**).

The U.S. Notes may be redeemed in whole or in part at any time prior to their maturity date at the option of Marks and Spencer plc at 100 per cent. of the principal amount of U.S. Notes to be redeemed plus a premium of the greater of (i) 1.00 per cent. of the principal amount of U.S. Notes to be redeemed and (ii) the excess of (A) the present value at the redemption date of (1) the redemption price of the U.S. Notes on their maturity date (exclusive of any accrued interest) plus (2) all remaining scheduled interest payments due on the U.S. Notes through to the maturity date (excluding accrued and unpaid interest to the redemption date) discounted using a rate equal to the yield on the US Treasury securities with a constant maturity closest to the period from the redemption date to the maturity date plus 45 basis points, over (B) the principal amount of the U.S. Notes to be redeemed on the redemption date.

The U.S. Notes may be purchased by Marks and Spencer plc at 101 per cent. of their principal amount at the option of any holders of such U.S. Notes in certain circumstances following a change of control in respect of Marks and Spencer plc or Marks and Spencer Group plc. In addition, in the event of certain changes affecting taxation, Marks and Spencer plc may elect to redeem the U.S. Notes at par prior to their stated maturity.

The U.S. Notes are governed by the laws of the State of New York and their terms and conditions contain a limited form of negative pledge, as well as a form of events of default which are limited because, for insolvency events, they only apply to Marks and Spencer plc as issuer rather than any guarantor or significant subsidiary.

14.5 M&S Bank arrangements with HSBC(a) *Relationship Agreement*

In November 2004, Marks and Spencer plc entered into a relationship agreement with Marks & Spencer Financial Services plc (**MSFS**) and HSBC Bank plc (the **Relationship Agreement**), which was amended and restated in 2005, 2012, 2014 and has been amended by way of several side letters during the term.

HSBC Bank plc transferred its rights and obligations under the Relationship Agreement to HSBC UK Bank plc (**HSBC UK**) through a novation agreement in 2018.

The Relationship Agreement was entered into in connection with a share purchase agreement dated July 2004. Under this agreement, the **Money Group** (which includes various former Group entities, including MSFS) was acquired by HSBC Bank plc. The Money Group sells and promotes a range of financial services products (**Financial Services Products**) to M&S customers under trade marks licensed to MSFS under the Bank Brand Licence (as defined below).

Marks and Spencer plc provides (or procures the provision of) twelve services (the **M&S Intermediation Services**) under the Relationship Agreement, whereby M&S introduces its customers to certain credit and non-credit products provided by the HSBC UK group. It is intended that the M&S Intermediation Services will create contractual links between M&S customers and members of the HSBC UK group through the "M&S Bank" which sells and promotes Financial Services Products (**Money Business**). The M&S Intermediation Services are subject to service standards, which are listed in the Relationship Agreement.

MSFS remunerates Marks and Spencer plc for the M&S Intermediation Services through (i) interim fees, which are payable for each calendar month during the term and (ii) balancing fees, which are payable for each quarter. Both sets of fees are calculated through formulas in the Relationship Agreement.

PART XVII CONTINUED

The Relationship Agreement continues on a rolling five-year term, until a party gives not less than twelve months' written notice of its intention to terminate, such notice to expire on the fifth anniversary of any subsequent renewal date.

Marks and Spencer plc grants HSBC UK, MSFS and other members of HSBC UK's group the exclusive right to promote, provide, offer or sell all Financial Services Products to M&S customers in the United Kingdom, the Channel Islands and the Republic of Ireland. This right ceases automatically on termination. Additionally, Marks and Spencer plc agrees not to operate, or participate in, any loyalty schemes conferring benefits on M&S customers, other than a list of specified schemes in the Relationship Agreement.

HSBC UK agrees that, until 9 November 2019, it will not establish a bank in the United Kingdom offering current account or mortgage products with John Lewis plc or its affiliates.

The Relationship Agreement includes a process whereby Marks and Spencer plc must consult HSBC UK, where it is considering a decision to promote, provide, offer or sell Financial Services Products to M&S customers not resident in the United Kingdom, the Channel Islands and the Republic of Ireland (an **Overseas Offering**). HSBC UK is able to propose terms on which it would like to facilitate any Overseas Offering.

HSBC UK has the exclusive right to negotiate with Marks and Spencer plc to promote, provide, offer and/or sell Financial Services Products to customers of any new consumer business (a **New Business**) in two circumstances (each a **Strategic Development**):

- (a) where any member of the Group acquires all, or a material part of, a consumer business and that consumer business either (i) operates a financial services business itself or (ii) has arrangements with a third party financial services provider (an **Incumbent**). If an Incumbent has a contractual right of exclusivity in relation to certain categories of Financial Services Products, HSBC UK will retain its exclusive right of negotiation for other categories; and
- (b) where the control of Marks and Spencer plc is acquired by the same person as another consumer business.

If, following a Strategic Development, the Group is re-branded in a way which does not fall within Marks & Spencer plc's then-current branding, HSBC UK is permitted to terminate the Relationship Agreement within 15 months of commencement of the re-branding exercise, HSBC UK is also able to terminate the Relationship Agreement, where it is notified about a proposed re-branding and:

- (a) Marks and Spencer plc has notified HSBC UK that it intends to solicit offers from third parties in relation to the provision of Financial Services Products to customers of the New Business;
- (b) a third party is providing Financial Services Products to customers of the New Business, where Marks and Spencer plc had previously indicated to HSBC UK that it has no intention to promote, provide, offer or sell such products; or
- (c) an Incumbent is providing Financial Services Products to customers of the New Business, and the expiry date for that relationship is more than three years after Marks and Spencer plc has notified HSBC UK of the relevant Strategic Development,

Marks and Spencer plc and HSBC UK may each terminate the Relationship Agreement for persistent breach, material breach (which is not remedied within a cure period) or an insolvency event. In addition:

- (a) HSBC UK may terminate if Marks and Spencer plc exercises its right under the Bank Brand Licence to amend that agreement in such a way that it is substantially or entirely comprised of trade marks which do not include, or have an obvious connection with, M&S's then-current branding;
- (b) HSBC UK may terminate where a "Super MAC" occurs, which arises when certain credit turnover ratios are breached; and
- (c) Marks and Spencer plc may terminate where any member of HSBC UK's group commits a material breach of the Bank Brand Licence which causes material damage to the reputation and goodwill attaching to M&S's brand, which results in a material detrimental impact to the overall annual income of Marks and Spencer plc, excluding any income derived from MSFS.

Except where termination arises: (i) due to an insolvency event; (ii) following a party's notification of termination in accordance with the non-renewal of term provisions; or (iii) where a matter has already been discussed, Marks and Spencer plc and HSBC UK must refer a matter giving rise to a termination

PART XVII CONTINUED

right to the Chairmen of Marks and Spencer plc and HSBC UK for resolution, prior to exercising that right. Where a matter is referred to the Chairmen, the right to terminate will only be exercisable if the matter is not resolved within 30 business days of the Chairmen first meeting to consider that matter.

If Marks and Spencer plc gives or receives a termination notice (except in the case of insolvency), it must, within 20 business days of that notice, either notify HSBC UK that it intends to call for the transfer of the Money Business from the HSBC UK group to Marks and Spencer plc (a **Bank Call Option**) or it wishes to put the Money Business to tender (a **Bank Sale Option**).

If Marks and Spencer plc exercises its Bank Call Option, it is required to retain ownership of the Money Business for at least two years following termination. During this time, Marks and Spencer plc may acquire infrastructure for the upkeep of the Money Business from one or more third parties, provided that any such third party is generally regarded as a provider of such services or assets prior to providing them to Marks and Spencer plc.

Where Marks and Spencer plc exercises either its Bank Call Option or Bank Sale Option, a third party investment bank will value the Money Business, taking into account its fair market value and various adjustments detailed in the Relationship Agreement.

Where Marks and Spencer plc exercises its Bank Sale Option, it may vary that to a Bank Call Option during the tender process. In these circumstances, HSBC UK may recover costs reasonably incurred beyond those which would have arisen, had Marks and Spencer plc elected to use its Bank Call Option from the outset.

(b) *M&S Bank Brand Licence*

On 9 November 2004, Marks and Spencer plc, MSFS and HSBC UK entered into the **Bank Brand Licence**.

The Bank Brand Licence continues for the duration of the Relationship Agreement, unless the Relationship Agreement is terminated by HSBC UK for the insolvency of M&S (in which case the Bank Brand Licence will continue on an exclusive basis for a further year). M&S may terminate the Bank Brand Licence early if MSFS challenges its ownership of the Marks (as defined below) or assists or encourages a third party to do so.

Under the Bank Brand Licence, M&S grants to MSFS an exclusive, royalty-free licence to use all trade mark rights owned by M&S from time to time in the words "M&S", "Marks and Spencer", "M&S Money", "M&SFS", "Your Money" and "Your M&S" (the **Marks**) for the purpose of MSFS's business as operated pursuant to the Relationship Agreement and in relation to the loyalty scheme established by the Relationship Agreement. The licence is limited to the United Kingdom and the Channel Islands, but includes using the internet or digital media channels to target the United Kingdom and the Channel Islands.

The licence may be sublicensed to members of the HSBC UK group, or to one of an agreed list of third parties that provide products and services to MSFS, as agreed by Marks and Spencer plc from time to time. MSFS is prohibited from using any other Mark in connection with its business or from using the Marks alongside any other mark, name or logo (unless it has obtained the prior written consent of Marks and Spencer plc).

HSBC UK is a direct party to the Bank Brand Licence and agrees to procure that MSFS complies with the agreement.

14.6 Marks & Spencer India Shareholders' Agreement

On 18 April 2008, Marks and Spencer plc entered into a shareholders' agreement with Reliance Retail Limited, which was amended and restated on 6 October 2008, to establish a joint venture company (Marks and Spencer Reliance India Pvt Limited) to operate in India (the **Marks & Spencer India Shareholders' Agreement**) in which Marks and Spencer plc and Reliance Retail Limited hold 51 per cent. and 49 per cent. stakes, respectively. The Marks & Spencer India Shareholders' Agreement was further amended by way of the Second Amendment Agreement on 7 January 2019. The principal terms of the Marks & Spencer India Shareholders' Agreement (as varied) are summarised below.

(a) *Governance*

Pursuant to the Marks & Spencer India Shareholders' Agreement, Marks and Spencer plc is entitled to appoint a majority of directors to the board (unless otherwise agreed this shall be four directors) and the quorum for any board meeting is a majority of directors (with a minimum of one director from each shareholder group holding at least 26 per cent. of the class A shares).

PART XVII CONTINUED

For as long as Marks and Spencer holds at least 26 per cent. of the class A shares, the CEO and CFO shall be jointly appointed by Marks and Spencer and Reliance Retail Limited, provided that if no agreement can be reached, following conclusion of a deadlock resolution procedure, Marks and Spencer may appoint the CEO and Reliance Retail Limited may appoint the CFO.

(b) *Reserved Matters*

The Marks & Spencer India Shareholders' Agreement contains a list of customary reserved matters that variously either may not be undertaken by Marks and Spencer Reliance India Pvt Limited or whose stated terms cannot be changed without the unanimous approval of either all of the board of directors of the joint venture or all of its shareholders.

(c) *Transfer Restrictions*

No shareholder may transfer its shares in Marks and Spencer Reliance India Pvt Limited, save for (i) a transfer of all shares held by that shareholder to another wholly-owned member of its group, or (ii) as a result of an event of default, or (iii) in accordance with the option provisions.

(d) *Put and Call Options*

If Marks and Spencer plc is in default under the Marks & Spencer India Shareholders' Agreement, Reliance Retail Limited may exercise a default put option requiring Marks and Spencer plc to acquire all of its shares in Marks and Spencer Reliance India Pvt Limited at a premium to fair market value. Likewise, if Reliance Retail Limited is in default, Marks and Spencer plc may exercise a default call option requiring Reliance Retail Limited to sell all of its shares in Marks and Spencer Reliance India Pvt Limited at a specified discount to fair market value.

(e) *Protective Covenants*

The Marks & Spencer India Shareholders' Agreement contains customary protective covenants from each shareholder to each shareholder and Marks and Spencer Reliance India Pvt Limited in respect of:

- (i) the solicitation of employees;
- (ii) the solicitation of customers using information in possession of the joint venture; and
- (iii) the infringement of intellectual property.

(f) *Termination*

The Marks & Spencer India Shareholders' Agreement terminates if either shareholder ceases to hold any shares in Marks and Spencer Reliance India Pvt Limited.

14.7 Marks & Spencer India Franchise Agreement

On 18 April 2008, Marks and Spencer plc entered into a franchise agreement with Tapti Trading Private Limited (renamed Marks and Spencer Reliance India Pvt Limited) (the **Franchisee**) granting it the right to operate a retail franchise business in the Republic of India under the trading name "Marks & Spencer". The Franchisee is permitted under licence to sell products under the labels of Marks and Spencer and its proprietary marks (as defined in the agreements).

(a) *Exclusivity*

The licence granted to the Franchisee is exclusive in respect of certain products, including but not limited to: clothing, toiletries, homeware, kitchenware, luggage and books. There are also a number of non-exclusive products including but not limited to food and wine products.

(b) *Franchisee Obligations*

The Franchisee is obliged to comply with the obligations set out in the Franchise Agreement and three manuals: the corporate social responsibility compliance standards manual (governing the Franchisee's compliance with laws and standards), the operating standards manual (governing buying, selling, marketing and store design) and the trading terms and conditions (governing payment, credit and administrative terms).

(c) *Ecommerce*

By way of a series of documents dated on or around 21 September 2016 and effective from 1 October 2015, Marks and Spencer plc granted to Marks and Spencer Reliance India Pvt Limited the rights to (i) commence online trading in India and (ii) wholesale to nominated third parties to sell Marks & Spencer branded products online (including Myntra Designs Property Limited and Reliance Retail Limited). In both

PART XVII CONTINUED

cases, the rights only apply to the exclusive products noted in paragraph (a) above. No other person may be appointed to sell the exclusive products online in India unless it is agreed by Marks and Spencer plc and Reliance Retail Limited as a reserved matter.

(d) *Assignment*

Neither party may assign all or any part of the agreement without prior written consent of the other party, except that Marks and Spencer may assign to any member of its group so long as Marks and Spencer plc remains directly liable for performance of the agreement.

(e) *Termination*

The agreement will continue until terminated in accordance with its terms. Marks and Spencer may terminate the agreement if neither Reliance Retail Limited nor any of its affiliates remain shareholders in the Franchisee. Either party may terminate the agreement in the event that the Marks & Spencer India Shareholders' Agreement is terminated.

14.8 Marks & Spencer India Services Agreement

Marks and Spencer plc has entered into a services agreement with Marks and Spencer Reliance India Pvt Limited and Reliance Retail Limited whereby Marks and Spencer Reliance India Pvt Limited can request certain services (including but not limited to buying/stock management, store design, logistics, finance, human resources, marketing, property and IT) from either Marks and Spencer plc or Reliance Retail Limited. The charges for the services (other than in respect of certain "specific services") are equivalent in amount to the aggregate employment costs related to the services together with a 6 per cent. fee and any incidental costs.

Any particular service will terminate at the end of a stated service term or may otherwise be terminated by the relevant service provider (either Marks and Spencer plc or Reliance Retail Limited) on three months' notice. The services agreement will otherwise terminate automatically on the termination or expiry of the Marks & Spencer India Shareholders' Agreement.

14.9 Marks & Spencer Greece Shareholders' Agreement

On 20 December 2011, Marks and Spencer Marinopoulos B.V. (now known as Marks and Spencer B.V.) entered into a shareholders' agreement with Marinopoulos Sarl, which was amended on 23 December 2011, 10 October 2012, 22 April 2015 and 22 August 2017, to establish a joint venture company (Marks and Spencer Marinopoulos Greece S.A.) to operate in Greece (the **Marks & Spencer Greece Shareholders' Agreement**). The principal terms of the Marks & Spencer Greece Shareholders' Agreement are summarised below.

(a) *Governance*

Pursuant to the Marks & Spencer Greece Shareholders' Agreement, Marks and Spencer Marinopoulos B.V. is entitled to appoint a majority of directors to the board (being three directors), and the quorum for any board meeting is at least three directors.

Marks and Spencer shall be entitled to appoint any of its appointee directors to the roles of Chairman, CEO and CFO.

(b) *Reserved Matters*

The Marks & Spencer Greece Shareholders' Agreement contains a list of customary reserved matters that may not be undertaken by Marks and Spencer Marinopoulos Greece S.A. without shareholder approval.

(c) *Transfer Restrictions*

No shareholder may transfer its shares in Marks and Spencer Marinopoulos Greece S.A. before the fourteenth day after the tenth anniversary of the Marks & Spencer Greece Shareholders' Agreement, save for (i) a transfer of shares to another wholly-owned member of its group, or (ii) a sale to another shareholder, or (iii) as a result of an event of default, or (iv) in accordance with the option provisions, or (v) as part of an offer from a third party to purchase the entire share capital of the company.

(d) *Call Option*

Under the Marks & Spencer Greece Shareholders' Agreement, Marks and Spencer Marinopoulos B.V. has granted Marinopoulos Sarl a put option to require Marks and Spencer Marinopoulos B.V. to acquire its entire shareholding in Marks and Spencer Marinopoulos Greece S.A. Similarly, Marinopoulos Sarl has granted Marks and Spencer Marinopoulos B.V. a call option to require Marinopoulos Sarl to sell its entire

PART XVII CONTINUED

shareholding in Marks and Spencer Marinopoulos Greece S.A. Either option can be exercised by written notice 45 days before (i) the seventh anniversary of the Marks & Spencer Greece Shareholders' Agreement, or (ii) the tenth anniversary.

The option exercise price is to be the lesser of (i) the maximum amount which would constitute a class 2 transaction for Marks and Spencer Marinopoulos B.V., or (ii) the greater of: (A) seven times EBITDA multiplied by the percentage of shares held Marinopoulos Sarl at that time, or (B) providing certain conditions are fulfilled, £2,000,000.

(e) *Protective Covenants*

The Marks & Spencer Greece Shareholders' Agreement contains customary protective covenants from each shareholder to each shareholder and Marks and Spencer Marinopoulos Greece S.A. in respect of:

- (i) the solicitation of employees;
- (ii) the solicitation of customers; and
- (iii) the carrying on competing business in Greece.

(f) *Termination*

The Marks & Spencer Greece Shareholders' Agreement terminates if either shareholder ceases to hold any shares in Marks and Spencer Marinopoulos Greece S.A, or the shares are listed on a securities market. Marinopoulos Sarl has the right to terminate the agreement on 30 days' notice should Marks and Spencer Marinopoulos B.V. transfer its shares to a third party.

14.10 Marks & Spencer Greece Supply Agreement

On 20 December 2011, Marks and Spencer plc entered into a supply agreement with Marks and Spencer Marinopoulos Greece S.A. setting out the terms on which Marks and Spencer plc would agree to supply merchandise to Marks and Spencer Marinopoulos Greece S.A. (the **Products**) and granting them a licence of the Marks and Spencer trade marks (as defined in the agreement).

(a) *Exclusivity*

Marks and Spencer plc has granted Marks and Spencer Marinopoulos Greece S.A. an exclusive licence to use the trade marks in Greece and the exclusive right to sell the Products in Greece. The agreement also grants a non-exclusive licence to use the trademarks, and the non-exclusive right to sell the Products in certain other countries, including but not limited to: Romania, Bulgaria, Austria and Switzerland.

(b) *Obligations*

Marks and Spencer Marinopoulos Greece S.A. is obliged to comply with standard trade mark protection undertakings and obligations, as well as the obligations set out in three manuals: the corporate social responsibility compliance standards manual (governing the Franchisee's compliance with laws and standards), the operating standards manual (governing buying, selling, marketing and store design) and the trading terms and conditions (governing payment, credit and administrative terms).

(c) *Assignment*

Neither party may assign all or any part of the agreement without prior written consent of the other party, except that Marks and Spencer may assign the benefit, subject to the burden, of the agreement to a third party.

(d) *Termination*

The agreement will continue until the termination of the Marks & Spencer Greece Shareholders' Agreement. Marks and Spencer plc may terminate the agreement by notice with immediate effect for a number of causes, including but not limited to: (i) material or persistent breach by Marks and Spencer Marinopoulos Greece S.A. of the agreement; (ii) change of control of Marks and Spencer Marinopoulos Greece S.A.; (iii) the commencement of any procedure to wind-up or reorganise Marks and Spencer Marinopoulos Greece S.A.; or (iv) the commencement of a procedure to appoint an administrator, receiver, administrative receiver or trustee in bankruptcy in relation to Marks and Spencer Marinopoulos Greece S. A. or its assets.

14.11 Warehousing and Distribution Services Agreement with Gist Limited

On 27 March 2015, Marks and Spencer plc entered into an agreement with Gist Limited (**Gist**), which was amended on 19 June 2015, 9 June 2017, 21 March 2018 and 11 October 2018, for the provision of transport, logistics and warehousing services to Marks and Spencer plc by Gist. Unless it is terminated

PART XVII CONTINUED

earlier by either Gist or Marks and Spencer plc in accordance with its terms, the agreement will continue in force until 23:59:59 on 3 April 2027. The agreement also varies certain existing contracts between Marks and Spencer plc and Gist for the delivery of goods from M&S suppliers to M&S stores (**Primary Transport**).

Gist currently provides five categories of services to Marks and Spencer plc under the agreement:

- (a) in the United Kingdom and Ireland, warehousing services, food to order services and the delivery of goods from Gist sites to M&S stores (the **Gist UKI Services**);
- (b) planning and transport services in France and the Czech Republic and, if required by Marks and Spencer plc, each of Belgium, the Netherlands, Luxembourg, Germany, Spain, Portugal, Italy and any other territory agreed between Marks and Spencer plc and Gist, and warehousing in Paris (the **Gist Europe Services**);
- (c) warehousing services at the Hemel International site for goods that will be transported to China, Dubai, Hong Kong and any other international territories that Marks and Spencer plc may specify (the **Hemel International Services**);
- (d) ancillary services including information technology, vehicle maintenance, pest control, security and provision of a customer helpdesk; and
- (e) warehouse and transport services for click and collect orders,

(together the **Gist Operational Services**, and together with the Gist Exit Services (as defined below), the **Gist Services**). The Gist Services exclude Primary Transport and deliveries in respect of certain specific categories of product or which relate to certain warehouses.

The Hemel International Services run until 3 April 2021, subject to termination by either Marks and Spencer plc or Gist on not less than six months' written notice, such notice not to expire earlier than 30 September 2020. From 21 March 2018, the operational performance of the Gist Europe Services has been sub-contracted by mutual agreement of Marks and Spencer plc and Gist to Gist Nederland B.V.

Gist and Marks and Spencer plc agree to work together to identify ways in which Gist could provide transport, warehousing and other services for third party products using Marks and Spencer plc resources and equipment, with the written consent of Marks and Spencer plc. The benefits and costs of providing these services will be allocated between the parties.

Gist must perform the Gist Services in accordance with good industry practice and in a manner that does not bring the M&S name into disrepute. Gist must perform certain Gist Operational Services in accordance with pre-agreed key performance indicators (**KPIs**) set out in the agreement and must comply generally with standard operational procedures that sit outside the agreement.

The charges payable by Marks and Spencer plc for the Gist Europe Services are calculated on a closed book basis, based on an annual budget and are subject to a fuel price adjustment mechanism.

For the Gist UKI Services, Gist submits monthly cost breakdown reports to Marks and Spencer plc and must notify Marks and Spencer plc of any anticipated material deviations from the budgeted charges. The charges payable by Marks and Spencer plc for the Gist UKI Services include a management fee and an overhead fee (each as a percentage of the total costs that varies throughout the term), a percentage contribution to Gist's pension costs and a lump sum in return for Gist bearing certain employment claim costs. For the Hemel International Services, Marks and Spencer plc must also pay a management fee and percentage contribution to Gist's pension costs.

Marks and Spencer plc must also pay to Gist a specific amount in each financial year for each Gist site used in the performance of the agreement. The charges are otherwise calculated on an open book basis based on annual budgets. Marks and Spencer plc may perform a financial audit of these open book services once every six months.

In each financial year from 31 March 2019 to 3 April 2027, Marks and Spencer plc agrees to:

- (a) commit 80 per cent. of its total spend on food logistics (excluding spend on the Hemel International Services) to Gist; and
- (b) ensure that the sum paid for the Gist UKI Services, Gist Europe Services and Primary Transport does not fall below a certain percentage of the total spent by Marks and Spencer plc on that category of service, whether provided by Gist or otherwise.

PART XVII CONTINUED

The commitments above are subject to a limited exemption, which applies if Marks and Spencer plc appoints one or more third parties to perform services or works on or after 31 March 2019 where Gist is unable or unwilling to provide the services itself, or where changes in volumes after the date of appointment of the third party (rather than the terms of the original appointment) result in Marks and Spencer plc failing to meet the percentages for either (a) or (b) above.

Marks and Spencer plc may benchmark the operational performance of the Gist Operational Services and the costs it incurs for the Gist UKI Services (other than any management fee or overhead fee payable) against the leading suppliers in the market providing equivalent services once in each financial year. Marks and Spencer plc and Gist will review the results of the benchmarking exercise and work together to implement any service or cost improvements identified.

Marks and Spencer plc is permitted to step in to perform any of the Gist Services itself where Gist is insolvent (or Marks and Spencer plc reasonably believes Gist is about to become insolvent) or if Gist's performance of that service is materially and adversely affected by Gist's material breach of the agreement or a force majeure event. In any of these circumstances, Marks and Spencer plc can appoint a third party (other than a competitor of Gist) to work with Gist to perform the relevant services.

Either Marks and Spencer plc or Gist may terminate the entire agreement if the other party becomes insolvent or for a material breach affecting the entire agreement, or terminate the agreement only in relation to an individual Gist Service or Gist site affected by such a breach. Marks and Spencer plc may terminate the whole agreement for change of control of Gist where Marks and Spencer plc believes (on a reasonable and objective basis) that the change in control would be likely to adversely affect Marks and Spencer plc's interests.

Marks and Spencer plc may otherwise terminate the agreement in respect of any affected Gist Service or Gist site: (a) for Gist's failure to comply with provisions relating to KPIs or operational or financial audit; or (b) due to force majeure affecting Gist. If an event falling under (a) or (b) is material in the context of the agreement as a whole, Marks and Spencer plc may terminate the entire agreement.

Marks and Spencer plc may, on six months' written notice, notify Gist that it wishes to terminate the provision of Gist UKI Services at one or more affected Gist sites, such notice not to be served before 26 September 2019. If Marks and Spencer plc exercises this right and transfers the provision of the Gist UKI Services from a Gist site designated as a food regional distribution centre to itself or a competitor of Gist, it must reimburse Gist for the closure costs for that site and make a one-off payment to Gist, which is Gist's exclusive remedy for the relevant closure.

Neither Marks and Spencer plc, nor a third party, is permitted to provide the Gist UKI Services from any Gist site designated as a food regional distribution centre that existed immediately prior to the commencement of the agreement.

Provision is made in the agreement for Gist to assist Marks and Spencer plc following any termination or expiry of all or part of the services or the agreement (the **Gist Exit Services**).

The agreement contains a customary framework of limits and exclusions of liability, including an overall annual cap on Marks and Spencer plc's liability and annual caps for Gist's liability for different categories of Gist Operational Services. The agreement also includes specific caps applicable to Gist's maximum aggregate liability at the M&S owned site in Enfield.

14.12 Standby Underwriting Letter for the Rights Issue

On 27 February 2019, the Company entered into a standby underwriting letter (the **Standby Underwriting Letter**) with Morgan Stanley pursuant to which Morgan Stanley agreed to underwrite the Rights Issue, on the terms and subject to the conditions set out in the Standby Underwriting Letter. The Standby Underwriting Letter automatically terminated in accordance with its terms upon the execution of the Underwriting Agreement.

15. UK TAXATION

15.1 General

The following statements are intended to apply only as a general guide to certain UK tax considerations in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights. They are based on current UK tax law and what is understood to be current practice of HM Revenue and Customs (**HMRC**) (which may not be binding on HMRC), both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of acquirers of New Ordinary Shares, Nil Paid Rights and Fully Paid Rights who are resident and, in the case of

PART XVII CONTINUED

individuals, domiciled or deemed domiciled, solely in the United Kingdom for UK tax purposes and do not apply to Shareholders to whom split-year treatment applies. They apply only to Shareholders who hold the New Ordinary Shares as investments (other than under an individual savings account or a self-invested personal pension) and who are the absolute beneficial owners of both the New Ordinary Shares and any dividends paid on them. The statements may not apply to certain classes of shareholders such as (but not limited to) persons acquiring their New Ordinary Shares in connection with an office or employment, persons holding their shares through trust arrangements, dealers in securities, banks, insurance companies and collective investment schemes.

Prospective acquirers of New Ordinary Shares, Nil Paid Rights and Fully Paid Rights who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights or who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their UK tax position should seek their own professional advice.

15.2 Dividends

(a) *Withholding tax*

The Company will not be required to deduct or withhold amounts on account of UK tax at source from dividend payments it makes, irrespective of the residence or particular circumstances of the shareholder receiving such dividend payment.

(b) *Taxation on receipt*

A Shareholder's liability to taxation on dividends will depend upon the circumstances of the Shareholder and is outlined below:

(i) Individuals

A nil rate of income tax will apply for the first £2,000 of dividend income received by individual Shareholders in a tax year (the **Nil Rate Band**).

The rate of tax applicable to dividend income in excess of the Nil Rate Band will depend on the wider tax position of the Shareholder. Broadly speaking, after taking into account the amount (if any) of a Shareholder's personal allowance, and any other allowances, exemptions and reliefs, the Shareholder's taxable income up to the basic rate limit will fall within the basic rate band; taxable income between the basic rate limit and the higher rate limit will fall within the higher rate band; and taxable income above the higher rate limit will fall within the additional rate band.

For the tax year running 6 April 2019 to 5 April 2020 the personal allowance is £12,500, the basic rate limit is £37,500 and the higher rate limit is £150,000 (although, these limits can be increased in certain circumstances). The rates of income tax on dividends received above the Nil Rate Band are (a) 7.5% for dividends in the basic rate band; (b) 32.5% for dividends in the higher rate band; and (c) 38.1% for dividends in the additional rate band.

In determining the tax band in which any dividend income over the Nil Rate Bands falls, dividend income is treated as the top slice of a Shareholder's income and dividend income within the Nil Rate Band is still taken into account.

Because dividend income (including income within the Nil Rate Band) is taken into account in assessing whether a Shareholder's overall income is above the higher or additional rate limits, the receipt of such income may also affect the amount of personal allowances to which the Shareholder is entitled.

(ii) Companies

Shareholders within the charge to UK corporation tax that are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Shareholders within the charge to UK corporation tax that are not "small companies" for this purpose will not be subject to UK corporation tax on any dividend received from the Company so long as the dividend falls within an exempt class and certain conditions are met. For example, (i) dividends paid on Shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the Company's assets on its winding up, and (ii) dividends paid

PART XVII CONTINUED

to a person holding less than a 10 per cent. interest in the Company, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that Shareholder (the main rate of corporation tax is currently 19 per cent., reducing to 17 per cent. from 1 April 2020).

15.3 Capital Gains

(a) *New Ordinary Shares acquired pursuant to the Rights Issue*

For the purposes of UK capital gains tax and corporation tax on chargeable gains, the issue of New Ordinary Shares to Existing Ordinary Shareholders who take up their Rights pursuant to the Rights Issue should be regarded as a reorganisation of the share capital of the Company.

Therefore a Shareholder who takes up their entitlement to New Ordinary Shares pursuant to the Rights Issue should not be treated as acquiring a new asset or as making a disposal of any part of that Shareholder's Existing Ordinary Shares by reason of taking up all or part of that Shareholder's rights to New Ordinary Shares. Instead, the New Ordinary Shares issued to that Shareholder should be treated as the same asset, and having been acquired at the same time, as that Shareholder's Existing Ordinary Shares. The amount paid for the New Ordinary Shares acquired under the Rights Issue up to the Shareholder's entitlement should be added to the base cost of that Shareholder's Existing Ordinary Shares. Upon such a Shareholder acquiring their New Ordinary Shares, the Existing Ordinary Shares and New Ordinary Shares should be treated as a single pool of Ordinary Shares, with the base cost of the Existing Ordinary Shares (as so increased) generally being spread *pro rata* between the Existing Ordinary Shares and the New Ordinary Shares received.

(b) *Disposal or lapse of rights to acquire New Ordinary Shares*

If a Shareholder disposes of all or some of their rights to acquire New Ordinary Shares, or is deemed to have allowed all or some of that Shareholder's rights to acquire New Ordinary Shares to lapse and receives a cash payment in respect of those rights, then that Shareholder may, in certain circumstances, incur a liability to UK taxation on chargeable gains.

However, if the proceeds that a Shareholder obtains from a lapse or disposal of the rights to acquire New Ordinary Shares are "small" compared with the market value of the Existing Ordinary Shares in respect of which the rights arose, then that Shareholder should not be treated as making a disposal for the purposes of UK taxation of chargeable gains. The proceeds should instead be deducted from the acquisition cost of that Shareholder's holding of Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal, unless such proceeds are greater than the base cost of the Existing Ordinary Shares in respect of which the rights arose and a valid election is made.

HMRC will normally treat proceeds as "small" if the amount of the proceeds either does not exceed 5 per cent. of the market value (at the date of the disposal or lapse) of the Existing Ordinary Shares in respect of which the rights arose or does not exceed £3,000.

15.4 Stamp duty and stamp duty reserve tax

(a) *General*

The following statements about UK stamp duty and stamp duty reserve tax (**SDRT**) apply regardless of whether or not a Shareholder is resident, domiciled or deemed domiciled in the United Kingdom.

Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt arrangements and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

(b) *The Rights Issue*

No liability to stamp duty or SDRT will arise on the issue of the New Ordinary Shares or the Provisional Allotment Letters by the Company or on the crediting of Nil Paid Rights or Fully Paid Rights to stock accounts in CREST.

PART XVII CONTINUED

A purchaser of rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration or renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters may be liable to account for the SDRT to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for, in accordance with the CREST rules, to HMRC by the operator of CREST.

16. U.S. FEDERAL INCOME TAXATION

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) of the receipt, exercise and disposition of Nil Paid Rights, as well as the acquisition, ownership and disposition of Fully Paid Rights and New Ordinary Shares, pursuant to the Rights Issue. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), final, temporary and proposed U.S. Treasury regulations, and administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect, as well as on the income tax treaty between the United States and the United Kingdom as currently in force (the **Treaty**).

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Nil Paid Rights, Fully Paid Rights or New Ordinary Shares through pass-through entities; (viii) holders that are not U.S. Holders; (ix) holders that own (directly, indirectly or constructively) 10 per cent. or more of the stock of the Company by vote or value; (x) investors that hold Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (xi) investors that have a functional currency other than the U.S. dollar; (xii) U.S. expatriates and former long-term residents of the United States; and (xiii) investors that make mark to mark elections), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address tax consequences applicable to holders of equity interests in a holder of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, U.S. federal estate, gift or alternative minimum tax or net investment tax considerations, or non-U.S., state or local tax considerations. This summary only addresses U.S. Holders that will receive Nil Paid Rights with respect to Existing Ordinary Shares in the Rights Issue, and it assumes that such U.S. Holders will hold their New Ordinary Shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment).

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Ordinary Shares that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The United States federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Nil Paid Rights or New Ordinary Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships, or entities treated as partnerships for U.S. federal income tax purposes, that hold Nil Paid Rights or New Ordinary Shares should consult their own tax advisers regarding the specific U.S. federal income tax consequences to their partners from the acquisition, ownership and disposition of Nil Paid Rights or New Ordinary Shares.

16.1 Taxation of Nil Paid Rights

(a) *Distribution of Nil Paid Rights*

The proper characterisation of the issuance of Nil Paid Rights, and any subsequent sale by the Underwriters of such Nil Paid Rights and the remittance of the proceeds from that sale to certain U.S. Holders whose Nil Paid Rights were sold, is unclear. Under U.S. federal income tax principles, the

PART XVII CONTINUED

issuance and sale of such Nil Paid Rights could be treated either as a distribution of property by the Company or as a distribution of Nil Paid Rights by the Company and a subsequent sale of those Nil Paid Rights by the relevant U.S. Holders.

If a distribution of property were considered to be made by the Company, a U.S. Holder would generally be required to include in income as foreign source ordinary dividend income, as described below under "Taxation of New Ordinary Shares", an amount equal to the fair market value of the Nil Paid Rights on the date of their distribution. In such a case, a U.S. Holder would have a tax basis in the Nil Paid Rights equal to the amount treated as a dividend, and a U.S. Holder's holding period in the Nil Paid Rights would begin on the date the Nil Paid Rights were received.

The Company believes that the issuance of Nil Paid Rights and any subsequent remittance of proceeds from the sale by the Underwriters of such Nil Paid Rights should not be treated as a distribution of property by the Company. Therefore, a U.S. Holder should not be required to include any amount in income for U.S. federal income tax purposes as a result of the issuance of Nil Paid Rights. It is possible that the U.S. Internal Revenue Service (the **IRS**) will take a contrary view. U.S. Holders are urged to consult their tax advisers as to the proper characterisation of the issuance of Nil Paid Rights and any subsequent remittance of proceeds from the sale by the Underwriters of such Nil Paid Rights. The remainder of this discussion assumes that the issuance and sale of Nil Paid Rights and any subsequent remittance of proceeds from the sale by the Underwriters of such Nil Paid Rights will not be a distribution of property for U.S. federal income tax purposes.

If, on the date Nil Paid Rights are issued, the fair market value of the Nil Paid Rights allocable to a U.S. Holder is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which such Nil Paid Rights are issued, the Nil Paid Rights will have a zero basis for U.S. federal income tax purposes unless such U.S. Holder affirmatively elects to allocate basis in proportion to the relative fair market value of such U.S. Holder's Existing Ordinary Shares and the Nil Paid Rights, determined on the date of issuance. This election must be made in the tax return of the U.S. Holder for the taxable year in which the Nil Paid Rights are issued.

If, on the date Nil Paid Rights are issued, the fair market value of the Nil Paid Rights attributable to a U.S. Holder is 15 per cent. or greater than the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights are issued, then the basis in such U.S. Holder's Existing Ordinary Shares must be allocated between such Existing Ordinary Shares and the Nil Paid Rights issued in proportion to their fair market values determined on the date the Nil Paid Rights are issued. This general rule will apply with respect to Nil Paid Rights only if the Nil Paid Rights are exercised or sold.

(b) *Sale or Other Disposition of Nil Paid Rights*

Subject to the passive foreign investment company (**PFIC**) rules discussed below, a U.S. Holder will recognise capital gain or loss on the sale or other disposition of Nil Paid Rights (including a sale of Nil Paid Rights by the Underwriters on its behalf) in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the Nil Paid Rights and the U.S. dollar value of the amount realised (as determined for U.S. federal income tax purposes) from the sale or other disposition. Any gain or loss generally will be treated as arising from U.S. sources. The holding period of such U.S. Holder in the Nil Paid Rights should include its holding period in the Existing Ordinary Shares with respect to which the Nil Paid Rights were distributed.

For the U.S. federal income taxation of an amount realised in non-U.S. currency from a sale or other disposition, refer to the discussion below under "*16.3 Taxation of New Ordinary Shares—(b) Sale or Other Disposition of New Ordinary Shares*".

(c) *Exercise of Nil Paid Rights and Receipt of Fully Paid Rights*

A U.S. Holder who is permitted to receive Nil Paid Rights will not ordinarily recognise taxable income upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights. Such a U.S. Holder will have a tax basis in the Fully Paid Rights equal to the sum of such U.S. Holder's tax basis in the Nil Paid Rights exercised to obtain the Fully Paid Rights and the U.S. dollar value of the Rights Issue Price on the exercise date. Such a U.S. Holder's holding period in the Fully Paid Rights received generally will begin on the date the Nil Paid Rights are exercised.

PART XVII CONTINUED

(d) *Expiration of Nil Paid Rights*

If a U.S. Holder who is permitted to receive Nil Paid Rights allows Nil Paid Rights to expire without selling or exercising them and such U.S. Holder does not receive any proceeds from the sale of Nil Paid Rights by the Underwriters, such U.S. Holder should not recognise any loss upon the expiration of the Nil Paid Rights and any tax basis from Existing Ordinary Shares that was allocated to the Nil Paid Rights will be reallocated back to such Existing Ordinary Shares.

16.2 Taxation of Fully Paid Rights(a) *Exercise of Fully Paid Rights*

A U.S. Holder will not ordinarily recognise taxable income upon the receipt of New Ordinary Shares pursuant to the exercise of Fully Paid Rights. A U.S. Holder will have a tax basis in the New Ordinary Shares equal to such U.S. Holder's tax basis in the Fully Paid Rights and a holding period starting on the date the Nil Paid Rights were exercised.

(b) *Sale or Other Disposition of Fully Paid Rights*

Subject to the PFIC rules discussed below, a U.S. Holder will recognise capital gain or loss on the sale, exchange or other disposition of Fully Paid Rights in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the Fully Paid Rights and the U.S. dollar value of the amount realised (as determined for U.S. federal income tax purposes) from the sale, exchange or other disposition. Any gain or loss generally will be treated as arising from U.S. sources.

For the U.S. federal income taxation of an amount realised in non-U.S. currency from a sale, exchange or other disposition, refer to the discussion below under "*16.3 Taxation of New Ordinary Shares—(b) Sale or Other Disposition of New Ordinary Shares*".

16.3 Taxation of New Ordinary Shares(a) *Dividends*

Subject to the PFIC rules discussed below, a distribution made by the Company on the New Ordinary Shares (including amounts withheld in respect of non-U.S. income tax, if any) generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of the Company's current and accumulated earnings and profits as determined for U.S. federal income tax purposes. The Company does not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a U.S. Holder should expect that such distribution will generally be treated as a dividend. Such dividends will not be eligible for the dividends received deduction allowed to corporations.

"Qualified dividend income" received by individual and certain other non-corporate U.S. Holders will be subject to preferential rates. Dividends will be treated as "qualified dividend income" if (i) the Company is a "qualified foreign corporation" (as defined below) and (ii) such dividend is paid on New Ordinary Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The Company generally will be a "qualified foreign corporation" if (1) it is either (a) eligible for the benefits of the Treaty, or (b) if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States, and (2) it is not a PFIC in the taxable year of the distribution or the immediately preceding taxable year. The Company expects to be eligible for the benefits of the Treaty and does not believe that it was a PFIC for the year ended 30 March 2019 and does not expect to be a PFIC for the current year. Accordingly, dividends on the New Ordinary Shares should be eligible for the preferential rates on "qualified dividend income" under U.S. federal income tax law.

Dividends on the New Ordinary Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

The U.S. dollar value of any distribution made by the Company in currency other than U.S. dollars (a **foreign currency**) must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the foreign currency is in fact converted into U.S. dollars. If the foreign currency so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United

PART XVII CONTINUED

States for foreign tax credit limitation purposes. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

(b) *Sale or other Disposition of New Ordinary Shares*

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its New Ordinary Shares in an amount equal to the difference between the amount realised from such sale or disposition and the U.S. Holder's adjusted tax basis in such New Ordinary Shares, as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such New Ordinary Shares were held by such U.S. Holder for more than one year. The deductibility of capital loss is subject to significant limitations. Such gain or loss realised generally will be treated as derived from U.S. sources.

A U.S. Holder that receives foreign currency from a sale or disposition of New Ordinary Shares generally will realise an amount equal to the U.S. dollar value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the New Ordinary Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the New Ordinary Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

(c) *Passive Foreign Investment Company Rules*

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is classified as "passive income" or (ii) at least 50 per cent. of the average quarterly value attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the Rights Issue, the Company believes that it was not a PFIC for the year ended 30 March 2019 and does not expect to be a PFIC for the current year. There can be no assurances that the Company will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. If the Company is or was a PFIC in any year that a U.S. Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that U.S. Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year that a U.S. holder is a shareholder, materially adverse U.S. federal income tax consequences could result for the U.S. Holders.

(d) *Specified Foreign Financial Asset Reporting*

Certain U.S. Holders that own certain foreign financial assets with an aggregate value in excess of U \$50,000 at the end of the taxable year or US\$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Nil Paid Rights, Fully Paid Rights or New Ordinary Shares are expected to constitute foreign financial assets subject to these requirements unless the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares are held in an account at a financial institution (in which case the amount may be reportable if maintained by a non-U.S. financial institution). U.S. Holders should consult with tax advisers regarding the application of the rules relating to foreign financial asset reporting.

(e) *U.S. Information Reporting; Backup Withholding Tax*

Payments to a U.S. Holder may be subject to information reporting unless it is established that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number or certification of exempt status and otherwise comply with the backup withholding rules. Backup withholding is not an

PART XVII CONTINUED

additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Under U.S. federal income tax law and regulations, certain categories of U.S. persons must file information returns with respect to their investment in the equity interests of a foreign corporation. A U.S. person that purchases for cash New Ordinary Shares will be required to file IRS Form 926 or similar form if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds US\$100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10 per cent. of the gross amount paid for such New Ordinary Shares up to a maximum penalty of US\$100,000.

U.S. Holders should note that the discussion above in paragraph 15 in this Part XVII is also relevant. See in particular paragraph 15.4 of this Part XVII relating to stamp duty and stamp duty reserve tax.

17. LITIGATION AND ARBITRATION

A member of the Group is party to an ongoing claim in the Belgian courts arising out of an alleged breach by the Group of an exclusivity agreement entered into as part of the disposal of the Group's European operations in 2001. The claimants are seeking damages of up to €60 million, however their claim has so far failed at each instance, most recently having an appeal dismissed in February 2018. On 2 July 2018, the claimants lodged a further appeal with the Belgian Supreme Court, to which the Group has responded. Having taken legal advice, the Directors believe that the prospect of the appeal to the Belgian Supreme Court succeeding is highly unlikely and that the amount being sought under the claim is unjustified.

A member of the Group is party to an ongoing dispute with HMRC in relation to VAT due on alcohol provided as part of certain promotional offers in the Group's stores. The Group has already paid the disputed amount of VAT claimed by HMRC and so this has already been accounted for in the Group's accounts. The hearing in the First Tier Tax Tribunal found against the Group, but an appeal to the Upper Tribunal was heard on 2 and 3 May 2019 and the decision will be issued in due course. The Group no longer operates the promotional offer which was the subject of this dispute.

In December 2013, the Group issued proceedings in the United Kingdom against Mastercard in relation to alleged anticompetitive practices in the setting of credit and debit card fees, known as interchange fees, which were paid by the Group. Interchange fees are fees set by card payment companies such as Mastercard and are paid by retailers who accept those companies' credit or debit cards as payment in transactions.

Mastercard's interchange fees have been held to be unlawful restrictions on competition by both the European Commission and the European Court of Justice, following which determinations a number of damages claims have been brought before the English courts. The Group is seeking compensatory damages, relating to Mastercard interchange fees paid by the Group since late 2007. Given a number of similar claims are more advanced than the Group's, the Group's claim is not currently progressing, and there are no current deadlines in the proceedings. In a decision on 4 July 2018 in one such claim brought against Mastercard by Sainsbury's, the Court of Appeal upheld appeals by Sainsbury's and others, confirming that the interchange fees imposed by Mastercard had been an unlawful restriction on competition, but did not rule on whether an exemption from liability (Article 101(3) of the Treaty on the Functioning of the European Union) applied (and, if so, at what level) and remitted this determination to the Competition Appeal Tribunal. This Court of Appeal decision, which broadly supports the Group's claim, is subject to an appeal to the Supreme Court due to be heard in early 2020.

Other than as set out above, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.

18. RELATED PARTY TRANSACTIONS

There were no related party transactions entered into by the Company or any member of the Group during the Financial Years 2019, 2018 and 2017, and during the period between 30 March 2019 and the Latest Practicable Date.

19. WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

PART XVII CONTINUED

20. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 March 2019, being the date to which the latest audited consolidated financial statements of the Group, incorporated by reference in this Prospectus (see Part VI: *“Information Incorporated by Reference”*), were prepared.

21. MANDATORY BIDS AND COMPULSORY ACQUISITION

The City Code applies to the Company. Under Sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares in the Company (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. The offeror would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to Section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares in the Company (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire their shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of their right to be bought out within one month of that right arising. These sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

22. AUDITOR

- 22.1** Deloitte LLP (**Deloitte**), whose registered address is Deloitte LLP, 1 New Street Square, London EC4A 3HQ, United Kingdom, has been the independent auditors of the Company since 2014.
- 22.2** Deloitte LLP is registered to carry out audit work in the United Kingdom and Ireland by the Institute of Chartered Accountants in England and Wales.

23. CONSENTS

- 23.1** Deloitte has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report set out in Part XV: *“Unaudited Pro Forma Financial Information of the Group”* of this Prospectus, in the form and context in which it appears, and has authorised the contents of those parts of this Prospectus which comprise its report for the purposes of PR 5.5.3R(2)(f) of the Prospectus Rules.
- 23.2** A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Ordinary Shares have not been and will not be registered under the Securities Act, Deloitte has not filed and will not be required to file a consent under Section 7 of the Securities Act.

24. GENERAL

- 24.1** The total costs and expenses of, and incidental to, the Rights Issue (including the listing fees of the FCA, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £30.6 million and are payable by the Company. Included within the total are commissions, in relation to the issuance of the Ordinary Shares only, which are expected to be approximately £15.0 million payable to the Underwriters. The total net proceeds accruing to the Company from the Rights Issue after settling fees, expenses and commissions payable by the Company are expected to amount to approximately £570.7 million.
- 24.2** The financial information contained in this Prospectus which relates to the Company does not constitute full statutory accounts as referred to in Section 434 of the Companies Act.
- 24.3** The Company has taken out ‘directors’ and officers’ insurance’ in respect of the Directors on the terms which the Directors consider to be appropriate in the context of the business of the Group. Each of the Directors will have the benefit of a qualifying third party indemnity (the terms of which are in accordance with the Companies Act).

PART XVII CONTINUED

24.4 One or more of the Underwriters and their affiliates have engaged in transactions with the Company (including, in some cases, credit agreements and credit lines) in the ordinary course of its banking business and one or more of the Underwriters have performed various investment banking, financial advisory and other services for the Company, for which it received customer fees, and the Underwriters and their affiliates may provide such services in the future. Each of the Underwriters and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Company and the Group or in the ordinary course of their businesses.

25. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of Admission at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD, United Kingdom and at the Company's office at Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

- (a) the Articles;
- (b) the consent letter referred to in paragraph 23 of this Part XVII;
- (c) the consolidated financial information relating to the Group as at and for the 52 weeks ended 30 March 2019, 30 March 2018 and 1 April 2017, and the relevant auditor's report thereon by Deloitte incorporated by reference in this Prospectus;
- (d) the unaudited *pro forma* financial information and the report thereon by Deloitte set out in Part XV: "*Unaudited Pro Forma Financial Information of the Group*" of this Prospectus; and
- (e) this Prospectus.

Dated 24 May 2019

PART XVIII

DEFINITIONS

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

2017 Annual Report and Financial Statements	the Group's annual report and financial statements for the 52 weeks ended 1 April 2017
2018 Annual Report and Financial Statements	the Group's annual report and financial statements for the 52 weeks ended 31 March 2018
2019 Annual Report and Financial Statements	the Group's annual report and financial statements for the 52 weeks ended 30 March 2019
2019 EMTN Notes	£400,000,000 6.125 per cent. Notes due 2 December 2019 issued by Marks and Spencer plc under its £3,000,000,000 Euro Medium Term Note Programme
2021 EMTN Notes	£300,000,000 6.125 per cent. Notes due 6 December 2021 issued by Marks and Spencer plc under its £3,000,000,000 Euro Medium Term Note Programme
2023 EMTN Notes	£300,000,000 3.000 per cent. Notes due 8 December 2023 issued by Marks and Spencer plc under its £3,000,000,000 Euro Medium Term Note Programme
2025 EMTN Notes	£400,000,000 4.750 per cent. Notes due 12 June 2025 issued by Marks and Spencer plc under its £3,000,000,000 Euro Medium Term Note Programme
3PL Services	logistics services relating to the operation of CFCs, including end-to-end services, range management, planning and supply chain management, inventory management, last mile services and customer contact services
ACPR	the <i>Autorité de Contrôle Prudentiel et de Résolution</i>
Acquisition Shares	the 50 ordinary shares of £0.01 each in the capital of Ocado Retail which Marks and Spencer Holdings has agreed to purchase under the Sale and Purchase Agreement
Admission	admission of the New Ordinary Shares, nil paid, to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with paragraph 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange
Al-Futtaim	the Al-Futtaim Group
AMF	the <i>Autorité des marchés financiers</i>
Annual General Meeting	the annual general meeting of M&S held on 10 July 2018
Articles	the articles of association of M&S
Audit Committee	the committee described in paragraph 3.1 of Part XII: " <i>Directors and Corporate Governance</i> " of this Prospectus
Awards	awards granted as nil-cost options, conditional awards or forfeitable share awards under the PSP, the RSP and the DSBP
Bank Brand Licence	the licence entered into between Marks and Spencer plc, MSFS and HSBC UK on 9 November 2004 governing the use of the Marks
BNPP	BNP PARIBAS
Board	the board of directors of M&S from time to time
Borrower	Marks and Spencer plc
Borrowers	Marks and Spencer plc and certain other subsidiaries
Brand Licence Agreement	the agreement for the provision of brand licences, between Ocado Innovation and Ocado Retail, to be entered into at Completion

PART XVIII CONTINUED

Business Day	a day (other than Saturday, Sunday or a public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business
BWS	beer, wine and spirits
Cashless Take-up	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto)
CCSS	the CREST Courier and Sorting Service
certificated or certificated form	a share or other security which is not in uncertificated form (that is, not in CREST)
CFC	Customer Fulfilment Centre
Chairman	Archie Norman
Chief Executive Officer	Steve Rowe
City Code	the City Code on Takeovers and Mergers
Closing Price	the closing middle-market price of a relevant share as derived from the London Stock Exchange's Daily Official List on any particular day
Co-Bookrunners	BNPP, HSBC and Shore Capital
Code	a code which the Company has adopted on dealings in relation to the Company's securities
Companies Act	the Companies Act 2006, as amended
Company or M&S	Marks and Spencer Group plc
Completion	completion of the sale and purchase of the Acquisition Shares under the Sale and Purchase Agreement or the date thereof, as the context requires
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
CREST Deposit Form	the CREST deposit form set out in the Provisional Allotment Letter
CREST Manual	the CREST manual consisting of: the CREST reference manual; CREST international manual; CREST central counterparty service manual; the CREST rules; CCSS operations manual and CREST glossary of terms, available at https://www.euroclear.com
CREST Member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
CREST Participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378)
CREST Sponsor	a CREST Participant admitted to CREST as a CREST sponsor
CREST Sponsored Member	a CREST Member admitted to CREST as a sponsored member
DB Pension Schemes	together, the M&S Pension Scheme, a small Republic of Ireland defined benefit pension scheme and unfunded pension liabilities operated by the Group
Dealing Day	a day on which dealings in domestic equity market securities may take place on London Stock Exchange's main market for listed securities
Deloitte	Deloitte LLP
Deutsche Bank ADR Program	the Level I American Depositary Receipt program with Deutsche Bank Trust Company Americas
Directors	the Executive Directors and Non-Executive Directors of M&S

PART XVIII CONTINUED

Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under Part VI of the FSMA
Disclosure Requirements	articles 17, 18 and 19 of the Market Abuse Regulation
DSBP	the Marks and Spencer Group Deferred Share Bonus Plan 2015
DSBP Awards	Awards granted under the DSBP
EBT	the Marks & Spencer Group Employee Benefit Trust
ECB	the European Central Bank
EMTN Notes	together, the 2019 EMTN Notes, the 2021 EMTN Notes, the 2023 EMTN Notes and the 2025 EMTN Notes
Equiniti Financial Services Limited	the regulated entity providing nominee services to the Company in relation to the Marks & Spencer Share Service
ESOP	the Marks and Spencer Employee Share Option Plan 2015
ETI	the Ethical Trading Initiative
euro or EUR or €	the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
Euroclear	Euroclear UK and Ireland Limited, the operator (as defined in the CREST Regulations) of CREST
European Economic Area or EEA	the European Union, Iceland, Norway and Liechtenstein
European Union or EU	an economic and political union of 28 member states which are located primarily in Europe
Exchange Act	the U.S. Securities Exchange Act of 1934, as amended
Excluded Territories	the Abu Dhabi Global Market, the Dubai International Financial Centre, Israel, Hong Kong, Japan, the People's Republic of China, New Zealand, Singapore, South Africa, Switzerland, the United Arab Emirates and the United States and any jurisdiction where the extension and/or availability of the Rights Issue (and any other transactions contemplated in relation to it) would breach any applicable laws or regulations and Excluded Territory shall mean any of them
Executive Directors	Steve Rowe and Humphrey Singer
Existing Ordinary Shares	the ordinary shares of 25 pence each in the capital of M&S at the Record Date
Ex-Rights Date	the date that the Existing Ordinary Shares will be marked "ex-rights" by the London Stock Exchange, expected to be 8.00 a.m. on 29 May 2019
FCA	the UK Financial Conduct Authority
Financial Services Products	financial services products sold and promoted by the Money Group
Financial Year 2017 or FY17	the 52 weeks ended 1 April 2017
Financial Year 2018 or FY18	the 52 weeks ended 31 March 2018
Financial Year 2019 or FY19	the 52 weeks ended 30 March 2019
Financial Year 2020 or FY20	the 52 weeks ending 28 March 2020
Franchisee	Tapti Trading Private Limited (renamed Marks and Spencer Reliance India Pvt Limited)
FSMA	the UK Financial Services and Markets Act 2000, as amended
FTO Option	an option which Marks and Spencer Holdings has granted Ocado Retail to acquire the Group's food to order business (but excluding the Christmas food to order business) for £1.00, such option being exercisable for six months following Completion

PART XVIII CONTINUED

full-line stores	M&S stores which carry both Food and Clothing & Home products
Fully Paid Rights	rights to subscribe for New Ordinary Shares, fully paid
GDPR	the General Data Protection Regulation (Regulation (EU) 2016/679)
GfK	GfK Consumer Confidence Index; 29 March 2019
Gist	Gist Limited
Gist Europe Services	planning and transport services in France and the Czech Republic and, if required by Marks and Spencer plc, each of Belgium, the Netherlands, Luxembourg, Germany, Spain, Portugal, Italy and any other territory agreed between Marks and Spencer plc and Gist, and warehousing in Paris
Gist Exit Services	services to be provided by Gist to assist Marks and Spencer plc on exit
Gist Operational Services	the Gist UKI Services; the Gist Europe Services; the Hemel International Services; ancillary services including information technology, vehicle maintenance, pest control, security and provision of a customer helpdesk; and warehouse and transport services for click and collect orders
Gist Services	the Gist Operational Services and the Gist Exit Services
Gist UKI Services	warehousing services, food to order services and the delivery of goods from Gist sites to M&S stores in the United Kingdom and Ireland
GMPs	guaranteed minimum pensions
Group	Marks and Spencer Group plc and its subsidiaries and subsidiary undertakings, and, where the context requires it, its associated undertakings from time to time
Healthcare Scheme	a post-retirement healthcare scheme operated by the Group
Hemel International Services	warehousing services at the Hemel International site for goods that will be transported to China, Dubai, Hong Kong and any other international territories that Marks and Spencer plc may specify
HMRC	HM Revenue and Customs
HSBC	HSBC Bank plc
HSBC UK	HSBC UK Bank plc
IASB	the International Accounting Standards Board
IFRS	International Financial Reporting Standards, as adopted by the European Union
IFRS 16	IFRS 16, "Leases"
IGD	IGD RetailAnalysis – UK Channel Opportunities 2018-2023; June 2018
Independent Non-Executive Directors	Andy Halford, Katie Bickerstaffe, Alison Brittain, Andrew Fisher and Justin King
Initial Consideration	the initial consideration payable on Completion under the Sale and Purchase Agreement
Investor Representation Letter	the letter to be signed and returned by Permitted U.S. Shareholders and containing the representations and warranties set out in paragraph 8.4 of Part IX
Irish Sharesave Plan	the Marks and Spencer Group Republic of Ireland Sharesave Plan 2009
IRS	the Internal Revenue Service
IT	information technology
IT Services	information technology services, to include transitional services for elements of the technology platform other than the OSP, IT shared services and services for functional IT systems
JV	joint venture

PART XVIII CONTINUED

Kantar	Kantar Worldpanel Data
KPI	key performance indicator
Latest Practicable Date	22 May 2019 (being the latest practicable date prior to publication of this Prospectus)
Listing Rules	the listing rules of the FCA made under section 74(4) of the FSMA
London Stock Exchange	London Stock Exchange plc
M&S Intermediation Services	twelve services which Marks and Spencer plc provides (or procures the provision of) under the Relationship Agreement
M&S Pension Scheme	the Marks and Spencer Pension Scheme, a defined benefit pension scheme operated by the Group
Market Abuse Regulation	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
Marks	all trade mark rights owned by M&S from time to time in the words “M&S”, “Marks and Spencer”, “M&S Money”, “M&SFS”, “Your Money” and “Your M&S”
Marks and Spencer Control Period	the period commencing on the service of a notice from Marks and Spencer Holdings after cessation of the Ocado Control Period
Marks and Spencer Holdings	Marks and Spencer Holdings Limited, a company with registration number 11845975 whose registered office is at Waterside House, 35 North Wharf Road, London, W2 1NW
Marks & Spencer Greece Shareholders’ Agreement	the shareholders’ agreement between Marks and Spencer Marinopoulos B.V. (now known as Marks and Spencer B.V.) and Marinopoulos Sarl, which was amended on 23 December 2011, 10 October 2012, 22 April 2015 and 22 August 2017, to establish a joint venture company (Marks and Spencer Marinopoulos Greece S.A.) to operate in Greece
Marks & Spencer India Shareholders’ Agreement	the shareholders’ agreement between Marks and Spencer plc and Reliance Retail Limited, which was amended and restated on 6 October 2008, to establish a joint venture company (Marks and Spencer Reliance India Pvt Limited) to operate in India
Marks & Spencer Share Service	the nominee service operated by Equiniti Financial Services Limited on behalf of the Company to hold Ordinary Shares in CREST on behalf of retail shareholders
Marks & Spencer Share Service Register	the register of shareholders who hold their Ordinary Shares through the Marks & Spencer Share Service
Member State	member state of the EU
Money Group	the group (which includes various former Group entities, including MSFS) which was acquired by HSBC Bank plc under the Relationship Agreement
Money Laundering Regulations	Money Laundering Regulations 2007
Morgan Stanley	Morgan Stanley & Co. International plc
MSFS	Marks & Spencer Financial Services plc
MTM Instruction	a Many-To-Many instruction
Mutual Termination Rights	either Ocado Retail or Ocado Solutions can terminate the Ocado Smart Platform Agreement for the other’s material breach, insolvency, failure to meet delivery obligations for a new CFC by a longstop date or if the other is acquired by a competitor
New Ordinary Shares	the 325,009,968 new Ordinary Shares to be issued pursuant to the Rights Issue
Nil Paid Rights	rights to subscribe for New Ordinary Shares, nil paid
Nomination Committee	the committee described in paragraph 3.3 of Part XII: “ <i>Directors and Corporate Governance</i> ” of this Prospectus

PART XVIII CONTINUED

Ocado Circular	Ocado's Notice of General Meeting and Class 1 Circular in relation to the proposed arrangements with Marks and Spencer Group plc, dated 26 April 2019
Ocado Control Period	the period commencing on Completion and terminating on the later of: (i) the fifth anniversary of Completion; and (ii) the date on which the Group's main activity (for the purposes of Listing Rules 6.4.1R, 6.5.1R, 9.2.2AR(1) and 9.2.2IR) does not comprise the business of Ocado Retail, which shall be deemed to occur on the sixth anniversary of Completion if it has not done so before that time
Ocado Financing	the 4.00% Senior Secured Notes due 2024 issued pursuant to an indenture between, among others, the Seller's guarantor and HSBC Corporate Trustee Company (UK) Limited as trustee dated 19 June 2017 and the 'Finance Documents' as defined in the £100,000,000 Facility Agreement between, among others, the Seller and Barclays Bank plc as agent, dated 1 July 2014 (as amended and restated pursuant to an amendment and restatement agreement dated 29 June 2015, and an amendment and restatement agreement dated 12 June 2017)
Ocado Group	Ocado Group plc and its subsidiaries
Ocado Holdings	Ocado Holdings Limited, a company with registration number 07148670 whose registered office is at Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire AL10 9UL, United Kingdom
Ocado Innovation	Ocado Innovation Limited, a company with registration number 08813912 whose registered office is at Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire AL10 9UL, United Kingdom
Ocado Operating	Ocado Operating Limited, a company with registration number 09047186 whose registered office is at Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire AL10 9UL, United Kingdom
Ocado Smart Platform	the Ocado smart platform
Ocado Smart Platform Agreement	the smart platform agreement to be entered into by Ocado Retail and Ocado Solutions at Completion
Ocado Solutions	Ocado Solutions Limited, a company with registration number 04204963 whose registered office is at Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire AL10 9UL, United Kingdom
Ocado Retail	Ocado Retail Limited, a company with registration number 03875000 whose registered office is at Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire AL10 9UL, United Kingdom
Official List	the Official List maintained by the FCA
Online Application	the personalised website where an application can be made by Qualifying Non-CREST Shareholders using login details provided in the Provisional Allotment Letter or Share Service Form of Instruction
Ordinary Shares	ordinary shares of 25 pence each in the capital of M&S
OSP	Ocado Smart Platform
Overdraft Facility	the £15,000,000 overdraft facility which Marks and Spencer plc and certain other subsidiaries entered into with HSBC Bank plc on 6 December 2017
Overseas Shareholders	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
PCAOB Standards	the standards of the Public Company Accounting Oversight Board
PDMR	person discharging managerial responsibilities within the meaning of Section 96B(1) of the FSMA
Pensions Regulator	the pensions regulator in the United Kingdom

PART XVIII CONTINUED

Permitted U.S. Shareholder	those Qualifying Shareholders whom the Company determines, in its sole discretion, are able, based on such procedures and certifications as it deems appropriate, to participate in the Rights Issue pursuant to an applicable exemption from the registration requirements of the Securities Act
PFIC	passive foreign investment company
pounds sterling or £	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
PRA	UK Prudential Regulation Authority
Products	merchandise which Marks and Spencer plc has agreed to supply to Marks and Spencer Marinopoulos Greece S.A.
proposed JV	Ocado Retail following the completion of the Group's acquisition of 50.0 per cent. of the total issued share capital of Ocado Retail from the Ocado Group under the terms of the Sale and Purchase Agreement
Prospectus	this document
Prospectus Directive	Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State
Prospectus Rules	the prospectus rules made by the FCA under Part VI of the FSMA relating to offers of transferrable securities to the public and admission of transferrable securities to trading on a regulated market
Provisional Allotment Letter	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders)
PSP	the Marks and Spencer Group Performance Share Plan 2015
PSP Awards	Awards granted under the PSP
Purchaser	Marks and Spencer Limited
QIB	"qualified institutional buyer" as defined under Rule 144A
Qualifying Certificated Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form only
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form on the Record Date
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form or in the Marks & Spencer Share Service on the Record Date
Qualifying Shareholders	holders of Ordinary Shares on the register of members of M&S at the Record Date
Qualifying Share Service Shareholders	Qualifying Shareholders holding Ordinary Shares through the Marks & Spencer Share Service
Record Date	close of business on 22 May 2019
Register	the Company's register of members
Registrar or Receiving Agent	Equiniti Limited
Regulation S	Regulation S under the Securities Act
Regulations	regulation, legislation and other mandatory requirements issued by authorities within the United Kingdom, the European Union and other relevant jurisdictions to which the Group's operations are subject

PART XVIII CONTINUED

Regulatory Information Service	one of the regulatory information services authorised by the Financial Conduct Authority to receive, process and disseminate regulatory information from listed companies
Relationship Agreement	the relationship agreement between Marks and Spencer plc, Marks and Spencer Financial Services plc and HSBC Bank plc, dated 9 November 2004 and amended and restated on 1 March 2005, 1 February 2012 and 6 October 2014 and amended by side letters dated 10 September 2015, 2 June 2016, 28 September 2017 and 25 September 2018
Relevant Member State	each Member State of the European Economic Area that has implemented the Prospectus Directive
Relevant Proportions	in the case of Morgan Stanley, 80 per cent. and in the case of BNPP, HSBC and Shore Capital, 6.67 per cent., respectively
Relevant Situation	a situation in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company
Remuneration Committee	the committee described in paragraph 3.2 of Part XII: “ <i>Directors and Corporate Governance</i> ” of this Prospectus
Resolutions	resolutions 15 and 16 as passed at the Annual General Meeting
Restricted Period	ten years from Completion
Retail Field	the field of the sale of goods and services directly to retail consumers
Revolving Credit Facility	The £1,325,000,000 credit facility agreement, as amended and restated on 16 March 2016 when the facility was reduced down to £1,100,000,000, entered into by Marks and Spencer plc
Rights Issue	the offer by way of a rights issue to Qualifying Shareholders to subscribe for New Ordinary Shares on the terms and conditions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter
Rights Issue Price	185 pence per New Ordinary Share
Rothschild & Co or the Lead Financial Adviser	N.M. Rothschild & Sons Limited
RSP	the Marks and Spencer Group Restricted Share Plan 2015
RSP Awards	Awards granted under the RSP
Rule 144A	Rule 144A under the Securities Act
Sale and Purchase Agreement	the sale and purchase agreement dated 27 February 2019 among the Seller, Ocado Group plc, the Purchaser, Marks and Spencer plc and the Company in respect of the Acquisition Shares
SDRT	stamp duty reserve tax
SEC	the U.S. Securities and Exchange Commission
Second Amendment Agreement	the Second Amendment Agreement which amended the Marks & Spencer India Shareholders’ Agreement on 7 January 2019
Section 903 notice	a notice requiring any of the information mentioned in Section 793 of the Companies Act
Securities Act	the U.S. Securities Act of 1933, as amended
SEDEX	Supplier Ethical Data Exchange
Seller	Ocado Holdings Limited

PART XVIII CONTINUED

Separation	the restructuring to transfer the business and assets within an agreed perimeter to Ocado Retail and to transfer any business and assets not within such perimeter from Ocado Retail to one or more members of the Ocado Group
Services	the 3PL Services, the IT Services and the Transitional Services
Share Plans	the employee share plans operated by the Company, as described in paragraph 9 of Part XVII: <i>“Additional Information”</i> of this Prospectus
Share Service Form of Instruction	the form of instruction expected to be sent to Qualifying Share Service Holders in respect of the Rights Issue
Shareholder Loan Agreement	the facility agreement to be entered into at Completion among Ocado Retail, the Company, the Purchaser, the Seller and Ocado Group plc
Shareholders	holders of Ordinary Shares
Shareholders’ Agreement	the shareholders’ agreement to be entered into by Marks and Spencer Holdings, Ocado Holdings and Ocado Retail on Completion
Sharesave Plan	the Marks and Spencer Group Sharesave Plan 2017
Shore Capital	Shore Capital Stockbrokers Limited
SID	Andy Halford, the senior independent director appointed by the Board
SIP	the Marks and Spencer Group Share Incentive Plan 2002
SLP	the Marks and Spencer Scottish Limited Partnership
Sole Sponsor, Sole Global Co-ordinator, Sole Bookrunner and Joint Financial Adviser	Morgan Stanley
Sourcing and Branding Agreement	the agreement for the provision of product sourcing and brand services between Ocado Retail and Marks and Spencer plc, to be entered into at Completion
Special Dealing Service	the dealing service being made available by Equiniti Financial Services Limited to Qualifying Certificated Shareholders and Qualifying Share Service Holders who are individuals with a registered address in the United Kingdom or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up
Special Dealing Service Terms and Conditions	the terms and conditions of the Special Dealing Service which are set out in the “Rights Issue Guide” to be sent to all Qualifying Shareholders
Sourcing Start Date	1 September 2020, or any earlier date on which Ocado Retail is permitted to market M&S products
Standby Underwriting Letter	the standby underwriting letter entered into between the Company and Morgan Stanley on 27 February 2019 relating to the Rights Issue and further described in paragraph 13 of Part XVII: <i>“Additional Information”</i> of this Prospectus
Switchover Date	the earliest of: (i) 1 September 2020; (ii) any earlier date on which the Waitrose Arrangements terminate in accordance with their terms before 1 September 2020; and (iii) any date which may be agreed by Waitrose Limited, the Company and Ocado Retail
TCS	Tata Consultancy Services
Territory	the United Kingdom and the Republic of Ireland
Third Party Logistics Services Agreement	the agreement for the provision of third party logistics services between Ocado Retail, Marks and Spencer plc, Ocado Operating and Ocado Group, to be entered into at Completion
Transaction	the acquisition by Marks and Spencer Holdings of 50 per cent. of the total issued share capital of Ocado Retail from Ocado Holdings in accordance with the terms of the Sale and Purchase Agreement

PART XVIII CONTINUED

Transaction Documents	the Sale and Purchase Agreement, the Shareholders' Agreement, the Shareholder Loan Agreement, the Ocado Smart Platform Agreement, the Third Party Logistics Services Agreement, the Sourcing and Branding Agreement and the Brand Licence Term Sheet, each as described in Part XVI: " <i>Key Transaction Terms</i> "
Transformation Programme	the Group's five-year business transformation programme
Transitional Services	any other services (other than the SPL Services and the IT Services) that Ocado has historically provided to Ocado Retail, such as HR, financial and contact centre services
U.S. dollars or US\$	the lawful currency of the United States of America
U.S. GAAP	U.S. Generally Accepted Accounting Principles
U.S. GAAS	U.S. Generally Accepted Auditing Standards
U.S. Holder	has the meaning given in paragraph 17 of Part XVII: " <i>Additional Information</i> " of this Prospectus
U.S. Notes	US\$300,000,000 7.125 per cent. Notes due 1 December 2037 issued by Marks and Spencer plc
UK Corporate Governance Code	the UK Corporate Governance Code dated July 2018 issued by the Financial Reporting Council
uncertificated or uncertificated form	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to, which by virtue of the CREST Regulations, may be transferred by means of CREST
Uncommitted Short Term Facilities	two uncommitted short term credit lines of £50,000,000 each which Marks and Spencer plc has with Sumitomo Mitsui Banking Corporation Europe Limited and HSBC Bank plc
Underwriters	Morgan Stanley, BNPP, HSBC and Shore Capital
Underwriting Agreement	the underwriting agreement entered into between the Company, Morgan Stanley, BNPP, HSBC and Shore Capital relating to the Rights Issue and as further described in paragraph 13 of Part XVII: " <i>Additional Information</i> " of this Prospectus
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or U.S.	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
VAT	value added tax
Waitrose Arrangements	the sourcing arrangements between Ocado Retail and Waitrose Limited and its affiliates

