

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or from an appropriately authorised independent financial adviser in a territory outside the United Kingdom.

If you have sold or otherwise transferred all your Safeway Shares, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred only part of your holding of Safeway Shares, you should retain these documents.

HSBC Bank plc, which is regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting for Safeway and no one else in connection with the Proposals and will not be responsible to anyone other than Safeway for providing the protections afforded to clients of HSBC Bank plc or for providing advice in relation to the Proposals.

Citigroup Global Markets Limited is acting for Safeway and no one else in connection with the Proposals and will not be responsible to anyone other than Safeway for providing the protections afforded to clients of Citigroup Global Markets Limited or for providing advice in relation to the Proposals.

ABN AMRO Corporate Finance Limited is acting for Morrisons and no one else in connection with the Proposals and will not be responsible to any other person for providing the protections afforded to clients of ABN AMRO Corporate Finance Limited or for providing advice in relation to the Proposals.

This document should be read in conjunction with the accompanying documents, including the Listing Particulars relating to Morrisons, which have been prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000. A copy of the Listing Particulars has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of that Act.

**Recommended merger
of
Safeway plc
and
Wm Morrison Supermarkets PLC
by means of a
Scheme of Arrangement
under section 425 of the Companies Act 1985**

A letter of recommendation to vote in favour of the Proposals from the Chairman of Safeway is set out in Part I of this document.

Notices convening the Safeway Court Meeting and the Safeway EGM, each of which will be held at the Thistle Tower Hotel, St Katharine's Way, London E1W 1LD on 11 February 2004, are set out at the end of this document. The Safeway Court Meeting will start at 10.00 a.m. and the Safeway EGM will start at 10.05 a.m. (or as soon thereafter as the Safeway Court Meeting has been concluded or adjourned).

The action to be taken in respect of the Meetings is set out inside the front cover and in paragraph 12 of the letter from the Chairman of Safeway. Whether or not you plan to attend both or either of the Meetings, please complete the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon, whether or not your Safeway Shares are in CREST, by post or, during normal business hours, by hand to Safeway's registrars, Computershare Investor Services PLC ("Computershare"), at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible, but in any event so as to be received by 10.00 a.m. on 9 February 2004 in the case of the Safeway Court Meeting and by 10.05 a.m. on 9 February 2004 in the case of the Safeway EGM. If the blue Form of Proxy for use at the Safeway Court Meeting is not lodged by then, it may be handed to Safeway's registrars on behalf of the Chairman at the Safeway Court Meeting before the taking of the poll. However, in the case of the Safeway EGM, unless the pink Form of Proxy is lodged so as to be received by 10.05 a.m. on 9 February 2004, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting at either the Safeway Court Meeting or the Safeway EGM, or any adjournment thereof, in person if you wish to do so. Alternatively, you can submit your proxies electronically at www.safeway.co.uk using the pin and shareholder reference numbers set out in the enclosed Forms of Proxy. Electronic proxy appointments must be received by 10.00 a.m. on 9 February 2004 in the case of the Safeway Court Meeting and by 10.05 a.m. on 9 February 2004 in the case of the Safeway EGM.

If you have any questions relating to this document or the completion and return of your Forms of Proxy, please call Computershare on 0870 702 0123 (or, from outside the United Kingdom, +44 870 702 0123) between 9.00 a.m. and 5.00 p.m. Monday to Friday. Please note that calls to these numbers may be monitored or recorded, and no advice on the Proposals can be given.

The new Morrisons Shares to be issued to Safeway Shareholders under the Scheme have not been and will not be registered under the US Securities Act of 1933, as amended. The new Morrisons Shares will be issued in reliance upon the exemption from the registration requirements of that Act provided by Section 3(a)(10) thereof. Safeway Shareholders who are or will be "affiliates" of Safeway or Morrisons prior to, or of Morrisons after, the Effective Date will be subject to certain US transfer restrictions relating to new Morrisons Shares received under the Scheme.

This document contains certain statements that are or may be forward-looking. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified elsewhere in this document as well as the following possibilities: future revenues are lower than expected; costs or difficulties relating to the integration of the businesses of Morrisons and Safeway, or of other future acquisitions, are greater than expected; expected cost savings from the transaction or from other future acquisitions are not fully realised or realised within the expected time frame; competitive pressures in the industry increase; general economic conditions or conditions affecting the relevant industries, whether internationally or in the places Morrisons and Safeway do business, are less favourable than expected; and/or conditions in the securities market are less favourable than expected.

This document and the accompanying documents have been prepared for the purpose of complying with English law, the City Code and the Listing Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England. The distribution of this document in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The new Morrisons Shares have not been approved or disapproved by the US Securities and Exchange Commission nor has such Commission or any US state securities commission passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Action to be taken

Please check you have received with this document the following:

- a blue Form of Proxy for use in respect of the Safeway Court Meeting on 11 February 2004 (attaching an attendance card in relation to the Safeway Court Meeting);
- a pink Form of Proxy for use in respect of the Safeway EGM on 11 February 2004 (attaching an attendance card in relation to the Safeway EGM);
- a green Form of Election for use in respect of the Mix and Match Facility; and
- three reply-paid envelopes for use in the United Kingdom.

To vote in favour of the Proposals

Whether or not you plan to attend the Meetings, PLEASE COMPLETE AND SIGN BOTH the blue and pink Forms of Proxy and return them as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 9 February 2004 in the case of the Safeway Court Meeting (blue form) and by no later than 10.05 a.m. on 9 February 2004 in the case of the Safeway EGM (pink form). This will enable your votes to be counted at the Meetings in the event of your absence. Three reply-paid envelopes for use in the United Kingdom are enclosed for your convenience in returning the two Forms of Proxy and the Form of Election. If the blue Form of Proxy for use at the Safeway Court Meeting is not lodged by 10.00 a.m. on 9 February 2004, it may be handed to Safeway's registrars on behalf of the Chairman at the Safeway Court Meeting before the taking of the poll.

Alternatively, you can submit your proxies electronically at www.safeway.co.uk using the pin and shareholder reference numbers set out in the enclosed Forms of Proxy. Electronic proxy appointments must be received at least 48 hours before the time appointed for the relevant Meeting.

It is important that, for the Safeway Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Safeway Shareholder opinion. You are therefore strongly urged to sign and return your Forms of Proxy as soon as possible.

To make an election in respect of the Mix and Match Facility

Please complete and sign the green Form of Election in accordance with the instructions printed thereon and set out in Appendix III to this document and return it as soon as possible, but in any event so as to be received by no later than 3.00 p.m. on 3 March 2004.

Helpline

If you have any questions relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call Computershare Investor Services PLC on 0870 702 0123 (or, from outside the United Kingdom, +44 870 702 0123) between 9.00 a.m. and 5.00 p.m. Monday to Friday.

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Expected timetable of principal events

Event	Time and/or date 2004
Latest time for lodging blue Forms of Proxy for the Safeway Court Meeting⁽¹⁾	10.00 a.m. on 9 February
Latest time for lodging pink Forms of Proxy for the Safeway EGM⁽¹⁾	10.05 a.m. on 9 February
Safeway Voting Record Time	6.00 p.m. on 9 February
Safeway Court Meeting	10.00 a.m. on 11 February
Safeway EGM	10.05 a.m. on 11 February⁽²⁾
Morrisons EGM (to approve the Merger)	11.00 a.m. on 11 February
First Hearing Date (to sanction the Scheme)	1 March ⁽³⁾
Latest time for lodging green Form of Election in respect of the Mix and Match Facility	3.00 p.m. on 3 March
Hearing Record Time	6.00 p.m. on 3 March
Second Hearing Date (to confirm the reduction of capital)	4 March ⁽³⁾
Last day of dealings in Safeway Shares	5 March ⁽³⁾
Scheme Record Time	6.00 p.m. on 5 March
Effective Date of the Scheme	8 March⁽³⁾
Delisting of Safeway Shares	7.30 a.m. on 8 March ⁽³⁾
Commencement of dealings on the London Stock Exchange in new Morrisons Shares	8.00 a.m. on 8 March ⁽³⁾
Crediting of new Morrisons Shares to CREST accounts	8.00 a.m. on 8 March ⁽³⁾
Latest date for despatch of new Morrisons Share certificates and cheques in respect of cash consideration	22 March ⁽³⁾

(1) A blue Form of Proxy for the Safeway Court Meeting not so lodged may be handed to Safeway's registrars on behalf of the Chairman at the Safeway Court Meeting before the taking of the poll. However, the pink Forms of Proxy for the Safeway EGM **must** be lodged by 10.05 a.m. on 9 February 2004 in order to be valid.

(2) The Safeway EGM will commence at 10.05 a.m. on 11 February 2004 or, if later, as soon as the Safeway Court Meeting has been concluded or adjourned.

(3) These dates are indicative only and will depend, inter alia, on the date upon which the Conditions are either satisfied or waived and the dates upon which the Court sanctions the Scheme and confirms the associated reduction of capital and the Court Order sanctioning the Scheme and confirming the reduction of capital is delivered to the Registrar of Companies and, in respect of the reduction of capital, the Court Order is registered by the Registrar of Companies.

The Safeway Court Meeting and the Safeway EGM will be held at the Thistle Tower Hotel, St Katharine's Way, London E1W 1LD.



Directors:

David Webster
Carlos Criado-Perez
Simon Laffin
Lawrence Christensen CBE
Richard Williams
Jack Sinclair
Michael Allen
Hugh Collum
Peter Foy
Sharon Hintze
Peter Smith

19 January 2004

To Safeway Shareholders and, for information only, to participants in the Safeway Share Schemes

Dear Safeway Shareholder,

**RECOMMENDED MERGER OF SAFEWAY PLC AND
WM MORRISON SUPERMARKETS PLC**

1. Introduction

On 15 December 2003, the Boards of Morrisons and Safeway announced that they had reached agreement on the terms of a recommended merger. The Merger values the issued share capital of Safeway at approximately £3.1 billion and each Safeway Share at 291.75 pence (based on the closing mid-market price of a Morrisons Share of 231.75 pence on 15 January 2004, being the latest practicable date before the posting of this document) and represents a premium of approximately 37 per cent. over the closing mid-market price of a Safeway Share of 213 pence on 8 January 2003, the Business Day before the announcement of the Original Offer. Upon the Merger becoming effective, Safeway Shareholders will hold approximately 40 per cent. of the issued ordinary share capital of the Enlarged Group.

I am writing to you today on behalf of the Board of Safeway to set out the terms of the Merger, which is to be effected by means of a scheme of arrangement under section 425 of the Companies Act, to explain the background to and reasons for the Merger and to explain why your Board, which has been so advised by HSBC and Citigroup, considers the terms of the Merger to be fair and reasonable and why it unanimously recommends that you vote in favour of the Proposals.

This document also explains the actions you should now take. I draw your attention to the Explanatory Statement from HSBC and Citigroup set out in Part II of this document, which provides you with further details of the Merger, to the additional information contained in Appendix II to this document and to the accompanying Listing Particulars.

In order for the Scheme to become effective, Safeway Shareholders will need to vote in favour of the resolutions to be proposed at the two shareholder meetings (the Safeway Court Meeting and the Safeway Extraordinary General Meeting) to be held on 11 February 2004. The notices convening these meetings are contained in this document. The actions you should take, and the Board's recommendation, are set out in paragraphs 12 and 13 of this letter.

2. Summary of the terms of the Merger

The Merger is to be effected by means of a scheme of arrangement between Safeway and Safeway Shareholders under section 425 of the Companies Act. Under the basic terms of the Scheme, Safeway Shareholders will receive from Morrisons:

for each Safeway Share

1 new Morrisons Share plus 60 pence in cash

and so in proportion for any other number of Safeway Shares held.

In addition to the basic terms of the Merger set out above, a Mix and Match Facility is also available. Further details of the Mix and Match Facility are set out in paragraph 8 of this letter.

If the Scheme is effected, your Safeway Shares will be disposed of by you fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching to them after 15 December 2003 (the date of the announcement of the Merger), including the right to receive all dividends declared, made or paid thereafter, other than the interim dividend of 3.05 pence per Safeway Share declared on 20 November 2003 which shall be payable on 9 February 2004 to Safeway Shareholders on the register of members of Safeway as at 28 November 2003 and, depending upon the date on which the Merger becomes effective, the Safeway final dividend as set out in the paragraph below.

The new Morrisons Shares, which will be issued pursuant to the Merger, will be issued credited as fully paid and will be listed on the Official List and will be admitted to trading on the London Stock Exchange and will rank *pari passu* in all respects with the existing Morrisons Shares, including (save as provided below) the right to receive and retain in full all future dividends and other distributions (if any) declared, made or paid after 15 December 2003 (the date of the announcement of the Merger). Depending upon the date that the Merger becomes effective, Safeway Shareholders will be eligible to receive and retain either the Morrisons final dividend for the financial year ending 1 February 2004 (failing which the first dividend in respect of which the new Morrisons Shares will participate is expected to be the interim dividend payable by Morrisons in respect of the first six months of the financial year 2004/2005) or the Safeway final dividend for the financial year ending 3 April 2004, but not both.

The Merger is subject to the Conditions set out in Appendix I to this document.

Additional information on Morrisons and the Morrisons Shares can be found in the Listing Particulars accompanying this document.

Due to the size of Safeway relative to that of Morrisons, the Merger requires, *inter alia*, approval by an ordinary resolution of Morrisons Shareholders, which will be proposed at the Morrisons EGM.

3. Background to and reasons for the recommendation of the Board of Safeway

Your Board believes that there are substantial benefits, including significant synergies, from combining Safeway and Morrisons. As initially indicated at the time of the announcement of the Original Offer in January 2003, your Board believes that a merger with Morrisons offers the best means of accelerating growth and delivering greater value for Safeway's shareholders and its customers. Your Board also believes that the combination will be the best way to ensure a secure future for the overwhelming majority of Safeway's employees and indeed its other stakeholders. The terms of the Merger, which are currently worth 291.75 pence per Safeway Share (based on the closing mid-market price of a Morrisons Share of 231.75 pence on 15 January 2004, being the latest practicable date before the posting of this document), will provide Safeway Shareholders, who will hold approximately 40 per cent. of the issued share capital of the Enlarged Group, with a significant share of these benefits. In comparison to the Original Offer, the share element of the consideration has been reduced and a 60 pence cash element has been introduced which reflects the expected proceeds from the disposal of the 52 stores as referred to below. Safeway Shareholders will also have the opportunity to elect for either more cash or more shares under the Mix and Match Facility, to the extent that other Safeway Shareholders make off-setting elections.

On 9 January 2003, Morrisons and Safeway announced the Original Offer, being a recommended all share offer for Safeway which valued each Safeway Share at 277.5 pence. Following this

announcement, Sainsbury, ASDA, Tesco, KKR and Trackdean Investments Limited all expressed an interest in making an offer for Safeway. The Original Offer lapsed when it was referred to the Competition Commission on 19 March 2003. The potential offers by Sainsbury, ASDA and Tesco were also referred to the Competition Commission and the subsequent enquiry resulted in each of those parties being prevented from acquiring Safeway. Morrisons was allowed to proceed, but only on the basis that it undertook to sell stores in 52 overlap locations in order to remedy local competition issues. It has taken 11 months for this regulatory situation to be clarified, during which time Safeway's employees and suppliers have been placed under intense pressure and uncertainty.

During this time your Board has continued to consider a range of options for creating additional shareholder value. These have included different trading strategies, the sale or swap of a substantial part of Safeway's store portfolio and a return of capital funded by either a conventional or a property-based refinancing. Discussions have also been held with a number of parties, including private equity houses, in relation to a possible offer for Safeway. The prospects for generating shareholder value from these alternatives have been severely restricted by the uncertain and slow-moving regulatory environment which now exists in the highly competitive food retail industry, and, in particular, as a result of the undertakings given by Sainsbury, ASDA and Tesco to the Secretary of State for Trade and Industry preventing those companies acquiring Safeway or any part of Safeway.

In reaching our decision to recommend the Merger, your Board has carefully assessed these options, taking into account value, timescale and deliverability. Following the Secretary of State's decision on 26 September 2003 to accept the Competition Commission's recommendations in its report, this assessment has included discussions with the OFT in relation to the likely acceptability of and process for considering store disposals. We have taken detailed legal advice on the likelihood of OFT approval, and timescales involved, for any major store divestments.

Your Board believes that the other options described above are unlikely to deliver greater value to Safeway Shareholders than the Merger over either the short or the medium term and we therefore recommend that Safeway Shareholders vote in favour of the Proposals.

4. Financial effects of the Merger

Under the basic terms of the Merger, Safeway Shareholders will receive one new Morrisons Share and 60 pence in cash for every Safeway Share held. On the bases and assumptions set out in the notes below, and assuming that the Scheme becomes effective and the Merger is completed, the following tables show, for illustrative purposes only, the financial effects of receiving one new Morrisons Share and 60 pence in cash on the capital value and income for a holder of one Safeway Share (assuming no election under the Mix and Match Facility).

(a) Capital value

	<u>Note</u>	<u>Pence</u>
Market value of one new Morrisons Share	(1)	231.75
Cash consideration		60.00
Market value of one Safeway Share	(2)	(213.00)
Increase in capital value of one Safeway Share		<u>78.75</u>

(b) Income

	<u>Note</u>	<u>Pence</u>
Dividend income from one new Morrisons Share	(3)	2.80
Income from cash consideration	(4)	2.64
Dividend income from one Safeway Share	(5)	(9.66)
Decrease in income of one Safeway Share		<u>(4.22)</u>

(1) The market value of one new Morrisons Share is based on the closing mid-market quotation of 231.75 pence per Morrisons Share (as derived from the Daily Official List) as at the close of business on 15 January 2004 (being the latest practicable date before the posting of this document).

(2) The market value of one Safeway Share is based on the closing mid-market quotation of 213 pence per Safeway Share (as derived from the Daily Official List) as at the close of business on 8 January 2003 (being the day prior to the Original Offer announcement).

Part I Letter from the Chairman of Safeway plc

- (3) The dividend income from one new Morrisons Share is based on the aggregate dividends of 2.80 pence (net) per Morrisons Share, being the total of the 2.25 pence (net) final dividend for the year ended 2 February 2003 and the 0.55 pence (net) interim dividend for the twenty-seven week period ended 10 August 2003, excluding any associated tax credit in respect of the final dividend and interim dividend.
- (4) The income on the cash consideration has been calculated on the assumption that the cash is re-invested for a period of 12 months to yield approximately 4.40 per cent. per annum, being the yield shown by the FTSE Actuaries Government Securities of up to five year maturities, as published in the *Financial Times* on 15 January 2004 (being the latest practicable date before the posting of this document).
- (5) The dividend income from one Safeway Share is based on aggregate dividends of 9.66 pence (net) per Safeway Share, being the total of the 6.61 pence (net) final dividend for the year ended 29 March 2003 and the 3.05 pence (net) interim dividend for the twenty-eight week period ended 11 October 2003, excluding any associated tax credit in respect of the final dividend and interim dividend.
- (6) In assessing the financial effects of receiving new Morrisons Shares, no account has been taken of any potential taxation liability of a Safeway Shareholder or of any timing differences in the payment of dividends. It is also assumed that no election is made under the Mix and Match Facility.

5. Current Trading

In its second quarter trading statement released on 29 October 2003, Safeway announced that sales grew by 1.2 per cent. in the 28 weeks to 11 October 2003 compared with the same period in the previous year to £5,181 million, including a like-for-like sales increase of 0.1 per cent.

On 20 November 2003, Safeway issued its interim results statement for the 28 weeks to 11 October 2003. In these results, Safeway announced that it had adopted the Accounting Standards Board's new guidance on revenue recognition, published as part of its amendment to FRS 5 (see Note 1 to Safeway's interim results as set out in Part V of the Listing Particulars accompanying this document). As a result, total first half sales were restated (net of multi-buy and staff discount and on a commission-only basis for mobile phone etop-ups) to £4,903 million, implying a like-for-like sales reduction of 2.5 per cent. in the first half.

Safeway's sales performance has been in line with its plans for the third quarter (representing the twelve weeks ended 3 January 2004). Profit for the quarter, before tax and exceptional items, was slightly ahead of last year. Like-for-like sales, on a net basis, reduced by 4.1 per cent. (compared to a reduction of 2.5 per cent. in the first half). On a gross sales basis, in line with Safeway's previous revenue recognition policy, like-for-like sales fell by 0.8 per cent., compared with growth of 0.1 per cent. in the first half.

6. Management and Employees

Morrisons has confirmed that, following the Merger becoming effective, the existing employment rights, including pension rights, of employees of Safeway will be fully safeguarded.

Sir Kenneth Morrison will remain Executive Chairman of the Enlarged Group and Morrisons other executive directors will continue to be responsible for their respective functions in the Enlarged Group. Following further discussions since the announcement of the Merger on 15 December 2003, Lawrence Christensen and Jack Sinclair will now not be joining the Morrisons Board. However, Lawrence Christensen has agreed to remain with the Enlarged Group and as a director of Safeway until the expiry of his current contract ending 18 June 2004 to assist with the integration process. It is intended that Jack Sinclair and the other Safeway Directors will stand down from the Board of Safeway and leave Safeway once the Merger becomes effective.

Morrisons also intends to appoint two non-executive directors as soon as practicable following completion of the Merger and it is expected that these appointments will be announced by the time of Morrisons next annual general meeting in May 2004.

7. Safeway Share Schemes

Information relating to the effect of the Proposals on holders of options and awards under the Safeway Share Schemes is set out in paragraph 7 of the Explanatory Statement set out in Part II of this document.

8. Mix and Match Facility

Safeway Shareholders (other than certain overseas shareholders) may elect, subject to availability, to vary the proportions in which they receive new Morrisons Shares and cash as consideration for their Safeway Shares under the terms of the Scheme.

Elections made by Safeway Shareholders under the Mix and Match Facility may be made in respect of all or part of their holdings of Safeway Shares, but will only be satisfied to the extent that other Safeway Shareholders make off-setting elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a *pro rata* basis.

To the extent that elections can be satisfied, Safeway Shareholders who make valid elections under the Mix and Match Facility to receive additional new Morrisons Shares instead of cash will receive one new Morrisons Share in lieu of each 223 pence (being the closing mid-market price of a Morrisons Share on 12 December 2003, the Business Day immediately prior to the announcement of the Merger) in cash for each new Morrisons Share with which they otherwise would have been issued and vice versa for Safeway Shareholders who make valid elections to receive additional cash.

When the Scheme becomes effective, an announcement will be made of the approximate extent to which elections under the Mix and Match Facility have been satisfied.

The Mix and Match Facility will not affect the entitlement of those Safeway Shareholders who do not make any such election, each of whom will receive new Morrisons Shares and cash in accordance with the basic terms of the Merger.

Further details on how the Mix and Match Facility will operate and the procedure for completing the related green Form of Election are contained in paragraph 2 of the Explanatory Statement set out in Part II of this document and in Appendix III to this document.

Safeway Shareholders should seek independent advice as to the action, if any, they should take in respect of the Mix and Match Facility.

9. Delisting and Cancellation of Trading in Safeway Shares

The attention of Safeway Shareholders is drawn to paragraph 9 of the Explanatory Statement set out in Part II of this document in relation to Morrisons intentions regarding the delisting and cancellation of trading in Safeway Shares.

10. Inducement Fee Arrangements

Morrisons and Safeway have entered into a Merger Agreement under which Safeway has agreed to pay Morrisons an inducement fee in certain circumstances. Further details are set out in paragraph 6 of the Explanatory Statement set out in Part II of this document and in paragraph 6 of Appendix II to this document.

11. Safeway Shareholder Meetings

The Scheme will require approval by Safeway Shareholders at the Safeway Court Meeting to be held at the Thistle Tower Hotel, St Katharine's Way, London E1W 1LD at 10.00 a.m. on 11 February 2004 and the Safeway Extraordinary General Meeting to be held at the same venue at 10.05 a.m. on the same date (or as soon thereafter as the Safeway Court Meeting shall have been concluded or adjourned). The resolution to be proposed at the Safeway Extraordinary General Meeting is to approve the Scheme and other related matters, including the reorganisation and reduction of Safeway's share capital and amendments to the Safeway Articles required to implement the Scheme.

If the Scheme becomes effective it will be binding on all holders of Safeway Shares, including any holders who did not vote, or who voted against it, at the Meetings.

In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of Safeway Shareholders, it is important that as many votes as possible are cast at the Safeway Court Meeting and you are therefore strongly urged to take the action described in paragraph 12 below.

12. Action to be taken by Safeway Shareholders

You will find notices of the Safeway Court Meeting and the Safeway Extraordinary General Meeting set out at the end of this document. You will find enclosed with this document a blue Form of Proxy for use at the Safeway Court Meeting, a pink Form of Proxy for use at the Safeway Extraordinary General Meeting and a green Form of Election. You may use the Form of Election to make an election under the Mix and Match Facility.

Whether or not you propose to attend both or either of the Meetings in person, you are urged to complete and return both of the enclosed Forms of Proxy in accordance with the instructions printed thereon. Completed Forms of Proxy should be returned by post or, during normal business hours, by hand to Safeway's registrars, Computershare Investor Services PLC, at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible, but in any event so as to be received by Safeway's registrars not later than 48 hours before the time fixed for the relevant meeting.

If the blue Form of Proxy in relation to the Safeway Court Meeting is not lodged by 10.00 a.m. on 9 February 2004, it may be handed to Safeway's registrars on behalf of the Chairman at the Safeway Court Meeting prior to the taking of the poll at that meeting. However, in the case of the Safeway Extraordinary General Meeting, unless the pink Form of Proxy is lodged by 10.05 a.m. on 9 February 2004, it will be invalid. The completion and return of the Forms of Proxy will not prevent you from attending the Safeway Court Meeting or the Safeway Extraordinary General Meeting and voting in person if you so wish and are so entitled.

If you wish to take advantage of the Mix and Match Facility you should complete the enclosed green Form of Election in accordance with the instructions printed thereon and set out in Appendix III to this document and return it either with your Forms of Proxy or separately to the same address so as to arrive by no later than 3.00 p.m. on 3 March 2004.

Further details of the terms of the Mix and Match Facility are contained in paragraph 2 of the Explanatory Statement set out in Part II of this document and in Appendix III to this document.

13. Recommendation

The Board of Safeway, which has been so advised by HSBC and Citigroup, considers, for the reasons given above, the terms of the Merger to be fair and reasonable. In providing advice to the Board of Safeway, HSBC and Citigroup have taken into account the commercial assessments of the Directors of Safeway. Accordingly, the Board of Safeway unanimously recommends that Safeway Shareholders vote in favour of the resolutions to be proposed in relation to the Proposals at both of the Meetings, as the Directors of Safeway intend to do in respect of all of their own beneficial holdings of 849,898 Safeway Shares, representing approximately 0.08 per cent. of the existing issued share capital of Safeway.

Yours sincerely,



David Webster
Chairman

(in compliance with section 426 of the Companies Act)



HSBC Bank plc
(Registered in England and Wales
under number 14259)

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To Safeway Shareholders and, for information only, to participants in the Safeway Share Schemes

Dear Safeway Shareholder,

RECOMMENDED MERGER OF SAFEWAY PLC AND WM MORRISON SUPERMARKETS PLC

1. Introduction

The Boards of Morrisons and Safeway announced on 15 December 2003 that they had agreed the terms of a recommended merger between Safeway and Morrisons. The Merger values the issued share capital of Safeway at approximately £3.1 billion and each Safeway Share at 291.75 pence (based on the closing mid-market price of a Morrisons Share of 231.75 pence on 15 January 2004, being the latest practicable date before the posting of this document) and represents a premium of approximately 37 per cent. over the closing mid-market price of a Safeway Share of 213 pence on 8 January 2003, the Business Day before the announcement of the Original Offer. In the announcement on 15 December 2003, Morrisons reserved the right to elect to implement the Merger by way of a scheme of arrangement pursuant to section 425 of the Companies Act and, Morrisons having so elected, Safeway has agreed to implement the Scheme.

Your attention is drawn to the letter from the Chairman of Safeway set out in Part I of this document, which forms part of this Explanatory Statement and which contains the background to and reasons for the Safeway Board's recommendation and which states that the Board of Safeway, which has been so advised by us, considers the terms of the Merger to be fair and reasonable. In providing advice to the Board of Safeway, we have taken into account the commercial assessments of the Directors of Safeway. The Board of Safeway is unanimously recommending all Safeway Shareholders to vote in favour of the resolutions to be proposed at the Meetings, as the Directors of Safeway intend to do in respect of all of their own beneficial holdings of 849,898 Safeway Shares, representing approximately 0.08 per cent. of the existing issued share capital of Safeway.

We have been authorised by the Safeway Directors to write to you to explain the Scheme and to provide you with other relevant information. The Scheme is set out in full in Part III of this document. Your attention is also drawn to Appendix II (Additional Information) to this document, Appendix III (Notes on completing the Form of Election in respect of the Mix and Match Facility) to this document and the Listing Particulars, which accompany this document.

2. The Proposals

Basic Terms

The Merger is to be effected by means of a scheme of arrangement between Safeway and Safeway Shareholders under section 425 of the Companies Act. The Scheme is subject to the Conditions and

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further terms set out in Appendix I to this document. If the Scheme becomes effective, the Safeway Shares will be cancelled and Safeway Shareholders on the register of members of Safeway at the Scheme Record Time will receive from Morrisons:

for each Safeway Share 1 new Morrisons Share plus 60 pence in cash

and so in proportion for any other number of Safeway Shares held.

In addition to the basic terms of the Merger set out above, a Mix and Match Facility is also available, details of which are set out below.

The Merger values the issued share capital of Safeway at approximately £3.1 billion and each Safeway Share at 291.75 pence (based on the closing mid-market price of a Morrisons Share of 231.75 pence on 15 January 2004, being the latest practicable date before the posting of this document), representing a premium of 37 per cent. over the closing mid-market price of a Safeway Share of 213 pence on 8 January 2003, the Business Day before the announcement of the Original Offer.

On the Scheme becoming effective, it will become binding on all holders of Safeway Shares, including those who did not vote, or who voted against it, at the Meetings.

The Merger, which is expected to become effective on 8 March 2004, is subject to certain Conditions which are set out in Appendix I to this document. Subject to the requisite approvals being given by the shareholders of both Morrisons and Safeway to the Merger and the Scheme and the Court sanctioning the Scheme and confirming the associated reduction of capital, the Morrisons Directors and the Safeway Directors expect that these Conditions will be satisfied or, where relevant, waived (save for Condition 1(e), relating to Admission) prior to the time of the First Court Hearing on 1 March 2004.

Upon completion of the Merger, Morrisons Shareholders will hold approximately 60 per cent. and Safeway Shareholders will hold approximately 40 per cent. of the issued ordinary share capital of Morrisons and Safeway will become a wholly-owned subsidiary of Morrisons.

On the assumption that no further Safeway Shares or Morrisons Shares are issued after 15 January 2004 (being the latest practicable date before the posting of this document), the Merger will result in the issue of 1,060,941,246 new Morrisons Shares and the issued ordinary share capital of the Enlarged Group will comprise 2,634,860,991 Morrisons Shares.

If the Scheme is effected, your Safeway Shares will be disposed of by you fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching to them after 15 December 2003 (the date of the announcement of the Merger), including the right to receive all dividends declared, made or paid thereafter, other than the interim dividend of 3.05 pence per Safeway Share declared on 20 November 2003 which shall be payable on 9 February 2004 to Safeway Shareholders on the register of members of Safeway as at 28 November 2003 and, depending upon the date on which the Merger becomes effective, the Safeway final dividend as set out in the paragraph below.

The new Morrisons Shares, which will be issued pursuant to the Merger, will be issued credited as fully paid and will be listed on the Official List and will be admitted to trading on the London Stock Exchange and will rank *pari passu* in all respects with the existing Morrisons Shares, including (save as provided below) the right to receive and retain in full all future dividends and distributions (if any) declared, made or paid after 15 December 2003 (the date of the announcement of the Merger). Depending upon the date that the Merger becomes effective, Safeway Shareholders will be eligible to receive and retain either the Morrisons final dividend for the financial year ending 1 February 2004 (failing which the first dividend in respect of which the new Morrisons Shares will participate is expected to be the interim dividend payable by Morrisons in respect of the first six months of the financial year 2004/2005) or the Safeway final dividend for the financial year ending 3 April 2004, but not both.

The new Morrisons Shares will be capable of being held in certificated or uncertificated form. Pending the issue of definitive certificates for the new Morrisons Shares, transfers of new Morrisons Shares in certificated form will be certified against the register. No temporary documents of title in respect of the new Morrisons Shares will be issued.

Mix and Match Facility

Safeway Shareholders (other than certain overseas shareholders) may elect, subject to availability, to vary the proportion in which they receive new Morrisons Shares and cash as consideration for their Safeway Shares under the basic terms of the Scheme.

Elections under the Mix and Match Facility may be made by Safeway Shareholders by electing to receive either all cash or all new Morrison Shares in respect of all or part of their holdings of Safeway Shares but will only be satisfied to the extent that other Safeway Shareholders make off-setting elections.

To the extent that elections can be satisfied in full, Safeway Shareholders who make elections under the Mix and Match Facility to receive additional new Morrisons Shares instead of cash will receive one new Morrisons Share in lieu of each 223 pence (being the closing mid-market price of a Morrisons Share on 12 December 2003, the Business Day immediately prior to the announcement of the Merger) in cash which they otherwise would have received. Correspondingly, Safeway Shareholders who have elected to receive additional cash will receive 223 pence in cash in lieu of each new Morrisons Share which would otherwise have been received by them under the basic terms of the Scheme.

To the extent that elections cannot be satisfied in full, they will be scaled down on a *pro rata* basis. Safeway Shareholders who have elected to receive additional new Morrisons Shares will, to the extent their elections are not satisfied in full, instead, receive 223 pence in cash for each one new Morrisons Share, and Safeway Shareholders who have elected to receive additional cash will, instead, receive one new Morrisons Share in respect of each 223 pence in cash, which, in each case, they would otherwise have received had their elections been satisfied in full, subject to the share capital reorganisation and any fractional entitlements arising as referred to in the paragraph below.

As further described in paragraph 3 below, the Scheme will involve a reorganisation of Safeway's share capital. Under this reorganisation, a Safeway Shareholder making an election under the Mix and Match Facility may become entitled to a fraction of an A Ordinary Share or a B Ordinary Share. You should note that any such fractional entitlements that might arise upon such election will not be issued to Safeway Shareholders and instead Safeway Shareholders will receive Deferred Shares in respect of which no consideration will be paid. For example, a Safeway Shareholder who makes a valid election under the Mix and Match Facility for additional cash could lose an entitlement of up to 59 pence in cash and a Safeway Shareholder who makes a valid election under the Mix and Match Facility for additional new Morrisons Shares could lose an entitlement to Morrisons Shares with a value of up to 222 pence (based on the value of a Morrisons Share of 223 pence as described above).

An announcement will be made, when the Scheme becomes effective, of the approximate extent to which elections under the Mix and Match Facility have been satisfied.

It should be noted that to the extent elections are satisfied under the Mix and Match Facility, the commercial effect for Safeway Shareholders will (disregarding tax consequences for Safeway Shareholders) be the same as acquiring or disposing of Morrisons Shares (depending on whether they have elected for either additional new Morrisons Shares or additional cash) at 223 pence, which may be either higher or lower than the price at which Morrisons Shares could be bought or sold in the market at the relevant time.

Details on how to make an election under the Mix and Match Facility are set out in Appendix III to this document and in the Form of Election. Overseas Safeway Shareholders should also read paragraph 10 of this Explanatory Statement and paragraph 4.10 of Part III of this document in relation to their ability to participate in the Mix and Match Facility.

Safeway Shareholders should seek independent advice as to the action, if any, they should take in respect of the Mix and Match Facility.

3. Structure of the Proposals

Introduction

The Scheme involves an application by Safeway to the Court to sanction the Scheme and then to confirm the cancellation of the Safeway Shares, in consideration for which Safeway Shareholders on the

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register of members at the Scheme Record Time will receive new Morrison Shares and cash on the basis set out in paragraph 2 of this Explanatory Statement. The cancellation of the Safeway Shares and the subsequent issue of new Safeway Shares to Morrisons provided for in the Scheme will result in Safeway becoming a wholly-owned subsidiary of Morrisons.

To permit the effective operation of the Mix and Match Facility, the Scheme will include a reorganisation of the share capital of Safeway whereby the Safeway Shares will, in accordance with the terms of the Scheme, be sub-divided, converted and re-classified into A Ordinary Shares, B Ordinary Shares and in certain cases, Deferred Shares. Where a Safeway Shareholder has made an election under the Mix and Match Facility which would otherwise entitle him to be issued with a fraction of either an A Ordinary Share or a B Ordinary Share, no such fractional entitlements will be issued and instead, that Safeway Shareholder will receive such number of Deferred Shares as, in aggregate, have the same nominal value as the fractional entitlement to the A Ordinary Share or B Ordinary Share to which he would otherwise have been entitled, as the case may be. The share capital reorganisation will only take effect immediately prior to the Scheme being effected, at which point the A Ordinary Shares will carry the right to receive one new Morrisons Share and the B Ordinary Shares will carry the right to receive 60 pence in cash. The A Ordinary Shares and the B Ordinary Shares will be cancelled and Safeway Shareholders issued with new Morrisons Shares or paid cash in proportion to their holdings of A Ordinary Shares or B Ordinary Shares respectively. Any Deferred Shares then in issue will also be cancelled and Safeway Shareholders will not receive any consideration in respect of them. No temporary documents of title will be issued to Safeway Shareholders in respect of the A Ordinary Shares, the B Ordinary Shares or the Deferred Shares and such shares will not be listed on the Official List or admitted to trading on the London Stock Exchange. If, for any reason, the Scheme does not become effective, the share capital reorganisation described above will not take effect and Safeway Shareholders will retain their then current holdings of Safeway Shares.

As the maximum value of any such fractional entitlement that would be paid to such a Safeway Shareholder in cash if such fractional entitlements were to be paid out in cash is 222 pence, the Safeway Directors have determined that no value should be paid on the cancellation of the Deferred Shares representing such fractional entitlements, as provided for in Article 42 of the Safeway Articles which allows the Safeway Directors to decide not to pay any fractional entitlements of less than £3.00 arising on a sub-division of Safeway's share capital.

The terms of the reorganisation of the share capital of Safeway are set out in paragraph 1 of Part III of this document.

The Meetings

Before the Court's sanction can be sought, the Scheme will require approval by Safeway Shareholders at the Safeway Court Meeting and the passing of a special resolution by Safeway Shareholders to implement the Scheme at the Safeway EGM.

Notices of the Meetings are set out at the end of this document. In the case of Safeway Shareholders, your entitlement to attend and vote at the Meetings and the number of votes which may be cast by you will be determined by reference to your holding of Safeway Shares as shown in the register of members of Safeway at the time specified in the notice of the relevant Meeting. Only Safeway Shareholders registered on the register of members of Safeway at the Voting Record Time or, if such meetings are adjourned, on the register of members not less than 48 hours before the relevant adjourned Meeting, shall be entitled to attend and vote at the relevant Meeting.

The Merger will also require the approval of the Morrisons Shareholders at the Morrisons EGM.

(a) The Safeway Court Meeting

The Safeway Court Meeting, which has been convened for 11 February 2004 at 10.00 a.m., is being held at the direction of the Court to seek the approval of the Safeway Shareholders to the Scheme. At the Safeway Court Meeting, voting will be by poll and not a show of hands and each member present in person or by proxy will be entitled to one vote for each Safeway Share held. The approval required at the

Safeway Court Meeting is a majority in number of the holders of Safeway Shares who vote, representing three-fourths or more in value of the Safeway Shares voted, either in person or by proxy.

(b) *The Safeway EGM*

The Safeway EGM has been convened for the same date as the Safeway Court Meeting at 10.05 a.m. (or as soon thereafter as the Safeway Court Meeting is concluded or adjourned) to consider and, if thought fit, to pass a special resolution (which requires a vote in favour of not less than 75 per cent. of the votes cast) to approve:

- (i) the Scheme;
- (ii) the reorganisation of the share capital of Safeway referred to above;
- (iii) the reduction of capital and the issue of new Safeway Shares to Morrisons provided for in the Scheme; and
- (iv) amendments to the Safeway Articles in accordance with the Scheme and as described below.

In the event that the Chairman exercises his right to demand that the vote of Safeway Shareholders at the Safeway EGM be held by way of a poll, each Safeway Shareholder present in person or by proxy will be entitled to one vote for every Safeway Share held.

It is proposed, as part of the special resolution to be proposed at the Safeway EGM, to amend the Safeway Articles to ensure that any Safeway Shares issued after the Safeway EGM but at or before the Hearing Record Time will also be subject to the Scheme. It is also proposed to amend the Safeway Articles so that any Safeway Shares issued to any person other than Morrisons or its nominees after the Hearing Record Time will be automatically exchanged for new Morrisons Shares and cash on the same terms as provided for under the Scheme (save in respect of the Mix and Match Facility which will not then be available), to ensure that no one (other than Morrisons or its nominees) is left with any Safeway Shares after the date and time on which dealings in them have ceased on the London Stock Exchange. Paragraphs (b) and (c) of the resolution set out in the notice of the Safeway EGM at the end of this document seek the approval of Safeway Shareholders to such amendments.

(c) *The Morrisons EGM*

The Proposals are also conditional upon the passing by Morrisons Shareholders of an ordinary resolution to be proposed at the Morrisons EGM to approve the Merger and a special resolution to increase the authorised share capital of Morrisons necessary to implement the Merger and to grant related authorities.

(d) *The Court Hearings*

The First Court Hearing is scheduled for 1 March 2004 and the Second Court Hearing is scheduled for 4 March 2004. All Safeway Shareholders are entitled to attend the Court Hearings in person or to be represented by counsel to support or oppose the sanctioning of the Scheme.

The Scheme will become effective on the delivery by Safeway to the Registrar of Companies of an office copy of the Court Order sanctioning the Scheme under section 425 of the Companies Act and of the Court Order confirming under section 137 of the Companies Act the reduction of capital of Safeway involved therein and, in respect of the reduction of capital, the Court Order being registered by the Registrar of Companies. Subject to the requisite approvals being obtained from Safeway Shareholders and Morrisons Shareholders and the sanction of the Court, this is expected to occur on 8 March 2004.

Once effective, the Scheme will be binding on all holders of Safeway Shares, including those who did not vote, or who voted against it, at the Meetings.

Conditions to the Proposals

The Conditions to the Proposals are set out in full in Appendix I to this document. The Scheme is conditional, *inter alia*, upon:

- the Scheme becoming effective by not later than 31 March 2004 or such later date as Safeway and Morrisons may agree and the Court may allow, failing which the Scheme shall never become effective;
- the approval by a majority in number of Safeway Shareholders who vote, representing three-fourths or more in value of the Safeway Shares voted, either in person or by proxy, at the Safeway Court Meeting;
- the passing of the special resolution required to implement the Scheme at the Safeway EGM;
- the passing of the ordinary resolution and the special resolution required to approve and implement the Merger at the Morrisons EGM;
- the sanction of the Scheme and confirmation of the associated reduction of capital involved therein by the Court (in either case, with or without any modification agreed to by Safeway and Morrisons) and the delivery of an office copy of the Court Order sanctioning the Scheme under section 425 of the Companies Act and of the Court Order confirming under section 137 of the Companies Act the associated reduction of capital of Safeway, to the Registrar of Companies in England and Wales and, in respect of the Court Order confirming the reduction of capital, the registration of such Court Order by the Registrar of Companies; and
- the Conditions which are not otherwise identified above being satisfied or waived.

4. Information on Morrisons

Morrisons is the UK's fifth largest food retailer by market share, operating 125 superstores predominantly in the northern half of England, with 109 of these stores incorporating petrol stations. Morrisons also has a number of subsidiary businesses involved in produce packing, polythene bag manufacturing, meat processing and fresh food manufacturing. For the year to 2 February 2003, the average store size was 35,600 square feet and the average weekly number of employees was 46,778 (31,961 full-time equivalent employees).

Summary financial information on Morrisons extracted, without material adjustment, from Morrisons annual report and accounts for the three financial years ended 2 February 2003, is set out below:

	<i>2 February 2003 £m</i>	<i>3 February 2002 £m</i>	<i>4 February 2001 (53 weeks) £m</i>
Turnover	4,289	3,918	3,500
EBITDA before net property gains	374	328	294
Profit before tax and net property gains	275	243	214
Net assets	1,253	1,114	993
Basic earnings per share	11.53p	10.02p	9.31p

Further information relating to Morrisons is set out in the Listing Particulars which accompany this document.

5. Information on Safeway

Safeway is the UK's fourth largest food retailer by market share, with 479 stores. Safeway also runs 194 petrol stations and has a joint venture with BP, which operates 60 petrol stations with convenience stores attached. For the year to 29 March 2003, the average store size was 21,800 square feet (as measured by Safeway) and the average monthly number of employees was 89,745 (57,417 full-time equivalent employees).

Summary financial information on Safeway extracted, without material adjustment, from Safeway's annual report and accounts for the three financial years ended 29 March 2003, is set out below:

	29 March 2003 £m	30 March 2002 £m	31 March 2001 (restated)* £m
Turnover**	8,807	8,717	8,296
EBITDA before exceptional items	601	618	581
Profit before tax	270	355	315
Net assets	2,211	2,111	1,955
Basic earnings per share	16.5p	24.4p	21.4p
Basic earnings per share before exceptional items	22.6p	24.5p	22.0p

* 31 March 2001 figures have been restated for the adoption in 2002 of FRS 19 Deferred Tax.

** Turnover represents Safeway Group and share of BP joint venture sales excluding VAT. Following the publication of the amendment to Financial Reporting Standard 5 on 13 November 2003, Safeway changed its accounting policy to account for sales net of staff discounts, coupons and the free element of multi-buy transactions, and to account only for the commission element in mobile phone etop-ups. The historical figures shown in the table above have not been adjusted to reflect this change in accounting policy.

6. Inducement Fee Arrangements

Morrisons and Safeway have entered into a Merger Agreement under which Safeway has agreed, *inter alia*, to pay Morrisons an inducement fee of £30 million if (i) the Scheme lapses, is withdrawn or otherwise could not become effective by 31 March 2004 (or such later date as the parties may agree) and after 15 December 2003 but prior thereto, an independent competing offer for Safeway has been announced and that or any other independent competing offer becomes or is declared wholly unconditional before 15 December 2004; or (ii) Safeway enters into an agreement to dispose of any fixed assets having an aggregate value of at least £20 million prior to the termination of the Merger Agreement or, at any time, having a value of at least £300 million and, in each case, such agreement completes before 15 December 2004, without the consent of Morrisons.

Further details of the Merger Agreement are set out in paragraph 6 of Appendix II to this document.

7. Effect of the Proposals on the Safeway Share Schemes

Save as provided below, all subsisting options and awards under the Safeway Share Schemes, which are not already exercisable, will become exercisable following notification to the holders of such options and awards that the Court has sanctioned the Scheme of Arrangement. All Safeway Shares issued on the exercise of options and awards at or prior to the Hearing Record Time will be subject to the terms of the Scheme.

The Scheme of Arrangement will not extend to Safeway Shares issued, including on the exercise of options and awards, after the Hearing Record Time. However, an amendment to the Safeway Articles is to be proposed at the Safeway EGM (and which is set out in the notice of the Safeway EGM at the end of this document) to the effect that Safeway Shares issued on the exercise of options and awards after the Hearing Record Time will automatically be transferred to Morrisons on the same terms as provided for under the Scheme (save in respect of the Mix and Match Facility which will not then be available).

Both options which are approved by the Board of the Inland Revenue and unapproved options have been granted under the Safeway 1993 Executive Share Option Scheme and the Safeway Customer Care Performance Share Option Plan. The Safeway 1996 Sharesave Scheme has been approved by the Board of the Inland Revenue. Approved options granted under the Safeway Share Option Schemes may be capable of attracting favourable tax treatment on exercise. The options under the Safeway Share Option Schemes will become exercisable (if they are not already exercisable) following notification of the Court's sanction of the Scheme of Arrangement. Optionholders whose options are not already exercisable will, therefore, be given the opportunity to exercise their options conditional on notification of the Court's sanction of the Scheme of Arrangement.

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In relation to the Safeway 1996 Sharesave Scheme, options will only be exercisable to the extent of savings made under the related saving contract at the time of exercise together with any accrued interest due. It is not possible for optionholders under the Safeway 1996 Sharesave Scheme to make additional contributions in advance to increase the number of Safeway Shares over which they may exercise their options.

There are also subsisting awards under the Safeway Deferred Annual Share Bonus Scheme and the Safeway Long-Term Incentive Plan for Senior Executives. Awards under the Safeway Deferred Annual Share Bonus Scheme will vest (if they have not already vested) following the Court's sanction of the Scheme of Arrangement. In relation to the Safeway Long-Term Incentive Plan for Senior Executives it is intended that subsisting awards will vest following the Court's sanction of the Scheme of Arrangement. The number of Safeway Shares over which awards made in 2001 and 2002 may vest is to be determined in accordance with the performance conditions set out in the rules of the Safeway Long-Term Incentive Plan for Senior Executives which will be measured up to the First Hearing Date without any time apportionment. Awards made under the Safeway Long-Term Incentive Plan for Senior Executives in 2000 are to vest in full.

Participants under the Safeway Share Schemes will shortly be sent further details of the actions they can take in respect of their outstanding options and awards. The proposals will allow participants in the Safeway Share Option Schemes to exercise their options and awards conditional on notification of the Court's sanction of the Scheme of Arrangement or, in relation to the Safeway Share Option Schemes, other than the 1993 Executive Share Option Scheme, to rollover their options over Safeway Shares into equivalent options over Morrisons Shares on the Scheme of Arrangement becoming effective on terms agreed (where appropriate) with the Inland Revenue.

Full details of subsisting options and awards granted to the Safeway Directors are set out at paragraph 4(a) of Appendix II to this document.

8. The Safeway Directors and the effect of the Scheme on their interests

The interests (for the purposes of Part X of the Companies Act) of the Safeway Directors in the share capital of Safeway are set out in paragraph 4 of Appendix II to this document. The effect of the Scheme on such interests of the Safeway Directors does not differ from its effect on the interests of any other holders of Safeway Shares.

9. Delisting of and Cancellation of Trading in Safeway Shares

The London Stock Exchange and the UK Listing Authority will be requested respectively to cancel trading in Safeway Shares on the London Stock Exchange's market for listed securities with effect from the close of business on the Business Day immediately prior to the Effective Date and the listing of Safeway Shares from the Official List with effect from 7.30 a.m. on the Effective Date. The last day of dealings in Safeway Shares on the London Stock Exchange is expected to be 5 March 2004 (being the Business Day immediately prior to the Effective Date) and no transfers of Safeway Shares will be registered after 6.00 p.m. on that date. On the Effective Date, share certificates in respect of Safeway Shares will cease to be valid and should, if so requested by Safeway, be sent to Safeway. In addition, entitlements to Safeway Shares held within the CREST system will be cancelled on the Effective Date.

It is also proposed that, following the Effective Date, Safeway will be re-registered as a private company under the relevant provisions of the Companies Act.

10. Overseas Safeway Shareholders

General

The availability of the Proposals (including the right to participate in the Mix and Match Facility) to persons resident in, or citizens of, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements. It is the responsibility of each of the overseas shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or

other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purposes of complying with English law and the City Code and the information disclosed may be different from that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

US Securities Laws

Any securities to be issued under the Scheme in the United States have not been and will not be registered under the US Securities Act but will be issued in reliance on the exemption from the registration requirements of the US Securities Act, provided by Section 3(a)(10) thereof. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof, Safeway will advise the Court that its sanctioning of the Scheme will be relied on by Safeway as an approval of the Scheme following a hearing on its fairness to Safeway Shareholders, at which Court hearing all holders of Safeway Shares are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

Neither the US Securities and Exchange Commission nor any state securities commission has approved or disapproved the new Morrisons Shares or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Except for the circumstances described below, the new Morrisons Shares issued to Safeway Shareholders pursuant to the Scheme (i) should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) of the US Securities Act and (ii) may be resold by former shareholders of Safeway (other than restricted affiliates described below) without regard to Rules 144 or 145 under the US Securities Act.

Under US securities laws, a Safeway Shareholder (whether or not a US Person) who is deemed to be an affiliate of Morrisons or of Safeway prior to, or of Morrisons after, the Effective Date (“restricted affiliates”) may not resell new Morrisons Shares received pursuant to the Scheme without registration under the US Securities Act, except pursuant to the applicable resale provisions of Rule 145(d) promulgated under the US Securities Act or another applicable exemption from the registration requirements of that Act, or in a transaction not subject to such requirements (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act relating to offers and sales outside the United States). “Affiliates” of a company are generally defined as persons who directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, that company. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers, directors and significant shareholders.

Because of US securities law requirements, the Mix and Match Facility is not available to US shareholders, which includes natural persons resident in the United States and corporations and partnerships organised under US law. Safeway, with the consent of Morrisons but otherwise at its sole discretion, may make the Mix and Match Facility available to certain US institutional shareholders, upon receipt of evidence satisfactory to it that such extension would not contravene any US federal or state securities law.

11. UK/US taxation

UK Taxation

The following paragraphs, which are intended as a general guide only, are based on current UK legislation and an understanding of current Inland Revenue practice as at the date of this document. They summarise certain limited aspects of the UK taxation consequences of the Proposals becoming effective, and they relate only to the position of Safeway Shareholders who hold their Safeway Shares beneficially as an investment (and not as securities to be realised in the course of a trade) and who are resident and, if individuals, ordinarily resident in the UK for tax purposes. **If you are in any doubt as to**

your taxation position or if you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser immediately.

(a) *Taxation of chargeable gains*

If the Merger proceeds, then depending on the form of consideration received (i.e. cash or Morrisons Shares) and on the individual circumstances of a Safeway Shareholder, Safeway Shareholders may face a liability to UK taxation on chargeable gains arising on the disposal of Safeway Shares under the Merger. However, as more fully described below, it is expected that Safeway Shareholders should not generally be regarded as realising chargeable gains to the extent that they receive Morrisons Shares rather than cash.

(i) New Morrisons Shares

It is expected that a Safeway Shareholder should not be treated as making a disposal or part disposal of that Safeway Shareholder's Safeway Shares to the extent that that Safeway Shareholder receives new Morrisons Shares under the Merger. Instead the holding of new Morrisons Shares should be treated as the same asset as, and acquired at the same time as that Safeway Shareholder's holding of relevant Safeway Shares.

Safeway Shareholders who, following the reorganisation of share capital involved in the Scheme, hold more than 5 per cent. of any class of shares in or debentures of Safeway, whether alone or together with any connected person, are advised that clearance has been obtained from the Inland Revenue under section 138 of the Taxation of Chargeable Gains Act 1992 that the issue of the new Morrisons Shares is being effected for *bona fide* commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax or corporation tax. It is therefore expected that those Safeway Shareholders who hold more than 5 per cent. of any class of shares in or debentures of Safeway, should also be able to benefit from the roll-over treatment as set out in the preceding paragraph.

A subsequent disposal of all or any new Morrisons Shares may result in a liability to UK taxation depending on individual circumstances.

(ii) Cash

The 'roll-over' treatment described in paragraph (i) above can only apply to a Safeway Shareholder to the extent that such Safeway Shareholder receives Morrisons Shares under the Proposals. Thus, to the extent that a Safeway Shareholder receives cash as consideration under the Proposals, that Safeway Shareholder will generally be treated as having made a disposal or part disposal of that Safeway Shareholder's Safeway Shares. Such a disposal may, depending upon the Safeway Shareholder's personal circumstances, give rise to a liability to UK taxation on chargeable gains.

For the purposes of determining whether a Safeway Shareholder has realised a chargeable gain in these circumstances, the acquisition cost of that Safeway Shareholder's original holding of Safeway Shares must be apportioned between the Safeway Shares that are treated as disposed of and the remainder of that Safeway Shareholder's holding (if any). The apportionment is calculated by reference to the value that the cash component bears to the overall value of the consideration received by the Safeway Shareholder (i.e. the cash component and any new Morrisons Shares). There are various reliefs which could apply to reduce any chargeable gain which arises, including:

- (a) for Safeway Shareholders within the charge to UK corporation tax, an indexation allowance may apply for the period prior to the disposal of the Safeway Shares to reduce any chargeable gain arising on that disposal; and
- (b) for individual Safeway Shareholders, taper relief may apply to reduce the percentage of any chargeable gain arising on the disposal of the Safeway Shares chargeable to tax, depending on, amongst other things, the period for which the Safeway Shares have been held. For Safeway Shareholders who are individuals and who acquired their Safeway Shares prior to April 1998, an indexation allowance may also apply for the period to April 1998 to reduce the chargeable gain.

(b) *Taxation of dividends on Morrisons Shares*

The tax position of Safeway Shareholders in respect of dividends paid by Morrisons should generally be similar to that which would have applied had they continued to hold and receive dividends on their Safeway Shares. Further explanation of the tax treatment of dividends paid on Morrisons Shares is set out in paragraph 13 of Part VIII of the Listing Particulars.

(c) *Stamp Duty and Stamp Duty Reserve Tax (SDRT)*

No stamp duty or SDRT should be payable by Safeway Shareholders as a result of the Proposals becoming effective.

(d) *Other direct tax matters*

Special tax provisions may apply to Safeway Shareholders who have acquired or acquire their Safeway Shares by exercising options or receiving awards under a Safeway Share Scheme, including provisions imposing a charge to income tax.

US Taxation

Safeway Shareholders who are resident in the US or who may otherwise be subject to US tax in respect of their Safeway Shares should consult their own tax advisers regarding the application of US federal income tax law to their particular circumstances, as well as any state, local, foreign and other consequences relevant to such US shareholder's particular circumstances.

12. Settlement

Settlement of the cash consideration to which any Safeway Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set off, counter claims or other analogous rights to which Morrisons may otherwise be, or claim to be, entitled against such Safeway Shareholder.

Subject to the Scheme becoming effective, currently expected to take place on 8 March 2004, (and except as provided in paragraph 10 above in relation to overseas Safeway Shareholders), settlement of the consideration to which any Safeway Shareholder is entitled under the Proposals will be effected in the following manner:

(a) *Safeway Shares in uncertificated form (that is, in CREST)*

Where at the Scheme Record Time, a Safeway Shareholder holds Safeway Shares in uncertificated form:

- (i) the new Morrisons Shares to which such Safeway Shareholder is entitled will be issued to such person in uncertificated form through CREST. Morrisons shall procure that CRESTCo is instructed to credit the appropriate stock account in CREST of such Safeway Shareholder with such shareholder's entitlement to new Morrisons Shares at the commencement of dealings in the new Morrisons Shares; and
- (ii) any cash consideration due to such Safeway Shareholder will be paid by means of CREST and Morrisons will procure the making of a CREST payment in favour of such Safeway Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration due within 14 days of the Effective Date.

Morrisons reserves the right either to issue new Morrisons Shares in certificated form or to settle all or any part of the cash consideration in the manner referred to in paragraph 12(b) below if, for any reason, it wishes to do so.

(b) *Safeway Shares in certificated form*

Where at the Scheme Record Time, a Safeway Shareholder holds Safeway Shares in certificated form, the new Morrisons Shares to which such Safeway Shareholder is entitled will be issued in certificated

Part II Explanatory Statement

form. Definitive certificates for new Morrisons Shares will be despatched by first-class post (or by such other method as may be approved by the Panel) to Safeway Shareholders within 14 days of the Effective Date to the address appearing on the register of members of Safeway (or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in the said register in respect of such joint holding at such time). Cheques in respect of any cash consideration due to such Safeway Shareholder will be despatched by first-class post within 14 days of the Effective Date to the address appearing on the register of members of Safeway (or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in the said register in respect of such joint holding at such time). Such cheques will be in pounds sterling and drawn on a branch of a United Kingdom clearing bank.

Temporary documents of title will not be issued pending the despatch by post of new definitive share certificates. Holders wishing to register transfers of the new Morrisons Shares prior to the issue of the new share certificates will be required to produce their existing certificates for Safeway Shares to Morrisons registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA. On the issue of definitive share certificates for the new Morrisons Shares, the certificates for the old Safeway Shares will cease to be of value. Every holder of Safeway Shares who has not already produced his or her existing certificate(s) to Capita Registrars will be bound on the request of Safeway to deliver up to Safeway, or to any person appointed by Safeway, the existing certificate(s) for cancellation. Existing Morrisons share certificates will continue to be valid.

(c) *General*

All documents and remittances sent to Safeway Shareholders will be despatched at their own risk.

All mandates, instructions and other instruments in force relating to holdings in Safeway Shares will, unless and until amended or revoked, continue in force and be deemed as from the Effective Date to be a valid and effective mandate or instruction to Morrisons in respect of new Morrisons Shares. If a Safeway Shareholder holds existing Morrisons Shares, the mandates, instructions and instruments in force for Morrisons Shares shall supersede the mandates, instructions and instruments of the Safeway Shares.

13. Action to be taken by Safeway Shareholders

The Scheme will require approval by Safeway Shareholders at the Safeway Court Meeting to be held at the Thistle Tower Hotel, St Katharine's Way, London E1W 1LD on 11 February 2004 at 10.00 a.m. Implementation of the Scheme will also require the passing of a special resolution by Safeway Shareholders at the Safeway EGM to be held immediately thereafter, the passing of the resolutions by Morrisons Shareholders to be proposed at the Morrisons EGM and the subsequent sanction of the Scheme and confirmation of the reduction of capital by the Court. **Once effective, the Scheme will be binding on all holders of Safeway Shares, including those who did not vote, or who voted against it, at the Meetings.**

You will find enclosed with this document:

- a blue Form of Proxy for use in respect of the Safeway Court Meeting on 11 February 2004 (attaching an attendance card in relation to the Safeway Court Meeting);
- a pink Form of Proxy for use in respect of the Safeway EGM on 11 February 2004 (attaching an attendance card in relation to the Safeway EGM);
- a green Form of Election for use in respect of the Mix and Match Facility; and
- three reply-paid envelopes for use in the United Kingdom.

Whether or not you plan to attend both or either of the Meetings, please complete the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon, whether or not your Safeway Shares are in CREST, by post or, during normal business hours, by hand to Safeway's registrars, Computershare Investor Services PLC, at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible but in any event so as to be received by 10.00 a.m. on 9 February 2004 in the case of the Safeway Court Meeting and by 10.05 a.m. on

9 February 2004 in the case of the Safeway EGM. Three reply-paid envelopes for use in the United Kingdom are enclosed for your convenience in returning the two Forms of Proxy and the Form of Election. If the blue Form of Proxy for use at the Safeway Court Meeting is not lodged by then, it may be handed to Safeway's registrars on behalf of the Chairman at the Safeway Court Meeting before the taking of the poll. However, in the case of the Safeway EGM, unless the pink Form of Proxy is lodged so as to be received by 10.05 a.m. on 9 February 2004, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting at either the Safeway Court Meeting or the Safeway EGM, or any adjournment thereof, in person if you wish to do so. Alternatively, you can submit your proxies electronically at www.safeway.co.uk using the pin and shareholder reference numbers set out in the enclosed Forms of Proxy. Electronic proxy appointments must be received by not later than 10.00 a.m. on 9 February 2004 in the case of the Safeway Court Meeting and by not later than 10.05 a.m. on 9 February 2004 in the case of the Safeway EGM.

IT IS IMPORTANT THAT, FOR THE SAFEWAY COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SAFEWAY SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

TO MAKE AN ELECTION IN RESPECT OF THE MIX AND MATCH FACILITY, PLEASE COMPLETE AND SIGN the green Form of Election in accordance with the instructions printed thereon and return it as soon as possible, but in any event so as to be received by no later than 3.00 p.m. on 3 March 2004.

If you have any questions relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call Computershare Investor Services PLC on 0870 702 0123 (or, from outside the United Kingdom, +44 870 702 0123) between 9.00 a.m. and 5.00 p.m. Monday to Friday.

Overseas Safeway Shareholders should refer to paragraph 10 of this Explanatory Statement. Details relating to settlement are included in paragraph 12 of this Explanatory Statement.

14. Further information

The terms of the Scheme are set out in full in Part III of this document. Further information regarding the Morrisons Group and the Safeway Group is set out in Appendix II to this document and in the accompanying Listing Particulars. Particulars of documents available for inspection are given in paragraph 9 of Appendix II to this document. Your attention is also drawn to the further information contained in the other Appendices, which form part of this document.

Yours faithfully,

Aidan Wallis
Managing Director
Corporate Finance & Advisory
HSBC Bank plc

Ian Hart
Managing Director
Citigroup Global Markets Limited

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 183 of 2004

IN THE MATTER OF SAFEWAY PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985
SCHEME OF ARRANGEMENT
(under section 425 of the Companies Act 1985)
between
SAFEWAY PLC
and
THE HOLDERS OF THE SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme the following expressions have the meanings stated, unless they are inconsistent with the subject or context:

A Ordinary Shares: the A ordinary shares of 19⁷/₁₀ pence each in the capital of the Company created following the sub-division, conversion and re-classification referred to in clause 1.1 of this Scheme;

B Ordinary Shares: the B ordinary shares of 5³/₁₀ pence each in the capital of the Company created following the sub-division, conversion and re-classification referred to in clause 1.1 of this Scheme;

Business Day: any day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London;

certificated form: not in uncertificated form (that is, not in CREST);

Companies Act: the Companies Act 1985, as amended;

Court: the High Court of Justice in England and Wales;

Court Orders: the orders of the Court granted at the First Court Hearing sanctioning this Scheme under section 425 of the Companies Act and, at the Second Court Hearing, confirming the reduction of share capital provided for by this Scheme under section 137 of the Companies Act or, where the context may require, either of them;

CREST: the relevant system (as defined in the Regulations) operated by CRESTCo;

CRESTCo: CRESTCo Limited;

Deferred Shares: the deferred shares of 1/₁₀ pence each in the capital of the Company which may be created following the sub-division, conversion and re-classification referred to in clause 1.1 of this Scheme;

Directors: the directors of Safeway;

Effective Date: the date on which this Scheme becomes effective in accordance with clause 7.1 of this Scheme;

First Court Hearing: the hearing by the Court of the petition to sanction this Scheme;

Form of Election: the green form of election and authority relating to the Mix and Match Facility and accompanying the document of which this Scheme forms part and the forms of election and authority relating to the Mix and Match Facility sent to participants in the Safeway Share Schemes;

Hearing Record Time: 6.00 p.m. on the Business Day immediately preceding the Second Hearing Date;

holder: a registered holder, including any person entitled by transmission;

Mix and Match Facility: means the facility whereby the holders of Scheme Shares may elect to receive either additional new Morrisons Shares or additional cash (in accordance with the terms of this Scheme) to the extent only that other holders of Scheme Shares make off-setting elections;

Morrisons: Wm Morrison Supermarkets PLC (incorporated in England and Wales under registered number 358949);

new Morrisons Shares: the ordinary shares of 10 pence each in the capital of Morrisons proposed to be issued, credited as fully paid, pursuant to this Scheme;

Regulations: the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) including any modification thereof or any regulations in substitution therefor made under section 207 of the Companies Act and for the time being in force;

Restricted Overseas Person: any US Person or other person residing in Canada, Australia or Japan;

Safeway Court Meeting: the meeting of holders of Scheme Shares (and any adjournment thereof) convened pursuant to an order of the Court pursuant to section 425 of the Companies Act, to be held at 10.00 a.m. on 11 February 2004, for the purpose of considering and, if thought fit, approving the Scheme, notice of which is set out at the end of the document of which this Scheme forms part;

Safeway or the Company: Safeway plc (incorporated in England and Wales under registered number 1299733);

Safeway Articles: the articles of association of Safeway as at the date of this Scheme;

Safeway EGM: the extraordinary general meeting of Safeway Shareholders (and any adjournment thereof) convened in connection with the Scheme to be held at 10.05 a.m. on 11 February 2004, notice of which is set out at the end of the document of which this Scheme forms part;

Safeway Shareholders: registered holders of Safeway Shares and "Safeway Shareholder" means any of such holders;

Safeway Shares: the existing issued or unconditionally allotted and fully paid (or credited as fully paid) ordinary shares of 25 pence each in the capital of Safeway;

Scheme: this scheme of arrangement under section 425 of the Companies Act between Safeway and the holders of Scheme Shares in its present form or with or subject to any modification thereof or in addition thereto or condition agreed by Safeway and Morrisons and which the Court may think fit to approve or impose;

Scheme Record Time: 6.00 p.m. on the last Business Day immediately prior to the Effective Date;

Scheme Shares: Safeway Shares:

- (i) in issue as at the date of this document, namely 19 January 2004;
- (ii) (if any) issued after the date of this document and prior to the Voting Record Time; and
- (iii) (if any) issued on or after the Voting Record Time and at or prior to the Hearing Record Time either on terms that the original or any subsequent holder thereof shall be bound by this Scheme or, in the case of any such shares issued prior to the adoption of the amendment to the Safeway Articles set out in paragraph (c)(i) of the resolution contained in the notice of the Safeway EGM contained in the document of which this Scheme forms part, in respect of which the holder thereof shall have agreed in writing to be bound by this Scheme,

and including, where the context so requires, A Ordinary Shares, B Ordinary Shares and/or Deferred Shares arising upon the sub-division, conversion and re-classification referred to in clause 1.1 of this Scheme;

Second Court Hearing: the hearing by the Court of the petition to confirm the reduction of capital provided for by this Scheme;

Second Hearing Date: the date of commencement of the Second Court Hearing;

uncertificated or uncertificated form: in respect of a share or other security, a share or other security title to which is recorded on the relevant register of the share or security as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;

US Person: a US person as defined in Regulation S under the United States Securities Act of 1933, as amended; and

Voting Record Time: the time fixed by the Court for determining the entitlement to vote at the Safeway Court Meeting, as set out in the notice of the Court Meeting.

- (B) The authorised share capital of Safeway at 15 January 2004 is £375,000,000 divided into 1,500,000,000 ordinary shares of 25p each, of which 1,060,941,246 have been issued and are fully paid up, or credited as fully paid up, and the remainder are unissued.
- (C) The authorised share capital of Morrisons at 15 January 2004 is £250,000,000 divided into 2,000,000,000 ordinary shares of 10p each of which 1,573,919,745 have been issued and are fully paid up, or credited as fully paid up, and the remainder are unissued and 50,000,000 cumulative redeemable preference shares of £1 each, of which 1,444,776 have been issued and are fully paid up, or credited as fully paid up and the remainder are unissued.
- (D) As at the date of this Scheme, Morrisons does not own any Safeway Shares.
- (E) Morrisons has agreed to appear by Counsel on the hearing of the petition to sanction this Scheme and to submit thereto and to undertake to the Court to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

THE SCHEME

1. Reorganisation of Scheme Shares

- 1.1 Immediately prior to the Scheme becoming effective, in respect of the holding of each holder of Scheme Shares, all such Scheme Shares comprised in each such holding shall be consolidated into one new share in the capital of the Company having a nominal value equal to the aggregate nominal value of all such Scheme Shares comprised in the relevant holding (an “intermediate share”) and forthwith thereupon every intermediate share shall be sub-divided and converted into and re-classified as A Ordinary Shares, B Ordinary Shares and Deferred Shares on the basis of:
 - 1.1.1 in respect of each holding of Scheme Shares that are not the subject of a valid election under the Mix and Match Facility, one A Ordinary Share and one B Ordinary Share for every such Scheme Share held prior to the sub-division and conversion and re-classification referred to above; or
 - 1.1.2 in respect of each holding of Scheme Shares that are the subject of a valid election under the Mix and Match Facility, such number of A Ordinary Shares, B Ordinary Shares and Deferred Shares as the Directors shall determine may be appropriate having regard to such elections on the basis set out in clause 4 below.
- 1.2 The A Ordinary Shares, the B Ordinary Shares and Deferred Shares created by the sub-division and conversion and re-classification referred to in clause 1 above shall have the rights and be subject to the restrictions set out in the new Article 3 set out below which shall immediately prior to the Scheme becoming effective replace the current Article 3 in the Safeway Articles and, with effect from such

sub-division and conversion and re-classification, the Safeway Articles shall be amended accordingly:

“3. AUTHORISED CAPITAL

- (A) The authorised share capital of the Company is £375,000,000 divided into ordinary shares of 25p each (“Ordinary Shares”), A ordinary shares of $19\frac{7}{10}$ p each (“A Ordinary Shares”), B ordinary shares of $5\frac{3}{10}$ p each (“B Ordinary Shares”) and deferred shares of $\frac{1}{10}$ pence each (“Deferred Shares”).
- (B) The A Ordinary Shares and the B Ordinary Shares shall rank equally as if they were the same class of share in all respects and the rights attaching to such shares shall be identical, save to the extent set out below:

(i) Income

On the payment of any dividend or other distribution, the assets that are the subject of the distribution shall be paid on the A Ordinary Shares and on the B Ordinary Shares such that, in aggregate, the amounts received by the holders of A Ordinary Shares and the holders of the B Ordinary Shares reflect the Ordinary Share Ratio.

(ii) Capital

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares) the Company’s assets available for distribution among the members shall be applied in repaying on the A Ordinary Shares and on the B Ordinary Shares such amounts as ensure that, in aggregate, the amounts received by the holders of the A Ordinary Shares and the holders of the B Ordinary Shares reflect the Ordinary Share Ratio.

(iii) Attendance at general meetings and voting

The A Ordinary Shares and the B Ordinary Shares confer the right to receive notice and to attend and vote in respect of any resolution considered at a general meeting of the Company. On a show of hands, each holder of A Ordinary Shares and each holder of B Ordinary Shares present in person or (being a corporation) by a representative has one vote. On a poll each holder of A Ordinary Shares present in person or by proxy or (being a corporation) by a representative, is entitled to exercise the number of votes equal to the number of A Ordinary Shares held by him multiplied by the Ordinary Share Ratio expressed as a fraction and each holder of B Ordinary Shares present in person or by proxy or (being a corporation) by a representative, is entitled to exercise one vote for each B Ordinary Share held by him.

(iv) Scheme of Arrangement

Upon the scheme of arrangement dated 19 January 2004 between the Company and the holders of Scheme Shares (in its form as at that date or with or subject to any modification thereof or in addition thereto or condition agreed by Safeway and Wm Morrison Supermarkets PLC (“Morrisons”) and which the Court may think fit to approve or impose) (the “Scheme”) becoming effective, each A Ordinary Share shall confer upon the holder thereof the right to receive one new ordinary share of 10 pence each in the capital of Morrisons and each B Ordinary Share shall confer upon the holder thereof the right to receive 60 pence in cash in each case in accordance with and pursuant to the terms of the Scheme.

(v) Definitions

For the purposes of these Articles, “Ordinary Share Ratio” shall mean the ratio of 223:60 or, where such ratio is expressed as a fraction, $\frac{223}{60}$.

- (C) Each Ordinary Share shall have such rights as attach in aggregate to an A Ordinary Share and a B Ordinary Share.

- (D) The holders of the Deferred Shares shall not, by virtue of or in respect of their holdings of Deferred Shares, have the right to receive notice of any general meeting of the Company nor the right to attend, speak, or vote at any such general meeting. The Deferred Shares shall not entitle the holder thereof to receive any dividend or other distribution. The Deferred Shares shall on a return of capital on winding up or otherwise entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on each of the Ordinary Shares, A Ordinary Shares and B Ordinary Shares then in issue (if any) and the payment of £5,000 on each of the Ordinary Shares, A Ordinary Shares and B Ordinary Shares then in issue (if any). The Company shall have irrevocable authority at any time after the adoption of this Article to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof (and/or an agreement to transfer the same) to such person as the Company may determine as custodian thereof and/or to purchase the same (in accordance with the provisions of the Acts) in any case for not more than 1 penny for all of the Deferred Shares without obtaining the sanction of the holder or holders thereof and pending such transfer and/or purchase to retain the certificate for the Deferred Shares. The Company may, at its option at any time prior to 31 December 2004, purchase all or some of the Deferred Shares then in issue at a price not exceeding 1 penny for all the Deferred Shares purchased or may cancel such shares by way of reduction of capital for no consideration.”.

2. Cancellation of the shares and issue of new Safeway Shares

- 2.1 Forthwith and contingently upon the sub-division and conversion and re-classification referred to in clause 1 taking effect and the requisite entries having been made in the register of members of Safeway, the share capital of Safeway shall be reduced by cancelling and extinguishing all of the A Ordinary Shares, B Ordinary Shares and Deferred Shares.
- 2.2 Forthwith and contingently upon the reduction of share capital referred to in clause 2.1 of this Scheme taking effect:
- 2.2.1 the share capital of Safeway shall be increased to its former amount by the creation of such number of new Safeway Shares as shall be equal in aggregate nominal value to the amount referred to in clause 2.2.2; and
- 2.2.2 Safeway shall apply the credit arising as a result of the reduction of share capital referred to in clause 2.1 of this Scheme in paying up in full at par all of the new Safeway Shares created pursuant to paragraph 2.2.1 of this Scheme, which shall be allotted and issued, credited as fully paid, to Morrisons and/or its nominee in consideration for the issue of new Morrisons Shares and payment of the sums to be paid by Morrisons as set out in clause 3 of this Scheme.
- 2.3 With effect from and contingently upon the re-issue of the new Safeway Shares pursuant to clause 2.2 taking effect, the Safeway Articles shall be amended by the deletion of new Article 3 referred in clause 1.2 above and its replacement with the following Article 3:

“3. AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is £375,000,000 divided into 1,500,000,000 Ordinary Shares of 25p each.”.

3. Consideration for the cancellation of Scheme Shares

- 3.1 In consideration for the cancellation of the A Ordinary Shares and B Ordinary Shares and the allotment and issue of the new Safeway Shares as provided in clause 2 of this Scheme, Morrisons shall (subject to the remaining provisions of this clause 3 and of clause 4) allot and issue to the holders of Scheme Shares on the register of members as at the Scheme Record Time, new

Morrisons Shares, credited as fully paid, and make a payment in cash to each such holder on the following basis:

for every A Ordinary Share then held	1 new Morrisons Share
for every B Ordinary Share then held	60 pence in cash

and on the basis that no share or cash consideration will be attributable to the cancellation of the Deferred Shares.

- 3.2 The new Morrisons Shares to be issued pursuant to this clause shall rank *pari passu* and form one class in all respects with all other fully paid Morrisons Shares in issue on the Effective Date.
- 3.3 The provisions of this clause 3 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any holder of Scheme Shares with a registered address in a jurisdiction outside the United Kingdom, Morrisons is advised that the allotment and/or issue of new Morrisons Shares pursuant to this clause would or may infringe the laws of such jurisdiction or would or may require Morrisons to comply with any governmental or other consent or any registration, filing or other formality with which Morrisons is unable to comply or compliance with which Morrisons regards as unduly onerous, Morrisons may in its sole discretion, either:
- 3.3.1 determine that such new Morrisons Shares shall not be allotted and/or issued to such holder under this clause 3 but shall instead be allotted and issued to a nominee for such holder appointed by Morrisons on terms that the nominee shall, as soon as is practicable following the Effective Date, sell the new Morrisons Shares so allotted and issued and shall account for the net proceeds of such sale; or
- 3.3.2 determine that such new Morrisons Shares shall be sold, in which event the new Morrisons Shares shall be issued to such holder and Morrisons shall appoint a person to act pursuant to this clause 3.3.2 and such person shall be authorised on behalf of such holder to procure that any shares in respect of which Morrisons has made such determination shall, as soon as is practicable following the Effective Date, be sold.

Any sale under clause 3.3.1 or 3.3.2, shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commission incurred in connection with such sale, including tax payable on the proceeds of sale) shall be paid to the persons entitled thereto in accordance with the provisions of clauses 5.3 and 5.4. To give effect to any sale under clause 3.3.1 or 3.3.2, the nominee referred to in clause 3.3.1 and/or the person appointed by Morrisons in accordance with clause 3.3.2 (as the case may be) shall be authorised as attorney or agent on behalf of the holder concerned to execute and deliver as transferor an instrument or instruction to transfer and to give such instructions and to do all other things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of the Company, Morrisons, the nominee or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

4. Mix and Match Facility

- 4.1 If any holders of Scheme Shares make elections under the Mix and Match Facility, the amount of cash to be paid, and number of new Morrisons Shares to be issued, to the relevant holders of Scheme Shares in respect of which valid elections have been made under the Mix and Match Facility, shall be allocated amongst the holders of such Scheme Shares in accordance with paragraphs 4.2 to 4.4 below.
- 4.2 Under the terms of the Mix and Match Facility valid elections for new Morrisons Shares by holders of Scheme Shares in excess of their basic entitlement to new Morrisons Shares will be satisfied in full where sufficient new Morrisons Shares are available as a result of other holders of Scheme Shares validly making elections for cash in excess of their basic entitlement, thereby releasing new Morrisons Shares to which they would otherwise be entitled under the Scheme. If the number of new Morrisons Shares available as a result of valid elections for cash under the Mix and Match

Facility is insufficient to satisfy in full all valid elections for new Morrisons Shares in excess of the basic entitlement of holders of Scheme Shares to such shares, then such elections for new Morrisons Shares shall, so far as practicable, be satisfied on a *pro rata* basis as to one A Ordinary Share in respect of each 223 pence of cash in respect of which any such election is satisfied, the balance in respect of which any such election is not satisfied as to one B Ordinary Share for each 60 pence of cash comprised in such balance and, to the extent a further balance remains outstanding thereafter, as to such number of Deferred Shares as shall have in aggregate a nominal value equal to the amount of such remaining balance.

- 4.3 Under the terms of the Mix and Match Facility valid elections for cash made by holders of Scheme Shares in excess of their basic entitlement to cash will be satisfied in full where sufficient cash is available as a result of other holders of Scheme Shares validly making elections for new Morrisons Shares in excess of their basic entitlement thereby releasing cash to which they would otherwise be entitled under the Scheme. If the amount of cash available as a result of valid elections for new Morrisons Shares under the Mix and Match Facility is insufficient to satisfy in full all valid elections for cash in excess of the basic entitlement of holders of Scheme Shares to cash, then such elections for cash shall, so far as practicable, be satisfied on a *pro rata* basis as to one B Ordinary Share in respect of each 60 pence of cash in respect of which any such election is satisfied, the balance in respect of which any such election is not satisfied as to one A Ordinary Share for each 223 pence of cash comprised in such balance and, to the extent a further balance remains outstanding thereafter, as to such number of Deferred Shares as shall have in aggregate a nominal value equal to the amount of such remaining balance.
- 4.4 Elections under the Mix and Match Facility will only be accepted in respect of whole numbers of Scheme Shares. The number of Scheme Shares in respect of which an election under the Mix and Match Facility is made represents the number of Scheme Shares in respect of which the holder wishes to receive either all cash or, as the case may be, all new Morrisons Shares, as consideration under the Scheme rather than their basic entitlement to the consideration under the Scheme.
- 4.5 No election under the Mix and Match Facility will be valid unless a valid Form of Election in respect of the Mix and Match Facility, correctly completed in all respects in accordance with the instructions printed thereon is duly received by 3.00 p.m. on 3 March 2004.
- 4.6 If any Form of Election in respect of the Mix and Match Facility is either received after or received before the time and date specified in clause 4.5 but is not valid or complete in all respects in accordance with the instructions printed thereon at such time and date, such election shall, for all purposes, be void and the holder of Scheme Shares purporting to make such election shall not, for any purpose, be entitled to receive any variation of consideration under the Mix and Match Facility and the relevant holder of Scheme Shares will, upon the Scheme becoming effective, only be entitled to receive the basic consideration due under the Scheme in respect thereof.
- 4.7 Where elections under the Mix and Match Facility would otherwise give rise to fractional entitlements to A Ordinary or B Ordinary Shares, the relevant holders of Scheme Shares shall, subject to clause 4.11, instead receive such number of Deferred Shares as have in aggregate the same nominal value as the fractional entitlement to which the holder would otherwise have been entitled. The Deferred Shares derived from the fractional entitlements shall be dealt with in accordance with clauses 2 and 3 of this Scheme.
- 4.8 The election referred to in clause 4.1 of this Scheme shall be made by the completion and delivery of a Form of Election in accordance with the instructions printed thereon. The instructions, terms, authorities and provisions contained in or deemed to be incorporated in the Form of Election constitute part of the terms of this Scheme.
- 4.9 Elections under the Mix and Match Facility by holders of Scheme Shares will not affect the entitlements of holders who do not make any such election.
- 4.10 The provisions of this clause 4 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, in respect of any holder of Scheme Shares who is a Restricted Overseas Person or whom Safeway believes to be a Restricted Overseas Person or otherwise in relation to whom Safeway is advised that the allotment or issue of new Morrisons

Shares pursuant to this clause 4 would or may infringe the laws of any jurisdiction outside the United Kingdom or would or may require Morrisons or Safeway to observe any governmental or other consent to any registration, filing or other formality, Safeway and Morrisons may determine at or prior to the Hearing Record Time that the Mix and Match Facility shall not be available to such holder and instead such Scheme Shares shall for the purposes of this Scheme be *ipso facto* subject to the provisions of clause 3 and not this clause 4 of this Scheme.

- 4.11 Elections for the Mix and Match Facility shall be satisfied on the basis set out in clauses 4.2 and 4.3 but subject to such roundings or other modifications as Morrisons and Safeway shall agree may be appropriate to deal with fractional entitlements (if any) which might otherwise arise and any decision of Morrisons and Safeway as to the satisfaction of such elections shall be binding for the purposes of this Scheme.
- 4.12 If at the Scheme Record Time the number of Scheme Shares held by a person who has otherwise validly elected under the Mix and Match Facility for additional new Morrisons Shares or additional cash consideration in respect of some or all of his Scheme Shares shall be equal to or shall exceed the aggregate number of Scheme Shares held by him in respect of which elections which he has made shall be effective (before account has been taken of any such scaling down as is to be made in accordance with either clause 4.2 or clause 4.3), the validity of his elections shall not be affected by any alteration in his holding of Scheme Shares between the date on which he has made such elections and the Scheme Record Time and any reductions in his holding between such dates shall be treated as disposals of those of his Scheme Shares in respect of which no election was made. If at the Scheme Record Time the number of Scheme Shares held by such a person shall be less than the aggregate number of Scheme Shares in respect of which an election or elections under the Mix and Match Facility made by him would otherwise be effective (before account has been taken of any such scaling down) (the difference between the two numbers being the "Shortfall") such election or elections shall be treated as valid only in respect of the number of Scheme Shares held by him at the Scheme Record Time and in the event that he has made more than one election on different Forms of Election, the number of Scheme Shares attributable to each such Form of Election in accordance with the terms of the Scheme shall be determined by reducing the number inserted in each such Form of Election by an amount determined by applying the Shortfall to all such Forms of Election *pro rata*, rounding any resultant fraction of a Scheme Share upwards or downwards to the nearest whole number as the Directors may determine in accordance with clause 4.11.

5. Settlement of consideration

- 5.1 Within 14 days after the Effective Date, Morrisons shall make all such allotments of and shall issue such new Morrisons Shares as are required to be issued and pay the cash sums required to be paid to give effect to this Scheme to the persons respectively entitled thereto, such consideration to be settled as set out in clause 5.2.
- 5.2 Settlement of the consideration shall be effected as follows:
- (a) in the case of Scheme Shares which at the Scheme Record Time are in certificated form, the new Morrisons Shares to which the relevant holder is entitled shall be issued in certificated form and definitive share certificates for those new Morrisons Shares shall be issued to the relevant holder within 14 days of the Effective Date; or
 - (b) in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, the new Morrisons Shares to which the relevant holder is entitled shall be issued in uncertificated form through CREST. Morrisons shall procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the relevant holder with such relevant holder's entitlement to such new Morrisons Shares at the commencement of dealings in the new Morrisons Shares, provided that Morrisons may (if, for any reason, it wishes to do so) settle all or part of such consideration in the manner referred to in clause 5.2(a); and
 - (c) in the case of Scheme Shares which at the Scheme Record Time are in certificated form, Morrisons shall deliver or procure delivery to each of the relevant holders, or as they may direct, in accordance with the provisions of clause 5.3, of cheques for the sums payable to them

respectively in accordance with clause 3 or, in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, shall procure the making of a CREST payment in favour of the relevant holder's payment bank in accordance with the CREST payment arrangements in respect of the cash consideration due to the relevant holder within 14 days of the Effective Date, provided that Morrisons may (if, for any reason, it wishes to do so) make payment of the said sums by cheque as aforesaid.

- 5.3 All deliveries of certificates or cheques required to be made pursuant to this Scheme shall be made by sending the same by first-class post in prepaid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of Safeway at the Scheme Record Time (or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in the said register in respect of such joint holding at such time) or in accordance with any special instructions regarding communications, and none of Safeway, Morrisons, the nominee referred to in clause 3.3.1 or the person appointed by Morrisons in accordance with clause 3.3.2 shall be responsible for any loss or delay in the transmission of any certificates or cheques sent in accordance with this sub-clause, which shall be sent at the risk of the persons entitled thereto.
- 5.4 All cheques shall be in sterling drawn on a UK clearing bank and shall be made payable to the holder or, in the case of joint holders, to that one of the joint holders whose name stands first in the register of members of Safeway in respect of such joint holding at the Scheme Record Time or to such other persons (if any) as such persons may direct in writing and the encashment of any such cheque or the making of any such CREST payment as is referred to in clause 5.2(c) shall be a complete discharge for the obligation to pay the moneys represented thereby.
- 5.5 The provisions of this clause 5 shall be subject to any condition or prohibition imposed by law.

6. Certificates and cancellation

With effect from and including the Effective Date:

- 6.1 all certificates representing Scheme Shares shall cease to be valid as documents of title to the shares represented thereby and shall be cancelled and each holder of Scheme Shares shall be bound at the request of Safeway to deliver up the same to Safeway or to any person nominated by Safeway for cancellation; and
- 6.2 in respect of those holders of Scheme Shares holding their shares in uncertificated form, CRESTCo shall be instructed to cancel such holders' entitlements to such Scheme Shares. As regards uncertificated Scheme Shares, appropriate entries will be made in the register of members of Safeway with effect from the Effective Date to reflect their cancellation.

7. Operation of this Scheme

- 7.1 This Scheme shall become effective as soon as an office copy of the Court Order sanctioning this Scheme under section 425 of the Companies Act and of the Court Order confirming under section 137 of the Companies Act the reduction of the capital of Safeway provided for by clause 2.1 of this Scheme shall have been duly delivered by Safeway to the Registrar of Companies for registration and, in the case of the Court Order confirming the reduction of capital, registered by the Registrar of Companies.
- 7.2 Unless this Scheme shall become effective on or before 31 March 2004 or such later date, if any, as Morrisons and Safeway may agree and the Court may allow, this Scheme shall never become effective.

8. Dividend mandates

Each mandate in force at the Scheme Record Time relating to the payment of dividends on Scheme Shares and each instruction then in force as to notices and other communications from Safeway shall, unless and until amended or revoked, continue in force and be deemed as from the Effective Date to be

a valid and effective mandate or instruction to Morrisons in relation to the corresponding new Morrisons Shares to be allotted and issued pursuant to this Scheme.

9. Modification

Morrisons and Safeway may jointly consent on behalf of all persons affected to any modification of, or addition to, this Scheme or to any condition approved or imposed by the Court.

Dated: 19 January 2004

Appendix I Conditions to the Merger and the Implementation of the Scheme

1. The Merger is conditional upon the Scheme becoming unconditional and becoming effective, subject to the City Code, by not later than 31 March 2004 or such later date (if any) as Safeway and Morrisons may agree and the Court may allow.

The Scheme is conditional upon:

- (a) the passing at the Morrisons Extraordinary General Meeting, or at any adjournment of such extraordinary general meeting, of any resolution or resolutions which are necessary or, in the opinion of Morrisons, desirable to approve, fund, effect and implement the Merger and the acquisition of Safeway and of any Safeway Shares;
 - (b) approval of the Scheme by a majority in number of Safeway Shareholders, representing 75 per cent. or more in value present and entitled to vote, either in person or by proxy, at the Safeway Court Meeting, or at the adjournment of such Safeway Court Meeting;
 - (c) the resolution(s) required to approve and implement the Scheme being duly passed by the requisite majority at the Safeway Extraordinary General Meeting, or at any adjournment of such extraordinary general meeting;
 - (d) sanction (with or without modifications, on terms reasonably acceptable to Safeway and Morrisons) of the Scheme and confirmation of the reduction of capital involved therein by the Court and an office copy of the Court Order being delivered to the Registrar of Companies in England and Wales and being registered by him; and
 - (e) the admission to the Official List of the new Morrisons Shares becoming effective in accordance with the Listing Rules and the admission of such shares to the London Stock Exchange's market for listed securities becoming effective or (if Morrisons so determines and subject to the consent of the Panel) the UK Listing Authority agreeing or confirming its decision to admit such shares to the Official List and the London Stock Exchange agreeing to admit such shares to trading subject only to (i) the allotment of such shares and/or (ii) the Scheme becoming unconditional in all respects.
2. Safeway and Morrisons have agreed that, subject as stated in paragraph 3 below, the Merger is also conditional upon (and accordingly the necessary action to make the Scheme effective will not be taken unless the following conditions are satisfied or, where relevant, waived as referred to below prior to the Scheme being sanctioned by the Court):
 - (a) no government or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or (without prejudice to the generality of the foregoing) any other person or body in any jurisdiction (each, a "Relevant Authority") having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation or enquiry or enacted, made or proposed any statute, regulation or order or otherwise taken any other step or done any thing, and there not being outstanding any statute, legislation or order, that would or might:
 - (i) make the Merger void, illegal or unenforceable in or under the laws of any jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit, restrict or delay the same or impose additional conditions or obligations with respect to the Merger or otherwise materially impede, challenge or interfere with the Merger or the implementation of the same (or any matter arising therefrom) or require amendment or alteration to the terms of the Merger;
 - (ii) restrict, restrain, prohibit, impose additional conditions or obligations with respect to, or otherwise materially interfere with or delay the implementation of, the Merger or the acquisition of any Safeway Shares by Morrisons or any matters arising therefrom;
 - (iii) require, prevent, delay, alter the terms envisaged for any proposed divestiture or otherwise affect the divestiture by Morrisons or any of its subsidiaries, subsidiary undertakings or associated undertakings (including any company of which 20 per cent. or more of the voting capital is held by the Morrisons Group or any partnership, joint venture, firm or company in which any of them may be interested) (together the "wider Morrisons Group")

or Safeway or any of its subsidiaries, subsidiary undertakings or associated undertakings (including any company of which 20 per cent. or more of the voting capital is held by the Safeway Group or any partnership, joint venture, firm or company in which any of them may be interested) (together the “wider Safeway Group”) of all or any portion of their respective businesses, assets or property or of any Safeway Shares or other securities in Safeway or impose any limitation on the ability of any of them to conduct their respective businesses or own their respective assets or properties or any part thereof which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole;

- (iv) require any member of the wider Morrisons Group or the wider Safeway Group to offer to acquire any shares or other securities or rights thereover in any member of the wider Safeway Group owned by any third party (other than in the implementation of the Merger) when such acquisition would be material to the Morrisons Group, or the Safeway Group, as the case may be, each such Group taken as a whole;
- (v) impose any limitation on the ability of any member of the wider Morrisons Group or any member of the wider Safeway Group to conduct, integrate or co-ordinate its business, or any part of it, with the business of any other member of the wider Morrisons Group or any other member of the wider Safeway Group which is materially adverse to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole;
- (vi) result in any member of the wider Safeway Group or any member of the wider Morrisons Group ceasing to be able to carry on business under any name under which it presently does so, to an extent which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole; or
- (vii) otherwise adversely affect any or all of the businesses, assets, profits, financial or trading position or prospects of any member of the wider Morrisons Group or the wider Safeway Group or the exercise of rights of shares of any company in the Safeway Group in a way which is material in the context of the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole,

and all applicable waiting periods during which such Relevant Authority could take, institute, implement or threaten any such action, proceeding, suit, investigation or enquiry or otherwise intervene having expired, lapsed or been terminated;

- (b) all authorisations, orders, grants, consents, clearances, licences, permissions and approvals, in any jurisdiction, necessary or appropriate for or in respect of the Merger or the carrying on of the business of any member of the wider Safeway Group or the wider Morrisons Group, the issue of the new Morrisons Shares or any matters arising therefrom, being obtained in a form and on terms satisfactory to Morrisons and Safeway from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom any members of the wider Safeway Group or the wider Morrisons Group has entered into contractual arrangements and such authorisations, orders, grants, consents, clearances, licences, permissions and approvals remaining in full force and effect and there being no intimation of any intention to revoke or not to renew the same and all necessary filings in connection with the Merger having been made, all appropriate waiting and other time periods (including extensions thereto) under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory or regulatory obligations in any jurisdiction in respect of the Merger or any matters arising therefrom having been complied with, in each case where the direct consequence of a failure to make such a notification or filing or to wait for the expiry, termination or lapsing of any waiting period or to comply with any such obligation or obtain any necessary authorisation would have a material adverse effect on the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole;
- (c) except as publicly announced by Morrisons or Safeway (by the delivery of an announcement to a Regulatory Information Service) prior to 15 December 2003 (being the date of announcement

Appendix I Conditions to the Merger and the Implementation of the Scheme

of the Merger) or as fairly disclosed to Morrisons by or on behalf of Safeway or to Safeway by or on behalf of Morrisons prior to 15 December 2003, there being no provision of any material agreement, instrument, permit, lease or other instrument, licence or other arrangement to which any member of the wider Safeway Group or wider Morrisons Group is a party or by or to which it or any of its assets may be bound or subject which, as a consequence of the Merger, or the implementation of the same, or because of a change in the control or management of Safeway or Morrisons or any member of the Safeway Group or Morrisons Group (or any matters arising therefrom) or otherwise, could or might have the result that:

- (i) any moneys borrowed by, or other indebtedness or liabilities, actual or contingent, of, or grant available to, any member of the wider Safeway Group or wider Morrisons Group becomes or is capable of being declared repayable immediately or earlier than the repayment date stated in such agreement, instrument or other arrangement or the ability of any member of the wider Safeway Group to borrow moneys or incur indebtedness is withdrawn or materially adversely affected;
- (ii) any mortgage, charge or other security interest is created over the whole or any part of the business, property, assets or interests of any member of the wider Safeway Group or wider Morrisons Group or any such security (whenever arising) becomes enforceable which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole;
- (iii) any such agreement, instrument, permit, licence or other arrangement, or any right, interest, liability or obligation of any member of the wider Safeway Group or wider Morrisons Group therein, is terminated or adversely modified or affected or any adverse action is taken or onerous obligation arises thereunder which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole;
- (iv) the financial or trading position, prospects or value of any member of the wider Safeway Group is prejudiced or adversely affected in a way which is material to the Morrisons Group or the Safeway Group as the case may be, each such Group taken as a whole;
- (v) any asset(s) or interest(s) of, or any asset the use of which is enjoyed by, any member of the wider Morrisons Group or the wider Safeway Group (which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole) being or falling to be disposed of or ceasing to be available to any member of the wider Morrisons Group or the wider Safeway Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the wider Morrisons Group or the wider Safeway Group otherwise than in the ordinary course of business;
- (vi) the rights, liabilities, obligations or interests or business of any member of the wider Safeway Group or wider Morrisons Group in or with any other person, firm or company (or any arrangement relating to such interest or business) is terminated or adversely modified or affected in a way which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole; or
- (vii) any member of the wider Safeway Group or wider Morrisons Group ceases to be able to carry on business which is material to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole, under any name under which it currently does so,

and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, could result in any of the events or circumstances which are referred to in paragraphs (i) to (vii) of this Condition (c);

- (d) since, in the case of Morrisons, 2 February 2003 or, in the case of Safeway, 29 March 2003, and except as disclosed in Morrisons or Safeway's annual report and accounts for the respective year then ended or as otherwise publicly announced by Morrisons or Safeway (by the delivery of an announcement to a Regulatory Information Service) prior to 15 December 2003 (being the

Appendix I Conditions to the Merger and the Implementation of the Scheme

date of announcement of the Merger) or as otherwise fairly disclosed to Morrisons by or on behalf of Safeway or to Safeway by or on behalf of Morrisons prior to 15 December 2003, no member of the wider Morrisons Group or the wider Safeway Group having:

- (i) issued or agreed to issue, or authorised or proposed the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities other than as between Morrisons and wholly-owned subsidiaries of Morrisons or between Safeway and wholly-owned subsidiaries of Safeway and other than any options granted as disclosed by Morrisons to Safeway or by Safeway to Morrisons prior to 15 December 2003 and any shares issued upon the exercise of any options granted under any of the Morrisons Share Option Schemes or the Safeway Share Option Schemes as disclosed by Morrisons or Safeway;
- (ii) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital;
- (iii) (save for the payment of the interim dividend of 3.05 pence per Safeway Share payable on 9 February 2004 in respect of the twenty-eight week period ended 11 October 2003) recommended, declared, paid or made (or proposed to recommend, declare, pay or make) any bonus, dividend or other distribution whether payable in cash or otherwise (other than, in the case of the wider Morrisons Group, to Morrisons or a wholly-owned subsidiary of Morrisons or, in the case of the wider Safeway Group, to Safeway or a wholly-owned subsidiary of Safeway);
- (iv) other than pursuant to the Merger, made or authorised any change in its share or loan capital;
- (v) other than pursuant to the Merger and other than any acquisition or disposal in the ordinary course of business or a transaction between Morrisons and a wholly-owned subsidiary of Morrisons or between Safeway and a wholly-owned subsidiary of Safeway, merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same which, in any such case, involves or could involve an obligation of a nature or magnitude which is material in the context of the Merger;
- (vi) issued or authorised the issue of, or made any change in or to, any debentures or incurred or increased any indebtedness or liability (actual or contingent) of an aggregate amount which might materially and adversely affect the financial or trading position or the prospects of the wider Morrisons Group or the wider Safeway Group, as the case may be;
- (vii) entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
 - (A) is of a long-term, onerous or unusual nature or magnitude or which is or could involve an obligation of such nature or magnitude; or
 - (B) could materially restrict the business of the wider Morrisons Group or the wider Safeway Group, as the case may be, each such Group taken as a whole; or
 - (C) is other than in the ordinary course of business;
- (viii) (other than transactions between one wholly-owned member of the Morrisons Group or the Safeway Group and another such member and other than pursuant to the Merger or in the ordinary course of business) entered into, implemented, effected or authorised or announced its intention to propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement of a material nature to the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a

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- whole, in respect of itself or another member of the wider Morrisons Group or the wider Safeway Group;
- (ix) entered into or varied the terms of any contract, agreement or arrangement with any of the directors or senior executives of any member of the wider Morrisons Group or the wider Safeway Group;
 - (x) (other than in respect of a member of the wider Morrisons Group or the wider Safeway Group which is dormant and was solvent at the relevant time) taken or proposed any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction;
 - (xi) been unable, or admitted that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
 - (xii) waived or compromised any claim which is material in the context of the Morrisons Group or the Safeway Group, as the case may be, each such Group taken as a whole, other than in the ordinary course of business;
 - (xiii) made any material alteration or, in the case of Safeway only, any alteration to its memorandum or articles of association (or equivalent constitutional documents in respect of overseas jurisdictions of incorporation); or
 - (xiv) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this Condition (d);
- (e) since, in the case of Morrisons, 2 February 2003, and, in the case of Safeway, 29 March 2003, and except as disclosed in Morrisons or Safeway's annual report and accounts for the respective year then ended or as otherwise publicly announced by Morrisons or Safeway (by the delivery of an announcement to a Regulatory Information Service) prior to 15 December 2003 (being the date of announcement of the Merger) or as otherwise fairly disclosed to Morrisons by or on behalf of Safeway or to Safeway by or on behalf of Morrisons prior to 15 December 2003:
- (i) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened or become pending or remained outstanding by or against any member of the wider Safeway Group or the wider Morrisons Group or to which any member of the wider Safeway Group or the wider Morrisons Group is or may become a party (whether as claimant, defendant or otherwise);
 - (ii) no adverse change having occurred or deterioration in the business, assets, financial or trading position, profits or prospects of any member of the wider Safeway Group or the wider Morrisons Group;
 - (iii) no enquiry or investigation by or complaint or reference to, any Relevant Authority having been threatened, announced, implemented or instituted or remaining outstanding against or in respect of any member of the wider Morrisons Group or the wider Safeway Group; or
 - (iv) no contingent or other liability of any member of the wider Morrisons Group or the wider Safeway Group having arisen or become apparent or increased,
- and which, in each case, adversely affects the Morrisons Group or the Safeway Group, as the case may be, to an extent which is material to the Morrisons Group or the Safeway Group as the case may be, each such Group taken as a whole;

- (f) Morrisons not having discovered:
- (i) that any financial or business or other information concerning the wider Safeway Group disclosed at any time by or on behalf of any member of the wider Safeway Group, whether publicly, to any member of the wider Morrisons Group or otherwise, is misleading or contains any misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which was not subsequently corrected before 15 December 2003 (being the date of announcement of the Merger) by disclosure either publicly or otherwise to Morrisons where the misrepresentation or omission is material in the context of the Merger;
 - (ii) that any member of the wider Safeway Group is subject to any liability (actual or contingent) which is not disclosed in Safeway's annual report and accounts for the financial year ended 29 March 2003 or as otherwise publicly announced by Safeway (by the delivery of an announcement to a Regulatory Information Service) prior to 15 December 2003 (being the date of announcement of the Merger) or as otherwise fairly disclosed to Morrisons by or on behalf of Safeway prior to 15 December 2003 and which is material in the context of the Safeway Group taken as a whole;
 - (iii) any information which materially affects the import of any material information disclosed to Morrisons at any time by or on behalf of any member of the wider Safeway Group;
 - (iv) that, save as fairly disclosed to Morrisons by or on behalf of Safeway prior to 15 December 2003 (being the date of announcement of the Merger), any past or present member of the wider Safeway Group has not complied with any applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any case, would be likely to give rise to any material liability (whether actual or contingent) or cost on the part of the wider Safeway Group; or
 - (v) that, save as fairly disclosed to Morrisons by or on behalf of Safeway prior to 15 December 2003 (being the date of announcement of the Merger), that circumstances exist (whether as a result of the Merger or otherwise) which might lead to any Relevant Authority instituting or any member of the wider Safeway Group or the wider Morrisons Group might be required to institute, an environmental audit or take any other steps which in any such case might result in any material actual or contingent liability to improve or install new plant or equipment or make good, repair, re-instate or clean up any land or other asset now or previously owned, occupied or made use of by any member of the wider Safeway Group which is material in the context of the wider Safeway Group; and
- (g) Safeway not having discovered:
- (i) that any financial or business or other information concerning the wider Morrisons Group disclosed at any time by or on behalf of any member of the wider Morrisons Group, whether publicly, to any member of the wider Safeway Group or otherwise, is misleading or contains any misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which was not subsequently corrected before 15 December 2003 (being the date of announcement of the Merger) by disclosure either publicly or otherwise to Safeway where this misrepresentation or omission is material in the context of the Merger;
 - (ii) that any member of the wider Morrisons Group is subject to any liability (actual or contingent) which is not disclosed in Morrisons annual report and accounts for the financial year ended 2 February 2003 or as otherwise publicly announced by Morrisons (by the delivery of an announcement to a Regulatory Information Service) prior to

Appendix I Conditions to the Merger and the Implementation of the Scheme

- 15 December 2003 (being the date of announcement of the Merger) or as otherwise fairly disclosed to Safeway by or on behalf of Morrisons prior to 15 December 2003 and which is material in the context of the Morrisons Group taken as a whole;
- (iii) any information which materially affects the import of any material information disclosed to Safeway at any time by or on behalf of any member of the wider Morrisons Group;
 - (iv) that, save as fairly disclosed to Safeway by or on behalf of Morrisons prior to 15 December 2003 (being the date of announcement of the Merger), any past or present member of the wider Morrisons Group has not complied with any applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any case, would be likely to give rise to any material liability (whether actual or contingent) or cost on the part of the wider Morrisons Group; or
 - (v) that, save as fairly disclosed to Safeway by or on behalf of Morrisons prior to 15 December 2003 (being the date of announcement of the Merger), that circumstances exist (whether as a result of the Merger or otherwise) which might lead to any Relevant Authority instituting or any member of the wider Morrisons Group or the wider Safeway Group might be required to institute, an environmental audit or take any other steps which in any such case might result in any material actual or contingent liability to improve or install new plant or equipment or make good, repair, re-instate or clean up any land or other asset now or previously owned, occupied or made use of by any member of the wider Morrisons Group which is material in the context of the wider Morrisons Group.
3. Subject to the requirements of the Panel, Morrisons reserves the right to waive, in whole or in part, all or any of Conditions 2(a) to (g). Morrisons has agreed with Safeway that, until the termination of the Merger Agreement, it will not waive any of Conditions 2(a) to (e) or (g), insofar as they relate to Morrisons, without Safeway's consent unless either (i) the board of Safeway fails to recommend, or withdraws or modifies adversely its recommendation of, the Merger or resolves to do the same, or (ii) an independent competing offer is announced. Such consent will be deemed to have been given within two Business Days prior to the First Hearing Date unless either, prior to such time, any such Condition has validly been invoked or, at any time thereafter but before the Merger becomes effective, Safeway notifies Morrisons in writing that it withdraws that deemed consent. Safeway shall only be entitled to withhold or withdraw such consent in relation to any Condition in circumstances where, if it were making an offer for Morrisons, the Panel would permit Safeway to invoke such Condition in accordance with Rule 13 of the City Code.

1. Responsibility statements

- (a) The Safeway Directors, whose names are set out in paragraph 2(a) of this Appendix II, accept responsibility for the information contained in this document insofar as it relates to the Safeway Group, the Safeway Directors, their immediate families and their interests. To the best of the knowledge and belief of the Safeway Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The Morrisons Directors, whose names are set out in paragraph 2(b) of this Appendix II, accept responsibility for all the information contained in this document other than that relating to the Safeway Group, the Safeway Directors, their immediate families and their interests. To the best of the knowledge and belief of the Morrisons Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- (a) The Safeway Directors and their respective roles are as follows:

<u>Name</u>	<u>Role</u>
David Gordon Comyn Webster	<i>Chairman</i>
Carlos Criado-Perez	<i>Chief Executive</i>
Simon Timothy Laffin	<i>Group Finance and Property Director</i>
Lawrence Richard Christensen CBE	<i>Group Operations Director</i>
Richard Glynne Williams	<i>Group Services Director</i>
Jack Loudon Sinclair	<i>Group Marketing and Trading Director</i>
Michael John Allen	<i>Non-Executive Director</i>
Hugh Robert Collum	<i>Non-Executive Director</i>
Peter Foy	<i>Non-Executive Director</i>
Sharon Hintze	<i>Non-Executive Director</i>
Peter Alan Smith	<i>Non-Executive Director</i>

The registered office of Safeway, whose registered number is 1299733, is 6 Millington Road, Hayes, Middlesex UB3 4AY.

- (b) The Morrisons Directors and their respective roles are as follows:

<u>Name</u>	<u>Role</u>
Sir Kenneth Duncan Morrison CBE	<i>Executive Chairman</i>
Marie Margaret Melnyk	<i>Joint Managing Director</i>
Robert Winston Stott	<i>Joint Managing Director</i>
Martin Ackroyd	<i>Finance Director</i>
Mark Gunter	<i>Stores Operations Director</i>
David Robert Hutchinson	<i>Production Director</i>
Roger Anthony Owen	<i>Property Director</i>

The registered office of Morrisons, whose registered number is 358949, is Hilmore House, Thornton Road, Bradford, West Yorkshire BD8 9AX.

3. Market quotations

Set out below are the closing middle market quotations of Safeway Shares and Morrisons Shares as derived from the Daily Official List on the first Business Day in each of the six months immediately before the date of this document, on 8 January 2003 (the last Business Day prior to the announcement of the

Appendix II Additional information

Original Offer) and on 15 January 2004 (being the latest practicable date before the posting of this document):

<i>Date</i>	<i>Middle market quotations</i>	
	<i>Morrisons Shares (p)</i>	<i>Safeway Shares (p)</i>
8 January 2003	210.25	213.00
1 August 2003	183.25	260.00
1 September 2003	208.75	283.75
1 October 2003	217.50	285.00
3 November 2003	224.50	292.75
1 December 2003	223.50	285.50
2 January 2004	224.75	282.50
15 January 2004	231.75	290.00

4. Disclosure of interests and dealings

In this paragraph 4 of this Appendix II, “disclosure period” means the period commencing on 9 January 2002 (being the date 12 months prior to the commencement of the Offer Period) and ending on 15 January 2004 (being the latest practicable date before the posting of this document) and “offer period” means the period commencing on 9 January 2003 (being the date on which the Original Offer was announced) and ending on 15 January 2004 (being the latest practicable date before the posting of this document).

(a) *Shareholdings and dealings in Safeway Shares*

- (i) The interests of the Safeway Directors and their immediate families and connected persons (within the meaning of section 346 of the Companies Act), all of which are beneficial, unless otherwise stated and the existence of which interests are known or could with reasonable diligence be ascertained by the relevant director in the share capital of Safeway (as shown in the register required to be kept under the provisions of section 325 of the Companies Act or which have been notified to Safeway pursuant to sections 324 or 328 of the Companies Act) at 15 January 2004 (being the latest practicable date before the posting of this document) are as follows:

<i>Safeway Director</i>	<i>Safeway Shares</i>	<i>Safeway Shares under option</i>
David Webster	594,040 ⁽¹⁾	912,172
Carlos Criado-Perez	62,939 ⁽²⁾	1,021,200
Simon Laffin	135,489 ⁽³⁾	625,583
Lawrence Christensen CBE	45,450 ⁽⁴⁾	539,463
Richard Williams	43,218	533,134
Jack Sinclair	37,798	363,637
Michael Allen	20,690	—
Hugh Collum	5,000	—
Peter Foy	20,450	—
Peter Smith	—	—
Sharon Hintze	—	—

- (1) Mr. Webster has a non-beneficial interest in 19,901 of these shares and a further 82,580 of these shares are held by his immediate family.
- (2) This represents a reduction, since the publication of the Annual Report and Accounts of Safeway for the year ended 29 March 2003, of 4,344 shares which are held by a party no longer connected with Mr. Criado-Perez. As such, no corresponding dealing appears in paragraph 4(a)(ii) below. The change was notified to the London Stock Exchange on 7 August 2003.
- (3) Of these shares, 7,782 are held in PEPs for the benefit of Mr. Laffin’s spouse and 3,688 are held in a PEP for the benefit of Mr. Laffin.
- (4) Of these shares, 569 are held by Mr. Christensen’s spouse and 2,951 are held in a PEP for the benefit of Mr. Christensen.

Appendix II Additional information

In addition, the executive directors of Safeway are technically interested in 2,667,554 Safeway Shares held by the trustee of the Safeway Employee Share Ownership Plan. The interest arises as the respective directors are members of the class of beneficiaries under the relevant trust.

- (ii) During the disclosure period, the dealings for value in Safeway Shares in which the Safeway Directors and their immediate families were interested were as follows:

<i>Date</i>	<i>Name</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
10 July 2002	David Webster	Acquisition through LTIP	51,450	260.81
10 July 2002	David Webster	Disposal	20,621	260.81
18 February 2002	Carlos Criado-Perez	DRIP acquisition	1	315.56
10 July 2002	Carlos Criado-Perez	Bonus share acquisition	42,205	260.81
10 July 2002	Carlos Criado-Perez	Acquisition through LTIP	33,565	260.81
10 July 2002	Carlos Criado-Perez	Disposal	30,370	260.81
5 August 2002	Carlos Criado-Perez	DRIP acquisition	422	232.83
10 February 2003	Carlos Criado-Perez	DRIP acquisition	584	315.64
4 August 2003	Carlos Criado-Perez	DRIP acquisition	1,538	261.90
24 April 2002	Simon Laffin	Acquisition through PEP	27	295.00
10 July 2002	Simon Laffin	Bonus share acquisition	22,138	260.81
10 July 2002	Simon Laffin	Acquisition through LTIP	21,315	260.81
10 July 2002	Simon Laffin	Disposal	17,416	260.81
25 September 2002	Simon Laffin	Acquisition through PEP	112	207.00
22 January 2003	Simon Laffin	Acquisition through Sharesave maturity	1,424	204.00
6 February 2003	Simon Laffin	Acquisition through Sharesave maturity	1,206	286.00
24 April 2003	Simon Laffin	Acquisition through PEP	34	268.68
25 September 2003	Simon Laffin	Acquisition through PEP	79	305.25
26 November 2003	Simon Laffin	Acquisition through ESOS	20,000	255.00
18 February 2002	Lawrence Christensen	DRIP acquisition	161	315.56
24 April 2002	Lawrence Christensen	Acquisition through PEP	22	295.00
10 July 2002	Lawrence Christensen	Bonus share acquisition	19,696	260.81
10 July 2002	Lawrence Christensen	Acquisition through LTIP	15,190	260.81
10 July 2002	Lawrence Christensen	Disposal	13,982	260.81
5 August 2002	Lawrence Christensen	DRIP acquisition	501	232.83
25 September 2002	Lawrence Christensen	Acquisition through PEP	89	207.00
26 September 2002	Lawrence Christensen	Acquisition through Sharesave maturity	1,899	204.00
10 February 2003	Lawrence Christensen	DRIP acquisition	394	315.64
24 April 2003	Lawrence Christensen	Acquisition through PEP	27	268.68
4 August 2003	Lawrence Christensen	DRIP Acquisition	1,039	261.90
25 September 2003	Lawrence Christensen	Acquisition through PEP	63	305.25
10 July 2002	Jack Sinclair	Acquisition through LTIP	6,125	260.81
10 July 2002	Jack Sinclair	Disposal	2,455	260.81
4 September 2002	Jack Sinclair	Acquisition through Sharesave maturity	949	204.00
18 February 2002	Richard Williams	DRIP acquisition	153	315.56
10 July 2002	Richard Williams	Bonus share acquisition	19,696	260.81
10 July 2002	Richard Williams	Acquisition through LTIP	15,190	260.81
10 July 2002	Richard Williams	Disposal	13,982	260.81
5 August 2002	Richard Williams	DRIP acquisition	473	232.83
6 February 2003	Richard Williams	Acquisition through Sharesave maturity	3,618	286.00
10 February 2003	Richard Williams	DRIP acquisition	366	315.64
4 August 2003	Richard Williams	DRIP acquisition	1,057	261.90

- (iii) As at 15 January 2004 (being the latest practicable date before the posting of this document) the following options had been granted to the Safeway Directors under the terms of the

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Safeway Share Option Schemes and remain exercisable at the prices shown below between the stated dates:

<i>Name</i>	<i>Scheme</i>	<i>Maximum number of Safeway Shares under option</i>	<i>Date of grant</i>	<i>Exercise price per Safeway Share (p)</i>	<i>Exercise period</i>
David Webster	Safeway 1993 Executive Share Option Scheme	100,000	13/12/94	237.00	All exercisable 3 years from date of grant for 7 years
		100,000	19/12/95	308.00	
		100,000	09/12/96	375.50	
		75,000	21/11/97	318.75	
		38,900	08/12/98	283.00	
		175,000	29/11/99	182.75	
		135,000	04/01/01	296.00	
		185,000	22/11/01	328.50	
	Safeway 1996 Sharesave Scheme	3,272	27/06/01	296.00	Matures September 2004 Exercisable for 6 months from maturity date
Carlos Criado-Perez	Safeway 1993 Executive Share Option Scheme	321,200	17/08/99	233.50	All exercisable 3 years from date of grant for 7 years
		200,000	29/11/99	182.75	
		100,000	12/06/00	246.00	
		200,000	04/01/01	296.00	
		200,000	22/11/01	328.50	
Simon Laffin	Safeway 1993 Executive Share Option Scheme	50,000	13/12/94	237.00	All exercisable 3 years from date of grant for 7 years
		50,000	19/12/95	308.00	
		75,000	09/12/96	375.50	
		56,250	21/11/97	318.75	
		27,500	08/12/98	283.00	
		150,000	29/11/99	182.75	
		115,000	04/01/01	296.00	
		97,000	22/11/01	328.50	
	Safeway 1996 Sharesave Scheme	1,713	28/06/00	197.00	Matures September 2005
	981	27/06/01	296.00	Matures September 2004	
	2,139	26/06/02	222.00	Matures September 2005 All exercisable for 6 months from maturity date	
Lawrence Christensen	Safeway 1993 Executive Share Option Scheme	50,000	19/12/95	308.00	All exercisable 3 years from date of grant for 7 years
		50,000	09/12/96	375.50	
		37,500	21/11/97	318.75	
		50,000	08/12/98	283.00	
		150,000	29/11/99	182.75	
		115,000	04/01/01	296.00	
		85,000	22/11/01	328.50	
	Safeway 1996 Sharesave Scheme	1,963	27/06/01	296.00	Matures September 2004 Exercisable for 6 months from maturity date
Richard Williams	Safeway 1993 Executive Share Option Scheme	50,000	19/12/95	308.00	All exercisable 3 years from date of grant for 7 years
		50,000	09/12/96	375.50	
		37,500	21/11/97	318.75	
		41,100	08/12/98	283.00	
		150,000	29/11/99	182.75	
		115,000	04/01/01	296.00	
		85,000	22/11/01	328.50	
		Safeway 1996 Sharesave Scheme	1,967	28/06/00	
		2,567	26/06/02	222.00	Matures September 2005 All exercisable for 6 months from maturity date

<i>Name</i>	<i>Scheme</i>	<i>Maximum number of Safeway Shares under option</i>	<i>Date of grant</i>	<i>Exercise price per Safeway Share (p)</i>	<i>Exercise period</i>
Jack Sinclair	Safeway 1993 Executive Share Option Scheme	15,000	13/12/94	237.00	All exercisable 3 years from date of grant for 7 years
		15,000	19/12/95	308.00	
		25,000	09/12/96	375.50	
		25,000	21/11/97	318.75	
		30,000	08/12/98	283.00	
		75,000	29/11/99	182.75	
		95,000	04/01/01	296.00	
		82,000	22/11/01	328.50	
	Safeway 1996 Sharesave Scheme	983	28/06/00	197.00	Matures September 2003
		654	27/06/01	296.00	Matures September 2004 All exercisable for 6 months from maturity date

- (iv) In addition, certain of the Safeway Directors have interests in Safeway Shares under the Safeway Long-Term Incentive Plan for Senior Executives which is a performance share plan. Under the terms of the plan, the Safeway Directors receive a conditional award of Safeway Shares at the beginning of a three year cycle. The actual number of Safeway Shares to which the Safeway Directors obtain vested rights depends on Safeway's performance over the relevant three year period and will not be known until the end of such period but could, dependent upon performance, be a nil award or up to a maximum of the number of shares shown in the table below.

In the event of a change of control of Safeway, the trustee of the Safeway Employee Share Ownership Plan may make a transfer of Safeway Shares to participants in the Safeway Long-Term Incentive Plan for Senior Executives even though the relevant three year period has not ended.

The cycle performance period for the awards made in 2000 is 2 April 2000 to 29 March 2003, for the awards made in 2001 is 1 April 2001 to 3 April 2004 and for awards made in 2002 is 31 March 2002 to 2 April 2005.

<i>Director</i>	<i>Actual Number to Vest</i>	<i>Maximum Number of Safeway Shares to Vest</i>	
	<i>2000 Award</i>	<i>2001 Award</i>	<i>2002 Award</i>
David Webster	350,000	210,000	240,385
Carlos Criado-Perez	280,000	125,000	151,442
Simon Laffin	145,000	66,000	79,327
Lawrence Christensen	135,000	62,000	69,712
Richard Williams	135,000	62,000	69,712
Jack Sinclair	55,000	51,000	67,308

In the case of awards made in 2000, these are to vest in full. In the case of awards made in 2001 and 2002, the number of Safeway Shares to vest in consequence of the Merger will be determined in accordance with the performance conditions set out in the Rules, which will be measured up to the First Hearing Date, without any time apportionment.

- (v) As at 15 January 2004 (being the latest practicable date before the posting of this document) Safeway QUEST Trustees Limited (a subsidiary of Safeway), as trustee for the Safeway Qualifying Employee Share Ownership Trust, held no Safeway Shares and Mourant & Co. Trustees Limited held 2,667,554 Safeway Shares on behalf of the Safeway Employee Share Ownership Plan and 22,272,024 Safeway Shares on behalf of the Safeway Customer Care Performance Share Option Plan.

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- (vi) During the offer period, the subsidiaries of Safeway set out below have dealt for value in Safeway Shares as follows:

<i>Name</i>	<i>Date</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
Safeway QUEST Trustees Limited ⁽¹⁾	22 January 2003	Transfer	127,851	204
		Transfer	20,815	286
		Transfer	311	197
	28 January 2003	Transfer	66,696	204
		Transfer	8,683	286
		Transfer	524	197
	6 February 2003	Transfer	64,964	204
		Transfer	17,969	286
	12 February 2003	Transfer	25,490	204
		Transfer	3,375	286
		Transfer	303	296
	26 February 2003	Transfer	946	197
		Transfer	14,899	204
		Transfer	5,860	286
	10 March 2003	Transfer	32,025	204
		Transfer	33,165	286
	25 March 2003	Transfer	949	204

(1) Use of QUEST ceased on 31 March 2003.

- (vii) During the offer period, Mourant & Co. Trustees Limited, trustees of the Safeway Employee Share Ownership Plan, have dealt for value in Safeway Shares as follows:

<i>Date</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
23 January 2003	Transfer	63,000	321.25
4 February 2003	Transfer	11,000	318.50
16 May 2003	Transfer	50,000	268.45
9 July 2003	Sale/Transfer	205,000	262.34
5 August 2003	Sale/Transfer	312,123	261.58
20 November 2003	Transfer	10,000	282.75

- (viii) During the offer period, Mourant & Co. Trustees Limited, trustees of the Safeway Customer Care Performance Share Option Plan have dealt for value in Safeway Shares as follows:

<i>Date</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
9 January 2003	Sale/Transfer	998,592	205
15 January 2003	Sale/Transfer	127,510	205
17 January 2003	Sale/Transfer	737,656	205
22 January 2003	Sale/Transfer	20,167	296
22 January 2003	Sale/Transfer	1,124,043	205
24 January 2003	Sale/Transfer	822,743	205
24 January 2003	Sale/Transfer	83,362	296
29 January 2003	Sale/Transfer	1,039,119	205
29 January 2003	Sale/Transfer	174,629	296
31 January 2003	Sale/Transfer	759,148	205
31 January 2003	Sale/Transfer	193,816	296
5 February 2003	Sale/Transfer	65,775	296
5 February 2003	Sale/Transfer	318,001	205
12 February 2003	Sale/Transfer	2,265	333
12 February 2003	Sale/Transfer	586,395	205
12 February 2003	Sale/Transfer	2,521	296

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<i>Date</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
19 February 2003	Sale/Transfer	1,173,559	205
19 February 2003	Sale/Transfer	5,042	296
26 February 2003	Sale/Transfer	367,680	205
26 February 2003	Sale/Transfer	1,051	296
13 March 2003	Sale/Transfer	252,414	205
20 March 2003	Sale/Transfer	40,602	205
26 March 2003	Sale/Transfer	20,560	205
3 April 2003	Sale/Transfer	32,580	205
9 April 2003	Sale/Transfer	15,848	205
16 April 2003	Sale/Transfer	12,744	205
30 April 2003	Sale/Transfer	23,532	205
7 May 2003	Sale/Transfer	11,504	205
14 May 2003	Sale/Transfer	9,657	205
22 May 2003	Sale/Transfer	6,501	205
29 May 2003	Sale/Transfer	4,472	205
4 June 2003	Sale/Transfer	8,814	205
11 June 2003	Sale/Transfer	6,510	205
18 June 2003	Sale/Transfer	11,962	205
25 June 2003	Sale/Transfer	9,644	205
2 July 2003	Sale/Transfer	8,989	205
9 July 2003	Sale/Transfer	5,860	205
16 July 2003	Sale/Transfer	4,396	205
23 July 2003	Sale/Transfer	7,058	205
6 August 2003	Sale/Transfer	13,158	205
13 August 2003	Sale/Transfer	7,030	205
20 August 2003	Sale/Transfer	6,548	205
27 August 2003	Sale/Transfer	19,017	205
3 September 2003	Sale/Transfer	15,798	205
3 September 2003	Sale/Transfer	254	296
10 September 2003	Sale/Transfer	11,136	205
17 September 2003	Sale/Transfer	15,093	205
24 September 2003	Sale/Transfer	29,825	205
1 October 2003	Sale/Transfer	78,932	205
2 October 2003	Sale/Transfer	254	296
8 October 2003	Sale/Transfer	14,778	205
8 October 2003	Sale/Transfer	406	296
15 October 2003	Sale/Transfer	41,303	205
22 October 2003	Sale/Transfer	16,328	205
22 October 2003	Sale/Transfer	169	296
30 October 2003	Sale/Transfer	8,330	205
5 November 2003	Sale/Transfer	8,670	205
12 November 2003	Sale/Transfer	18,664	205
19 November 2003	Sale/Transfer	27,615	205
26 November 2003	Sale/Transfer	12,084	205
3 December 2003	Sale/Transfer	16,131	205
10 December 2003	Sale/Transfer	10,347	205
18 December 2003	Sale/Transfer	8,362	205
30 December 2003	Sale/Transfer	70,384	205
8 January 2004	Sale/Transfer	17,814	205

- (ix) As at the close of business on 9 January 2004 (the day WestLB Equity Markets ceased to be a Connected Exempt Principal Trader), WestLB Equity Markets held a beneficial interest in 1,500,000 Safeway Shares.*

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- (x) During the offer period, WestLB Equity Markets has dealt for value in Safeway Shares as follows:*

Total disposals during the offer period	2,649,849
Highest price received	295.75p
Lowest price received	286.75p

WestLB Equity Markets has received permission from the Panel to aggregate its dealings. The full list of the dealings of WestLB Equity Markets is included within the documents available for inspection as referred to in paragraph 9 below.

- (xi) As at the close of business on 9 January 2004 (the day WestLB Equity Markets ceased to be a Connected Exempt Principal Trader), WestLB Equity Markets held a short position in 467 call contracts over Safeway Shares (concerning 467,000 underlying Safeway Shares) with an exercise price of 280 pence and an expiry date of 16 January 2004 and a short position in 500 call contracts over Safeway Shares (concerning 500,000 underlying Safeway Shares) with an exercise price of 300 pence and an expiry date of 16 January 2004.*
- (xii) During the offer period, WestLB Equity Markets has dealt in options in relation to Safeway Shares as follows:*

<i>Product Name</i>	<i>Quantity</i>	<i>Date Executed</i>	<i>Firm Buy/Sell</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Option Money Paid/Received</i>	<i>Underlying Number of Safeway Shares to which the option is referenced</i>
Call Option	467	15 October 2003	Sell	280p	16 January 2004	£76,121	467,000
Call Option	500	16 October 2003	Sell	300p	16 January 2004	£45,000	500,000

- * WestLB Equity Markets is a business unit. The legal name for this business unit is WestLB AG. WestLB Equity Markets was granted Exempt Principal Trader Status with effect from 2 January 2004 and ceased to be a Connected Exempt Principal Trader in relation to the Merger with effect from 9 January 2004 when the sale of the Panmure business to Lazard & Co. Limited was completed.

- (xiii) As at 15 January 2004 (being the latest practicable date before the posting of this document), ABN AMRO Bank N.V., owned or controlled 725,063 Safeway Shares.

- (xiv) During the disclosure period, ABN AMRO Bank N.V. has dealt for value in Safeway Shares as follows:

<i>Date</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
18 February 2002	Purchase	1,252,501	320.00
25 February 2002	Sale	1,490	323.25
5 March 2002	Sale	1,620	310.00
15 March 2002	Sale	830	307.00
18 March 2002	Purchase	1,500	311.00
21 March 2002	Purchase	1,110	299.00
8 April 2002	Sale	830	304.50
22 April 2002	Purchase	350	297.00
7 May 2002	Sale	780	319.50
9 May 2002	Purchase	700	314.50
21 May 2002	Sale	3,481	319.75
28 May 2002	Purchase	535	298.50
5 June 2002	Sale	1,040	301.50
21 June 2002	Sale	2,634	278.00
1 July 2002	Purchase	3,734	271.00
10 July 2002	Sale	1,193	257.25
16 July 2002	Sale	439	225.50
17 July 2002	Sale	637,572	228.50
26 July 2002	Purchase	104	228.00

Appendix II Additional information

<i>Date</i>	<i>Transaction</i>	<i>Number of Safeway Shares</i>	<i>Price per Safeway Share (p)</i>
6 September 2002	Purchase	379	221.00
10 September 2002	Purchase	87,945	217.75
18 September 2002	Purchase	87,951	214.50
19 September 2002	Purchase	43,976	211.00
19 September 2002	Purchase	55,497	209.25
20 September 2002	Purchase	328	213.75
26 September 2002	Sale	1,009	211.75
1 October 2002	Sale	87,755	202.75
3 October 2002	Purchase	1,010	202.00
18 October 2002	Sale	1,540	216.00
31 October 2002	Purchase	2,080	222.00
5 November 2002	Purchase	43,839	231.75
5 November 2002	Purchase	87,677	232.00
5 November 2002	Purchase	43,839	232.25
5 November 2002	Purchase	131,516	232.38
6 November 2002	Purchase	394,698	227.75
6 November 2002	Purchase	43,855	230.75
6 November 2002	Purchase	131,566	233.25
14 November 2002	Purchase	603	225.00
19 November 2002	Sale	43,851	231.25
21 November 2002	Sale	219,264	230.00
21 November 2002	Sale	438,528	235.01
9 December 2002	Purchase	800	206.08
10 December 2002	Purchase	175,538	206.00
18 December 2002	Purchase	87,777	205.25
20 December 2002	Sale	2,170	197.00
31 December 2002	Purchase	1,140	213.25
28 January 2003*	Sale	262,549	311.75
28 January 2003*	Sale	43,758	315.50
29 January 2003*	Sale	131,274	308.00
29 January 2003*	Sale	87,516	306.00
29 January 2003*	Sale	87,516	304.50
4 March 2003*	Purchase	109,435	288.50
21 March 2003*	Sale	1,362	268.75
31 March 2003*	Sale	7,239	260.75
14 April 2003*	Purchase	1,264	263.00
20 June 2003*	Sale	668	274.25
23 June 2003*	Purchase	1,423	273.00
7 July 2003*	Purchase	669	262.00
19 September 2003*	Purchase	447	297.37
7 October 2003*	Sale	714	295.75
1 December 2003*	Purchase	350	285.50
19 December 2003*	Sale	2,451	280.75

* Dealings in Safeway Shares from 28 January 2003 onwards have been undertaken by ABN AMRO Bank N.V. as part of proprietary FTSE 100 index arbitrage basket trading (Safeway is a constituent of the FTSE 100). Related transactions have also been undertaken in FTSE 100 index futures as part of ABN AMRO Bank N.V.'s hedging strategy. Following the consent of the Panel and subject to certain restrictions, the proprietary index arbitrage operation of ABN AMRO Bank N.V. will, at its discretion, continue to trade the basket and therefore, indirectly, the underlying Safeway Shares. ABN AMRO Bank N.V. is the parent undertaking of ABN AMRO Corporate Finance Limited, which is acting as financial advisor and sponsor to Morrisons, and of Hoare Govett Limited, which is acting as corporate stockbroker to Morrisons.

(xv) As at 15 January 2004 (being the latest practicable date before the posting of this document), Citigroup and its affiliates owned or controlled 1,508 Safeway Shares.

(xvi) As at 15 January 2004 (being the latest practicable date before the posting of this document), HSBC held 643,000 Safeway Shares.

Appendix II Additional information

(xvii) During the offer period, HSBC has dealt for value in Safeway Shares as follows:

<u>Date</u>	<u>Transaction</u>	<u>Number of Safeway Shares</u>	<u>Price per Safeway Share (p)</u>
12 February 2003	Purchase	42,000	313.03
17 April 2003	Purchase	48,000	261.00
9 July 2003	Purchase	56,000	263.53
24 September 2003	Purchase	53,000	301.98
11 November 2003	Purchase	51,000	293.25

(b) *General*

(i) References in sub-paragraph 4(a) above and this sub-paragraph 4(b) to:

(A) an “associate” are to:

- (1) subsidiaries of Safeway and associated companies of Safeway and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company will make it an associate;
- (2) banks, financial and other professional advisers (including stockbrokers) to Safeway or a company covered in sub-paragraph (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
- (3) the Safeway Directors and the directors of any company covered in sub-paragraph (1) above (together, in each case, with their close relatives and related trusts); and
- (4) the pension funds of Safeway or a company covered in sub-paragraph (1) above.

(B) a “bank” do not apply to a bank whose sole relationship with Safeway or a company covered in sub-paragraph (A)(1) above is the provision of normal commercial banking services or such activities in connection with the Merger as handling acceptances and other registration work;

(C) for the purposes of sub-paragraph 4(a), ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holding, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings gives de facto control;

(D) “connected person” has the meaning given to it in section 346 of the Companies Act;

(E) references to directors being “interested” in shareholdings are to interests in the manner described in Parts VI and X of the Companies Act and associated regulations;

(F) “relevant securities” mean Morrisons Shares, Morrisons Preference Shares and Safeway Shares and any securities convertible into or exchangeable for, rights to subscribe for, options, (including traded options) in respect thereof and derivatives referenced thereto; and

(G) “derivative” includes any financial product whose value in whole or in part, is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying securities.

(ii) Save as disclosed in this paragraph 4, none of the Safeway Directors nor any member of their immediate families nor Safeway was interested in any relevant securities on 15 January 2004 (being the latest practicable date before the posting of this document) nor has any such person dealt for value therein during the disclosure period and no bank, stockbroker, financial or other professional adviser (other than an exempt market-maker) to Safeway (nor any person controlling, controlled by, or under the same control as such bank, stockbroker,

financial or other professional adviser) nor any subsidiary of Safeway nor any pension fund of Safeway or of any of its subsidiaries (other than those where investment decisions are at the fund manager's discretion), nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) which is controlled by, controls or is under the same control as Safeway or any bank, stockbroker, financial or other professional adviser, to Safeway, owned or controlled any relevant securities on 15 January 2004 (being the latest practicable date before the posting of this document) nor has any such person dealt for value in the relevant securities in the offer period.

- (iii) Neither Safeway nor any associate (as defined above) of Safeway has any arrangement in relation to relevant securities of the kind referred to in Note 6(b) on Rule 8 of the City Code with any person. For these purposes, "arrangements" includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

(c) *Shareholdings and dealings in Morrisons Shares*

- (i) The interests of the Morrisons Directors and their immediate families and connected persons (within the meaning of section 346 of the Companies Act), all of which are beneficial, unless otherwise stated and the existence of which interests are known or could with reasonable diligence be ascertained by the relevant director in the share capital of Morrisons (as shown in the register required to be kept under the provisions of section 325 of the Companies Act or which have been notified to Morrisons pursuant to sections 324 or 328 of the Companies Act) at 15 January 2004 (being the last practicable date before the posting of this document) are as follows:

<i>Morrisons Director</i>	<i>Morrisons Shares</i>	<i>Morrisons Shares under option⁽¹⁾</i>
Sir Kenneth Duncan Morrison CBE ⁽²⁾	268,712,247	610,000
Marie Margaret Melnyk	494,414	994,300
Robert Winston Stott	154,302	624,300
Martin Ackroyd	138,160	794,300
Mark Gunter	12,200	694,300
David Robert Hutchinson	85,512	474,300
Roger Anthony Owen	532,178	780,000

(1) All options over Morrisons Shares have been granted for nil consideration.

(2) Sir KD Morrison's interest includes a holding of 159,487,397 Morrisons Shares which is non-beneficial. This is held in his capacity as trustee of various trusts.

None of the Morrisons Directors and their immediate families and connected persons (within the meaning of section 346 of the Companies Act 1985) has any interest (whether beneficial or otherwise) in any of the Morrisons Preference Shares.

- (ii) During the disclosure period the dealings for value in Morrisons Shares in which the Morrisons Directors and their immediate families were interested were as follows:

<i>Date</i>	<i>Party</i>	<i>Transaction</i>	<i>Number of Morrisons Shares</i>	<i>Price per Morrisons Share (p)</i>
28 March 2002	Sir KD Morrison	Sale	6,820*	211
2 April 2002	Sir KD Morrison	Sale	1,386	211
4 April 2002	Sir KD Morrison	Option exercise	984,990	76
4 April 2002	Sir KD Morrison	Option exercise	430,000	61
4 April 2002	M Ackroyd	Option exercise	200,000	61
8 April 2002	Sir KD Morrison	Sale	3,800	216.5
8 April 2002	Sir KD Morrison	Sale	41,000	216.5
8 April 2002	Sir KD Morrison	Sale	4,200	216.5
8 April 2002	M Ackroyd	Option exercise	160,000	77.5
8 April 2002	M Ackroyd	Sale	116,000	213.5

Appendix II Additional information

<u>Date</u>	<u>Party</u>	<u>Transaction</u>	<u>Number of Morrisons Shares</u>	<u>Price per Morrisons Share (p)</u>
10 April 2002	RA Owen	Option exercise	160,000	77.5
10 April 2002	RA Owen	Sale	60,000	219
10 April 2002	RA Owen	Sale	6,500	223.75
27 May 2002	R W Stott	Purchase	578	224.83
27 May 2002	M Ackroyd	Purchase	3,076	224.83
12 July 2002	Sir KD Morrison	Conversion**	1,303,008	29.76
16 July 2002	RW Stott	Option exercise	30,000	148
24 July 2002	Sir KD Morrison	Purchase	291,122	174.99
25 July 2002	Sir KD Morrison	Purchase	219,122	175.03
26 July 2002	DR Hutchinson	Option exercise	20,000	77.5
12 August 2002	Sir KD Morrison	Transfer	61,479*	175.03
11 November 2002	R W Stott	Purchase	220	207
11 November 2002	M Ackroyd	Purchase	826	207
21 March 2003	MM Melnyk	Option exercise	101,462	76
21 March 2003	MM Melnyk	Option exercise	200,000	61
31 March 2003	RW Stott	Option exercise	90,000	148
31 March 2003	RW Stott	Option exercise	50,000	123
1 April 2003	RW Stott	Sale	90,000	179.5
4 April 2003	Sir KD Morrison	Sale	21,000	181
4 April 2003	Sir KD Morrison	Sale	8,882	179.5
9 April 2003	Sir KD Morrison	Option exercise	220,000	77.5
9 April 2003	Sir KD Morrison	Option exercise	40,000	148
9 April 2003	Sir KD Morrison	Option exercise	50,000	123
16 May 2003	M Ackroyd	Sale	250,000	188
27 May 2003	M Ackroyd	Purchase	4,382	195
27 May 2003	RW Stott	Purchase	1,738	195
18 September 2003	RA Owen	Sale	150,000	220.5
23 September 2003	MM Melnyk	Sale	20,000	222.5
10 November 2003	M Ackroyd	Purchase	330	227
10 November 2003	RW Stott	Purchase	370	227

* Non-beneficial holdings.

** Conversion of Morrisons Preference Shares to Morrisons Shares.

- (iii) As at 15 January 2004 (being the latest practicable date before the posting of this document), ABN AMRO Bank N.V. owned or controlled 143,623 Morrisons Shares and no Morrisons Preference Shares.
- (iv) During the disclosure period, ABN AMRO Bank N.V. has dealt for value in Morrisons Shares as follows:

<u>Date</u>	<u>Transaction</u>	<u>Number of Morrisons Shares</u>	<u>Price per Morrisons Share (p)</u>
18 February 2002	Purchase	1,843,247	206.50
25 February 2002	Sale	2,230	211.00
5 March 2002	Sale	1,780	203.00
15 March 2002	Sale	1,820	204.00
18 March 2002	Purchase	2,210	206.00
21 March 2002	Purchase	1,630	212.75
8 April 2002	Sale	1,220	212.50
22 April 2002	Purchase	1,110	221.00
7 May 2002	Sale	1,140	231.75
9 May 2002	Purchase	1,020	229.75
21 May 2002	Sale	5,719	226.25
28 May 2002	Purchase	1,384	220.00
5 June 2002	Sale	1,530	218.75
21 June 2002	Sale	3,878	204.00

Appendix II Additional information

<i>Date</i>	<i>Transaction</i>	<i>Number of Morrisons Shares</i>	<i>Price per Morrisons Share (p)</i>
1 July 2002	Purchase	4,901	205.00
8 July 2002	Purchase	10,000	202.00
8 July 2002	Purchase	12,487	207.80
10 July 2002	Sale	2,606	199.50
16 July 2002	Sale	654	179.00
17 July 2002	Sale	949,339	181.25
26 July 2002	Purchase	180	187.50
6 September 2002	Purchase	565	200.00
10 September 2002	Purchase	130,951	204.50
18 September 2002	Purchase	130,961	201.01
19 September 2002	Purchase	65,480	211.00
19 September 2002	Purchase	82,636	203.00
20 September 2002	Purchase	292	215.50
26 September 2002	Sale	706	218.00
1 October 2002	Sale	130,669	210.75
3 October 2002	Purchase	1,444	218.00
18 October 2002	Sale	2,290	206.75
31 October 2002	Purchase	3,100	210.25
5 November 2002	Purchase	195,830	209.00
5 November 2002	Purchase	65,277	209.75
5 November 2002	Purchase	195,830	209.63
6 November 2002	Purchase	653,014	209.00
6 November 2002	Purchase	195,904	210.50
14 November 2002	Purchase	353	208.50
19 November 2002	Sale	65,296	217.00
21 November 2002	Sale	326,488	218.25
21 November 2002	Sale	652,975	218.51
9 December 2002	Purchase	1,180	202.08
10 December 2002	Purchase	261,378	206.50
18 December 2002	Purchase	130,702	206.75
20 December 2002	Sale	3,210	209.00
31 December 2002	Purchase	1,690	216.00
28 January 2003*	Sale	390,940	167.00
28 January 2003*	Sale	65,157	167.50
29 January 2003*	Sale	195,470	161.00
29 January 2003*	Sale	130,313	162.00
29 January 2003*	Sale	130,314	159.50
4 March 2003*	Purchase	162,950	159.75
21 March 2003*	Sale	2,053	185.00
31 March 2003*	Sale	10,754	178.50
14 April 2003*	Purchase	1,882	185.00
20 June 2003*	Sale	994	192.00
23 June 2003*	Purchase	2,119	189.00
7 July 2003*	Purchase	995	189.75
19 September 2003*	Purchase	666	216.84
7 October 2003*	Sale	1,062	229.00
1 December 2003*	Purchase	490	223.50
19 December 2003*	Sale	3,619	223.00

* Dealings in Morrisons Shares from 28 January 2003 onwards have been undertaken by ABN AMRO Bank N.V., as part of proprietary FTSE 100 index arbitrage basket trading (Morrisons is a constituent of the FTSE 100). Related transactions have also been undertaken in FTSE 100 index futures as part of ABN AMRO Bank N.V.'s hedging strategy. Following the consent of the Panel and subject to certain restrictions, the proprietary index arbitrage operation of ABN AMRO Bank N.V., will, at its discretion, continue to trade the basket and therefore, indirectly, the underlying Morrisons Shares. ABN AMRO Bank N.V. is the parent undertaking of ABN AMRO Corporate Finance Limited, which is acting as financial advisor and sponsor to Morrisons, and of Hoare Govett Limited, which is acting as corporate stockbroker to Morrisons.

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- (v) As at 15 January 2004 (being the latest practicable date before the posting of this document), Safeway held a beneficial interest in 200 Morrisons Shares.
- (vi) As at 15 January 2004 (being the latest practicable date before the posting of this document) none of the Safeway Directors and their immediate families and connected persons (within the meaning of section 346 of the Companies Act) have interests in Morrisons Shares and Morrisons Preference Shares.
- (vii) During the disclosure period there were no dealings for value in Morrisons Shares and Morrisons Preference Shares by Safeway, the Safeway Directors and their immediate families and connected persons (within the meaning of section 346 of the Companies Act).
- (viii) As at the close of business on 9 January 2004 (being the date upon which WestLB Panmure Limited ceased to be an associate as defined in paragraph 4 (b) above), WestLB Panmure Limited held no Morrisons Shares and no Morrisons Preference Shares.**
- (ix) During the offer period, WestLB Panmure Limited has dealt for value in Morrisons Shares and Morrisons Preference Shares as follows:**

Morrisons Shares

Total acquisitions during the offer period	2,664,240
Highest price paid	214.00p
Lowest price paid	160.00p
Total disposals during the offer period	2,612,537
Highest price received	222.75p
Lowest price received	140.25p

Morrisons Preference Shares

Total acquisitions during the offer period	82,843
Highest price paid	743.00p
Lowest price paid	475.00p
Total disposals during the offer period	88
Highest price received	565.00p
Lowest price received	565.00p

- (x) As at the close of business on 9 January 2004 (the day WestLB Equity Markets ceased to be a Connected Exempt Principal Trader), WestLB Equity Markets held a short position of 856,882 Morrisons Shares. This is a result of the trades detailed in sub-paragraph 4(c)(xi) below and was increased when it sold a further 356,882 Morrisons Shares to WestLB Panmure Limited. As at the close of business on 9 January 2004 (the day WestLB Equity Markets ceased to be a Connected Exempt Principal Trader), WestLB Equity Markets also held a beneficial interest in 106,215 Morrisons Preference Shares. This holding was acquired from WestLB Panmure Limited on 9 January 2004.*
- (xi) During the offer period, WestLB Equity Markets has dealt for value in Morrisons Shares as follows:*

Total disposals during the offer period	500,000
Highest price received	223.75p
Lowest price received	221.50p

* WestLB Equity Markets is a business unit. The legal name for this business unit is WestLB AG. WestLB Equity Markets was granted Exempt Principal Trader Status with effect from 2 January 2004 and ceased to be a Connected Exempt Principal Trader in relation to the Merger with effect from 9 January 2004 when the sale of the Panmure business to Lazard & Co. Limited was completed.

** WestLB Panmure Limited changed its name to WestLB Basinghall Limited on 12 January 2004.

WestLB Panmure Limited and WestLB Equity Markets have received permission from the Panel to aggregate their dealings. The full list of the dealings of WestLB Panmure Limited and WestLB Equity Markets is included within the documents available for inspection as referred to in paragraph 9 below.

(xii) As at 15 January 2004 (being the latest practicable date before the posting of this document), Citigroup and its affiliates owned or controlled 9,000 Morrisons Shares.

(xiii) As at 15 January 2004 (being the latest practicable date before the posting of this document), HSBC held 991,000 Morrisons Shares.

(xiv) During the offer period, HSBC has dealt for value in Morrisons Shares as follows:

<i>Date</i>	<i>Transaction</i>	<i>Number of Morrisons Shares</i>	<i>Price per Morrisons Share (p)</i>
4 March 2003	Purchase	84,000	159.45
22 May 2003	Purchase	77,000	190.44
8 August 2003	Purchase	82,000	188.67
2 October 2003	Purchase	75,000	217.44
9 December 2003	Purchase	79,000	231.57

(d) *General*

(i) References in sub-paragraph 4(c) above and in this sub-paragraph 4(d) to:

(A) an “associate” are to:

- (1) subsidiaries of Morrisons and associated companies of Morrisons and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company will make it an associate;
- (2) banks, financial and other professional advisers (including stockbrokers) to Morrisons or a company covered in sub-paragraph (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
- (3) the Morrisons Directors and the directors of any company covered in sub-paragraph (1) above (together in each case with their close relatives and related trusts);
- (4) the pension funds of Morrisons or a company covered in sub-paragraph (1) above;
- (5) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this sub-paragraph 4(d)(i)) manages on a discretionary basis, in respect of the relevant investment accounts;
- (6) a person who owns or controls 5 per cent. or more of any class of relevant securities (defined in paragraphs (a) to (d) in Note 2 on Rule 8 of the City Code) issued by Morrisons, including a person who as a result of the Merger owns or controls 5 per cent. or more; and
- (7) a company having a material trading arrangement with Morrisons.

(B) a “bank” do not apply to a bank whose sole relationship with Morrisons or a company covered in sub-paragraph (A)(1) above is the provision of normal commercial banking services or such activities in connection with the Merger as handling acceptances and other registration work;

(C) for the purposes of sub-paragraph 4(c), ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holding, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings gives de facto control;

(D) “connected person” has the meaning given to it in section 346 of the Companies Act;

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- (E) references to directors being “interested” in shareholdings are to interests in the manner described in Parts VI and X of the Companies Act and associated regulations;
- (F) “relevant securities” mean Morrisons Shares, Morrisons Preference Shares and Safeway Shares and any securities convertible into or exchangeable for, rights to subscribe for, options, (including traded options) in respect thereof and derivatives referenced thereto; and
- (G) “derivative” includes any financial product whose value in whole or in part, is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying securities.
- (ii) Save as disclosed in this paragraph 4, neither Morrisons, nor any subsidiary of Morrisons, nor any of the Morrisons Directors, nor any member of their immediate families, nor any person acting in concert with Morrisons (other than exempt market makers and exempt fund managers), nor any person with whom Morrisons or any person acting in concert with Morrisons has an arrangement of the kind referred to in sub-paragraph 4(d)(iii) below owned or controlled or (in the case of Morrisons Directors and their immediate families) was interested in any relevant securities on 15 January 2004 (being the latest practicable date before the posting of this document) nor has any such person dealt for value therein during the disclosure period.
- (iii) Neither Morrisons nor any associate (as defined above) of Morrisons has any arrangement in relation to relevant securities of the kind referred to in Note 6(b) on Rule 8 of the City Code with any person. For these purposes, “arrangements” includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

5. Safeway Directors’ service contracts and letters of engagement

The following are particulars of the current service agreements between the executive Safeway Directors and members of the Safeway Group:

<i>Name</i>	<i>Date of agreement</i>	<i>Unexpired term⁽¹⁾</i>	<i>Notice period from company</i>	<i>Notice period from director</i>	<i>Salary (per annum)</i>	<i>Specific provision for compensation on early termination</i>	<i>Change of control provision</i>
Executive chairman— David Webster	18 July 1994	terminable on notice	24 months	12 months	£811,000	Yes ⁽²⁾	No
Executive directors— Carlos Criado-Perez	26 July 1999	terminable on notice	12 months	12 months	£681,500	Yes ⁽³⁾	Yes ⁽⁴⁾
Lawrence Christensen	19 June 2003	expires 18 June 2004	n/a	n/a	£360,500 ⁽⁵⁾	No	No
Simon Laffin	18 November 1996	terminable on notice	24 months	12 months	£357,000	No	No
Richard Williams	28 April 1994	terminable on notice	24 months	12 months	£313,500	No	No
Jack Sinclair	31 May 2002	terminable on notice	12 months	12 months	£360,500	No	No

(1) All contracts which are terminable on notice terminate automatically on the executive director’s 60th birthday, which for David Webster is 11 February 2005.

(2) Liquidated damages clause equal to a sum 1.5 times the annual value of remuneration and other benefits, including pension, as stated in the service agreement.

(3) Sum equal to basic salary for the remaining notice period.

(4) Sum equal to 24 months’ basic salary in the event of termination of employment following a change of control of the company.

(5) Salary supplement of £90,125 per annum also paid.

In addition, the directors listed in the above table (the “Executive Safeway Directors”) receive certain benefits which comprise, in the main, a fully expensed company car (or payment in lieu thereof) medical benefits insurance, life assurance, permanent health insurance and, with the exception of Lawrence Christensen, pension scheme membership.

In the event that the contracts of Simon Laffin, Jack Sinclair or Richard Williams are terminated (other than in circumstances whereby Safeway would be able to terminate their contracts without notice or pay in lieu of notice for misconduct or cause) following a change of control of Safeway, Simon Laffin, Richard Williams or Jack Sinclair, as appropriate, will be compensated in accordance with their contracts without any discount for actual or possible mitigation. Simon Laffin, Richard Williams or Jack Sinclair, as appropriate would therefore be paid a sum determined by calculating the value over the notice period of the following: salary, life assurance, medical expenses insurance, long term sickness benefits, company car and petrol contributions, the capital value (as described below) representing pension loss from the Safeway Pension Scheme and (where appropriate) contributions to the FURBS (as defined below).

All the Executive Safeway Directors, except for Lawrence Christensen, are members of the Safeway Pension Scheme which is a funded, Inland Revenue approved, defined benefit, occupational pension scheme. Because Lawrence Christensen has reached normal retirement age under the Safeway Pension Scheme, he no longer accrues benefits under the Scheme. To compensate for the value of the pension which he will not accrue, Lawrence Christensen is entitled to receive a supplement to his salary of £90,125 per annum.

Safeway has established a Funded Unapproved Retirement Benefits Scheme (“FURBS”) for certain Executive Safeway Directors (currently four) and pays a defined annual contribution for each such director, of 25 per cent. of the difference between his salary and the Inland Revenue earnings cap (currently £99,000). The payments are split to cover a direct contribution to the FURBS and an amount to cover income tax liability.

The Safeway Pension Scheme provides Executive Safeway Directors with final salary benefits, which accrue at a rate between 1/60th and 1/30th of final pensionable salary per year of service. For the purposes of the compensation referred to above for Simon Laffin, Richard Williams and Jack Sinclair, the capital value of benefits accrual in the Safeway Pension Scheme is calculated by working out the difference between the deferred pension at the date of termination and the deferred pension allowing for notional service during the notice period: the difference is valued using augmentation factors supplied by the Scheme’s actuarial advisers and is subject to a deduction for relevant notional employee contributions.

The Executive Safeway Directors participate in certain of the Safeway Share Option Schemes and the Safeway Long-Term Incentive Plan for Senior Executives and the interests of the directors are set out in paragraph 4(a) of this Appendix II.

Lawrence Christensen, Simon Laffin, Richard Williams, Jack Sinclair and Carlos Criado-Perez participate in an annual bonus plan which, for the financial year 2003/2004, provides for bonus payments that are based on profit performance, leadership skills and achievement of personal objectives. Awards for the financial year 2003/2004 under the plan range from nil to 100 per cent. of basic salary.

A special incentive plan (the “Plan”) for Carlos Criado-Perez was agreed by the remuneration committee of Safeway on 25 February 2002. Two equal tranches each of £2 million in May 2004 and May 2005 become available following the announcement of Safeway’s results for the prior financial year based on the achievement of earnings per share growth targets. The Plan, which is non-pensionable, contains provisions to deal with the calculation of any payment where there is a change of control of Safeway. Morrisons have agreed that the Plan will be honoured on Carlos Criado-Perez leaving the employment of Safeway on change of control based on estimated earnings per share growth at the time and pro rated to reflect time elapsed to the time of change of control.

Appendix II Additional information

The following are particulars of the current letters of engagement between the non-executive directors of Safeway and Safeway plc:

<i>Name</i>	<i>Date of engagement letter</i>	<i>Notice period</i>	<i>Fees (per annum)</i>	<i>Unexpired term at January 2004</i>
Michael Allen	26 January 2001 ⁽¹⁾	3 months	£39,500	3 months
Hugh Collum	21 September 2000 ⁽¹⁾	3 months	£39,500	3 months
Peter Foy	7 July 1999 ⁽²⁾	3 months	£32,000	18 months ⁽³⁾
Peter Smith	22 July 2002	3 months	£32,000	18 months ⁽³⁾
Sharon Hintze	22 July 2002	3 months	£32,000	18 months ⁽³⁾

⁽¹⁾ Extended by letter dated 9 May 2003.

⁽²⁾ Extended by letter dated 21 October 2002.

⁽³⁾ Assuming AGM held in July 2005.

Save as disclosed in the above tables, there are no service agreements in force between any director of Safeway or any proposed director of Safeway and Safeway or any of its subsidiaries and no such service agreements were entered into during the six months preceding the date of this document nor have any amendments been made to any such service agreements during that period.

6. Material contracts

(a) *Morrisons*

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by a member of the Morrisons Group since 9 January 2001 (the date two years prior to the commencement of the Offer Period) and are, or may be, material:

- (i) a merger agreement dated 15 December 2003 between (1) Morrisons and (2) Safeway, as amended by a deed of amendment dated 16 January 2004. This agreement sets out provisions relating to implementation of the Merger and imposes an obligation on each of the parties to use all reasonable endeavours (taking account of the fiduciary duties of their respective directors) to complete the Merger subject to, and in accordance with, the Conditions. Each of the parties to the Merger Agreement also provides certain undertakings to the other concerning the conduct of their respective businesses prior to the date on which the Merger is completed or termination of the Merger Agreement whichever occurs earlier. The other principal provisions of the Merger Agreement include:
 - (A) warranties relating to the disclosure of information to the other party and the ability to fulfil the Conditions;
 - (B) an obligation on Safeway relating to the non-solicitation of any independent competing offer, scheme or other merger transaction or asset sale (defined in the Merger Agreement to be a sale or disposal of all or part of the business or assets of the Safeway Group, other than non-fixed assets in the ordinary course of trading or fixed assets having an aggregate value of no more than £20 million) and restrictions on discussions or negotiation with, and the provision of information to, any third party in connection with any such solicited independent competing offer, scheme or other merger transaction or asset sale without the consent of Morrisons; and
 - (C) an agreement by which Safeway has agreed to pay Morrisons an inducement fee of £30 million if (i) Morrisons offer lapses or is withdrawn or the Scheme lapses, is withdrawn or otherwise could not become effective before 31 March 2004 (or such later date as the parties may agree) and after 15 December 2003, but prior thereto, an independent competing offer for Safeway has been announced and that, or any other independent competing offer, becomes or is declared wholly unconditional before 15 December 2004 or (ii) if Safeway enters into an agreement to dispose of any fixed assets having an aggregate value of at least £20 million prior to the termination of the Merger Agreement or,

at any time, having a value of at least £300 million and, in each case, such agreement completes before 15 December 2004, without the consent of Morrisons;

- (ii) a credit agreement dated 15 December 2003 between (1) Morrisons (2) ABN AMRO Bank N.V., (the "Bank") (as the mandated lead arranger and as the original lender) and (3) ABN AMRO Bank N.V., London Branch as facility agent (the "Credit Agreement").

The facilities constituted by the Credit Agreement are comprised of: (i) a term loan facility of up to £750,000,000 and (ii) a revolving credit facility of up to £1,000,000,000. The term loan facility is to be used to pay the cash consideration for the Scheme Shares and costs in connection with the Scheme, to refinance existing indebtedness of the Morrisons Group and for general corporate purposes and the revolving credit facility is to be used for general corporate and working capital purposes. These facilities will be available for drawdown once the Merger has become effective. The final maturity date of the facilities is 2008.

Arrangement fees are payable on the facilities in stages. The rate of interest is LIBOR plus a margin of 0.3 per cent. per annum in respect of the term facility or a margin of 0.375 per cent. per annum in respect of the revolving credit facility plus in each case the mandatory cost. A commitment fee is payable on the undrawn, uncanceled balance of the facilities. Agency fees are payable by Morrisons to ABN AMRO Bank, N.V., London Branch as facility agent.

Certain mandatory prepayments are required to be made pursuant to the Credit Agreement in the event of a change of control of Morrisons and/or illegality and the Credit Agreement contains customary covenants, representations, warranties and events of default including limitations on change of business, acquisitions, investments and mergers, the granting of further security and financial indebtedness. The Credit Agreement stipulates that Morrisons is required to maintain maximum leverage ratios and minimum interest cover ratios to be determined by reference to the EBITDA of Morrisons and its subsidiaries; and

- (iii) following the announcement on 9 January 2003 of a recommended all share offer by Morrisons for Safeway which valued each Safeway share at 277.5 pence, Sainsbury, ASDA, Tesco, KKR and Trackdean Investments Limited each expressed an interest in making an offer for Safeway. Morrisons Original Offer lapsed when it was referred to the Competition Commission on 19 March 2003. The potential offers by Sainsbury, ASDA, and Tesco were also referred to the Competition Commission and the subsequent enquiry resulted in each of those parties being prevented from acquiring Safeway. Morrisons was allowed to proceed, but only on the basis that it undertook to sell stores in 52 overlap locations in order to remedy local competition issues.

Accordingly, undertakings to the Secretary of State for Trade and Industry were given by Morrisons in relation to the limited store divestments. These undertakings (the "Undertakings") will take effect upon the Scheme becoming effective.

(a) *Divestment of the One-Stop Divestment Stores and Smaller Divestment Stores*

- (i) Morrisons has undertaken to effect, using its best endeavours and acting in good faith, the divestment of (i) the one-stop grocery stores located in each of the 48 local areas identified in the CC Report at Appendix 5.6 Table 2 as being local areas in which a one-stop grocery store must be divested (the "One-Stop Divestment Stores") and (ii) the smaller grocery stores identified in the CC Report at Appendix 5.7 Table 2 (the "Smaller Divestment Stores"), in each case (unless otherwise required by the purchaser thereof or directed by the OFT) together with the rights, assets, interests and obligations of, or associated with, such store within the period of time determined by the OFT and notified to Morrisons by the OFT in confidence (the "Divestment Period"). Morrisons shall be deemed to have complied with this Undertaking in respect of a One-Stop Divestment Store or Smaller Divestment Store (as the case may be) if, by the end of the Divestment Period, it shall have entered into a legally binding sale and purchase agreement for the sale of that store with a purchaser approved in advance by the OFT provided that the final closing in respect of that sale takes place within a period of two months (subject to obtaining all necessary

approvals and consents from third parties) after the approval of the relevant purchaser by the OFT.

- (ii) As soon as reasonably practicable after the Undertakings become effective, Morrisons shall appoint an appropriately qualified independent expert approved by the OFT in order to determine the open market value of each One-Stop Divestment Store and Smaller Divestment Store. The expert shall be appointed on and shall conduct the valuations in accordance with such terms and following such assumptions as may be approved by the OFT and shall be remunerated by Morrisons. In determining the open market value of a store, regard should be had to the suggestions of the Competition Commission set out in paragraph 2.393 of the CC Report. The report shall made available to the OFT and Morrisons but otherwise shall be strictly confidential.
- (iii) Morrisons shall within the Divestment Period invite offers for the purchase of the One-Stop Divestment Stores and Smaller Divestment Stores. In relation to offers for One-Stop Divestment Stores and Smaller Divestment Stores which are equal to or higher than the open market value, Morrisons will divest such One-Stop Divestment Store or Smaller Divestment Store (as the case may be) to purchasers making such offers who satisfy the necessary requirements (including, for example, that they are independent and unconnected with Morrisons, have the financial resources, expertise and incentive to integrate the relevant store and to develop it as a viable and active store in competition with Morrisons and other competitors in the relevant local area and, in the case of purchasers of One-Stop Divestment Stores, will not divest the store within two years of the date of acquisition other than to a purchaser approved by the OFT) and which have been approved by the OFT.
- (iv) In the event that a purchaser has made an offer equal to or higher than the open market value in respect of a One-Stop Divestment Store or Smaller Divestment Store (as the case may be), and that purchaser satisfies the necessary requirements outlined above and has been or would be approved by the OFT, and Morrisons has not entered into a legally binding sale and purchase agreement in respect of that store by the end of the Divestment Period, or if later, proceeded to the final closing of the sale within two months of the OFT's approval of the purchaser of that store, the OFT may, whether or not initiating the Divestiture Trustee provisions referred to below (in the case of the One-Stop Divestment Stores but not the Smaller Divestment Stores), require that Morrisons divest that store to such a purchaser.
- (v) In the event that no purchaser who satisfies the necessary requirements outlined above has bid equal to or higher than the open market value by the end of the Divestment Period, or if Morrisons has not divested a One-Stop Divestment Store or Smaller Divestment Store (as the case may be) to a purchaser nominated by the OFT within one month of being required to do so by the OFT, the OFT may, whether or not initiating the Divestiture Trustee provisions referred to below (in the case of the One-Stop Divestment Stores but not the Smaller Divestment Stores), at its discretion:
 - (A) require Morrisons to divest one or more of the remaining One-Stop Divestment Stores or Smaller Divestment Stores (as the case may be) at no minimum price to a purchaser who satisfies the necessary requirements outlined above; and/or
 - (B) require Morrisons to divest one or more of the remaining One-Stop Divestment Stores or Smaller Divestment Stores (as the case may be) at no minimum price to a purchaser who satisfies the OFT that it intends to operate the stores in question wholly or partially as grocery stores; and/or
 - (C) permit Morrisons to divest one or more of the remaining One-Stop Divestment Stores or Smaller Divestment Stores (as the case may be) at no minimum price to a purchaser who does not intend to operate the stores in question wholly or partially as grocery stores or who fails to satisfy the necessary requirements outlined above; and/or

- (D) require Morrisons to divest, instead of the divestment of one or more of the remaining One-Stop Divestment Stores or Smaller Divestment Stores (as the case may be), an existing Morrisons store or an alternative Safeway store in the relevant local areas; and/or
 - (E) direct that Morrisons may retain one or more of the remaining One-Stop Divestment Stores or Smaller Divestment Stores (as the case may be).
- (vi) At any time on or after the provisions of paragraphs (iv) and (v) apply or may be invoked, the OFT may (in respect of the One-Stop Divestment Stores) require Morrisons to grant an exclusive and (save in certain circumstances) irrevocable mandate to a person (the “Divestiture Trustee”) on such terms and conditions to be approved by the OFT following the procedures set out in the Undertakings. The mandate of the Divestiture Trustee shall include the power to:
- (A) negotiate the sale of one or more of the remaining One-Stop Divestment Stores or existing Morrisons or alternative Safeway stores;
 - (B) take any other steps necessary for, or incidental to, the sale of one or more of the remaining One-Stop Divestment Stores or existing Morrisons or alternative Safeway stores; and
 - (C) carry out such analysis and/or take any steps as the OFT may require in relation to a potential direction by the OFT that Morrisons may retain one or more of the One-Stop Divestment Stores.

The Divestiture Trustee must satisfy certain requirements (broadly that it is an EU national having the necessary qualifications to carry out the mandate, that it is independent from the Morrisons Group and that it shall neither be nor become exposed to a conflict of interest). The Divestiture Trustee shall be entitled to be paid by Morrisons a reasonable remuneration for the services it provides in such capacity; and

(b) *Other provisions*

- (i) Morrisons has agreed, pending the sale of the relevant stores pursuant to the Undertakings, among other things to ensure the economic viability, marketability and competitiveness of such stores in accordance with good business practice, to minimise so far as possible any risk of loss of competitive potential of such stores, not in its operation of such stores, to discriminate against those stores and not, without the prior written consent of the OFT, to dispose of any assets of the relevant stores or create any interest or dispose of any interest in any assets of such stores other than in the ordinary course of business; and
- (ii) Morrisons has agreed that following a sale of a store pursuant to the Undertakings:
 - (A) except with the prior written consent of the OFT Morrisons shall not, among other things, hold, acquire or use any interest in such store (other than the reversionary interest in any store that is divested by way of a leasehold interest), (save in certain limited circumstances) any interest in any person having control of such a store, or any of the assets or any part thereof, or any interest in or derived from any of the assets or any part thereof of such a store; and
 - (B) among other things, that it shall procure that none of its employees or directors holds any directorship or managerial position in such a store or in any company or other business carrying on or having control of such a store.

(b) *Safeway*

Other than the Merger Agreement, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by Safeway since 9 January 2001 (the date two years prior to the commencement of the Offer Period) which were, or may be, material.

7. Financial and trading position

- (a) Save as disclosed in this document or the Listing Particulars, there has been no known material change in the financial or trading position of Morrisons since 2 February 2003, the date to which its last published audited accounts were prepared.
- (b) Save as disclosed in this document or the Listing Particulars, there has been no material change in the financial or trading position of Safeway since 29 March 2003, the date to which its last published audited accounts were prepared.
- (c) Financial information for Safeway for the three years ended 29 March 2003 is contained in Part IV of the Listing Particulars. Part V of the Listing Particulars contains the text of the unaudited interim results of Safeway for the 28 week period ended 11 October 2003.
- (d) Unless otherwise stated, financial information concerning Safeway has been extracted from the Annual Report and Accounts of Safeway for the year ended 29 March 2003 or from Safeway's interim results for the 28 week period ended 11 October 2003 or from other published sources.
- (e) Financial information for Morrisons for the three years ended 2 February 2003 is contained in Part II of the Listing Particulars. Part III of the Listing Particulars contains the text of the unaudited interim results of Morrisons for the 27 week period ended 10 August 2003.
- (f) A summary of the additional financial effects of the Merger on Morrisons is contained in paragraph 3 of Part I of the Listing Particulars.

8. General

- (a) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Morrisons or any party acting in concert with Morrisons and any of the directors, recent directors, shareholders or recent shareholders of Safeway having any connection with or dependence upon the Merger.
- (b) Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangement) existing between Morrisons or any person acting in concert with Morrisons for the purposes of the Proposals and any of the directors, recent directors, shareholders or recent shareholders of Safeway having any connection with or dependence on the outcome of the Proposals.
- (c) ABN AMRO is satisfied that sufficient financial resources are available to Morrisons to satisfy in full the cash consideration payable by Morrisons pursuant to the Scheme upon the Proposals becoming effective.
- (d) In conjunction with the Merger, Morrisons has secured new committed banking facilities totalling £1.75 billion, arranged and fully underwritten by ABN AMRO Bank N.V. This will provide the Enlarged Group with the resources necessary to fund the cash component of the offer, to refinance Safeway's existing bank debt and to meet all anticipated restructuring costs and allow continuing financial flexibility. Morrisons intends that members of the Safeway Group will grant security over their assets pursuant to the credit agreement referred to in paragraph 6(a)(ii) of this Appendix II. Morrisons intends that the payment of interest on, and repayment of, any liability (contingent or otherwise) may be made from a variety of sources, including without limitation following the Merger becoming effective, funds generated by the business of Safeway which are paid to Morrisons by way of dividends and other lawful distributions.
- (e) The emoluments of the current directors of Morrisons will not be affected as a consequence of the Merger or by any other associated transaction.
- (f) ABN AMRO has given and has not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they appear.
- (g) HSBC has given and has not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they appear.

- (h) Citigroup has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.
- (i) All information and reports contained in the Listing Particulars are deemed to be incorporated herein.

9. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Safeway at 6 Millington Road, Hayes, Middlesex UB3 4AY and at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including the Effective Date:

- (a) the memorandum and articles of association of Safeway;
- (b) the memorandum and articles of association of Morrisons;
- (c) the audited consolidated accounts of Morrisons for the two financial years ended 2 February 2003 and the unaudited interim results for the twenty-seven week period ended 10 August 2003;
- (d) the audited consolidated accounts of Safeway for the two financial years ended 29 March 2003 and the unaudited interim results for the twenty-eight week period ended 11 October 2003;
- (e) the report on the pro forma financial information relating to the Enlarged Group contained in Part VI of the Listing Particulars and the report on the reconciliation of the comparative table of Safeway contained in Part IV of the Listing Particulars;
- (f) the rules of the Safeway Share Schemes;
- (g) the Safeway Directors' service agreements referred to in paragraph 5 above;
- (h) information on dealings for value in Safeway Shares by WestLB Equity Markets;
- (i) information on dealings for value in Morrisons Shares by WestLB Panmure Limited and WestLB Equity Markets;
- (j) the material contracts referred to in paragraph 6 above;
- (k) a copy of the CC Report;
- (l) the letters of consent referred to in paragraph 8 above; and
- (m) this document, the Listing Particulars and the Circular.

Dated: 19 January 2004

Appendix III Notes on completing the Form of Election in respect of the Mix and Match Facility

You should note that if you hold Scheme Shares and you wish to elect for the Mix and Match Facility you must complete the green Form of Election in respect of your holding of Scheme Shares and return it to Computershare Investor Services PLC (“Computershare”) at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA so as to be received by no later than 3 p.m. on 3 March 2004.

Please telephone Computershare on 0870 702 0123 (or, from outside the United Kingdom, +44 870 702 0123) between 9.00 a.m. and 5.00 p.m. Monday to Friday if you need further copies of the Form of Election or if you have any questions relating to the Form of Election. Please note that calls to these numbers may be monitored or recorded, and no advice on the Proposals can be given.

To make an election under the Mix and Match Facility, the Form of Election must be completed and returned. You must sign the Form of Election in the presence of an independent witness who should also sign in accordance with the instructions printed thereon. A completed Form of Election should be returned and signed, in accordance with the instructions printed thereon, by post to Computershare at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA as soon as possible but in any event so as to be received by no later than 3 p.m. on 3 March 2004. A reply-paid envelope for use in the United Kingdom is enclosed for your convenience. The instructions printed on or deemed incorporated in the Form of Election will be deemed to form part of the terms of the Scheme. A valid election for the Mix and Match Facility will be irrevocable once it has been made.

Elections under the Mix and Match Facility will only be accepted in respect of whole numbers of Scheme Shares. The number of Scheme Shares in respect of which an election under the Mix and Match Facility is made represents the number of Scheme Shares in respect of which the holder wishes to receive either all cash or, as the case may be, all new Morrisons Shares, as consideration under the Scheme.

No election under the Mix and Match Facility will be valid unless a Form of Election in respect of the Mix and Match Facility, correctly completed in all respects is duly received by 3 p.m. on 3 March 2004.

If any Form of Election in respect of the Mix and Match Facility is either received after 3 p.m. on 3 March 2004 or is received before such time and date but is not valid or complete in all respects at such time and date, such election shall, for all purposes, be void and the holder of Scheme Shares purporting to make such election shall not, for any purpose, be entitled to receive any variation of consideration under the Mix and Match Facility and the relevant holder of Scheme Shares will, upon the Scheme becoming effective, only be entitled to receive the basic consideration due under the Scheme in respect thereof.

Without prejudice to any other provisions of this Appendix III or the Form of Election or otherwise, Safeway and Morrisons reserve the right in their absolute discretion to treat as valid in whole or in part any election for the Mix and Match Facility which is not entirely in order.

No acknowledgement of receipt of any Form of Election, transfer by means of CREST, share certificates or other documents will be given. All communications, notices, certificates, documents of title, other documents and remittances to be delivered by or to or sent to or from holders of Scheme Shares (or their designated agent(s)) or as otherwise directed will be delivered by or to or sent to or from such holders of Scheme Shares (or their designated agent(s)) at their risk.

The Form of Election and all elections thereunder or pursuant thereto and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law. Execution by or on behalf of a holder of Scheme Shares of a Form of Election will constitute his submission, in relation to all matters arising out of or in connection with the Scheme and the Form of Election, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the rights of Safeway to bring any action, suit or proceeding arising out of or in connection with the Scheme and the Form of Election in any other manner permitted by law or in any court of competent jurisdiction.

If the Scheme does not become effective in accordance with its terms, any election made shall cease to be valid.

Certain overseas shareholders may not be able to participate in the Mix and Match Facility. Paragraph 10 of the Explanatory Statement set out in Part II of this document contains further details of the position in respect of overseas shareholders.

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

“A Ordinary Shares”	the A Ordinary Shares of 19 ⁷ / ₁₀ pence each in the capital of Safeway created following the sub-division, conversion and re-classification referred to in clause 1.1 of the Scheme set out in Part III of this document
“ABN AMRO”	ABN AMRO Corporate Finance Limited
“Admission”	the admission of the new Morrisons Shares to the Official List and to trading on the London Stock Exchange’s market for listed securities becoming effective in accordance with the Listing Rules and the Admission Standards
“Admission Standards”	the admission and disclosure standards for companies published from time to time by the London Stock Exchange
“ASDA”	Asda Group Limited
“B Ordinary Shares”	the B Ordinary Shares of 5 ³ / ₁₀ pence each in the capital of Safeway created following the sub-division, conversion and re-classification referred to in clause 1.1 of the Scheme contained in Part III of this document
“Board of Safeway” or “Board”	the directors of Safeway
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London
“CC Report”	the Competition Commission’s report entitled <i>Safeway plc and Asda Group Limited (owned by Wal-Mart Stores Inc); Wm Morrison Supermarkets PLC; J Sainsbury plc; and Tesco plc—A report on the mergers in contemplation</i> (CM 5950 2003)
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Circular”	the circular to Morrisons Shareholders dated 19 January 2004 in connection with the Merger
“Citigroup”	Citigroup Global Markets Limited
“City Code”	the City Code on Takeovers and Mergers
“Companies Act” or “Act”	the Companies Act 1985, as amended
“Competition Commission”	the body corporate known as the Competition Commission as established under section 45 of the Competition Act 1998, as amended
“Computershare”	Computershare Investor Services PLC
“Conditions”	the conditions to the implementation of the Proposals set out in Appendix I to this document and “Condition” means any one of them
“Court”	the High Court of Justice in England and Wales
“Court Hearings”	the First Court Hearing and the Second Court Hearing
“Court Orders”	the orders of the Court granted at the First Court Hearing sanctioning the Scheme under section 425 of the Companies Act and, at the Second Court Hearing, confirming the reduction of capital provided for by the Scheme under section 137 of the Companies Act, respectively, or where the context so requires, either of them

Appendix IV Definitions

“Credit Agreement”	the credit agreement dated 15 December 2003 entered into between (1) Morrisons and (2) ABN AMRO Bank N.V., details of which are set out in paragraph 6 of Appendix II to this document
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in CREST)
“CRESTCo”	CRESTCo Limited
“Daily Official List”	the daily official list of the London Stock Exchange
“Deferred Shares”	the deferred shares of 1/10 pence each in the capital of Safeway which may be created following the sub-division, conversion and re-classification referred to in clause 1.1 of the Scheme contained in this document
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“Enlarged Group”	Morrisons and its subsidiary undertakings on completion of the Merger
“Explanatory Statement”	the explanatory statement relating to the Scheme, as set out in Part II of this document, which together with the documents incorporated therein constitute the explanatory statement relating to the Scheme as required by section 426 of the Companies Act
“First Court Hearing”	the hearing by the Court of the petition to sanction the Scheme
“First Hearing Date”	the date of the commencement of the First Court Hearing
“Form of Election”	the green form of election and authority relating to the Mix and Match Facility accompanying this document and, where applicable, the forms of election and authority relating to the Mix and Match Facility sent to participants in the Safeway Share Schemes
“Forms of Proxy”	the pink form of proxy for use in connection with the Extraordinary General Meeting and the blue form of proxy for use in connection with the Safeway Court Meeting, or either of them as the context requires
“Hearing Record Time”	6.00 p.m. on the Business Day immediately preceding the Second Hearing Date
“HSBC”	HSBC Bank plc
“Inland Revenue”	the UK Inland Revenue
“KKR”	Kohlberg Kravis Roberts & Co.
“Listing Particulars”	the listing particulars relating to Morrisons and the new Morrisons Shares to be issued pursuant to the Scheme and prepared in accordance with the Listing Rules
“Listing Rules”	the Listing Rules of the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc or its successor
“Meetings”	the Safeway Court Meeting and/or the Safeway EGM as the case may be
“Merger”	the proposed merger of Morrisons and Safeway by way of the Scheme as described in this document to be accounted for under the principles of acquisition accounting
“Merger Agreement”	the merger agreement dated 15 December 2003 between (1) Morrisons and (2) Safeway, as amended on 16 January 2004,

	details of which are set out in paragraph 6 of Appendix II to this document
“Mix and Match Facility”	the facility whereby holders of Scheme Shares may elect to receive either additional new Morrisons Shares or additional cash (in accordance with the terms of the Scheme) to the extent only that other holders of Scheme Shares make off-setting elections
“Morrisons”	Wm Morrison Supermarkets PLC
“Morrisons Directors” or “Morrisons Board”	the directors of Morrisons whose names are set out in paragraph 2(b) of Appendix II to this document
“Morrisons EGM” or “Morrisons Extraordinary General Meeting”	the extraordinary general meeting of Morrisons Shareholders (and any adjournment thereof) convened in connection with the Merger to be held at 11.00 a.m. on 11 February 2004
“Morrisons Group”	Morrisons and its subsidiary undertakings and, where the context permits, each of them
“Morrisons Share Option Schemes”	the Wm Morrison Supermarkets PLC Senior Executive Share Option Scheme 1985, the Wm Morrison Supermarkets PLC Executive Share Option Scheme 1995 and the Wm Morrison Supermarkets PLC Sharesave Scheme 2000
“Morrisons Shares” or “Morrisons Ordinary Shares”	the ordinary shares of 10 pence each in the share capital of Morrisons
“Morrisons Shareholder(s)”	registered holders of Morrisons Shares and “Morrisons Shareholder” means any of such holders
“new Morrisons Shares”	the Morrisons Ordinary Shares proposed to be issued and credited as fully paid pursuant to the Scheme and the Merger
“Offer Period”	the period commencing on 9 January 2003 (being the date upon which the Original Offer was made)
“Official List”	the official list of the UK Listing Authority
“OFT”	The Office of Fair Trading
“Original Offer”	the recommended all-share offer made by ABN AMRO on behalf of Morrisons for the entire share capital, issued and to be issued, of Safeway, as announced on 9 January 2003
“Panel”	the Panel on Takeovers and Mergers
“Proposals”	the proposed Merger and Scheme of Arrangement
“Registrar of Companies”	the Registrar of Companies of England and Wales
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any modification thereof or any regulations in substitution therefor made under section 207 of the Companies Act and for the time being in force
“Safeway”	Safeway plc
“Safeway Articles”	the articles of association of Safeway at the date of this document
“Safeway Court Meeting”	the meeting of holders of Scheme Shares (and any adjournment thereof) convened pursuant to an order of the Court under section 425 of the Companies Act, to be held at 10.00 a.m. on 11 February 2004, for the purpose of considering and, if thought fit, approving the Scheme, notice of which is set out at the end of this document

Appendix IV Definitions

“Safeway Directors” or “Directors of Safeway”	the directors of Safeway whose names are set out in paragraph 2(a) of Appendix II to this document
“Safeway EGM” or “Safeway Extraordinary General Meeting”	the extraordinary general meeting of Safeway Shareholders (and any adjournment thereof) convened in connection with the Scheme to be held at 10.05 a.m. on 11 February 2004 notice of which is set out at the end of this document
“Safeway Group”	Safeway and its subsidiary undertakings
“Safeway Share Option Schemes”	the Safeway 1993 Executive Share Option Scheme, the Safeway Customer Care Performance Share Option Plan and the Safeway 1996 Sharesave Scheme
“Safeway Share Schemes”	the Safeway Long-Term Incentive Plan for Senior Executives, the Safeway Deferred Annual Bonus Share Scheme and the Safeway Share Option Schemes
“Safeway Shareholders”	registered holders of Safeway Shares and “Safeway Shareholder” means any of such holders
“Safeway Shares”	the existing issued or unconditionally allotted and fully paid (or credited as fully paid) ordinary shares of 25 pence each in Safeway and any further such shares which are unconditionally allotted or issued (including pursuant to the exercise of options under the Safeway Share Schemes) before the Effective Date
“Sainsbury”	J Sainsbury plc
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under section 425 of the Companies Act between Safeway and the holders of the Scheme Shares set out in Part III of this document, with or subject to any modification thereof or in addition thereto or condition agreed by Safeway and Morrisons and which the Court may think fit to approve or impose
“Scheme Document”	this document
“Scheme Record Time”	6.00 p.m. on the last Business Day immediately prior to the Effective Date
“Scheme Shareholders”	the holders of Scheme Shares
“Scheme Shares”	Safeway Shares: <ul style="list-style-type: none">(a) in issue on the date of this document;(b) (if any) issued after the date of this document and prior to the Voting Record Time in relation to the Court Meeting; and(c) (if any) issued on or after the Voting Record Time in relation to the Court Meeting and at or prior to the Hearing Record Time either on terms that the original or any subsequent holder thereof shall be bound by the Scheme or, in the case of any such shares issued prior to the adoption of the amendment to the Safeway Articles set out in paragraph (c)(i) of the resolution contained in the notice of the Safeway EGM contained in this document, in respect of which the holder thereof shall have agreed in writing to be bound by the Scheme, and including, where the context so requires, A Ordinary Shares, B Ordinary Shares and/or Deferred Shares arising upon the subdivision, conversion and re-classification referred to in clause 1.1 of the Scheme contained in this document

“SDRT”	UK stamp duty reserve tax
“Second Court Hearing”	the hearing by the Court of the petition to confirm the reduction of capital provided for by the Scheme
“Second Hearing Date”	the date of commencement of the Second Court Hearing
“sterling” or “£” or “pence”	the lawful currency for the time being in the UK
“Tesco”	Tesco plc
“Trackdean Investments Limited”	an investment vehicle owned by Philip Green and his family
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for listing under Part VI of the Financial Services and Markets Act 2000
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland and its dependent territories
“uncertificated” or “in uncertificated form”	in respect of a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being in uncertificated form, in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
“Undertakings”	the undertakings given by Morrisons to the Secretary of State for Trade and Industry described in paragraph 6 of Appendix II to this document
“United States” or “US”	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction
“US Person”	a US person as defined in Regulation S under the US Securities Act
“US Securities Act”	the United States Securities Act of 1933, as amended
“Voting Record Time”	the time fixed by the Court and Safeway for determining the entitlement to vote, respectively, at the Safeway Court Meeting and the Safeway EGM as set out in the notices thereof

For the purposes of this document, “subsidiary”, “subsidiary undertaking”, “undertaking”, and “associated undertaking” have the meanings given by the Companies Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Companies Act).

Notice of Court Meeting

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No 183 of 2004

Mr Registrar Baister

IN THE MATTER OF SAFEWAY plc

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an order dated 15 January 2004 made in the above matters, the Court has directed a meeting (the "Court Meeting") to be convened of the holders of Scheme Shares (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement pursuant to section 425 of the Companies Act 1985 proposed to be made between Safeway plc (the "Company") and the holders of Scheme Shares (as therein defined) and that such Court Meeting will be held at the Thistle Tower Hotel, St Katharine's Way, London E1W 1LD on 11 February 2004 at 10.00 a.m. at which place and time all holders of Scheme Shares are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 426 of the Companies Act 1985 are incorporated in the document of which this Notice forms part.

Holders of Scheme Shares entitled to attend and vote at the meeting may vote in person at the Court Meeting or they may appoint another person as their proxy to attend and vote in their stead. A proxy need not be a member of the Company. A blue form of proxy for voting at the Court Meeting is enclosed with this Notice. Completion and return of the blue form of proxy will not prevent a holder of Scheme Shares from attending and voting at the Court Meeting, or any adjournment thereof, in person if he wishes to do so.

In the case of joint holders of Scheme Shares, any one such joint holder may tender a vote, whether in person or by proxy, at the Court Meeting, but if more than one such joint holder shall tender a vote the vote of the person named first in the register of members of the Company shall be accepted to the exclusion of the other joint holder(s).

By the said order, the Court has specified that entitlement to attend and vote at the said Court Meeting of the holders of Scheme Shares and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company as at 6.00 p.m. on 9 February 2004 or, in the event that the said Court Meeting is adjourned, on the register of members of the Company not less than 48 hours before the time of any adjourned meeting.

It is requested that forms of proxy be lodged by post or, during normal business hours, by hand with the Company's registrars, Computershare Investor Services PLC, at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA by not later than 10.00 a.m. on 9 February 2004, but if forms are not lodged by then, they may be handed to Safeway's registrars on behalf of the Chairman at the Court Meeting before the taking of the poll. Alternatively, you can submit your proxy electronically at www.safeway.co.uk using the pin and shareholder reference number set out in the enclosed form of proxy. Electronic proxy appointments must be received not later than 10.00 a.m. on 9 February 2004.

By the said order, the Court has appointed David Webster or, failing him, Simon Laffin or, failing him, Hugh Collum, to act as Chairman of the Court Meeting and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated: 19 January 2004

Clifford Chance Limited Liability Partnership
10 Upper Bank Street
London E14 5JJ
Solicitors for the Company

Notice of Extraordinary General Meeting

SAFEWAY plc

(Registered in England No. 1299733)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Safeway plc (the "Company") will be held at the Thistle Tower Hotel, St Katharine's Way, London E1W 1LD on 11 February 2004 at 10.05 a.m. (or as soon thereafter as the meeting of the holders of the Company's ordinary shares convened by the direction of the High Court of Justice in England and Wales (the "Court") for the same date and place shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution, which resolution will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

- (a) the scheme of arrangement dated 19 January 2004 (the "Scheme"), in its original form or with or subject to such modification, addition or condition agreed between the Company and Wm Morrison Supermarkets PLC ("Morrisons") and approved or imposed by the Court, proposed to be made between the Company and the holders of Scheme Shares (as defined in the Scheme), a print of which has been produced to the meeting and (for the purpose of identification only) signed by the Chairman, be hereby approved;
- (b) for the purpose of giving effect to the Scheme in its original form or with or subject to such modification, addition or condition agreed between the Company and Morrisons and approved or imposed by the Court:
 - (i) immediately prior to the Scheme becoming effective, in respect of the holding of each holder of Scheme Shares (as defined in the Scheme), all such Scheme Shares comprised in each such holding shall be consolidated into one new share in the capital of the Company having a nominal value equal to the aggregate nominal value of all such Scheme Shares comprised in the relevant holding (an "intermediate share") and forthwith thereupon every intermediate share shall be sub-divided and converted into and re-classified as A Ordinary Shares, B Ordinary Shares and Deferred Shares (as such terms are defined in the Scheme and having the rights set out in new article 3 to be adopted pursuant to paragraph (b)(ii) of this resolution) on the basis of:
 - (A) in respect of each holding of Scheme Shares that are not the subject of a valid election under the Mix and Match Facility (as defined in the Scheme), one A Ordinary Share and one B Ordinary Share for every such Scheme Share held prior to the sub-division and conversion and re-classification referred to above; or
 - (B) in respect of each holding of Scheme Shares that are the subject of a valid election under the Mix and Match Facility, such number of A Ordinary Shares, B Ordinary Shares and Deferred Shares as the Directors of the Company shall determine may be appropriate having regard to such elections on the basis set out in clause 4 of the Scheme;
 - (ii) with effect from the sub-divisions and conversions and re-classifications referred to in paragraph (i) above, article 3 of the articles of association of the Company shall be replaced by the following new article 3:
 - "3. AUTHORISED CAPITAL**
 - (A) The authorised share capital of the Company is £375,000,000 divided into ordinary shares of 25p each ("Ordinary Shares"), A ordinary shares of 19⁷/₁₀p each ("A Ordinary Shares"), B ordinary shares of 5³/₁₀p each ("B Ordinary Shares") and deferred shares of 1/10 pence each ("Deferred Shares").

Notice of Extraordinary General Meeting

- (B) The A Ordinary Shares and the B Ordinary Shares shall rank equally as if they were the same class of share in all respects and the rights attaching to such shares shall be identical, save to the extent set out below:

(i) Income

On the payment of any dividend or other distribution, the assets that are the subject of the distribution shall be paid on the A Ordinary Shares and on the B Ordinary Shares such that, in aggregate, the amounts received by the holders of A Ordinary Shares and the holders of the B Ordinary Shares reflect the Ordinary Share Ratio.

(ii) Capital

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares) the Company's assets available for distribution among the members shall be applied in repaying on the A Ordinary Shares and on the B Ordinary Shares such amounts as ensure that, in aggregate, the amounts received by the holders of the A Ordinary Shares and the holders of the B Ordinary Shares reflect the Ordinary Share Ratio.

(iii) Attendance at general meetings and voting

The A Ordinary Shares and the B Ordinary Shares confer the right to receive notice and to attend and vote in respect of any resolution considered at a general meeting of the Company. On a show of hands, each holder of A Ordinary Shares and each holder of B Ordinary Shares present in person or (being a corporation) by a representative has one vote. On a poll each holder of A Ordinary Shares present in person or by proxy or (being a corporation) by a representative, is entitled to exercise the number of votes equal to the number of A Ordinary Shares held by him multiplied by the Ordinary Share Ratio expressed as a fraction and each holder of B Ordinary Shares present in person or by proxy or (being a corporation) by a representative, is entitled to exercise one vote for each B Ordinary Share held by him.

(iv) Scheme of Arrangement

Upon the scheme of arrangement dated 19 January 2004 between the Company and the holders of Scheme Shares (in its form as at that date or with or subject to any modification thereof or in addition thereto or condition agreed by Safeway and Wm Morrison Supermarkets PLC ("Morrison's") and which the Court may think fit to approve or impose) (the "Scheme") becoming effective, each A Ordinary Share shall confer upon the holder thereof the right to receive one new ordinary share of 10 pence each in the capital of Morrison's and each B Ordinary Share shall confer upon the holder thereof the right to receive 60 pence in cash in each case in accordance with and pursuant to the terms of the Scheme.

(v) Definitions

For the purposes of these Articles, "Ordinary Share Ratio" shall mean the ratio of 223:60 or, where such ratio is expressed as a fraction, $\frac{223}{60}$.

- (C) Each Ordinary Share shall have such rights as attach in aggregate to an A Ordinary Share and a B Ordinary Share.
- (D) The holders of the Deferred Shares shall not, by virtue of or in respect of their holdings of Deferred Shares, have the right to receive notice of any general meeting of the Company nor the right to attend, speak, or vote at any such general meeting. The Deferred Shares shall not entitle the holder thereof to receive any dividend or other distribution. The Deferred Shares shall on a return of capital on winding up or otherwise entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on each of the Ordinary Shares, A Ordinary Shares and B Ordinary Shares then in issue (if any) and the payment of £5,000 on each of the Ordinary Shares, A Ordinary Shares and B Ordinary Shares then in issue (if any). The Company shall have irrevocable authority at any time after the adoption of this Article to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof (and/or an agreement to

Notice of Extraordinary General Meeting

transfer the same) to such person as the Company may determine as custodian thereof and/or to purchase the same (in accordance with the provisions of the Acts) in any case for not more than 1 penny for all of the Deferred Shares without obtaining the sanction of the holder or holders thereof and pending such transfer and/or purchase to retain the certificate for the Deferred Shares. The Company may, at its option at any time prior to 31 December 2004, purchase all or some of the Deferred Shares then in issue at a price not exceeding 1 penny for all the Deferred Shares purchased or may cancel such shares by way of reduction of capital for no consideration.”;

- (iii) forthwith and contingently upon the sub-division and conversion and re-classification referred to in paragraph (b)(i) above taking effect and the requisite entries having been made in the register of members of the Company, the share capital of the Company shall be reduced by cancelling and extinguishing all of the A Ordinary Shares, B Ordinary Shares and Deferred Shares;
 - (iv) forthwith and contingently upon the reduction of share capital referred to in paragraph (b)(iii) above taking effect:
 - (A) the share capital of the Company shall be increased to its former amount by the creation of such number of new Safeway Shares (as defined in the Scheme) as shall be equal in aggregate nominal value to the amount referred to in paragraph (b)(iv)(B) below; and
 - (B) the Company shall apply the credit arising as a result of the reduction of share capital referred to in paragraph (b)(iii) above in paying up in full at par all of the new Safeway Shares created pursuant to paragraph (b)(iv)(A) above, which shall be allotted and issued, credited as fully paid, to Morrisons and/or its nominee in consideration for the issue of new Morrisons Shares and payment of the sums to be paid by Morrisons as set out in clause 3 of the Scheme; and
 - (v) the Directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985, in substitution for all prior authorities conferred upon the Directors, but without prejudice to any allotments made pursuant to the terms of such authorities, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) in connection with the Scheme provided always that the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be the aggregate nominal amount of the said new ordinary shares created pursuant to sub-paragraph (b)(iv)(A) of this resolution and this authority shall expire (unless previously revoked, varied or renewed) on 31 December 2004; and
- (c) the articles of association of the Company be amended:
- (i) with effect from the passing of this resolution, by including the following new article after article 3 as article 3A (and amending the remainder of the articles and any cross-references thereto accordingly):

“3A SCHEME OF ARRANGEMENT

- (A) In this Article, references to the “Scheme” are to the scheme of arrangement dated 19 January 2004 under Section 425 of the Companies Act 1985, between the Company and the holders of the Scheme Shares (as defined in the Scheme), as it may be modified or amended in accordance with its terms, and expressions defined in the Scheme shall have the same meanings in this Article.
- (B) If the Company issues any Ordinary Shares on or after the Voting Record Time and at or prior to the Hearing Record Time, such shares shall be subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the original or any subsequent holder or holders of such shares shall be bound by the Scheme accordingly.
- (C) Notwithstanding any other provision of these Articles, if the Scheme becomes effective and any Ordinary Shares are issued to any person (a “New Member”) (other than to Wm Morrison Supermarkets PLC (“Morrisons”) or any person identified by written notice to the Company as its nominee(s)) at or after the Hearing Record Time, such New Member (or any subsequent holder) will, provided the Scheme has become effective, be obliged to

Notice of Extraordinary General Meeting

transfer to Morrisons (or its nominee) and Morrisons (or its nominee) shall be obliged to acquire, all the Ordinary Shares held by the New Member (or any subsequent holder) (the "Disposal Shares"). The consideration payable by Morrisons in respect of such disposal shall be satisfied by the allotment and issue to such New Member (or subsequent holder) of one new Morrisons Share (as defined in the Scheme) for each A Ordinary Share and the payment of the sum of 60 pence in cash for each B Ordinary Share transferred to it or, following the Scheme becoming effective, of one new Morrisons Share and the payment of the sum of 60 pence in cash for each Ordinary Share transferred to it (or such greater amount as may be payable under the Scheme if modified in accordance with its terms).

- (D) To give effect to any transfer required by paragraph (C) above Morrisons may appoint any person to execute and deliver as transferor a form of transfer or instructions to transfer on behalf of the New Member (or any subsequent holder) in favour of Morrisons or its nominee and the Company may give a good receipt for the purchase price of the Disposal Shares and may register Morrisons or its nominee as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Disposal Shares. Morrisons shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder) in respect of the cash element of the purchase price of such Disposal Shares and shall procure the allotment and issue to the relevant number of new Morrisons Shares for the New Member (a subsequent holder) within 14 Business Days of the time on which the Disposal Shares are issued to the New Member.
- (E) If the Scheme shall not have become effective by the date referred to in clause 7.2 of the Scheme, this Article 3A shall be of no effect."; and
- (ii) with effect from the Effective Date by replacing the then article 3 with the following new article 3:
- "3. AUTHORISED CAPITAL**
- (A) The authorised share capital of the Company is £375,000,000 divided into 1,500,000,000 Ordinary Shares of 25p each."

Registered office
6 Millington Road
Hayes, Middlesex UB3 4AY

BY ORDER OF THE BOARD
David Wilson FCIS
Secretary

19 January 2004

Notes

1. Every member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and, on a poll (but not on a show of hands), to vote instead of him. A pink proxy form is enclosed for this purpose. A proxy need not be a member of the Company.
2. For the purposes of determining who is entitled to attend and vote at the Extraordinary General Meeting, and how many votes a person entitled to attend may cast, a person must be entered on the register of members not later than 48 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof.
3. The completed form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or notarially certified copies of such power of attorney or authority, must be received by the registrars, Computershare Investor Services PLC, at PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, by 10.05 a.m. on 9 February 2004. Completion and return of a proxy form will not prevent a member from attending and voting at the Extraordinary General Meeting, or any adjournment thereof, in person if he wishes to do so. Alternatively, you can submit your proxy electronically at www.safeway.co.uk using the pin and shareholder reference numbers set out in the enclosed form of proxy. Electronic proxy appointments must be received by not later than 10.05 a.m. on 9 February 2004.

CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the Extraordinary General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of CRESTCo Limited ("CRESTCo") and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a

Notice of Extraordinary General Meeting

previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by 10.05 a.m. on 9 February 2004. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

- 4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that entitlement to attend and vote at the Extraordinary General Meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company not more than 48 hours before the time of such meeting or adjourned meeting. Changes to the register of members after 6.00 p.m. on 9 February 2004 or, if the Extraordinary General Meeting is adjourned, not more than 48 hours before the time appointed for the adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.*
- 5. Copies of the Company's existing articles of association and copies of the articles of association as proposed to be amended by paragraphs (b) and (c) of the special resolution set out in the notice of meeting are available for inspection at the offices of Clifford Chance Limited Liability Partnership, 10 Upper Bank Street, London E14 5JJ and at the Company's registered office, 6 Millington Road, Hayes, Middlesex UB3 4AY until opening of business on the day on which the meeting is held and will also be available for inspection at the place of the Extraordinary General Meeting for at least 15 minutes prior to the Extraordinary General Meeting.*

