

# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action you should take you are advised to consult your stockbroker, bank manager, solicitor, accountant or other independent advisor authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company prior to 30 September 2005, this document and any other relevant documents should be given to the person through whom the sale or transfer was made so it can be passed on to the purchaser or transferee.



Dear Shareholder

12 October 2005

## Interim Dividend 2005

I am pleased to inform you that **an interim dividend of 2.53 pence per share** will be paid to shareholders of the Company whose names appeared in the register of members at the close of business on 30 September 2005 (the record date). The dividend will **be paid on 9 December 2005**.

Some overseas shareholders will not be eligible to receive this dividend. If you are an overseas shareholder and have any questions, please contact Lloyds TSB Registrars.

## Scrip Dividend Option

You have the opportunity to receive your dividend in shares (scrip dividend) instead of cash.

Eligible shareholders will be entitled to **one new share for every 122.94 ordinary shares** in the Company registered in their names on the record date. This entitlement is based on a price of 311.05 pence per share, which is the average of the middle market quotations for the Company's shares taken from the London Stock Exchange Daily Official List for the five business days starting on 28 September 2005. Fractions of shares will not be issued. Any cash balances representing fractional entitlements will be carried forward, without interest, and included in the calculation of the next dividend.

Application will be made to the UK Listing Authority for admission of the new shares to listing. Subject to admission, share certificates for the new shares will be posted to shareholders with valid scrip dividend mandates, at their risk, on 8 December 2005. Those shareholders with holdings in uncertificated form will have their relevant stock account in CREST credited with new shares on 9 December 2005.

Dealings in the new shares are expected to commence on 9 December 2005. The new shares will, on issue, rank equally in all respects with the existing issued shares and will rank for all future dividends. In the unlikely event that listing of the new shares does not become effective on or before 9 December 2005, mandates will be disregarded and the interim dividend will be paid in cash.

Shareholders who have already completed a scrip dividend mandate will automatically be allotted their entitlement of new shares in the Company.

## Action Required

**If you do not wish to change the way that you receive your dividends you should not take any action.**

**If you have previously received your dividends in cash and you now wish to receive all or any part of your dividends in the form of new shares you should complete and return a mandate to Lloyds TSB Registrars (see details below). You will need to do this by 5.00pm on 11 November 2005 if you wish to receive this interim dividend in shares.** Copies of the scheme booklet and mandates can be obtained from Lloyds TSB Registrars or from our website (see details below).

**If you have previously received all or any part of your dividends in shares and you now wish to have your dividend paid in cash you will need to cancel your mandate by writing to Lloyds TSB Registrars (see details below). Your letter must be received by 5.00pm on 11 November 2005 if you wish to receive this interim dividend in cash.**

If all eligible shareholders were to elect to receive shares in respect of their holding, in place of the cash dividend, 63.8 million new shares would be issued, representing 0.81 percent of the issued share capital of the Company on 30 September 2005. The total cost of the interim dividend if paid wholly in cash would be £198.6 million with an applicable tax credit of £19.9 million.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D E Reid', is written over a horizontal line.

D E Reid  
Chairman

**FOR MORE INFORMATION PLEASE CONTACT LLOYDS TSB REGISTRARS:**

**FOR A SCRIP DIVIDEND MANDATE FORM** please telephone  
**0870 241 3018** or download a form from our website  
[http://www.tescocorporate.com/images/Mandate%20Form\\_1.pdf](http://www.tescocorporate.com/images/Mandate%20Form_1.pdf)

**FOR ALL OTHER QUERIES** please telephone  
**0870 600 3976** or write to: Lloyds TSB Registrars,  
The Causeway, Worthing, West Sussex BN99 6DA.