

News Release

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INTERIM MANAGEMENT STATEMENT

The Group has made an encouraging start to the second half of its financial year, with improved sales momentum from like for like growth and new store openings. This is particularly pleasing as the prior year comparatives remained strong during this period.

Commenting on the results, Marc Bolland, Chief Executive, said: "Although we are still at an early stage in our three year Optimisation Plan, I am delighted with the progress that has been made. We are on track to deliver our vision of being the food specialist for everyone."

Trading

Having grown by 3.0% in the opening seven weeks of the half, like for like sales in the 14 weeks to 4th November 2007 were up by 3.7% excluding fuel (4.0% including fuel). During this period total sales increased by 4.6% (5.0% including fuel). In consequence, in the 39 weeks to 4th November 2007 like for like sales were up by 3.1% excluding fuel (2.9% including fuel) and total sales increased by 3.2% (3.3% including fuel).

Optimisation Plan

The implementation of the Optimisation Plan is progressing well. The roll out of new branding and revised Market Street presentation across the entire estate is now under way and on track for completion by the end of July 2008. As indicated at the interim stage, we have increased our marketing activity significantly in support of these changes, and the campaign, particularly our new advertising, has been very well received by customers.

We have further emphasised our strengths in the sourcing and provenance of food, supported by our vertical supply chain, by confirming that only fresh fish is sold on our fish counters, and that all our fresh pork and lamb is British. We have continued to offer our customers great value despite the well publicised pressures on commodity prices, and have implemented a further 7,500 price reductions in the period.

We expect the market to remain competitive and we remain cautious on the outlook for consumer spending. However we are encouraged by our sales growth and business performance in Quarter 3.

Non-Trading Items

During the Quarter we have benefited from a number of one-off income elements. The recovery of past overpayments of indirect taxes and the release of an onerous lease provision on property have contributed £20m and will appear in Operating Profit. Further gains on property disposals* of £14m have been achieved, bringing the total for the year to date to £30m.

Whilst total interest payable for the full year will be in line with our expectations, we now expect to generate higher than expected finance income from the performance of our pension schemes and from strong cash flow, which has benefited by £50m from property disposals in this quarter. As a consequence we now expect total finance charges for the year as a whole to be broadly neutral.

Future Reporting Cycle

Following the implementation of the new regulations in relation to Interim Management Statements, Morrisons will in future be providing sales updates on a quarterly basis. In addition it will provide a sales update on Christmas trading which will be combined with a pre close outlook for the full year.

Sales updates covering the period between a financial reporting date and the date of an announcement will no longer be provided.

Our future reporting timetable will therefore be:

Period	Announcement Date	Subject
Christmas	Mid - January	6 week sales and pre- close update
Full year	Mid - March	Preliminary results
Quarter 1	Early June	IMS - sales and trading
Half year	Early August	Pre close update
Half year	Mid - September	Interim results
Quarter 3	Early December	IMS - sales and trading

* Profits from property transactions are recorded within Operating Profit but shown separately on the Income Statement

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