

Interim Results

25 weeks to 23 July 2006

21 September 2006





Leyland

Sir Ken Morrison CBE

Chairman



Agenda

- Overview – Sir Ken Morrison
- Introduction – Marc Bolland
- Financial and Operational Review – Richard Pennycook
- Questions

Interim Results 2006/07

- Solid first half performance - signs that the recovery is under way:
 - Increasing customer numbers
 - Improving sales densities
 - Like for like turnover up 6.6% (4.6% ex. fuel)
- Optimisation Plan delivering benefits and on track
- PBET £134.2m (2005/06: £36.7m)
- Interim dividend maintained at 0.625p

Other matters

- Board
 - Marc Bolland appointed CEO – 1 September 2006
 - Recruitment for new Deputy Chairman progressing well
 - Bob Stott retires – 30 September 2006
- Competition Commission enquiry
 - Dedicated team in place





Stockport

Marc Bolland

CEO





Richard Pennycook

Group Finance Director

Bristol



Financial summary

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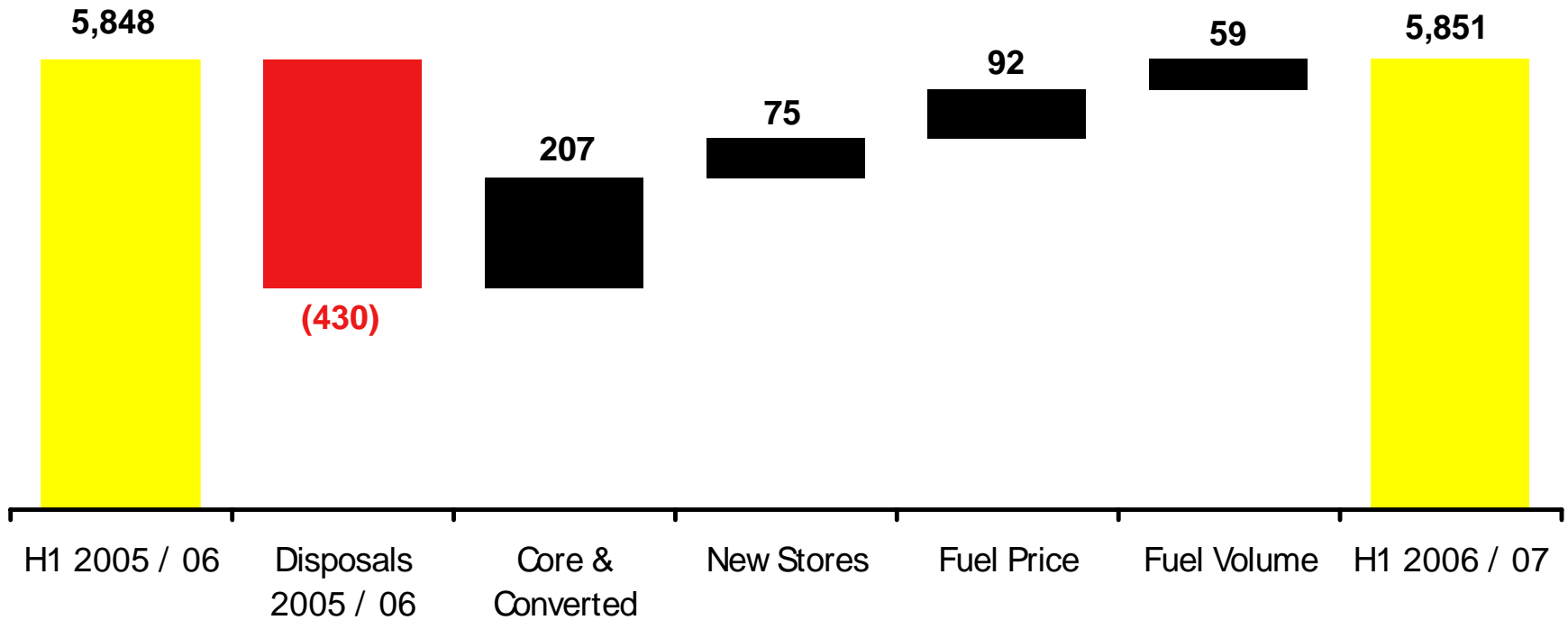
£m	H1 06/07	H1 05/06
Turnover	5,850.7	5,847.5
Operating profit	163.8	50.7
Exceptional items	-	(118.8)
Operating cash inflow	418.8	326.6
Net debt	881.2	1,101.0
Net assets	3,659.9	3,910.8

Operating profit pre exceptionals

	H1 06/07		H1 05/06	
	£m	%	£m	%
Gross profit/margin	1,499.9	25.6	1,430.8	24.5
Staff costs	(746.1)	(12.8)	(784.2)	(13.4)
Depreciation	(126.6)	(2.1)	(139.3)	(2.4)
Other costs	(463.4)	(7.9)	(456.6)	(7.8)
Operating profit pre exceptionals	163.8	2.8	50.7	0.9

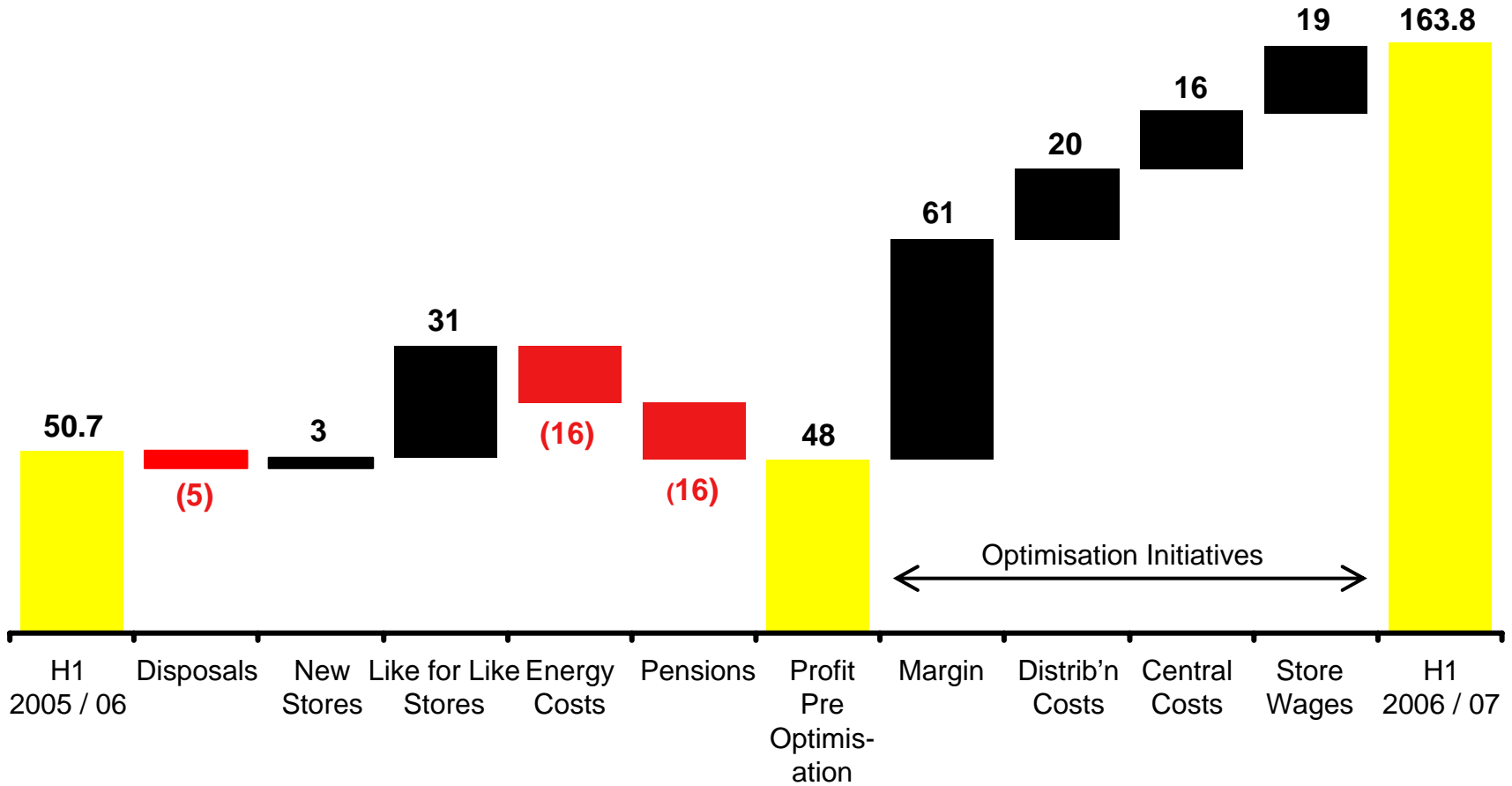
Turnover bridge – half on half

£m



Profit bridge – half on half

£m



Cash flow

£m	06/07	05/06
Cash flow from operations	418.8	326.6
Proceeds from disposals	50.9	158.9
Capital expenditure	(103.8)	(338.2)
Sale and issue of shares	1.8	0.5
Tax, interest, servicing of finance	(12.4)	(15.6)
Dividends	(81.7)	(81.2)
Cash flow	273.6	51.0

Opening net debt	(1,147.6)	(1,160.9)
Closing net debt	(881.2)	(1,101.0)

Operational review

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Calendar



Objective

Apply, and adapt where necessary, the
125 store Morrisons model to the new
c370 store world.... In order to
optimise business performance over a 3 year programme

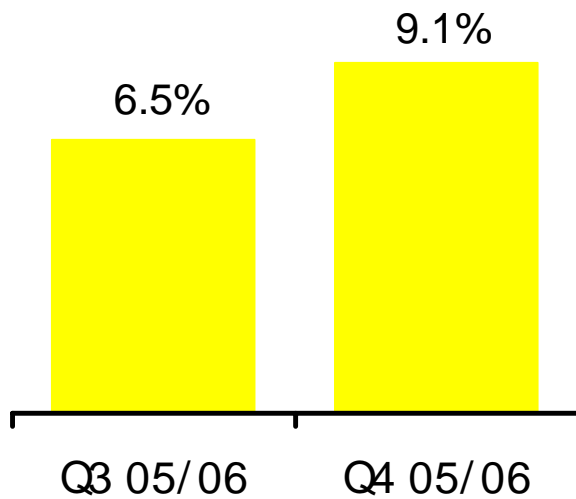
Tactical profit recovery, not strategic repositioning

Like for like sales

	FY 05/06	7 weeks to 19 March (Prelims)	16 weeks to 25 May (AGM)	9 weeks to 23 July (Interims)	H1 2006/07
Like for like sales					
Inc fuel	5.1%	5.7%	6.0%	7.5%	6.6%
Ex fuel	2.4%	3.2%	3.7%	6.1%	4.6%
Other metrics					
Customers	5.3%	4.6%	5.1%	5.5%	5.3%
Sales per customer (£)	22.21	21.81	21.92	22.13	22.00
Sales per sq.ft. (£)	18.40	18.78	19.03	19.78	19.30
Stores	365	367	365	365	365

Scotland – an update

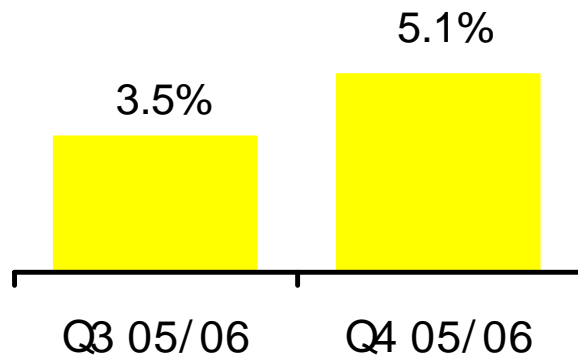
Like for like sales in 43 stores*



*Excluding fuel

South - real progress in new territory

Like for like sales in 149 stores*

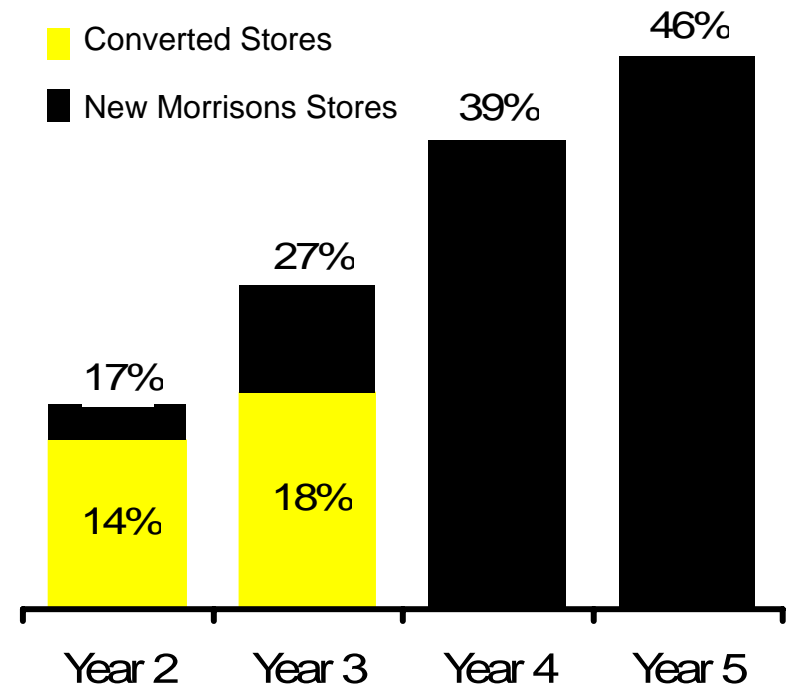


*Excluding fuel

Store sales – how they build

Sales increase from point of opening or conversion

- New stores take time to establish their trade
- Converted stores have a similar profile
- Morrisons growth has always been driven by new customers finding the store



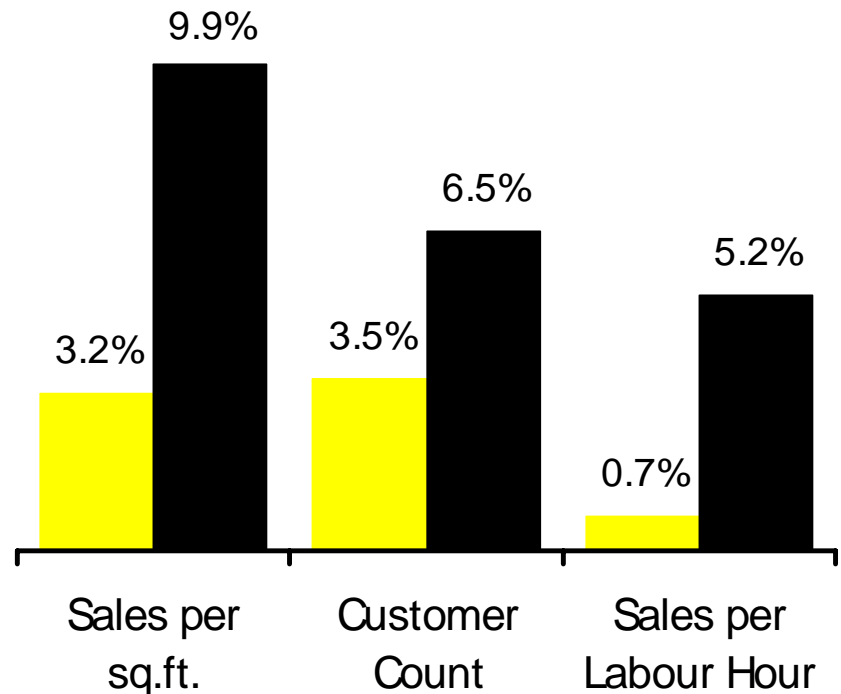
Source: Opening profile for 50 new Morrisons stores opened since 1999
Opening profile for 226 converted stores post conversion



Smaller stores project

- Smaller stores began the year with a large productivity gap
- Numerous trials and operational initiatives
- Sales densities already exceed large stores, but profitability still well short
 - a 2 year programme

July 2006 growth on February 2006

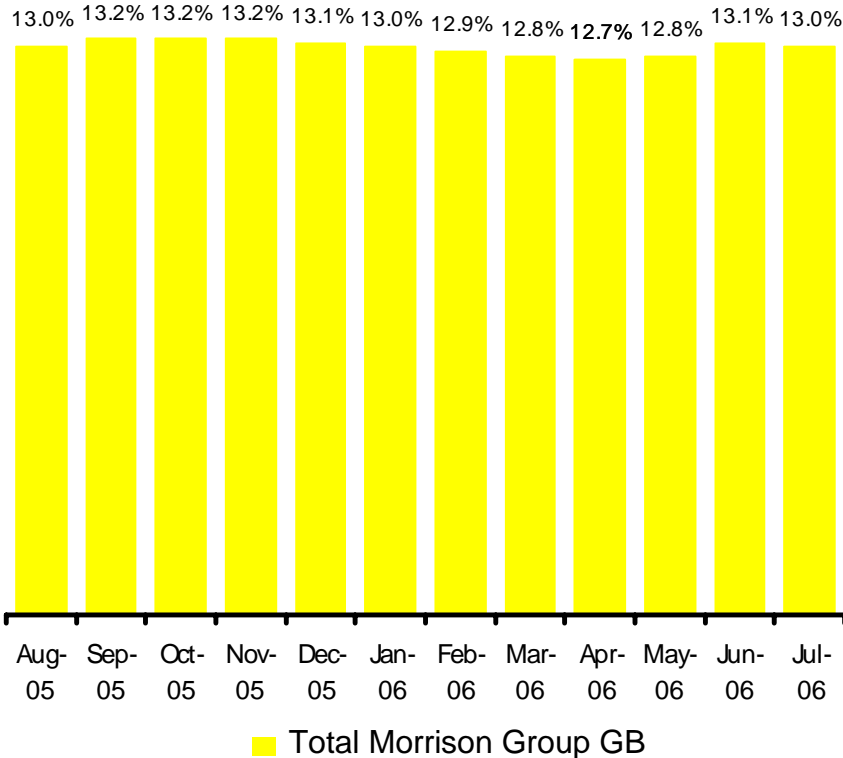


■ Larger stores
■ Smaller stores

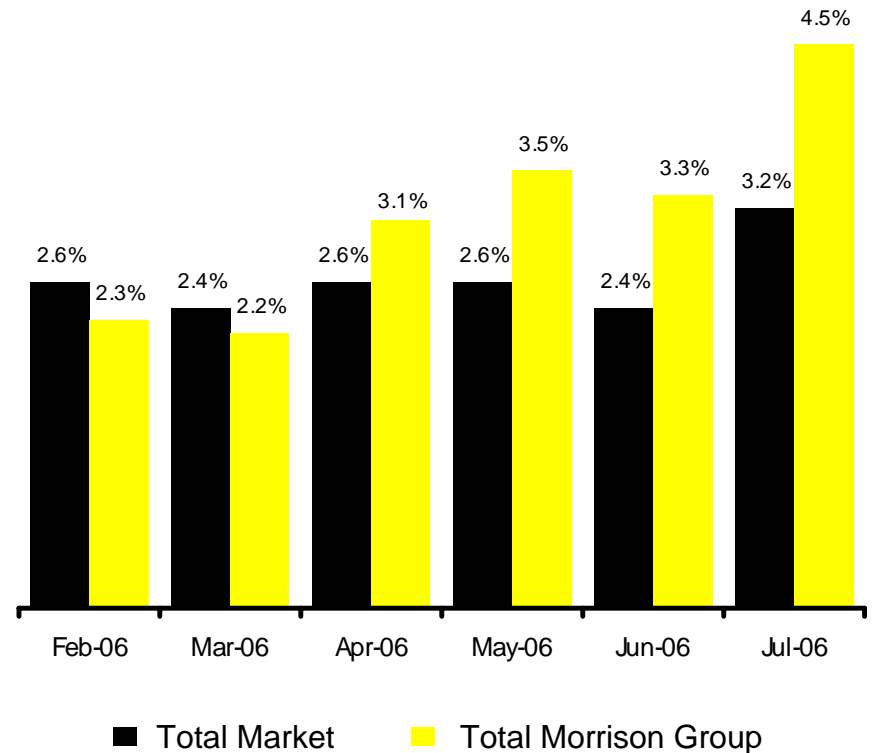


Market performance

Like for like market share strengthening



Morrison's has outperformed the market over recent months



Source: AC Nielsen Scantrack rolling 25 wks



Range – work to do



Organic

Customer service – consistent delivery



Morrisons
are best for
**Customer
Service**

AWARDED



Grocer Magazine **Gold Award
for Customer Service**
for second year running

"cleanliness and
tidiness of store"
"putting customers first"
"efficient and
helpful staff"



Morrisons
shoppers enjoy the
**Best Customer
Service**

AWARDED



Checkout Magazine **GAPbuster
Customer Experience 2005-06
Champions Award**

"best overall
performance"
"consistent service"
"staff friendliness"



GAPbuster
WORLDWIDE

Optimisation – A clear plan to fix the basics

- 6m store staff hours – target saving
 - on target. Staff costs 12.8% (FY05/06 13.5%)
- 90 bps margin target over three years
 - ahead of schedule – but guidance maintained
- £30m distribution saving target this year
 - 3 depots closed – further rationalisation being implemented
 - new Southern RDC 07/08
- £30m central cost saving target this year
 - Safeway Head Office closed
 - Yorkshire locations consolidated into new HQ
- Capital expenditure to match depreciation, this year
 - capex under good control



Performance update

	8 wks to 18 September 2005	H1 2006/07	8 wks to 17 September 2006	33 wks to 17 September 2006
Like for like sales				
Inc fuel	6.6%	6.6%	6.5%	6.6%
Ex fuel	2.6%	4.6%	5.9%	4.9%
Other metrics				
Customers	4.1%	5.3%	5.2%	5.3%
Sales per customer (£)	21.84	22.00	22.00	22.00
Sales per sq.ft. (£)	17.87	19.30	19.09	19.25
Stores	364	365	364	364

Summary

- The company is making good progress
 - KPIs are positive
 - all parts of the estate are improving
 - post interim results continue the encouraging trend
- Real confidence in the future
- However – much more to do



Supplementary slides



Profit and loss account

£m	06/07	05/06
Turnover	5,850.7	5,847.5
Operating profit pre exceptionals	163.8	50.7
Net interest expense	(29.6)	(16.2)
Share of joint venture income after tax	-	2.2
Profit before tax and exceptionals	134.2	36.7

Exceptional costs

£m	06/07	05/06
Redundancy	-	9.9
Store conversions (inc payroll)	-	90.7
Divestment costs	-	0.5
Fixtures written off on conversion	-	17.7
Total Safeway integration and conversion	-	118.8

Balance sheet

£m	H1 06/07	H1 05/06
Fixed assets and investments	6,589.1	6,556.5
Stock	336.8	440.0
Debtors and prepayments,	264.4	221.9
Assets held for resale	81.2	387.2
Creditors, exc.bank debt and bonds	(2,730.4)	(2,593.8)
	4,541.1	5,011.8
Net cash / (debt) – within 1 year	111.0	(133.4)
Net debt – more than 1 year	(992.2)	(976.6)
Net assets	3,659.9	3,910.8

Stores analysis

	Systems Conversions	Morrisons	Group
Estate at 30 January 2006	23	355	378
New openings	-	1	1
Conversions	(6)	6	-
Disposals	(6)	-	(6)
	(12)	7	(5)
Estate at 23 July 2006	11	362	373
Total sales area (sq.ft.m)			10.6
Freeholds and long leaseholds			91%
Petrol filling stations			275

The stores estate

	Group
Continuing Group stores	354
Systems conversion stores	11
Total like for like stores (Slide 13)	365
New stores	8
Total estate	373