Slide 1: Sir Ian Gibson

Good morning everyone. I'm pleased to welcome you to Morrisons preliminary results announcement for the year ended 3 February 2013.

Slide 2: Overview

I seem to have been standing on this platform and saying pretty much the same thing about the market for a long time now - but it has been, as we all know, another difficult year for the UK economy and for the consumer.

It's also been a challenging period for Morrisons too as we've faced into the headwinds of declining disposable incomes and a very competitive market. Against that backdrop I'm pleased to be able to report that we have again delivered both top line and earnings growth. Our £1bn equity buy back programme has been completed as planned and the Board's confidence in the future of our business is reflected in a 10% increase in the dividend, in line with our previous commitment.

Dalton will be talking about out trading performance in more detail later. He will also update you on the good progress we've been making in delivering the range of strategic initiatives that we first set out two year's ago and which are laying the foundations to make Morrisons "Different and Better Than Ever".

As usual Richard will take you through the financials and I'm very conscious that this will be his last results announcement for Morrisons – he hands the reins to Trevor Strain next month. The Board will undoubtedly pay a fulsome tribute to him at the AGM in June but I would like to acknowledge publicly the outstanding job he's done over the past 8 years, in steering the ship through the troubled waters of the Safeway era and playing a major role in helping us establish the great business we have today.

We will continue to implement a wide range of measures to address the sales performance of the business and progress our strategic initiatives, in order to provide a platform for successful long term growth. Our expectations are that the challenging consumer and market environment we saw in 2012 will persist through the coming year.

And now let me hand over to Richard.

Slide 3: Richard Pennycook

Good morning ladies and gentlemen. This is my 17th and final results presentation for Morrisons.

Next time out you will be hearing from my colleague Trevor Strain, who is already moving seamlessly into his new role – I am very confident that the Group's finances are in safe hands going forwards.

Slide 4: Financial Summary

When we get into the detail of the year's performance, we will acknowledge that 2012 presented challenges to Morrisons. The summary slide, though, highlights the strength of the business – in a less than sparkling year, turnover was up 3%, underlying earnings were up 7% and the dividend grew 10% without putting undue strain on the balance sheet.

As a footnote, as we go through the presentation, please note that 2012 was a 53 week year for us, providing a c.2% uplift on sales and a marginal effect on profits. Where relevant, 52 week equivalents have been provided at the back of your packs.

Slide 5: Turnover bridge

Moving into the detail of the results, we start as always with sales and our normal turnover bridge. We've made 2011/12 into a "pro forma" 53 week year to aid comparability.

Moving left to right, we saw good contribution from new stores, accounting for a 1.9% sales uplift. Our overall space growth was lower than competitors, as anticipated and previously flagged, so this space growth was not sufficient to keep us abreast with the market – but we expect that position to step up in the coming year. I will be updating our space guidance later in the presentation.

Our like for like performance was negative 2.1%, a position clearly flagged through the year, after many years of steady (and sector leading) market share growth. Dalton will get into the detail of this performance and our planned response to it. Our fuel business, now accounting for £4.2bn of sales, continued the pattern of recent years, with good volume growth despite rises in pump prices, reflecting the strong value perception of our fuel offer. It is sobering to think that our fuel sales have grown by around 75% over the past five years. That's £1.8bn of additional sales during a period where disposable incomes have been static. This represents a very strong headwind for the UK consumer.

Finally, on the chart, we are pleased that Convenience sales have started to contribute. Whilst only a small beginning, the acceleration of our opening programme will see this number becoming quickly more meaningful, and Dalton will update on our progress.

Slide 6: Sales performance

This chart shows our normal breakdown of like for like sales, with the overall negative 2.1% that I referred to earlier. The continuing impact of inflation can be seen in the sales per customer statistic, a most unwelcome pressure on consumers whose disposable incomes declined in the year. The decline in customer numbers of 2.6% was the biggest driver of the like for like performance, and we have previously stated our goal of progressive customer acquisition year on year, so we would not pretend to be satisfied with this performance.

Slide 7: Underlying earnings

Our calculation of underlying earnings is set out here, as usual, showing a 4% decline year on year at profit level but a 7% increase at the earnings level. I will get into that in a little more detail shortly, but for now on this chart let me just highlight the following:

- There is very little going on with pensions – in the detail of our release you will see that our schemes continue to be very well funded, with a net deficit of only £20m
- We incurred £17m of development costs our new business channels.
- This was consistent with guidance, and in the year ahead as these activities accelerate we expect to incur around £40m of investment costs on this line.

Dividend growth of 10% reflected the "underpin" we put in place two years ago, where we confirmed that dividends would grow at least in line with earnings, but with a minimum of 10% for the years 2012 – 2014. With underlying earnings growing 7% and the dividend up 10% this year, we have allowed dividend cover to ease slightly to 2.3 times – still comfortably above the average for the sector.

Slide 8: Operating profit

Our operating profit reversed 30 basis points last year, albeit with a minor fuel dilution impact of c10 basis points. The net decline of 20 basis points compares to our stated ambition to grow margin by 10-30 basis points per year through the operating leverage of above market like for like growth and self help in our cost base. This ambition has steered us well from the days where Operating Margin was only 0.9% of sales.

Whilst our self help programmes delivered comprehensively in 2012, the like for like headwind was simply too strong to allow margin progression in the year. It will be for Trevor to decide when to reinstate margin guidance going forward, but for now the clear focus of the business has to be on restoring top-line momentum. That said I do want to point out the important contribution of those self help programmes to delivering the result for the year. Throughout the business, productivity and cost control has never been better.

Slide 9: Cash flow

Turning now to the cash flow statement, the shape very much reflects our previously stated goals of repositioning the business through above trend capital investment and improving balance sheet efficiency through the equity retirement programme.

Cash generation continued to be strong – with cash from operations up 13% due to good working capital disciplines. Capital expenditure came in below guidance at just over £1.0bn, and included 26 new stores, of which 3 were replacements, and 9 were C-stores. Also in the Capex figure was £100m for the roll out of Fresh Formats, £70m for ongoing investment in our systems renewal programme and £100m of investment in our Manufacturing expansion programme which is now largely complete. The combination of investment and equity retirement led to the planned increase in net debt to close the year end at £2.2bn, in line with guidance. Interest cover remained high at 14 times, and year end gearing of 42% remained the lowest in our sector.

Looking forward, we anticipate another important year of investment for the business. New space growth for our core estate will be 500,000 square feet and we will be accelerating the growth of our convenience and online channels. Overall capital investment of £1.1bn will be slightly ahead of last year but this figure includes £150m for multi-channel development. With no further equity retirements taking place, the rate of increase in net debt will moderate sharply and we expect a year end net debt position of £2.6bn.

Slide 10: Funding profile

This next chart reflects changes made in the year to our debt funding profile, which remains well balanced and efficiently priced. Over and above previous levels, we took on new term debt in the year of £600m. The blended cost of this debt averages 2.7%, which by historic standards represents very attractively priced financing.

Slide 11: Enhancing shareholder returns

We announced our equity retirement programme in March 2011, committing to return £1bn to shareholders over two years, effectively funded through the issue of long term debt instruments. This programme is now complete, and the key metrics to note are as follows:

- Average price paid for the shares was £281p.
- The average coupon of the associated debt instruments was 3.5% and the average longevity 10 years.
- The pro forma next year impact on underlying earnings per share will be an uplift of c10% over the three years of the buyback.

Slide 12: Impact of equity retirement on reported EPS

This next chart shows the in-year effect of the equity retirement, as well as the beneficial impact on earnings of falling headline tax rates. Both of these positive effects will continue into this financial year.

Slide 13: ROCE

My final chart shows our ROCE performance, which was 9.6% in the year – a performance which we believe to be sector leading despite our underlying profit challenge in the year. This is a prize which has been hard won, and a legacy that I know my successor will be keen to enhance.

Now let me hand you over to Dalton for the operational update.

Slide 14: Dalton Philips

Thank you Richard. Good morning everyone.

Slide 15: Agenda

I'll spend the remainder of this morning's presentation on three areas. First, I'll touch on the context of the market and the consumer. Then, I'll talk about how we're addressing our difficult trading performance. And finally, I'll give an update on the progress we're making with our strategic initiatives, and in particular, our growth agenda.

Slide 16: Market backdrop

The past year has been incredibly difficult for the economy, and by extension, the consumer. Fears about job and financial security resulted in consumer confidence remaining at record low levels, and a lack of economic growth, combined with inflation staying high at near 3%, saw household budgets remain under constant pressure. Despite a modest rise in disposable incomes towards the end of the year, increasing household bills, compounded by benefit cuts, made managing budgets difficult, and with economic growth remaining elusive, this year is likely to be equally challenging.

Slide 17: Market growth headwinds

Consumer and economic pressures also had a knock-on effect on the grocery market, impacting shopping habits.

Proximity was once the number one factor for where consumers chose to do their grocery shop. Now it's value for money - namely price and quality - that matters most. Consumers are managing their spend by changing their shopping patterns, doing careful 'top-up' shops in convenience stores, or by shopping online to either save time or money.

These changing patterns have caused a structural shift. 39% of the growth in the market has come from online and convenience. Stripping this out, core store growth in the industry over the past year was only 1.6%. Our growth in comparison is estimated at 0.4%.

Slide 18: Greater clarity and focus needed

We recognise that our performance this year has been unsatisfactory, which is particularly disappointing given the great progress we've made in driving growth for many years.

In November, we highlighted two specific areas that we needed to improve; our promotional effectiveness; and communicating our Points of Difference. We've continued to invest in our base pricing, but in a market where 40% of products are bought on promotion, at a time when value for money is so important, our Promotional Programme wasn't as effective as it needed to be. It lacked the distinctiveness and boldness that Morrisons had become known for.

And by not communicating our unique points of difference well enough, we weren't giving customers a reason beyond value to shop with us. We weren't communicating that we have expertise in fresh food manufacturing. Expertise that means we offer exceptional value and also have greater control over the provenance, safety and quality of the food we sell. And in our stores, we weren't championing that we've more skilled craftspeople than anybody else at our Market Street counters, to offer advice.

This is our business model... we just weren't telling customers about it, and the results spoke for themselves. Although none of these were significant issues individually, they all added up. These are all issues that can and are being fixed. So let me tell you now what we've done about it.

Slide 19: Getting back on track

Our promotional effectiveness is noticeably sharper. We're focused on giving compelling deals that our customers can't get elsewhere. For example, we've taken advantage of our vertically integrated supply chain to offer incredible value right across Market Street. Our new range of Pick of the Street Deals makes a real difference to the price of the weekly shop.

We've also introduced new, innovative promotions like our "Pay Day bonus", leveraging our existing till vouchering mechanic, to give customers some extra help at the end of the month. And we'll keep launching new, distinctive promotions like this throughout the year.

There's more to do but we're beginning to hit our promotional stride again and starting to catch the eye - and ear - of hard pressed shoppers once more...and with our commitment to fair, competitive base pricing, we retain a solid position on price in the market. This powerful combination of strong base pricing and innovative promotions means we're giving our customers a really compelling value offer.

But, value for money isn't just about price and promotions; it's about the quality of what customers buy, and the service they receive.

The recent horsemeat scandal has shown two things: first, it's shown that customers really do care where their food comes from, and how it is processed and packaged. They care about provenance and about quality, and they're seriously angry with the retailers who let them down.

And second, it's highlighted that Morrisons is different. Ask shoppers a few weeks ago, what vertical integration meant, and you'd get some pretty blank looks. Ask now and you'll get an entirely different response.

And I think the way we run our business makes us culturally different too. At the height of the scandal there was an interview on Sky News with a lorry driver who blew the whistle on certain industry practices. But at the end of the interview he said...

"It's a joke amongst the drivers that it's a pain to deliver to Morrisons because they check everything - it takes ages and they often turn stuff away if it isn't up to scratch."

He's right. We do. And we're proud of that. And we're getting better at showing that to customers.

With the same marketing budget, we've rebalanced our spend to focus on what's most relevant. Through our advertising, TV sponsorship, media coverage and in-store point of sale, we're communicating to customers that we buy, make, move and sell our own products. Our customers can see that, by doing 'more of what matters', we're able to give better value for money and fantastic quality products.

And in our stores, we've a fresh-food proposition unlike any other supermarket, with more skilled craftspeople baking, making, cutting, filleting, creaming and preparing food across our Market Street counters. Our colleagues are on hand with detailed product knowledge to guide and advise, and are happy to help our customers any way they can.

Slide 20: Encouraging results so far

Early indications suggest all of this is working. Yes there's more to do, but we're already getting a really positive response from customers, reflected in feedback surveys and independent polls. We're moving firmly in the right direction. Our points of difference are really resonating, and our promotions are starting to cut through, resulting in a boost to our freshness and value perception.

And customers are feeling good about what Morrisons has to offer, with sentiment about our brand rising steadily since the start of the year, supported by a growing number of customers wanting to recommend Morrisons to their friends and family.

Slide 21: Our convictions

Our confidence in what we're doing is reaffirmed by our convictions. Our six convictions stand behind everything we're doing.

We're a food focused retailer, first and foremost, and we offer an experiential, service-based proposition that sets us apart in the marketplace, whatever the channel. I've already talked about the importance of Value for money and the steps we've taken to strengthen our value message. And later on I'll talk about our plans to capture the significant growth in new channels and new formats.

These are convictions we firmly believe in; convictions that are right for this business, and that we're delivering against with our strategic programme.

Slide 22: Three areas of focus

Our strategy has three areas of focus, namely driving topline, increasing efficiency and capturing growth.

Slide 23: Driving topline

The first of these three, driving topline, has three initiatives. Today I'm only going to touch on two of these. You'll find more details on the third, our in-store service offering, in the appendix of your pack.

Slide 24: Strengthening our Own Brand

Own Brand products are a key point of difference, and with consumers increasingly looking for value, it's never been more important to offer a truly differentiated Own Brand.

We've relaunched over 5,000 products, including over 4,000 products last year alone, introducing four new Morrisons Brands; M Kitchen, M Signature, M savers and NuMe. We're particularly excited by M savers which is the fastest growing Value Brand, and we've increased our overall Own Brand participation by 90 bps since last year

We've another 5,000 products to relaunch this year, including our new butchery and cake shop ranges, and next week we will launch our new Nutmeg children's clothing range. With one in four families stating that the supermarket is the main place they buy clothes, we've created a high quality range at affordable prices. You can buy an entire outfit for just £8. We're introducing the range into over 90 stores, and by the end of the year, we plan to feature it in over 150 stores.

Slide 25: Fresh Formats

Offering fresh food, at great value for money, with a unique in-store experience, is something that we're serious about, and is a key part of our strategy. We've brought that to life in our Fresh Formats concept.

We've now introduced different elements, be it opening up store entrances or enhancing our fresh range, to over 100 stores across the country. We've kept tailoring the offer to maximise our fresh credentials and build the best and most appropriate fresh food offer for the store size, location and the needs and tastes of local customers. We've focused on giving our customers more of what matters to them, and the results are really encouraging, with sales 4-6% above control, and on track against our business case, and capex is in line at £1.5m per store.

This year we introduced elements of our Fresh Formats proposition into 17 new stores, and approximately 80 of our existing larger stores. Across these stores we've liberated 200k sq ft, enabling us to give more prominence to fresh food and introduce new categories.

Slide 26: Fresh Formats

Over the coming twelve months, we'll enhance our fresh credentials in an additional 100 stores. Given the broader range of sizes, locations and customers in these stores, we are finding even more ways to tailor our concept. We're really focused on delivering what's right at a local level, in terms of the ranging and relevance of the components we introduce.

Where we can, we'll fit our new fresh vista into our existing first aisle, and we'll get the extra space for new categories by reducing existing ranges in Home & Leisure, or Health and Beauty, rather than moving aisles or refrigeration units. In doing so, we'll minimise disruption to customers, and limit our capex investment to approximately £500k per store, whilst delivering the right level of return.

By the end of 2013/14, we'll have over 200 stores with aspects of our Fresh format, contributing approximately 55% of our sales.

Slide 27: Increasing efficiency

With value so important to customers, we continue to increase efficiency in our operations to invest back for our customers and our shareholders.

Slide 28: Driving store productivity

Building on the success we reported last year, we put in place a series of initiatives to improve our productivity, such as Intelligent Labour Planning on Market Street which saved us £10m annually. And by making our operational processes even more efficient, we delivered £40m of cost savings within the year, and continued to deliver award winning service and availability for our customers.

We'll continue to trial and roll out new initiatives, because even small changes deliver big benefits. For example, we're cutting out the 15m sheets of paper and £50k of printer cartridges we use each year by moving to our new electronic order pad, which will improve order accuracy and save over £2m annually. And easier to use, more secure bottle tags for our beers, wines and spirits department will save £400k.

We're on track to deliver our target of £100m benefits by the end of 2013/14, with an additional £35m savings this year.

Slide 29: Tackling indirect procurement

Our indirect procurement programme continuously reviews internal spend across the business.

We've saved £10m in packaging, our biggest area of spend, by consolidating processes, and altering specifications, such as changing the thickness of our shrink wrap by 3 microns, which saved over £90k. Good for the environment. Good for costs.

We'll keep finding innovative ways to consolidate spend and reduce consumption, aided by a new fully centralised procurement process. We remain on track to deliver £100m of savings by the end of the financial year.

Slide 30: Revamping our systems

We're in the last stages of introducing industry-leading software to replace our legacy systems, and we're pleased with the progress we've made so far.

In 2012, we introduced our supply chain management system, starting with our Stockton distribution centre. This has improved product visibility from the point of voice-picking in the depots, through to receipt at store. We also began upgrading our Woodheads Meat manufacturing operation at our Turiff and Spalding sites.

This year, we'll complete our Woodheads rollout, and take our supply chain system into a further four DCs. We'll also be introducing improved promotional and ranging tools to our buyers, giving them the capability to bolster promotional effectiveness with new mechanics such as "mix and match" across categories. With these new systems landing across all our sites and stores, we're on track to unlock £100m by the end of the year.

We'll continue to invest the savings we make across these initiatives into improving our customer proposition.

Slide 31: Capturing growth

We're capturing new growth with further expansion of our manufacturing capability, and taking Morrisons into both convenience and online channels.

Slide 32: Vertical integration

I mentioned earlier that it's important to customers that they understand and trust where their food comes from. As a food-focused retailer, it's important to us too, which is why half of our fresh food sales come from food prepared, processed and packed in our own factories.

This year, we completed integrating our Winsford fresh meat packing site. We also started expanding our Colne abattoir and our bakery in Wakefield, and with our new Grimsby seafood plant, we can process fresh fish directly from the quayside, and even smoke it on-site. We plan to introduce more lines, such as warm water prawns, over the coming year.

We'll continue to expand our capability and profitability with the completion of our current plans in fish, pastry, and bakery, and we'll consider opportunities with new sites and new categories, where appropriate, throughout the year.

Slide 33: Advancing convenience

The convenience channel is a huge opportunity within the UK grocery market. It already represents over 20% of grocery sales, and is forecast to grow by 30% over the next five years.

Our aim is to capture that growth by building a network of convenience stores that bring the Morrisons difference into the heart of local communities. We've already started with 12 stores across the country, with approximately 100,000 customers per week.

Across our M locals, we've more space dedicated to fresh food, offering the same high quality and low prices as our core estate. Each store is tailored to suit the needs of the local community, whilst maintaining our differentiated, fresh-focused M local proposition.

And we're making some real inroads into this market. In the last six weeks we've acquired 62 stores. Our focus for this year is London and the South East. We’ve recently opened our first two London M locals, in Ealing and Elm Park. With around half of the stores we've just secured in the London and South East area, we'll continue to bolster our current 6% grocery market share there, bringing Morrisons to more households than ever before.

These stores will be served through our newly opened distribution centre in Feltham, West London. This CDC will become the centre of our London and South East distribution network, capable of serving up to 100 stores from Waterlooville to Watford.

Slide 34: Advancing convenience

Today we're announcing an increase of almost 40% to our convenience store opening target, so that by the end of this year, we’ll have 100 M local stores trading. As a result, within the space of only 18 months, we’re increasing our run rate from nine stores a year to an average of two stores per week. We'll start by converting the sites we've recently acquired, aiming to have the majority trading by the autumn.

Our dedicated convenience property teams remain focused on securing even more sites, from disused shops to new builds, capturing opportunities as soon as they arise. We'll ensure we maintain our fresh food offer, whether it's supplied from a hub store or a CDC, and we plan to open a second CDC in the north of England later this year.

We're pleased that, by the end of this year, another 800,000 customers will be shopping every week at a fresh-focused M local.

Slide 35: Moving to multi-channel: General Merchandise

We're not just becoming a multi-format retailer; we’re addressing our structural disadvantages by taking our Morrisons offer into new channels. We took our first steps in online two years ago, with our acquisition of Kiddicare, and our 10% stake in FreshDirect in New York.

With Kiddicare, we benefited from a great business, a leader in babycare, in a category relevant to our customer base. Kiddicare's award-winning platform and multi-channel experience gave us the capability we needed, enabling us to launch Morrisons Cellar in November, and we recently announced our new Lakeland partnership for online kitchenware.

As well as expanding our presence with new online categories, we've taken the opportunity to grow the Kiddicare business, opening four new Kiddicare showrooms so far. By the end of this year, we'll have opened another six Kiddicare stores, and we’ll be further integrating our Morrisons and Kiddicare brands, introducing our new baby range, 'Little Big', into both Kiddicare and Morrisons stores.

These stores will complement our existing online general merchandise offer, which is our main focus. This year we're consolidating our offer onto a single platform, with the launch of morrisons.com this spring, complete with Lakeland products. This step forward gives us the confidence to expand into even more, complementary categories.

Slide 36: Moving to multi-channel: Food

As you know, we've looked at our online food options very carefully and very methodically, and underpinning our research were two fundamental questions:

Firstly, can we find a way of doing food online that reinforces Morrisons uniqueness and leadership in fresh food rather than diluting it?

And secondly, if we can, can we do it in a way that makes sense for shareholders too?

Today we are saying that we are confident that we can do both. Morrisons will launch a food offer online by the end of the financial year. It will be customer-focused. It will be distinctive. It will have fresh food at its heart. And it will be unmistakeably Morrisons.

That's all I can tell you for now. I know you'll have lots of questions, but, as I'm sure you will appreciate, the details are commercially very sensitive. We can't show our hand to our competitors until we are closer to launch. When we're ready, we'll show you our proposal, outline the strategy and give clear guidance. But until then, all I can tell you is that the green light is on.

Slide 37: In summary

So, to summarise, it's been a difficult trading year for Morrisons, but we continue to make progress on our strategic initiatives.

We've concrete plans in place to address our short term issues, and we’re committed to delivering our long term strategy. In particular, we're making strong progress in our new channel development, targeting growth areas and addressing our structural imbalances. In a great business like Morrisons, our focus must be on trading for today, and building for tomorrow.

And now I'll be very happy to take your questions...