News Release

Release date: 6th September 2012

Wm Morrison Supermarkets PLC

INTERIM RESULTS FOR THE HALF YEAR TO 29 JULY 2012 [(1)]
Steady progress in a challenging environment

Financial summary

- Turnover up 2.3% to £8.9bn (11/12: £8.7bn)
- Like-for-like sales (ex-VAT and fuel) down 0.9% (11/12: up 2.2%)
- Underlying profit [(2)] up 1% to £445m (11/12: £442m)
- Underlying earnings per share up 10% to 13.09p (11/12: 11.91p)
- Profit before tax £440m (11/12: £449m)
- Interim dividend up 10% to 3.49p (11/12: 3.17p)
- Net debt of £1,680m (11/12: £1,055m), after equity retirement of £628m
- Gearing of 32% (11/12: 20%)

Operating and strategic highlights

- Fresh Formats now in 45 stores: on track for over 100 stores this year
- M savers fastest growing own label value brand with sales up 40% [(3)]
- Catalina voucher at till system launched
- Good progress on expanding manufacturing capability: integration of Winsford fresh meat facility on track; fresh seafood site in Grimsby operational
- Online to launch in H2, with Morrisons Cellar wine range
- M local convenience format to launch in London supported by our new Convenience Distribution Centre
- Financial discipline maintained through rephasing of planned investment in new stores: £100m reduction in capital expenditure
- Awarded Grocer of the Year and Employer of the Year [(4)]

Sir Ian Gibson, Non-Executive Chairman, said:

"With ongoing commodity inflation continuing to weigh on already fragile consumer confidence and market conditions becoming ever more challenging, we have had to work even harder for our customers during the first half. Against this backdrop, Morrisons has increased sales and underlying earnings and delivered good dividend growth."

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Dalton Philips, Chief Executive, said:

"Although the sustained pressure on consumer spending was reflected in our like-for- like sales performance, we have made further good progress against our strategic objectives – the building blocks which are the foundations of the future success of our business.

By the end of the year our new Fresh Formats will be in over 100 stores and we are now ready to launch our convenience stores in London supported by our new distribution centre. We have also extended our food production capabilities and will launch wine as our first online category.

We expect to make further progress in the second half of the year."

Outlook

We expect the challenging economic environment and consumer pressures to continue through the second half of this year and into 2013 and we have developed our financial and operational plans accordingly. Notwithstanding these conditions, the Board believes the Group will meet its expectations for the year.

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Notes:

[1] *Full year: 53 weeks to 3 February 2013*
[2] *Profit before taxation, property disposals, multi-channel and convenience development costs and IAS19 pension interest*
[3] *Kantar Worldpanel – total grocery 24 weeks ended 5 August 2012*
[4] *The Grocer Gold Awards 2012*
[5] *Net decrease in cash and cash equivalents, excluding new borrowings and the repayment of existing facilities*
[6] *GfK-NOP Consumer Confidence (Aug)*
[7] *Kantar Worldpanel Grocery (RST) – 12 weeks ended 5 August 2012*
[8] *IGD Shopper Vista – August 2012*
[9] *Kantar Worldpanel – 12 weeks ended 13 May 2012*
[10] *Internal data*
[11] *IGD Research – August 2012*

Management will host an analyst presentation this morning at 09:30. A webcast of this meeting is available at http://www.morrisons.co.uk/Corporate/Investor-centre/

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ENDS

This announcement may include forward looking statements, which are statements made about potential future events or occurrences. These statements are made by the Directors in good faith, based on the information available to them at the time of the announcement. Consequently such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking statements and information.

Morrisons has a commitment to reducing its impact on the environment. Accordingly we will no longer be sending half-yearly paper communications to shareholders following this summary for 2012/13.

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Financial overview

This report covers trading for the 26 weeks ended 29 July 2012. The shape of the Group's performance was consistent with recent periods – with profitability and earnings growth ahead of top line growth due to the many improvements still being driven in productivity and balance sheet efficiency.

Total turnover during the period was £8.9bn, an increase of 2.3% over last year. Store turnover, excluding fuel, was up by 1.3%, which included a like-for-like decrease of 0.9% and a contribution of 2.2% from new stores.

The underlying operating margin of 5.3% was up 0.1%, in line with previous guidance.

Net finance costs were £35m, an increase over the prior period of £26m, of which £9m related to IAS19 pension interest.

Underlying profit (2) increased to £445m (1%), compared to £442m in the prior period.

Underlying basic earnings per share (EPS) increased by 10% to 13.1p (11/12: 11.9p) reflecting the increase in underlying profit, a reduction in the rate of corporation tax and the positive impact of the Group's equity retirement programme.

Profit before tax was £440m (11/12: £449m).

The Group generated strong operating cash flow of £833m, 23% higher than in the prior period following a good improvement in working capital. Although there was a planned acceleration in both our equity retirement programme, which is now in its final year, and in capital expenditure, our overall net cash inflow (5) of £82m was £99m higher than in the first half of last year. The Group's net debt grew during the period, to £1,680m, (11/12: £1,055m). Gearing increased to 32%, but remains at a relatively conservative level for the sector.

In line with our stated principles the Group continues to maintain a strong balance sheet position, which is securely financed by a number of long dated bonds and revolving credit facilities at competitive rates. During the period we strengthened our financial position, extending the revolving credit facilities we have with our banks, which are available until 2016, by a further £150m to £1,350m. At the end of the period £900m remained undrawn. In July 2012 we increased the funds available to the Group and further extended the maturity profile of our borrowings by issuing a £400m sterling bond to institutional investors, repayable in 2026.

The Group's equity retirement programme remains on track to return £1bn to shareholders by March 2013. At the half year, a total of £628m had been invested in this programme, resulting in the cancellation of 218m shares and a net positive impact on earnings per share of 4%.

Last year we established a policy of maintaining a progressive dividend and increasing payments by a minimum of 10% annually in each of the three years to 2013/14. The Board is therefore pleased to confirm its intention to increase the interim dividend by 10% to 3.49 pence per share (11/12: 3.17p). The dividend will be paid on 5 November 2012 to shareholders on the register on 28 September 2012.

In March 2012 we introduced Return on Capital Employed as a key performance measure, emphasising our focus on capital discipline. ROCE was stable in the period at 10%, in line with expectations.

The UK grocery retail market

The UK grocery market continues to be challenging for all, with concerns over the state of the economy, uncertainty about the Eurozone, high levels of unemployment and an erosion of real disposable incomes. Although there have been some signs of respite, with the rate of CPI growth slowing, consumer confidence has remained low [(6)]. This has been reflected in reduced basket spend across the grocery sector with growth being driven by inflation [(7)], whilst like-for-like volumes have declined.

As previously reported, 2011 and 2012 have seen increases in the amount of new grocery store space operating in the UK beyond historic levels of growth. This has come at a time when overall market growth is subdued. This imbalance, whilst short term, has further impacted the level of like-for-like sales growth in the sector.

In this environment shoppers are changing their behaviour. Those that have discretionary income are electing to pay down debt rather than spend. We are seeing more customers than ever carefully searching for value. They are putting fewer items in their baskets, buying only what is needed and seeking to avoid waste [(8)].

They are also electing to trade out of brands and into own brand supermarket products. We are now seeing a greater emphasis on trading down to cheaper products to keep within a budget. As a result own label is gaining share in 63% of categories, compared to 46% in 2011 [(9)], with value own label ranges growing the fastest at 13% [(9)].

Trading

As anticipated, the challenging economic environment continued to weigh heavily with consumers. Food price inflation, with the unwelcome impact of high fuel and other commodity prices feeding through, continued to place pressure on household budgets and pricing and value were again a top priority for our customers. Careful price checking and a continuing search for promotions were features of trading during the period. We did not let our customers down, offering keen everyday pricing throughout our range, unbeatable deals on fresh food and a great range of exciting offers including “Crunching Prices for Britain” and our “Great British Summer”, which resonated strongly with our customers.

We continue to find innovative ways of adding real value to our customers’ shopping experience with Morrisons, value that is customised to their needs. We have recently completed the rollout of Catalina, a personalised voucher at till system that will offer our customers great offers on the products they want.

We are very conscious that the continuing high price of oil is making life difficult for our customers, with average prices at the pump 2.3% higher than the previous period. As a result it was costing £6 more each month for the average family to fill the tank than last year [(10)], a significant impact on our customers’ disposable incomes. In this environment our leading value proposition and effective “Fuel Britannia” promotions attracted record numbers of customers onto our forecourts, resulting in volume growth of 2.5%. Overall, like-for-like fuel sales were up 3.8% in the period.

Total store sales increased by 1.3% including a contribution from new space of 2.2%. The impact of the challenges faced by consumers and their need to manage their expenditure tightly was clearly seen at the till, with fewer items on average in the basket than in the previous period. Although the total number of customers continued to rise, with 11.6 million shoppers on average visiting our stores each week, we saw a 1.8% decrease in customer numbers on a like-for-like basis and like-for-like turnover (ex-fuel) down 0.9%.

Strategy update and operating review

Morrisons has a clearly defined vision to be "Different and Better than Ever", through constantly improving our business whilst leveraging our unique production capabilities and in-house craft skills to deliver a compelling and distinctive offer to our customers.
We are making good progress in the three areas of strategic growth that will help us deliver this vision:

- driving topline
- increasing efficiency, and
- capturing growth

Driving topline

Strengthening our brand
In 2010 we set out our ambition to establish a family of own brand products that customers believe is "worth switching supermarkets for". We have made strides towards our goal of establishing an own label range that offers outstanding quality at great prices and fulfils our brand promise of "Friendly People Making Great Food Affordable for Everyone."

For customers who really need to watch what they spend, our M savers range has proved a great success. Launched earlier this year, it offers unbeatable prices that mean no customer needs to visit the discount sector. Our selection of everyday family favourites, the core Morrisons range, has seen some 2,500 lines introduced into our stores.

Morrisons believes in acting responsibly within the community and in July we launched "NuMe", our delicious new healthy living range, which contributes positively to a balanced family diet. Initial customer reaction has been very positive.

We have also announced that we will be enhancing our own label brand through the launch of our own children's clothing range, "Nutmeg", early in 2013.

We are on track to meet our objective of relaunching 10,000 own brand products by January 2014.

Fresh Formats
Providing our customers with outstanding service and great fresh food at unrivalled value for money in an engaging and distinctive shopping environment, is a key element of Morrisons strategy. Last year we launched the first phase of our Fresh Formats programme, to create a great new shopping experience in our stores through the transformation of our produce sections and our counters, by expanding our fresh food offer, by rationalising our existing ranges and by introducing new ranges in response to customer demand. These important in-

store developments were supported by increased training for our colleagues to help them deliver an even higher level of customer service.

In 2011/12 we introduced these Fresh Formats into twelve of our stores. In the first half of this year we trialled several versions of the new format across the country in a further 33 stores, including one new store. The results to date have been very encouraging with sales in those stores where the new concept has been introduced, delivering an average sales outperformance, when compared with our control stores, within our target range of 4%-6%.

We are pleased with the initial success of these stores. We will be rolling out a further 38 conversions in the second half of this year as well as applying these learnings to our new store programme. At the same time we will be testing some further evolutions of the concept. By the end of the year we anticipate we will have over 100 Fresh Formats stores and that these will account for some 30% of our total store sales.

Optimising space

A key element to the success of the Fresh Formats concept is our ability to make better use of the space we have in our stores by rebalancing our current grocery range. This allows us to free up space in our centre aisles which we are using to extend our fresh offer and introduce new categories, such as children's clothing, into our range. To date we have liberated over 100,000 square feet of space in this way and we are well on track to meet our objective of delivering 750,000 square feet from this programme, equivalent to around 10% of the total space available in our larger stores.

Completing National to Nationwide

In 2011 we set out our National to Nationwide programme with the objective of opening 2.5m square feet of new store space in the three years to 2013/14. Within this, 600,000 square feet was delivered in 2011/12 and 700,000 square feet established as the target for the current year, including 50,000 square feet of extension space. A growing proportion of the new space in the latter part of this programme is scheduled for the South of England, where Morrisons is under-represented.

A wide range of major initiatives is being implemented across all areas of our business to support our long term growth agenda. As we work towards delivery of these objectives it is imperative that the Group focuses its resources tightly, whilst ensuring that it maintains capital discipline and delivers returns for our shareholders. In order to do this we are slowing our space acquisition programme by rephasing our planned investment in new stores over the next two years, although our focus on reaching new customers in the South will continue.

We are therefore reducing our new space target by 200,000 square feet to 500,000 square feet in the current year and by a further 300,000 square feet in 2013/14, when our revised target will be 900,000 square feet. As a result we are reducing our capital expenditure guidance by £100m in each of these two years.

Increasing efficiency

Driving store productivity

We constantly seek to find ways to operate more effectively and drive cost out of our business while continuing to deliver great service to our customers. With each hour saved per day in our stores equating to £1.4m of potential cost saving annually, the potential opportunity is substantial and therefore every detail of the way we operate is being reviewed.

The introduction of an electronic news and magazine receipt system was one of a number of initiatives which were rolled out across our estate during the period. We continue to trial a range of new ideas and are on track to deliver our financial target of saving £100m annually by 2013/14.

We are delighted that our high store standards and the investment we have been making in training our colleagues to delight our customers, were recognised by The Grocer in its annual service and availability awards.

Tackling indirect procurement
We are well advanced in our three year programme to review every area of cost, both capital and revenue. Our colleagues have responded well to our challenge of identifying unnecessary costs in the business.

During the period we launched a wide range of initiatives to help us reduce our costs. Some of these, such as respecifying the range and thickness of our bin liners, were significant. Others, such as respecifying our flower buckets and the introduction of energy-efficient lighting, were smaller, but they are all contributing to help us meet our target of delivering £100m of savings annually by 2013/14.

Revamping our systems
Evolve, our six year systems-transformation programme, is progressing well and is on track to be completed on schedule in 2013/14. During the period we concluded the implementation of our EPOS till system, introducing it into our petrol filling stations as well as our stores. We completed preparations for our new supply chain management system, which converges our accounting, supplier ordering and distribution systems onto a single platform. This is a significant step towards us delivering improved inventory control across the business. The rollout will continue through the remainder of the year.

We are on track to deliver annual benefits of £100m annually by 2013/14.

Capturing growth

Production
Vertical integration is a fundamental point of competitive advantage for Morrisons and is key to meeting our ambition of leading in fresh food. In 2010 we announced a plan to invest £200m in expanding our activities and extending our manufacturing capabilities into new categories to support our retail operation.

During the period we made further good progress with the acquisition of a meat processing plant in Winsford which will enable us to extend our existing categories at Farmers Boy. The integration is going well. We have also commenced building work which will enable us to expand capacity at our abattoir in Colne and have launched a new category, seafood, through our new processing site in Grimsby.

Becoming multi-channel
As the market evolves there is a significant trend towards the growth of the multi-channel retailer. Morrisons took the first steps towards establishing itself in this area through its acquisition, in 2011, of Kiddicare, a leading baby and infant merchandising retailer.

In March we announced the acquisition of ten stores from Best Buy which will be converted into flagship Kiddicare showrooms to support its online proposition, allowing customers to try before they buy. We are making good progress and the first of these new stores will open in Nottingham during September, with two further stores opening by the end of this year and the remaining seven scheduled for 2013.

Kiddicare's industry leading technology platform will provide the foundation for Morrisons first online offer. In the second half of this year we will launch Morrisons Cellar, an outstanding range of wines at great prices, with fulfillment from our distribution centre in Peterborough.

We have now completed our review of Fresh Direct's online food operation in the USA and the Morrisons team that had been working in New York has now returned to the UK. We have learnt a lot from our relationship with Fresh Direct and are continuing to evaluate opportunities to develop a unique and profitable online food model in the UK.

Convenience
The UK convenience market continues to grow at twice the rate of the rest of the UK retail market [11], as customers seek to spend less per shopping trip and cut down on their fuel costs. Morrisons is seeking to create a new, different and compelling convenience shopping experience, which captures the benefits of vertical integration and the strength of its great fresh and value credentials.

In 2011 we commenced trialling our new concept M local convenience format in Ilkley, West Yorkshire, a residential-based location in Wilmslow and our first suburban store near Manchester University. These three stores offer a very different and attractive shopping experience with the same fresh food pricing as our core stores with half of the space dedicated to fresh food and scratch cooking. The performance in these stores, which are supplied by nearby core stores on a hub and spoke model, has been well ahead of our expectations and customer feedback has been particularly encouraging.

In this sector it is important to develop a proposition that is flexible enough to meet the specific needs of different locations. During the period we continued to experiment with our convenience format, opening our first M local in a petrol filling station in Doncaster and at a city centre location in Birmingham. We will continue the process of evaluating different locations and expect to open up to another fifteen stores by the end of this year, as a prelude to accelerating the rollout programme in 2013/14.

Growing our presence in London, where we are under-represented, is a significant opportunity for Morrisons and convenience outlets are key to our development in the capital. Whilst we will continue to utilise our hub and spoke distribution system in other parts of the country, the convenience stores we establish in London will be supported by a bespoke 100,000 square foot distribution centre in Feltham, West London.

Overall, we are making good progress in delivering the wide range of initiatives which will enable us to meet our vision of being "Different and Better than Ever".

Corporate responsibility and community

In May, we published our most detailed Corporate Responsibility (CR) review to date, highlighting the progress we have made as well as the challenges we must overcome in meeting our corporate responsibility commitments. The review was independently assessed, a significant step for reporting social and environmental issues relevant for food retail. The assurance statement from the assessors was published in full in our review and is available online.

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We also reported progress on the responsible sourcing of key commodities and further applied research from the Morrisons Farm Programme. Our latest report 'Energy in Farming' is available on our website – www.morrisons.co.uk/farming.

We published key details of our commitment to the Government's Health Responsibility Deal in our CR review. This includes salt reduction, calorie labelling and a range of actions to foster a responsible alcohol culture. Since the CR review was published we have signed further pledges on calorie reduction, supported by our new healthier range "NuMe", and on alcohol unit reduction. In addition over 800 Market Street products now have key nutrition information on their packs as a result of a renewed focus on labelling in the first half of the year. We expect to meet around 90% of the Health Responsibility Deal salt targets by the end of 2012.

In terms of wider environmental performance targets, we improved carbon reduction to 16.5% (against a 2020 target of 30%). Our absolute reduction target for carbon led the way in the sector. It remains very challenging, particularly as we continue to grow, but we believe it reflects Government ambition and environmental concerns and will bring clear operational efficiency benefits. Our store waste has reduced further so that 96% is now diverted from landfill and we are ahead of our target to achieve zero waste from our stores by 2013.

During the year we launched the Centre for Coaching Excellence (CCE), a new social enterprise that will deliver our coaching, leadership and management development training as well as supporting important community projects to develop 16-24 year olds.

Colleagues

We are delighted that our strong focus on developing colleagues has again been recognised through a number of prestigious industry awards including the Workplace Talent and Skills award at the Business in the Community Awards for Excellence 2012, Employer of the Year from The Grocer, for the third consecutive year and, for the second year running, the Retail Week Employer of the Year award.

As part of our commitment to personal development and training we continue to support professionally recognised qualifications and are pleased that over 5,000 colleagues are on track to complete retail and craft apprenticeships this year. In support of our craft credentials we have also developed a suite of craft masterclasses in areas such as meat, fish, charcuterie, flowers, food and wine matching and delicatessen with 500 colleagues benefiting from these courses to date.

Outlook

We expect the challenging economic environment and consumer pressures to continue through the second half of this year and into 2013 and we have developed our financial and operational plans accordingly. Notwithstanding these conditions, the Board believes the Group will meet its expectations for the year.

Wm Morrison Supermarkets PLC
Condensed consolidated financial statements

Consolidated statement of comprehensive income

26 weeks ended 29 July 2012

	Note	**26 weeks ended 29 July 2012 (unaudited) £m**	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Turnover	2	**8,939**	8,737	17,663
Cost of sales		**(8,319)**	(8,140)	(16,446)
Gross profit		**620**	597	1,217
Other operating income		**39**	41	86
Administrative expenses		**(184)**	(180)	(329)
Losses arising on property transactions		**-**	-	(1)
Operating profit		**475**	458	973
Finance costs	3	**(37)**	(20)	(47)
Finance income	3	**2**	11	21
Profit before taxation		**440**	449	947
Taxation	4	**(111)**	(123)	(257)
Profit for the period attributable to the owners of the Company		**329**	326	690
Other comprehensive (expense)/income:				
Actuarial loss arising in the pension scheme	8	**-**	-	(65)
Cash flow hedging movement		**(6)**	9	(23)
Tax in relation to components of other comprehensive income		**1**	(2)	19
Other comprehensive (expense)/income for the period, net of tax		**(5)**	7	(69)
Total comprehensive income for the period attributable to the owners of the Company		**324**	333	621
Earnings per share (pence)	5			
- basic		**13.29**	12.44	26.68
- diluted		**13.18**	12.18	26.03

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Consolidated balance sheet

29 July 2012

	Note	**29 July 2012 (unaudited) £m**	31 July 2011 (unaudited) £m	29 January 2012 (audited) £m
Assets				
Non-current assets				
Goodwill and intangible assets	6	**363**	274	303
Property, plant and equipment	7	**8,076**	7,677	7,943
Investment property		**254**	250	259
Net pension asset	8	**-**	51	-
Investments		**31**	31	31
Other financial assets		**-**	6	1
		8,724	8,289	8,537
Current assets				
Stocks		**688**	685	759
Debtors		**316**	328	320
Other financial assets		**1**	9	2
Cash and cash equivalents		**297**	211	241
		1,302	1,233	1,322
Liabilities				
Current liabilities				
Creditors		**(2,099)**	(2,124)	(2,025)
Other financial liabilities		**(12)**	-	(115)
Current tax liabilities		**(164)**	(161)	(163)
		(2,275)	(2,285)	(2,303)
Non-current liabilities				
Other financial liabilities		**(1,966)**	(1,281)	(1,600)
Deferred tax liabilities		**(448)**	(481)	(464)
Net pension liabilities	8	**(11)**	-	(11)
Provisions		**(78)**	(89)	(84)
		(2,503)	(1,851)	(2,159)
Net assets		**5,248**	5,386	5,397
Shareholders' equity				
Called up share capital	14	**244**	261	253
Share premium		**107**	107	107
Capital redemption reserve		**28**	11	19
Merger reserve		**2,578**	2,578	2,578
Retained earnings and hedging reserve		**2,291**	2,429	2,440
Total equity attributable to owners of the Company		**5,248**	5,386	5,397

Consolidated cash flow statement

26 weeks ended 29 July 2012

	Note	**26 weeks ended 29 July 2012 (unaudited) £m**	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Cash flows from operating activities				
Cash generated from operations	9	**833**	677	1,264
Interest paid		**(21)**	(9)	(55)
Taxation paid		**(127)**	(153)	(281)
Net cash inflow from operating activities		**685**	515	928
Cash flows from investing activities				
Interest received		**1**	3	6
Investments		**-**	(31)	(31)
Proceeds from the sale of property, plant and equipment		**2**	-	4
Cash outflow from acquisition of businesses	13	**(36)**	(74)	(74)
Purchase of property, plant and equipment and investment property		**(309)**	(254)	(724)
Purchase of intangible assets		**(71)**	(30)	(72)
Net cash outflow from investing activities		**(413)**	(386)	(891)
Cash flows from financing activities				
Purchase of shares for cancellation	14	**(260)**	(157)	(368)
Purchase of treasury shares	14	**(65)**	-	-
Proceeds from issue of treasury shares for employee share schemes	14	**33**	-	-
New borrowings		**393**	706	1,102
Repayment of borrowings		**(105)**	(476)	(486)
Dividends paid to equity shareholders	12	**(186)**	(219)	(301)
Net cash outflow from financing activities		**(190)**	(146)	(53)
Net increase/(decrease) in cash and cash equivalents		**82**	(17)	(16)
Cash and cash equivalents at start of period		**212**	228	228
Cash and cash equivalents at end of period	10	**294**	211	212

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Reconciliation of net cash flow to movement in net debt in the period

	Note	**26 weeks ended 29 July 2012 (unaudited) £m**	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Net increase/(decrease) in cash and cash equivalents		**82**	(17)	(16)
Cash outflow from decrease in debt and lease financing		**105**	476	486
Cash inflow from increase in loans		**(393)**	(706)	(1,102)
Other non-cash movements		**(3)**	9	(22)
Opening net debt		**(1,471)**	(817)	(817)
Closing net debt	10	**(1,680)**	(1,055)	(1,471)

Consolidated statement of changes in equity

		Attributable to the owners of the Company						
		Share capital	Share premium	Capital redemption reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
	Note	£m	£m	£m	£m	£m	£m	£m
Current half year (unaudited)								
At 29 January 2012		**253**	**107**	**19**	**2,578**	**(12)**	**2,452**	**5,397**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**329**	**329**
Other comprehensive income:								
Actuarial loss arising in the pension scheme	8	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash flow hedging movement		**-**	**-**	**-**	**-**	**(6)**	**-**	**(6)**
Tax in relation to components of other comprehensive income		**-**	**-**	**-**	**-**	**1**	**-**	**1**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(5)**	**329**	**324**
Shares purchased for cancellation	14	**(9)**	**-**	**9**	**-**	**-**	**(260)**	**(260)**
Purchase of treasury shares	14	**-**	**-**	**-**	**-**	**-**	**(65)**	**(65)**
Employees share options schemes:								
Share-based payments		**-**	**-**	**-**	**-**	**-**	**5**	**5**
Share options exercised	14	**-**	**-**	**-**	**-**	**-**	**33**	**33**
Dividends	12	**-**	**-**	**-**	**-**	**-**	**(186)**	**(186)**
Total transactions with owners		**(9)**	**-**	**9**	**-**	**-**	**(473)**	**(473)**
At 29 July 2012		**244**	**107**	**28**	**2,578**	**(17)**	**2,308**	**5,248**

	Note	Share capital	Share premium	Capital redemption reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
Prior half year (unaudited)								
At 30 January 2011		266	107	6	2,578	5	2,458	5,420
Profit for the period		-	-	-	-	-	326	326
Other comprehensive income:								
Cash flow hedging movement		-	-	-	-	9	-	9
Tax in relation to components of other comprehensive income		-	-	-	-	(2)	-	(2)
Total comprehensive income for the period		-	-	-	-	7	326	333
Shares purchased for cancellation		(5)	-	5	-	-	(157)	(157)
Employees share options schemes:								
Share-based payments		-	-	-	-	-	9	9
Dividends	12	-	-	-	-	-	(219)	(219)
Total transactions with owners		(5)	-	5	-	-	(367)	(367)
At 31 July 2011		261	107	11	2,578	12	2,417	5,386

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Consolidated statement of changes in equity (continued)

		Attributable to the owners of the Company						
	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
52 weeks ended 29 January 2012 (audited)								
At 30 January 2011		266	107	6	2,578	5	2,458	5,420
Profit for the period		-	-	-	-	-	690	690
Other comprehensive income:								
Actuarial loss arising in the pension scheme	8	-	-	-	-	-	(65)	(65)
Cash flow hedging movement		-	-	-	-	(23)	-	(23)
Tax in relation to components of other comprehensive income		-	-	-	-	6	13	19
Total comprehensive income for the period		-	-	-	-	(17)	638	621
Shares purchased for cancellation		(13)	-	13	-	-	(368)	(368)
Employees share options schemes:								
Share-based payments		-	-	-	-	-	25	25
Dividends	12	-	-	-	-	-	(301)	(301)
Total transactions with owners		(13)	-	13	-	-	(644)	(644)
At 29 January 2012		**253**	**107**	**19**	**2,578**	**(12)**	**2,452**	**5,397**

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Notes to the condensed financial statements

26 weeks ended 29 July 2012

1 UNDERLYING EARNINGS

The Directors consider that the underlying earnings and underlying adjusted earnings per share measures referred to in the Interim results provide useful information for shareholders on underlying trends and performance. The adjustments are made to reported profit to (a) remove the impact of pension interest income volatility on the Statement of comprehensive income; (b) remove losses or profits arising on property transactions since they do not form part of the Group's principal activities; (c) remove significant one-off costs that do not relate to the Group's principal activities; and (d) apply an effective tax rate of 27.2% (31 July 2011 and 29 January 2012: 29.3%), being an estimated normalised tax rate.

	26 weeks ended 29 July 2012 (unaudited) £m	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Profit after tax	**329**	326	690
Add back: tax charge for the period [1]	**111**	123	257
Profit before tax	**440**	449	947
Adjustments for:			
Net pension interest cost/(income) [1]	**2**	(7)	(13)
Losses arising on property transactions [1]	**-**	-	1
One-off costs			
-Multi-channel and convenience development [1]	**3**	-	-
Underlying earnings before tax	**445**	442	935
Normalised tax charge at 27.2%/29.3% [1]	**(121)**	(130)	(274)
Underlying earnings after tax charge	**324**	312	661

[1] Adjustments marked [1] decrease underlying earnings by £5m (31 July 2011: £14m, 29 January 2012: £29m), as shown in reconciliation of earnings disclosed in note 5.

2 TURNOVER

	26 weeks ended 29 July 2012 (unaudited) £m	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Sale of goods in stores	**6,701**	6,615	13,436
Fuel	**2,139**	2,036	4,039
Total store based sales	**8,840**	8,651	17,475
Other sales	**99**	86	188
Total turnover	**8,939**	8,737	17,663

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3 FINANCE COSTS AND INCOME

	26 weeks ended 29 July 2012 (unaudited) £m	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Interest payable on short term loans and bank overdrafts	**(6)**	(5)	(12)
Interest payable on bonds and loan notes	**(30)**	(17)	(39)
Interest capitalised	**5**	6	12
Total interest payable	**(31)**	(16)	(39)
Fair value movement of derivative instruments	**-**	-	(1)
Other finance costs	**(4)**	(4)	(7)
Pension liability interest cost	**(62)**	-	-
Expected return on pension assets	**60**	-	-
Net pension interest cost	**(2)**	-	-
Finance costs	**(37)**	(20)	(47)
Bank interest received	**1**	2	5
Amortisation of bonds	**1**	1	2
Other finance income	**-**	1	1
Pension liability interest cost	**-**	(63)	(127)
Expected return on pension assets	**-**	70	140
Net pension interest income	**-**	7	13
Finance income	**2**	11	21
Net finance costs	**(35)**	(9)	(26)

4 TAXATION

On 23 March 2011, it was announced that the rate of corporation tax will be reducing from 28% to 22% over a four year period. A reduction to 24% is applicable for the period ending 3 February 2013. A further 1% reduction per year will bring the rate down by 22% by 2015. At 29 July 2012, a reduction to 23% had been substantively enacted.

The tax charged within the interim report has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ending 3 February 2013 of 25.3%, as permitted by IAS 34 *Interim financial reporting*. The charge therefore incorporates the reduction of the deferred tax rate to 23% which has reduced the half-year tax charge by £17m.

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Notes to the condensed financial statements (continued)

26 weeks ended 29 July 2012

5 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding those held by the Group as treasury shares.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially issuable dilutive ordinary shares.

Underlying earnings per share
It is the Directors' view that Underlying earnings per share is a fairer reflection of the underlying results of the business.

	26 weeks ended 29 July 2012 (unaudited) pence		26 weeks ended 31 July 2011 (unaudited) pence		52 weeks ended 29 January 2012 (audited) pence	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Basic earnings per share	**13.29**	**13.18**	12.44	12.18	26.68	26.03
Underlying earnings per share	**13.09**	**12.98**	11.91	11.66	25.55	24.93

	£m		£m		£m	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Basic earnings						
Earnings attributable to ordinary shareholders	**329**	**329**	326	326	690	690
Underlying earnings						
Earnings attributable to ordinary shareholders	**329**	**329**	326	326	690	690
Adjustments to determine underlying profit (note 1)	**(5)**	**(5)**	(14)	(14)	(29)	(29)
Underlying earnings attributable to ordinary shareholders	**324**	**324**	312	312	661	661

	Millions		Millions		Millions	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Weighted average number of shares						
Ordinary shares in issue/diluted ordinary shares	**2,475**	**2,496**	2,620	2,676	2,587	2,651

6 GOODWILL AND INTANGIBLE ASSETS

	29 July 2012 (unaudited) £m	31 July 2011 (unaudited) £m	29 January 2012 (audited) £m
Net book value			
At beginning of the period	**303**	184	184
Acquisition of businesses (note 13)	**-**	63	61
Additions at cost	**71**	30	72
Interest capitalised	**2**	4	7
Amortisation	**(13)**	(7)	(21)
At end of the period	**363**	274	303

Notes to the condensed financial statements (continued)

26 weeks ended 29 July 2012

7 CAPITAL EXPENDITURE AND COMMITMENTS

a) Property, plant and equipment	**29 July 2012 (unaudited) £m**	31 July 2011 (unaudited) £m	29 January 2012 (audited) £m
Net book value			
At beginning of the period	**7,943**	7,557	7,557
Acquisition of businesses (note 13)	**20**	11	12
Additions at cost	**273**	290	717
Interest capitalised	**3**	2	5
Transfers from/(to) investment property	**-**	(23)	(31)
Disposals	**(2)**	-	(6)
Depreciation charge for the period	**(161)**	(160)	(311)
At end of the period	**8,076**	7,677	7,943

b) Investment properties

In addition to the depreciation charge above of £161m, £5m (31 July 2011: £2m, 29 January 2012: £8m) has been charged on Investment properties.

c) Capital commitments

Contracts placed for future capital expenditure not provided in the financial statements amount to £168m (31 July 2011: £160m, 29 January 2012: £103m).

8 PENSIONS

At the balance sheet date a review of market conditions, used to derive the defined benefit pension scheme assumptions, was carried out. The impact of changes in assumptions since the period ended 29 January 2012 was insignificant and consequently no update has been made for the Half-yearly financial report. A full update of assumptions will be carried out at the period ended 3 February 2013.

Notes to the condensed financial statements (continued)

26 weeks ended 29 July 2012

9 CASH FLOWS FROM OPERATING ACTIVITIES

	26 weeks ended 29 July 2012 (unaudited) £m	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Profit for the period	**329**	326	690
Adjustments for:			
Taxation	**111**	123	257
Depreciation	**166**	162	319
Amortisation	**13**	7	21
Loss on disposal of property, plant and equipment	**-**	-	2
Net finance cost	**35**	9	26
Other non-cash changes	**4**	10	25
Excess of contributions over pension service cost	**(2)**	(6)	(3)
Decrease/(increase) in stocks	**71**	(43)	(117)
Decrease/(increase) in debtors	**4**	(58)	(49)
Increase in creditors and provisions	**102**	147	93
Cash generated from operations	**833**	677	1,264

10 ANALYSIS OF NET DEBT

	29 July 2012 (unaudited) £m	31 July 2011 (unaudited) £m	29 January 2012 (audited) £m
Cash and cash equivalents	**297**	211	241
Bank overdrafts	**(3)**	-	(29)
Cash and cash equivalents per cash flow	**294**	211	212
Derivative financial instruments	**1**	15	3
Financial assets	**1**	15	3
Short term borrowings	**-**	-	(80)
Derivative financial instruments	**(9)**	-	(6)
Current financial liabilities (excluding bank overdrafts)	**(9)**	-	(86)
Bonds	**(1,347)**	(558)	(955)
Private placement loan notes	**(159)**	-	(156)
Floating credit facility	**(445)**	(706)	(470)
Other unsecured loans	**-**	(10)	-
Derivative financial instruments	**(8)**	-	(12)
Finance lease obligations	**(7)**	(7)	(7)
Non-current financial liabilities	**(1,966)**	(1,281)	(1,600)
Net debt	**(1,680)**	(1,055)	(1,471)

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11 NON-CURRENT BORROWINGS

On 18 July 2012, the Group issued £400m of Sterling bonds with a fixed rate of 3.5%, expiring in July 2026. The issue is part of a £3,000m Euro Medium Term Note Programme where the Group can from time-to-time issue notes denominated in any agreed currency. As at 29 July 2012, the Group had issued, in total, £800m of fixed rate Sterling bonds as part of this programme.

On 22 May 2012, the Group agreed a new revolving credit facility with Svenska Handelsbanken AB (publ) for £150m expiring in May 2016. This facility remains undrawn at 29 July 2012.

At 29 July 2012, the Group has undrawn floating committed borrowing facilities available totalling £900m (31 July 2011: £494m; 29 January 2012: £725m).

12 DIVIDENDS

	26 weeks ended 29 July 2012 (unaudited) £m	26 weeks ended 31 July 2011 (unaudited) £m	52 weeks ended 29 January 2012 (audited) £m
Equity dividends paid in the period	**186**	219	301

The dividend paid in the period represents the cash payment of the final dividend of 7.53p from the 52 weeks ended 29 January 2012 (31 July 2011: 8.37p from the 52 weeks ended 30 January 2011).

The Directors are proposing an interim dividend of 3.49p per share which will be paid on 5 November 2012 to shareholders who are on the register of members on 28 September 2012. The interim dividend will absorb an estimated £84 m of shareholders' funds. This amount will be charged to retained earnings when paid.

13 BUSINESS COMBINATIONS

IFRS 3 (revised) *Business combinations* has been applied to the acquisitions completed during the period.

Winsford
On 27 March 2012, the Group acquired a site at Winsford from Vion Food Group Limited, a meat packing business based in Cheshire. Total cash consideration for the purchase was £21m; of this £20m is attributable to the property, plant and equipment acquired and £1m to other net assets. There is no goodwill arising.

The acquisition will strengthen the Group’s ability to provide pre-packed retail fresh meat to supplement our in-store butcheries.

Farmers Boy (Deeside) Limited
In March 2012, the Group acquired from Cranswick plc the outstanding 49% shareholding in Farmers Boy (Deeside) Limited which it did not already own for cash consideration of £15m. This business had already been accounted for as a subsidiary due to the existence of option arrangements between the Group and Cranswick plc.

14 SHARE CAPITAL

Shares purchased for cancellation
The Group acquired 92,149,574 (nominal value £9m) (31 July 2011: 54,200,000, nominal value £5m) of its own shares through purchases in the open market between 30 January 2012 and 27 July 2012 (31 July 2011: 10 March 2011 and 29 July 2011). The total amount paid to acquire the shares, net of tax, was £260m (31 July 2011: £157m) and has been deducted from retained earnings within shareholders’ equity. These shares have been cancelled and represent 3.8% of issued share capital at 29 July 2012 (31 July 2011: 2.0% of share capital at 31 July 2011).

Purchase of treasury shares
In addition, the Group acquired 23,803,406 (nominal value £2m) shares to hold as treasury shares for the purposes of satisfying the employee share option schemes and long term incentive plans. The total amount paid to acquire the shares, net of tax, was £65m and has been deducted from retained earnings within shareholders’ equity.

During the period, the Group utilised 16,608,243 treasury shares to satisfy options exercised by employees during the period. Proceeds received on exercise of these shares amounted to £33m.
At 29 July 2012, the remaining treasury shares of 7,195,163 had a nominal value of £0.7m. The Group has the right to re-issue these shares at a later date.

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Notes to the condensed financial statements (continued)

26 weeks ended 29 July 2012

15 SEGMENTAL REPORTING

The Management Board is the Group's chief operating decision-maker. There are no differences from the Annual report and financial statements 2011/12 in the basis of segmentation. The Directors consider there to be one operating segment, that of retailing.

The Management Board use the underlying profit figure to measure performance. A reconciliation of underlying profit to the statutory position can be found in note 1. The Management Board also review a balance sheet containing assets and liabilities which is as shown within the consolidated balance sheet.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union;
- the Interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the *Disclosure and Transparency Rules*.

By order of the Board

5 September 2012

The Board

The Board of Directors that served during the 26 weeks to 29 July 2012 and their respective responsibilities were:

Sir Ian Gibson – Chairman*
Dalton Philips – Chief Executive Officer
Richard Pennycook – Group Finance Director
Philip Cox *
Nigel Robertson *
Penny Hughes *
Johanna Waterous *

* Non-Executive Director

Principal risks and uncertainties

The principal risks and uncertainties set out in Wm Morrison Supermarkets PLC's Annual report and financial statements for the 52 weeks ended 29 January 2012 remain the same for the Half-yearly financial report 2012/13. Those risks and uncertainties can be summarised as follows:

Operational risks that may affect reputation, market share and financial results:

- Business interruption
- Business strategy
- Colleague engagement and retention
- Corporate citizenship
- Customer proposition
- Food product safety
- Property
- Regulation
- Systems and change

Financial risks that may affect financial results or the financial position of the company:

- Foreign currency risk
- Liquidity risk
- Credit risk

More information on the principal risks and how the Group mitigate those risks can be found on page 28 of the Annual report and financial statements 2011/12. You can view the Annual report and financial statements 2011/12 online on our corporate website, www.morrisons.co.uk/corporate/ar2012

General information
Wm Morrison Supermarkets PLC (the 'Company') is a public limited company incorporated in the United Kingdom (Registration number 358949). The Company is domiciled in the United Kingdom and its registered address is Hilmore House, Gain Lane, Bradford, BD3 7DL, United Kingdom.

The Half-yearly financial report 2012/13 does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements.

The financial information contained in the Half-yearly financial report 2012/13 in respect of the 52 weeks ended 29 January 2012 has been extracted from the Annual report and financial statements 2012 which have been filed with the Registrar of Companies. The auditor's report on these financial statements was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 of the Companies Act 2006.

The half-yearly results for the current and comparative periods are unaudited. The auditor has carried out a review of the Half-yearly financial report 2012/13 and their report is set out below.

The Half-yearly financial report 2012/13 was approved by the Board of Directors on 5 September 2012.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of preparation
This Half-yearly financial report 2012/13 is the condensed consolidated financial information of the Group for the 26 weeks ended 29 July 2012. It has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS 34 *Interim financial reporting* as adopted by the European Union. It should be read in conjunction with the Annual report and financial statements for the 52 weeks ended 29 January 2012 which have been prepared in accordance with IFRSs as adopted by the European Union. This is available either on request from the Company's registered office or to download from www.morrisons.co.uk/corporate/ar2012

Significant accounting policies
The accounting policies applied by the Group in these condensed consolidated financial statements are consistent with those set out in Wm Morrison Supermarkets PLC Annual report and financial statements for the 52 weeks ended 29 January 2012.

In preparing the condensed consolidated financial statements, management are required to make accounting judgements, assumptions and estimates. The judgements, assumptions and estimation methods were consistent with those applied to the Annual report and financial statements for the 52 weeks ended 29 January 2012 with the exception of pensions as detailed in note 8 and taxation which has been accrued using the rate that is expected to apply for the period ending 3 February 2013.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 30 January 2012, but have no material effect on the Group's financial statements.

IFRS 1 (amendment) *Severe hyperinflation for first time adopters of IFRS*
IFRS 7 (amendment) *Transfers of financial assets* *
IAS 12 (amendment) *Income taxes on deferred tax*

*These standards and interpretations have been endorsed by the European Union.

Forward looking statements
Certain statements in this half-yearly financial report are forward-looking. Where the Half-yearly financial report includes forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Such statements are based on current expectations and are subject to a number of risks and uncertainties, including both economic and business risk factors, that could cause actual events or results to differ materially from any expected future events or results referred to in

these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Independent review report to Wm Morrison Supermarkets PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly financial report for the 26 weeks ended 29 July 2012 which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the Half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The Half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this Half-yearly financial report has been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of interim financial information performed by the independent auditor of the entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly financial report for the 26 weeks ended 29 July 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

A J Stone
for and on behalf of KPMG Audit Plc
Chartered Accountants
1 The Embankment
Neville Street
Leeds, LS1 4DW

5 September 2012