MORRISONS

News Release

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PRELIMINARY RESULTS FOR THE YEAR ENDED 29 JANUARY 2012

Morrisons delivers in a challenging year

Financial summary

- Turnover up 7% to £17.7bn (2010/11: £16.5bn)
- Like-for-like sales (ex-fuel, ex-VAT) up 1.8% (2010/11: 0.9%)
- Underlying profits before tax up 8% to £935m (2010/11: £869m)[(1)]
- Profit before tax £947m (2010/11: £874m)
- Operating margin up by 20bps[(2)]
- Net debt £1,471m (2010/11: £817m) after capital investment of £901m (2010/11: £595m)
- Gearing of 27% (2010/11: 15%)
- Equity retirement £368m
- Basic earnings per share 26.7p (2010/11: 23.9p)
- Underlying earnings per share up 11% to 25.6p (2010/11: 23.0p)
- Total dividend for the year up 11% to 10.7p (2010/11: 9.6p) – dividend cover of 2.4 times

Operating highlights

- Record customer numbers – up 0.4m per week
- 34 new supermarkets opened[(3)]
- Own brand relaunched successfully through M Kitchen and M savers ranges
- Productivity improvements in stores (2.9%) and distribution (4.3%)
- HOT service programme delivering step-change in customer satisfaction[(4)]
- Significant progress in the systems replacement programme
- New South West regional distribution centre opened

Strategy highlights

- **Fresh Formats** – new fresh food proposition delivered into 12 stores – roll out accelerating in 2012

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- **Vertical integration** – acquisition of Flower World. Future investments in meat and fish announced

- **Convenience** - first three trial M local convenience stores performing well with further expansion planned for 2012(5)

- **Multi-channel** – Launch of Morrisons.com on schedule for late 2012

Commenting on the results, Sir Ian Gibson, Chairman, said:

“This was another good year for Morrisons, despite a tough economic backdrop. Record numbers of customers visited our stores and we delivered an 8% increase in underlying earnings and an 11% increase in the dividend, whilst also investing for the long term health of the business”.

Dalton Philips, CEO, said:

“This has been Morrisons best year yet with another good financial performance and growth ahead of the market. Customers were having a tough time but we responded with a new M savers brand for budget conscious shoppers, promotions that customers understood, and industry leading service.

We know that 2012 will be tough, and we will be working hard to deliver even better value for our customers. At the same time, we have ambitious plans for the long term development of the business, through new supermarkets, convenience stores and the development of our multi-channel capabilities. I am confident that Morrisons will make further progress this year.”

Outlook

We expect a challenging year in 2012. Building on good performance last year, a growing customer base, tight cost discipline throughout the business and the range of new opportunities that are being pursued, we are well positioned to continue to deliver profitable growth.

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Notes

[1] Profit before exceptional items, property transactions and IAS19 pension interest

[2] After adjusting for the impact of fuel sales mix

[3] Includes one replacement of an existing store and the purchase of 19 ex-Netto stores from Asda. Excludes M Local stores

[4] Winner of The Grocer weekly service award 9 times, ahead of all competitors

[5] First three M locals at Ilkley, Wilmslow and Grafton Street, Manchester

The Group's full financial statements (comprising the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes) are available for download on the Group's website at www.morrisonsplc.co.uk.

-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.

Chairman's statement

Against the backdrop of a very challenging environment for the consumer, where value, freshness and quality are key, I am pleased to report another year of good progress for Morrisons. Record numbers of customers visited our stores, demonstrating that Morrisons unique offer is in tune with the needs of consumers in these uncertain times. The delivery of good earnings growth and the resultant increase in the dividend demonstrates the resilience of our business model in a tough economic environment.

At the start of the year we outlined a range of initiatives to grow our sales profitably, make our business more efficient and to develop further growth opportunities that would deliver enhanced value to shareholders. The management team has made good progress in all these areas and we are on track to deliver our vision to make Morrisons 'Different and Better than Ever'.

Results

Profit before tax was £947m, an increase of £73m (8%) when compared with £874m last year. Underlying profit before tax, which we regard as the true measure of business performance, was up 8% to £935m(1). Statutory basic earnings per share increased by 11% over the previous year to 26.7p, with underlying basic earnings per share up by 11% to 25.6p.

Our policy is to increase the dividend in line with underlying earnings growth subject to a minimum increase of 10% in each of the three years to 2013/14. In line with this policy the Board is therefore recommending a final dividend of 7.53p per share, to bring the total dividend for the year to 10.7p, an increase of 11% on 2010/11. The dividend is covered 2.4 times by underlying earnings.

Cash flow from operations of £1,264m was up by £123m (11%), when compared to the previous year. Capital expenditure and investments of £901m were £306m higher than the previous year. This was the result of a planned acceleration in our store opening programme, the addition of a new regional distribution centre at Willow Green, Bridgwater and investments to support our expansion ambitions for online shopping and vertical integration. We expect capital expenditure to be higher in 2012/13 as we continue to invest for further growth. £368m was invested into our equity retirement programme and we are on track to meet our objective of returning £1bn to shareholders over the two years to March 2013, in addition to normal dividends.

These investments, together with an increased dividend payment, resulted in a rise in net debt to £1,471m (2010/11: £817m), to leave gearing at 27%. At this level it remains low for the sector. At the year end the Group had undrawn, committed facilities of £725m and a credit rating of A3 from Moody's. This is a strong investment grade which is only held by two other European retailers.

Community and the environment

Our customers expect us to trade responsibly, and we are committed to managing resources carefully, maintaining ethical standards and working with the communities in which we operate. During the year we have continued to undertake research projects through the Morrisons Farming Programme, have been enthusiastic supporters of the Government's Public Health Responsibility Deal and have made good progress towards our long term energy reduction targets. Our Let's Grow programme, now in its fifth year, continues to help schoolchildren throughout the UK to get out of the classroom and learn about the food cycle first hand.

It is a source of pride that our colleagues and customers always go out of their way to support our charitable activities, and I am delighted that Save the Children was selected by our colleagues, for the second successive year, as our charity partner. Specifically, we have helped fund its award-winning Families and Schools Together (FAST) programme across the UK, which is designed to give the most disadvantaged children a chance of a better future. With an array of fund raising activities we have raised £2.3m for FAST this year, successfully funding 24 programmes, as well as Save the Children's emergency appeals in Japan and East Africa.

Industry recognition

Morrisons commitment to providing our customers with an outstanding shopping experience and making it a great place to work for our colleagues, has again been recognised with numerous industry awards. These included nine The Grocer Own Label Food and Drink Awards, Fresh Produce Retailer of The Year (multiple category) at the Retail Industry Awards and Employer of the Year from both Retail Week and The Grocer Gold Awards.

Our colleagues

These awards are testimony to the passion and hard work of our 131,000 colleagues who are making Morrisons "Different and Better than Ever" for our customers every day.

I am delighted that our growth during the year will provide a profit share pool for them of £49m, an increase of 8% over last year.

We continue to invest in training and skills. Our award winning Morrisons Academy provides specialist training to help colleagues develop new skills or work towards a nationally recognised qualification such as QCF. Over 100,000 colleagues were successfully accredited during the year and, at a time of rising youth unemployment, I am pleased that 40,000 of our colleagues are aged 16 to 24.

On behalf of the Board I want to express our thanks to every one of our colleagues for their dedication, professionalism and service throughout the year.

Business and strategy review

2011/12 was another good year for Morrisons. Against the backdrop of a difficult environment for the consumer, our unique fresh, quality and value offer made Morrisons a natural destination and more customers visited our stores than ever before. We continued to improve our financial performance whilst investing for future growth.

Turnover growth

Total turnover was £17.7bn, an increase of £1.2bn (7%). Our store sales (excluding fuel) grew by 3.9% to £13.4bn with a record 11.4m customers coming into our stores each week. Sales from new stores contributed 2.1% of our total growth. Like-for-like sales grew by 1.8%, customer numbers were up by 1.3% and average basket spend increased by 0.6%. Whilst sales growth was strongest in London and the South East, we were pleased with our sales performance in all regions of the country.

For the second year in a row consumers were faced with increases in the price of oil, exacerbated by ongoing sterling weakness. With unleaded prices at the pump up by 15.4p per litre and diesel increasing by 18.5p, motorists were paying an average of 15% more per litre at the pump than they did last year. The demand for fuel is relatively inelastic and whilst motorists continue to use their cars in times of austerity, they take time to shop around for the best deals, such as our "Fuel Britannia" programmes. As a result our volume sales increased by 4.8%. Overall, like-for-like fuel sales were up 18% in the year.

Inflationary effects took their toll on disposable incomes during the year, with the unwelcome impact of high oil prices feeding through not just at the petrol pumps but also throughout the supply chain. Other core commodities increased in price too, adding to the pressure. Market prices for beef and lamb rose by 15% and 11% respectively over the year, and average wheat prices were up by 32%.[7] The increase in fuel prices alone reduced our customers' disposable income by some £600m, income that could otherwise have been spent in our stores. In this environment consumers looked around for value and found it at Morrisons where our sharp pricing, supported by innovative promotions, was welcomed by customers.

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Turnover analysis

£m	Like-for-like stores	Other	**2011/12 Total**	2010/11 Total
In store	13,112	324	**13,436**	12,937
Fuel	4,009	30	**4,039**	3,426
Other sales	-	188	**188**	116
Total turnover (ex-VAT)	**17,121**	**542**	**17,663**	**16,479**
In-store sales				
Sales per square foot (£)	21.05	12.83	20.74	20.80
Customers numbers per week (m)	11.0	0.4	11.4	11.0
Customer spend (£)	22.82	17.69	22.67	22.67

We maintain a prudent approach to adding new space to our estate and only approve investments that meet the required financial hurdle rate. As a result, our space opening programme whilst being ahead of our published targets, was less, in relative terms, than our major competitors. Despite this, with good like-for-like sales, we maintained our market share.(8)

Throughout the year we noted the rise of the “professional shopper”, with customers taking time to shop around and look very carefully at pricing and offers in order to search out value. This trend played to Morrisons strengths. Our value proposition of everyday low prices coupled with industry leading offers, and the flexibility of our vertical integration, enabled us to meet our customers’ needs for great fresh food at affordable prices. Offers such as our 49p produce deal and our two loaves of bread for £1 promotion helped our customers manage on tight budgets. The market remained highly promotional, and our innovative promotions such as “Pay Day Price Crunch” and “Morrisons Millions” caught the mood of the nation.

Operating results

Summary income statement	2012 £m	2011 £m	Change %
Turnover	17,663	16,479	7%
Gross profit	1,217	1,148	6%
Gross profit margin %	*6.9%*	*7.0%*	*-0.1%*
Other operating income	86	80	8%
Administrative expenses	(329)	(323)	2%
Underlying operating profit	974	905	8%
Property transactions	(1)	(1)	-
Operating profit	973	904	8%
Underlying operating profit margin %	*5.5%*	*5.5%*	-
Net finance charges	(26)	(30)	-13%
Taxation	(257)	(242)	6%
Profit for the period	690	632	9%

Gross profit grew by 6% to £1,217m during the year. The gross profit margin was 6.9%, a fall of 10bps against last year due to the increased proportion of low margin fuel sales in the mix this year. After cost of goods sold, the Group's two largest cost areas are store wages and distribution costs. We continued to manage costs and improve efficiency in both areas whilst maintaining excellent standards and customer service levels. As a result, we again improved our store labour costs relative to sales, with in-store labour productivity up by 2.9%. Distribution productivity improved by 4.3%, reflecting the benefits of the investment we have made in systems improvement.

Other operating income grew by 8% to £86m, primarily because of increased recycling credits.

Administration costs increased by 2%, well below the rate of profit and sales growth in the year. This reflects the strong cost control culture that exists throughout the business.

Although the operating margin of 5.5% was in line with the prior year, the underlying result was an improvement of 20bps, after adjusting for the increased proportion of low margin fuel sales.

Market overview

The UK grocery market continued to operate in a very tough economic climate with consumer confidence close to record lows during the year. In 2011 the market was worth £97bn, up by 4.2% on the previous year. Whilst this appears to be solid growth, it should be noted that space growth was approximately 4%, a historically high figure. Within these figures online grocery grew disproportionately, with 17% of UK adults buying food or groceries online, up from 10% three years ago. The convenience market, which is measured separately, grew 4.6% to £34bn in 2011, and is expected to continue growing at a faster rate than the traditional grocery market for some time to come.[6]

Retail grocery volumes were flat in the year and it was inflation, averaging 5.5% through the year, which drove growth. CPI food inflation as measured by the Office for National Statistics was above 6% for much of the year but started to come down through the last quarter, reaching 3.4% in January 2012. Categories that saw particularly high inflation include oils and fats (10%), coffee and tea (10%), and meat (6%).[7]

Value at the forefront of shoppers' minds
Household incomes were squeezed throughout 2011, due to the previously mentioned commodity and energy price pressures and also as a result of the Government's fiscal measures, particularly the rise in VAT to 20%. Cost pressures ran well ahead of wage settlements, with the result that disposable incomes overall fell 2.3% in 2011. A general unease about current and future expectations for the economy and for personal finances also saw shoppers managing more closely to a budget.

As a result, pricing and overall value have become increasingly important factors in purchasing decisions. More shoppers now regard price as their first consideration when choosing between products compared with a year ago, with almost seven out of ten now saying they make the majority of their grocery shopping decisions before they get to store. This is an increase of 40% since 2008. Promotions are increasingly important when shoppers are deciding which stores to shop at and what products to buy. 70% of shoppers say promotions play a very important role in determining which stores they shop in compared to 64% of shoppers in December 2010.[9] The grocery retail market has responded to these customer needs through an increased weight of promotional activity on branded goods. Additionally, retailer own brand sales, which carry a lower average unit price, have been performing more strongly than branded products as shoppers look for ways to manage their expenditure.

Strategy

In 2010 we outlined our vision to make Morrisons 'Different and Better than Ever'. We are proud of what makes us different – a distinctive offer to customers centred around fresh food, craft skills and vertical integration through our manufacturing business; the way we lead and support our colleagues; and our unique heritage. Being 'different' means building on these advantages, which set us apart from all our competitors and position us to win. Being 'better than ever' is about improving the way we do business - doing more of the things that matter for our customers – making great food, offering outstanding service and being more efficient so we can pass on the best savings possible. It also means seizing opportunities to grow the business profitably through new formats, channels and categories, to meet more of our existing customers' needs and to reach new customers.

Our strategy reflects our view of how the market will evolve, what will be most appealing to our customers and how we make best use of our internal capabilities. It is based on six convictions about the type of business that our customers want us to be:

1. ***Food focused not generalist***
   We want to be the number one destination in the UK for fresh food at outstanding value for money. Fresh food is at the heart of the supermarket shopping experience and customers are seeking freshness, quality and provenance at great value as well as becoming more conscious about healthy eating.

   Our manufacturing capabilities, unique craft skills, in-store food preparation, flexible supply chain and farming links all give us competitive advantage. We will continue to build on these to create a unique shopping experience offering customers the best fresh food in the UK, unrivalled value for money and fantastic service.

2. ***Experiential over purely functional***
   Customers are seeking a deeper engagement with food and food shopping and moving away from a purely functional experience. They want to see, touch and smell the food. We want it to look different and *feel* different when customers shop at Morrisons.

3. ***Value is for ever***
   The world is changing but some things are forever - value is one of them. This means offering an experience which is 'fun and frugal' through a combination of great range, quality and service, combined with great prices on every day products and industry leading deals. We are already well known for delivering great value and we will keep this at the heart of our offer.

4. ***Skills not just drills***
   Our great store colleagues are a competitive advantage we can build on. Customer experience is driven by friendly, knowledgeable service delivered through a skilled and engaged workforce who are all committed to offering customers a fantastic shopping experience.

5. ***General merchandise – clicks not bricks***
   General merchandise is increasingly migrating online, and away from 'big box' supermarkets and the traditional high street. We believe therefore that the future for general merchandise is in 'clicks not bricks'.

6. ***Multi-format and multi-channel***
   We will serve the evolving needs of our customers by expanding into new channels and formats, tailoring our offer to suit the needs of different customers.

   Better technology and busy lifestyles are changing the way customers shop. Different customers in different locations want different products. They shop using different channels, going online, via kiosks and on their smart phones. They also visit different formats, doing their weekly shop in larger stores, topping up in convenience stores and seeking out specific products or expertise in speciality stores. To serve more customers, more of the time, we need to be multi-format and multi-channel, tailoring our offer to suit the needs of different customers.

Our vision for the business we are building is anchored by these convictions, and we have a clearly defined set of initiatives that will deliver it. We have grouped these initiatives under the three strategic objectives of 'driving topline', 'increasing efficiency' and 'capturing growth'.

Driving topline

Fresh Formats – 'Bringing together the thinking from our Fresh Lab and our Space Lab'

Fresh Formats is about offering customers the best fresh food in the UK, unrivalled value for money and fantastic service from an environment that really feels different. This initiative is a key part of our strategy and is underpinned by our core convictions that customers want fresh food, great value and a more experiential and engaging shopping environment.

We have brought together a number of separate strands of work to create a new shopping experience for our customers.

- Our Fresh Lab where we have created a fantastic fresh food environment, transforming our produce and flowers sections, introducing new ranges and revitalising our counters.

- Our Space Lab where we have found ways to work our space harder and eliminate duplicated items. The Lab has shown that we can "liberate" up to 750,000 square feet of our existing store space which will be available for an expanded fresh food offer and new ranges such as restaurant quality ready meals and childrens' clothing.

- HOT service is an initiative to enhance our service culture and ensure that our customers always get a warm and friendly experience in our stores. Over 110,000 store colleagues have received service skills coaching – the largest service training programme of its kind in the UK.

During the year, we transformed 12 of our stores using this new thinking. We knocked down walls so that customers could see our craft skills in practice, introduced 350 more fruit and vegetable products, moved complementary products next to each other and rationalised the space given over to ambient grocery items. The results to date have been strong, with produce up 14% and sales in the delicatessen up over 40%. Where we rationalised ambient space we successfully maintained sales and margins.

The work done in the Lab stores has enabled us to create a series of modules capable of being applied to our existing estate and to new stores. In 2012/13 we will tailor the core concept to different locations and store sizes, ensuring that we provide customers with the elements they really want whilst maximising the benefits from our investment. This continuing evaluation will see around 15% of our space operating all or most of the new concept by the end of the first half of the year with total capital expenditure per store of c£1.7m. This is contained within our 2012/13 capital expenditure targets.

Own Brand

We believe that having great own-brand products can give customers a reason to switch supermarkets, and we are ambitious to create an industry leading

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range. Much work was done during the year, starting with a detailed benchmarking of existing Morrisons products against competitors. In blind tastings, we found that our quality was already high, and overall was better than the average of our direct competitors. As always, there was room for improvement, particularly in going beyond just having a set of good own label products, to having a family of great relevant brands that influence customer behaviour.

2011/12 saw the start of a three year programme of new product development, and we made good progress. Informed by research and customer insight, we built a plan, created a talented team and began the execution that will see 5,000 new products introduced this year and more than 10,000 products relaunched by Christmas 2013. We commenced the roll out with our ‘M Kitchen’ range in October 2011, launching over 600 products in a category where we knew that we were performing below the market. Product quality is exceptional. Through close cooperation with suppliers and inspiration from great chefs including Pierre Koffman and Aldo Zilli, we developed an innovative and exciting range with exceptional product quality. The response from customers has been extremely positive and M Kitchen sales have increased 40% over the same categories last year.

In January 2012 we launched M savers, our new entry price-point range, which is designed to be a clear proposition of good quality at the best price, in strong support of our conviction that value is forever. We have increased our range to over 500 lines, competing with the broadest offer in the market and enabling customers to do a full value-led shop should they choose to do so.

National to Nationwide

We aim to offer customers throughout Great Britain easy access to a Morrisons store. Currently there are still approximately 6.6m households which do not have a Morrisons store in close proximity. This gives us significant headroom for growth, particularly in the South where we are less well represented.

During the year we opened a total of 37 new stores, including one replacement and three in our new convenience format. 19 of the new stores were previously operated by Netto. They have an average size of 8,000 square feet and are therefore much smaller than the majority of the Morrisons estate, which averages 27,100 square feet. Their success under the Morrisons brand and the performance of our new convenience format, reinforces our confidence that we can operate effectively in smaller store sizes, where previously we had very few stores below 10,000 square feet.

Our net selling space increased by 643,000 square feet (5.2%) during the year, slightly ahead of our previously announced target of 600,000 square feet through a combination of new stores, acquisitions and extensions. Of this, 107,000 square feet came from extending 15 stores in our existing estate. We ended the year with 12.9m square feet of net retail space and an estate of 475 stores.

In March 2011, we announced an accelerated space opening programme of 2.5m square feet of new space over the three years to 2013/14. This year we exceeded our first year target. In 2012/13 we expect to add a further 700,000 square feet and we are on track to meet our three year expansion objective.

Increasing efficiency

In-store productivity

Great companies continually strive to be more efficient. Morrisons has a number of initiatives underway which will drive efficiency and cut unnecessary cost out of our business.

Every hour per day we save in all of our stores equates to approximately £1.4m of annual cost saving - so even small changes can deliver big benefits. In March 2011 we launched an initiative to focus on store productivity and have delivered savings of £25m in the year. Good progress was made on a number of initiatives, including opening our specialist counters later in the morning, which reduces labour cost, but also allows customers to see our craftsmen setting up for the day; automating the receipt of news and magazines, which avoids manual checking and administration, and changing the way bananas are displayed to reduce the labour cost whilst also reducing the wastage that arises from handling the fruit too much. During the coming year we will continue to trial and roll out new ideas and we are on track to deliver our target of £100m saving by 2013/14.

IT systems

2011/12 saw the deployment of new systems to many parts of the business, as our six year programme of complete systems replacement reached the mid-way stage. Throughout the programme we have taken considerable care to manage any risks to the business through comprehensive governance including independent external assurance.

During the year we completed the rollout of the Group's new electronic point of sale system to stores and implemented the new trading product master file. The new production management system for manufacturing is now in operation at all of our produce sites. All of these completed projects are now providing benefits as expected in our business case. In the coming year we will be building still further on this solid base and will be making changes to our core manufacturing, logistics, trading and retail systems, supported by improved management information.

Tackling indirect procurement

Our indirect procurement programme has a target of saving £100m by 2013/14 and we made good progress during the year, delivering £40m of benefit. We reviewed every area of spend - both revenue and capital expenditure, and looked at a variety of ways to reduce cost including the use of e-auctions, rate negotiations, consolidating spend and reducing consumption. Examples of savings achieved include the renegotiation and re-specification of packaging

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across stores and manufacturing, the consolidation of waste contracts across stores and packhouses and a significant reduction in marketing print costs.

We also undertook an exercise to reduce the build and fit out costs of new stores, opening our first ‘Lean Store’ at Newport in November and achieving a saving of £2m against our original estimates, the equivalent of c30% of the total store build and fit out cost. Around half of these savings are already being applied to all new build stores. The remaining 50% will be trialled further and implemented when we are confident that we can take the cost out without compromising our high standards.

Increasing network efficiency
Our network optimisation initiative, which was launched in 2007, has focused on building capacity, reducing costs and increasing efficiency throughout our supply chain. In the final quarter of the year we completed the original programme with the opening of a new, state-of-the-art regional distribution centre (RDC) for the South West at Willow Green, Bridgwater. This 800,000 square foot site, which replaces a number of smaller centres, was opened ahead of schedule to enable us to manage the busy Christmas period and will become fully operational in the first quarter of 2012/13. The new RDC, a capital investment of £105m, enables us to consolidate service into one efficient centre and will deliver savings of £20m annually from 2014/15.

Capturing growth

Vertical integration
Vertical integration gives us a true source of competitive advantage and is crucial to our ambition of leading in fresh food - reinforcing our credentials around provenance and sourcing, giving us flexibility to run industry leading promotions and supporting group profitability.

In 2010 we set out our strategic objective to increase the scope of our vertical integration and to invest £200m in additional capacity for relevant fresh categories over three years. Over the last two years we have expanded into several new categories. In June 2011 we acquired Flower World, adding fresh flowers to our range of fresh competencies and in January 2012 we agreed to acquire a pork and lamb retail meat packing facility from Vion Group in Winsford. This 105,000 square foot site will enable us to gain greater control over the quality and provenance of our packed meat products by bringing more production in-house. In March 2012 we announced our intention to establish a seafood processing capability by the end of the year, in order to further expand our authority in fish. We remain well on track to deliver our financial targets and extend vertical integration further into new categories.

Moving online
The way customers shop is changing – they are becoming more and more accustomed to buying online. The total online market in the UK is almost £70bn and growing at 16% and the online grocery market is worth £6bn and growing at 19%.[10] [11]

This is a clear opportunity for Morrisons and we have taken the first steps in our journey to developing both an online food and general merchandise offer.

Online general merchandise
General merchandise is migrating online, away from the high street and from 'big box' supermarkets. We intend to complement our core supermarket offer with an online general merchandise offer in categories which have appeal and relevance to our customers. We started this year with the acquisition of Kiddicare – the most successful online baby retail business in the UK. We are expanding Kiddicare as a genuine "multi-channel" business and during the year announced plans for ten flagship stores throughout the UK. We are also leveraging our 11.4m weekly customers in Morrisons by increasing their awareness of the Kiddicare business, leading to strong growth. Additionally, using the industry leading operating platform acquired with Kiddicare, Morrisons.com will launch its first categories in the final quarter of 2012.

Online food
The online food market is growing fast and is expected to reach £11.2bn by 2016, some 6% of the total grocery market.(12) Morrisons does not yet offer an online service, as we do not believe any retailer in the UK has achieved the right balance of service to customers and profitable returns for shareholders. In 2011 we took an initial step in online grocery through acquiring a minority stake in Fresh Direct, a leading fresh food, online retailer in New York. We have established a very positive relationship with them, including the embedding of a team into the business in order to understand it in great detail before bringing it back to the UK. We will outline our plans for online food towards the end of 2012/13.

Convenience
The UK convenience market presents an opportunity for Morrisons to expand its business. It accounts for over £30bn of sales, represents £1 in every £5 spent on grocery and is growing at twice the rate of the rest of the UK retail market.(13)

Customers are seeking easier ways to shop and want to be able to top up on items they need without having to travel to their nearest large supermarket. This is particularly true at a time when budgets are tight and customers are looking to spend less per shopping trip and save on fuel costs.

We believe that no one else is currently offering a truly great convenience shopping experience - too often convenience is about compromise – poor quality, bad value and limited choice.

Morrisons therefore has the opportunity to create something different by leveraging its vertical integration and great fresh and value credentials to develop a really distinctive and compelling fresh food experience; offering customers great food at affordable prices at a location which is convenient for them.

As planned, we opened three trial stores. They offer a very different convenience experience and are fresh led, with fresh pricing in line with the prices available across all our stores. Over 50% of space is dedicated to fresh food and scratch cooking; significantly more than the industry average of 36%. We offer customers a broad range of c2,500 lines including over 100 fruit and vegetable products, a broad range of meat, fish, bakery and deli as well as freshly prepared sandwiches.

Although we are still trialling these formats the results to date have been ahead of our expectations, with very positive customer feedback. We will continue to open more M Locals during the course of 2012 and adapt our formats to cater for market opportunities and local customer needs, such as city centre formats and petrol station solutions. As our convenience estate grows we will be investing in the infrastructure required to support a larger network of convenience stores.

We believe that capturing strategic growth through increased vertical integration, multi-channel development and the roll out of convenience stores will be an important driver of shareholder value in future years. As we build these businesses this year we will require incremental revenue expenditure of £15m. We will also invest £100m of additional capital expenditure in our multi-channel and convenience programmes. This is included within our projected total capital expenditure of £1.2bn for 2012/13.

Notes

[6] Source: IGD
[7] Source: ONS/Economic & Fiscal Outlook, OBR, November 2011
[8] Source: Kantar Worldpanel
[9] Source: IGD-Shopper Vista
[10] Source: IMRG E-Business information
[11] Source: IGD
[12] Source: IGD
[13] Source: BRC

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Consolidated statement of comprehensive income

52 weeks ended 29 January 2012

	Note	2012 £m	2011 £m
Turnover	3	17,663	16,479
Cost of sales		(16,446)	(15,331)
Gross profit		1,217	1,148
Other operating income		86	80
Administrative expenses		(329)	(323)
Losses arising on property transactions		(1)	(1)
Operating profit		973	904
Finance costs	4	(47)	(43)
Finance income	4	21	13
Profit before taxation		947	874
Taxation	5	(257)	(242)
Profit for the period attributable to the owners of the Company		690	632
Other comprehensive (expense)/ income:			
Actuarial (loss)/gain arising in the pension scheme		(65)	34
Cash flow hedging movement		(23)	3
Tax in relation to components of other comprehensive (expense)/ income		19	(11)
Other comprehensive (expense)/income for the period, net of tax		(69)	26
Total comprehensive income for the period attributable to the owners of the Company		621	658
Earnings per share (pence)			
- basic	6	26.68	23.93
- diluted	6	26.03	23.43

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Consolidated balance sheet

29 January 2012

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Goodwill and intangible assets	7	303	184
Property, plant and equipment	8	7,943	7,557
Investment property	8	259	229
Net pension asset		-	38
Investments		31	-
Other financial assets		1	3
		8,537	8,011
Current assets			
Stocks		759	638
Debtors		320	268
Other financial assets		2	4
Cash and cash equivalents		241	228
		1,322	1,138
Liabilities			
Current liabilities			
Creditors		(2,025)	(1,914)
Other financial liabilities		(115)	-
Current tax liabilities		(163)	(172)
		(2,303)	(2,086)
Non-current liabilities			
Other financial liabilities		(1,600)	(1,052)
Deferred tax liabilities		(464)	(499)
Net pension liabilities	9	(11)	-
Provisions		(84)	(92)
		(2,159)	(1,643)
Net assets		5,397	5,420
Shareholders' equity			
Called-up share capital		253	266
Share premium		107	107
Capital redemption reserve		19	6
Merger reserve		2,578	2,578
Retained earnings and hedging reserve		2,440	2,463
Total equity attributable to the owners of the Company		5,397	5,420

Consolidated cash flow statement

52 weeks ended 29 January 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	10	1,264	1,141
Interest paid		(55)	(52)
Taxation paid		(281)	(191)
Net cash inflow from operating activities		928	898
Cash flows from investing activities			
Interest received		6	5
Investments		(31)	-
Proceeds from sale of property, plant and equipment		4	8
Purchase of property, plant and equipment and investment property		(724)	(494)
Purchase of intangible assets		(72)	(98)
Cash outflow from acquisition of businesses		(74)	(3)
Net cash outflow from investing activities		(891)	(582)
Cash flows from financing activities			
Purchase of own shares		(368)	-
Proceeds from issue of ordinary shares		-	16
New borrowings		1,102	25
Repayment of borrowings		(486)	(154)
Dividends paid to equity shareholders		(301)	(220)
Net cash outflow from financing activities		(53)	(333)
Net decrease in cash and cash equivalents		(16)	(17)
Cash and cash equivalents at start of period		228	245
Cash and cash equivalents at end of period	11	212	228

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

	Note	2012 £m	2011 £m
Net decrease in cash and cash equivalents		(16)	(17)
Cash outflow from decrease in debt and lease financing		486	154
Cash inflow from increase in loans		(1,102)	(25)
Other non-cash movements		(22)	(1)
Debt acquired on acquisition of businesses		-	(4)
Opening net debt		(817)	(924)
Closing net debt	11	(1,471)	(817)

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Consolidated statement of changes in equity

52 weeks ended 29 January 2012

	Attributable to the owners of the Company						
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Current period							
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	-	-	-	-	-	(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	-	-	-	-	-	(301)	(301)
Total transactions with owners	(13)	-	13	-	-	(644)	(644)
At 29 January 2012	253	107	19	2,578	(12)	2,452	5,397

	Attributable to the owners of the Company						
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Prior period							
At 31 January 2010	265	92	6	2,578	3	2,005	4,949
Profit for the period	-	-	-	-	-	632	632
Other comprehensive income:							
Actuarial gain arising in the pension scheme	-	-	-	-	-	34	34
Cash flow hedging movement	-	-	-	-	3	-	3
Tax in relation to components of other comprehensive income	-	-	-	-	(1)	(10)	(11)
Total comprehensive income for the period	-	-	-	-	2	656	658
Employees share options schemes:							
Share-based payments	-	-	-	-	-	17	17
Share options exercised	1	15	-	-	-	-	16
Dividends	-	-	-	-	-	(220)	(220)
Total transactions with owners	1	15	-	-	-	(203)	(187)
At 30 January 2011	266	107	6	2,578	5	2,458	5,420

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1. General information and basis of preparation

The financial information, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes, is derived from the full Group financial statements for the year ended 29 January 2012, which have been prepared under European Union endorsed International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

It does not constitute full accounts within the meaning of section 434 of the Companies Act 2006. This financial information has been agreed with the auditors for release. The Group's full financial statements (comprising the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes) are available for download on the Group's website at www.morrisonsplc.co.uk.

The full annual report and financial statements for the year ended 29 January 2012 on which the auditors have given an unqualified report and which does not contain a statement under section 498 of the Companies Act 2006, will be delivered to the Registrar of Companies in due course. The annual report and financial statements will be made available to shareholders from 10 May 2012.

The accounting policies used in completing this financial information have been consistently applied in all periods shown, except as shown below. These accounting policies are detailed in the Group's financial statements for the year ended 29 January 2012 which can be found on the Group's website (www.morrisonsplc.co.uk).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 30 January 2012, but do not have any impact on the Group:

International Financial Reporting Standards		**Effective for accounting periods starting on or after**
IFRS 7*	Amendment to Financial instruments: Disclosures on derecognition	1 July 2011
IAS 12	Amendment to Income taxes on deferred tax	1 January 2012
IAS 1	Amendment to Financial statement presentation	1 July 2012
IAS 19	Amendment to Employee benefits	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separate financial statements (revised)	1 January 2013
IAS 28	Associates and joint ventures (revised)	1 January 2013

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

Principal risks

In accordance with the Companies Act 2006, a description of the principal risks (and the mitigating factors in place in respect of these) is included below.

Risk	**Description**	**Mitigation**
Business interruption	Our distribution and systems infrastructures are fundamental to ensuring the normal continuity of trading in our stores. If a major incident occurred to this infrastructure or another key facility this could have a detrimental impact on the business's ability to operate effectively.	To reduce the chances of this happening and also to reduce the impact of such an event if it were to happen, we have developed recovery plans and invested in the creation of a remote IT disaster recovery site.

Principal risks (continued)

Risk	Description	Mitigation
Business strategy	In the long term, effectively managing the strategic risks that the Group faces will deliver benefits to all our stakeholders. The Board understands that if the strategy and vision are not properly formulated or communicated then the long term aims of the Group will not be met and the business may suffer.	Recognising the importance of formulating and implementing a successful strategy, the strategy is developed by the Chief Executive and senior executives. The strategy is considered and approved by the Board, which takes time each year to review and monitor its delivery through formal time set aside for this purpose. To ensure that our strategy is communicated and understood, the Group engages with a wide range of stakeholders including shareholders, employees, suppliers and other groups. This continual process helps to ensure that the strategy remains relevant and improves the likelihood of success.
Colleague engagement and retention	The continued success of the Group relies heavily on the investment in the training and development of our 131,000 colleagues. This is a critical element of the quality of service we offer to our customers.	The Group's employment policies, remuneration and benefits packages are designed to be competitive with other companies, as well as providing colleagues with fulfilling career opportunities. During the year, over 100,000 colleagues went through our Academy programme. The Group continually engages with colleagues across the business to ensure that we keep strengthening our team at every level.
Corporate citizenship	Morrisons is committed to taking good care and if we fail to act as a responsible corporate citizen or misjudge the "mood of the nation" this could damage our reputation thus potentially losing the trust of our stakeholders and increasing costs.	The appropriate management evaluation and verification systems are integrated into operational management activities and these are overseen by the Management Board and the Corporate Compliance and Responsibility Committee. Delivery against targets and key performance indicators is regularly monitored and reported. Further information is available in our Corporate Responsibility report.
Customer proposition	We operate in a very competitive industry. Also, our customers' shopping habits are influenced by broader economic factors that our business does not control. If we fail to maintain our proposition aligned with customers' expectations then they may choose not to shop with us and sales will suffer.	The business uses data and analysis to provide insights that help explain what customer needs and wants are. This informs product ranging, marketing, advertising and also the location of stores. The importance of getting this right is the reason that we invest in the development of our colleagues in order to make the right choices for our customers.

Principal risks (continued)

Risk	Description	Mitigation
Financial and treasury	The main financial risks that the Group is exposed to relate to the availability of funding, the loss of a financial counter party and the uncertainty produced by fluctuations in interest and foreign exchange rates. All of these things have the potential to undermine the Group's ability to finance its trading activities and its financial results.	The Group's treasury operations are controlled centrally by the Treasury Committee in accordance with clearly defined policies and procedures that have been authorised by the Board. The Treasury Committee has certain approved delegated authorities but it is not permitted to act as a profit centre and it reports twice a year to the Audit Committee on its activities.
Food and product safety	We are aware that if we fail to deliver excellent standards of hygiene and safety in our products there is a potential to harm our customers and damage our business reputation. Our business focuses on fresh food and we have a vertically integrated business model; therefore, food safety is of paramount importance.	As a manufacturer of food products, we have established strict standards and monitoring processes to manage the risks associated with food safety throughout our Group and its supply chain. Our food manufacturing businesses are ISO22000 accredited which provides an effective framework for the control of internal processes. Food hygiene practices are taken very seriously throughout our Group, and are monitored both through internal audit procedures and external bodies such as environmental health departments. We also maintain regular supplier assessments for food and general merchandise categories. Our stock withdrawal procedures operate throughout our supply chain to minimise the impact to customers of any supplier recalls.
Property	The business is growing the size of its retail space through acquisition and by modernising and extending existing stores and facilities. If we fail to adequately grow our space in an earnings enhancing way we will lose market share and our profits will suffer.	We have a property strategy that develops stores to a well proven format and we operate a formal capital approval process which is over seen by the Investment Board.
Regulation	The Group operates in an environment governed by strict regulations to ensure the safety and protection of customers, shareholders, staff and other stakeholders and the operation of an open and competitive market. These regulations include alcohol licensing, health and safety, the handling of hazardous materials, data protection, the rules of the stock exchange and competition law. In all cases, the Board takes its responsibilities very seriously, and recognises that breach of regulation can lead to reputational and financial damage to the Group.	There is clear, ultimate accountability with Directors for compliance with all areas of regulation and the Corporate Compliance and Responsibility Committee provides oversight over many of these areas. The business designs its policies and procedures to accord with relevant laws and regulations. In respect of Competition Law and the Grocery Supply Code of Practice these are monitored and reported on by the Company Secretary and Head of Legal Services.

Principal risks (continued)

Risk	Description	Mitigation
Systems and change	The Board identified that many of the existing systems were approaching the end of their useful lives and that a comprehensive programme of replacement was required. This programme of work is expected to take a number of years to complete. The Board is aware of the risks faced by any organisation seeking to successfully implement new systems.	To maximise the likelihood of successful delivery the Group has chosen to partner with some of the world's leading technology companies for key projects. Also our business, like other similar businesses has a capacity to absorb a level of change without having a detrimental impact on continuing business operations. Change programmes within the Group are designed with this in mind and are structured and governed in a manner that allows the Board to monitor their impact. Specifically, a sub committee of the Audit Committee monitors the progress of the largest programme and receives regular reports from management, Risk and Internal Audit and other specialists.

Responsibility statement

This statement is given pursuant to Rule 4 of the Disclosure and Transparency Rules. It is given by each of the Directors.

To the best of each Director's knowledge:

a) the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

b) the strategic and business review contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

2. Underlying profit

The Directors consider that underlying earnings per share measures referred to in the preliminary announcement provide useful information for shareholders on underlying trends and performance and reflects how the business is monitored internally. The adjustments are made to reported profit to (a) remove the impact of pension interest income volatility on profit for the period; (b) remove losses/profits arising on property transactions since they do not form part of the Group's principal activities; and (c) apply an effective tax rate of 29.3% (2011: 30%), being an estimated normalised tax rate.

	2012 £m	2011 £m
Profit after tax	690	632
Add back: tax charge for the period[1]	257	242
Profit before tax	947	874
Adjustments for:		
Net pension interest income[1]	(13)	(6)
Loss arising on property transactions[1]	1	1
Underlying profit before tax	935	869
Taxation[1]	(274)	(261)
Underlying profit after tax charge	661	608
Underlying earnings per share (pence)		
- basic	25.55	23.03
- diluted	24.93	22.54

[1] Adjustments marked 1 equal £29m (2011: £24m) as shown in the reconciliation of earnings disclosed in note 6(b).

3. Sales analysis

	Like-for-like stores	Other	2012 Total £m	2011 Total £m
Sale of goods in-stores	13,112	324	13,436	12,937
Fuel	4,009	30	4,039	3,426
Total store based sales	17,121	354	17,475	16,363
Other sales	-	188	188	116
Total turnover	17,121	542	17,663	16,479

Fuel sales are removed from quoted like-for-like figures given the volatility in the fuel price to provide a more stable measure.

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4. Finance costs and income

	2012 £m	2011 £m
Interest payable on short term loans and bank overdrafts	(12)	(6)
Interest payable on bonds	(39)	(36)
Interest capitalised	12	7
Total interest payable	(39)	(35)
Fair value movement of derivative instruments	(1)	(1)
Provisions: unwinding of discount	(4)	(5)
Other finance costs	(3)	(2)
Finance costs	(47)	(43)
Bank interest received	5	3
Amortisation of bonds	2	3
Other finance income	1	1
Pension liability interest cost	(127)	(120)
Expected return on pension assets	140	126
Net pension interest income	13	6
Finance income	21	13
Net finance cost	(26)	(30)

5. Taxation

	2012 £m	2011 £m
Corporation tax		
- current period	292	280
- adjustment in respect of prior period	(20)	(5)
	272	275
Deferred tax		
- current period	(37)	(33)
- adjustment in respect of prior period	22	-
	(15)	(33)
Tax charge for the period	257	242

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly the Group's profits for this accounting period are taxed at an effective rate of 26.3% and will be taxed at 26% in the future.

6. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has two (2011: two) classes of instrument that are potentially dilutive: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period and contingently issuable shares under the Group's long term incentive plan (LTIPs).

a) Basic and diluted earnings per share (unadjusted)
Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

6. Earnings per share (continued)

	2012			2011		
	Earnings £m	Weighted average number of shares millions	EPS pence	Earnings £m	Weighted average number of shares millions	EPS pence
Unadjusted EPS						
Basic EPS						
Earnings attributable to ordinary shareholders	690	2,586.6	26.68	632	2,640.5	23.93
Effect of dilutive instruments						
Share options and LTIPs	-	64.3	(0.65)	-	56.4	(0.50)
Diluted EPS	690	2,650.9	26.03	632	2,696.9	23.43

b) Underlying earnings per share
Given below is the reconciliation of the earnings used in the calculations of underlying earnings per share:

	2012			2011		
	Earnings £m	Weighted average number of shares millions	EPS pence	Earnings £m	Weighted average number of shares millions	EPS pence
Underlying EPS						
Basic EPS						
Earnings attributable to ordinary shareholders	690	2,586.6	26.68	632	2,640.5	23.93
Adjustments to determine underlying profit (note 1)	(29)	-	(1.13)	(24)	-	(0.90)
	661	2,586.6	25.55	608	2,640.5	23.03
Effect of dilutive instruments						
Share options and LTIPs	-	64.3	(0.62)	-	56.4	(0.49)
Diluted EPS	661	2,650.9	24.93	608	2,696.9	22.54

The weighted average number of shares has decreased compared to the prior period as a result of the Group's equity retirement programme.

7. Goodwill and intangible assets

	2012 £m	2011 £m
Net book value		
At beginning of the period	184	-
Acquired in a business combination	61	7
Transferred from property, plant and equipment	-	83
Additions at cost	72	98
Interest capitalised	7	6
Amortisation	(21)	(10)
At 29 January 2012	303	184

8. Capital expenditure and commitments

a) Property, plant and equipment

	2012 £m	2011 £m
Net book value		
At beginning of the period	7,557	7,439
Acquisition of subsidiary undertakings	12	14
Transfer to investment property	(31)	16
Transfer to intangible assets	-	(83)
Additions at cost	717	481
Interest capitalised	5	1
Disposals	(6)	(9)
Depreciation charge for the period	(311)	(302)
At 29 January 2012	7,943	7,557

b) Investment property

In addition to the depreciation charge above of £311m, £8m (2011: £7m) is charged on Investment properties.

Contracts placed for future capital expenditure not provided in the financial statements amount to £103m (2011: £178m).

9. Pensions

The Group operates two defined benefit pension schemes, the ‘Morrison’ and ‘Safeway’ schemes, providing benefits defined on retirement based on age at date of retirement, years of service and a formula using either the employee’s compensation package or career average revalued earnings (CARE). The assets of the schemes are held in separate trustee administered funds; no part of the schemes is wholly unfunded. The latest full actuarial valuations, which were carried out at 6 April 2010 and 1 April 2010 for the Morrison and Safeway schemes respectively, were updated for IAS 19 *Employee benefits* purposes for the period to 29 January 2012 by a qualified independent actuary.

The movement in the net pension (liability)/ asset during the period was as follows:

	2012 £m	2011 £m
Net pension asset/(liability) at start of the period	38	(17)
Expected return on scheme assets	140	126
Actuarial loss recognised in other comprehensive income	(65)	34
Employer contributions	31	41
Current service cost	(28)	(26)
Interest cost	(127)	(120)
Net pension (liability)/asset at end of the period	(11)	38

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10. Cash flow from operating activities

	2012 £m	2011 £m
Profit for the period	690	632
Adjustments for:		
Taxation	257	242
Depreciation	319	309
Amortisation	21	10
Loss on disposal of property, plant and equipment	2	1
Net finance cost (note 4)	26	30
Other non-cash changes	25	16
Excess of contributions over pension service cost	(3)	(15)
Increase in stocks	(117)	(61)
Increase in debtors	(49)	(75)
Increase in creditors	101	60
Decrease in provisions	(8)	(8)
Cash generated from operations	1,264	1,141

11. Analysis of net debt

	2012 £m	2011 £m
Cash and cash equivalents per balance sheet	241	228
Bank overdrafts	(29)	-
Cash and cash equivalents per cash flow	212	228
Energy price contracts	3	7
Other financial assets	3	7
Short term borrowings	(80)	-
Energy price contracts	(5)	-
Forward foreign exchange contracts	(1)	-
Current financial liabilities	(86)	-
Bonds	(955)	(559)
Private placement loan notes	(156)	-
Floating credit facility	(470)	(475)
Other unsecured loans	-	(11)
Cross-currency swaps	(8)	-
Energy price contracts	(4)	-
Finance lease obligations	(7)	(7)
Non-current financial liabilities	(1,600)	(1,052)
Net debt	(1,471)	(817)

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