News Release

Release date: 4 December 2008

Wm Morrison Supermarkets PLC

2008/09 Q3 Interim Management Statement

More Customers Choose Morrisons

Chief Executive, Marc Bolland, said:
"In this challenging economic environment more customers than ever before are choosing Morrisons. Our industry leading deals and unique fresh food offer have attracted over seven hundred thousand new customers to our stores”.

The Group has delivered strong sales growth in Q3, building on the momentum reported in the first half, whilst continuing to invest in the customer offer. Against a tough economic backdrop, performance has been in line with our expectations.

Trading

In the 13 weeks to 2 November total sales excluding fuel were up by 9.5% (14.9% including fuel) of which 1.4% was a contribution from new space.

Like for like sales excluding fuel increased by 8.1% (13.3% including fuel).

Although the environment remains difficult for the consumer, Morrisons has continued to provide great value and a unique fresh offer. The combination of our Market Street fresh food format, together with our Price Crunch deals on popular items and our sustained leadership in bringing petrol prices down has been extremely popular. Since we launched the Optimistation Plan we have increased the number of customers who visit our stores each week by over 700,000, which has been key to delivering total sales growth well above the average for the grocery market.

With food price inflation beginning to ease, we remain very focused on the tight management of our cost base.

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Acquisition of additional stores from the Co-operative Group

We are pleased to announce that we have entered into a conditional agreement with the Co-operative Group to acquire over half a million sq.ft. of additional selling space through the purchase of 38 Co-Operative Food and former Somerfield stores, at a cost of £223.1million. A further £98 million of acquisition, integration and refurbishment costs will be capitalised and the transaction will also involve an operating profit and loss charge of £40 million in the first full year. It is expected to be earnings enhancing in 2010/ 11. These stores will fit very well within our existing portfolio of 150 smaller stores.

The acquisition is conditional upon a successful completion of the Co-operative Group's acquisition of Somerfield and certain competition approvals. The handover will take place on a phased basis commencing early next year and the conversion will take up to six months to complete. This additional selling space is incremental to the 1 million sq.ft target over three years, outlined in our Optimisation Plan.

South East Regional Distribution Centre (RDC)

In March 2008 we announced that we had agreed to lease 920,000 sq.ft. of additional distribution capacity at Sittingbourne in Kent, for our new South East RDC. We are pleased to confirm that we have now purchased the freehold land and the partially built RDC from the developer and will complete the construction to our own specification, thereby securing the control and ongoing flexibility we require. The total cost of this additional development will be £82 million and the transaction will be earnings neutral in 2010/11. The site will become operational towards the end of calendar year 2009.

Surplus capital

In March 2008 we announced a two year share buy back programme to return £1 billion of surplus capital to shareholders with a target of £500 million in the first year. We have now completed, for £145.4 million, the repurchase of 57.8million shares, which have since been cancelled.

In view of the significant new investment opportunities that have been identified to acquire the additional retail space and the RDC freehold, there will be no further returns of capital for the remainder of this fiscal year. A further update will be provided at our preliminary results announcement in March 2009.

We will finance the £403m of new investment opportunities announced today out of the strong cash generation in the business and through the utilisation, as necessary, of committed funding facilities. At the end of Q3 we had undrawn, committed facilities of £1.0bn.

Outlook

The economic environment is difficult and will remain challenging, but we continue to have confidence in the strength of our value proposition. Performance in the third quarter has been solid and our financial expectations for the current year remain unchanged.