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25 May 2006

Wm. MORRISON SUPERMARKETS PLC

### **AGM Statement**

In conjunction with the annual general meeting the Directors release sales figures for the 16 weeks ended 21 May 2006 and provide further information on the Board and progress in the business.

#### **Sales**

Like for like sales in the 16 weeks ended 21 May increased by 6% (3.7% excluding fuel), continuing the trend reported with our Preliminary Results on 23 March. Sales generated through new stores opened in 2005/06 contributed an additional 1.8% (1.8% excluding fuel), taking the sales uplift to 7.8% (5.5% excluding fuel) after adjusting for the effect of store disposals.

At this early stage of the year, the Board remains comfortable with the profit guidance given in March.

#### **Board changes**

As you know the Company has been conducting a search for a new Chief Executive. This is now approaching the final stage, and I expect to make a firm announcement within the next two to three weeks.

I have been Chairman of the company since it floated in 1967 but have today informed the Board of my current intention to retire as Chairman and a Director of Morrisons by the end of the next financial year in January 2008. The Board has invited me to become Life President following my retirement.

#### **The past year**

Whilst 2005/06 produced disappointing financial results, we now have a solid base for the future. The store estate has been taken to the size and shape which was envisaged and only a handful of disposals remain to be made. The investments in

additional central packhouses and meat processing facilities have been fully justified as they are currently working to capacity. Work has continued on distribution and a new composite Regional Distribution Centre has been opened at Kettering which, together with a new frozen food store at Corby, will ensure good service to our retail outlets. These developments have enabled us to further rationalise our distribution network and start the disposal of surplus property. It is intended to acquire or build a Southern Regional Distribution Centre to enable our stores in the south east and south west to enjoy the level of service which is provided in the rest of the U.K.

### **Administration**

We are currently beginning to occupy our newly finished head office and anticipate completion of the process by early June. I am confident that the economies and extra efficiencies of having all our central staff in one location will be swiftly realised.

### **New store development**

Partly as a consequence of planning delays, our new store programme for the current financial year will see just four store openings. The first of these stores at Leyland is due to be handed over next week, with the store opening scheduled for 26 June, and this will be followed by Swadlincote in Derbyshire, in October, Cardiff in November, and the re-built Crowborough store in Sussex just before the end of the current financial year in January.

We remain committed to an active new store expansion programme, and in the next financial year I am looking forward to opening stores where sites are acquired and planning consent is granted at Speke in Liverpool; Wednesbury, West Midlands; Whitefield near Bury; Hartcliffe, Bristol and York. Additionally, we have a number of other sites where contracts have been exchanged, for which we are awaiting the grant of planning consent, and these too will be capable of being opened during 2007. I fully expect that we shall open eight new stores next year and thereafter we shall be looking to accelerate the programme – although the planning regime, which seems tipped to be a large part of the upcoming Competition Commission investigation into our industry, continues to pose difficulties.

### **Further improvements to the estate**

The completion of the conversion programme in 220 Safeway stores at the end of last year was a major achievement, but we are now into a second phase of that exercise, looking at ways which we can improve productivity and reduce costs by greater efficiency. In many instances this will result in the construction of improved

warehousing facilities at stores, better back-up storage facilities for chilled and frozen product, and store extensions to incorporate the full Market Street concept.

At the present time we have projects on site, under construction or about to start for completion later this year at Diss in Norfolk; Inverness; Glenrothes; Castle Bromwich; Chesterfield; Penrith; Peterborough; Bideford and Horndean. A new petrol filling station is under construction at the existing Wellingborough store and this will come on stream in August.

### **Our business**

In the two years since our acquisition of Safeway we have had to sacrifice our industry leading, best in class status in terms of the retail execution of our strong and unique offer; our concentration during this time being applied to the integration and conversion process.

Now back on the day job, every category and product has and is being overhauled and polished to ensure that our customers' needs are fully met, that our hardworking space works even harder and that our retail presentation reflects changing demands and optimises the offer. Our market share has stabilised and we look forward to a period of resumed growth.

By the late autumn, 157 stores will benefit from new health and beauty departments and 50 larger stores will benefit from an improved non food offer. By the end of the current financial year we envisage operating up to 100 Morrisons brand pharmacies, 102 Morrisons dry cleaning units, 315 customer cafes and 277 petrol filling stations. These additional services, along with our unique emphasis on fresh foods via our compelling Market Street offer, ensure that we have a strong and differentiated brand which is well placed to make its mark in a highly competitive market place.

Our own brand products continue to be benchmarked and improved on an on-going basis, with many new products being launched or enhanced in the last 12 months. Our premium range, 'The Best', is growing in size, popularity and contribution to our sales.

Customers continue to benefit from 1,000 weekly offers, including 150 buy one, get one frees and on-going low prices.

**Healthy eating**

We recognise our role in the frequently confusing debate on healthy eating and believe it is important to play our part. After much careful consideration and deliberation, we are moving forward with front of pack “Guideline Daily Amount” signposting, which provides clear information to help people make informed choices about the foods they are eating. This will be introduced in the course of scheduled packaging redesigns, starting in June with Morrisons brand ‘Free From’ products and new ‘The Best’ and ‘Eat Smart’ lines.

Our ‘Eat Smart’ range of calorie, fat, sugar and salt controlled foods, specifically designed to help maintain a controlled diet without compromising on taste, is being refreshed and continues to develop.

**Suppliers and British agriculture**

We have always recognised the need for loyal customers and understood the importance of good suppliers with whom we share a long term relationship. During the difficult 18 months of the Safeway conversion our suppliers have excelled themselves in the support and encouragement they have shown to us. As always we have maintained our close links with British agriculture.

**Competition Commission**

Strong and fair competition is good for the consumer and our industry is extremely competitive. Whilst we share some of the OFT’s concerns about the competitive landscape, we have made it clear that we do not hold a land bank, nor do we flex prices through our store network. Whilst we might have preferred the OFT to take a different, more targeted route to addressing the issues, naturally we will fully cooperate with the investigation.

**Sunday Trading**

Our clear view is that the six hours trading allowed on a Sunday for larger stores should not be changed. However, should longer hours become permissible as a result of the review, we would naturally need to consider our position.

**Charity of the Year**

In spite of the hectic pace of life, our staff found time for fundraising for our charity of the year, Breast Cancer Campaign. All previous records were broken with over £1.4 million being donated; a truly remarkable achievement recognised by Breast Cancer Campaign to be their most successful Charity of the Year partnership ever.

**Tribute to Bob Stott**

As Bob will be departing in the near future this is my final opportunity to thank him on behalf of the shareholders. His work for the company has been greatly appreciated. Bob and I have enjoyed a long association and seen much of the growth which the company has achieved from modest beginnings. I give him my best wishes for a long, happy and healthy retirement and, may I add, an active one.

I will now close by expressing my personal thanks to other fellow directors and everyone throughout the company for their energy and enthusiasm and particularly for their loyalty. Thank you for attending the A.G.M.

ENDS