DISCLAIMER

This Quarterly Report (the “Report”) has been prepared by Market Bidco Limited (the “Company”) and its subsidiaries, solely for informational purposes.

The Company has prepared this Quarterly Report on the basis of information in its possession, as well as from sources believed to be reliable. To the extent available, the industry, market and competitive-position data contained in this Report come from official or third-party sources. Third-party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Although the Company believes that each of these publications, studies and surveys has been prepared by a reputable source, the Company has not independently verified the data contained therein. In addition, certain of the industry, market and competitive position data contained in this Quarterly Report come from the Company’s own internal estimates based on the knowledge and experience of the Company’s management in the markets in which it operates. Although the Company believes that such estimates are reasonable and reliable, such estimates, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, no undue reliance should be placed on any of the industry, market or competitive position data contained in this Quarterly Report. In connection with any investment decision, the recipient should conduct its own evaluation and assessment of the information contained in this Quarterly Report, and the economic, financial, regulatory, legal, taxation, stamp duty and accounting implications of that information. The Company is not providing legal, accounting or tax advice, and you are strongly advised to consult your own independent advisers on any legal, tax or accounting issues relating to this Quarterly Report in connection with any investment decision.

This Quarterly Report contains financial information regarding the businesses and assets of the Company. Unless indicated otherwise, the financial information presented herein is for the Company on a consolidated basis. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this Quarterly Report should not be regarded as a representation or warranty by the Company, any of its affiliates, advisors or representatives or any other person as to the fairness, accuracy, correctness, reasonableness or completeness of such information’s portrayal of the financial condition or results of operations of the Company and should not be relied upon when making an investment decision.

Certain financial data included in this Quarterly Report consists of “non-IFRS financial measures.” These non-IFRS financial measures may not be comparable to similarly-titled measures as presented by other companies, nor should they be considered to be alternatives to the historical financial results or other indicators of the Company’s income or cash flow based on IFRS. The Company believes that presenting certain non-IFRS financial measures provides meaningful information to investors in understanding operating results and may enhance investors’ ability to analyse financial and business trends. In addition, the Company believes that these non-IFRS financial measures allow investors to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period. Even though the non-IFRS financial measures are used by management to assess the Company’s financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Company’s financial position or results of operations as reported under IFRS. The definitions, calculations and reconciliations of such non-IFRS measures to the applicable IFRS measures are set forth in the glossary to this Quarterly Report.

Neither the Company nor its advisers are under any duty to update or inform any recipient of any changes to information in this Quarterly Report, provide any recipient with access to any additional information or to correct any inaccuracies in any such information which may become apparent. As such, the information in this Quarterly Report should not be assumed to have been updated at any time subsequent to the date hereof.

This Quarterly Report may contain forward-looking statements. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements express the Company’s current expectations and projections relating to the Company’s financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by, or including words such as “aim,” “anticipate,” “believe,” “can,” “have,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “guide,” “intend,” “likely,” “may,” “ongoing,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would” and other words and terms of similar meaning or the negative thereof. Forward-looking statements, including statements with respect to our expected results for the 52 weeks ending 27 October 2024, involve known and unknown risks, uncertainties and other important factors that could cause the Company’s’ actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future. Past performance is not a guarantee of future results and there can be no assurance that the Company or its subsidiaries will achieve comparable results or be able to implement a desired strategy or objective. This Report and any forward-looking statements herein speak only as of the date of this Quarterly Report and the Company expressly disclaims to the fullest extent permitted by applicable law any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements or other information contained herein to reflect any change in expectations with regard thereto or any new information or change in events, conditions or circumstances on which any such statement is based. The recipient acknowledges that circumstances may change without notice and the contents of this Quarterly Report may become outdated as a result. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Market Bidco Limited
Interim results for the 13 weeks ended 28 January 2024

Financial and operating highlights

	13 weeks ended 28 January 2024	13 weeks ended 29 January 2023	52 weeks ended 29 October 2023
Retail contribution to LFL sales ex-fuel (%)	4.0%	(0.6)%	1.3%
Wholesale contribution to LFL sales (%)	0.6%	0.6%	0.5%
Group LFL sales ex-fuel (%)[1]	4.6%	0.1%	1.8%
Total sales ex-fuel YoY (%)	3.9%	1.7%	2.7%
Group LFL sales incl. fuel (%)[1]	0.9%	2.1%	(1.4)%
Underlying EBITDA (£m)[1]	189	201	970
Free cash flow (£m)[1]	(147)	266	522

[1] Alternative performance measures are defined in the glossary.

All references to the 'Group' within these interim financial statements relate to Market Bidco Limited and its subsidiary companies.

Overview

Q1 Financial overview

- Strong sales performance with ex-fuel LFL sales up 4.6%, the seventh consecutive quarter of improved LFL growth, with volumes also improving
- All areas in growth including Convenience LFL up 13% and Wholesale up 22%
- Total sales £4,730m, up by 0.4%, total sales ex-fuel £3,925m up by 3.9%
- Underlying EBITDA of £189m, down 6.0%, Underlying EBITDA excluding the fuel business was up £5m (3.7%)
- Free cash flow £(147)m, including the impact of seasonal working capital and bi-annual interest payments. EBITDA less capex was £82m, up £14m YoY

Operational overview

- £2.5bn sale of our Petrol Filling Station (PFS) business to MFG on track to complete at the end of H1, with proceeds net of tax and fees of £1.8bn expected on completion
- Converted a further 110 former McColl's stores to Morrisons Daily format in the period, now trading 911 under this facia and on track to complete the conversion programme by the end of H1. LFL's on conversion are very strong at +20%
- Opened the 267th franchise Morrisons Daily store
- Launched Aldi and Lidl price match in February 2024
- Key customer satisfaction metrics improving strongly

Rami Baitiéh, Chief Executive, said:

"In January I outlined our plan to reinvigorate, refresh and strengthen Morrisons as we started our next chapter. Those plans are now in full swing with the whole business engaged in the three key pillars of work that will be the foundation of the future for Morrisons: commercial excellence, operations optimisation and new value creation.

Across the business we have identified many areas where we can raise our game and make small improvements which collectively will result in a significantly enhanced shopping experience for our customers. Availability, waste, newness, innovation, speed and accuracy are all on an improving trend and our customers are beginning to notice. Our key customer metrics are improving and complaints – which in many ways are the canaries in the retail coalmine – are down almost 60% in the last 20 weeks.

For longer term and sustainable growth, we have developed new plans for growth in wholesale, convenience, franchise, export markets and global sourcing and we are now moving quickly to implement them. In our franchise business, for example, we have built a new team specifically to accelerate new customer acquisition and intend to open many more franchise convenience stores in the coming months.

I have been so impressed with the way all our colleagues are embracing the start of our next chapter and I want to thank every one of them for the important part that they are playing in shaping our future. There is a real sense of optimism and renewal running through the whole company as we return to a growth path."

Strategic priorities

We have a clear purpose 'To make and provide good food that's affordable for everyone', and this remains unchanged, along with our 'More Reasons' where we have objectives across all of our stakeholder groups; customers, colleagues, suppliers, investors and the communities we serve.

Under this, we have three areas of focus designed to support fixing the business fundamentals and setting the business up for long term success. This is underpinned by a customer first culture and our talented colleagues.

We remain focused on driving top-line growth, profit and cash, and in doing so, continuing to deliver for all of our stakeholders. The key elements of each area of our plan are set out below.

Commercial excellence

- We are increasing customer appeal and growing sales with new ranges including outstanding value WIGIGS (When it's gone it's gone) focused on non-food, where we have an opportunity to grow our market share
- We are finding more ways to ensure we have the best value, working with suppliers and communicating value to customers, including the launch of our Aldi and Lidl price match in February
- Our More card loyalty programme is gaining momentum with increasing swipe rates and linked sales, the offer is increasingly personalised and popular with customers
- We have opportunities to better use data for commercial decision making including ranging

Operations optimisation

- We have made strong progress in cost savings. Our £700m cost saving programme launched last year has now realised £375m of savings, including a further £75m in the period
- We are increasing focus on energy savings, waste reduction and improving the economics of our counters and cafes
- Our £500m medium term working capital programme launched last year with £300m delivered in the first 12 months. Plans this year are focused on stock reduction enabled by investment in our supply chain systems and processes

New value creation

- We are accelerating our plans in the growing convenience market, with all former McColl's stores due to complete conversion to Morrisons Daily by the end of H1
- Completion of the sale of the PFS business to MFG at the end of H1, with supply to these sites through our franchise model starting from early H2

Income statement

Revenue

Total revenue for the 13 weeks ended 28 January 2024 was £4,730m, an increase of £17m compared to £4,713m in the 13 weeks ended 29 January 2023. The year-on-year movement in revenue was due to increased sales of goods in-store and online, and other sales. This increase was partially offset by a reduction in fuel sales, primarily driven by a lower average sales price per litre.

Underlying EBITDA

Underlying EBITDA for the 13 weeks ended 28 January 2024 reduced by £12m to £189m (6.0% decrease) compared to £201m for the 13 weeks ended 29 January 2023. Excluding the fuel business, underlying EBITDA was up £5m (3.7%) year on year.

Exceptional items

Exceptional items in the 13 weeks ended 28 January 2024 amounted to a net charge of £4m (13 weeks ended 29 January 2023: a net credit of £63m). See note 3 for further details on exceptional items.

Finance costs

Finance costs for the 13 weeks ended 28 January 2024 were £141m (13 weeks ended 29 January 2023: £157m) and related primarily to interest on borrowings, lease liabilities and loan notes. The year-on-year movement was primarily due to favourable foreign exchange movements, partially offset by an increase in interest in borrowings and lease liabilities.

Taxation

Taxation for the 13 weeks ended 28 January 2024 was a credit of £51m (13 weeks ended 29 January 2023: a credit of £19m). The normalised tax rate for the 13 weeks ended 28 January 2024 was 33.6%.

Cash flow statement

Free cash flow was an outflow of £147m for the 13 weeks ended 28 January 2024, compared to an inflow of £266m for the comparative period. The key components and movements are described below:

Cash flows from operating activities
Cash flows from operating activities for the 13 weeks ended 28 January 2024 were a net outflow of £31m compared to a net inflow of £151m in the comparative period. The year-on-year movement was primarily due to a prior year exceptional credit of £63m and delivery of c.£100m of the multi-year working capital programme in Q1 2023 as less complex process elements were delivered early in the programme.

Cash flows from investing activities
Cash flows from investing activities for the 13 weeks ended 28 January 2024 were a net outflow of £89m compared to a net inflow of £80m in the comparative period. The key driver was a decrease of £192m related to the proceeds from disposal of fixed assets, as a result of lower sale and leaseback transactions completed year on year.

Cash flows from financing activities
Cash flows from financing activities for the 13 weeks ended 28 January 2024 were a net inflow of £74m, which consisted of £100m of drawdown on the Group's revolving credit facility, offset by a repayment of lease obligations of £26m.

Cash flows from financing activities for the comparative period were a net outflow of £260m, which primarily related to repayment of the revolving credit facility.

Key factors affecting our performance

Our performance can be affected by a number of factors, which can have a material effect on our results in the periods being reported on, as well as those in the future. These factors include the following areas:

General economic conditions
Our grocery retail business continues to generate the majority of our total sales. The grocery retail business is relatively well insulated in the longer term from swings in demand related to general economic conditions because consumer purchases of grocery goods tend to be less discretionary than purchases in other retail categories. Certain of our other non-grocery offerings, on the other hand, are more correlated to discretionary spending, and are therefore more susceptible to changes in general economic conditions.

Competitive environment
We operate in the highly competitive UK grocery retail market. For customers, higher overall living costs remain a feature, and in these conditions it is even more important to differentiate ourselves from our competitors and compete effectively against them.

Our customers are still very much on a budget and as a value retailer, it is our role to ensure we are constantly working to help customers find ways to save money on their grocery shopping,

We have a broad-based programme of work focused on productivity and cost savings within the business to fund investments, while also balancing profit and cash flow.

Seasonality of our results of operations
Our sales, profits, working capital requirements and cash flows within any given year have historically been affected by seasonal fluctuations. For example, sales volumes have historically been higher in December in the run-up to the Christmas season. In addition, sales of certain products have historically been higher during the summer season. These seasonal influences have a direct impact on earnings, and fluctuations in stock during these peak periods and afterwards can affect working capital requirements. The Christmas period is traditionally very promotional for customers, impacting margins through both rate and product mix versus other periods.

The online grocery market in the United Kingdom
The UK online grocery market is intensely competitive. Our partnerships with Ocado, Amazon and Deliveroo continue to be valuable in providing new and existing customers with multiple online and delivery options.

Consolidated income statement

	13 weeks ended 28 January 2024 (unaudited)			13 weeks ended 29 January 2023 (unaudited)			52 weeks ended 29 October 2023 (audited)		
	Before exceptionals[1] £m	**Exceptionals (note 3)[1] £m**	**Total £m**	Before exceptionals[1] £m	Exceptionals (note 3)[1] £m	Total £m	Before exceptionals[1] £m	Exceptionals (note 3)[1] £m	Total £m
Revenue	**4,730**	**-**	**4,730**	4,713	-	4,713	18,358	-	18,358
Cost of sales	**(4,716)**	**-**	**(4,716)**	(4,704)	(14)	(4,718)	(18,315)	(26)	(18,341)
Gross profit	**14**	**-**	**14**	9	(14)	(5)	43	(26)	17
Other operating income	**30**	**-**	**30**	29	-	29	114	-	114
Profit on disposal, exit of properties and closure of business	**-**	**-**	**-**	-	24	24	-	7	7
Administrative expenses	**(90)**	**(10)**	**(100)**	(87)	46	(41)	(87)	(452)	(539)
Operating (loss)/profit	**(46)**	**(10)**	**(56)**	(49)	56	7	70	(471)	(401)
Finance costs	**(141)**	**-**	**(141)**	(156)	(1)	(157)	(556)	-	(556)
Finance income	**35**	**6**	**41**	2	8	10	7	32	39
Share of loss of joint ventures	**-**	**-**	**-**	-	-	-	(1)	-	(1)
(Loss)/profit before taxation	**(152)**	**(4)**	**(156)**	(203)	63	(140)	(480)	(439)	(919)
Taxation	**51**	**-**	**51**	44	(25)	19	105	19	124
(Loss)/profit for the period	**(101)**	**(4)**	**(105)**	(159)	38	(121)	(375)	(420)	(795)

[1] Alternative performance measures are defined in the glossary.

Consolidated statement of comprehensive income

13 weeks ended 28 January 2024

Other comprehensive (expense)/income	**13 weeks ended 28 January 2024 (unaudited) £m**	13 weeks ended 29 January 2023 (unaudited) £m	52 weeks ended 29 October 2023 (audited) £m
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit schemes	**-**	-	(272)
Tax on defined benefit schemes	**-**	-	69
	-	-	(203)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging movement	**(84)**	(374)	(466)
Exchange differences on translation of foreign operations	**(1)**	1	2
Tax on items that may be reclassified subsequently to profit or loss	**21**	91	116
	(64)	(282)	(348)
Other comprehensive expense for the period, net of tax	**(64)**	(282)	(551)
Loss for the period	**(105)**	(121)	(795)
Total comprehensive expense for the period	**(169)**	(403)	(1,346)

Consolidated statement of financial position

As at 28 January 2024

	28 January 2024 (unaudited) £m	29 October 2023 (audited) £m
Assets		
Non-current assets		
Goodwill and intangible assets	**3,033**	3,081
Property, plant and equipment	**6,262**	6,803
Right-of-use assets	**1,033**	1,041
Investment property	**54**	55
Retirement benefit surplus	**459**	453
Investment in joint venture	**9**	14
Trade and other receivables	**95**	92
Derivative financial assets	**-**	11
	10,945	11,550
Current assets		
Inventories	**922**	918
Trade and other receivables	**486**	415
Derivative financial assets	**8**	36
Cash and cash equivalents	**234**	280
	1,650	1,649
Assets classified as held-for-sale	**511**	-
	2,161	1,649
Total assets	**13,106**	13,199
Liabilities		
Current liabilities		
Trade and other payables	**(3,434)**	(3,450)
Current borrowings	**(235)**	(138)
Lease liabilities	**(111)**	(78)
Derivative financial liabilities	**(47)**	(13)
Current tax liability	**(9)**	(9)
	(3,836)	(3,688)
Non-current liabilities		
Borrowings	**(5,543)**	(5,581)
Lease liabilities	**(1,562)**	(1,535)
Derivative financial liabilities	**(21)**	(2)
Deferred tax liabilities	**(1,381)**	(1,453)
Provisions	**(56)**	(63)
	(8,563)	(8,634)
Total liabilities	**(12,399)**	(12,322)
Net assets	**707**	877
Shareholders' equity		
Share capital	**3**	3
Share premium	**3,293**	3,293
Hedging reserve	**(215)**	(129)
Retained earnings	**(2,374)**	(2,290)
Total equity attributable to the owners of the Company	**707**	877

Consolidated statement of cash flows

13 weeks ended 28 January 2024

	13 weeks ended 28 January 2024 (unaudited) £m	13 weeks ended 29 January 2023 (unaudited) £m	52 weeks ended 29 October 2023 (audited) £m
Cash flows from operating activities			
Cash generated from operations (note 4)	**148**	284	948
Interest paid [1]	**(179)**	(150)	(488)
Taxation received	**-**	17	18
Net cash (outflow)/inflow from operating activities	**(31)**	151	478
Cash flows from investing activities			
Interest received	**1**	1	4
Dividends received from joint ventures	**5**	8	8
Proceeds from the disposal of property, plant and equipment, right-of-use assets, investment property and assets classified as held-for-sale	**12**	204	480
Purchase of property, plant and equipment and investment property	**(90)**	(114)	(335)
Purchase of intangible assets	**(17)**	(19)	(73)
Net cash (outflow)/inflow from investing activities	**(89)**	80	84
Cash flows from financing activities			
Proceeds from settlement of derivative contracts	**-**	58	58
Drawdown of borrowings	**100**	770	44
Repayment of borrowings	**-**	(1,065)	(574)
Repayment of lease obligations	**(26)**	(23)	(97)
Net cash inflow/(outflow) from financing activities	**74**	(260)	(569)
Net decrease in cash and cash equivalents	**(46)**	(29)	(7)
Cash and cash equivalents at start of period	**280**	287	287
Cash and cash equivalents at end of period	**234**	258	280

[1] Includes interest paid on behalf of group undertakings

1. General information and basis of preparation

Market Bidco Limited is a private company, limited by shares and incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 (Registration number 13537474). Its registered address is Hilmore House, Gain Lane, Bradford, BD3 7DL. All references to the 'Group' within this report relate to Market Bidco Limited and its subsidiary companies.

The condensed consolidated interim financial statements for the 13 weeks ended 28 January 2024 do not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and do not include all of the information and disclosures required for full annual financial statements or the information required if prepared in accordance with the requirements of UK adopted IAS 34 'Interim Financial Reporting'.

The financial statements included in the 29 October 2023 Annual Report and Financial Statements have been reported on by PricewaterhouseCoopers LLP. The Annual Report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498 of the Companies Act 2006.

Basis of preparation

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements in the 29 October 2023 Annual Report and Financial Statements.

These condensed consolidated financial statements should be read in conjunction with the 29 October 2023 Annual Report and Financial Statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the UK Endorsement Board.

These condensed consolidated interim financial statements reflect the results of Market Bidco Limited and its subsidiary entities. The annual accounting period of the Group ends on a Sunday not more than seven days before or after the accounting reference date of 31 October.

Significant and new accounting policies

New standards, interpretations and amendments to standards that are mandatory for the Group for the first time for the 13 weeks ended 28 January 2024 were considered and it was concluded that none were material to the Group and it did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. Of these new standards, amendments and interpretations, there are none that are expected to have a material impact on the Group.

Critical estimates and judgements

In preparing the condensed consolidated financial statements, the Group is required to make accounting judgements, assumptions and estimates. The judgements, assumptions and estimation methods are consistent with those applied to the 29 October 2023 Annual Report and Financial Statements and have therefore not been set out again here (see pages 30 and 31 of the 29 October 2023 Annual Report and Financial Statements).

2. Revenue

	13 weeks ended 28 January 2024 (unaudited) £m	13 weeks ended 29 January 2023 (unaudited) £m	52 weeks ended 29 October 2023 (audited) £m
Sale of goods in-store and online	**3,779**	3,656	14,361
Other sales	**146**	123	524
Total sales excluding fuel	**3,925**	3,779	14,885
Fuel	**805**	934	3,473
Total revenue	**4,730**	4,713	18,358

All revenue is derived from contracts with customers and is generated in the UK.

3. Loss before exceptionals

‘Loss before exceptionals’ is defined as profit before exceptional items and net retirement benefit credit.

	13 weeks ended 28 January 2024 (unaudited) £m	13 weeks ended 29 January 2023 (unaudited) £m	52 weeks ended 29 October 2023 (audited) £m
Loss after tax	**(105)**	(121)	(795)
Add back: tax credit for the period	**(51)**	(19)	(124)
Loss before tax	**(156)**	(140)	(919)
Adjustments for:			
Net impairment and provision for onerous contracts	**5**	-	460
Profit on disposal, exit of properties and closure of business	**-**	(24)	(7)
Restructuring and closure costs	**-**	22	50
Net finance costs relating to repayment of borrowings	**-**	1	1
Net retirement benefit credit	**(5)**	(6)	(28)
Other exceptional charge/(credit)	**4**	(63)	(54)
Transaction costs	**-**	7	17
Total exceptionals	**4**	(63)	(439)
Loss before tax and exceptionals[1]	**(152)**	(203)	(480)
Tax charge before exceptionals[1]	**51**	44	105
Loss before exceptionals after tax	**(101)**	(159)	(375)

[1] This is defined in the glossary

Total exceptionals for the 13 weeks ended 28 January 2024 totalled a net charge of £4m, consisting of a charge of £9m and a credit of £5m (13 weeks ended 29 January 2023: a net credit of £63m), and consisted of the following:

- A net impairment charge of £5m, related to impairment of an investment property;
- A retirement benefit credit of £5m, related to £6m of retirement benefit interest income, offset by £1m of retirement benefit administrative costs; and
- Other exceptional charge of £4m, consisting of £2m of legal cases in respect of historical events, which comprise settlements net of costs incurred, and £2m of professional fees.

The total tax credit for the 13 weeks ended 28 January 2024 of £51m does not include any exceptional tax credit or charge. The implied normalised tax rate is 33.6% for the 13 weeks ended 28 January 2024.

4. Cash generated from operations

	13 weeks ended 28 January 2024 (unaudited) £m	13 weeks ended 29 January 2023 (unaudited) £m	52 weeks ended 29 October 2023 (audited) £m
Operating (loss)/profit	**(56)**	7	(401)
Adjustments for:			
Depreciation and amortisation	**227**	243	872
Impairment	**5**	-	444
Impairment write back	**-**	-	(26)
Management Incentive Plan (MIP)	**-**	-	6
Profit on disposal, exit of properties and closure of business	**-**	(24)	(18)
Defined benefit scheme contributions paid less operating expenses	**1**	-	(6)
Derivatives settlement unwind	**(4)**	(12)	(45)
(Increase)/decrease in inventories	**(4)**	117	72
Increase in trade and other receivables	**(29)**	(38)	(24)
Increase/(decrease) in trade and other payables	**15**	(5)	54
(Decrease)/increase in provisions	**(7)**	(4)	20
Cash generated from operations	**148**	284	948

5. Analysis of net debt[1] and reconciliation of net cash flow to movement in net debt in the period

	13 weeks ended 28 January 2024 (unaudited) £m	52 weeks ended 30 October 2023 (audited) £m
Interest rate swap	**-**	11
Non-current derivative financial assets	**-**	11
Foreign exchange forward contracts	**2**	10
Interest rate swap	**4**	-
Fuel and energy price contracts	**2**	26
Current derivative financial assets	**8**	36
Current borrowings	**(235)**	(138)
Lease liabilities	**(111)**	(78)
Foreign exchange forward contracts	**(8)**	(2)
Fuel and energy price contracts	**(39)**	(11)
Current financial liabilities	**(393)**	(229)
Non-current borrowings	**(5,543)**	(5,581)
Lease liabilities	**(1,562)**	(1,535)
Foreign exchange forward contracts	**(12)**	-
Fuel and energy price contracts	**(9)**	(2)
Non-current financial liabilities	**(7,126)**	(7,118)
Cash and cash equivalents	**234**	280
Net debt[1]	**(7,277)**	(7,020)

	13 weeks ended 28 January 2024 (unaudited) £m	13 weeks ended 29 January 2023 (unaudited) £m	52 weeks ended 29 October 2023 (audited) £m
Financing activities:			
Cash inflow from increase in borrowings	**(100)**	(770)	(44)
Cash outflow from repayment of borrowings	**-**	1,065	44
Cash outflow from repayment of lease liabilities	**26**	23	97
Non-cash movements on lease liabilities[2]	**(86)**	(182)	(469)
Non-cash movements on loans with group undertakings	**(20)**	-	-
Other financing non-cash movements	**29**	(33)	437
Net (decrease)/increase from financing activities	**(151)**	103	65
Other non-cash movements[3]	**(60)**	(387)	(459)
Net decrease in cash and cash equivalents	**(46)**	(29)	(7)
Opening net debt[1]	**(7,020)**	(6,619)	(6,619)
Closing net debt[1]	**(7,277)**	(6,932)	(7,020)

---

[1] Net debt is defined in the glossary.

[2] Non-cash movement on lease liabilities for the 13 weeks ended 28 January 2024 comprises £48m in relation to new leases and £38m from the remeasurement of existing leases (52 weeks ended 29 October 2023: £389m in relation to new leases and £80m from the remeasurement of existing leases).

[3] Other non-cash movements is comprised of movements on derivatives.

6. Guarantees, contingent liabilities and contingent assets

Guarantees

Senior Facilities Agreement

A condition of the Market Bidco Limited Senior Facilities Agreement was that ‘material entities’ needed to become guarantors to the facilities. ‘Material entities’ are ones which hold 5% or more of the consolidated Group’s gross assets or generate 5% or more of the consolidated Group’s EBITDA, or those which hold real property of greater than £75m. As such, on 23 March 2022 Wm Morrison Supermarkets Limited (along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited) acceded as guarantors to each of the new Facilities Agreements. The Company granted a guarantee and indemnity in respect of the obligations of the Obligors under each of the Facilities Agreements and provided security over its assets, pursuant to the Common Transaction Security Agreement.

The terms and conditions of Wm Morrison Supermarkets Limited’s listed bonds are such that, if Group entities act as guarantors to finance facilities, they must also act as guarantors to the bonds. Wm Morrison Supermarkets Limited and Safeway Limited already guaranteed these bonds, so Safeway Stores Limited and Optimisation Investments Limited were required to accede as guarantors in addition.

As at 28 January 2024, net senior secured debt at the Market Bidco Limited consolidated level was £4,344m (excluding leases) and net debt at the Market Holdco 3 Limited (immediate parent of Market Bidco Limited) consolidated level was £5,544m (excluding leases).

6. Guarantees, contingent liabilities and contingent assets (continued)

Guarantees (continued)

Dordon

Following the sub-lease of the land and building of its customer fulfilment centre at Dordon to a third party in June 2017, the Group continues to guarantee the lease in respect of this site until 2038. If the lessee were to default during the period of guarantee, their lease obligations could revert back to the Group under the terms and become a liability of the Group. Should the lessee default, the additional future commitment is estimated at up to £30m (29 January 2023: £29m).

Equal pay claim

The Group has received claims from both current and former store colleagues alleging that their work is of equal value to certain colleagues working within logistics and that differences relating to pay are not justifiable. The claims are looking for equivalent pay terms and settlement for any historical differential in such pay terms. The Group does not accept these claims and is fully defending them within the court process. In the event that the Group is unsuccessful in any part of its defence (which is not accepted) it is not possible to quantify the impact of any potential damages at this early stage given the wide range of possible outcomes.

Other

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings, including certain tax matters, and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

7. Ultimate parent undertaking

The immediate parent company is Market Holdco 3 Limited. The ultimate parent undertaking and controlling party of the Company is Market Topco Limited. Market Bidco Limited and Market Topco Limited were incorporated by Clayton, Dubilier and Rice's Fund XI for the purposes of acquiring Wm Morrison Supermarkets Limited. The investment into Market Topco Limited was made by a vehicle owned by Clayton, Dubilier & Rice Fund XI, L.P. and certain commonly-managed parallel and related investment vehicles thereof.

8. Post balance sheet events

Sale of petrol forecourt business

On 30 January 2024, the Group agreed the sale of its petrol forecourt business to Motor Fuel Group ("MFG") for £2.5bn. This consideration includes a c.20% equity stake in MFG. The transaction also forms a new strategic partnership between MFG and the Group which will see Ultra-Rapid EV charging infrastructure rolled out across the Morrisons estate. The forecourts will continue to be branded Morrisons, and food and groceries will be supplied by the Group. As at 28 January 2024 the assets relevant to the petrol forecourt business have been classified as 'held-for-sale' on the balance sheet.

As part of the takeover by CD&R in 2021, a Memorandum of Understanding committed the Group to providing additional property security to the CARE Schemes and the RSP in a new arrangement, taking the total value of property security supporting these Schemes to at least £660m. In January 2024, an additional Memorandum of Understanding was agreed releasing all the additional property assets agreed in 2021, except for four properties. Properties not returned have been substituted into an existing arrangement. This transaction was completed on 19 March 2024.

Glossary and supplementary information

Alternative Performance Measures

In response to the Guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group. The Directors use the APMs listed below as they are critical to understanding the financial performance and financial health of the Group. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

Measures	**Closest equivalent IFRS measure**	**Definition and purpose**	**Reconciliation for the 13 weeks ended 28 January 2024 and 29 January 2023**			**Reconciliation for the 52 weeks ended 29 October 2023**
Like-for-like ('LFL') sales growth	Revenue	Percentage change in year-on-year sales (excluding VAT), removing the impact of new store openings and closures in the current or previous financial periods. The measure is used widely in the retail industry as an indicator of ongoing sales performance.		**28 January 2024**	29 January 2023	29 October 2023
			Group LFL (exc. fuel)	**4.6%**	0.1%	1.8%
			Group LFL (inc. fuel)	**0.9%**	2.1%	(1.4)%
Underlying EBITDA	Operating profit[1]	Operating profit before exceptional items and after loss from joint ventures. Plus depreciation and amortisation, McColl's rental costs[2] and Management Incentive Plan (MIP). This measure is used by the Directors as it provides key information on ongoing trends and the performance of the Group before capital investment and financing costs.		**28 January 2024 £m**	29 January 2023 £m	29 October 2023 £m
			Operating profit before exceptionals	**(46)**	(49)	70
			Loss from joint ventures	**-**	-	(1)
			Add back:			
			Depreciation and amortisation	**227**	243	872
			McColl's rental costs[2]	**6**	7	24
			MIP[3]	**2**	-	5
			Underlying EBITDA	**189**	201	970
Adjusted EBITDA	Operating profit[1]	Operating profit before exceptional items and after loss from joint ventures. Plus depreciation and amortisation, McColl's rental costs[2] and Management Incentive Plan (MIP). Less cash operating leases.		**28 January 2024 £m**	29 January 2023 £m	29 October 2023 £m
			Underlying EBITDA	**189**	201	970
			Less:			
			Cash operating leases[4]	**(50)**	(46)	(195)
			Adjusted EBITDA	**139**	155	775
Structuring EBITDA	Operating profit[1]	Structuring EBITDA is defined as adjusted EBITDA further adjusted for: - dividend from joint ventures; - initiatives being executed by management and expected synergies from McColl's; and - pro forma initiatives and synergies. Structuring EBITDA is an APM that covers the last 12 months to 28 January 2024.		**52 weeks ended 28 January 2024 £m**		
			Adjusted EBITDA	**759**		
			Adjusted for:			
			Dividend from joint ventures	**5**		
			McColl's	**28**		
			Pro forma initiatives and synergies	**21**		
			Structuring EBITDA	**813**		
Tax charge before exceptionals	Effective tax	Normalised tax is the tax rate applied to the Group's principal activities on an ongoing basis. This is calculated by adjusting the effective tax rate for the period to exclude the impact of exceptional items and net retirement benefit credit. This measure is used by the Directors as it provides a better reflection of the normalised tax charge for the Group.	The normalised tax rate is based on full year projections and as such a tax reconciliation will be provided in the next consolidated Annual Report and Financial Statements. Details of the normalised tax rate used in the 52 weeks ended 29 October 2023 are provided in note 3.			

[1] Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.

[2] Rental costs for McColl's properties are recorded within operating profit/(loss) where full IFRS 16 leases agreements have yet to be finalised. This adjustment treats them as if IFRS 16 had been applied.

[3] Management Incentive Plan includes release of prepaid charges and IFRS 2 accounting charge.

[4] Adjustment has been made to reflect the non-onerous cash operating leases which following the implementation of IFRS 16 is not reported in EBITDA.

Glossary and supplementary information (continued)

<table>
<tr><th>Measures</th><th>Closest equivalent IFRS</th><th>Definition and purpose</th><th>Reconciliation for the 13 weeks ended 28 January 2024 and 29 January 2023</th><th>Reconciliation for the 52 weeks ended 29 October 2023</th></tr>
<tr><td colspan="5">Cash flow and net debt measures</td></tr>
<tr><td>Operating cash flow</td><td>No direct equivalent</td><td>Operating cash flow is Adjusted EBITDA, dividends received from joint ventures, change in working capital (and derivative unwind), less capital expenditure.

This measure is used by the Directors as it provides key information on the level of cash generated by the Group.</td><td>
<table>
<tr><th></th><th>28 January 2024 £m</th><th>29 January 2023 £m</th></tr>
<tr><td>Adjusted EBITDA</td><td>139</td><td>155</td></tr>
<tr><td>Dividends from joint ventures</td><td>5</td><td>8</td></tr>
<tr><td>Change in working capital</td><td>(29)</td><td>68</td></tr>
<tr><td>Less:</td><td></td><td></td></tr>
<tr><td>Capital expenditure</td><td>(107)</td><td>(133)</td></tr>
<tr><td>Operating cash flow</td><td>8</td><td>98</td></tr>
</table>
</td><td>
<table>
<tr><th>29 October 2023 £m</th></tr>
<tr><td>775</td></tr>
<tr><td>8</td></tr>
<tr><td>79</td></tr>
<tr><td></td></tr>
<tr><td>(408)</td></tr>
<tr><td>454</td></tr>
</table>
</td></tr>
<tr><td>Free cash flow</td><td>No direct equivalent</td><td>Free cash flow is Operating cash flow, tax, interest (except interest on leases), plus ‘other’ including sale and leaseback proceeds.</td><td>
<table>
<tr><th></th><th>28 January 2024 £m</th><th>29 January 2023 £m</th></tr>
<tr><td>Operating cash flow</td><td>8</td><td>98</td></tr>
<tr><td>Tax</td><td>-</td><td>17</td></tr>
<tr><td>Interest</td><td>(152)</td><td>(133)</td></tr>
<tr><td>Other (inc. sale and leaseback proceeds)</td><td>(3)</td><td>284</td></tr>
<tr><td>Free cash flow</td><td>(147)</td><td>266</td></tr>
</table>
</td><td>
<table>
<tr><th>29 October 2023 £m</th></tr>
<tr><td>454</td></tr>
<tr><td>18</td></tr>
<tr><td>(404)</td></tr>
<tr><td>454</td></tr>
<tr><td>522</td></tr>
</table>
</td></tr>
<tr><td>Net debt</td><td>No direct equivalent</td><td>Net debt is current and non-current borrowings, lease liabilities and derivative financial assets and liabilities; net of cash and cash equivalents.</td><td colspan="2">A reconciliation of this measure is provided in note 5. This reflects the position at the Market Bidco Limited consolidated level.</td></tr>
<tr><td>Net debt before IFRS 16 (leases)</td><td>No direct equivalent</td><td>Net debt before IFRS 16 (leases) is as defined above, excluding the impact of lease liabilities.</td><td colspan="2">
<table>
<tr><th></th><th>28 January 2024 £m</th><th>29 October 2023 £m</th></tr>
<tr><td>Net debt</td><td>(7,277)</td><td>(7,020)</td></tr>
<tr><td>Current lease liabilities</td><td>111</td><td>78</td></tr>
<tr><td>Non-current lease liabilities</td><td>1,562</td><td>1,535</td></tr>
<tr><td>Net debt before IFRS16</td><td>(5,604)</td><td>(5,407)</td></tr>
</table>
</td></tr>
<tr><td colspan="5">Other measures</td></tr>
<tr><td>Material real property</td><td>No direct equivalent</td><td>Material real property, as defined in the Market Bidco Limited Senior Facilities Agreement, means any freehold or leasehold property (including jurisdictional equivalents to freehold or leasehold) owned by the Group situated in England and Wales, Scotland or Northern Ireland which has a net book value equal to or in excess of £13m at 4 November 2021.</td><td colspan="2">The number of material real properties at 28 January 2024 is 198 with a total net book value of £4,330m.</td></tr>
</table>

---

[1] Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.