MARKS & SPENCER

press release

Issued: 7 January 2008

MARKS AND SPENCER GROUP PLC QUARTER 3 2008/09 – INTERIM MANAGEMENT STATEMENT 13 weeks to 27 December 2008

- Group sales down 1.2%
- UK sales down 3.4%: General Merchandise -5.5% (Clothing -6.5%; Home +1.0%); Food -1.1%
- UK like for like sales down 7.1%: General Merchandise -8.9%; Food -5.2%
- Online sales up 29%
- International sales up 26.9%
- Clothing market share maintained; strong growth in volumes
- Food initiatives deliver improved performance with a record trading day of over £50m on 23 December
- Cost initiatives set to reduce underlying cost base by £175m to £200m

Sir Stuart Rose, Chairman said:

"Group sales were down 1.2%. Sales in the UK were down 3.4%. Our trading stance throughout the quarter enabled us to offer our customers great value, grow our volumes, maintain our leading market position and uphold our ethical stance. Our post Christmas sale which started on 27 December with 15% less stock into sale than last year has cleared quickly.

"We have made good progress on the key priorities set out at the interim results in November.

"We maintained our market share in Clothing with particularly good performances in Kids and Lingerie. Volumes were strong across all areas of Clothing. Home also performed well, growing sales by 1% with quality, great values and trust in the brand being important drivers. Online performed strongly in Ω 3 with record traffic driving sales up 29%; stock clearance was especially fast.

"Food showed an improved trend quarter on quarter, reflecting the initiatives put in place around better values, promotional stance, innovation, increased availability and reduced waste. This improvement accelerated as we entered the Christmas period, culminating in our biggest trading day ever on 23 December with record sales of over £50m.

"Our International store opening programme helped drive continued growth in sales, up 26.9%.

"UK retail gross margin for the full year is now expected to be around 175 basis points lower than last year as a result of increased promotional activity and our decision to invest in price for the benefit of our customers, especially in Food.

"We continued to control costs tightly and now expect operating cost growth for 2008/09 to be towards the lower end of our guidance of 4-5%. We have also made further progress on actions to reduce our underlying cost base in 2009/10 and are now expecting UK operating costs for 2009/10 to be between one and two percent below 2008/09, a reduction of £175m to £200m, after taking space growth and inflation into account.

This reduction in costs includes the benefit of a number of proposals that we are announcing today:

- We have reviewed our store portfolio and, subject to consultation with staff, are proposing to close 27 stores. 25 of these are small underperforming Simply Food storesⁱⁱⁱ and two are small main chain stores. Around 780 jobs may be lost as a result of these proposals.
- We are proposing to reduce the costs of our head offices, subject to consultation with staff, with the loss of up to 450 jobs, representing around 15% of our head offices headcount.
- We will be making changes to the Marks & Spencer Final Salary Pension scheme by capping employees' annual increases in pensionable pay to 1% and changing the early retirement benefits for members who joined the scheme before 1996.

"We remain committed to maintaining our strong financial position. Capital expenditure for 2008/09 is expected to be no more than £700m and no more than £400m in 2009/10. We continue to target to be broadly cash neutral in 2008/09. We have no short term refinancing requirements.

"We are aware that the proposed changes set out above will be difficult for those members of staff impacted, but given that we expect challenging economic conditions to continue for at least the next 12 months we believe we are taking the right action to maintain the strength of our business."

We will update on our fourth quarter sales on 31 March 2009. Full year results for 2008/09 will be announced on 19 May 2009.

Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Marks & Spencer's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward-looking statements are subject to various risks and uncertainties, including failure by Marks & Spencer to predict accurately customer preferences; decline in the demand for products offered by Marks & Spencer; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of Marks & Spencer's brand awareness and marketing programmes; general economic conditions or a downturn in the retail or financial services industries; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets.

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Investors & Analysts Conference Call:

This will be hosted by Stuart Rose at 08.30 (GMT) on Wednesday 7 January 2009:

Dial in number: +44 (0) 20 8515 2302

A recording of this call will be available until Wednesday 14 January 2009: Dial in number: +44 (0) 20 7190 5901 Access Code: 141390#

¹ Britain's most ethical retailer: Millward Brown customer tracking 2008

ii Q3 2007/08 included 3 days of post-Christmas sale vs 1 day this year

iii Total Simply Food stores 355 of which 177 owned and 178 franchised

These changes affect the terms of the M&S Final Salary Pension Scheme for the 21,000 employees who are members of the scheme