Issued: 8 November 2017

Press Release

Marks and Spencer Group Plc
Half Year Results For 26 Weeks To 30 September 2017

26 weeks ended	30 Sep 17	1 Oct 16	*Change %*
Group revenue	£5,125.6m	£4,993.5m	*2.6*
Profit before tax & adjusted items[1]	£219.1m	£231.3m	*-5.3*
Adjusted items[1,2]	£(100.8)m	£(206.2)m	*-51.1*
Profit before tax	£118.3m	£25.1m	*371.3*
Profit after tax	£84.6m	£15.9m	*432.1*
Adjusted basic earnings per share[1]	10.7p	11.5p	*-7.0*
Basic earnings per share	5.2p	1.0p	*420.0*
Free cashflow before adjusted items	£218.4m	£211.7m	*3.2*
Net debt	£2.03bn	£2.24bn	*-9.7*
Ordinary dividend per share	6.8p	6.8p	-

[1]Adjusted results are consistent with how business performance is measured internally. [2]Refer to adjusted items note 3.

Steve Rowe, Chief Executive said:

"We have made good progress in remedying the immediate and burning issues at M&S I outlined last year. In Clothing & Home early results are encouraging and in International we now have a profitable and robust business. We recognise now that we face stronger headwinds in Food which will be addressed in the year ahead.

"The business still has many structural issues to tackle as we embark on the next five years of our transformation, in the context of a very challenging retail and consumer environment. Today we are accelerating our plans to build a business with sustainable, profitable growth, making M&S special again."

Headlines

- Clothing & Home revenue level with full price sales up 5.3% due to better product at lower prices, fewer promotions and two fewer clearance sales. Gross margin up 140bps, as we leveraged our sourcing capabilities and fully offset currency headwinds
- Food revenue up 4.4% driven by new stores. Gross margin down 130bps due to increased input cost inflation and limiting price increases to customers
- UK costs up 4.2% due to new space, investment in improved service, and tackling legacy pay and pension issues
- International profits trebled to £60.3m as a result of our decisive action to reduce losses in owned markets, as well as favourable currency movements

Marks and Spencer Group plc
Registered Office:
Waterside House
35 North Wharf Road
London W2 1NW
Registered No. 4256886
(England and Wales)

Restoring the basics

Over the past 18 months we have made good progress addressing the most immediate issues in order to arrest the decline at M&S. In line with our plan, we reduced discounting and cut the price of over 2500 lines as well as delivering better availability. Clothing & Home sales were level in the first half and we have leveraged our sourcing capability to fully offset significant currency headwinds. We have tackled and removed unsustainable losses in owned International markets.

Our overall priority is making our shopping experience special so we have invested in store service, adding over 3000 colleagues. In addition, we have simplified our head office structure with a reduction of over 500 roles. We have also implemented a simpler approach to pay and closed our UK defined benefit pension scheme to future accrual.

Building on these stronger foundations, we are now able to accelerate our transformation plan to face into long term structural change in our market place and make M&S special again.

We start with great brand recognition, over 32m customers and quality, value and innovation rooted in our DNA. However, increased global and digital competition, pressure on consumers' disposable income and increased cost inflation means unless we continue to adapt our business model, our competitive position will continue to erode. In this next phase of our programme we need to address structural challenges and continue to restore the basics at M&S, in order to deliver growth in later years.

The next phase of our transformation

Our progress and learnings over the last 18 months have given us the confidence to accelerate our transformation plan and we continue to focus on driving sustainable, profitable growth. The next phase of our transformation will see us:

- Build on our progress in Clothing & Home to focus on becoming the UK's essential Clothing retailer
- Accelerate our UK Clothing & Home space rationalisation plan
- Reposition our Food business including slowing our Simply Food store opening plan
- Work with key International franchise partners to build a growing, profitable International business
- Become a digital first organisation, with a third of our Clothing & Home sales online
- Substantially reduce our cost base

Rejuvenating Clothing & Home

Our position in Clothing & Home has eroded over the last 15 years as online retailers, new international competitors and discounters have taken market share. However, the business retains very strong market positions in lingerie, schoolwear, denim, suits and other areas which illustrate our capability.

In the next phase of our transformation we will continue to modernise our supply chain which needs to be faster and lower cost than today. Our digital fulfilment capability, while currently operating well, will require further investment to enable more rapid growth online and help us match increasingly fast competitor fulfilment rates.

It is our ambition that M&S will become the UK's essential Clothing retailer. At all levels we are sharpening our ranges, to provide better choices with fewer options, and delivering contemporary wearable style to become more popular. With our heritage in value, we will reinvest cost savings into affordability to ensure that our quality is unrivalled at any given price point.

Reposition and grow Food

The headwinds facing our Food business have intensified as competitors have encroached on some of our space with the rapid growth of convenience. Online home delivery is growing share. Hard pressed consumers are more aware of value and are careful about premium choices. Therefore, although our investment returns remain high, we are slowing our Simply Food opening programme as we reposition our food offer for future growth. Only the highest returning sites will qualify for addition to our store portfolio.

We have already sharpened prices in core categories and will be taking further steps to bring out value in our ranges. We will increase the pace of relevant innovation, step change our availability and ranging, and continue to develop our Foodhall proposition.

International partnerships scaled in key markets

We have substantially reshaped our International business, which has improved profitability and positioned us for steady growth. Operating with strong partners who have scale, local infrastructure and access to good locations will allow us to grow this business. We now need to focus on our proposition, ensuring better availability, sharper prices and improved customer service and environments, so we can meet international and local competition in each market.

Channels for the future

We will invest in our online capabilities to ensure a more personalised and seamless customer journey, and much greater convenience. We expect our online share of sales to grow very significantly and we are aiming for one third of our Clothing & Home sales to be online in the medium term. This, and the better than expected levels of sales transfer from recent closures, means that we are accelerating our UK store rationalisation programme, including closures, space reduction and relocations. Our intention is to reshape the estate to focus on high volume locations with conforming store size and fit for purpose back-of-house facilities. We will prioritise a digital first approach in our stores and in our central functions.

Delivering lower cost retailing

We have taken good first steps in streamlining our central costs and bringing on board new talent. We are undertaking a significant review of our cost base with the aim of generating a substantial reduction in legacy and structural costs. In addition, we are working on the opportunity to reduce working capital and release cash. In the next phase, further significant changes will be made to consolidate strong accountable business units in Food and Clothing & Home. We will develop our organisation and culture as we create a faster, more commercial M&S.

We will continue to operate strict capital disciplines within our existing capital framework including a robust balance sheet, progressive dividend policy, continuing to invest for growth and returning any surplus capital to shareholders.

Full year guidance 2017/18:

	Full year guidance
Food	
- Space increase[1] (%)	c.5
- Gross margin change (bps)	-75 to -125
Clothing & Home	
- Space decrease[1] (%)	c.1.5
- Gross margin change (bps)	25 to 75
UK operating costs (%)	2.5 to 3.5
Tax rate (%)	21
Capital expenditure (£m)	300 to 350

[1]*As at year end*

- Given stronger than anticipated buying margin in the first half we now expect to deliver growth in Clothing & Home gross margin of between 25 and 75 basis points
- As a result of increased input costs and higher promotions in the first half we now expect a decrease in Food gross margin of between 75 and 125 basis points
- We expect to open c.80 new Simply Food stores, half of which will be owned, resulting in space growth of c.5%

Group revenue: constant currency

% change	H1	Q1	Q2
Food	**4.4**	4.5	4.4
- Like-for-like	**-0.1**	-0.1	-0.1
Clothing & Home	**0.0**	-0.5	0.6
- Like-for-like	**-0.7**	-1.2	-0.1
Total UK sales	**2.7**	2.6	2.8
- Like-for-like	**-0.3**	-0.5	-0.1
International	**-3.1**	-4.0	-2.2
Total Group	**2.0**	**1.8**	**2.2**
M&S.com (Memo only)	*5.7*	*5.3*	*6.0*

We will report our third quarter trading update on 11 January 2018.
See glossary for definitions.

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Investor & Analyst webcast:

Investor and analyst presentation will be held at 09.30 on 8 November 2017. This presentation can be viewed live on the Marks and Spencer Group plc website.

Fixed Income Investor Conference Call:

This will be hosted by Helen Weir, Chief Finance Officer at 14:00 on 8 November 2017:
Dial in number: +44 (0) 20 3427 1915 Access code: 1249472

A recording of this call will be available until 18 November 2017:
Dial in number: +44 (0) 20 3427 0598 Access code: 1249472

HALF YEAR FINANCIAL REVIEW

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	*Change* *%*
Group revenue	**5,125.6**	**4,993.5**	***2.6***
Food revenue	2,794.3	2,675.7	*4.4*
Clothing & Home revenue	1,773.6	1,772.9	*0.0*
UK revenue	4,567.9	4,448.6	*2.7*
International revenue	557.7	544.9	*2.3*
Group adjusted operating profit	**266.1**	**268.7**	***-1.0***
UK adjusted operating profit	205.8	250.3	*-17.8*
International adjusted operating profit	60.3	18.4	*227.7*
Net finance costs	(47.0)	(37.4)	*25.7*
Profit before tax & adjusted items	**219.1**	**231.3**	***-5.3***
Adjusted items	(100.8)	(206.2)	*-51.1*
Profit before tax	**118.3**	**25.1**	***371.3***

UK: FOOD

Food revenue increased by 4.4% as we opened 24 new Simply Food stores, however like-for-like revenue was down 0.1%. In a challenging market environment we introduced additional choice by extending the range in selected categories and ran more promotions. We launched over 750 new products in the period and sales of our Spirit of Summer products grew by c.20%. Market share increased by 10 bps to 4.2% according to data from Kantar Worldpanel (12 w/e 8 October 2017).

The decline in gross margin of 130bps year-on-year to 31.3% was more than expected. We absorbed significant input cost inflation while limiting price increases for customers. These costs were not fully offset by gains from our on-going value optimisation program, and process improvements to reduce waste.

New stores continued to exceed sales expectations and we have significantly reduced the average lease commitment on new store approvals in line with the more rigorous capital framework announced last year.

UK: CLOTHING & HOME

Clothing & Home revenue was level, with like-for-like revenue down 0.7%. Revenue grew in quarter two, benefiting from an encouraging performance of our new Autumn range in September supported by cooler weather. As expected, revenues were adversely impacted by our decision to reduce the number of clearance sales in the period from 4 to 2. Full price sales increased by 5.3%. Availability improved further in the period while customer satisfaction scores increased on the previous year.

Gross margin was ahead of expectations, up 140bps at 58.1%. We offset significant currency headwinds as we improved our planning process, allowing us to unlock better buying rates. We tendered an increased proportion of orders and also moved business to lower duty locations, both of which realised benefits earlier than expected. Margin benefited from the planned reduction in discounting with a c.20% reduction of stock into sale, in part due to the two fewer clearance sales, and a lower depth of cut.

During the second quarter we have reallocated space in 56 stores from womenswear to areas of growth opportunity such as Childrenswear and Home. Following feedback from our customers, we have also extended our ranges, increased stock availability and provided more inspiration in our smaller stores.

We opened two new stores and relocated a further two which are delivering improved sales densities. We also closed four Clothing & Home stores as part of the reshaping of the UK store estate and are seeing encouraging early results with respect to the proportion of sales transferred to nearby M&S stores.

At M&S.com we made further improvements to our delivery proposition, introducing returns to Simply Food stores and improved site speed. Revenue increased by 5.7% at constant currency.

UK OPERATING COSTS

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	*Change* %
Store staffing	532.5	483.0	*10.3*
Other store costs	493.1	496.2	*-0.6*
Distribution & warehousing	256.2	243.0	*5.4*
Marketing	77.5	84.1	*-7.8*
Central costs	360.9	345.0	*4.6*
Total	**1,720.2**	**1,651.3**	***4.2***

UK operating cost growth was 4.2%, in line with our expectation for a higher rate of cost growth in the first half of the year. The costs associated with new space and volume drove one third of this increase. The main driver of the remaining increase was store staffing, where we invested in service, tackled our legacy pension scheme and moved to a simpler pay structure.

We continue to find ways to simplify our business and thus reduce costs. This is evident in both marketing, where we have focused on fewer, larger campaigns and in other store costs where we have offset increases from new space with lower than projected rent review agreements and other efficiencies. We have also delivered savings from head office efficiencies, as announced last year, in line with plan.

As we transition more of our systems to cloud based software services, we see a switch between capital spend and operating costs. This, together with increased incentive accruals, drove the increase in central costs in the half.

INTERNATIONAL

Revenue

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	*Change %*	*Change CC %*
Franchise	168.5	151.7	*11.1*	*9.9*
Owned:	389.2	393.2	*-1.0*	*-7.8*
Retained	*337.3*	*312.0*	*8.1*	*0.6*
Exit	*51.9*	*81.2*	*-36.1*	*-40.4*
Total	**557.7**	**544.9**	***2.3***	***-3.1***

Operating profit before adjusted items

Franchise	43.4	38.9	*11.6*
Owned:	16.9	(20.5)	*182.4*
Retained	*18.5*	*2.7*	*585.2*
Exit	*(1.6)*	*(23.2)*	*93.1*
Total	**60.3**	**18.4**	***227.7***

Reported International revenue increased by 2.3%, benefitting from currency translation. At constant currency, revenue declined by 3.1%, as a result of the now completed exit from loss making owned stores.

Franchise revenue increased 9.9% at constant currency. Shipments benefited from earlier fulfilment of Winter orders and expansion of our food business in markets such as Paris.

Owned retained markets revenue increased 0.6% at constant currency. Strong performances in India and Hong Kong were offset by a decline in sales in the Republic of Ireland, where we have reduced discounting in Clothing & Home.

Operating profit before adjusted items increased significantly. This is a result of reduced losses in exit markets, and improved margins in owned retained markets which benefited from transactional currency gains.

NET FINANCE COST

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	Change £m
Interest payable	(51.4)	(49.4)	(2.0)
Interest income	3.1	4.0	(0.9)
Net interest payable	**(48.3)**	**(45.4)**	**(2.9)**
Pension net finance income	8.9	14.7	(5.8)
Unwind of discount on Partnership liability	(5.4)	(6.2)	0.8
Unwind of discounts on financial instruments and provisions	(2.2)	(0.5)	(1.7)
Net finance cost	**(47.0)**	**(37.4)**	**(9.6)**

Net finance costs increased by £9.6m largely due to decreased pension net finance income, as a result of the lower net retirement benefit surplus and the lower discount rate at the start of the year. Net interest payable was up £2.9m primarily due to a £300m bond issued in December 2016 pre-funding the $500m bond maturing in December 2017. This was partially offset by lower interest on bank facilities.

ADJUSTED ITEMS

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures that provide stakeholders with additional helpful information on the performance of the business.

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	Change £m
Strategic programmes			
– Changes to pay and pensions	(6.7)	(154.2)	147.5
– UK organisation	(26.5)	(17.6)	(8.9)
– UK store estate	(6.1)	(10.6)	4.5
– International store closures and impairments	2.2	(3.3)	5.5
UK store impairments, asset write-offs and onerous lease charges	(45.8)	-	(45.8)
M&S Bank charges incurred in relation to the insurance mis-selling provision	(17.9)	(22.7)	4.8
UK logistics	-	2.2	(2.2)
Adjusted items	**(100.8)**	**(206.2)**	**105.4**

On 1 April we completed the implementation of a simplified approach to pay and pensions. As part of this, we have committed to making transition payments (for a period of three years) to employees impacted by the closure to future accrual of the UK defined benefit scheme. The cost in the period was £6.7m.

As part of streamlining our UK cost base, we are consolidating our central London Head Office functions into one building. The charge of £26.5m for UK organisation is largely related to this.

Since the announcement of the new UK store estate strategy, the Group has conducted a review of the £4.7bn net book value of the property, plant and equipment on its balance sheet. This has identified an historical under depreciation of leasehold building assets, resulting in a £45.8m one-off non-cash depreciation charge, relating almost entirely to assets capitalised prior to 2012/13.

TAXATION

The effective tax rate on profit before tax and adjusted items was 21.0% (last year 20.0%). The effective tax rate is higher than the UK corporate tax rate of 19.0% as a result of the Scottish Limited Partnership structure. The effective tax rate was 28.5% (last year 36.7%) due to the impact of disallowable adjusted items.

EARNINGS PER SHARE

Adjusted basic earnings per share decreased 7.0% to 10.7p due to the lower adjusted profit generated in the period.

Basic earnings per share increased from 1.0p to 5.2p primarily due to higher adjusted items in the prior year. The weighted average number of shares in issue during the period was 1,624.3m (last year 1,622.4m).

CAPITAL EXPENDITURE

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	Change £m
UK store environment	9.2	9.6	(0.4)
New UK stores	31.7	41.1	(9.4)
International	5.0	7.8	(2.8)
Supply chain	12.2	17.5	(5.3)
IT & M&S.com	33.6	56.5	(22.9)
Property maintenance	20.6	26.2	(5.6)
Capital expenditure before disposals	**112.3**	**158.7**	**(46.4)**
Proceeds from property disposals	(1.2)	(26.0)	24.8
Total capital expenditure	**111.1**	**132.7**	**(21.6)**

Group capital expenditure remains well controlled with the tighter disciplines we have put in place resulting in a 16% reduction year on year.
UK store environment spend reflects the reallocating of space from Womenswear to Childrenswear and Home in a number of stores as well as investment in refreshing our cafés.

Spend on UK store space was down as we opened 14 owned stores compared with 18 last year and due to the receipt of higher landlord contributions.

Capital expenditure on Supply Chain has reduced, as many infrastructure projects such as the new Enfield food depot and Bradford distribution centre are now complete and spend is focused on getting the most out of existing capacity. In addition, a greater proportion of IT and M&S.com costs were expensed.

International spend was down, as a result of our decision to exit a number of markets.

CASH FLOW AND NET DEBT

26 weeks ended	30 Sep 17 £m	1 Oct 16 £m	Change £m
Adjusted operating profit	**266.1**	**268.7**	**(2.6)**
Depreciation and amortisation before adjusted items	286.4	287.1	(0.7)
Working capital	(44.0)	(63.2)	19.2
Defined benefit pension funding	(42.2)	(27.9)	(14.3)
Capex and disposals	(181.1)	(197.1)	16.0
Interest and taxation	(75.9)	(90.0)	14.1
Non-cash share based payment and pension charges	12.3	28.7	(16.4)
Share transactions	(3.2)	5.4	(8.6)
Free cash flow before adjusted items	**218.4**	**211.7**	**6.7**
Adjusted items cash outflow	(113.9)	(37.8)	(76.1)
Free cash flow	**104.5**	**173.9**	**(69.4)**
Ordinary dividends paid	(193.1)	(192.7)	(0.4)
Special dividend	-	(74.5)	74.5
Free cash flow after shareholder returns	**(88.6)**	**(93.3)**	**4.7**
Opening net debt	**(1,934.7)**	**(2,138.3)**	**203.6**
Exchange and other non-cash movements	(2.7)	(11.6)	8.9
Closing net debt	**(2,026.0)**	**(2,243.2)**	**217.2**

The business delivered free cash flow before adjusted items of £218.4m, up £6.7m on last year.

Defined benefit pension funding reflects the £36.4m second limited partnership interest distribution to the pension scheme in the current year as well as the final contribution for the defined benefit scheme paid after the year end. The charge in the first half of last year reflected service contributions to the scheme which is now closed to future accrual.

Free cash flow was £104.5m, down £69.4m on last year due to the increase in adjusted item cash outflows in the period. These cash outflows primarily relate to the closure of stores in International markets and the transitional payments associated with the changes to pay and pensions.

Despite the costs of our strategic programmes, net debt was down £217.2m on last year.

DIVIDEND

We have announced an interim dividend of 6.8p, level year-on-year. This will be paid on 12 January 2018 to shareholders on the register of members as at close of business on 17 November 2017.

PENSION

At 30 September 2017, the IAS 19 net retirement benefit surplus was £638.4m (last full year £692.8m). We are well hedged for interest rate exposure and therefore the increase in the discount rate (from 2.55% to 2.70%) has not resulted in an increased surplus.

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.

- Ends -

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 30-33 of the Group's 2017 Annual Report and Financial Statements, along with mitigating activities relevant to each risk. Information on financial risk management is set out on pages 118-121 of the Annual Report, a copy of which is available on the Group's website www.marksandspencer.com/thecompany. These principal risks cover:

- Clothing & Home recovery;
- Food safety and integrity;
- Corporate responsibility;
- Information security (including cyber);
- Technology;
- Customer proposition & experience;
- Talent & succession;
- Margin;
- Brand;
- UK store estate;
- Profitable growth; and
- Third party management

The impact of the United Kingdom's decision to leave the European Union remains uncertain for the UK and the Group. The implications for the Group could include, but are not limited to:
- volatility in currency and corporate bond rates which could have an impact on the Group's trading performance and pension valuation and charges;
- changes in consumer confidence which may impact on the Group's ongoing trading performance;
- tightening of the labour market arising from changes to the EU principle of freedom of movement; and
- uncertainty on international trade tariffs.

The Board continues to monitor the ongoing negotiations between the UK and the EU to assess the potential impact and any transitional arrangements that may be agreed.

Statement of directors' responsibilities

The directors' confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.4R, DTR 4.2.7R and DTR 4.2.8R, namely:

- the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation;

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Marks and Spencer Group plc are consistent with those listed in the Group's 2017 Annual Report and financial statements with the exception of Archie Norman who joined the Board as Chairman on 1 September 2017, replacing Robert Swannell who retired on the same date. A list of current directors is maintained on the Group's website: www.marksandspencer.com/thecompany.

By order of the Board

Steve Rowe
Chief Executive

Condensed consolidated income statement (Unaudited)

		26 weeks ended					
		30 Sept 2017			1 Oct 2016		
	Notes	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	2	**5,125.6**	**-**	**5,125.6**	**4,993.5**	**-**	**4,993.5**
Operating profit	2, 3	**266.1**	**(100.8)**	**165.3**	**268.7**	**(206.2)**	**62.5**
Finance income	4	12.1	-	12.1	18.7	-	18.7
Finance costs	4	(59.1)	-	(59.1)	(56.1)	-	(56.1)
Profit before tax		**219.1**	**(100.8)**	**118.3**	**231.3**	**(206.2)**	**25.1**
Income tax (expense)/credit	5	(46.0)	12.3	(33.7)	(46.2)	37.0	(9.2)
Profit for the period		**173.1**	**(88.5)**	**84.6**	**185.1**	**(169.2)**	**15.9**
Attributable to:							
Owners of the parent		173.2	(88.5)	84.7	186.1	(169.2)	16.9
Non-controlling interests		(0.1)	-	(0.1)	(1.0)	-	(1.0)
		173.1	**(88.5)**	**84.6**	**185.1**	**(169.2)**	**15.9**
Basic earnings per share (pence)	6	10.7p	(5.5)p	5.2p	11.5p	(10.5)p	1.0p
Diluted earnings per share (pence)	6	10.6p	(5.4)p	5.2p	11.5p	(10.5)p	1.0p

Condensed consolidated statement of comprehensive income

		26 weeks ended		52 weeks ended
		30 Sept 2017 (Unaudited)	1 Oct 2016 (Unaudited)	1 April 2017 (Audited)
	Notes	£m	£m	£m
Profit for the period		**84.6**	**15.9**	**115.7**
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss				
Remeasurements of retirement benefit schemes	8	(99.3)	(141.4)	(68.9)
Tax credit on retirement benefit schemes		17.2	31.5	25.3
		(82.1)	(109.9)	(43.6)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences		(20.0)	21.8	31.0
Cash flow hedges and net investment hedges				
- fair value movements in other comprehensive income		(155.2)	91.2	56.1
- reclassified and reported in profit or loss		41.1	(56.0)	(72.4)
- amount recognised in inventories		31.8	(26.1)	(20.1)
Tax credit on cash flow hedges and net investment hedges		16.3	4.1	4.1
		(86.0)	35.0	(1.3)
Other comprehensive (expense)/income for the period, net of		(168.1)	(74.9)	(44.9)
Total comprehensive (expense)/income for the period		**(83.5)**	**(59.0)**	**70.8**
Attributable to:				
Owners of the parent		(83.4)	(58.0)	72.2
Non-controlling interests		(0.1)	(1.0)	(1.4)
		(83.5)	**(59.0)**	**70.8**

Condensed consolidated statement of financial position

	Notes	As at 30 Sept 2017 (Unaudited) £m	As at 1 Oct 2016 (Unaudited) £m	As at 1 April 2017 (Audited) £m
Assets				
Non-current assets				
Intangible assets		656.5	764.5	709.0
Property, plant and equipment		4,680.3	4,957.3	4,837.8
Investment property		15.5	15.5	15.5
Investment in joint ventures		7.0	6.9	7.0
Other financial assets		3.0	3.0	3.0
Retirement benefit asset	8	653.0	614.2	706.0
Trade and other receivables		230.3	237.3	234.1
Derivative financial instruments	10	42.9	143.2	56.8
Deferred tax assets		-	-	-
		6,288.5	6,741.9	6,569.2
Current assets				
Inventories		914.5	900.7	758.5
Other financial assets		17.8	19.1	14.5
Trade and other receivables		316.6	301.0	318.6
Derivative financial instruments	10	61.9	134.2	163.1
Cash and cash equivalents		313.8	157.1	468.6
		1,624.6	1,512.1	1,723.3
Total assets		7,913.1	8,254.0	8,292.5
Liabilities				
Current liabilities				
Trade and other payables		1,577.9	1,622.1	1,553.8
Partnership liability to the Marks & Spencer UK Pension Scheme	9	71.9	71.9	71.9
Borrowings and other financial liabilities		505.1	368.6	518.0
Derivative financial instruments	10	57.4	37.3	10.5
Provisions		58.8	45.1	147.2
Current tax liabilities		75.0	69.0	66.6
		2,346.1	2,214.0	2,368.0
Non-current liabilities				
Retirement benefit deficit	8	14.6	43.0	13.2
Trade and other payables		337.7	361.2	328.5
Partnership liability to the Marks & Spencer UK Pension Scheme	9	258.1	318.1	324.6
Borrowings and other financial liabilities		1,688.2	1,859.1	1,711.7
Derivative financial instruments	10	6.3	-	0.8
Provisions		138.2	55.6	113.5
Deferred tax liabilities		241.0	281.5	281.8
		2,684.1	2,918.5	2,774.1
Total liabilities		5,030.2	5,132.5	5,142.1
Net assets		2,882.9	3,121.5	3,150.4
Equity				
Issued share capital		406.2	406.2	406.2
Share premium account		416.4	416.3	416.4
Capital redemption reserve		2,210.5	2,210.5	2,210.5
Hedging reserve		(51.4)	56.7	17.3
Other reserve		(6,542.2)	(6,542.2)	(6,542.2)
Foreign exchange reserve		11.2	19.2	30.5
Retained earnings		6,438.2	6,557.6	6,617.6
Total shareholders' equity		2,888.9	3,124.3	3,156.3
Non-controlling interests in equity		(6.0)	(2.8)	(5.9)
Total equity		2,882.9	3,121.5	3,150.4

The notes on pages 19 to 31 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

26 weeks ended 30 September 2017 (Unaudited)	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve[1] £m	Foreign exchange reserve[2] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
As at 2 April 2017	406.2	416.4	2,210.5	17.3	(6,542.2)	30.5	6,617.6	3,156.3	(5.9)	3,150.4
Profit/(loss) for the period	-	-	-	-	-	-	84.7	84.7	(0.1)	84.6
Other comprehensive income/(expense):										
Foreign currency translation	-	-	-	(0.7)	-	(19.3)	-	(20.0)	-	(20.0)
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(99.3)	(99.3)	-	(99.3)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	17.2	17.2	-	17.2
Cash flow and net investment hedges										
- fair value movements in other comprehensive income	-	-	-	(157.2)	-	-	2.0	(155.2)	-	(155.2)
- reclassified and reported in net profit	-	-	-	41.1	-	-	-	41.1	-	41.1
- amount recognised in inventories	-	-	-	31.8	-	-	-	31.8	-	31.8
Deferred tax on cash flow hedges and net investment hedges	-	-	-	16.3	-	-	-	16.3	-	16.3
Other comprehensive (expense)/income	**-**	**-**	**-**	**(68.7)**	**-**	**(19.3)**	**(80.1)**	**(168.1)**	**-**	**(168.1)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(68.7)**	**-**	**(19.3)**	**4.6**	**(83.4)**	**(0.1)**	**(83.5)**
Transactions with owners:										
Dividends	-	-	-	-	-	-	(193.1)	(193.1)	-	(193.1)
Shares issued on exercise of employee share options	-	-	-	-	-	-	-	-	-	-
Purchase of own shares held by employee trusts	-	-	-	-	-	-	(3.2)	(3.2)	-	(3.2)
Credit for share-based payments	-	-	-	-	-	-	12.6	12.6	-	12.6
Deferred tax on share schemes	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
As at 30 September 2017	**406.2**	**416.4**	**2,210.5**	**(51.4)**	**(6,542.2)**	**11.2**	**6,438.2**	**2,888.9**	**(6.0)**	**2,882.9**

26 weeks ended 1 October 2016 (Unaudited)	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve[1] £m	Foreign exchange reserve[2] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
As at 3 April 2016	**405.8**	**411.3**	**2,210.5**	**32.3**	**(6,542.2)**	**(4.8)**	**6,932.3**	**3,445.2**	**(1.8)**	**3,443.4**
Profit/(loss) for the period	-	-	-	-	-	-	16.9	16.9	(1.0)	15.9
Other comprehensive income/(expense):										
Foreign currency translation	-	-	-	(2.2)	-	24.0	-	21.8	-	21.8
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(141.4)	(141.4)	-	(141.4)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	31.5	31.5	-	31.5
Cash flow and net investment hedges										
- fair value movements in other comprehensive income	-	-	-	104.6	-	-	(13.4)	91.2	-	91.2
- reclassified and reported in net profit	-	-	-	(56.0)	-	-	-	(56.0)	-	(56.0)
- amount recognised in inventories	-	-	-	(26.1)	-	-	-	(26.1)	-	(26.1)
Deferred tax on cash flow hedges and net investment hedges	-	-	-	4.1	-	-	-	4.1	-	4.1
Other comprehensive income/(expense)	**-**	**-**	**-**	**24.4**	**-**	**24.0**	**(123.3)**	**(74.9)**	**-**	**(74.9)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**24.4**	**-**	**24.0**	**(106.4)**	**(58.0)**	**(1.0)**	**(59.0)**
Transactions with owners:										
Dividends	-	-	-	-	-	-	(267.2)	(267.2)	-	(267.2)
Shares issued on exercise of employee share options	0.4	5.0	-	-	-	-	-	5.4	-	5.4
Credit for share-based payments	-	-	-	-	-	-	4.4	4.4	-	4.4
Deferred tax on share schemes	-	-	-	-	-	-	(5.5)	(5.5)	-	(5.5)
As at 1 October 2016	**406.2**	**416.3**	**2,210.5**	**56.7**	**(6,542.2)**	**19.2**	**6,557.6**	**3,124.3**	**(2.8)**	**3,121.5**

Condensed consolidated statement of changes in equity (continued)

52 weeks ended 1 April 2017 (Audited)	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve[1] £m	Foreign exchange reserve[2] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
As at 3 April 2016	405.8	411.3	2,210.5	32.3	(6,542.2)	(4.8)	6,932.3	3,445.2	(1.8)	3,443.4
Profit/(loss) for the year	-	-	-	-	-	-	117.1	117.1	(1.4)	115.7
Other comprehensive (expense)/income:										
Foreign currency translation	-	-	-	(4.3)	-	35.3	-	31.0	-	31.0
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(68.9)	(68.9)	-	(68.9)
Tax charge on items that will not be reclassified	-	-	-	-	-	-	25.3	25.3	-	25.3
Cash flow and net investment hedges										
- fair value movements in other comprehensive income	-	-	-	77.7	-	-	(21.6)	56.1	-	56.1
- reclassified and reported in net profit[3]	-	-	-	(72.4)	-	-	-	(72.4)	-	(72.4)
- amount recognised in inventories	-	-	-	(20.1)	-	-	-	(20.1)	-	(20.1)
Tax on cash flow hedges and net investment hedges	-	-	-	4.1	-	-	-	4.1	-	4.1
Other comprehensive (expense)/income	**-**	**-**	**-**	**(15.0)**	**-**	**35.3**	**(65.2)**	**(44.9)**	**-**	**(44.9)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(15.0)**	**-**	**35.3**	**51.9**	**72.2**	**(1.4)**	**70.8**
Transactions with owners:										
Dividends	-	-	-	-	-	-	(377.5)	(377.5)	-	(377.5)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(2.7)	(2.7)
Shares issued on exercise of employee share options	0.4	5.1	-	-	-	-	-	5.5	-	5.5
Debit for share-based payments	-	-	-	-	-	-	13.5	13.5	-	13.5
Deferred tax on share schemes	-	-	-	-	-	-	(2.6)	(2.6)	-	(2.6)
As at 1 April 2017	**406.2**	**416.4**	**2,210.5**	**17.3**	**(6,542.2)**	**30.5**	**6,617.6**	**3,156.3**	**(5.9)**	**3,150.4**

[1]The 'Other reserve' was originally created as part of the capital restructuring that took place in 2002. It represents the difference between the nominal value of the shares issued prior to the capital reduction by the Company (being the carrying value of the investment in Marks and Spencer plc) and the share capital, share premium and capital redemption reserve of Marks and Spencer plc at the date of the transaction.

[2]In the prior year interim financial statements, the foreign exchange reserve was presented within Retained earnings.

[3] Amounts 'reclassified and reported in profit or loss' includes the revaluation of the cross currency swaps, offsetting the revaluation of the US dollar hedged bonds with finance costs.

Condensed consolidated statement of cash flows

		26 weeks ended		52 weeks ended
		30 Sept 2017 (Unaudited)	1 Oct 2016 (Unaudited)	1 April 2017 (Audited)
	Notes	£m	£m	£m
Cash flows from operating activities				
Cash generated from operations	12	364.7	455.6	1,165.7
Income tax paid		(31.8)	(43.0)	(98.0)
Net cash inflow from operating activities		**332.9**	**412.6**	**1,067.7**
Cash flows from investing activities				
Proceeds on property disposals		1.2	26.0	27.0
Purchase of property, plant and equipment		(150.2)	(180.3)	(309.1)
Purchase of intangible assets		(32.1)	(42.8)	(101.1)
(Purchase)/reduction of current financial assets		(3.3)	-	4.6
Interest received		3.8	3.8	6.6
Net cash used in investing activities		**(180.6)**	**(193.3)**	**(372.0)**
Cash flows from financing activities				
Interest paid[1]		(47.9)	(50.8)	(111.2)
Cash inflow from borrowings		(1.6)	64.9	(32.7)
Drawdown/(repayment) of syndicated loan notes		-	7.9	(215.3)
Issuance of medium-term notes		-	-	300.0
Decrease in obligations under finance leases		(1.1)	(1.1)	(2.0)
Payment of liability to the Marks & Spencer UK Pension Scheme		(59.7)	(57.9)	(57.9)
Equity dividends paid		(193.1)	(267.2)	(377.5)
Shares issued on exercise of employee share options		-	5.4	5.5
Purchase of own shares by employee trust		(3.2)	-	-
Net cash used in financing activities		**(306.6)**	**(298.8)**	**(491.1)**
Net cash (outflow)/inflow from activities		**(154.3)**	**(79.5)**	**204.6**
Effects of exchange rate changes		(0.9)	4.7	5.6
Opening net cash		406.2	196.0	196.0
Closing net cash		**251.0**	**121.2**	**406.2**

[1] Includes interest on the partnership liability to the Marks and Spencer UK Pension Scheme.

Reconciliation of net cash flow to movement in net debt

		26 weeks ended		52 weeks ended
		30 Sept 2017 (Unaudited)	1 Oct 2016 (Unaudited)	1 April 2017 (Audited)
	Notes	£m	£m	£m
Opening net debt		**(1,934.7)**	**(2,138.3)**	**(2,138.3)**
Net cash (outflow)/inflow from activities		(154.3)	(79.5)	204.6
Decrease/(Increase) in current financial assets		3.3	-	(4.6)
Decrease/(Increase) in debt financing		62.4	(13.8)	7.9
Exchange and other non cash movements		(2.7)	(11.6)	(4.3)
Movement in net debt		**(91.3)**	**(104.9)**	**203.6**
Closing net debt	13	**(2,026.0)**	**(2,243.2)**	**(1,934.7)**

Notes to the financial statements (unaudited)

1 General information and basis of preparation

General information

This condensed consolidated interim information for the period does not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The summary of results for the year ended 1 April 2017 is an extract from the published Annual Report and Financial Statements which were approved by the board of Directors on 23 May 2017, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report on the Annual Report and Financial Statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s498 (2) or (3) of the Companies Act 2006.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The condensed consolidated financial statements for the 26 weeks ended 30 September 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The comparative figures for the financial year ended 1 April 2017 and the half year ended 1 October 2016 are consistent with the Group's annual financial statements and half year financial statements respectively.

Going concern basis

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its bank facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

Accounting policies

The results for the first half of the financial year have been reviewed, not audited, and are prepared on the basis of the accounting policies set out in the Group's 2017 Annual Report and Financial Statements, except as described below.

There have been no significant changes to accounting under IFRS which have affected the Group's results. The IFRS IC has issued the annual improvements to IFRS: 2014-2016 cycle. The majority of amendments in this cycle are effective for annual periods on or after 1 January 2018 with the exception of the changes to IFRS 12 which have already been implemented and have not had a material impact on the group.

The following IFRS have been issued but are not yet effective:

IFRS 9 'Financial Instruments' replaces all phases of the financial instruments project and IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective from 1 January 2018 and introduces:

- new requirements for the classification and measurement of financial assets and financial liabilities;

- a new model based on expected credit losses for recognising provisions; and

- simplified hedge accounting by aligning hedge accounting more closely with an entities risk management methodology.

The Group has assessed the necessary changes to existing IT systems that will be required to aid the Group's implementation of the standard and these will be implemented prior to the end of the financial year. The adoption of IFRS 9 is not expected to have a material impact on the consolidated results of the Group but will require additional disclosures relating to hedge accounting, credit risk management and impairment of financial assets.

IFRS 15 'Revenue from Contracts with Customers' is effective for periods beginning on or after 1 January 2018. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. The Group has completed an assessment on the impact of IFRS 15 and it is expected adoption will not have a material impact on any of the Group's revenue streams;

IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. IFRS 16 is not yet endorsed by the EU. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease. Accounting requirements for lessors are substantially unchanged from IAS 17.

The Group has established a working group to assess the impact of the new standard. Work performed includes assessing the accounting impacts of the change, the process of collecting the required data from across the business and the necessary changes to systems and processes. Implementation of the new standard will have a significant impact on both the consolidated results of the Group and the statement of financial position. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the income statement on a straight line basis, with interest recognised on the lease liability resulting in a front loading of total charge in the income statement.

The Group continues to assess the full impact of IFRS 16, however the impact assessment is not yet developed to a stage where it is practicable to provide a reliable estimate of the financial impact on the Group's consolidated results due to the number, complexity and length of the Group's leases. Further update will be provided in the Annual Report and the financial statements for the year ending 31 March 2018.

Alternative performance measures

In reporting financial information, the Group presents alternative measures of performance, 'APMs,' which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Operating Committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: like-for-like sales; gross margin; profit before tax and adjusted items; adjusted earnings per share; net debt and free cash flow. Each of these APMs, and others used by the Group are set out in the glossary on page(s) 32 to 33, including explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

The Group reports some financial measures, primarily International sales, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year sales and operating profit at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rates fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to always exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year or period-on-period trading performance of the group. On this basis, the following items were included within adjusted items for the 26 week period ended 30 September 2017:

- Adjustments to income from M&S Bank due to a provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products;
- Net gains and losses on the disposal of properties or impairments of properties where a commitment to close has been demonstrated;
- Significant restructuring costs and other associated costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business; and
- Charges arising in respect of historical under-depreciation of leasehold assets that are considered to be significant in nature and/or value.

Refer to note 3 for a summary of the adjusted items.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings, adjusted for actual tax on adjusted items.

2 Segmental Information

IFRS 8 requires operating segments to be identified on the basis of internal reporting on components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Operating Committee. The Operating Committee reviews the Group's internal reporting in order to assess performance and allocate resources across each operating segment. The operating segments are UK and International which are reported in a manner consistent with the internal reporting to the Operating Committee.

The UK segment consists of the UK retail business and UK franchise operations. The International segment consists of the Marks & Spencer owned businesses in Europe and Asia, together with international franchise operations and the businesses in Europe and Asia.

The Operating Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of adjusted items from the operating segments. Central costs are all classified as UK costs and presented within UK operating profit. The Operating Committee also monitors revenue within the segments and gross profit within the UK segment. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segments by sub-category and gross profit within the UK segment by sub-category.

The following is an analysis of the Group's revenue and results by reportable segment:

	26 weeks ended 30 September 2017			
	Management	Logistics adjustment[1]	Adjusted items[2]	Statutory
	£m	£m	£m	£m
Food revenue	2,794.3	-	-	2,794.3
Clothing & Home revenue	1,773.6	-	-	1,773.6
UK revenue	4,567.9	-	-	4,567.9
Franchise	168.5	-	-	168.5
Owned	389.2	-	-	389.2
International revenue	557.7	-	-	557.7
Group revenue[3]	**5,125.6**	**-**	**-**	**5,125.6**
Food gross profit	875.6			
Clothing & Home gross profit	1,029.8			
UK gross profit	1,905.4	(178.9)	-	1,726.5
UK operating costs	(1,720.2)	178.9	(82.5)	(1,623.8)
M&S Bank	20.6	-	(17.9)	2.7
UK operating profit	205.8	-	(100.4)	105.4
International operating profit	60.3	-	(0.4)	59.9
Group operating profit[3]	**266.1**	**-**	**(100.8)**	**165.3**
Finance income	12.1	-	-	12.1
Finance costs	(59.1)	-	-	(59.1)
Profit before tax	**219.1**	**-**	**(100.8)**	**118.3**

[1]Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £178.9m (last half year £171.3m, last full year £360.5m). Updates to the methodology were made in the previous year to include depreciation of the relevant Distribution Centres within gross margin to ensure consistent treatment with the underlying warehousing costs. The prior period half-year comparatives have been restated to reflect the revised methodology, with a change to the adjustment from £159.0m to £171.3m.
[2]Management profit excludes the adjusted items (income or charge) made to the reported profit before tax that are significant in value and/or nature (see note 3). Please refer to the Glossary on pages 32 to 33 for the definition of these items.
[3]In common with many retailers, revenue and adjusted operating profit are subject to seasonal fluctuations and are weighted towards the second half of the year which includes the key Christmas period for the business.

2 Segmental Information (continued)

	26 weeks ended 1 October 2016			
	Management	Logistics adjustment[1]	Adjusted items[2]	Statutory
	£m	£m	£m	£m
Food revenue	2,675.7	-	-	2,675.7
Clothing & Home revenue	1,772.9	-	-	1,772.9
UK revenue	4,448.6	-	-	4,448.6
Franchised	151.7	-	-	151.7
Owned	393.2	-	-	393.2
International revenue	544.9	-	-	544.9
Group revenue[3]	**4,993.5**	**-**	**-**	**4,993.5**
Food gross profit	871.4			
Clothing & Home gross profit	1,004.4			
UK gross profit	1,875.8	(171.3)	-	1,704.5
UK operating costs	(1,651.3)	171.3	(178.7)	(1,658.7)
M&S Bank	25.8	-	(22.7)	3.1
UK operating profit	250.3	-	(201.4)	48.9
International operating profit	18.4	-	(4.8)	13.6
Group operating profit[3]	**268.7**	**-**	**(206.2)**	**62.5**
Finance income	18.7	-	-	18.7
Finance costs	(56.1)	-	-	(56.1)
Profit before tax	**231.3**	**-**	**(206.2)**	**25.1**

2 Segmental Information (continued)

	52 weeks ended 1 April 2017			
	Management	Logistics adjustment[1]	Adjusted items[2]	Statutory
	£m	£m	£m	£m
Food revenue	5,649.0	-	-	5,649.0
Clothing & Home revenue	3,792.7	-	-	3,792.7
UK revenue	9,441.7	-	-	9,441.7
Franchised	314.0	-	-	314.0
Owned	866.3	-	-	866.3
International revenue	1,180.3	-	-	1,180.3
Group revenue[3]	**10,622.0**	**-**	**-**	**10,622.0**
Food gross profit	1,837.7			
Clothing & Home gross profit	2,128.7			
UK gross profit	3,966.4	(360.5)	-	3,605.9
UK operating costs	(3,390.4)	360.5	(254.5)	(3,284.4)
M&S Bank	50.2	-	(44.1)	6.1
UK operating profit	626.2	-	(298.6)	327.6
International operating profit	64.4	-	(138.8)	(74.4)
Group operating profit[3]	**690.6**	**-**	**(437.4)**	**253.2**
Finance income	36.2	-	-	36.2
Finance costs	(113.0)	-	-	(113.0)
Profit before tax	**613.8**	**-**	**(437.4)**	**176.4**

Other segmental information

	As at 30 Sept 2017	As at 1 Oct 2016	As at 1 April 2017
	£m	£m	£m
UK assets[1]	7,548.7	7,856.0	7,917.3
International assets	364.4	398.0	375.2
Total assets	**7,913.1**	**8,254.0**	**8,292.5**

[1]UK assets include centrally held assets largely relating to IT systems that support the International business of £28.7m (last half year; £39.1m, last full year; £34.0m)

Other information

	As at 30 Sept 2017	As at 1 Oct 2016	As at 1 April 2017
	£m	£m	£m
Write-down of inventories to net realisable value	112.0	114.2	234.9

3 Adjusted items

The total adjusted items reported for the 26-week period ended 30 September 2017 is a net charge of £100.8m. The adjustments made to reported profit before tax to arrive at adjusted profit are:

	26 weeks ended		52 weeks ended
	30 Sept 2017 £m	1 Oct 2016 £m	1 April 2017 £m
Strategic programmes:			
- changes to pay and pensions	(6.7)	(154.2)	(156.0)
- UK organisation	(26.5)	(17.6)	(24.0)
- UK store estate	(6.1)	(10.6)	(51.6)
- International store closures and impairments	2.2	(3.3)	(132.5)
UK store impairments, asset write-offs and onerous lease charges	(45.8)	-	(48.8)
M&S Bank charges incurred in relation to the insurance mis-selling provision	(17.9)	(22.7)	(44.1)
UK logistics	-	2.2	9.8
Legal Settlements	-	-	9.8
Adjustment to profit before tax	**(100.8)**	**(206.2)**	**(437.4)**

Strategic programmes - Changes to pay and pensions
On 25 May 2016, the Group announced proposals for a fairer, simpler and more consistent approach to pay and premia as well as proposals to close the UK defined benefit (DB) pension scheme to future accrual effective from 1 April 2017.

The Group has committed to making transition payments to impacted employees in relation to the closure of the UK DB scheme, expected to be c. £25m in total over the next three years (including FY17/18). The charge in the period in relation to these transitional payments to employees is £6.7m.

As previously disclosed, the Group considers the costs directly associated with the closure of the UK DB scheme to be an adjusted item on the basis that they relate to a significant cost, impacting the Group results. Treatment of the transition payments made in the period within adjusted items is consistent with the disclosure of the UK DB scheme closure costs in FY16/17.

Strategic programmes - UK organisation
During FY16/17 the Group announced a wide-ranging strategic review across a number of areas of the business including customer, brand, UK organisation, UK store estate and International.

The Group has recognised a charge of £24.9m in relation to the programme to centralise our London Head Office functions into one building. The remaining £1.6m charge in the period represents redundancy costs associated with the UK organisation strategy.

These costs are considered to be an adjusted item as the total programme cost is significant in value and relate to a strategic initiative. Treatment of the redundancy costs in the period within adjusted items is consistent with the disclosure of the original UK organisation charges in FY16/17.

Strategic programmes - UK store estate
As part of the Group's previously announced UK store estate programme, a charge of £7.1m has been recognised for accelerated depreciation on assets associated with stores approved for closure. These charges were partially offset by income of £1.0m associated with a lease surrender for a vacant property.

Whilst costs associated with the closure and re-configuration of the UK store estate recur across financial years, the Group considers that they should be treated as an adjusted item given they are part of a strategic programme which is in total significant in both value and nature to the results of the Group. Recognition of the charges in the period as an adjusted item is consistent with the treatment in previous periods when the original charges were recognised as adjusted items.

Strategic programmes – International store closures and impairments
In FY16/17 the Group announced its intention to close its owned stores in ten international markets, resulting in the recognition of £132.5m of expected closure costs primarily relating to redundancy, lease exit and property dilapidations. As at 30 September 2017, the Group had closed all except three of the 53 stores planned for closure, with the remaining stores closed by the end of October. A net credit of £2.2m has been recognised in the period primarily as a result of actual lease exit costs being lower than initially estimated. The net credit is considered to be an adjusted item as it relates to a strategic programme which is in total significant in both value and nature to the results of the Group. Recognition of the net credit in the period as an adjusted item is consistent with the treatment in previous periods when the original charges were recognised as adjusted items.

UK store impairments, asset write-offs and onerous lease
Since the announcement of the new UK store estate strategy, the Group has conducted a review of the £4.7bn net book value of the property, plant and equipment on its balance sheet. This has identified an historical under-depreciation of leasehold buildings assets, resulting in a £45.8m one-off non-cash depreciation charge, relating almost entirely to assets capitalised prior to 2012/13. Of the £45.8m, £43.2m relates to assets in the UK and £2.6m relates to assets in Ireland. The Group has concluded that this adjustment is not material to any of the Group's previously issued financial statements.

The Group considers this cost to be an adjusted item as the one-off charge is significant in nature and value to the results of the Group for the current period.

3 Adjusted items (continued)

M&S Bank charges incurred in relation to the insurance mis-selling provision

The Group has an economic interest in M&S Bank, a wholly owned subsidiary of HSBC, by way of a Relationship Agreement that entitles the Group to a 50% share of the profits of M&S Bank after appropriate deductions. The Group does not share in any losses of M&S Bank and is not obliged to refund any profit share received from HSBC, although future income may be impacted by significant deductions.

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's income from M&S Bank has been reduced by the deduction of our share of the estimated liability in both the current and prior years. The deduction in the period is £17.9m.

The Group considers this cost to be an adjusted item, despite its recurring nature, as the charges are significant in nature and value in each period to the results of the Group.

4 Finance income/(costs)

	26 weeks ended		52 weeks ended
	30 Sept 2017 £m	1 Oct 2016 £m	1 April 2017 £m
Bank and other interest receivable	3.1	4.0	6.6
Pension net finance income	8.9	14.7	29.3
Unwind of discounts on financial instruments	0.1	-	0.3
Finance income	12.1	18.7	36.2
Interest on bank borrowings	(1.0)	(1.3)	(2.8)
Interest payable on syndicated bank facility	(1.2)	(3.0)	(4.3)
Interest payable on medium-term notes	(48.3)	(44.2)	(91.2)
Interest payable on finance leases	(0.9)	(0.9)	(1.9)
Unwind of discount on partnership liability to the Marks and Spencer UK Pension Scheme (note 9)	(5.4)	(6.2)	(12.6)
Unwind of discount on provisions	(2.3)	(0.3)	(0.2)
Unwind of discount on financial instruments	-	(0.2)	-
Finance costs	(59.1)	(56.1)	(113.0)
Net finance costs	(47.0)	(37.4)	(76.8)

5 Taxation

The taxation charge in the income statement for the half year is based on a forecast full year adjusted tax rate of 21.0% (last half year 20.0% and last full year 19.9%) which is then adjusted for tax on adjusting items arising in the period to 30 September 2017 to give an effective tax rate on profit before taxation of 28.5% (last half year 36.7% and last full year 34.4%).

The effective tax rate on profit before taxation is higher than the statutory UK tax rate of 19% primarily due to the disproportionate impact of disallowable adjusted costs.

6 Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period.

The adjusted earnings per share figures have also been calculated based on earnings before adjusted items that are significant in nature and/or value (see note 3). These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has four types of dilutive potential ordinary shares being: 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; unvested shares granted under the Deferred Share Bonus Plan; unvested shares granted under the Restricted Share Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period.

Details of the adjusted earnings per share are set out below:

	26 weeks ended		52 weeks ended
	30 Sept 2017 £m	1 Oct 2016 £m	1 April 2017 £m
Profit attributable to equity shareholders of the Company	**84.7**	**16.9**	**117.1**
Add/(less) (net of tax):			
M&S Bank charges incurred in relation to the insurance mis-selling provision	14.5	18.1	35.3
Strategic programmes:			
- Changes to pay and pensions	5.4	127.3	128.6
- UK organisation	22.1	12.3	20.3
- UK store estate	5.5	8.7	46.5
- International store closures and impairments	(4.0)	2.8	120.8
UK store impairments, asset write-offs and onerous lease charges	45.0	-	41.3
UK logistics	-	-	(9.2)
Legal settlements	-	-	(7.9)
Profit before adjusted items attributable to equity shareholders of the Company	**173.2**	**186.1**	**492.8**
	Million	Million	Million
Weighted average number of ordinary shares in issue	1,624.3	1,622.4	1,623.1
Potentially dilutive share options under Group's share option schemes	6.2	1.7	8.0
Weighted average number of diluted ordinary shares	**1,630.5**	**1,624.1**	**1,631.1**
	Pence	Pence	Pence
Basic earnings per share	**5.2**	**1.0**	**7.2**
Diluted earnings per share	5.2	1.0	7.2
Adjusted basic earnings per share	10.7	11.5	30.4
Adjusted diluted earnings per share	10.6	11.5	30.2

7 Dividends

	26 weeks ended		52 weeks ended
	30 Sept 2017	1 Oct 2016	1 April 2017
	£m	£m	£m
Paid final dividend of 11.9p per share (last year 11.9p per share)	193.1	192.7	192.7
Paid special dividend of 4.6p per share		74.5	74.5
Prior period interim dividend of 6.8p per share			110.3
	193.1	**267.2**	**377.5**

The directors have approved an interim dividend of 6.8p per share (last half year 6.8p per share) which, in line with the requirements of IAS 10 'Events after the Reporting Period', has not been recognised within these results. This interim dividend of c.£110m (last half year £110.3m) will be paid on 12 January 2018 to shareholders whose names are on the Register of Members at the close of business on 17 November 2017. The ordinary shares will be quoted ex dividend on 16 November 2017.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 19 December 2017.

8 Retirement benefits

	26 weeks ended		52 weeks ended
	30 Sept 2017	1 Oct 2016	1 Apr 2017
	£m	£m	£m
Opening net retirement benefit surplus	**692.8**	**824.1**	**824.1**
Current service cost	(0.1)	(24.1)	(47.2)
Administration costs	(1.6)	(1.6)	(3.2)
Curtailment charge1	-	(128.0)	(128.0)
Net interest income	8.9	14.7	29.3
Employer contributions	38.1	29.1	87.7
Remeasurements	(99.3)	(141.4)	(68.9)
Exchange movement	(0.4)	(1.6)	(1.0)
Closing net retirement benefit surplus	**638.4**	**571.2**	**692.8**
Total market value of assets	9,801.3	10,317.9	10,135.1
Present value of scheme liabilities	(9,154.0)	(9,737.3)	(9,433.3)
Net funded pension plan asset	647.3	580.6	701.8
Unfunded retirement benefits	(1.1)	(1.0)	(1.0)
Post-retirement healthcare	(7.8)	(8.4)	(8.0)
Net retirement benefit asset	**638.4**	**571.2**	**692.8**
Analysed in the Statement of Financial Position as:			
Retirement benefit asset	653.0	614.2	706.0
Retirement benefit deficit	(14.6)	(43.0)	(13.2)
Net retirement benefit surplus	**638.4**	**571.2**	**692.8**

[1] The curtailment charge of £128.0m in the prior year included a one-off charge of £127.0m due to all current active members transferring to a deferred status.

In addition to the amounts disclosed above the Group made payments of £36.1m (last half year £24.3m) relating to the Your M&S Pension Saving Plan (a defined contribution arrangement).

Financial assumptions.
The main financial assumptions for the UK scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of 'IAS 19 – Employee Benefits' in order to assess the liabilities of the schemes.

The most significant of these are the discount rate and the inflation rate which are 2.70% (last full year 2.55%) and 3.25% (last full year 3.20%) respectively. The inflation rate of 3.25% reflects the Retail Price Index (RPI) rate. Certain benefits have been calculated with reference to the Consumer Price Index (CPI) as the inflationary measure and in these instances a rate of 2.25% (last full year 2.20%) has been used.

The amount of the surplus varies if the main financial assumptions change, particularly the discount rate. If the discount rate decreased by 0.25% the surplus would decrease by c.£65m (last full year decrease by c.£70m). If the inflation rate decreased by 0.25%, the surplus would decrease by c.£15m (last full year decrease of c.£20m). A one year decrease in life expectancy would increase the scheme surplus by c.£360m (last full year increase of c.£370m).

9 Marks and Spencer Scottish Limited Partnership

Marks and Spencer plc is a general partner and the Marks & Spencer UK Pension Scheme is a limited partner of the Marks and Spencer Scottish Limited Partnership (the Partnership). Under the partnership agreement, the limited partners have no involvement in the management of the business and shall not take any part in the control of the partnership. The general partner is responsible for the management and control of the partnership and as such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.5bn (last full year £1.6bn) of properties which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited partnership interest (held by the Marks and Spencer UK Pension Scheme), entitles the Pension Scheme to receive an annual distribution of £71.9m until 2022 from the Partnership. The second limited partnership interest (also held by the Marks and Spencer UK Pension Scheme) entitles the Pension Scheme to receive a further annual distribution of £36.4m from 2017 until 2031. All profits generated by the Partnership in excess of these amounts are distributable to Marks and Spencer plc.

The partnership liability in relation to the first interest of £330.0m (last full year £396.5m) is valued at the net present value of the future expected distributions from the Partnership and is included as a liability on the Group's statement of financial position as it is a transferable financial instrument. During the period to 30 September 2017 an interest charge of £5.4m (last half year £6.2m and last full year £12.6m) was recognised in the income statement representing the unwinding of the discount included in this obligation. The first limited partnership interest of the Pension Scheme is included within the UK DB pension scheme assets valued at £344.1m (last full year £412.1m).

The second partnership interest is not a transferable financial instrument and therefore is not included as a plan asset within the UK DB pension scheme surplus reported in accordance with IAS 19. Similarly the associated liability is not included on the Group's statement of financial position.

10 Financial Instruments

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities. The Group has no level 1 investments or financial instruments.
- Level 2: not traded in an active market, but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency. The Group's level 2 financial instruments include interest rate and foreign exchange derivatives. Fair value is calculated using discounted cash flow methodology, future cash flows are estimated based on forward exchange rates and interest rates (from observable market curves) and contract rates, discounted at a rate that reflects the credit risk of the various counterparties for those with a long maturity.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The group had no level 3 investments or financial instruments.

At the end of the reporting period, the Group held the following financial instruments at fair value:

				As at 30 September 2017				As at 1 April 2017
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss								
- trading derivatives	-	3.8	-	3.8	-	0.7	-	0.7
Derivatives used for hedging	-	101.0	-	101.0	-	219.2	-	219.2
Short-term investments	-	17.8	-	17.8	-	14.5	-	14.5
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
- trading derivatives	-	(2.7)	-	(2.7)	-	(1.5)	-	(1.5)
Derivatives used for hedging	-	(61.0)	-	(61.0)	-	(9.8)	-	(9.8)

There were no transfers between the levels of the fair value hierarchy during the period. In addition to the above, the Group has £3.0m (last year £3.0m) in unlisted equity securities measured at cost.

10 Financial Instruments (continued)

Fair value of financial assets and liabilities

With the exception of the Group's fixed rate bond debt and the Partnership liability to the Marks & Spencer UK Pension Scheme, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Group's fixed rate bond debt (Level 1 equivalent) was £2,075.5m (last half year £1,810.0m and last full year £2,110.7m); the fair value of this debt was £2,175.1m (last half year £1,969.8m and last full year £2,236.7m) which has been calculated using quoted market prices. The carrying value of the Partnership liability to the Marks and Spencer UK Pension scheme is £330.0m (last half year £390.0m and last full year £396.5m) and the fair value of this liability, which represents only the principal value excluding accrued interest is £327.8m (last half year £387.4m and last full year £387.4m).

11 Capital expenditure and contingencies

A Capital expenditure

Additions to the cost of property, plant and equipment, investment property and intangible assets are £132.4m (last half year £171.3m) and for the year ended 1 April 2017 were £386.3m. Disposals in net book value of property, plant and equipment, investment property and intangible assets are £3.0m (last half year £1.0m) and for the year ended 1 April 2017 were £1.6m.

B Capital commitments

	As at 30 Sept 2017 £m	As at 1 Oct 2016 £m	As at 1 Apr 2017 £m
Commitments in respect of properties in the course of construction	150.2	174.8	156.4
Software capital commitments	7.2	14.6	11.0
	157.4	189.4	167.4

C Other material contracts

In the event of termination of our trading arrangements with certain warehouse operators, the Group has a number of options and commitments to purchase some property, plant and equipment, at values ranging from historical net book value to market value, which are currently owned and operated by the warehouse operators on the Group's behalf.

See note 9 for details on the partnership arrangement with the Marks and Spencer UK Pension Scheme.

12 Analysis of cash flows given in the statement of cash flows

	26 weeks ended 30 Sept 2017 £m	26 weeks ended 1 Oct 2016 £m	52 weeks ended 1 April 2017 £m
Profit on ordinary activities after taxation	**84.6**	**15.9**	**115.7**
Income tax expense	33.7	9.2	60.7
Finance costs	59.1	56.1	113.0
Finance income	(12.1)	(18.7)	(36.2)
Operating profit	**165.3**	**62.5**	**253.2**
(Increase)/decrease in inventories	(169.0)	(100.3)	53.9
Decrease/ (increase) in receivables	3.3	4.1	(9.9)
Increase/(decrease) in payables	121.7	33.0	(53.1)
Adjusted items net cash outflows	(96.0)	(15.1)	(36.8)
Depreciation, amortisation and write-offs before adjusted items	286.4	287.1	589.5
Non-cash share-based payment and pension charges	12.3	28.7	58.4
Defined benefit pension funding	(42.2)	(27.9)	(82.8)
Adjusted items non-cash	(17.9)	(22.7)	(44.1)
Adjusted profit items	100.8	206.2	437.4
Cash generated from operations	**364.7**	**455.6**	**1,165.7**

Adjusted items net cash outflows relate to the utilisation of the provisions for international store closures, strategic programme costs associated with the UK store estate, UK organisation and UK logistics and legal settlements. Adjusted items non-cash relate to the reduction in M&S Bank income for the impact of the financial product mis-selling provision.

13 Reconciliation of net debt to statement of financial position

	As at 30 Sept 2017 £m	As at 1 Oct 2016 £m	As at 1 April 2017 £m
Statement of financial position and related notes			
Cash and cash equivalents	313.8	157.1	468.6
Current financial assets	17.8	19.1	14.5
Bank loans, overdrafts and syndicated bank facility	(68.9)	(368.3)	(70.3)
Medium term notes - net of hedging derivatives	(1,973.9)	(1,670.0)	(1,957.8)
Finance lease liabilities	(48.8)	(49.0)	(48.7)
Partnership liability to the Marks & Spencer UK Pension Scheme (note 9)	(330.0)	(390.0)	(396.5)
	(2,090.0)	**(2,301.1)**	**(1,990.2)**
Interest payable included within related borrowing and the partnership liability to the Marks and Spencer UK pension scheme	64.0	57.9	55.5
Total net debt	**(2,026.0)**	**(2,243.2)**	**(1,934.7)**

14 Related party transactions

The Group's significant related parties are as disclosed in the Group's 2017 Annual Report.

Key management compensation

Transactions between the Group and key management personnel in the period relate only to remuneration consistent with the policy set out in the Directors' Remuneration Report within the Group's 2017 Annual Report.

There have been no other material changes to the arrangements between the Group and key management personnel in the period.

Glossary

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Income Statement Measures</td></tr>
<tr><td>Like-for-like revenue growth</td><td>Movement in revenue per the Income Statement</td><td>Sales from non like-for-like stores</td><td>The period on period change in revenue (excluding VAT) from stores which have been trading and where there has been no significant change in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.

<table>
<tr><th></th><th>HY 17/18
£m</th><th>HY 16/17
£m</th><th>%</th></tr>
<tr><td>UK Revenue</td><td></td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>4,402.5</td><td>4,415.7</td><td>(0.3)</td></tr>
<tr><td>Net space change</td><td>165.4</td><td>32.9</td><td></td></tr>
<tr><td>Total</td><td>4,567.9</td><td>4,448.6</td><td>2.7</td></tr>
</table></td></tr>
<tr><td>M&S.com revenue / Online revenue</td><td>None</td><td>Not applicable</td><td>Total revenue through the Group's online platforms. These revenues are reported within the relevant UK and International segment results. The growth in revenues on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the FY16/17 annual report for explanation of why this measure is used within incentive plans.</td></tr>
<tr><td>Revenue growth at constant currency</td><td>None</td><td>Not applicable</td><td>The period on period change in revenue retranslating the previous year revenue at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.

<table>
<tr><th></th><th>HY 17/18
£m</th><th>HY 16/17
£m</th><th>%</th></tr>
<tr><td>International Revenue</td><td></td><td></td><td></td></tr>
<tr><td>At reported currency</td><td>557.7</td><td>544.9</td><td>2.3</td></tr>
<tr><td>Impact of FX translation</td><td>-</td><td>30.6</td><td></td></tr>
<tr><td>At constant currency</td><td>557.7</td><td>575.5</td><td>(3.1)</td></tr>
</table></td></tr>
<tr><td>Gross margin</td><td>Gross profit margin[1]</td><td>Certain downstream logistics costs

(See Note 2)</td><td>Gross margin is calculated as gross profit before adjusted items on a management basis divided by revenue. The gross profit used in this calculation is based on an internal measure of margin rather than the statutory margin, which excludes certain downstream logistics costs. This is a key internal management metric for assessing business unit performance.</td></tr>
<tr><td>Adjusted items</td><td>None</td><td>Not applicable</td><td>Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods. It is consistent with how the business performance is reported to the Board and the Operating Committee.</td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Profit before tax and adjusted items	Profit before tax	Adjusted items (See Note 3)	Profit before the impact of adjusted items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Operating Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the FY16/17 annual report for explanation of why this measure is used within incentive plans.
Adjusted earnings per share	Earnings per share	Adjusted items (See Note 3)	Profit after tax attributable to owners of the parent and before the impact of adjusted items, divided by the weighted average number of ordinary shares in issue during the financial period. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the FY16/17 annual report for explanation of why this measure is used within incentive plans.
Adjusted diluted earnings per share	Diluted earnings per share	Adjusted items (See Note 3)	Profit after tax attributable to owners of the parent and before the impact of adjusted items, divided by the weighted average number of ordinary shares in issue during the financial period adjusted for the effects of potentially dilutive options.
Effective tax rate before adjusted items	Effective tax rate	Adjusted items and their tax impact (See Note 3)	Total income tax charge for the Group excluding the tax impact of adjusted items divided by the profit before tax and adjusted items. This measure is an indicator of the ongoing tax rate for the Group.
Balance Sheet Measures			
Net debt	None	Reconciliation of net debt (see Note 13)	Net debt comprises total borrowings (bank, bonds and finance lease liabilities net of accrued interest), net derivative financial instruments that hedge the borrowings and the Scottish Limited Partnership liability to the UK pension scheme less cash, cash equivalents and unlisted and short term investments. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Cash Flow Measures			
Free cash flow	Net cash inflow from operating activities	See Financial Review	The cash generated from the Group's activities before any returns to shareholders.
Free cash flow before adjusted items	Net cash inflow from operating activities	See Financial Review	The cash generated from the Group's activities excluding the cash impact of adjusted items.
Other Measures			
Capital expenditure	None	Refer to definition	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the period less proceeds of asset disposals excluding any assets acquired as part of a business combination.

[1] Gross profit margin is not defined within IFRS but is a widely accepted profit measure being derived from revenue less cost of sales divided by revenue

INDEPENDENT REVIEW REPORT TO MARKS AND SPENCER GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, United Kingdom

7 November 2017