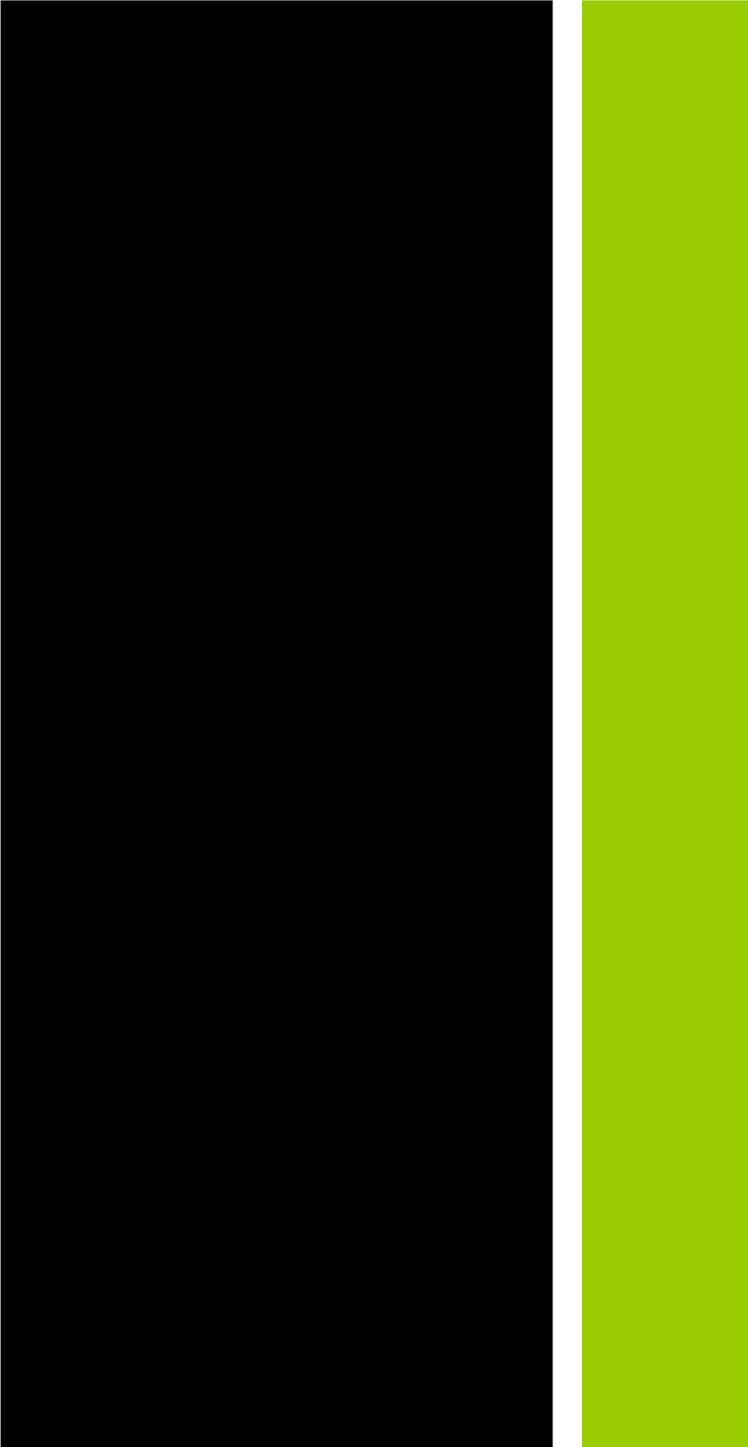


YOUR M&S

Half year results 2008

Stuart Rose

Chairman



YOUR M&S

Half year results 2008

Ian Dyson

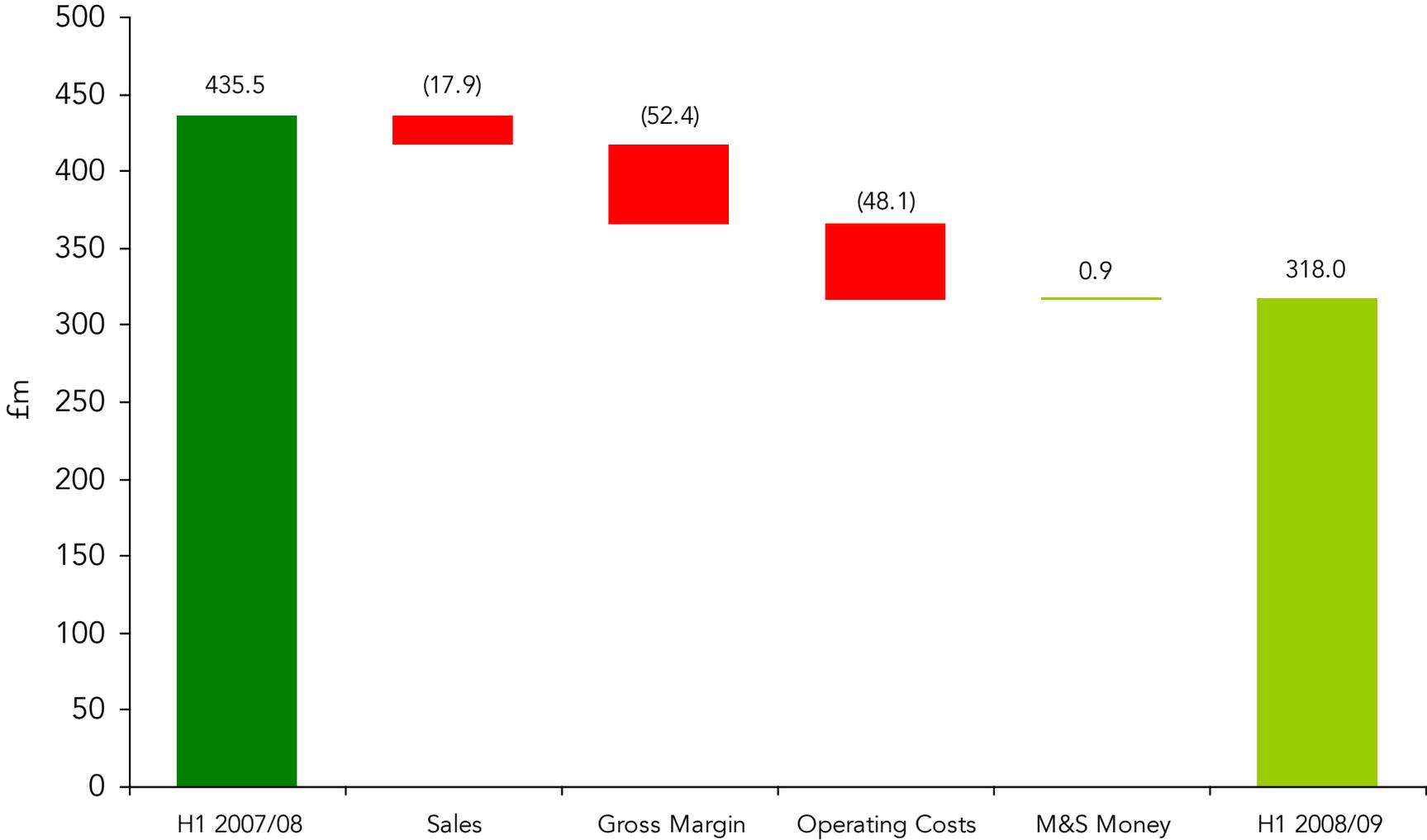
Group Finance
and Operations Director

Group financial highlights

- Sales £4.2bn, +0.8%
- Profit before tax* £297.8m, -34.1%
- Adjusted earnings per share* 13.7p, -28.3%
- Capital expenditure of £336.5m
- Net debt level at £3.1bn
- Dividend level at 8.3p.

*From continuing operations before property disposals and exceptional items

UK operating profit



Gross margin

GM

- 53.3%, down 65 bps
- Growth in buying margin
- Investment in markdowns and promotions
- Markdown opportunities in H2

Food

- 32.1%, down 170 bps
- Cost price inflation
- Investment in price and promotions
- Similar trend in H2

Full year guidance: c.-100 bps, subject to trading conditions

Gross margin 2009/10

- Pressures...
 - Currency
 - Cost prices
 - Price and promotional stance
- Mitigated by...
 - Supplier initiatives
 - Stock management

UK operating costs

	TY	LY	Var
	£m	£m	%
Retail staffing	400.1	400.1	-
Retail occupancy	449.2	402.9	+11.5
Distribution	199.9	174.8	+14.4
Marketing & related	66.0	62.2	+6.1
Support	191.4	203.4	-5.9
Total before bonus	1,306.6	1,243.4	+5.1
Bonus	2.7	17.8	-84.8
Total including bonus	1,309.3	1,261.2	+3.8

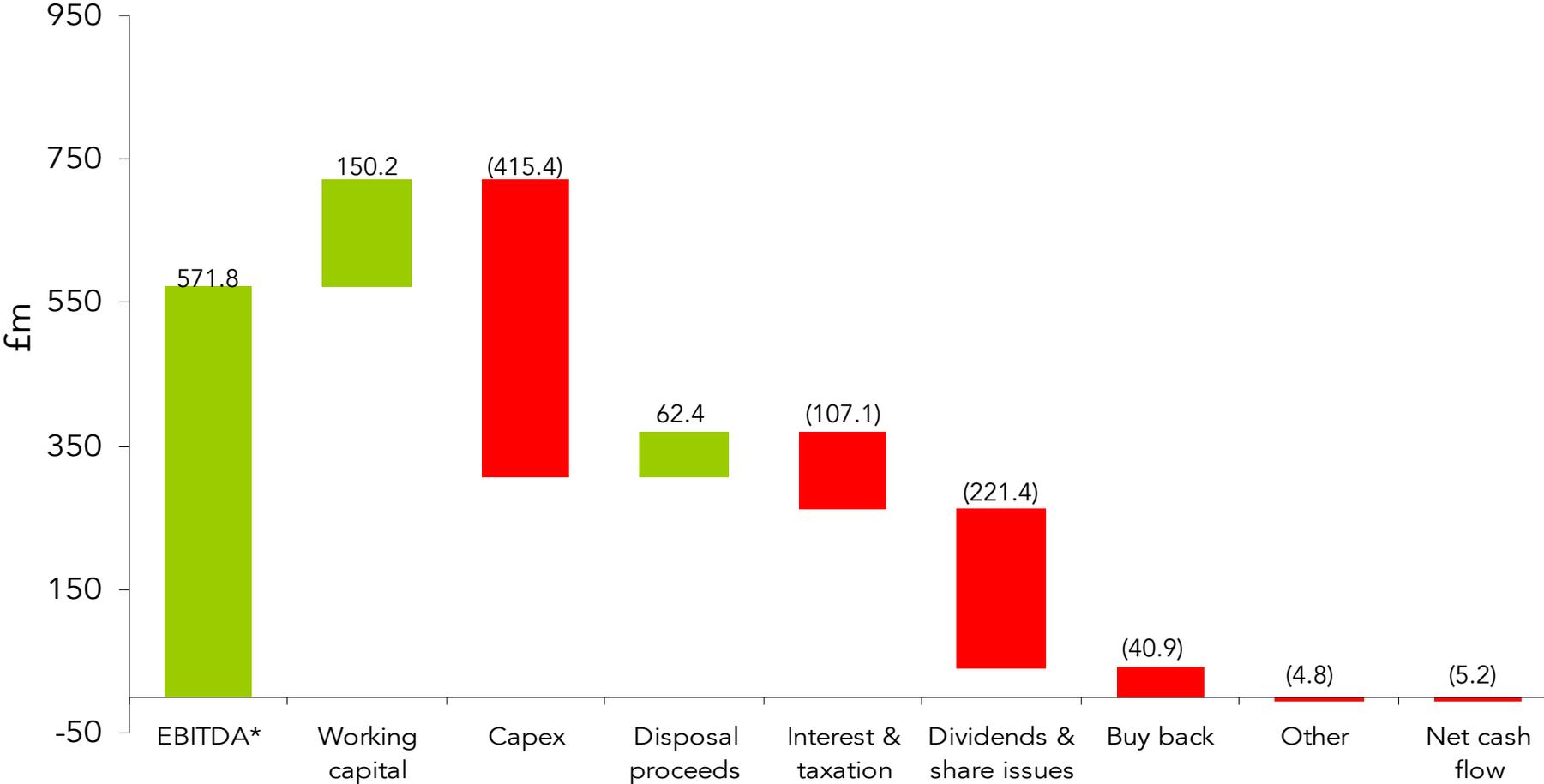
UK operating costs 2009/10

- Space impact c. 3 - 4%
- Inflation c. 3 - 4%
- Target: savings to at least offset inflation
- Key focus areas
 - Distribution
 - Marketing
 - Support

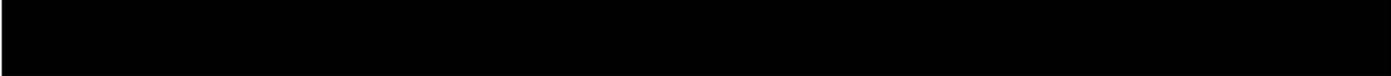
International

	TY £m	LY £m	Var %
Revenue	396.7	320.3	+23.9
- Owned stores	271.6	190.2	+42.8
- Franchised stores	125.1	130.1	-3.8
Operating profit	54.4	52.5	+3.6
- Owned stores	18.7	22.6	-17.3
- Franchised stores	35.7	29.9	+19.4

Net cash flow



* Before property disposals and exceptional items



Balance sheet stock

Sept 2007	£517.1m
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Acquisitions & International	+£20.6m
------------------------------	---------

Direct	+£4.2m
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GM	+£22.0m
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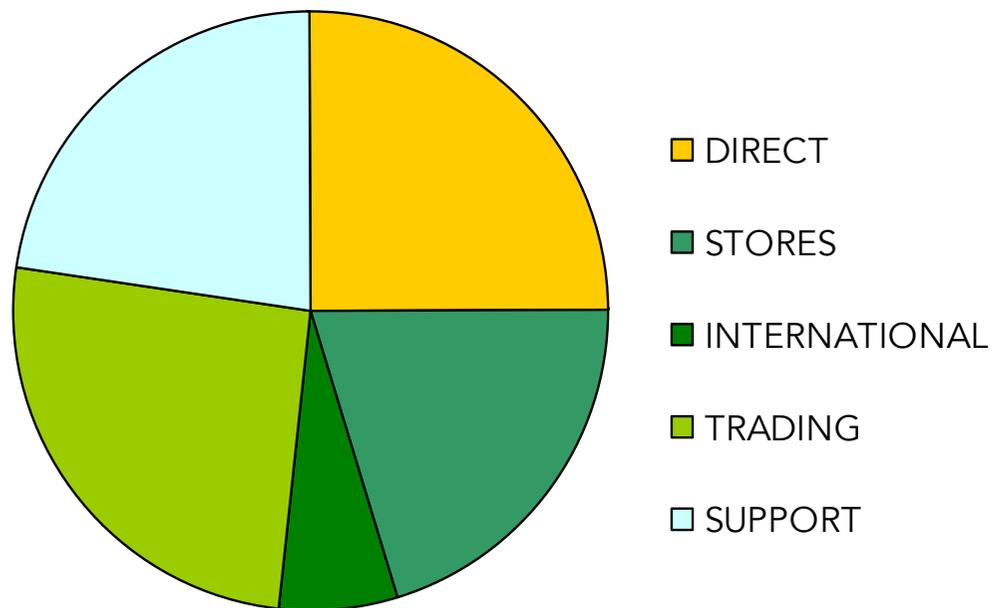
Food	+£24.6m
------	---------

Sept 2008	£588.5m
-----------	---------

Capital expenditure



Investment in supply chain & IT



- c. £200m plan for 2009/10
- 70% efficiency, 30% growth
- Supply chain focus on Direct and short term efficiency gains
- IT focus on stores, "Business Foundation" and HR

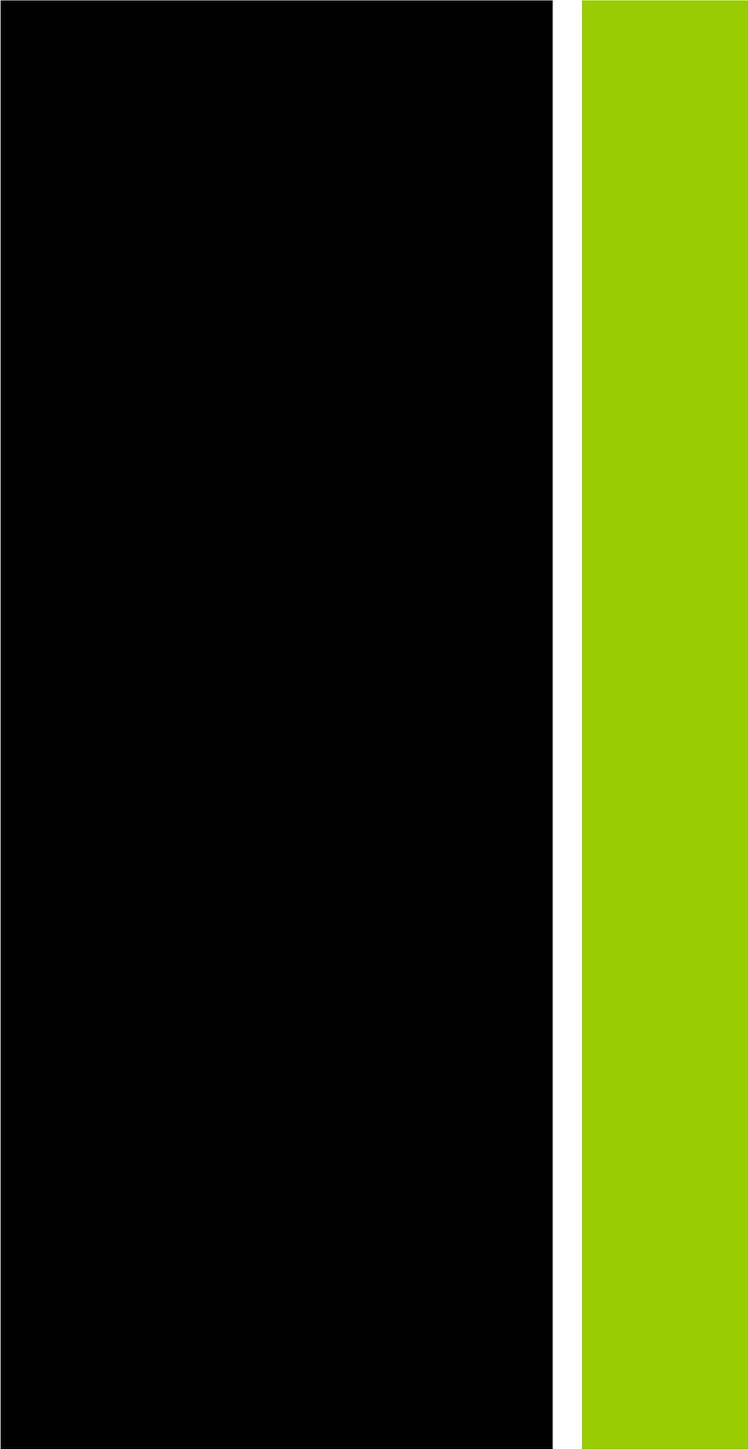


Balance sheet and financing

- Net debt level at £3.1bn
- Action taken to improve cash flow
 - Reduced capex
 - Working capital management
 - Asset disposals
- No short term refinancing required
 - £4.2bn debt and facilities in place, fixed debt average maturity 10 years
- Fixed charge cover covenant of 2.75x within bank facilities

Summary

- Sales impacted by economic environment
- Margin investment to improve values
- Tight control of costs
- Reduction in capex, working capital
- Strong financial position



YOUR M&S

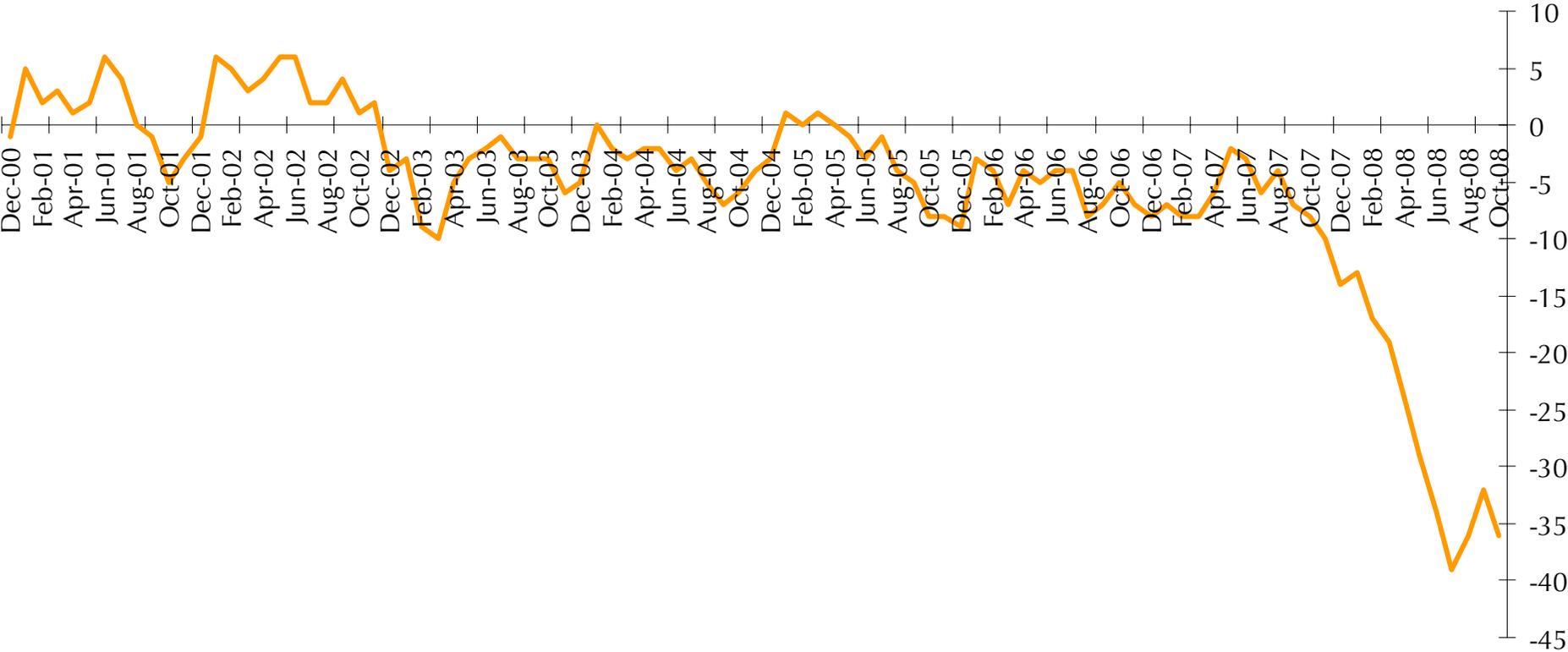
Half year results 2008

Stuart Rose

Chairman

Our customer

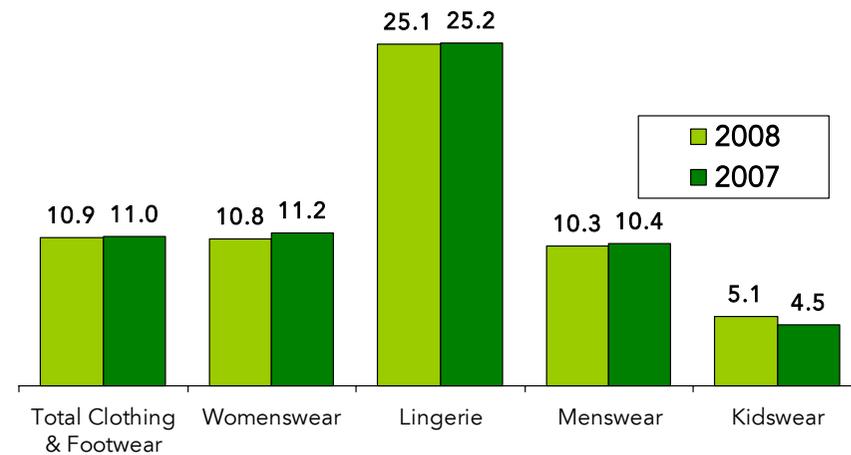
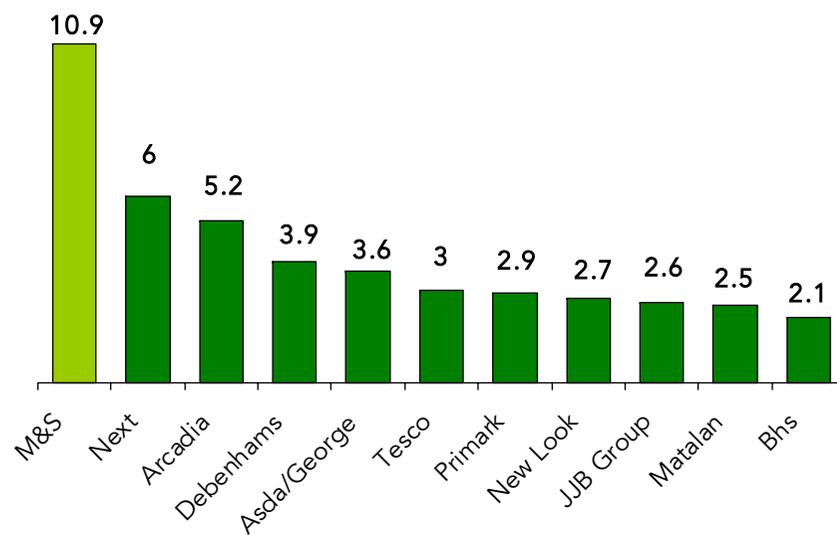
Consumer Confidence Index



Key priorities:

- to retain our market leading position in GM
- to improve our performance in Food
- to drive our International business
- to optimise margins and tightly control costs
- to maintain a strong balance sheet
- to uphold high ethical standards

Our markets: GM



SOURCE: Broker Research/ TNS Fashiontrak 52 w/e 14 Sept 08



GM: everyone every time

- Broad customer base with authoritative product offer: strong core plus brands
- Broad & competitive price architecture
- Reinforce leading positions in key segments
- Grow areas of low market share
- Develop multi-channel offer with M&S Direct
- Continue brand stretch
- Maintain reputation for quality and innovation

GM: positioning

- Breadth
- Choice
- Newness



- Styling
- Fashionability
- Excitement

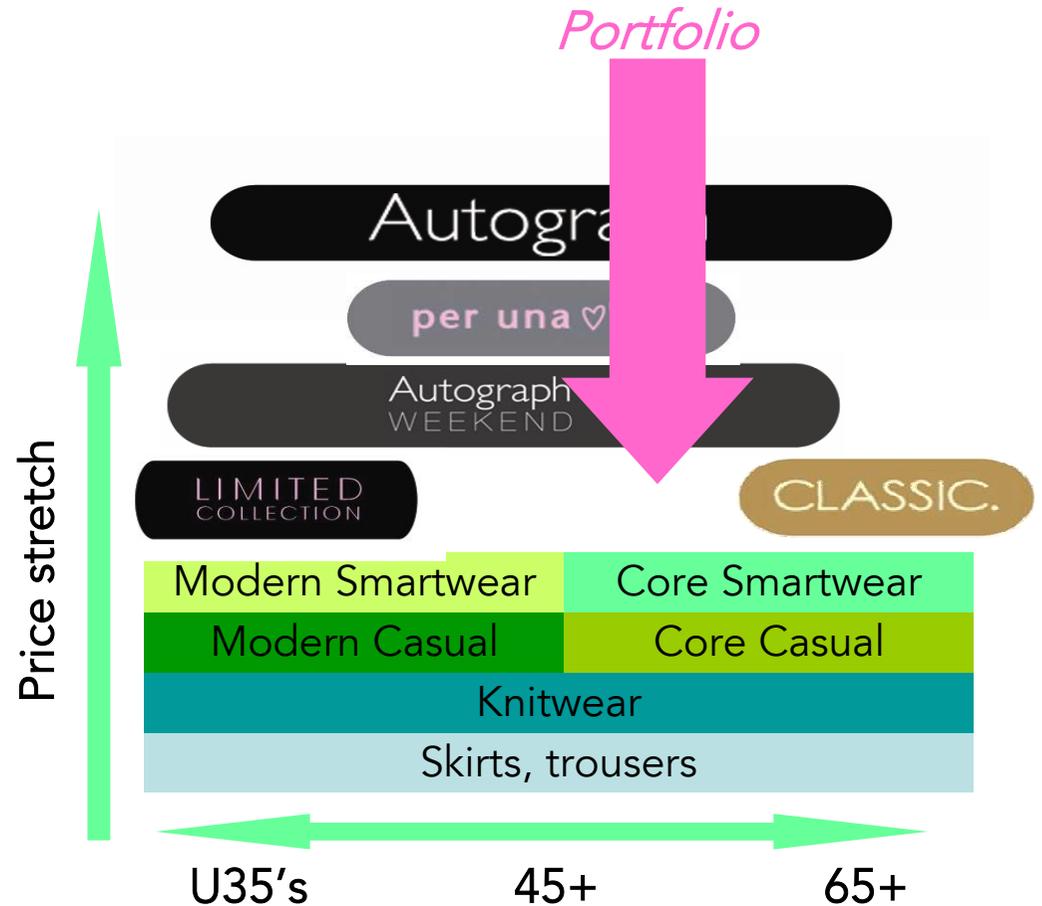


Competitive pricing

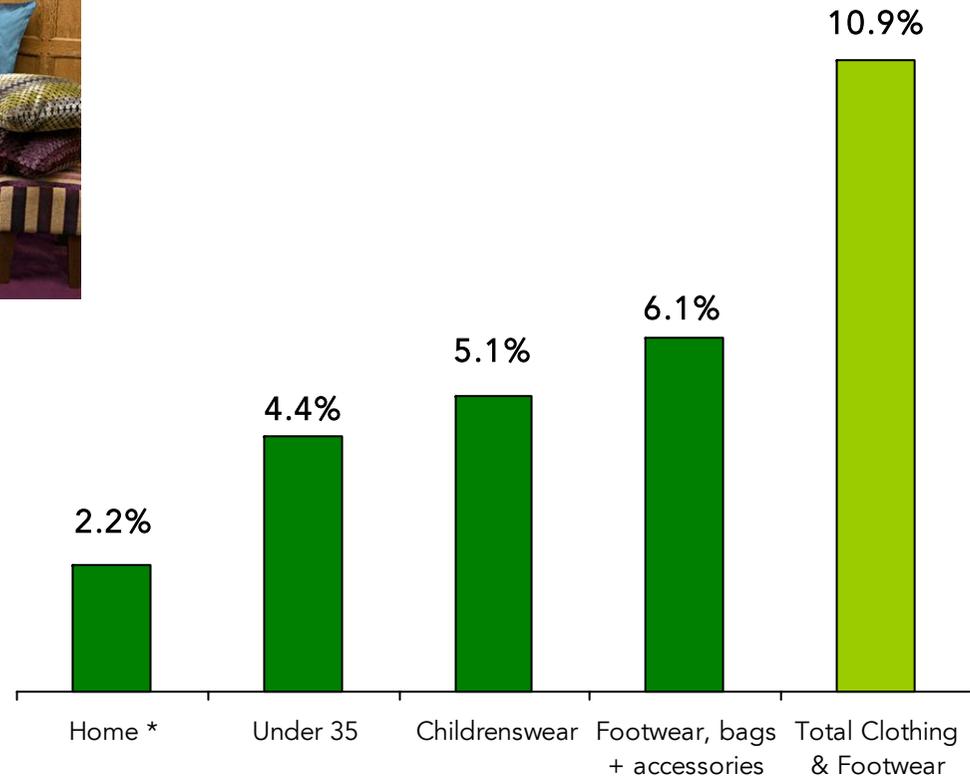
SOURCE: Exit Surveys Aug 08

GM: reinforcing key market positions

- Enhancing offer for 45+ customer in womenswear
- New brand launching Spring '09
- Fills gap in offer
- Elegant styling, co-ordinated ranges, everyday wear – smart and casual



GM: growing low market shares

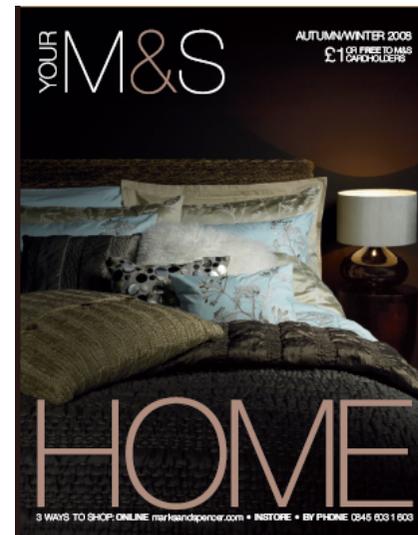


SOURCE: TNS Fashiontrak 52 w/e 14 Sept 08, *GFK 52 w/e 28 June 08

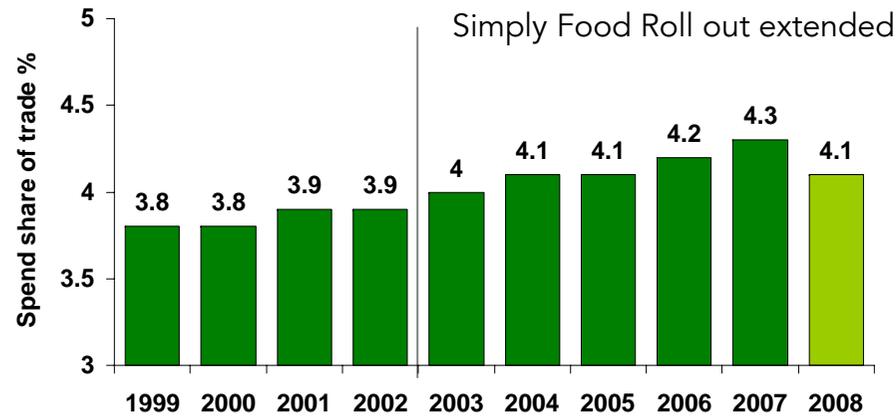
GM: multi-channel & Direct

- Further development of multi-channel offering
- Reinforcing brand proposition
- Growth in customer numbers/conversion
- Enabling brand stretch:
 - M&S Energy
 - and in Foods - Wine club, Food online

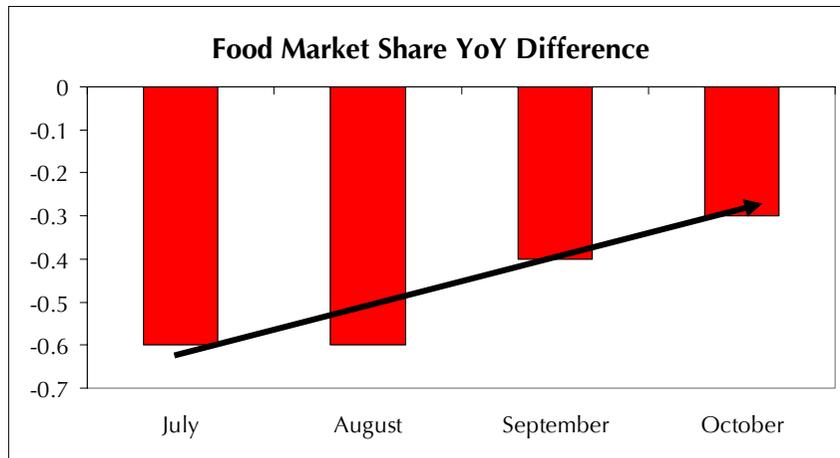
One Brand 3 ways of shopping



Our markets: Food



- Market share
- Environment, Competition
- Market positioning
- Operational issues



SOURCE: TNS Worldpanel 4 w/e 5 Oct 08

Food: environment/competition

The price crunch at Morrisons Hurry! Offer ends Sunday

Helping you cut the cost of your weekly shop

	British Shoulder of Pork Joints was £4.99/kg NOW £2.46/kg	Save 1/3
	British Spring Lamb Chops/Cutlets/Racks was £12.98/kg NOW £9.73/kg	Save 25%
	British Leg of Spring Lamb Joints was £6.99/kg NOW £3.99/kg	Save 1/3
	British Sirloin Steaks and Joints was £15.49/kg NOW £13.47/kg	Save 12%

BRITAIN'S BEST 2008 **PRICE CRUNCH** MORRISONS

LIDL INFLATION BUSTERS! Available from Monday 7th July

www.lidl.co.uk

NESTLE Cardamom	2 Biscuits	Chawan Porino	Benetton
£1.30	£1.99	£2.99	£3.46
Messina's Pizza	2 Biscuits	Chawan Porino	Benetton
£1.20	£1.59	£2.22	£2.88
Best Value For Money Retailer 2008			

Fresh deals plus 1000s more in store.

Save 1.00	Half price	Save 2.99	Half price	Save 2.00	Half price
Save 1.85	Free	Save 2.00	Half price	Save 4.99	Free

Sainsbury's Try something new today

Great wines. Great prices.

ASDA why pay more?

£4.40 £3.98 £5.12 £5.90 £4.48 £4.97 £5.86 £5.48

Any 3 for **£10**

DRINKWARE.CO.UK
WINNER OF BRITAIN'S LOWEST PRICED SUPERMARKET AWARD 11 YEARS RUNNING.

www.asda.com

LIDL Healthy Savings! From Thursday 3rd July

Sweet Red Peppers	Vine Tomatoes	Beef Tomatoes
Save 60p	Save 85p	Save 85p
£5.99	£8.4p	£8.4p
Pointed Cabbage	Iceberg Lettuce	Cucumbers
Save 39p	Save 38p	Save 33p
£3.99	£3.7p	£3.2p

See in-store for an extensive range of seasonal F&V, delivered fresh daily

Why Pay More At Asda?

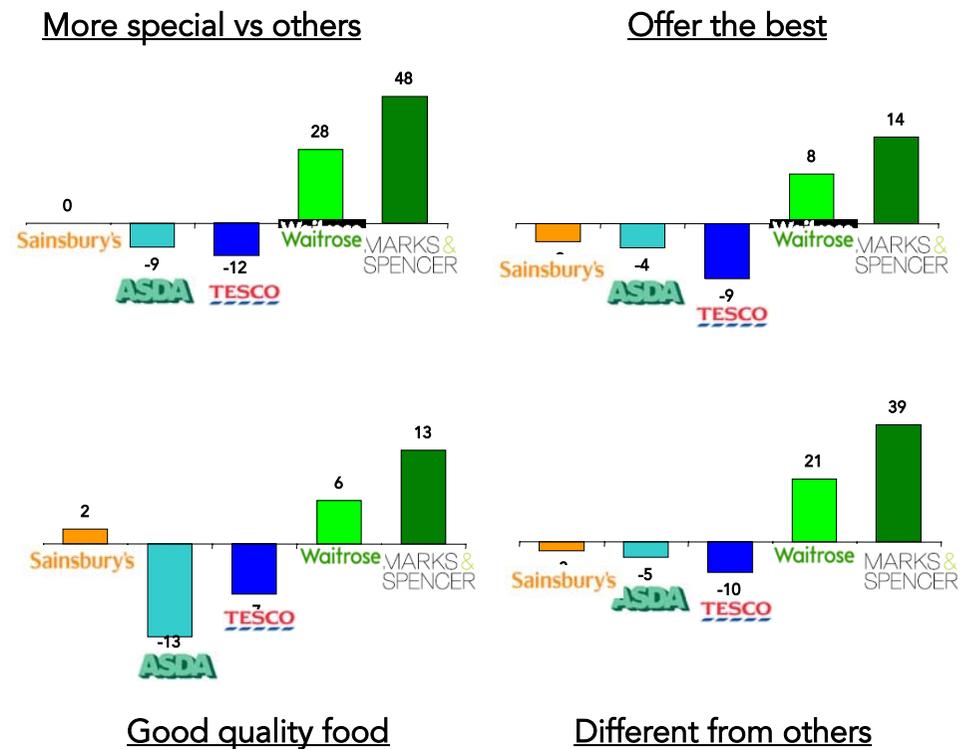
Inflation Busting Prices At Tesco.

Tesco products on promotion. **TESCO** Every little helps.



Food: M&S market positioning

- M&S trades on quality and value NOT price alone
- No 1 retailer of quality foods
- Leader in key product areas: over-index share by 3-10x
- M&S quality reputation strong - well ahead of competitors



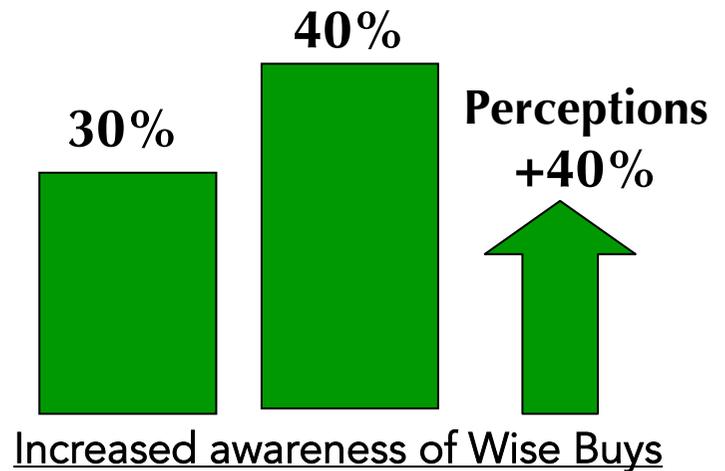
SOURCE: M&S Brand Tracking Study

Foods: operational issues

- Pricing
- Promotions
- Quality and innovation
- Availability / waste
- Supplier relationships

Food: action on price

- Prices down on 560 products: c.10% of catalogue
- 3 key areas of action:
 - KVI's
 - 99p items
 - Ready meals
- Labelled 'Wise Buys'
- Positive customer feedback
- No compromise on quality



Food: action on promotions

- Fewer, larger, sharper focus
- Dine in for £10.
 - Restaurant quality food at home
 - Driving return from more occasional customers
- Weekend specials – 1/2 price deals
- First price – right price.
 - More 'money offs' : 'less multi-buys'

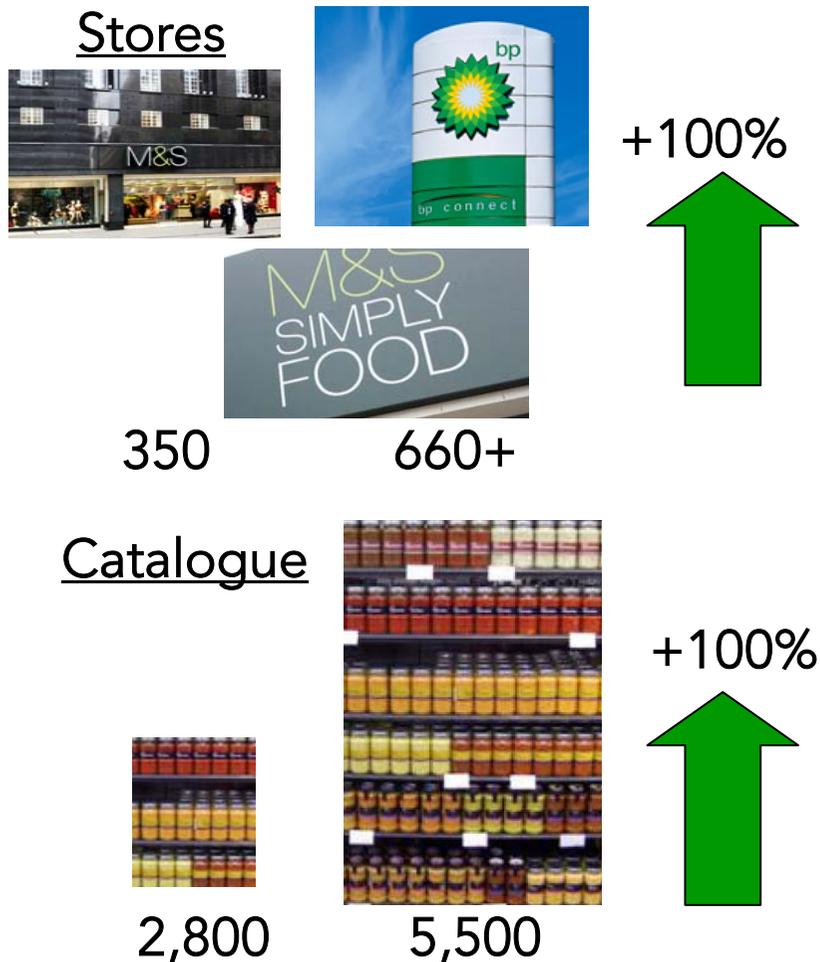


Food: action on innovation



- Pace, differentiation, upgrade all key categories
- Clear product development strategy
- 1,200 new lines over next 12 months
- Product upgrade programme

Food: action on availability/waste



- IT investment to support future growth
- Restructured entire merchandising function
- Dedicated team focussing on:
 - Improved on-shelf availability
 - Focus on top 400 lines and top 100 stores: over 1/3 of total sales
 - Banker lines: 25% of total sales
- Reducing sell outs by 30%
- Minimising waste: 10% improvement

International

- Investing: key territories, key franchise partners
- Developing new markets
- Continued growth of franchise
- Driving operating improvements
- Growing Foods



your favourite meals

With purchase of any frozen food of \$100 or above, you may receive a **Small or Large Cool Bag FREE** (worth \$12 (small) or \$16 (large))

凡購買任何冷凍食品滿\$100或以上，即可獲贈 細或大裝冷凍食品保溫袋乙個 (價值\$12(細)或\$16(大))

new!

Terms & Conditions:
• This offer is limited to a single receipt and on the day of purchase.
• Offer valid while stocks last.
• In case of double, Marks & Spencer reserves the right to make the final decision.
• 此優惠只限單張收單及於同一日期內。
• 優惠有限，售完即止。
• 如有重複，Marks & Spencer 保留最終決定權。



Margins and costs

- Working with suppliers
- Working to mitigate higher input costs:
 - Raw materials
 - Wage inflation
 - Currency
- Managing stock levels and commitments
- Reducing markdown risk
- Targets on costs

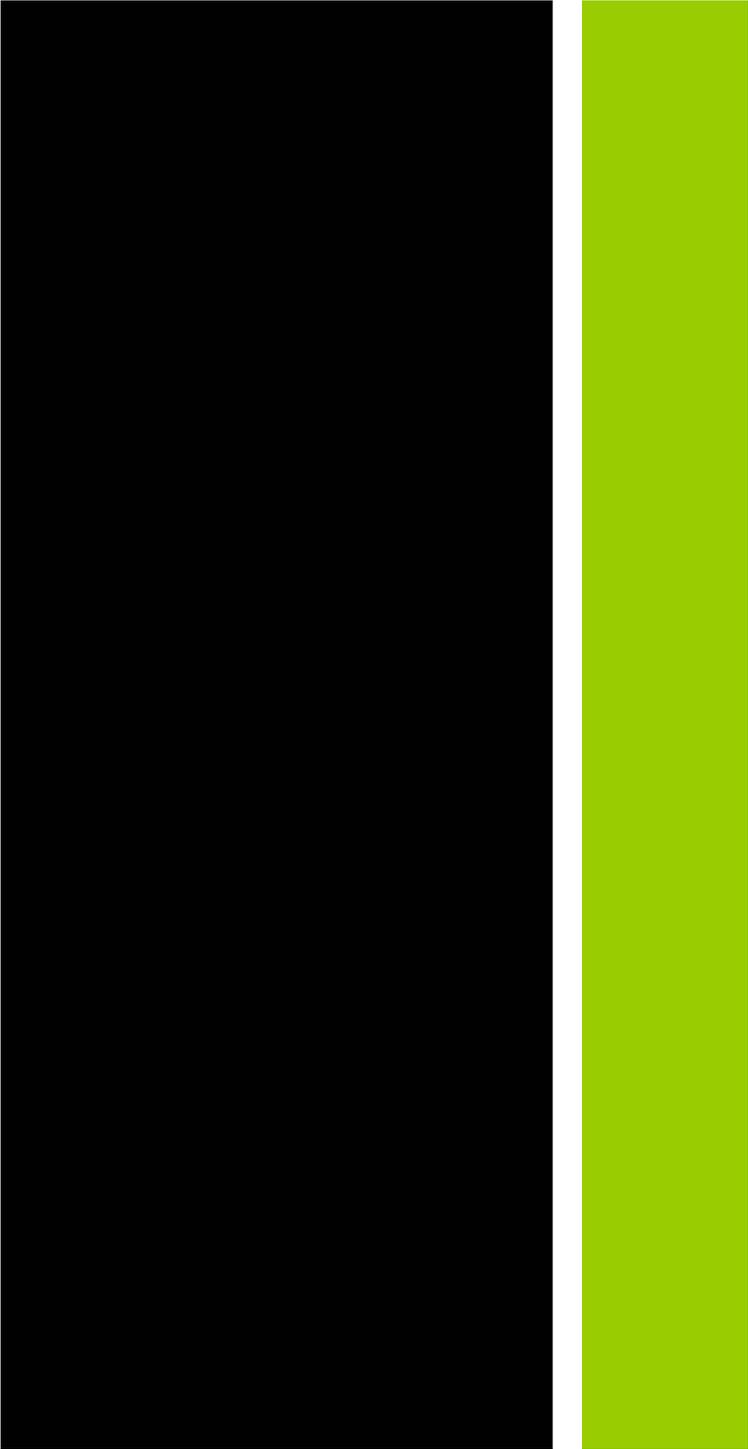
Balance sheet

- Capital expenditure
- Investments in IT and supply chain
 - drive cost benefits
 - improve efficiency
- Improving quality of property portfolio
- Managing working capital

Summary

Key priorities:

- to retain our market leading position in GM
- to improve our performance in Food
- to build our International business
- to optimise margins and tightly control costs
- to maintain a strong balance sheet
- to uphold our Plan A ethical standards



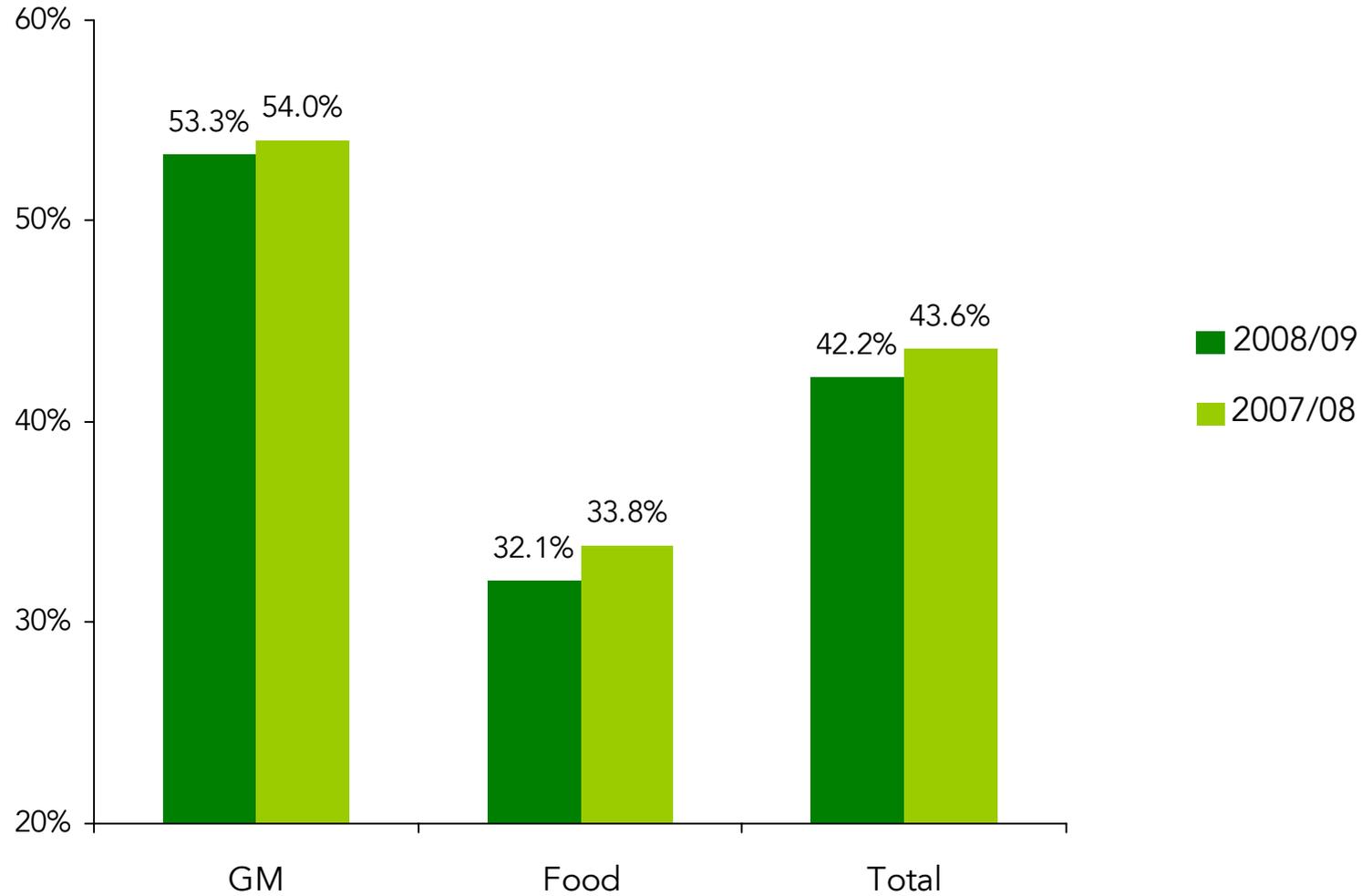
YOUR M&S

Appendix

Appendix 1 - UK sales

	TY £m	LY £m	Var %
Clothing	1,624.1	1,681.3	- 3.4
Home	194.1	186.6	+4.0
General Merchandise	1,818.2	1,867.9	- 2.7
		LFL	- 6.2
Food	2,004.7	1,996.1	+0.4
		LFL	- 5.3
Total	3,822.9	3,864.0	- 1.1
		LFL	- 5.7

Appendix 2 - UK Gross margin



Appendix 3 - Stores and space

	September 2008	September 2007
Premier	10	10
Major	41	39
High Street	241	237
Simply Food Owned	174	156
Simply Food Franchised	163	111
Outlets	36	34
UK stores	665	587
Selling space (m sq ft)	14.6	13.8
Owned	86	64
Franchised	205	152
International	291	216
Selling space (m sq ft)	3.0	2.7