MARKS & SPENCER

press release

Issued: 6 November 2012

MARKS AND SPENCER GROUP PLC
HALF YEAR RESULTS 2012/13
26 WEEKS ENDED 29 SEPTEMBER 2012

‘Stronger Q2 for M&S across the business’

Total revenue %	Q1	Q2	H1
General Merchandise	-5.1	+0.1	-2.5
Like-for-like	-6.8	-1.8	-4.3
Food	+2.9	+3.9	+3.4
Like-for-like	+0.6	+1.6	+1.1
UK total	**-0.9**	**+2.1**	**+0.6**
UK like-for-like	-2.8	0.0	-1.4
International[1]	**+0.9**	**+6.1**	**+3.6**
Total Group[1]	**-0.7**	**+2.5**	**+0.9**
Multi-channel[2]	*+14.9*	*+21.6*	*+17.8*

<u>Half-year results:</u>

- Group sales[1] up 0.9% at £4.7bn
- Underlying profit before tax[3] £297m (last year pro-forma[4] £307m; reported £315m)
- Underlying basic earnings per share[3] 14.6p (last year 15.6p)
- Interim dividend 6.2p per share (last year 6.2p)
- Net debt £2.6bn (last year pro-forma[4] £2.6bn; reported £2.0bn)

<u>Statutory results:</u>

- Profit before tax £290m (last year £321m)
- Basic earnings per share 14.2p (last year 16.0p)

Notes:

[1] On constant currency basis

[2] Memo only – multi-channel sales are reported as part of General Merchandise and Food sales

[3] Underlying results are consistent with how the business is measured internally. Adjustments to derive underlying profit include one-off impairment charges, fair value movements on financial instruments and embedded derivatives, and one off strategic programme costs.

[4] The pro forma adjustment to net debt in the prior half year reflects the calculated fair value of the property partnership liability using a consistent interest rate in the discounted cash flow model with that as at 21 May 2012 when the terms of the property partnership were changed. Similarly, an adjustment to underlying profit before tax of £8.3m relating to the unwinding of the discount on this liability has been made.

Marc Bolland, Chief Executive, said:

“We are pleased to report a better performance across the business in the second quarter. We took steps to address the short term merchandising issues in General Merchandise and as a result, we delivered an improved performance. Food outperformed the market on a like-for-like basis.

Marks and Spencer Group plc
Registered Office:
Waterside House
35 North Wharf Road
London W2 1NW
Registered No. 4256886
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"Eighteen months in, we are making strong progress with our plan to transform M&S into an International Multi-channel retailer. Our new International stores are performing well, and our Multi-channel business is delivering strong growth.

"As we approach the all important Christmas period, we have better than ever Christmas products, to help our customers enjoy a special Christmas at home."

Current trading and outlook

Recent trading has been volatile. This, coupled with continuing pressure on consumers' disposable incomes, makes us cautious about the outlook for the rest of this year. However, we are well set up for the Christmas trading period.

We will update on our third quarter sales on 10 January 2013.

New management team

In July we announced changes to our senior management team, combining the best of our in-house experience with best-in-class external talent. The new strengthened team is now in place and focused on delivering improvements in both product and our operational execution. Our customers will start to see the benefits in the new collections launching from next summer.

Business highlights:

- Food outperforming the market on a like-for-like basis
- Improving performance in General Merchandise
- UK gross margin +30bps due to tight control of markdown and waste
- Managed our cost base tightly with cost growth of 2.9%, at the lower end of guidance
- Step up in Multi-channel sales growth, up 22% in Q2, outperforming the market by 8%pts
- International sales accelerate in Q2 to +6.1%[1] with strong LFL growth in key markets

Progress against the three year plan:

- Concept stores performing 2.6% ahead of the rest of the store estate; delivering 13% IRR
- Successful launch of new concept store at Cheshire Oaks, performance 30% ahead of plan
- New Beauty shop in 28 stores, delivering strong double digit sales uplifts
- New Home concept launched; sales performance encouraging
- Outlet online and new shopping app launched
- 19 new international stores opened; over 30 to follow in the second half
- Four local websites launching in Europe this month
- Good progress with supply chain and IT – Food availability up 1%

Guidance

Guidance for financial year 2012/13:

- Gross margin is expected to be towards the top end of the 0 to +25bps guidance range.
- Operating costs are expected to be at the lower end of the +3 to +5% guidance range.

- The planned opening of new space will add c. 3% to UK and c. 20% to International space.
- Group capital expenditure is expected to be c. £825m this year and c. £850m in 2013/14. We then expect capex to fall to c. £600m in 2014/15.
- Effective tax rate is expected to be 24%.
- Pension finance income (non-cash) is expected to be c. £10m lower than last year.

2012/13 half year operating review:

The market continued to be challenging through the first half of the financial year, with consumer confidence impacted by a weak macro-economic situation and continued pressure on disposable incomes. Trading was volatile, affected by unseasonable weather conditions over the summer months, including three of the wettest months on record in April, June and July. While the Jubilee and the Olympics improved the nation's mood, they did not translate into higher sales.

Against this backdrop we focused on tight management of margin and costs. We took action to address the short term issues in General Merchandise and are pleased that we have seen an improvement in the second quarter. At the same time we continued to invest for the long term, in line with our strategy to transform the business into an International, Multi-channel retailer.

Sales

Group sales were up 0.9% on a constant currency basis (+0.4% actual currency) in the first half driven by good performance in our Food, International and Multi-channel businesses.

General Merchandise sales were down 2.5% with like-for-like sales down 4.3%. At the start of the financial year we identified merchandising issues in our Spring/Summer clothing collections, which impacted performance in the first quarter. We took decisive action, bringing our stock levels back in line for the Autumn/Winter season, improving our merchandising processes and better aligning our buying and external marketing. As a result, we have delivered an improved performance in General Merchandise in the second quarter.

In July we announced changes to the General Merchandise management team. Following the departure of Kate Bostock, John Dixon was appointed as Executive Director for General Merchandise from 1 October 2012. We have also strengthened the team with a number of key appointments, including Belinda Earl, who has joined as Style Director. Yesterday we announced further changes to our General Merchandise Management Team. Frances Russell has been appointed Trading Director in Womenswear, following a successful tenure running our Lingerie and Beauty business. Janie Schaffer is joining the business as Trading Director of Lingerie and Beauty and will start her new role in early 2013.

The new team is now in place, and focused on delivering improvements for our customers in both product, and operational execution. These improvements will take time to come through, but our customers will see the benefits of the changes from next summer.

Food sales were up 3.4%, with like-for-like sales up 1.1%, consolidating our position as the UK's leading high quality food retailer. Our strategy to focus on our heritage of quality and innovation is continuing to deliver results and set us apart from the competition. We gave customers more choice through constant innovation, launching 1,000 new lines, in line with our target to refresh 25% of our range each year. We also highlighted the great value we offer on everyday items with the launch of our Simply M&S range.

International sales were up 3.6% on a constant currency basis (-1.4% actual currency). Our priority markets in India and China delivered a good performance with strong like-for-like growth. Our Franchise business also continued to perform well, with good performance in key territories including Turkey, Russia and the Middle East. Trading in our European businesses was once again impacted by macroeconomic pressures, particularly in the Republic of Ireland and Greece, as well as currency translation.

UK gross margin

General Merchandise gross margin was up 95 basis points, as a result of favourable currency movements and tight management of markdown more than offsetting input price pressure and higher promotional activity. We are encouraged by this result, but expect the second half to be more difficult due to a higher level of promotional activity in the market.

Food gross margin increased by 35 basis points with improved buying and better management of waste helping to offset the commodity price increases, and we expect this to continue in the second half.

Total UK gross margin was up 30 basis points at 41.7%, as a result of the mix change due to a difference in the rate of sales growth in General Merchandise and Food.

UK operating costs

UK operating costs were up 2.9% on last year. We continued to manage costs tightly despite upward pressures from new space, inflation and investment in business initiatives such as improved customer service in stores. These pressures were mitigated by efficiencies generated through the supply chain & IT programme, energy efficiency projects and success with contract negotiations.

Underlying operating profit

Underlying group operating profit was £354.9m (last half year £369.3m). Within this, UK operating profit was £300.5m (last half year £310.6m) and International operating profit was £54.4m (last half year £58.7m).

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Net debt and cash flow

Net debt at the half year was £2.63bn (last half year £1.97bn, pro forma £2.64bn adjusting for the change in terms of the property partnership with the pension fund). Our working capital was well managed with a £78.4m outflow in the half driven by increased inventory levels as we return to target levels and build stock in the run-up to Christmas. Our ongoing investment in our UK and International stores, the new multi-channel platform and new systems and supply chain resulted in capital expenditure of £389.6m (last half year £310.4m). Overall, there was a net cash outflow of £164.6m (last half year £67.7m outflow).

2012/13 half year business review:

We are mid-way through our three year plan to transform M&S into a truly international, multi-channel retailer. We have made strong progress against our medium and long term objectives in the first six months of this year.

1) Focus on the UK

Stores

During the first half we launched the second phase of our new store concept. This includes new Home and Beauty departments, as well as improvements to M&S Woman and per una. In August we opened a new store at Cheshire Oaks which showcased the complete new look for the first time, and uses the latest technology, such as Browse and Order points, to create a more inspirational, interactive shopping experience. The store received very positive feedback from our customers which is reflected in its sales performance to date which is more than 30% ahead of plan.

Phase 1 of the new format is now being rolled out across our UK stores and to a selection of our International stores, on budget and on track for the target completion date of mid 2013. Phase 2 will be rolled out by the end of 2013.

At the end of the first half we completed work on 192 stores, 96 of which were Simply Food, representing over 30% of our space. By Christmas this will rise to 278 stores, or over 50% of our total selling space.

The sales performance in the new concept stores has been 2.6% ahead of the rest of the business. The reported uplift is measured based on the performance of all the new concept stores that have traded for more than 12 weeks, compared to stores not yet touched. The sales uplift is delivering a 13% internal rate of return, ahead of our hurdle rate of 12%.

We are also encouraged that we have continued to record strong uplifts in brand momentum across the new concept stores. Despite the high number of stores in the new concept, the brand momentum in these stores is 7% ahead of the rest of the store estate.

Clothing

In a competitive market, with high levels of promotional activity we focused on offering our customers great value and quality. We increased our offer in 'Good' price points, and ran selective promotions which gave customers even better value on selected seasonal products.

Unseasonal weather conditions over the summer months impacted demand for our key summer departments including Linen and Casual Tops. As a result, the more traditional autumnal ranges such as Coats, Jackets and Hosiery were the best performing categories.

In September we launched a new Clothing TV advertising campaign featuring a selection of models representing a range of ages and sizes, which mirror M&S' broad customer base, firmly making the clothes the hero of the piece, and backing the season's key trends including military and geometric, with the military coats selling 44,000 pieces.

Home

In August we revealed our new Home in-store concept for the first time at our newly opened Cheshire Oaks store. It transforms the way we showcase our product, and makes use of technology to improve the range and ease of shopping for our customers. The new format is now in 11 stores, and the average number of customers shopping in the home department has doubled in these stores. This is now being rolled out and over 50% of our Home space will be converted before Christmas.

Food

Customers once again placed their trust in us at special times of the year, and this summer provided several opportunities to celebrate. We launched over 200 British inspired lines, including our highly sought after Jubilee biscuit tin, which sold 4.1 million tins to customers around the world. We launched 1,000 new lines, taking inspiration from around the world, including our 'Modern Asian' range, our take on the continent's vibrant cuisines, which has proved immediately popular with shoppers.

In a very price competitive market, we launched Simply M&S, a range of 700 products that highlights the great value we offer on everyday items, without compromising on M&S quality. We extended our popular 'Dine In' promotion into a new 'Weekends In', to give customers a treat for weekends at home as well as special occasion dining.

Specialness and service have remained a key priority as we continued to improve our Food Hall experience for customers. Over 190 Food Halls have now been updated, with the introduction of delis, pasta bars and in-store bakeries. These stores continue to outperform the rest of the chain in terms of sales, with the in-store bakery being the best performing department during the first half.

We have also improved on-shelf availability by a further 1%, in addition to the 2% delivered in the last full year, through the implementation of our new space, range and display system and invested in employee zoning in the Food Halls to improve the service standards for our customers.

2) Multi-channel

Multi-channel sales were up 17.8% outperforming the market by 8ppts (Source: BRC). Traffic to the site continued to grow to an average of over 3.4 million weekly visitors and we continued to see very good rates of conversion. Our customers continue to enjoy the convenience of shopping online, with over a third of dresses and one in five suits now purchased online.

Our Shop Your Way service continues to grow in popularity and over 43% of multi-channel orders are now collected in store or ordered in store for home delivery, up 23%. Ahead of the peak Christmas season, we have further improved this service with the launch of free next day delivery to stores.

In the first half of the year, sales from new channels increased almost threefold, as we launched brand new ways to shop with M&S and extended our in-store multi-channel innovations. We added 112 new Browse and Order points across 40 stores, allowing customers to shop more of the product catalogue and have invested in over 1,500 iPads for our customer assistants, in order to offer a more personalised service in store. We have also extended the trial of our e-boutique concept, Style Online, to 12 of our smaller format stores.

In May, we re-launched our mobile-optimised site, with improved browsing and search functionality. Sales from the mobile site increased by 77% over the first half. Our first transactional iPhone app went live in July with over 340,000 downloads to reach the top position in iTunes Free UK Lifestyle Apps.

We continued to grow our French e-commerce business and over 2.5 million customers visited the site during the half. In April we launched a dedicated Irish website and have announced plans to launch transactional websites across an additional four European markets later this month.

3) International

Sales in our International business were up 3.6% on a constant currency basis (-1.4% actual currency), to £0.5bn. International operating profit was down 7.3% at £54.4m due to adverse impact of currency translation, macroeconomic pressures in the Republic of Ireland and Greece, as well as start up costs in some of our key markets.

We have made good progress in the first half, opening a total of 19 new stores, and we now trade from 396 stores in 44 territories. Having developed our organisational capability over the last year we will be in a position to accelerate growth by the end of this year.

In Asia, sales were up 13.3% at a constant exchange rate and we opened nine new stores, focusing on driving growth in our key priority territories of India and China. Our Shanghai stores continued to perform strongly and we now have ten stores, having opened three this year, including a new 4,500 square metre flagship store at Golden Bell Plaza on Huaihai Road. Our Hong Kong stores also delivered a good performance and we opened one new store there. Working with our partner Reliance Retail, we have opened one new store in Bangalore, taking the total to 24 stores in India.

Our franchise operations are central to our international plans. Our priority market, the Middle East, saw sales increase by 9.2% at a constant exchange rate during the first half. We opened nine new stores across five markets, including two new stores in Turkey and two in Saudi Arabia.

Sales in Europe were down 1.5% at a constant exchange rate, impacted by on-going macro-economic weakness in the Republic of Ireland and Greece. In the Czech Republic, our experienced retail team are working hard to improve the business performance.

Our first Paris store, at 100 Champs Elysées, continues to perform ahead of our expectations. In October, we opened our first full-line store in Paris at So Ouest in Levallois-Perret and we are very pleased with the early results. We have signed leases to open a further three full line stores in Paris, which are due to open by autumn 2013.

Supply Chain and IT

We are making good progress against our plan to restructure our supply chain, implement new information systems and improve operational execution.

Our second major Distribution Centre and dedicated e-commerce facility in Castle Donington is now complete. We are currently undergoing testing, with the full launch due in spring 2013. It will deliver a step change in service to our multi-channel customers including improved availability and later delivery cut-off times as well as improved efficiency within our operations.

In IT we are making good progress with the upgrade of our systems. We have completed the final phase of the SAP roll-out, our new core business system, which went live in April 2012. This includes a new stock ledger, providing improved management information including product level profitability. The roll out of the new space planning and ranging system in Food is due to complete this autumn. It will help us deliver further improvements in space utilisation and availability for our customers. The roll out of our new HR system continues and is now live in more than 100 stores and will help improve efficiency within our operations.

Plan A

We continued to make good progress against our 180 commitment eco and ethical programme Plan A. With 94 of the original 100 commitments achieved, including our operations becoming carbon neutral and sending zero waste to landfill, efforts are now focussed on longer term commitments and engaging customers in more sustainable living.

Customers continue to respond well to our clothes recycling initiative Shwopping. 2.2 million used and unwanted pieces of clothing have been 'shwopped' in M&S and Oxfam stores since launch in April, and c. 4million are on course to be 'shwopped' by the end of the year. Every single item has been donated to Oxfam to re-sell, re-use or recycle. Last month we launched our first product made entirely out of recycled material created from 'shwopped' garments. The 'Shwop Coat' is not only better value for the environment but also for customers – at just £89 it is half the cost it would be if made from virgin wool.

In September our new distribution centre in Castle Donington launched a scheme called Marks & Start Logistics - a new employability programme for people with disabilities and health conditions. Marks & Start Logistics will help recruit, train and employ people with disabilities and health conditions to work at Castle Donington. It will be run in partnership with Remploy Employment Service, which specialises in giving disabled people the support they need to overcome barriers to work.

Plan A continues to be recognised externally for its best in class sustainability and corporate responsibility achievements. Marks & Spencer was named Responsible Retailer of the Year at the World Retail Awards in September and in June Marks & Spencer was named Business in the Community (BITC) Responsible Business of the Year at BITC's annual Awards for Excellence.

Financial Review

Summary of Results

	26 weeks ended		
	29 Sept 12 £m	1 Oct 11 £m	% var
Group revenue	**4,697.2**	**4,677.5**	+0.4
UK	4,200.4	4,173.9	+0.6
International	496.8	503.6	-1.4
Underlying operating profit	**354.9**	**369.3**	-3.9
UK	300.5	310.6	-3.3
International	54.4	58.7	-7.3
Underlying profit before tax	**296.8**	**315.2**	-5.8
Non-underlying items	(7.3)	5.3	-
Profit before tax	**289.5**	**320.5**	-9.7
Underlying earnings per share	**14.6p**	**15.6p**	-6.4
Earnings per share	**14.2p**	**16.0p**	**-11.3**
Interim dividend per share (declared)	**6.2p**	**6.2p**	level

Revenues
Group revenues were up 0.4% (+0.9% on a constant currency basis) in the first half driven by a good performance in Food and multi-channel.

UK revenues were up 0.6% in total with a like-for-like decrease of 1.4%, reflecting a challenging trading environment and short term merchandising issues in General Merchandise. We added 2.7% of space, 2.6% in General Merchandise and 3.0% in Food, on a weighted average basis.

International revenues were down 1.4%, or +3.6% on a constant currency basis. We saw good growth in our priority markets of India and China and with our franchise partners in the Middle East. Trading in our European businesses continues to be impacted by macroeconomic pressures, particularly in the Republic of Ireland and Greece, both of which experienced significant declines in the period.

Operating profit
Underlying operating profit was £354.9m, down 3.9%.

In the UK, underlying operating profit was down 3.3% at £300.5m. UK gross margin was up 30 basis points at 41.7%. General merchandise gross margin was up 95 basis points at 53.2%, as a result of favourable currency movements and tight management of markdown. This more than offset the input price pressure, particularly wages and raw materials. Food gross margin was up 35 basis points at 32.0% as a result of improved buying and management of waste helping to mitigate commodity price increases.

UK operating costs were up 2.9% to £1,483.4m. A breakdown of the costs is shown below:

	26 weeks ended		
	29 Sept 12	1 Oct 11	
	£m	£m	% inc
Retail staffing	444.2	424.7	4.6%
Retail occupancy	498.7	487.5	2.3%
Distribution	189.1	190.0	-0.5%
Marketing and related	79.4	77.2	2.8%
Support	272.0	262.7	3.5%
Total	**1,483.4**	**1,442.1**	**2.9%**

Retail staffing costs were well controlled despite growth in selling space and the annual pay review. The growth represents an investment in store staffing to enhance the customer service in stores.

The increase in occupancy costs reflects additional new space, rent and rates inflation. We continue to control the growth of these costs through rent and service charge reviews, as well as energy efficiency projects.

Distribution costs were well managed despite volume increases in Food and multi-channel as well as inflationary pressure, as we continued to see the benefits of initiatives to improve supply chain efficiency.

The underlying UK operating profit includes a contribution of £33.2m (last year £25.9m) from the Group's continuing economic interest in M&S Bank.

International operating profit was down 7.3% at £54.4m (last year £58.7m). Owned store operating profits were £4.7m, down 39.0%, reflecting macroeconomic pressures in the Republic of Ireland and Greece, as well as start up costs in France, India and China. Franchise operating profits were down 2.5% to £49.7m due to investments to support growth with our franchise partners.

Non-underlying profit items

The adjustments made to reported profit before tax to arrive at underlying profit are:

	26 weeks ended	
	29 Sept 12	1 Oct 11
	£m	£m
Fair value gain on financial instrument	-	9.1
Fair value movement on embedded derivative	(5.2)	(1.4)
Strategic programme costs	(2.1)	(2.4)
Total non-underlying profit items	**(7.3)**	**5.3**

The fair value movement on embedded derivative is driven by a reduction in the expectation of RPI.

The strategic programme costs of £2.1m are related to the cost of implementing the Focus on the UK element of the strategy announced in November 2010.

Net finance costs

	26 weeks ended	
	29 Sept 12	1 Oct 11
	£m	£m
Interest payable	(63.6)	(70.0)
Interest income	3.3	3.8
Net interest payable	**(60.3)**	**(66.2)**
Pension finance income (net)	10.2	12.4
Unwinding of discount on partnership liability	(6.9)	-
Unwinding of discounts on financial instruments	(1.1)	(0.3)
Underlying net finance costs	**(58.1)**	**(54.1)**
Fair value movement on financial instruments	-	9.1
Net finance costs	**(58.1)**	**(45.0)**

Net interest payable was down 8.9% at £60.3m. This reflects the Group's lower average cost of debt funding at 6.1% (last year 6.5%). Underlying net finance costs were up £4.0m, driven by the unwinding of the discount on the partnership liability to the Marks & Spencer UK Pension scheme, offsetting the lower net interest payable. Pension finance income was £10.2m (last year £12.4m).

Taxation

The taxation charge is based on an estimated full year effective tax rate on underlying profits of 24.0% (last full year 24.5%).

Underlying earnings per share

Underlying earnings per share decreased by 6.4% to 14.6p per share. The weighted average number of shares in issue during the period was 1,596.3m (last year 1,575.6m).

Dividend

The Board is recommending an interim dividend of 6.2p (last year 6.2p).

Capital expenditure

	26 weeks ended	
	29 Sept 12	1 Oct 11
	£m	£m
Focus on the UK	65.4	12.8
Multi-channel	33.0	0.6
New stores	43.4	80.7
Store modernisation programme	51.9	22.9
International	20.5	43.5
Supply chain and technology	86.1	68.4
Maintenance	15.9	25.6
Total capital expenditure	**316.2**	**254.5**

Group capital expenditure for the half year was £316.2m. We continued our investment in UK stores in order to create a more inspiring environment and trial a new approach to segmentation and in-store navigation.

We also continued our investment in improved multi-channel capabilities with the build of our new platform.

We added 2.7% of selling space in the UK (on a weighted average basis), trading from 16.2m square feet at the end of September 2012. We opened a net 15 new stores in the period including a flagship at Cheshire Oaks. This new concept store showcases the complete new look for the first time, and uses the latest technology to create a more inspirational, interactive shopping experience

We invested in our supply chain and technology in line with our strategy to build an infrastructure fit to support the future growth of the business.

Cash flow and net debt

	26 weeks ended 29 Sept 12 £m	1 Oct 11 £m
Underlying EBITDA	578.7	597.9
Working capital	(78.4)	(24.5)
Pension funding	(30.6)	(46.8)
Capex and disposals	(389.6)	(310.4)
Interest and taxation	(77.8)	(102.0)
Dividends and share issues / purchases	(166.9)	(181.9)
Net cash outflow	**(164.6)**	**(67.7)**
Opening net debt	**(1,857.1)**	**(1,900.9)**
Exchange and other non-cash movements	(2.0)	(2.7)
Property partnership liability	(606.0)	-
Closing net debt	**(2,629.7)**	**(1,971.3)**
Property partnership liability pro-forma adjustment	-	(664.6)
Closing adjusted net debt**	**(2,629.7)**	**(2,635.9)**

**The property partnership liability pro-forma adjustment to net debt in the prior half year reflects the calculated fair value of the property partnership liability using a consistent interest rate in the discounted cash flow model with that as at 21 May 2012 when the terms of the property partnership were changed.

The Group reported a net cash outflow of £164.6m (£67.7m outflow last year). This reflects higher level of capital expenditure and an increase in working capital, as we build our inventories in advance of Christmas, and get the stock cover back on track following the shortages in Spring/Summer collections.

Net debt was £2,629.7m, an increase of £658.4m on last year as a result of the change in terms of the property partnership with the pension fund. Adjusting for this, net debt was £6.2m lower than last year.

The May 2012 bond matured in the period, and was refinanced from existing facilities and operating cash. Our funding strategy continues to ensure a mix of funding sources and tenor of maturity to provide cost effectiveness and flexibility to match the requirements of the business.

Pensions

At the 29 September 2012 the IAS 19 scheme net retirement benefit surplus was £139.0m (31 March 2012 £78.0m) The market value of scheme assets increased by £137.7m, due to improved asset performance. This has been offset by the £76.2m increase in the present value of the scheme liabilities due to a decrease in the discount rate from 4.6% to 4.3% and a reduction in the inflation rate from 3.1% to 2.6%.

- Ends -

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Investor & Analyst webcast:

Investor and analyst presentation will be held at 9am on 6 November 2012. This presentation can be viewed live on the Marks and Spencer Group plc website on: www.marksandspencer.com/thecompany.

Video interviews with Marc Bolland, Chief Executive and Alan Stewart, Chief Finance Officer will be available on the above website. The interviews are also available in audio and transcript.

Fixed Income Investor Conference Call:

This will be hosted by Alan Stewart, Chief Finance Officer at 2 pm on 6 November 2012:

Dial in number: +44 (0)20 8515 2319

A recording of this call will be available until 16 November 2012
Dial in number: +44 (0)20 7959 6720 Access code: 4573890#

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.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 45 - 47 of the Group's 2012 Annual Report and Financial Statements. Information on financial risk management is also set out on pages 97 - 100 of the Annual Report, a copy of which is available on the Group's website www.marksandspencer.com. The key risks and mitigating activities have not changed from these:

- Financial risk, including the UK and global economic outlook and financial position;
- People development, programme and workstream management and distribution centre restructure;
- Brand and reputational risk relating to our corporate reputation, our customers and food safety;
- Selling channels such as multichannel, International and new store format; and
- Operational threats, including GM stock management, key supplier failure, IT security and business continuity.

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 4.2.7R and DTR 4.2.8R, namely:

- 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 listed in the Group's 2012 Annual Report and financial statements with the exception of the appointment of Steve Rowe on 1 October 2012 and the resignation of Kate Bostock on 1 October 2012. A list of current Directors is maintained on the Group's website: www.marksandspencer.com.

By order of the Board

Marc Bolland
Chief Executive

Alan Stewart
Chief Finance Officer

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

Consolidated income statement

	Notes	26 weeks ended 29 Sept 2012 £m	26 weeks ended 1 Oct 2011 £m	52 weeks ended 31 March 2012 £m
Revenue	3	**4,697.2**	**4,677.5**	**9,934.3**
Operating profit	3	**347.6**	**365.5**	**746.5**
Finance income	5	13.5	25.3	48.3
Finance costs	5	(71.6)	(70.3)	(136.8)
Profit before tax		**289.5**	**320.5**	**658.0**
Income tax expense	6	(69.5)	(77.7)	(168.4)
Profit for the period		**220.0**	**242.8**	**489.6**
Attributable to:				
Equity shareholders of the Company		**227.2**	**252.4**	**513.1**
Non-controlling interests		(7.2)	(9.6)	(23.5)
		220.0	**242.8**	**489.6**
Basic earnings per share	7	14.2p	16.0p	32.5p
Diluted earnings per share	7	14.1p	15.9p	32.2p

Non-GAAP measures: Underlying profit before tax

	Notes	26 weeks ended 29 Sept 2012 £m	26 weeks ended 1 Oct 2011 £m	52 weeks ended 31 March 2012 £m
Profit before tax		289.5	320.5	658.0
Adjusted for:				
IAS 39 Fair value movement of embedded derivative	4	5.2	1.4	0.2
Strategic programme costs	4	2.1	2.4	18.4
IAS 36 Impairment of assets	4	-	-	44.9
IAS 39 Fair value movement of financial instrument	4	-	(9.1)	(15.6)
Underlying profit before tax	2	**296.8**	**315.2**	**705.9**
Underlying basic earnings per share	7	14.6p	15.6p	34.9p
Underlying diluted earnings per share	7	14.5p	15.5p	34.6p

Consolidated statement of comprehensive income

		26 weeks ended 29 Sept 2012 £m	26 weeks ended 1 Oct 2011 £m	52 weeks ended 31 March 2012 £m
Profit for the period		220.0	242.8	489.6
Other comprehensive income:				
Foreign currency translation differences		(12.5)	(5.3)	(15.1)
Actuarial gains/(losses) on retirement benefit schemes	9	52.9	5.4	(189.9)
Tax on retirement benefit scheme		(10.3)	(1.4)	50.4
Cash flow and net investment hedges				
- fair value movements		(23.7)	97.0	53.0
- reclassified and reported in net profit		14.8	(36.1)	(23.0)
- amount recognised in inventories		(9.2)	16.4	13.7
Tax on cash flow hedges and net investment hedges		6.2	(16.5)	(7.3)
Other comprehensive income/(loss) for the period, net of tax		18.2	59.5	(118.2)
Total comprehensive income for the period		**238.2**	**302.3**	**371.4**
Attributable to:				
Equity shareholders of the Company		245.4	311.9	394.9
Non-controlling interests		(7.2)	(9.6)	(23.5)
		238.2	**302.3**	**371.4**

The notes on pages 22 to 27 form an integral part of this condensed consolidated interim financial information.

Consolidated statement of financial position

	Notes	As at 29 Sept 2012 £m	As at 1 Oct 2011 £m	As at 31 March 2012 £m
ASSETS				
Non-current assets				
Intangible assets		614.6	563.3	584.3
Property, plant and equipment		4,839.0	4,645.8	4,789.9
Investment property		15.9	16.0	15.9
Investment in joint ventures		15.2	13.7	14.4
Other financial assets		3.0	3.0	3.0
Retirement benefit asset	9	152.8	235.0	91.3
Trade and other receivables		266.5	273.8	270.2
Derivative financial instruments		53.9	70.4	44.2
		5,960.9	5,821.0	5,813.2
Current assets				
Inventories		849.4	834.4	681.9
Other financial assets		130.7	150.0	260.5
Trade and other receivables		281.3	253.3	253.0
Derivative financial instruments		86.4	68.1	67.0
Current tax receivable		1.6	1.6	1.6
Cash and cash equivalents		144.5	389.7	196.1
		1,493.9	1,697.1	1,460.1
Total assets		**7,454.8**	**7,518.1**	**7,273.3**
LIABILITIES				
Current liabilities				
Trade and other payables		1,422.7	1,373.8	1,449.1
Borrowings and other financial liabilities		372.6	610.3	327.7
Partnership liability to the Marks & Spencer UK Pension Scheme	10	71.9	-	71.9
Derivative financial instruments		91.6	52.4	60.5
Provisions		13.9	21.0	8.4
Current tax liabilities		105.3	107.5	87.8
		2,078.0	2,165.0	2,005.4
Non-current liabilities				
Retirement benefit deficit	9	13.8	13.8	13.3
Trade and other payables		294.9	278.6	280.8
Borrowings and other financial liabilities		1,991.4	1,981.7	1,948.1
Partnership liability to the Marks & Spencer UK Pension Scheme	10	541.0	-	-
Derivative financial instruments		47.8	7.8	27.2
Provisions		16.4	18.9	24.0
Deferred tax liabilities		208.0	233.1	195.7
		3,113.3	2,533.9	2,489.1
Total liabilities		**5,191.3**	**4,698.9**	**4,494.5**
Net assets		**2,263.5**	**2,819.2**	**2,778.8**
EQUITY				
Issued share capital		402.1	396.3	401.4
Share premium account		299.0	256.6	294.3
Capital redemption reserve		2,202.6	2,202.6	2,202.6
Hedging reserve		(7.6)	45.9	14.8
Other reserve		(6,542.2)	(6,042.4)	(6,114.3)
Retained earnings		5,928.2	5,965.9	5,991.4
Total shareholders' equity		**2,282.1**	**2,824.9**	**2,790.2**
Non-controlling interests in equity		(18.6)	(5.7)	(11.4)
Total equity		**2,263.5**	**2,819.2**	**2,778.8**

The notes on pages 22 to 27 form an integral part of this condensed consolidated interim financial information.

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Consolidated statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total £m
As at 1 April 2012	**401.4**	**294.3**	**2,202.6**	**14.8**	**(6,114.3)**	**5,991.4**	**2,790.2**	**(11.4)**	**2,778.8**
Profit/(loss) for the period	-	-	-	-	-	227.2	227.2	(7.2)	220.0
Other comprehensive income:									
Foreign currency translation	-	-	-	(0.5)	-	(12.0)	(12.5)	-	(12.5)
Actuarial gain on retirement benefit schemes	-	-	-	-	-	52.9	52.9	-	52.9
Tax on retirement benefit schemes	-	-	-	-	-	(10.3)	(10.3)	-	(10.3)
Cash flow and net investment hedges									
- fair value movements	-	-	-	(33.7)	-	10.0	(23.7)	-	(23.7)
- reclassified and reported in net profit	-	-	-	14.8	-	-	14.8	-	14.8
- amount recognised in inventories	-	-	-	(9.2)	-	-	(9.2)	-	(9.2)
Tax on cash flow hedges and net investment hedges	-	-	-	6.2	-	-	6.2	-	6.2
Other comprehensive income	**-**	**-**	**-**	**(22.4)**	**-**	**40.6**	**18.2**	**-**	**18.2**
Total comprehensive income/(expenses)	**-**	**-**	**-**	**(22.4)**	**-**	**267.8**	**245.4**	**(7.2)**	**238.2**
Transactions with owners:									
Dividends	-	-	-	-	-	(172.3)	(172.3)	-	(172.3)
Recognition of financial liability	-	-	-	-	(427.9)	(178.1)	(606.0)	-	(606.0)
Shares issued on exercise of employee share options	0.7	4.7	-	-	-	-	5.4	-	5.4
Charge for share-based payments	-	-	-	-	-	20.3	20.3	-	20.3
Deferred tax on share schemes	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
As at 29 September 2012	**402.1**	**299.0**	**2,202.6**	**(7.6)**	**(6,542.2)**	**5,928.2**	**2,282.1**	**(18.6)**	**2,263.5**

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total £m
As at 3 April 2011	396.2	255.2	2,202.6	(11.3)	(6,042.4)	5,873.2	2,673.5	3.9	2,677.4
Profit/(loss) for the period	-	-	-	-	-	252.4	252.4	(9.6)	242.8
Other comprehensive income:									
Foreign currency translation	-	-	-	(0.6)	-	(4.7)	(5.3)	-	(5.3)
Actuarial gain on retirement benefit schemes	-	-	-	-	-	5.4	5.4	-	5.4
Tax on retirement benefit schemes	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Cash flow and net investment hedges									
- fair value movements	-	-	-	94.0	-	3.0	97.0	-	97.0
- reclassified and reported in net profit	-	-	-	(36.1)	-	-	(36.1)	-	(36.1)
- amount recognised in inventories	-	-	-	16.4	-	-	16.4	-	16.4
Tax on cash flow hedges and net investment hedges	-	-	-	(16.5)	-	-	(16.5)	-	(16.5)
Other comprehensive income	**-**	**-**	**-**	**57.2**	**-**	**2.3**	**59.5**	**-**	**59.5**
Total comprehensive income/(expenses)	**-**	**-**	**-**	**57.2**	**-**	**254.7**	**311.9**	**(9.6)**	**302.3**
Transactions with owners:									
Dividends	-	-	-	-	-	(170.2)	(170.2)	-	(170.2)
Shares issued on exercise of employee share options	0.1	1.4	-	-	-	-	1.5	-	1.5
Purchase of own shares held by employee trusts	-	-	-	-	-	(13.2)	(13.2)	-	(13.2)
Charge for share-based payments	-	-	-	-	-	22.4	22.4	-	22.4
Deferred tax on share schemes	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
As at 1 October 2011	**396.3**	**256.6**	**2,202.6**	**45.9**	**(6,042.4)**	**5,965.9**	**2,824.9**	**(5.7)**	**2,819.2**

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total £m
As at 3 April 2011	396.2	255.2	2,202.6	(11.3)	(6,042.4)	5,873.2	2,673.5	3.9	2,677.4
Profit/(loss) for the year	-	-	-	-	-	513.1	513.1	(23.5)	489.6
Other comprehensive income:									
Foreign currency translation	-	-	-	(1.1)	-	(14.0)	(15.1)	-	(15.1)
Actuarial losses on retirement benefit schemes	-	-	-	-	-	(189.9)	(189.9)	-	(189.9)
Tax on retirement benefit schemes	-	-	-	-	-	50.4	50.4	-	50.4
Cash flow and net investment hedges									
- fair value movements	-	-	-	43.8	-	9.2	53.0	-	53.0
- reclassified and reported in net profit	-	-	-	(23.0)	-	-	(23.0)	-	(23.0)
- amount recognised in inventories	-	-	-	13.7	-	-	13.7	-	13.7
Tax on cash flow hedges and net investment hedges	-	-	-	(7.3)	-	-	(7.3)	-	(7.3)
Other comprehensive income	**-**	**-**	**-**	**26.1**	**-**	**(144.3)**	**(118.2)**	**-**	**(118.2)**
Total comprehensive income/(expenses)	**-**	**-**	**-**	**26.1**	**-**	**368.8**	**394.9**	**(23.5)**	**371.4**
Transactions with owners:									
Dividends	-	-	-	-	-	(267.8)	(267.8)	-	(267.8)
Transactions with non-controlling shareholders						(6.4)	(6.4)	8.2	1.8
Recognition of financial liability	-	-	-	-	(71.9)	-	(71.9)	-	(71.9)
Shares issued on exercise of employee share options	5.2	39.1	-	-	-	-	44.3	-	44.3
Purchase of own shares held by employee trusts	-	-	-	-	-	(13.2)	(13.2)	-	(13.2)
Credit for share-based payments	-	-	-	-	-	32.5	32.5	-	32.5
Deferred tax on share schemes	-	-	-	-	-	4.3	4.3	-	4.3
As at 31 March 2012	**401.4**	**294.3**	**2,202.6**	**14.8**	**(6,114.3)**	**5,991.4**	**2,790.2**	**(11.4)**	**2,778.8**

The notes on pages 22 to 27 form an integral part of this condensed consolidated interim financial information.

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. The reserve also included discretionary distributions to the Marks & Spencer UK Pension Scheme of £nil (last half year £499.8m, last full year £427.9m) (see note 10).

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	26 weeks ended 29 Sept 2012 £m	26 weeks ended 1 Oct 2011 £m	52 weeks ended 31 March 2012 £m
Cash flows from operating activities				
Cash generated from operations	12	469.7	526.6	1,352.1
Income tax paid		(44.8)	(65.8)	(149.1)
Net cash inflow from operating activities		**424.9**	**460.8**	**1,203.0**
Cash flows from investing activities				
Purchase of property, plant and equipment		(322.4)	(245.9)	(564.3)
Purchase of intangible assets		(67.2)	(64.5)	(156.4)
Sale/(purchase) of current financial assets		129.4	65.6	(44.8)
Interest received		2.0	1.4	7.7
Net cash used in investing activities		**(258.2)**	**(243.4)**	**(757.8)**
Cash flows from financing activities				
Interest paid		(35.0)	(37.6)	(135.9)
Cash inflow/(outflow) from borrowings		8.1	(5.8)	(41.4)
Drawdown of syndicated loan notes		316.0	-	-
Issue of medium-term notes		-	-	295.5
Redemption of medium-term notes		(267.4)	-	(307.6)
Decrease in obligations under finance leases		(3.7)	(4.2)	(13.0)
Payment of liability to the Marks & Spencer UK Pension Scheme		(71.9)	(71.9)	(71.9)
Equity dividends paid		(172.3)	(170.2)	(267.8)
Shares issued under employee share schemes		5.4	1.5	44.3
Purchase of own shares held in employee trusts		-	(13.2)	(13.2)
Net cash used in financing activities		**(220.8)**	**(301.4)**	**(511.0)**
Net cash outflow from activities		**(54.1)**	**(84.0)**	**(65.8)**
Effects of exchange rate changes		(1.2)	(0.6)	(1.9)
Opening net cash		195.8	263.5	263.5
Closing net cash		**140.5**	**178.9**	**195.8**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	26 weeks ended 29 Sept 2012 £m	26 weeks ended 1 Oct 2011 £m	52 weeks ended 31 March 2012 £m
Opening net debt		**(1,857.1)**	**(1,900.9)**	**(1,900.9)**
Net cash outflow from activities		(54.1)	(84.0)	(65.8)
(Decrease)/increase in current financial assets		(129.4)	(65.6)	44.8
Decrease in debt financing		18.9	81.9	138.4
Partnership liability to the Marks & Spencer UK Pension Scheme (non-cash)		(606.0)	-	(71.9)
Exchange and other non-cash movements		(2.0)	(2.7)	(1.7)
Movement in net debt		**(772.6)**	**(70.4)**	**43.8**
Closing net debt	13	**(2,629.7)**	**(1,971.3)**	**(1,857.1)**

The notes on pages 22 to 27 form an integral part of this condensed consolidated interim financial information.

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1 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 31 March 2012 is an extract from the published Annual Report and Financial Statements which were approved by the board of Directors on 21 May 2012, 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 of the Companies Act 2006.

2 Basis of preparation

The financial information has been prepared in accordance with the Disclosure and Transparency rules of the Financial Services Authority and with International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' as adopted by the European Union. This condensed consolidated interim information should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 March 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 31 March 2012 and the half year ended 1 October 2011 are consistent with the Group's annual financial statements and half year financial statements respectively, with the exception of the segmental information (note 3) which has been re-presented following a change in presentation for internal management reporting purposes.

Accounting policies

The results for the first half of the financial year have not been audited and are prepared on the basis of the accounting policies set out in the Group's 2012 Annual Report and Financial Statements, except as described below.

- Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

- Inventories are valued on a weighted average cost basis and carried at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

There are no new standards or amendments to standards which are mandatory for the first time for the financial year beginning 1 April 2012, and that will have a material impact on the results or net assets of the Group.

The directors believe that the underlying profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The underlying profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with underlying profit measures used by other companies. The adjustments made to reported profit before tax are to exclude the following:

• profits and losses on the disposal of properties;
• significant and one-off impairment charges that distort underlying trading;
• costs relating to strategy changes that are not considered normal operating costs of the underlying business; and
• non-cash fair value movements in financial instruments.

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 facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

3 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 executive directors. The executive directors review 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 executive directors.

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

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-underlying items from the operating segments. Central costs are all classified as UK costs and presented within UK operating profit. The executive directors also monitor revenue within the segments. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segments by subcategory.

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

	26 weeks ended 29 September 2012		
	Management	Adjustment[2]	Statutory
	£m	£m	£m
General Merchandise	1,917.7	(0.9)	1,916.8
Food	2,283.6	-	2,283.6
UK revenue	4,201.3	(0.9)	4,200.4
Franchised	186.8	-	186.8
Owned	310.0	-	310.0
International revenue	496.8	-	496.8
Group revenue	4,698.1	(0.9)	4,697.2
UK operating profit [1]	300.5	(7.3)	293.2
International operating profit	54.4	-	54.4
Group operating profit	354.9	(7.3)	347.6
Finance income	13.5	-	13.5
Finance costs	(71.6)	-	(71.6)
Profit before tax	296.8	(7.3)	289.5

[1] UK operating profit includes a contribution of £33.2m (last half year £25.9m and last full year £50.7m) in respect of fees received from HSBC in relation to M&S Bank (previously M&S Money). M&S Bank (a subsidiary of HSBC), in common with the UK Banking Industry, has potential exposure to claims for mis-selling of Payment Protection Insurance (PPI). Any provision for PPI claims is recognised if appropriate in the accounts of M&S Bank and movements in this provision could impact the fee the Group receives from HSBC. At 29 September 2012 the impact of such future claims cannot be reliably estimated and therefore no additional provision beyond that made in the audited accounts of M&S Bank at 31 December 2011 has been recognised by M&S Bank and therefore by the Group. The impact of any additional provision is not expected to be material in the context of the Group's results.

[2] Adjustments to revenue relate to revenue deductions recognised in cost of sales for management accounting purposes. Management profit excludes impairment charges, non-cash fair value movements in financial instruments and costs relating to strategic changes that are not considered normal operating costs of the underlying business (see note 4).

	26 weeks ended 1 October 2011		
	Management (Restated)[3]	Adjustment (Restated)[3]	Statutory
	£m	£m	£m
General Merchandise	1,967.7	(1.4)	1,966.3
Food	2,207.6	-	2,207.6
UK revenue	4,175.3	(1.4)	4,173.9
Franchised	178.4	-	178.4
Owned	326.3	(1.1)	325.2
International revenue	504.7	(1.1)	503.6
Group revenue	**4,680.0**	**(2.5)**	**4,677.5**
UK operating profit [1]	310.6	(3.8)	306.8
International operating profit	58.7	-	58.7
Group operating profit	**369.3**	**(3.8)**	**365.5**
Finance income	16.2	9.1	25.3
Finance costs	(70.3)	-	(70.3)
Profit before tax	**315.2**	**5.3**	**320.5**

3 Segmental Information (continued)

	52 weeks ended 31 March 2012		
	Management (Restated)[3]	Adjustment (Restated)[3]	Statutory
	£m	£m	£m
General Merchandise	4,197.3	(2.2)	4,195.1
Food	4,673.1	-	4,673.1
UK revenue	8,870.4	(2.2)	8,868.2
Franchised	379.4	-	379.4
Owned	689.4	(2.7)	686.7
International revenue	1,068.8	(2.7)	1,066.1
Group revenue	**9,939.2**	**(4.9)**	**9,934.3**
UK operating profit [1]	676.6	(18.6)	658.0
International operating profit	133.4	(44.9)	88.5
Group operating profit	**810.0**	**(63.5)**	**746.5**
Finance income	32.7	15.6	48.3
Finance costs	(136.8)	-	(136.8)
Profit before tax	**705.9**	**(47.9)**	**658.0**

[3] Following a change in the presentation of internal reporting, management revenue and the corresponding adjustments that reconcile to statutory revenue have been re-presented. Certain revenue deductions (such as staff discounts and loyalty points) that were previously recognised in management cost of sales are now recognised in management revenue to align with statutory accounting. There have been no changes to the reported segments.

Sales of General Merchandise and Food are subject to seasonality due to higher demand during the Christmas period which falls in the second half of the financial year.

Reportable segments' assets are reconciled to total assets as follows:

	As at 29 Sept 2012	As at 1 Oct 2011	As at 31 March 2012
	£m	£m	£m
UK assets	6,327.4	6,426.2	6,247.1
International assets	1,127.4	1,091.9	1,026.2
Total assets	**7,454.8**	**7,518.1**	**7,273.3**

4 Non-GAAP performance measures

The adjustments made to reported profit before tax are income and charges that are one-off in nature, significant and distort the Group's underlying performance. These adjustments include:

- IAS 39 fair value movement of the embedded derivative in a lease contract based upon the expected future RPI versus the lease contract in which rent increases are capped at 2.5%, with a floor of 1.5%;
- Strategic programme costs relate to the strategy announcements made in November 2010 and include the costs associated with the Focus on the UK plans. This includes brand segmentation and business integration costs, asset write-offs and accelerated depreciation. These costs are not considered normal operating costs of the business;
- IAS 36 impairment of assets - last year, the carrying value of the Marks and Spencer Marinopolous B.V. goodwill was fully impaired to reflect its recoverable value and the net book value of property, plant and equipment in loss making stores in the Greece group were impaired due to the continuing decline of the Greek economy; and
- IAS 39 fair value movement on the Czech put option - last year the put option value was revised to nil to reflect the latest three year business plan.

The adjustments made to reported profit before tax to arrive at underlying profit are:

	26 weeks ended		52 weeks ended
	29 Sept 2012	1 Oct 2011	31 March 2012
	£m	£m	£m
IAS 39 Fair value movement of embedded derivative	(5.2)	(1.4)	(0.2)
Strategic programme costs	(2.1)	(2.4)	(18.4)
IAS 36 Impairment of assets	-	-	(44.9)
IAS 39 Fair value movement of financial instrument	-	9.1	15.6
	(7.3)	**5.3**	**(47.9)**

5 Finance income/costs

	26 weeks ended		52 weeks ended
	29 Sept 2012	1 Oct 2011	31 March 2012
	£m	£m	£m
Bank and other interest receivable	3.3	3.8	7.1
Pension finance income (net)	10.2	12.4	25.6
Underlying finance income	**13.5**	**16.2**	**32.7**
Fair value movement on financial instrument	-	9.1	15.6
Finance income	**13.5**	**25.3**	**48.3**
Interest on bank borrowings	(0.9)	(4.0)	(5.5)
Interest payable on syndicated bank facility	(3.1)	(0.5)	(3.0)
Interest payable on medium-term notes	(58.2)	(63.9)	(126.4)
Interest payable on finance leases	(1.4)	(1.6)	(0.7)
Unwind of discount on financial instruments	(1.1)	(0.3)	(1.2)
Unwinding of discount on partnership liability to the Marks & Spencer UK Pension Scheme	(6.9)	-	-
Finance costs	**(71.6)**	**(70.3)**	**(136.8)**
Net finance costs	**(58.1)**	**(45.0)**	**(88.5)**

6 Taxation

The taxation charge for the 26 weeks ended 29 September 2012 is based on an estimated full year effective tax rate on underlying profits of 24% (last full year 24.5%).

The tax charge in the income statement is based on management's best estimate of the full year effective tax rate based on expected full year profits to 30 March 2013. The full year effective tax rate includes the impact to the income statement of calculating UK deferred tax balances at the reduced rate of 23%, being the corporation tax rate for the year commencing 1 April 2013, substantively enacted in Finance Act 2012. The impact of this rate change on the interim income statement is a reduction in the half year tax charge of £2.7m.

The Chancellor has stated his intention to further reduce the main corporation tax rate by 1% to 22% by 1 April 2014. This change had not been substantively enacted at the balance sheet date and is, therefore, not included in these financial statements.

7 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 underlying earnings per share figures have also been calculated based on earnings before profits and losses on the disposal of properties, impairment charges, non-cash fair value movements in financial instruments, and costs relating to strategic changes that are not considered normal operating costs of the underlying business (see note 4). These have been calculated to allow the shareholders to gain an understanding of the underlying trading performance of the Group.

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 only one class 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 year.

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

	26 weeks ended		52 weeks ended
	29 Sept 2012	1 Oct 2011	31 March 2012
	£m	£m	£m
Profit attributable to equity holders of the company	227.2	252.4	513.1
(Less)/add (net of tax):			
IAS 39 Fair value movement of embedded derivative	4.0	1.0	0.2
Strategic programme costs	1.6	1.8	13.8
IAS 36 Impairment of assets	-	-	39.6
IAS 39 Fair value movement of financial instrument	-	(9.1)	(15.6)
Underlying profit attributable to the equity share holders of the company	**232.8**	**246.1**	**551.1**
	million	million	million
Weighted average number of ordinary shares in issue	**1,596.3**	**1,575.6**	**1,579.3**
Potentially dilutive share options under Group's share option schemes	9.5	14.9	12.9
Weighted average number of diluted ordinary shares	**1,605.8**	**1,590.5**	**1,592.2**
	pence	pence	pence
Basic earnings per share	14.2	16.0	32.5
Diluted earnings per share	14.1	15.9	32.2
Underlying basic earnings per share	14.6	15.6	34.9
Underlying diluted earnings per share	14.5	15.5	34.6

8 Dividends

	26 weeks ended		52 weeks ended
	29 Sept 2012	1 Oct 2011	31 March 2012
	£m	£m	£m
Final dividend of 10.8p per share (last year 10.8p per share)	172.3	170.2	170.2
Prior period interim dividend of 6.2p per share	-	-	97.6
	172.3	**170.2**	**267.8**

The directors have approved an interim dividend of 6.2p per share (last half year 6.2p per share) which, in line with the requirements of IAS 10 - 'Events after the Reporting Period', has not been recognised within these results. This results in an interim dividend of £99.0m (last half year £97.6m) which will be paid on 11 January 2013 to shareholders whose names are on the Register of Members at the close of business on 16 November 2012. The ordinary shares will be quoted ex dividend on 14 November 2012. Shareholders may choose to take this dividend in shares or in cash.

9 Retirement benefits

	26 weeks ended		52 weeks ended
	29 Sept 2012	1 Oct 2011	31 March 2012
	£m	£m	£m
Opening net retirement benefit asset	**78.0**	**168.5**	**168.5**
Current service cost	(32.8)	(29.7)	(56.7)
Curtailment charge	-	(1.0)	(1.0)
Interest cost	(136.8)	(139.4)	(281.8)
Past service cost	0.5	-	-
Expected return on scheme assets	147.0	151.8	307.4
Employer contributions	30.6	65.8	131.9
Actuarial gain/(loss)	52.9	5.4	(189.9)
Exchange movement	(0.4)	(0.2)	(0.4)
Closing net retirement benefit asset	**139.0**	**221.2**	**78.0**
Total market value of assets	6,324.1	5,724.9	6,186.4
Present value of scheme liabilities	(6,171.3)	(5,489.9)	(6,095.1)
Net funded pension plan asset	152.8	235.0	91.3
Unfunded retirement benefits	(0.8)	(0.9)	(0.8)
Post-retirement healthcare	(13.0)	(12.9)	(12.5)
Net retirement benefit asset	**139.0**	**221.2**	**78.0**
Analysed in the statement of financial position as:			
Retirement benefit asset	152.8	235.0	91.3
Retirement benefit deficit	(13.8)	(13.8)	(13.3)
Net retirement benefit asset	**139.0**	**221.2**	**78.0**

Financial assumptions

The main financial assumptions used to assess the liabilities of the scheme have been updated by independent qualified actuaries to assess the liabilities of the scheme. The most significant of these are the discount rate and the inflation rate which are 4.3% (last full year 4.6%) and 2.6% (last full year 3.1%) respectively. The inflation rate of 2.6% 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 1.8% (last full year 2.1%) has been used.

The amount of the surplus varies if the main financial assumptions change, particularly the discount rate. If the discount rate increased / decreased by 0.1% the IAS 19 surplus would increase by c.£112m and decrease by c.£114m (last half year increase/decrease c.£90m, last full year increase/decrease c.£110m). If the inflation rate increased by 0.1%, the IAS 19 surplus would decrease by c.£92m (last half year c.£60m, last full year c.£75m) and if the inflation rate decreased by 0.1%, the IAS 19 surplus would increase by c.£94m (last half year c.£60m, last full year c.£65m).

10 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). As such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.5bn of properties which have been leased back to Marks and Spencer plc at market rates. The Group retains control over these properties, including the flexibility to substitute alternative properties. The limited partnership interest (held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive an annual distribution of £71.9m from the profits of the Partnership earned from rental income.

In 2009 it was agreed with the Trustee that this distribution was discretionary at the instance of Marks and Spencer plc. The discretionary right was exercisable if the Group did not pay a dividend or make any other form of return to its shareholders. On this basis, the future value of total discretionary scheduled payments was an equity instrument, disclosed within other reserves.

On 21 May 2012 the Group changed the terms of the Partnership to waive the Group's limited discretionary right over the annual distributions from the Partnership to the Pension Trustee. This brought discussions with the Financial Reporting Review Panel (FRRP), that had been ongoing since February 2010, to a close.

The change has been reflected by the de-recognition of the related equity instruments and recognition of a financial liability. The financial liability has been initially measured at fair value of £606.0m, representing the present value of the remaining ten years of distributions of £71.9m per annum. The difference between the value of the derecognised equity instrument of £427.9m and the fair value of the liability has been recognised in equity in accordance with IAS 32. The change has no impact on the cash flows of the Group.

During the period to 29 September 2012 an interest charge of £6.9m was recognised in the income statement representing the unwinding of the discount included in this obligation.

Under IAS 19, the partnership interest of the Pension Scheme in the Marks and Spencer Scottish Limited Partnership is included within the UK pension scheme assets, valued at £624.5m (last full year £664.8m). The market value of this non-quoted financial asset is measured based on the expected cash flows and benchmark asset-backed credit spreads.

11 Capital expenditure and contingencies

A Capital expenditure

Additions to the cost of property, plant and equipment, investment property and intangible assets are £316.2m (last half year £254.5m) and for the year ended 31 March 2012 were £737.5m. Disposals in net book value of property, plant and equipment, investment property and intangible assets are £0.6m (last half year £0.7m) and for the year ended 31 March 2012 were £8.6m.

B Capital commitments

	As at 29 Sept 2012 £m	As at 1 Oct 2011 £m	As at 31 March 2012 £m
Commitments in respect of properties in the course of construction	**48.2**	**65.6**	**71.4**

C Other material contracts

In the event of a material change in the trading arrangements with certain warehouse operators, the Group has a commitment to purchase 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 10 for details on the partnership arrangement with the Marks & Spencer UK Pension Scheme.

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

	26 weeks ended		52 weeks ended
	29 Sept 2012 £m	1 Oct 2011 £m	31 March 2012 £m
Cash flows from operating activities			
Profit on ordinary activities after taxation	220.0	242.8	489.6
Income tax expense	69.5	77.7	168.4
Finance costs	71.6	70.3	136.8
Finance income	(13.5)	(25.3)	(48.3)
Operating profit	**347.6**	**365.5**	**746.5**
Increase in inventories	(166.0)	(149.1)	(0.1)
Increase in receivables	(23.2)	(18.2)	(17.1)
Payments to acquire leasehold properties	-	(1.2)	(1.2)
Increase in payables	62.0	96.4	103.4
Non-underlying operating cash outflow	(3.8)	(5.5)	(22.9)
Depreciation, amortisation and asset write-offs	223.8	228.6	479.7
Share-based payments	20.3	22.4	32.5
Pension costs charged against operating profit	32.3	30.7	57.7
Cash contributions to pension schemes	(30.6)	(46.8)	(89.9)
Non-underlying operating profit items (see note 4)	7.3	3.8	63.5
Cash generated from operations	**469.7**	**526.6**	**1,352.1**

13 Reconciliation of net debt to statement of financial position

	As at 29 Sept 2012 £m	As at 1 Oct 2011 £m	As at 31 March 2012 £m
Statement of financial position and related notes			
Cash and cash equivalents	144.5	389.7	196.1
Current financial assets	130.7	150.0	260.5
Bank loans and overdrafts	(365.1)	(286.4)	(38.7)
Medium term notes - net of hedging derivatives	(1,942.9)	(2,229.4)	(2,181.8)
Finance lease liabilities	(62.9)	(75.6)	(65.5)
Partnership liability to the Marks & Spencer UK Pension Scheme	(612.9)	-	(71.9)
	(2,708.6)	(2,051.7)	(1,901.3)
Interest payable included within related borrowing	78.9	80.4	44.2
Total net debt	**(2,629.7)**	**(1,971.3)**	**(1,857.1)**

14 Related party transactions

Supplier transactions occurred during the period between the Group and a company controlled by a close family member of Kate Bostock, a former executive director of the Group. These transactions amounted to £6.5m during the period (last half year £6.1m) with an outstanding trade payable of £2.8m at 29 September 2012 (last half year £2.4m). The company was a supplier prior to Kate's employment by the Group.

Supplier transactions occurred during the period between the Group and a company controlled by Martha Lane Fox's partner. Martha is a non-executive director of the Group. These transactions amounted to £0.9m during the period (last half year £0.5m) with an outstanding trade payable of £nil at 29 September 2012 (last half year £0.1m).

Independent review report to Marks and Spencer Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 September 2012, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Services Authority.

As disclosed in note 2, 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. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 enquiries, 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 Ireland) 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 26 weeks ended 29 September 2012 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 Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 November 2012