

17 April 2012

MARKS AND SPENCER GROUP PLC  
QUARTER 4 2011/12 TRADING STATEMENT  
13 weeks to 31 March 2012

'Continued progress in a challenging market'

- Group sales +0.8%
- Total UK sales +1.2%: Food +3.1%; GM -1.2% (Clothing -0.3%, Home -7.5%)
- Like for like UK sales -0.7%: Food +1.0%; GM -2.8%
- Direct sales +22.8%
- International sales -2.0%

**Marc Bolland, Chief Executive said:**

"Marks & Spencer continued to make progress in a challenging market. Group sales grew by 0.8%, and UK sales grew by 1.2%. Our Food business has again performed well, especially in healthy food, whilst the General Merchandise performance was more mixed.

"Direct had another strong quarter with sales up 22.8% through a number of new initiatives delivering an improved customer shopping experience.

"Strategic international markets, including India and China, delivered double digit growth but we continue to experience macro-economic pressure and restructuring in some parts of Europe.

"We have continued to manage costs tightly, and are confident of delivering full year profits in line with expectations. While the short term trading outlook continues to be challenging, we are focused on investing in line with our plan and are making strong progress against our goal of becoming an international, multi-channel retailer."

**Trading summary**

In Food, we performed well in a very competitive market and against tough comparatives. We continued our focus on innovation launching c.500 new products in the quarter. Our promotions provided our customers with great value solutions for special times of the year such as Valentine's Day Dine In, which was our record one to date. We held the highest share of the market for healthy eating through the quarter with our Simply Fuller Longer range as the market leader.

In Clothing, menswear, lingerie and kidswear performed strongly. In womenswear our performance was mixed, with some key areas trading well. However, we performed less well in other areas where we were short of stock in a number of best-selling lines. We are taking steps to address this by strengthening our merchandising capabilities. We managed stock very tightly, resulting in less stock going into our mid-season sale. We have had a good start to our new Spring/Summer launch, with our new ad campaign appealing to a broad customer base.

In Home we were pleased with the performance of our key home departments of kitchens, bedrooms and bathrooms. Sales were almost entirely impacted by our decision to withdraw from technology.

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M&S Direct delivered a strong performance with sales up 22.8%, ahead of the market. We launched a number of new initiatives aimed at improving our customers' shopping experience, including M&S Outlet on-line store which has been very popular with our customers.

Our strategic International markets in India, China and the Gulf continued to trade strongly and our newly opened flagship store in Paris performed ahead of expectations. However, International sales performance was impacted by continued macro-economic weakness in the Republic of Ireland and Greece, and the announced restructuring of our Central European business.

The pilot stores in the UK are performing well and customers have responded favourably to the improvements. Having thoroughly tested the new concepts, and by focusing on strong management of capital investment, we now plan to roll it out to the remainder of our estate, with no reduction in scope, for £100m less than the previous guidance of £600m. Our target completion date for the roll-out by mid 2013 remains unchanged.

### **Guidance**

We have continued to manage costs tightly, identifying further cost savings in the second half of the year. We are confident of delivering 2011/12 profits in line with expectations.

Guidance for financial year 2012/13:

- Gross margin is expected to be 0 to 25bps up.
- Operating costs are expected to increase 3 to 5% as a result of increased space growth, depreciation, inflation and growth initiatives, offset by underlying savings.
- The planned opening of new footage will add c. 3% to UK and c. 20% to International space.
- Group capital expenditure is expected to be around £825m reflecting efficiencies identified in the UK store update programme.
- Effective tax rate is expected to be 24%.
- Pension finance income (non-cash) is expected to be c. £10m lower than last year.

Marks and Spencer Group plc will report its full year results for 52 weeks ending 31 March 2012, on 22 May 2012.

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

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**Investors & Analysts Conference Call:**

This will be hosted by Marc Bolland at 08:15am on Tuesday 17 April 2012:

Dial in number: +44 (0)207 190 1530

A recording of this call will be available until 27 April 2012:

Dial in number: +44 (0)207 959 6720

Access Code: 4524627#

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