2013/14 Half Year Results

Marc Bolland

Chief Executive

Agenda

1. Review of first half performance

2. Financial performance

3. Progress against the plan

Q2 2013/14: Overview

- Group sales +3.8%
- Total GM +0.3%
- Total Food +6.0%
- International +7.4%
- Multi-channel +27.2%
- H1 underlying profit down, statutory profit flat
- Interim dividend maintained

➡ Progress in all business areas

Numbers shown on constant currency basis

General merchandise

- Q1 LFL -1.6% → Q2 LFL -1.3%

- AW13 collection well received
- Re-launched Womenswear in September
- Step by step progression

➔ Early signs of improvement

Food

- Q1 LFL +1.8% → Q2 LFL +3.2%
- Continued market outperformance

- Leading in innovation
- Strong improvement in choice
- Unique quality and provenance

→ Strategy is working

International

- H1 sales +8.0%
- Priority markets in double digit growth
- Franchise business growing strongly
- Improvement in Europe

➡ Good International performance

M&S.com

Only at YOUR M&S

- H1 sales +28.5% (market +16.8%)
- Outperformed the market by c.12ppts
- Traffic to the site +13%
- Shop Your Way 55% of orders
- Sales from mobile devices +72%

➡ Strong progress in M&S.com

2013/14 Half Year - Financial results

Alan Stewart

Chief Financial Officer

Group financial highlights

	TY	vs. LY
Revenue	£4.9bn	+3.6 %
Underlying PBT	£262m	-8.9%
Statutory PBT	£281m	+0.2%
Underlying EPS	13.5p	-4.3%
Dividend	6.2p	LY 6.2p
Net Debt	£2.79bn	LY £2.63bn

Note: Results are stated on a constant currency basis and prior year comparatives are restated for the impact of changes to IAS19.

Divisional performance

	TY £m	LY £m	VAR %
REVENUE	**4,881**	**4,697**	**+3.9**
UK	4,329	4,200	+3.1
INTERNATIONAL	552	497	+11.2
OPERATING PROFIT	**321**	**353**	**-9.1**
UK	270	299	-9.7
INTERNATIONAL	51	54	-6.1

Note: Results are stated before non-underlying items, and prior year comparatives are restated for the impact of changes to IAS19

GM gross margin

H1	H2
52.2%, down 100bps	Planned for higher margin
Planned H1/H2 weighting	One off impacts reverse
Input price neutral	Markdown management
Promotional activity lower	Continued focus on full price
One off impacts of A/W - Clearance pre launch - Timing of sale	

Food gross margin

- 32.5%, up 50bps
- Commodity price inflation
- Promotional effectiveness
- Improved buying

Full year gross margin guidance

- Guidance 30-50bps growth
- GM: up 0-30bps
- Food: up 50-60bps
- Overall UK margin guidance unchanged

UK operating costs

	TY £m	LY £m	Var %
Retail Staffing	479	446	+7.3
Retail Occupancy	511	499	+2.6
Distribution	207	189	+9.5
Marketing & Related	70	79	-12.5
Support	279	272	+2.5
Total	**1,546**	**1,485**	**+4.1**
Double running costs	(15)	-	-
Total excluding DRC	**1,531**	**1,485**	**+3.1**

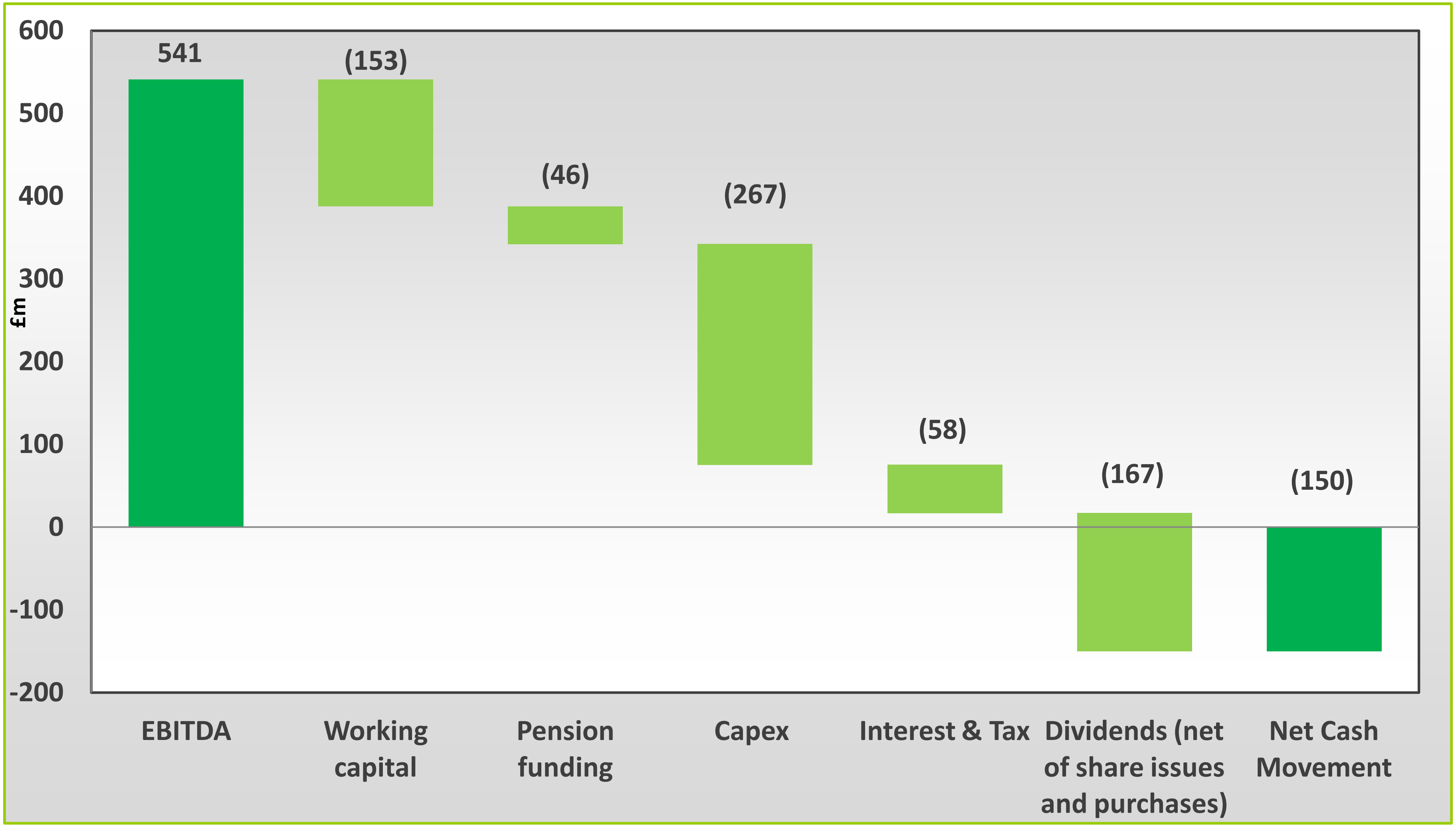
Note: Results are stated before non-underlying items and prior year comparatives are restated for the impact of changes to IAS19

International

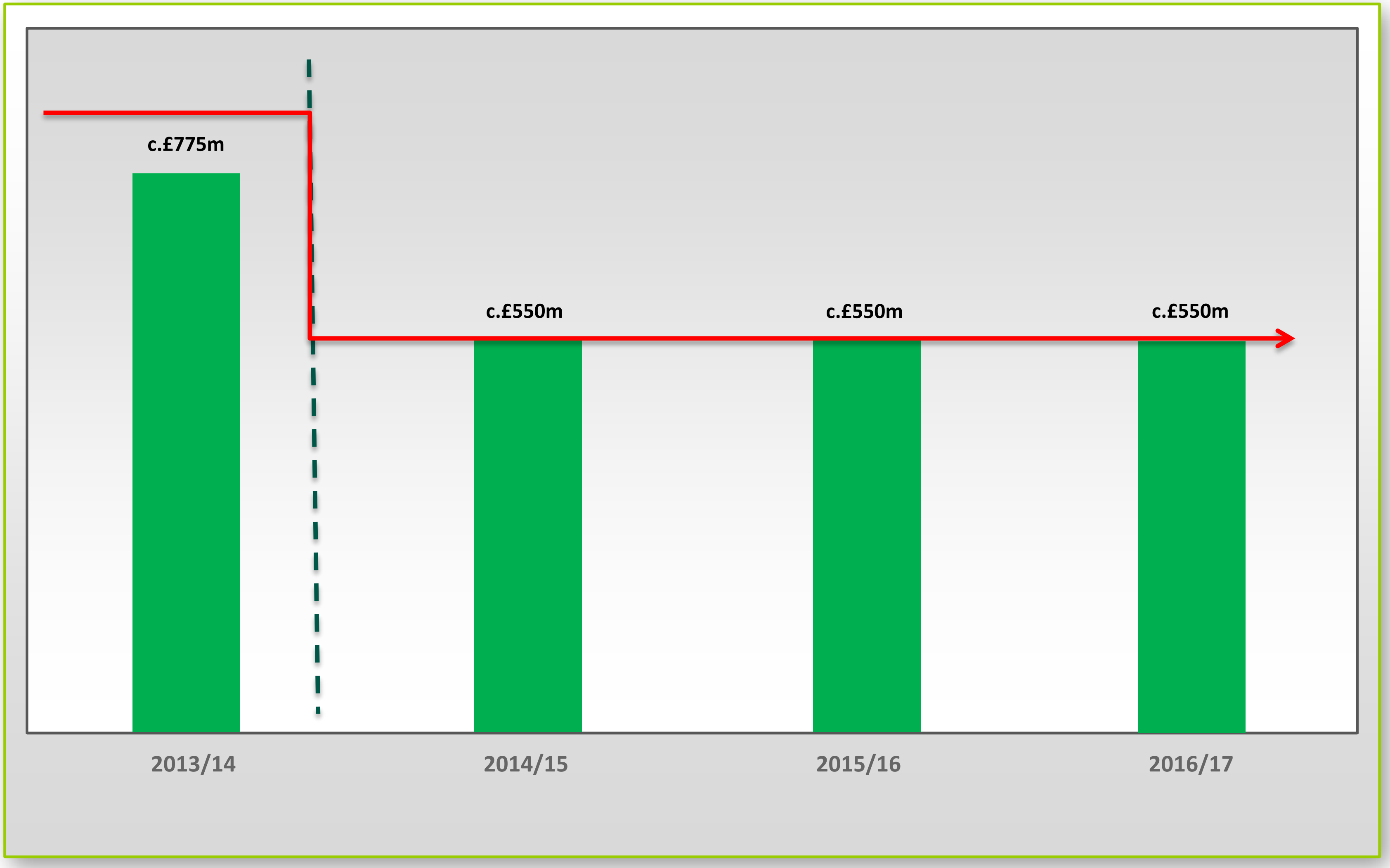
	TY £m	LY £m	Var %	Constant Currency Var %
Revenue	**552**	**497**	**+11.2**	**+8.0**
Europe	291	272	+6.9	+2.1
Middle East	123	111	+11.4	+11.7
Asia	138	114	+21.1	+19.1
Operating Profit	**51**	**54**	**-6.1**	**-6.2**
Europe	1	6	-85.4	-85.4
Middle East	35	33	+9.3	+9.7
Asia	15	15	Level	-6.1

Note: Results are stated before non-underlying items

Cash flow - Movement in net debt



Capital expenditure: 14/15 onwards



IT and Supply Chain update

- EDC ramp up on track
- UK logistics network development on track
- New web platform to launch Spring 2014
- GM commercial systems roll out commenced
- Food systems exploitation

Balance sheet and financing

- Net debt at £2.79bn (LY: HY £2.63bn)
- IAS19 pension surplus of £113m (LY: FY £236m)
- Credit metrics remain strong
- Fixed charge cover 3.4x
- Average interest rate 5.4% (LY 6.1%)

Summary

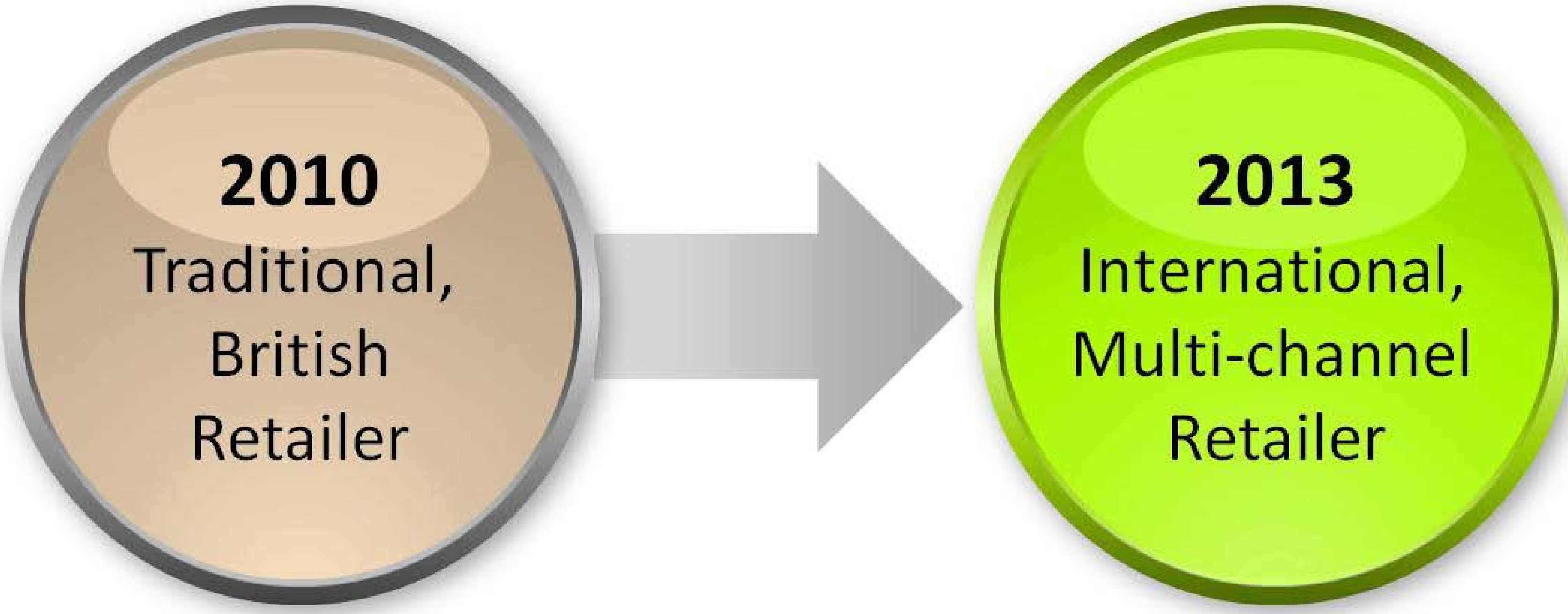
- Transformation programme on track
- Overall expectations for the year unchanged
- Strong balance sheet
- Disciplined approach to capital expenditure
- Improving free cashflow

Progress in transforming the business

Marc Bolland

Chief Executive

Transforming the business



Transforming the business: End 2013/14

Specialist positioning on **food**

Clearer **sub-brands**

Strong **organisation**

‘Concept’ **stores**

New **systems**

M&S.com as flagship
& EDC

New **supply chain**

International capability

2013/14 key priorities

- Food: Drive availability to 5%
- GM: Execute womenswear plan
- Stores: Complete store environment roll out
- M&S.com: Deliver new platform & EDC at capacity

Transformation - Food

Specialist positioning on **food**

- Successfully executed November 2010 strategy
- Improved availability +5%
- Greater choice +20%
- Customer satisfaction score at a record high +18%
- New growth opportunities UK: 150 new stores

  International: Western Europe

Transformation - GM

Execute womenswear plan:

1. Reassert leadership in quality
2. Drive aspiration, style and fashionability
3. Collections with clear and compelling sub-brands

Transformation - sub-brands

Clearer **sub-brands**

- M&S Collection launched
- Clear brand architecture

Transformation - Concept stores phase 2

"It looks much more modern."

"I walked through the store and thought wow."

'Concept' **stores** phase 2

- New more inspiring environment launched
- Customer perception +8% versus control

"It definitely feels better in here than it used to."

"It's easier to shop."

Transformation - M&S.com

- New web platform on track for Spring 2014
- EDC ramp up is on track

M&S.com as flagship & EDC

Summary

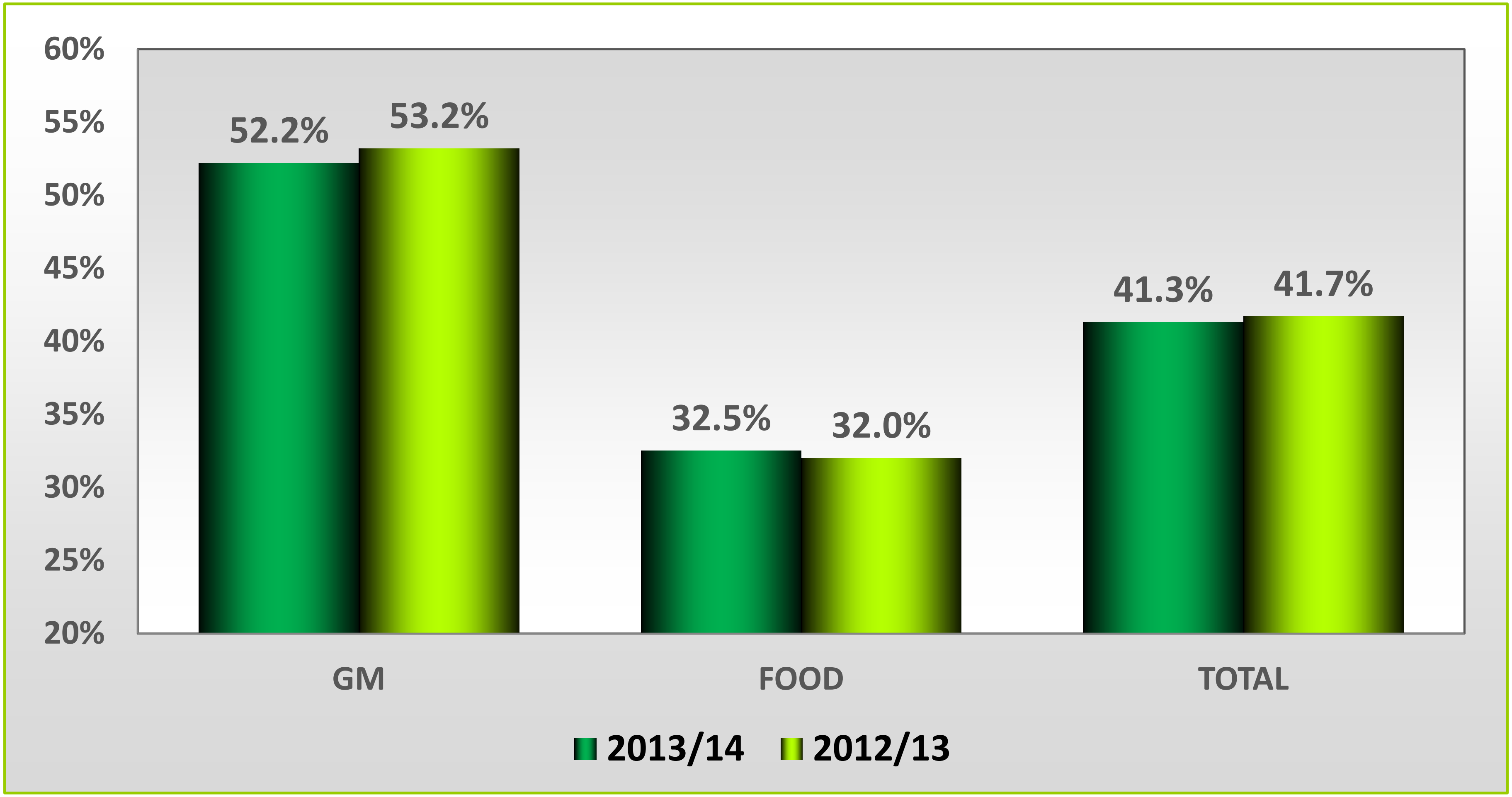
- Strong performance in Food, International and M&S.com
- Early signs of improvement in General Merchandise
- High level of key transformation projects landing this year
- Underlying profit down
- Interim dividend maintained
- Significant reduction in capex from next year confirmed
- Well set up for Christmas

APPENDICES

UK sales

	TY £m	LY £m	Var %
Clothing	1,748	1,739	+0.5
Home	177	178	-0.6
General Merchandise	**1,925**	**1,917**	**+0.4**
Food	**2,404**	**2,284**	**+5.3**
Total UK	**4,329**	**4,200**	**+3.1**

UK gross margin



International

	TY £m	LY £m	Var %	Constant Currency Var %
Revenue	**552**	**497**	**+11.2**	**+8.0**
Owned	350	310	+13.1	+7.9
Franchised	202	187	+8.1	+8.2
Operating Profit	**51**	**54**	**-6.1**	**-6.2**
Owned	-8	5	N/A	N/A
Franchised	59	49	+18.8	+19.1

Note: Results are stated before non-underlying items

Stores and space

	Sep 2013	Mar 2013	Openings	Closures	Change
UK					
Premier	12	12			
Major	59	59			
High Street	230	228	2		2
Simply Food Owned	181	176	6	-1	5
Simply Food Franchised	252	243	10	-1	9
Outlets	48	48			
UK Stores	**782**	**766**	**18**	**-2**	**16**
Selling Space (m sq ft)	16.5	16.4			
International					
Europe	148	155	3	-10	-7
Middle East	148	137	14	-3	11
Asia	135	126	9		9
International Stores	**431**	**418**	**26**	**-13**	**13**
Selling Space (m sq ft)	5.6	5.4			