

Issued: 9 January 2013

**MARKS AND SPENCER GROUP PLC
QUARTER 3 2012/13 INTERIM MANAGEMENT STATEMENT
13 weeks to 29 DECEMBER 2012**

- Group sales +0.6% *
- Total UK sales +0.3%:Food +2.7%; GM –2.2%
- Like for like UK sales -1.8%:Food +0.3%; GM –3.8%
- Multi-channel sales +10.8%
- International sales +4.1% *

Marc Bolland, Chief Executive said:

“Our Food business has performed very well with record sales over the key Christmas trading period. Our General Merchandise performance is not yet satisfactory but we are confident that the steps being taken by the new management team will address this.

“Our plan is to transform Marks & Spencer from a traditional UK retailer to an international multi-channel retailer. We are making good progress against this plan.

“We are pleased with our Multi-channel and International performance.

“I’d like to thank all of our colleagues for their exceptional hard work and commitment over the busy Christmas period.”

Trading summary

Our Food business continued to perform strongly. Over the two key Christmas trading weeks we had record sales of nearly £330m and outperformed the market by c. 4%. Our strategy to focus on innovation worked, with over 700 new products launched during the quarter giving customers all the ingredients for a special M&S Christmas.

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

Our like-for-like sales for the 14 weeks to 5 January, which includes New Year's trading on a comparable basis, were up 0.9%. Looking at our two year performance we have now delivered growth of +7.3%. In an inflationary market, we held our average prices level on last year, giving customers great value at a time when they are managing their budgets carefully.

In a challenging and highly promotional General Merchandise market, we delivered fewer but more targeted promotions, with a focus on full price sales. As a result we offered customers great value at M&S quality, whilst protecting our gross margin. The new General Merchandise management team, which started recently, has managed stocks tightly, resulting in slightly less stock into the Christmas sale, and a clean position at the end of the quarter. Our Spring/Summer season which launches in stores this week has been well received by the fashion press, and as previously announced, the new team's first seasonal collection will be in store from July with the launch of our new Autumn/Winter collection.

Multi-channel performed well despite tough comparatives with sales up 10.8%. We launched free next day store collection as part of our drive to improve our service for our customers. Sales from mobile devices were up over 90% and Christmas Food to Order was up 5%. The new e-commerce distribution centre and the new web platform are on track to launch in April 2013 and Spring 2014 respectively.

Our key International markets in India and China continued to trade well, however, international sales overall were impacted by currency translation as well as continued macro-economic weakness in the Republic of Ireland and Greece and the on-going restructuring of our Central European business.

Financing

Over the last quarter we have made good progress with our financing activities.

On 28 November 2012 the Company announced the outcome of the triennial actuarial valuation as at 31 March 2012. This resulted in a funding deficit of £290m, a substantial reduction from £1.3bn as at 31 March 2009. As a result, we agreed a reduction in the

annual cash contributions as part of the 10 year funding plan, saving £245m of which £153m will fall in the next four years.

On 12 December 2012 we issued £400m of 12.5 year bonds at a rate of 4.75%. The bonds were significantly over-subscribed and priced below the group's average cost of debt of c.6%. In December 2007 the group issued £250m of 30 year puttable callable bonds which included a coupon rate reset after five years based on a fixed underlying 25 year interest rate. On this basis the rate was reset at 9%. In light of continued low long-term market interest rates and the successful bond issuance in December, the group has decided to buy back and cancel these bonds which will result in a one-off non underlying finance charge of c. £75m in the current financial year.

The new £400m 4.75% bond provides sufficient liquidity to manage forthcoming debt maturities over the next four years and maintains the group's average debt maturity at c.9 years.

Guidance

Gross margin guidance remains unchanged, at towards the top end of the 0 to +25bps range. We have continued with our strong focus on cost control, and now expect cost growth to be around 2% partly offsetting the General Merchandise performance.

Outlook

We expect the pressure on consumers' disposable incomes to continue in 2013. As a result we remain cautious about the outlook for the year ahead. Our plan is to transform Marks & Spencer from a traditional UK retailer to an international multi-channel retailer. We are making good progress against this plan.

Marks and Spencer Group plc will report its fourth quarter trading statement on 11 April 2013.

** Stated on constant currency basis. International sales at actual currency were level year on year as a result of the weakening Euro exchange rate.*

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.

For further information, please contact:

Investor Relations:

Majda Rainer	+44 (0)20 8718 1563
Richard Harris	+44 (0)20 8718 9688

Corporate Press Office:	+44 (0)20 8718 1919
Out of hours calls:	+44 (0)20 8718 2000

- Ends -