

Issued: 8 January 2015

## Press Release

# MARKS AND SPENCER GROUP PLC QUARTER 3 2014/15 INTERIM MANAGEMENT STATEMENT 13 WEEKS TO 27 DECEMBER 2014

### 'Very good Christmas in Food, difficult quarter in GM'

Marks & Spencer made good progress in three of its four key priorities for the year:

#### 1) Food growth

- Great quarter with strong outperformance of the market: sales +2.8%; +0.1% LFL
- Record sales, +17% in the key Christmas week
- New stores performing well and store opening programme on track

#### 2) Womenswear performance

- Difficult quarter for General Merchandise: sales -5.4%, LFL -5.8%
- Clothing sector performance impacted by unseasonal conditions in October and November
- Disruption at our Castle Donington distribution centre affected performance in December

#### 3) General Merchandise gross margin improvement

- Good progress on gross margin: guidance unchanged at +150 to +200bps
- Slightly lower discounting driven by December

#### 4) Cash generation

- Improved operating costs performance: guidance improved from c.+3.5% to c.+2.0%
- Continued tight control of costs and capital expenditure

#### Marc Bolland, Chief Executive, said:

"M&S had a very good Christmas in Food. We delivered record Christmas sales, strongly outperforming the market. We had a difficult quarter in General Merchandise, dominated by unseasonal conditions and an unsatisfactory performance in our e-commerce distribution centre. We maintained our focus on General Merchandise gross margin, with guidance unchanged.

"I'd like to thank all of our colleagues for their exceptional hard work and commitment over the key Christmas period."

## Trading summary

Our Food business delivered another excellent quarter, significantly outperforming the market by c.3% pts. We saw record sales over the festive period, up 17% in the key Christmas week. Customers once again turned to us for our highly differentiated food offer, combining the best of quality, seasonal speciality and convenience, all at competitive prices. We launched nearly 750 new products giving customers more choice than ever, with record results in turkeys, party food, desserts and deli.

Our new website performed well operationally, even through periods of peak demand. Customer metrics including customer satisfaction and conversion continued to improve, resulting in positive sales growth through October and November.

However, disruption at our distribution centre in Castle Donington strongly impacted .com and in turn, GM performance in December. We have already made progress in addressing this and have now returned to our improved delivery proposition.

In General Merchandise, we received positive customer feedback on our Autumn/Winter Womenswear ranges. However, trading in October and November was affected by unseasonal conditions which impacted sales across the clothing sector and resulted in a highly promotional market. We deliberately held back the level of discounting especially in December. While this had an adverse impact on sales we delivered a good performance on gross margin.

Overall International business was heavily impacted by the worsening currency and macro-economic issues across our Middle East and Russia franchise region. However, our owned business performed well with strong performance in key markets such as India.

Third quarter sales	13 weeks to 27 December 2014
Food	+2.8%
- Like-for-like	+0.1%
General Merchandise <sup>1</sup>	-5.4%
- Like-for-like	-5.8%
M&S.com sales <sup>2</sup>	-5.9%
Total UK sales	-1.1%
- Like-for-like	-2.7%
International sales <sup>3</sup>	-5.8%
Group sales <sup>3</sup>	-1.6%

<sup>1</sup>Clothing sales were -4.9%, LFL -5.3%

<sup>2</sup>Memo only

<sup>3</sup>Stated on ex-VAT and constant currency basis. International sales at actual currency were -8.8% and Group sales were -1.9%.

## Outlook

Gross margin guidance remains unchanged at +150bps to +200bps for General Merchandise and +10bps to +30bps for Food. As a result of tight control of costs as well as lower volume growth, we have improved our operating cost guidance from c.+3.5% to c.+2.0%.

All other guidance remains unchanged.

Marks and Spencer Group plc will report its fourth quarter trading results on 2 April 2015.

*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 9am on Thursday 8 January 2015:

Dial in number: +44 (0)20 3427 1905

Access Code: 2395581

A recording of this call will be available until 18 January 2015:

Dial in number: +44 (0)20 3427 0598

Access Code: 2395581

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