

Issued: 7 January 2016

## Press Release

### Marks and Spencer Group Plc Quarter 3 2015/16 Trading Statement 13 Weeks to 26 December 2015

**'Excellent Christmas in Food; GM sales down, gross margin up'**

Update on key priorities:

#### **Food sales – Best ever Christmas**

- An excellent quarter in a highly competitive market: sales +3.7%; +0.4% LFL
- Strong outperformance of the market; record sales, +17% in the key Christmas week

#### **General Merchandise gross margin up significantly**

- Continued improvement in sourcing and decision to hold back from heavy discounting
- Margin guidance upgraded to the top end of the guided range of +200 to +250bps

#### **General Merchandise sales disappointing**

- Sales -5.0%, LFL -5.8% due to unseasonal conditions and availability
- M&S.com sales +20.9% driven by strong customer traffic

#### **Strong cash generation**

- Operating costs guidance improved from c.+4.0% to c.+2.5%
- Ongoing share buyback programme, £111m of shares bought to date

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

"M&S had an excellent Christmas in Food, delivering record Christmas sales and strongly outperforming the market. General Merchandise sales were disappointing. We continued to prioritise gross margin and held back from the heavy discounting seen across the market in the run up to Christmas. As a result we now expect GM gross margin to be at the top end of the guided range.

"I'd like to thank all our colleagues for their hard work and great service over the Christmas period."

## Trading summary

Our Food business had its best ever Christmas, significantly outperforming the market, with record sales over the festive period, up 17% in the key Christmas week. We have now delivered 25 consecutive quarters of LFL sales growth. Our differentiated products, market leading innovation and unrivalled quality made us the destination of choice for customers at this special time of year. We launched over 800 new products, including 400 unique seasonal lines.

In General Merchandise, we faced challenging trading conditions and fell short on availability. Unseasonal weather impacted sales across the clothing sector and resulted in unprecedented levels of promotional activity in the market, starting from Black Friday and intensifying through December. Against this backdrop we held back from the heavy discounting seen across the market especially in the run up to Christmas. While this had an adverse impact on sales we protected gross margin, which we now expect to come in at the top end of the guided range. However, we acknowledge there is more to do to address the disappointing GM sales, and the new team are focused on the three key priorities of availability, ranging and design.

M&S.com delivered a strong performance with continued improvement in traffic and customer experience. Our distribution centre in Castle Donington performed well dispatching record volumes while delivering a high level of customer service. We successfully launched our new loyalty members club, Sparks, with over 3.3m customers joining since the launch 11 weeks ago.

Our International business continued to face a challenging macro-economic environment, particularly across our Middle East franchise region. However, sales in our owned businesses improved with strong performance in key markets such as India.

<b>Third quarter sales</b>	<b>13 weeks to 26 December 2015</b>
Food	+3.7%
- Like-for-like	+0.4%
General Merchandise	-5.0%
- Like-for-like	-5.8%
M&S.com sales <sup>1</sup>	+20.9%
Total UK sales	-0.3%
- Like-for-like	-2.5%
International sales <sup>2</sup>	+2.9%
Group sales <sup>2</sup>	0.0%

<sup>1</sup>Memo only

<sup>2</sup>Stated on ex-VAT and constant currency basis. International sales at actual currency were -2.0% and Group sales were -0.4%.

## Outlook

We now expect GM gross margin to be at the top end of the guided range of +200 to +250bps. As a result of tight control of costs as well as lower volume growth, we have improved our operating cost guidance from c.+4% to c.+2.5%. All other guidance remains unchanged.

We will report our fourth quarter trading results on 7 April 2016.

*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:**

The call will be hosted by Marc Bolland at 8.45am on Thursday 7 January 2016:

Dial in number: +44 (0)20 3427 1916

A recording of this call will be available until 18 January 2016:

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

Access Code: 7374590

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