

MARKS AND SPENCER GROUP PLC

M&S TRADING UPDATE AND STREAMLINING ANNOUNCEMENT

At the year-end M&S outlined a possible scenario for a 12-month Covid impacted trading period and set out a strengthened liquidity and balance sheet platform for recovery. We also outlined the 'Never the Same Again' programme for accelerating transformation and capitalising on the learning from the crisis to deliver three years change in one. Today we are updating the market on revenue performance since year end and announcing further proposed steps to accelerate change.

TRADING UPDATE

Overall the group year to date has performed ahead of the scenario we announced at the year-end in revenue and cash. However at this early stage there remains substantial uncertainty about market conditions and the duration of social distancing measures, and we are retaining a cautious approach to planning for the balance of the year.

Food business showing good year on year growth

M&S Food sales have built steadily from the shifts in demand and closure of travel locations at the outset of the crisis. In the last 13 weeks total Food sales have increased 2.5%. In that same period like for like sales excluding the impact of the closure of hospitality and travel franchise units were up 10.6%, with an improving trend as more locations recover and performance has regained momentum as customers have bought back into our quality, fresh food offer and investment in range and trusted value.

The transition to taking over the supply agreement with Ocado Retail is on track for September and we are beginning to see the benefits as planned in the form of trading terms and the launch of over 500 new products in M&S stores from the expanded online range created for the switchover.

We are making good progress in our 'Vangarde' supply chain effectiveness programme working with our logistics partner GIST, along with the new ambient food warehouse in Milton Keynes with our partner XPO Logistics.

Clothing & Home significantly down but improving

Total revenue was down 38.5% in the last 13 weeks. In the 8 weeks since store re-opening total sales have been down 29.9% with trends steadily improving. In those 8 weeks store sales were down 47.9% and online has continued to perform strongly up 39.2% on last year.

The performance of store sales has varied widely across the estate with some of the newer out of town stores trading close to last year's level of sales overall in recent weeks but legacy town centre stores and some shopping centres still heavily impacted by social distancing and reduced footfall. Furthermore, with the closure of many workplaces and lack of social gatherings, the clothing sales mix has seen a substantial shift from office dressing and formal wear into casual clothing and leisure wear.

Through upweighted promotional activity we have made good progress in clearing surplus stock. As announced at the year-end we have booked additional storage space to hibernate surplus good stock for next year.

Online and digital accelerating

A central plank of our transformation strategy is to deliver a much higher proportion of sales through digital channels and relaunch our data and CRM platform under the Sparks banner. Online Clothing & Home sales have performed strongly since the start of the year with an additional 1.9m new customers. In the last 8 weeks, online sales have represented 41% of our total Clothing & Home sales.

There has been a substantial change in delivery mix, with c. 68% of orders delivered to home, compared with 29% the previous year. Growth has been enabled by a robust performance from our Castle Donington distribution centre, where the group has invested in substantial additional capacity.

Following a successful relaunch in July, 8.2m customers are now members of the new Sparks programme and over 800,000 have downloaded the M&S App since launch.

International trends volatile

International sales have performed ahead of the Covid-19 scenario, primarily driven by strong online sales and an improvement in franchise shipments in recent weeks, although it is too early to know if this will be sustained. Trading in a number of markets has been volatile with the re-imposition of local lockdowns and closures affecting trade.

NEXT STEPS ON STREAMLINING THE BUSINESS

We are today announcing important proposals to further streamline the business both at stores and management level.

As previously outlined Clothing & Home trading in the stores remains well below last year, with online and home delivery strong. It is clear that there has been a material shift in trade and whilst it is too early to predict with precision where a new post Covid sales mix will settle, we must act now to reflect this change.

We have also learnt that we can work more flexibly and productively with more colleagues multi-tasking and transitioning between Food and Clothing & Home. The deployment of our leading store technology package developed in partnership with Microsoft has also enabled us to reduce layers of management and overheads in the support office.

As a result we are today embarking on a multi-level consultation programme which we anticipate will result in a reduction of c. 7,000 roles over the next 3 months. These will include departures in our central support centre, in regional management, and in our UK stores, reflecting the fact that the change has been felt throughout the business.

We expect a significant proportion will be through voluntary departures and early retirement. In line with our longstanding value of treating our people well, we will now begin an extensive programme of communication with colleagues.

Concurrently we expect to create a number of new jobs as we invest in online fulfilment and the new ambient food warehouse and reshape our store portfolio over the course of the year.

The cost of the programme including redundancies will be reflected in a significant adjusting item to be included in the group's half-year results. The streamlining programme is an important step in delivering on our cost savings programme and ensuring we emerge from the crisis with a lower cost base and a stronger more resilient business.

Chief Executive Steve Rowe commented:

"In May we outlined our plans to learn from the crisis, accelerate our transformation and deliver a stronger, more agile business in a world in which some customer habits were changed forever. Three months on and our Never the Same Again programme is progressing; albeit the outlook is uncertain and we remain cautious. As part of our Never The Same Again programme to embed the positive changes in ways of working through the crisis, we are today announcing proposals to further streamline store operations and management structures. These proposals are an important step in becoming a leaner, faster business set up to serve changing customer needs and we are committed to supporting colleagues through this time."

Group revenue: constant currency

% change to LY	19 weeks to 8 August 20¹	13 weeks to 8 August 20¹	8 weeks to 8 August 20¹
<i>Clothing & Home</i>	-49.5	-38.5	-29.9
<i>Food</i>	-1.1	2.5	2.5
<i>International</i>	-31.9	-24.6	-19.9
Group	-19.2	-13.2	-10.0
<i>Clothing & Home.com</i>	32.0	42.2	39.2
<i>M&S.com</i>	38.9	46.9	40.7

1. unaudited revenue for the:
 - 19 week period from 29 March 2020 to 8 August 2020
 - 13 week period from 10 May 2020 to 8 August 2020 (since last reported)
 - 8 week period from 13 June 2020 to 8 August 2020 (since C&H space fully reopened)

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

-Ends-

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 forward-looking statements are subject to various risks and uncertainties, including, but not limited to, 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 regarding risks to Marks & Spencer's business, please consult the risk management section of the 2020 Annual Report (pages 33-43).

The forward-looking statements contained in this document speak only as of the date of this announcement, and Marks & Spencer does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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