

Full year results 2010/11

Robert Swannell
Chairman

Full year results 2010/11

Marc Bolland
Chief Executive

2010 / 2011

- Good performance
- Growth in market share
- Early progress against the plan

Consumer

- Concerns over rising costs of living and job security
- Pressure on disposable incomes
- Choosing more wisely
- Looking for real value and quality
- Events and occasions

General Merchandise

- Sales +3.9%; LFL +3.2%
- Market share +50bps
- Leading quality
- More choice
- Great value



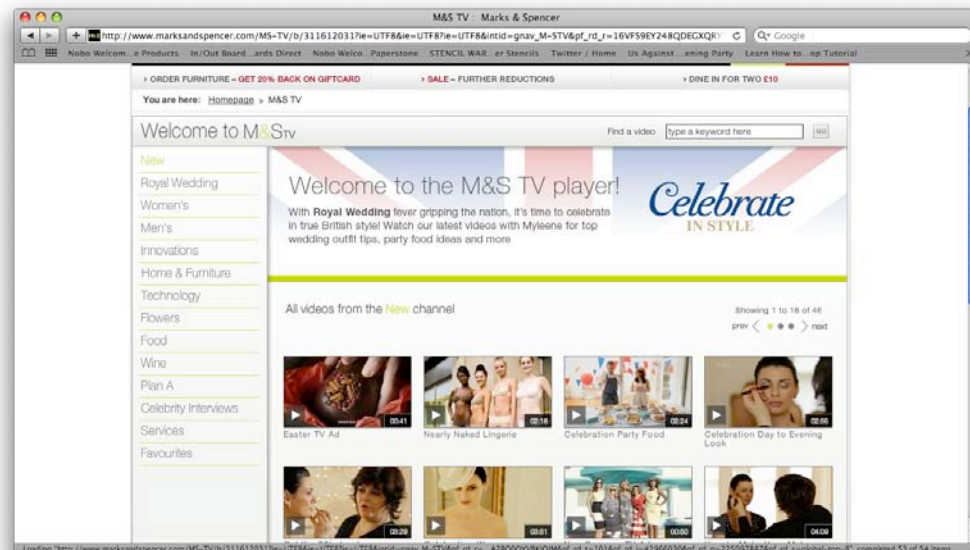
Food

- Sales +4.1%; LFL +2.6%
- Market share +10bps
- Step up in innovation
- Market leading quality
- Great value



Multi-channel

- Sales up 31%
- Footfall and conversion up
- Mobile site: 5.5m visits since launch



International

- Up 6.1%
- 49 new store openings
- 15 closures



Full year results 2010/11

Alan Stewart

Chief Finance Officer

Group financial highlights

Revenue	£9,740m	+4.2%
PBT	£714m	+12.9%
EPS	34.8p	+16.0%
Dividend	17p	+13.3%
Net debt	£1.9bn	

Note: results are stated before non-underlying items, with comparatives on 52 weeks basis where applicable

Divisional performance

	TY £m	LY £m	Var %
Revenue			
UK	8,733	8,398	+4.0
International	1,007	950	+6.1
Group	9,740	9,348	+4.2
Operating profit			
UK	678	644	+5.3
International	147	135	+8.6
Group	825	779	+5.9

Note: results are stated before non-underlying items, with comparatives on 52 weeks basis where applicable

UK gross margin 10/11

GM

- 52.1%, down c.40 bps
- Currency pressure
- Commodity price inflation
- Increased markdown

Food

- 30.8%, up c.20 bps
- Commodity price inflation
- Annualisation of last year's price investment
- Better management of promotions
- Reduction in waste

UK Gross Margin 41.2%: Level on the year

Note: results are stated before non-underlying items, with comparatives on 52 weeks basis where applicable

UK gross margin guidance 11/12

GM

- Commodity price inflation
- Currency
- Increase in VAT
- Better markdown management

Food

- Commodity price inflation
- Better management of promotions
- Reduction in waste

2011/12 year guidance: 0 to +25 bps

UK operating costs 10/11

	TY £m	LY £m	Var %
Retail staffing	878	858	+2.2
Retail occupancy	1,012	973	+4.0
Distribution	393	394	-0.2
Marketing & related	143	123	+16.3
Support	525	502	+4.7
Total	2,951	2,850	+3.5

Note: results are stated before non-underlying items, with comparatives on 52 weeks basis where applicable

UK operating cost guidance 11/12

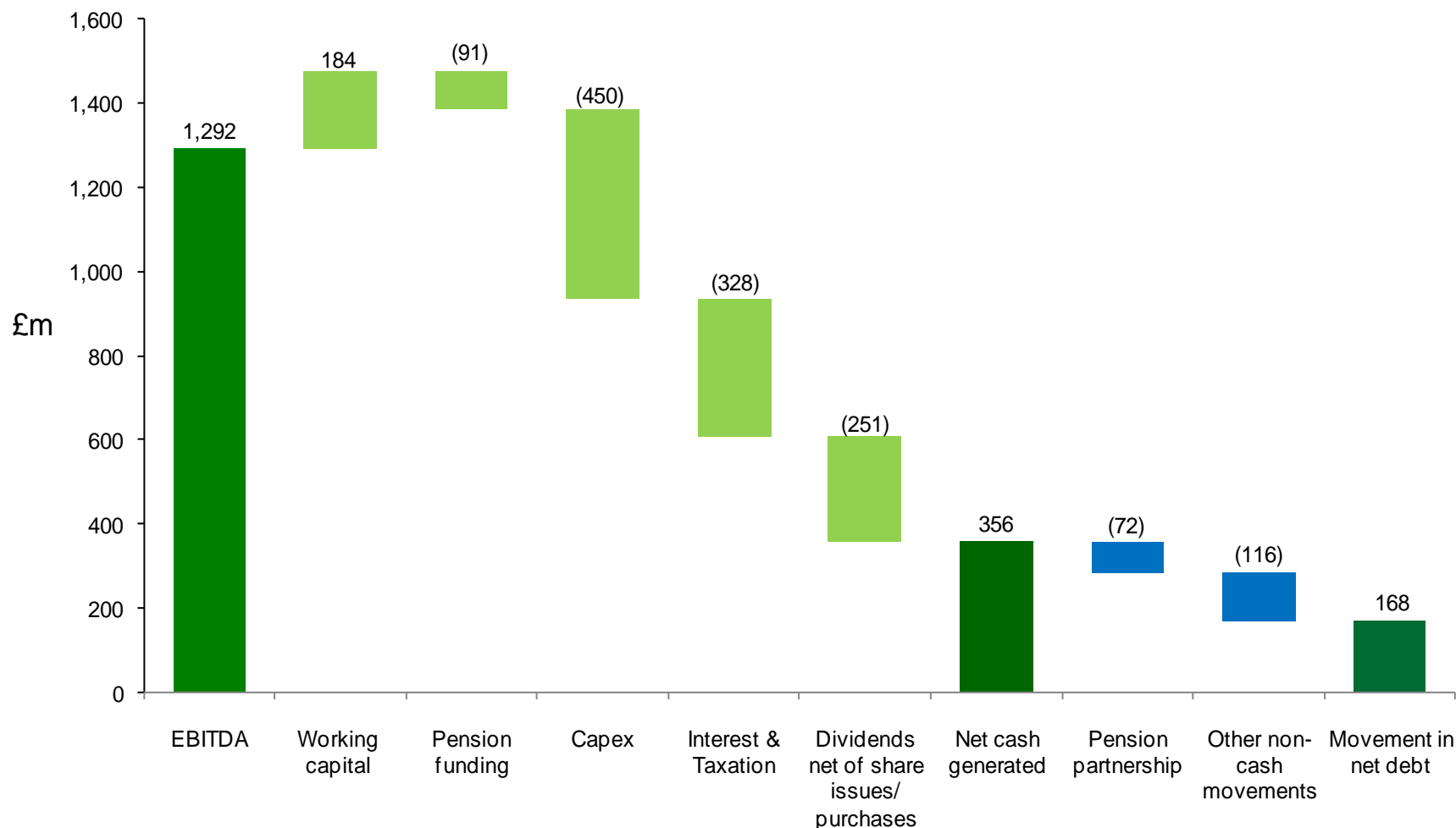
	%
Inflation	1.5-2.0
Space	1.5-2.0
Depreciation	c. 1.0
Business initiatives	2.0-2.5
Underlying savings	(1.5)-(2.0)
2011/12 operating costs guidance	c.5.0

International

	TY £m	LY £m	Var %	Constant currency Var %
Revenue	1,007	949	+6.1	+7.9
- Owned	663	657	+1.0	+3.5
- Franchised	344	292	+17.5	+17.6
Operating profit	147	135	+8.6	+9.5
- Owned	55	59	-7.4	-5.1
- Franchised	92	76	+21.1	+21.0

Note: results are stated before non-underlying items, with comparatives on 52 weeks basis where applicable

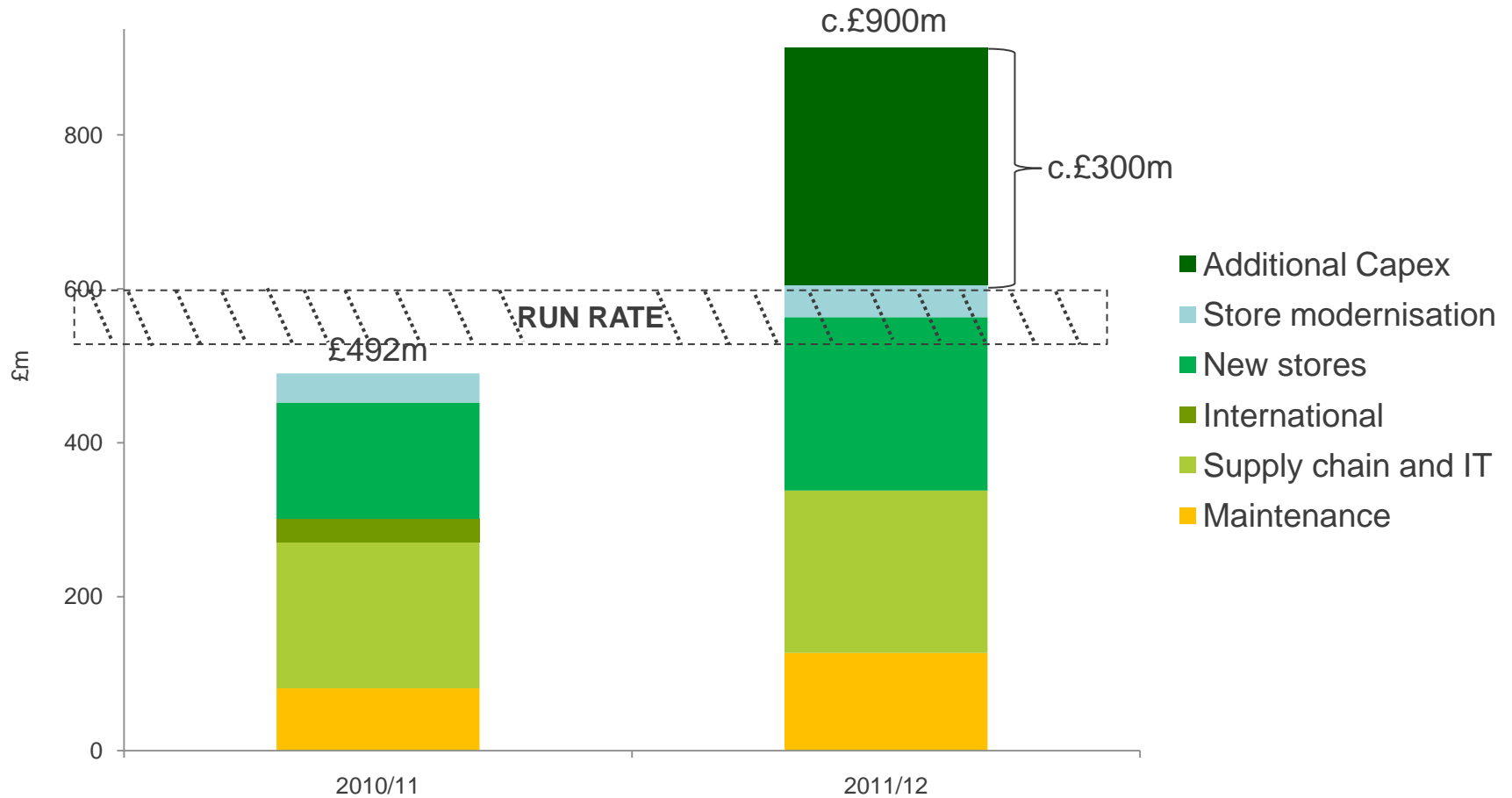
Cash flow – Movement in net debt



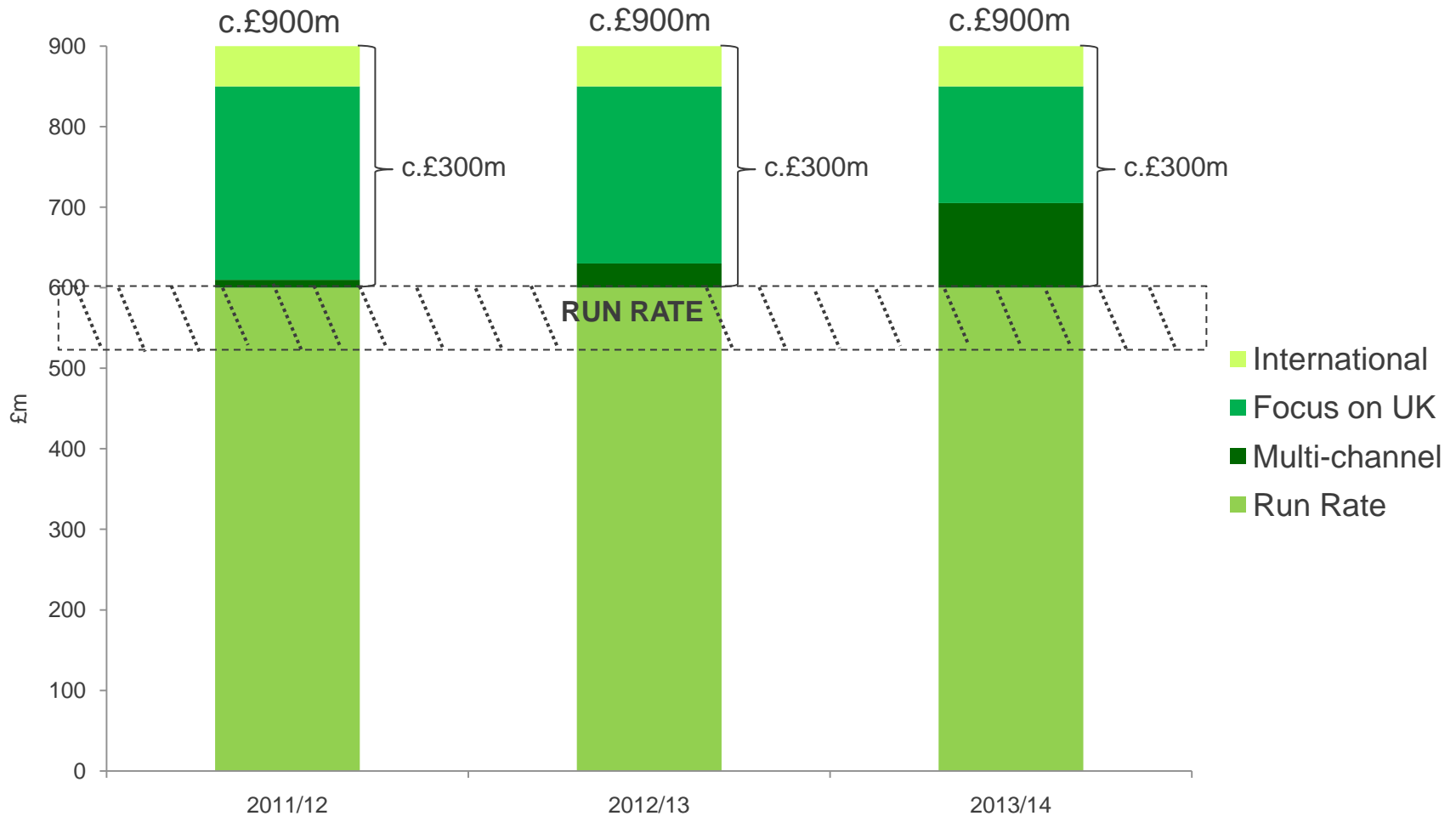
Balance sheet and financing

- Net debt at £1.9bn (March 2010 £2.1bn)
- Fixed charge cover 4.0x
- Average interest rate 6.4%
- Pension
 - UK IAS 19 surplus £171m (March 2010 deficit £337m)

Capital expenditure



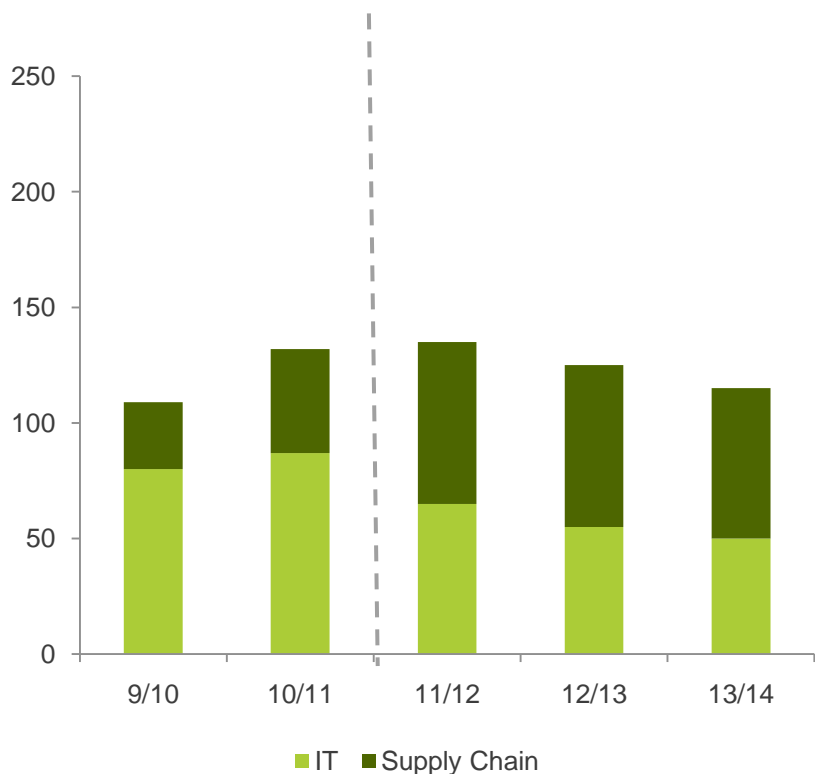
Capital expenditure



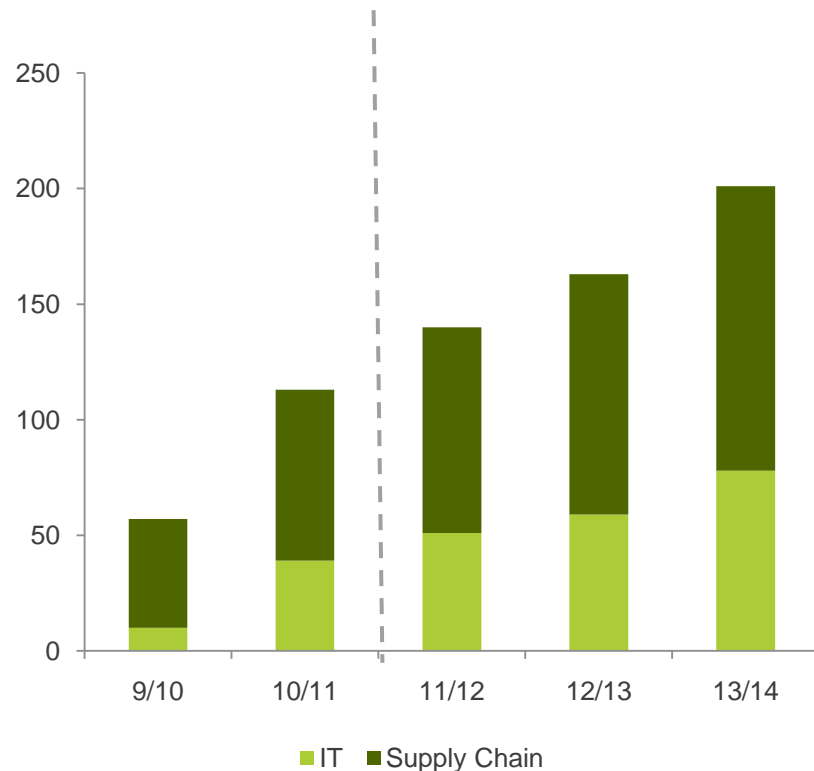
Supply chain & IT - capex & benefits

Now: Total benefit £300m, total capex £1bn*

Capital expenditure



Benefits



* Including £250m pre 2009/10

Supply Chain & IT progress

Supply Chain

- Warehouse consolidation in progress
- Bradford DC fully opened
- East Midlands site construction underway
- International direct deliveries

IT

- SAP 2nd phase implementation
- POS software implementation
- Store stock systems completed
- Food forecasting rolled out
- Space range and display roll out

Summary

- Good performance
- Strong earnings growth
- Increased dividend
- Clear plan in place
- Challenging environment

Full year results 2010/11

Marc Bolland
Chief Executive

Strategy

“To become an International,
Multi-channel retailer”

Plan 2013 - 2015

**By
2015**

**Drive UK LFL
growth**

**International
Multi-channel
retailer**

**Drive
international
presence**

**By
2013**

**UK space and
LFL growth**

**A leading UK
Multi-channel
retailer**

**International
company**

**2010
to
2013**

Focus on UK

**BRAND
STORES
CLOTHING
HOME
FOOD**

Organisation

- Complete communication of strategy to all parts of the business including:
 - Main Board
 - Management Committee
 - Top 100
 - Annual Conference
 - All stores
- Built into three year plan
- External hires / internal promotions
- Climate survey positive

Plan 2013 - 2015

2010
to
2013

Focus on UK



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Focus on the UK - Brand

“Increase the role of the M&S brand”


- Brand positioning  Only at M&S

Only at
YOUR M&S



Focus on the UK - Brand

“Increase the role of the M&S brand”

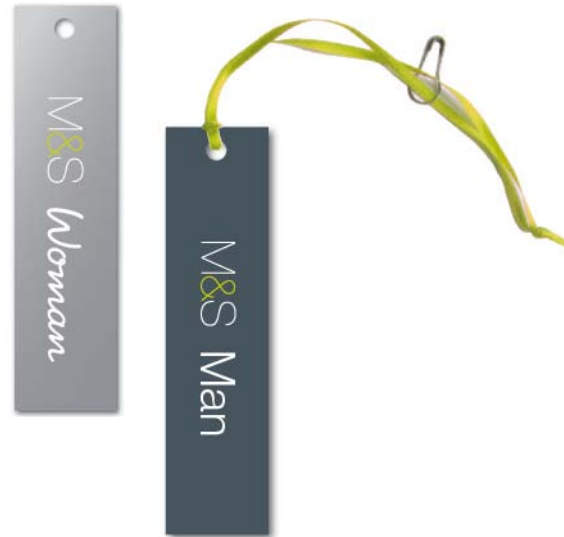
- Brand positioning  Only at M&S
-  Brand identity

Marks & Spencer brand today







M&S new brand identity

- Target group defined
- Brand values determined
- Brand colours approved

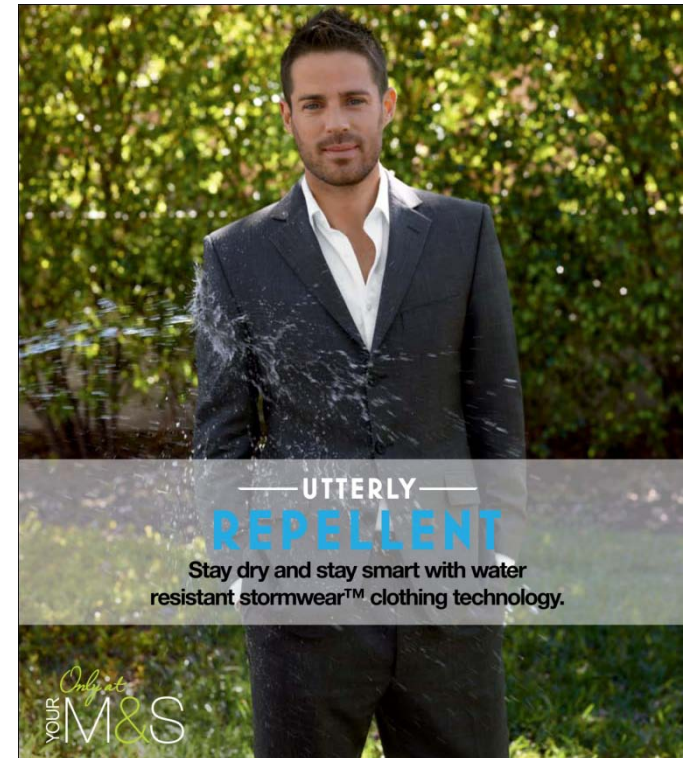


Focus on the UK - Brand

“Increase the role of the M&S brand”






- Brand positioning  Only at M&S
-  Brand identity
- Improve choice  200 more ways by March 2012
- More style & innovation  TV campaign

Style & Innovation



Focus on the UK - Brand

“Increase the role of the M&S brand”

- Brand positioning  Only at M&S
-  Brand identity
- Improve choice  200 more ways by March 12
- More style & innovation  TV campaign
- Plan A  Integral part of the brand

Plan 2013 - 2015

2010
to
2013

Focus on UK







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Focus on the UK - Stores

“Customers find our stores difficult to shop”



In October a small number of pilot stores will test new concepts

- | | | |
|-------------------------|---|--|
| • Segmentation |  | Complete for all stores |
| • Macro-space |  | In pilot stores |
| • In-store navigation |  | In pilot stores |
| • Space range & display |  | Set up done, roll out in progress on all food sections |

Focus on the UK - Stores

“Customers find our stores difficult to shop”

In addition

- Director of Space  Neil Hyslop, appointed April
- Food Staff Zoning  More customer focus

Plan 2013 - 2015

2010
to
2013

Focus on UK



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Focus on the UK - Clothing

“Positioning of M&S and GM sub-brands in store is unclear”

- Increase the role of the M&S brand
- Complete sub-brand review

Examples:

- per una
- North Coast

per una

Current

per una ♥♥♥

New

per una ♥
M&S

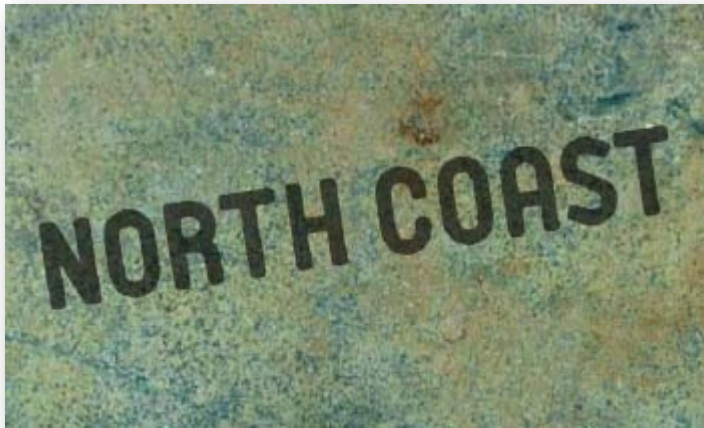
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North Coast

Current



New



North Coast

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Focus on the UK - Clothing

“Positioning of M&S and GM sub-brands in store is unclear”

- Increase the role of the M&S brand
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Examples:

- per una
- North Coast

- Brand Management  Brand Directors recruited
- In store environment  Pilot stores from October

Plan 2013 - 2015

2010
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Focus on UK



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Focus on the UK - Home

“Only 20% of customers shop our Home department”

- Segmenting into lifestyles

➤ Classic	➡	M&S Home	In pilot stores
➤ Contemporary	➡	Conran	Preview collection Sept
➤ Design	➡	Marcel Wanders	Under development

Focus on the UK - Home

Classic

M&S
HOME

Contemporary



Design



Classic



M&S
HOME



YOUR M&S

Contemporary



Design





mārcel wānders®

— FOR —
M&S

YOUR M&S

Focus on the UK - Home

“Only 20% of customers shop our Home department”

- Segmenting into lifestyles
 - Classic
 - Contemporary
 - Design
- Kitchens & Dining
Bedding & Bath  More choice
Cross selling opportunities
- Appointed Trading Director  Damian Guha

Plan 2013 - 2015

2010
to
2013



Focus on UK


BRAND
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FOOD



Focus on the UK - Food

“Is M&S becoming like any other supermarket?”

- Innovation  1,900 new lines in 10/11
c.2,000 planned for 11/12
- More choice  Reducing branded SKUs & introducing
100 international SKUs “Only at M&S”

Total SKUs increase by 1,000 in 11/12
- Market leader in healthy meals  No. 1 “Count on Us”
No. 4 “Simply Fuller Longer”

Healthy meals



Focus on the UK - Food

“Is M&S becoming like any other supermarket?”

- Innovation  1,900 new lines in 10/11
c.2,000 planned for 11/12
- More choice  Reducing branded SKUs & introducing
100 international SKUs “Only at M&S”
 Total SKUs increase by 1,000 in 11/12
- Market leader in healthy meals  No. 1 “Count on Us”
No. 4 “Simply Fuller Longer”
- Store environment  Pilot stores

Plan 2013 - 2015

By 2013



UK space and
LFL growth

2010
to
2013




Focus on UK

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UK Space and LFL growth

“Space growth has been behind the market for the last 2 years”

Not in a race for space

- Focused expansion to deliver  Shop Your Way on GM
Opportunities for Simply Food
- Drive time target  95% of UK pop within 30 mins
of a full line store by 2015
- Target growth  c.3% p.a. in three year plan

Plan 2013 - 2015

By 2013

UK space and
LFL growth



A leading UK
Multi-channel
retailer

2010
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Focus on UK

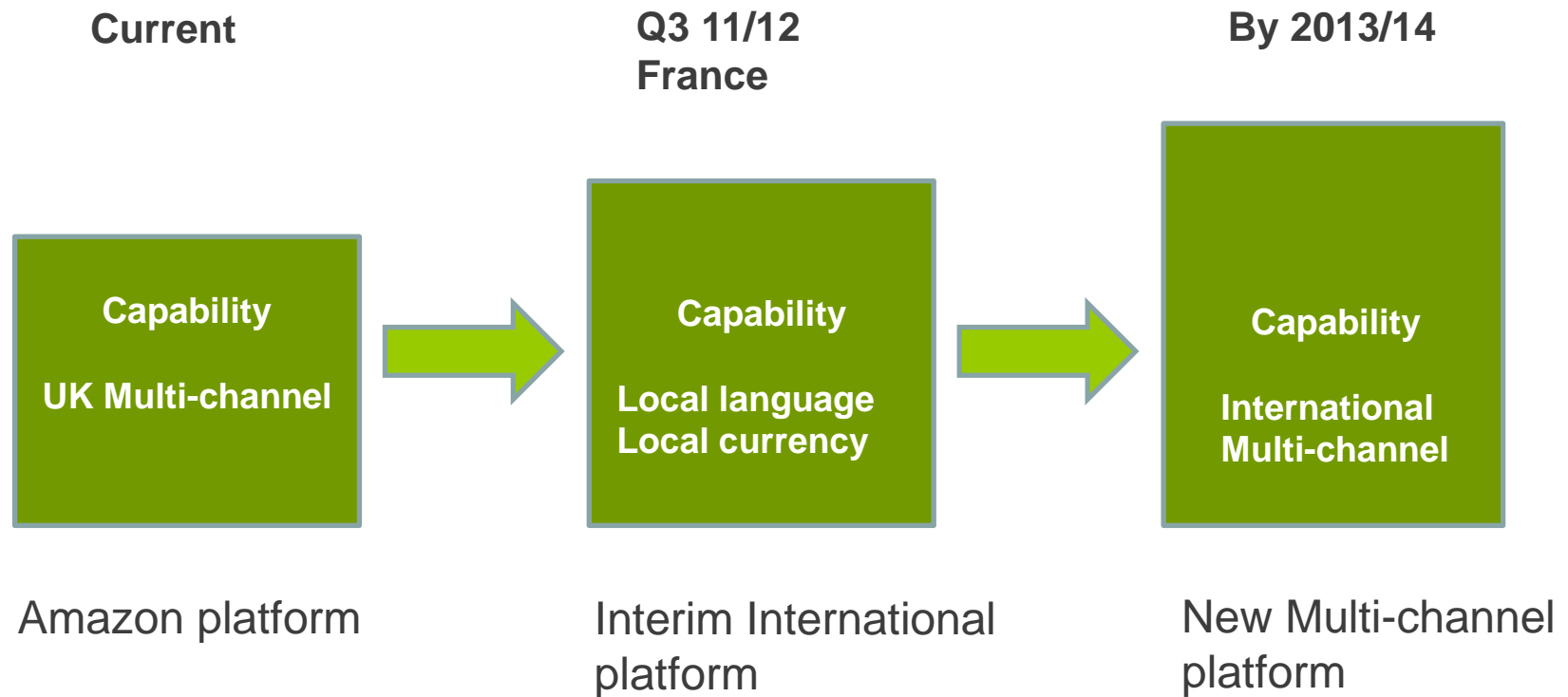
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FOOD

Leading Multi-channel retailer

“Amazon platform performs well but will restrict our future growth”

- Appointed Executive Director Multi-channel E-commerce  Laura Wade-Gery
- Re-platforming  Underway

Leading Multi-channel retailer



Leading Multi-channel retailer

“Amazon platform performs well but will restrict our future growth”

- Appointed Executive Director Multi-channel E-commerce  Laura Wade-Gery
- Re-platforming  Underway
- Personalisation  From October 2011

Personalisation

EXPRESS YOUR STYLE

choose the length, the width,
the fit, the look...it's all about you

- FORMAL BLACK TROUSERS
- LITTLE BLACK DRESSES
- WOMENS JEANS
- STORM CHINOS
- MENS AUTOGRAPH JEANS
- MADE TO MEASURE SHIRTS

womens >



< mens



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Plan 2013 - 2015

By 2013

UK space and
LFL growth

A leading UK
Multi-channel
retailer



International
company

2010
to
2013

Focus on UK

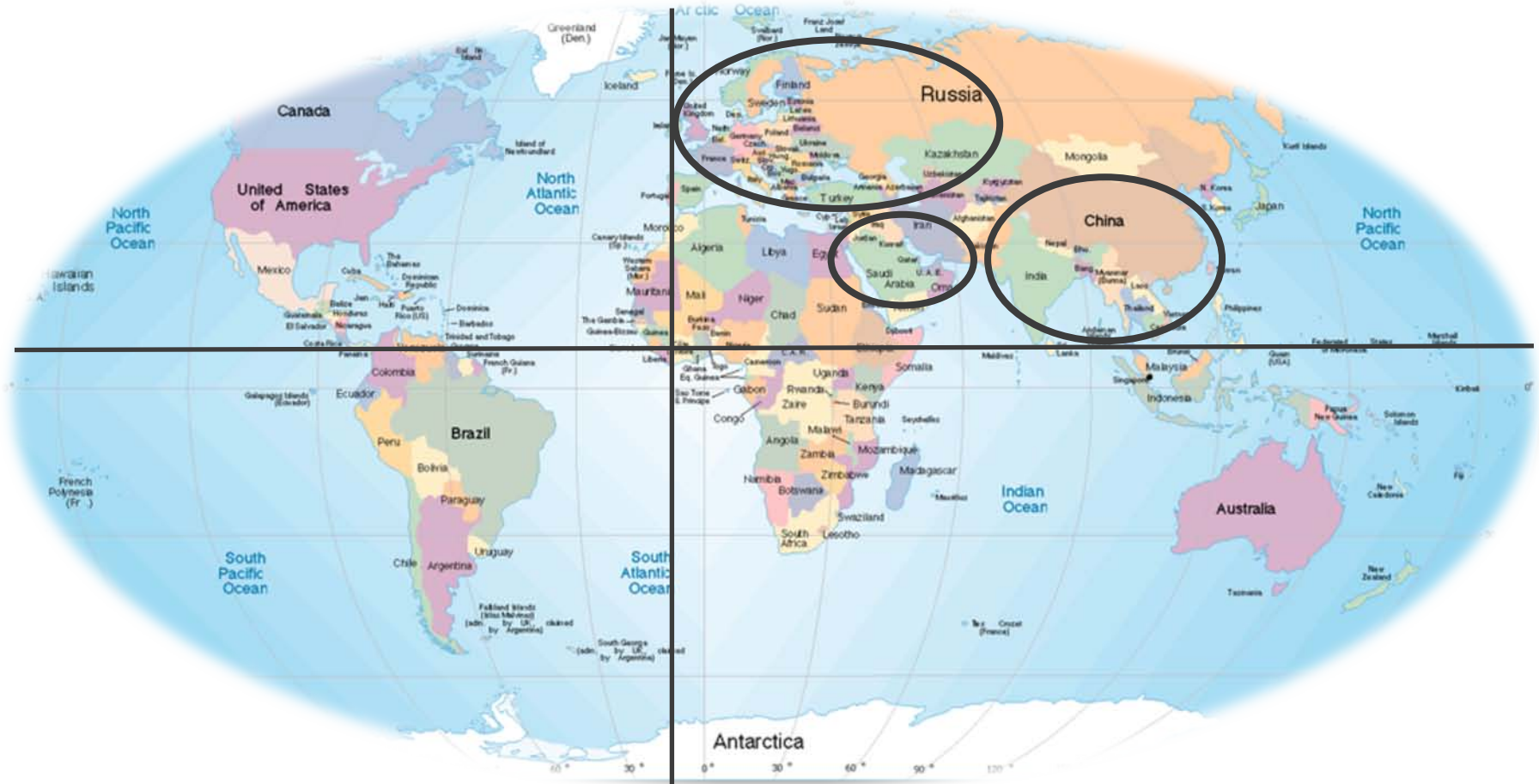
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International company

*“Broad shotgun approach, flag planting, export organisation
but strong opportunity in selected markets”*

- Appointment of Director of International  Jan Heere
- Focus on selected growth areas

International company



International company

*“Broad shotgun approach, flag planting, export organisation
but strong opportunity in selected markets”*

- Appointment of Director of International  Jan Heere
- Focus on selected growth areas
- Priorities: India and Shanghai

Summary

- Good results
- Strong earnings growth
- Growing market share
- Three year plan in place
- Challenging environment
- Early progress against the plan
- Evolution not revolution

Only at
YOUR M&S

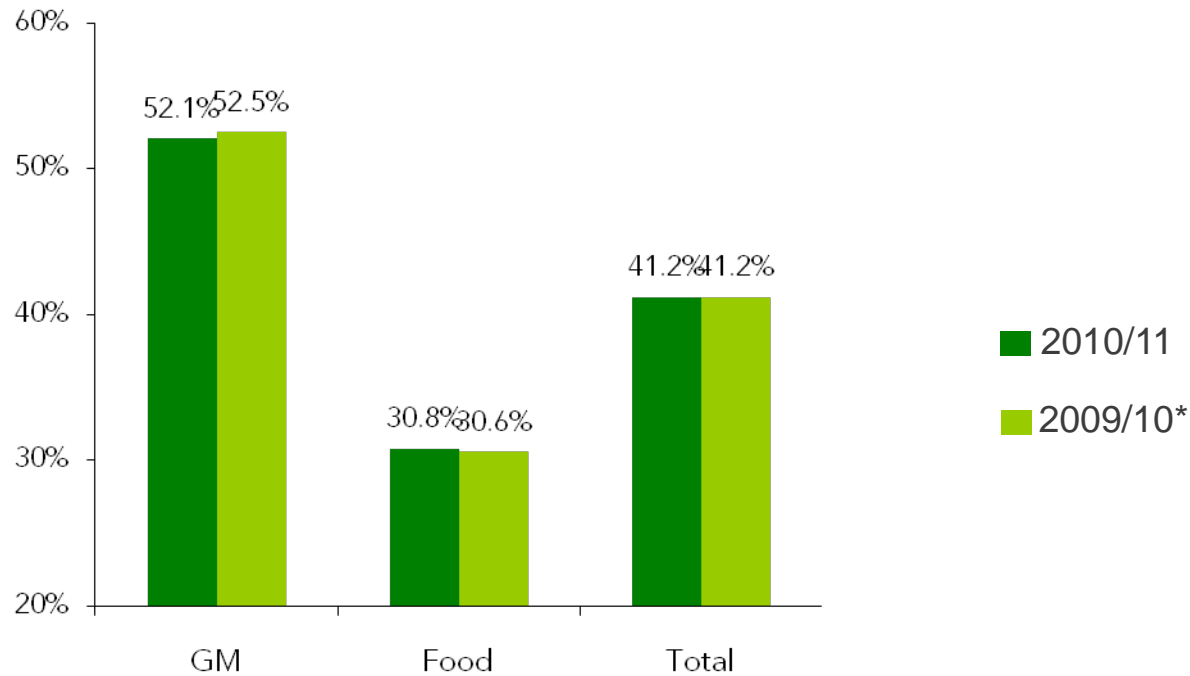
Appendices

Appendix 1 – UK sales

	TY £m	LY £m	Var %
Clothing	3,746	3,595	+4.2
Home	488	480	+1.6
General Merchandise	4,234	4,075	+3.9
		LFL	+3.2
Food	4,499	4,323	+4.1
		LFL	+2.6
Total	8,733	8,398	+4.0
		LFL	+2.9

Note: results are stated before non-underlying items, with comparatives on 52 weeks basis where applicable

Appendix 2 – UK gross margin



Note: results are stated before non-underlying items with comparatives on 52 weeks basis where applicable

Appendix 3 – Stores and space

	April 2011	April 2010	Change
<u>UK</u>			
Premier	10	10	-
Major	42	42	-
High Street	240	242	-2
Simply Food Owned	163	156	+7
Simply Food Franchised	204	194	+10
Outlets	46	46	-
UK stores	705	690	+15
Selling space (m sq ft)	15.6	15.4	1.4%
<u>International</u>			
Owned	152	133	+19
Franchised	209	194	+15
International stores	361	327	+34
Selling space (m sq ft)	4.2	3.6	15.1%