

Full year results 2011/12

Marc Bolland
Chief Executive

Agenda

1. Review of 2011/12
2. Financial performance
3. Update on 3 year plan

Overview

- Group sales +2%
- Earnings in line with last year
- Market share in GM & Food: level
- Mixed performance in GM
- Strong performance in Food
- Tight management of costs and capital
- Good progress in Multi-channel and International

Consumer barometer April 2012

- Consumer confidence remains low
- Feeling the squeeze
- Austerity is the new normal
- Planning ahead
- Looking forward to a Summer of Celebration

General Merchandise

- Sales -0.9%, LFL -1.8%
- Mixed performance:
 - Clothing +0.2%
 - Home -10.0% (72% due to technology)
- Market share: level
- Increased promotional activity



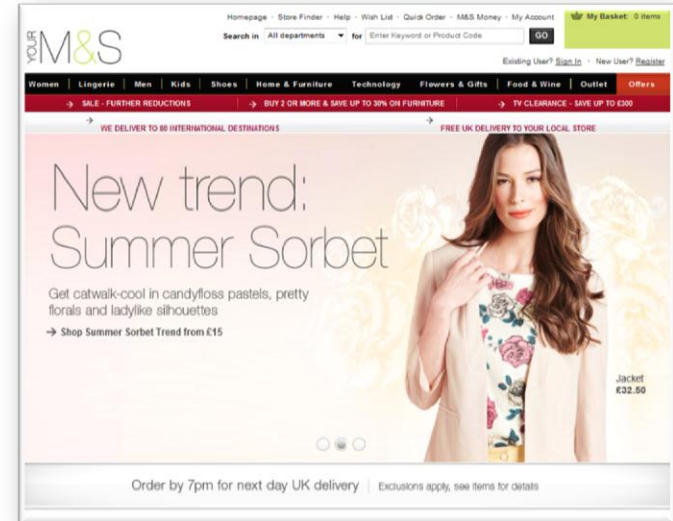
Food

- Sales +3.9%, LFL +2.1%
- Strong performance
- Market share: level
- Availability +2%
- Continued innovation
- Special and different



Multi-channel

- Sales +18%
- Outperformed the market
- Enhancements to existing website
- Improvements in service
- Multi-channel instore



International

- Sales +5.8%
- Restructuring Czech and Greek businesses
- Ireland very challenging
- Strategic markets performed very well
- Successful launch in Paris
- Franchise markets strong



Operational focus

- Managed cost base tightly
- Identified capital savings
- Prudent approach to new space planning
- Good progress with supply chain and IT implementation

Full year results 2011/12

Alan Stewart

Chief Finance Officer

Group financial highlights

Revenue	£9,934m	+2.0%
PBT	£706m	-1.2%
EPS	34.9p	+0.3%
Dividend	17.0p	level
Net debt	£1.86bn	down £40m

Note: Results are stated before non-underlying items

Divisional performance

	TY £m	LY £m	Var %
Revenue			
UK	8,868	8,733	+1.5
International	1,066	1,007	+5.8
Group	9,934	9,740	+2.0
Operating profit			
UK	677	678	-0.2
International	133	147	-9.3
Group	810	825	-1.8

Note: Results are stated before non-underlying items

UK gross margin 11/12

GM

- 51.4%, down 80 bps
- More promotional market
- Input price inflation
- Adverse currency impact

Food

- 31.4%, up 50 bps
- Commodity price inflation
- Better buying
- Improved waste management

UK Gross Margin 40.8%: down 30bps on last year

Note: Results are stated before non-underlying items

UK gross margin guidance 12/13

GM

- Promotional market
- Ongoing wage inflation
- Favourable currency movement

Food

- Commodity price inflation
- Waste management
- Systems benefits

2012/13 year guidance: 0 to +25 bps

UK operating costs 11/12

	TY £m	LY £m	Var %
Retail staffing	889	878	+1.3
Retail occupancy	1,031	1,012	+1.9
Distribution	398	393	+1.2
Marketing & related	162	143	+13.2
Support	515	525	-2.0
Total	2,995	2,951	+1.5

Note: Results are stated before non-underlying items

UK operating cost savings: examples

- Retail:
 - Process improvements e.g. Tilling, overtime
- Occupancy:
 - Service charge rebates and reduced energy consumption
- Distribution:
 - Improved delivery accuracy and optimisation
- Support:
 - Improved procurement

UK operating cost guidance 12/13

	%
Inflation	1.0 - 1.5
Space	1.5 - 2.0
Depreciation	c.1.5
Business initiatives	2.0 - 2.5
Underlying savings	(2.5) – (3.0)
2012/13 operating costs guidance	c.3.0 - 5.0

International

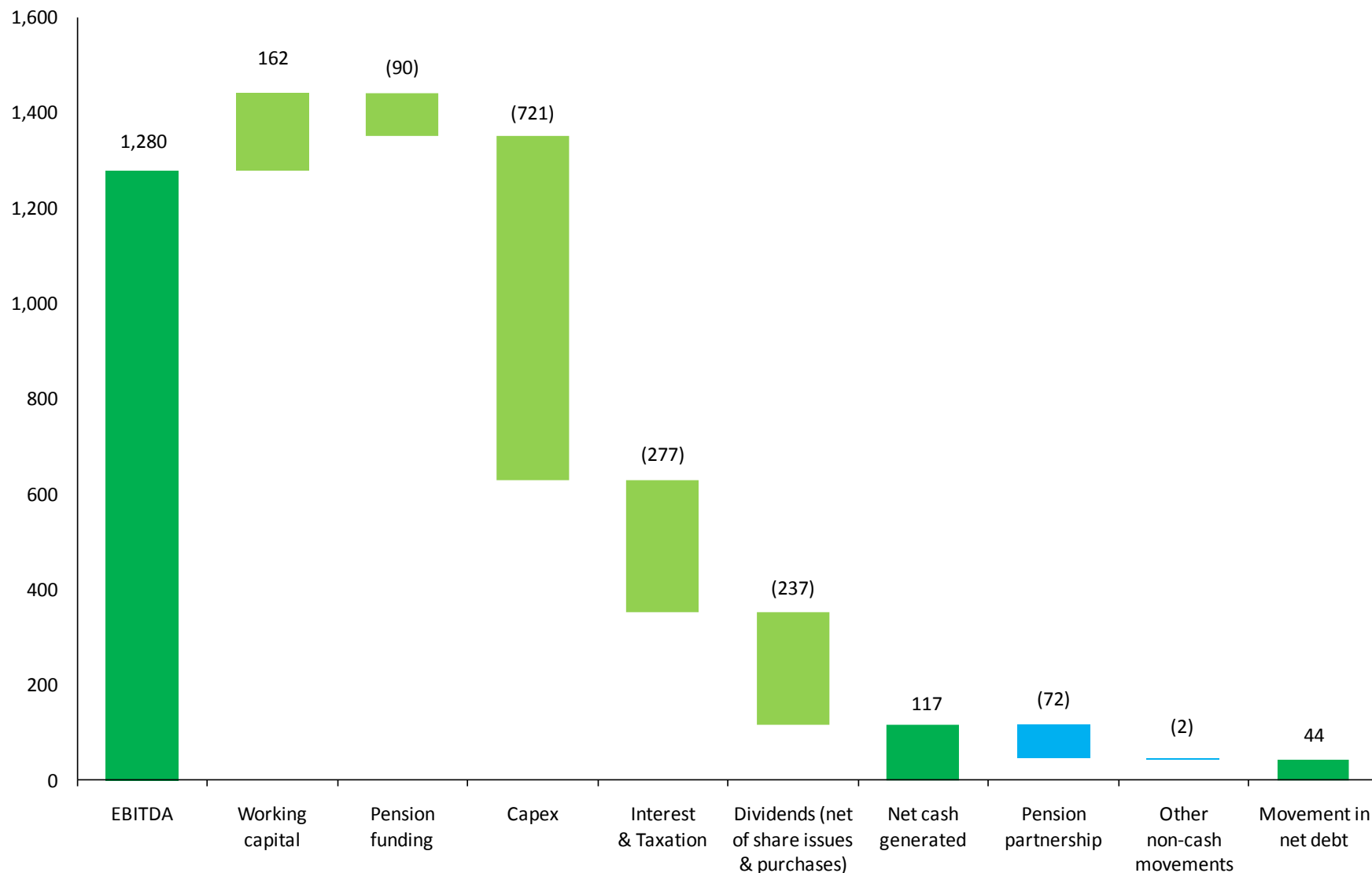
	TY £m	LY £m	Var %	Constant currency Var %
Revenue	1,066	1,007	+5.8	+5.8
- Europe	622	634	-2.0	-3.3
- Middle East	222	188	+18.0	+19.0
- Asia	223	185	+20.5	+23.5
Operating profit	133	147	-9.3	-8.4
- Europe	24	51	-53.8	-55.2
- Middle East	70	60	+16.5	+18.2
- Asia	39	35	+11.5	+14.3

Note: Results are stated before non-underlying items

International

- Key strategic markets are performing very well
- Successful launch in Paris
- Restructuring Czech and Greek businesses
- Investing in future growth
- Franchise markets strong

Cash flow - Movement in net debt



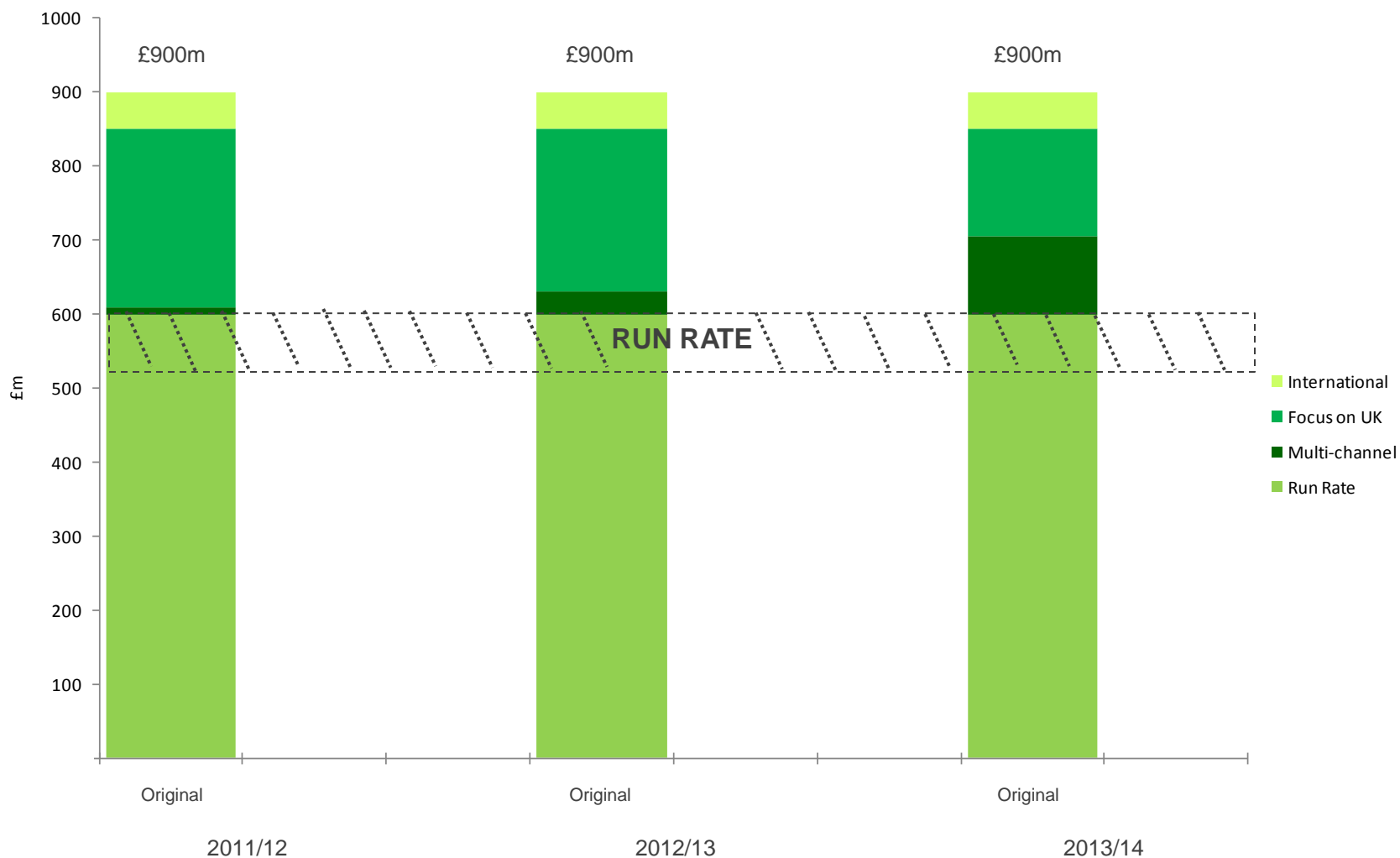
Pensions

- IAS 19 pension surplus £82m (March 2011 £171m)
- Change in property partnership terms
 - Impact on 12/13 (non-cash):
 - Reported net debt increases by £537m
 - Reported interest charge increases by £17m
 - No impact on 11/12 reported results or pension liability
 - No impact on credit rating or group cash flows

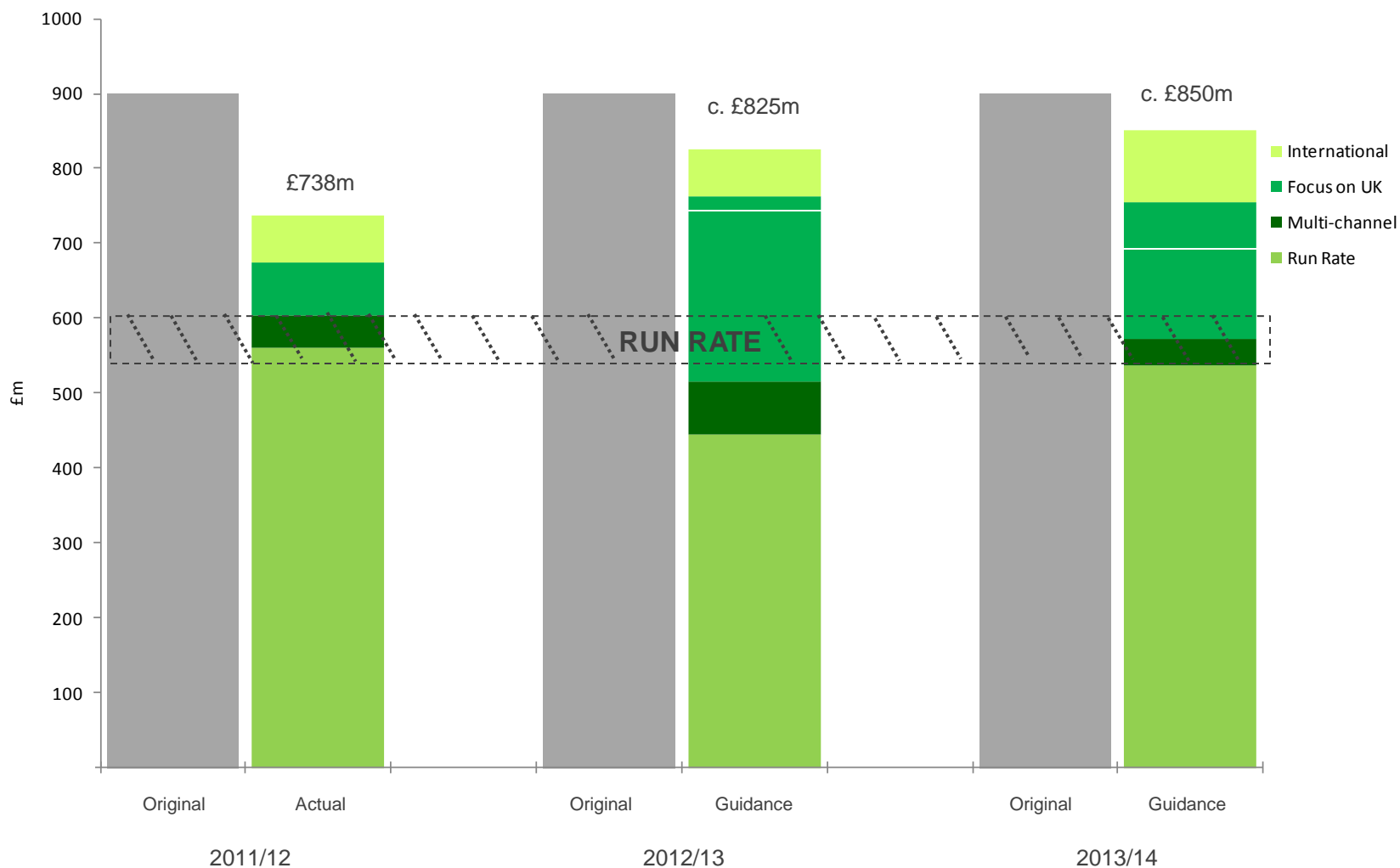
Balance sheet and financing

- Net debt at £1.86bn (March 2011 £1.90bn)
- Renewed revolving credit facility and issued new bond
- Strong maturity profile
- Credit metrics remain strong
- Fixed charge cover 3.9x
- Average interest rate 6.5% (last year 6.4%)

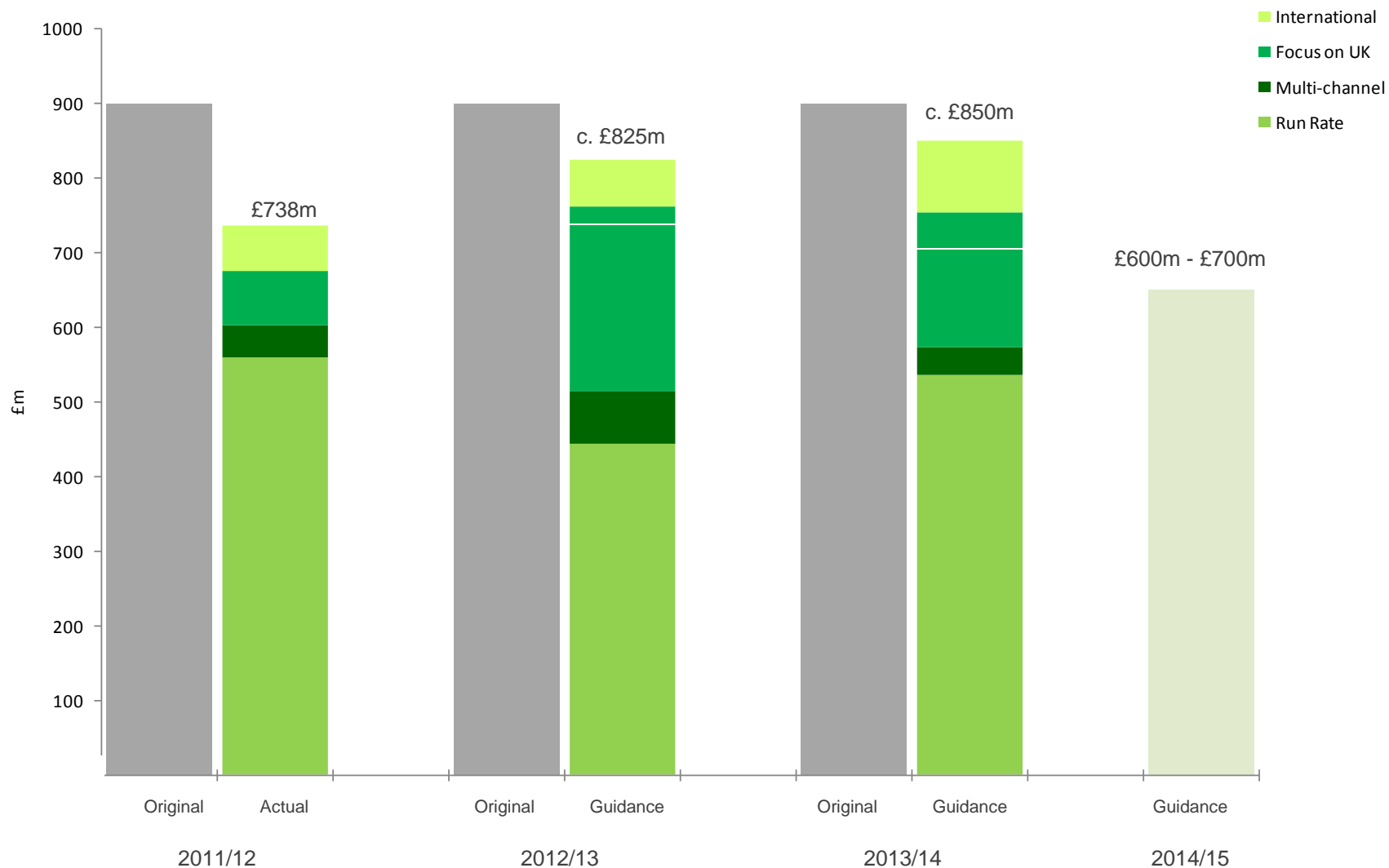
Capital expenditure – Nov 10



Capital expenditure – current view



Capital expenditure – current view



Capital Expenditure

- Net £300m saving from original guidance:
 - Focus on UK efficiency saving of £100m
 - Selected investment in new space and reduced spend on UK stores
 - Efficiencies in run rate
 - Additional £50m International investment
- Reduction to £600m - £700m pa at the end of three year plan

Supply Chain & IT progress

- SAP implementation completed
- Food systems due for completion by Autumn
- HR system launched
- E-commerce and national distribution centre in East Midlands on track
- Ambient food supply chain consolidated into one-site

Summary

- Performed well in a challenging economic environment
- Managed our operating cost base tightly
- £300m savings in capital investment over three years
- Good progress with three year plan

Full year results 2011/12

Marc Bolland
Chief Executive

Strategy

To become an International,
Multi-channel retailer

Plan 2010 - 2015

To become an International, Multi-channel retailer

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		

Revenue targets

(Nov 2010 update)




Revenue uplifts 2014

£	Min	Max
UK stores	1bn	1.5bn
Multichannel	300m	500m
International*	300m	500m
Total	1.5bn	2.5bn

Economic

Climate

Latest estimate

	Status
UK stores	
Multichannel	
International*	
Total	1.1bn - 1.7bn

* Excluding Republic of Ireland

Plan 2010 - 2013

**2010
to
2013**

Focus on UK



BRAND
STORES
CLOTHING
HOME
FOOD

Brand

Only at
YOUR M&S

Plan 2010 - 2013

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**BRAND
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Pilot stores

“Customers find our stores difficult to shop” (Nov 2010 update)

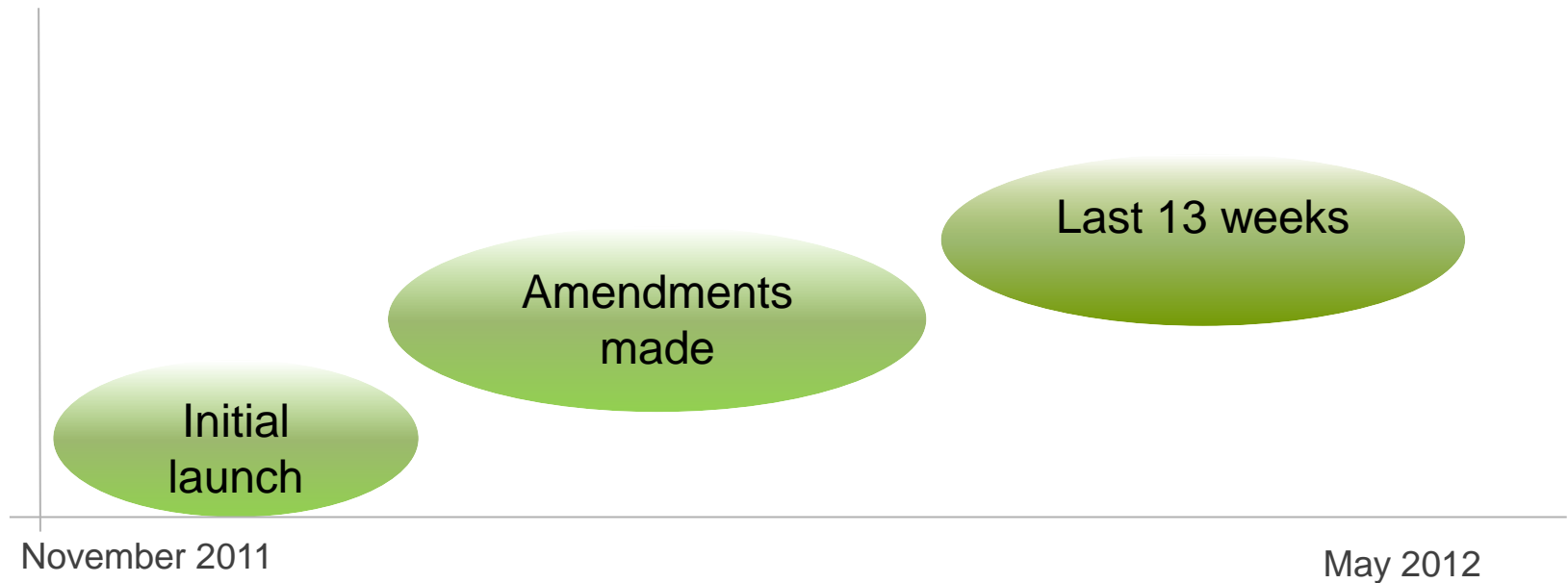
15 pilot stores trading for 6 months since Nov 2011

Approach:

- Launched in a challenging economic climate
- Quantitative and qualitative performance tracking
- Continuous improvements implemented

Quantitative results

➔ Sales uplift +2.5% v. control stores last 13 weeks



Quantitative results

Sales uplift +2.5% v. control stores last 13 weeks:

- Significant difference pilot stores v. control stores
- New departments outperforming old departments
- Continuous improvement driving a progressive trend

Qualitative results

“Personalities of the brands are clearer”



“It's easier to shop around in the store”




“Love it, almost like you're in a specialist”

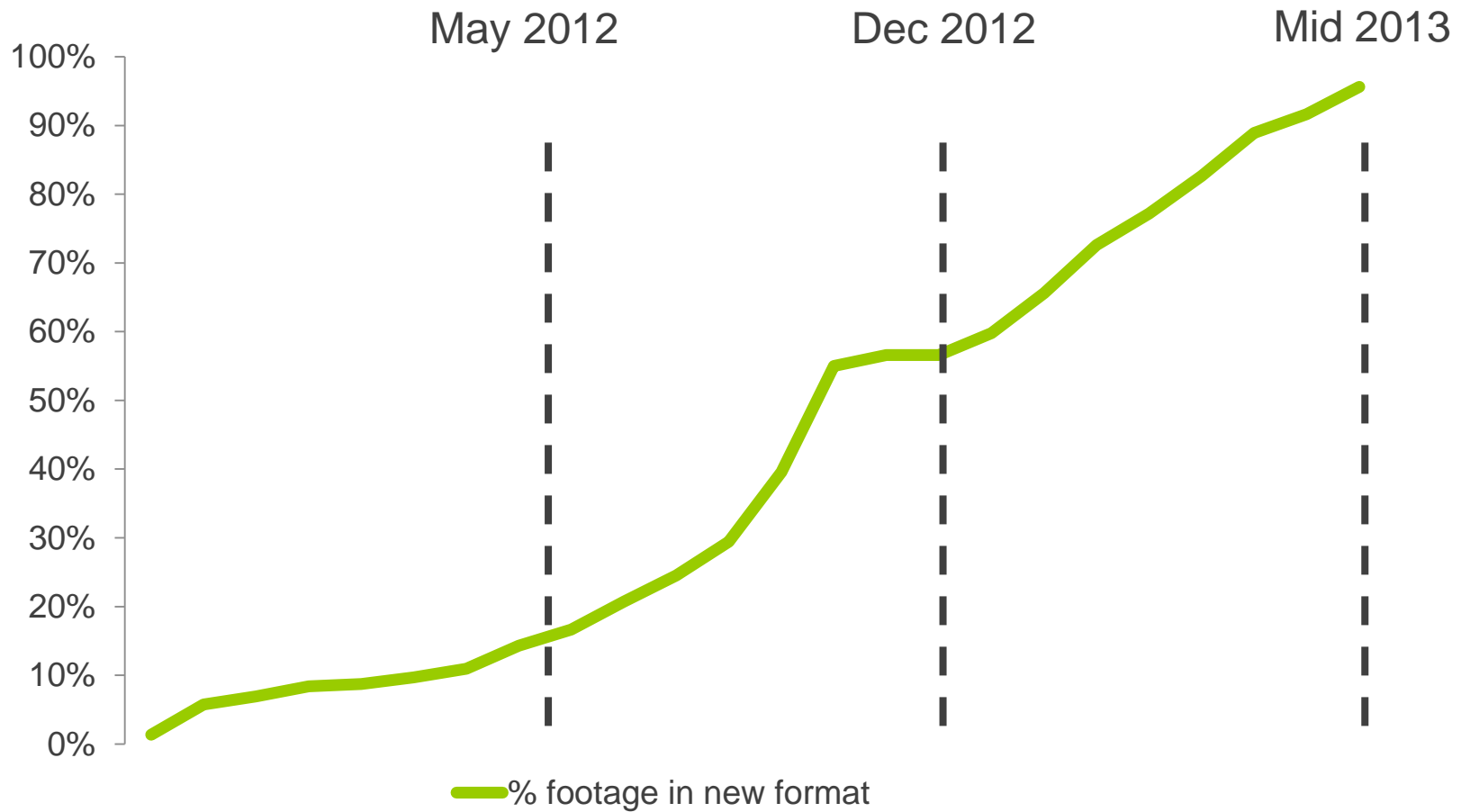


➡ Brand Perception +9%
v. control stores

Pilot stores

- Positive results
 - IRR 13% (target range 12-15%)
 - £100m capex efficiency saving
-  Confidence to roll out

Roll out



Roll out on track for mid 2013

Concept stores – phase 2

- Beauty
- Footwear
- Home
- Wine scheme
- Savile Row



Beauty

- M&S current market share in beauty: c.0.8%
- M&S concept: *'The best of nature and science'*
- Unique brands from around the world
- Strengthened our M&S 'own label' brand

The best of nature and science

skyn
ICELAND®
Solutions for Stressed Skin

~H₂O⁺
THE SCIENCE OF MARINE SKINCARE


NUXE
PARIS

LABORATOIRES
FILORGA
PARIS

DR Docteur
Renaud
PARIS

LES SENTEURS
GOURMANDES

PHILIP
KINGSLEY

TARA
SMITH

 australian
native
botanicals

COWLEY MANOR
COTSWOLDS



BY
LYN HARRIS
PERFUMER LONDON

Fragonard
PARFUMEUR

Murad® | *m*

pürminerals®
Beauty – pure and simple.

Berdoues
Maison fondée en 1902

RICETTE NATURALI
PERLIER



AORELLE
LA BEAUTE AU NATUREL


APIVITA

MATCHPLAY
fragrances

I COLONIALI

COMPTOIR
SUD PACIFIQUE
PARIS

MONOTHEME
fine fragrances
VENEZIA

23 market leading brands from eight countries

YOUR M&S

The best of nature and science



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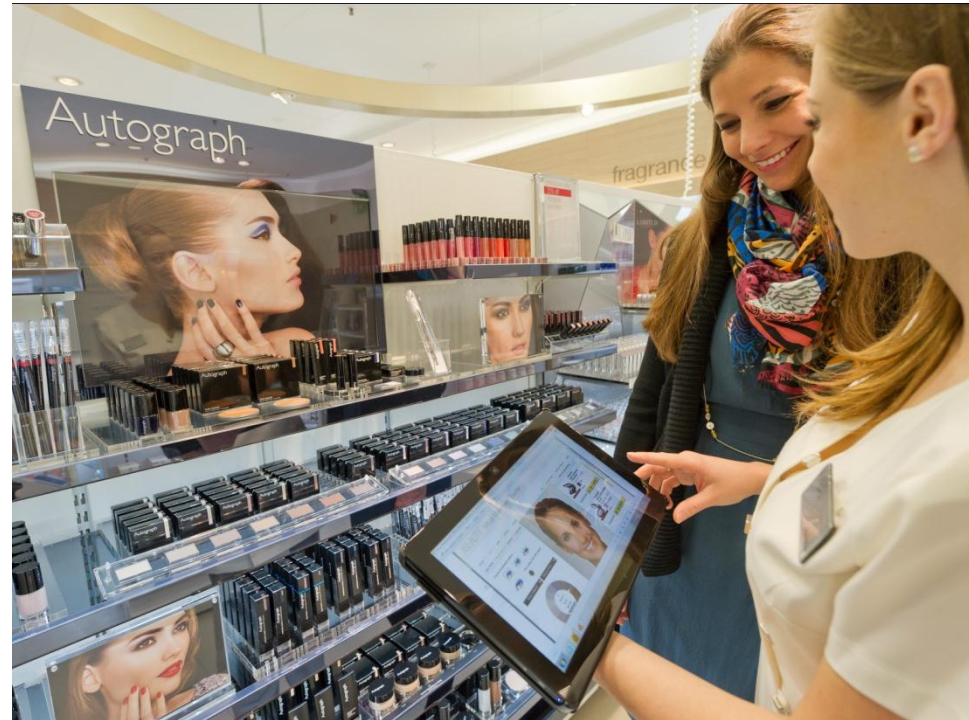
23 market leading brands from eight countries

YOUR M&S

The best of nature and science



Multi-channel integration



Plan 2010 - 2013

**2010
to
2013**

Focus on UK



**BRAND
STORES
CLOTHING
HOME
FOOD**

Sub-brands

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

(Nov 2010 update)



Clothing

- Strengthening the merchandising and design teams
- Focus on:
 - Choice
 - Style
 - Value
- New service programme in stores



Plan 2010 - 2013

2010
to
2013

Focus on UK



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Home

“Only 20% of customers shop our Home department”

(Nov 2010 update)

- Strategic departments performing very well
- Withdrawal of technology will impact until Q3
- New store scheme now developed and will roll out from Q2 2012 in conjunction with concept store programme

Small store format



Large store format



Plan 2010 - 2013

**2010
to
2013**

Focus on UK

BRAND
STORES
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FOOD



Food

“Is M&S Food becoming like any other supermarket?” (Nov 2010 update)

- Reduced number of branded products
- Introduced 100 international brands in 75 stores
- Additional lines allowing a fuller shop
- Strengthen value:



M&S Quality.
Now at prices
you'll love.
It's as simple
as that.

Introducing a range of over
500 shopping list favourites

**SIMPLY
M&S**

M&S quality. Simply priced.



Plan 2010 - 2013

By 2013

**UK space and
LFL growth**

**2010
to
2013**

Focus on UK

**BRAND
STORES
CLOTHING
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Space

“Space growth has been behind the market for the last 2 years but we are not in a race for space” (Nov 2010 update)

Change in approach:

- Selected new space
- Balance stores growth with online growth
- Focus on multi-channel and Shop Your Way
- Continue to open Simply Food stores

Plan 2010 - 2013

By 2013

UK space and
LFL growth



A leading UK
Multi-channel
retailer

2010
to
2013

Focus on UK

BRAND
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UK leading multi-channel retailer

“Amazon platform performs well but will restrict our future growth” (Nov 2010 update)

- Re-platforming on track
- Instore technology
- Mobile innovation



www.marksandspencer.com



Local transactional websites to be live in 10 countries by the end of this year

Plan 2010 - 2013

By 2013

UK space and
LFL growth

A leading UK
Multi-channel
retailer



International
company


2010
to
2013

Focus on UK

BRAND
STORES
CLOTHING
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FOOD

International

*“Broad shotgun approach, flag planting, export organisation
but strong opportunity in selected markets” (Nov 2010 update)*

- Organisational structure now built
 - Local experts in place
-
- LFL sales in India and China in double digit growth
 - Fix Czech and Greek businesses
 - Drive strategic markets & franchise
-
- 
- Run rate of 100 new stores a year by H2 of 2012/13

Plan A

- 5 Year Anniversary
- 100 original commitments:

Status	Number
Achieved	94
Not Achieved	6

- 80 new commitments for 2010-2015. 44 achieved already
- The future will be engagement with customers
- Shwopping launched in April

Summary

- UK environment remains challenging
- Maintained market share
- Adapted approach to space growth
- Managed costs and capex tightly
- Pilot stores performing well
- Multi-channel & International strong growth
- Good progress with the three year plan

Only at
YOUR M&S

Only at
YOUR M&S

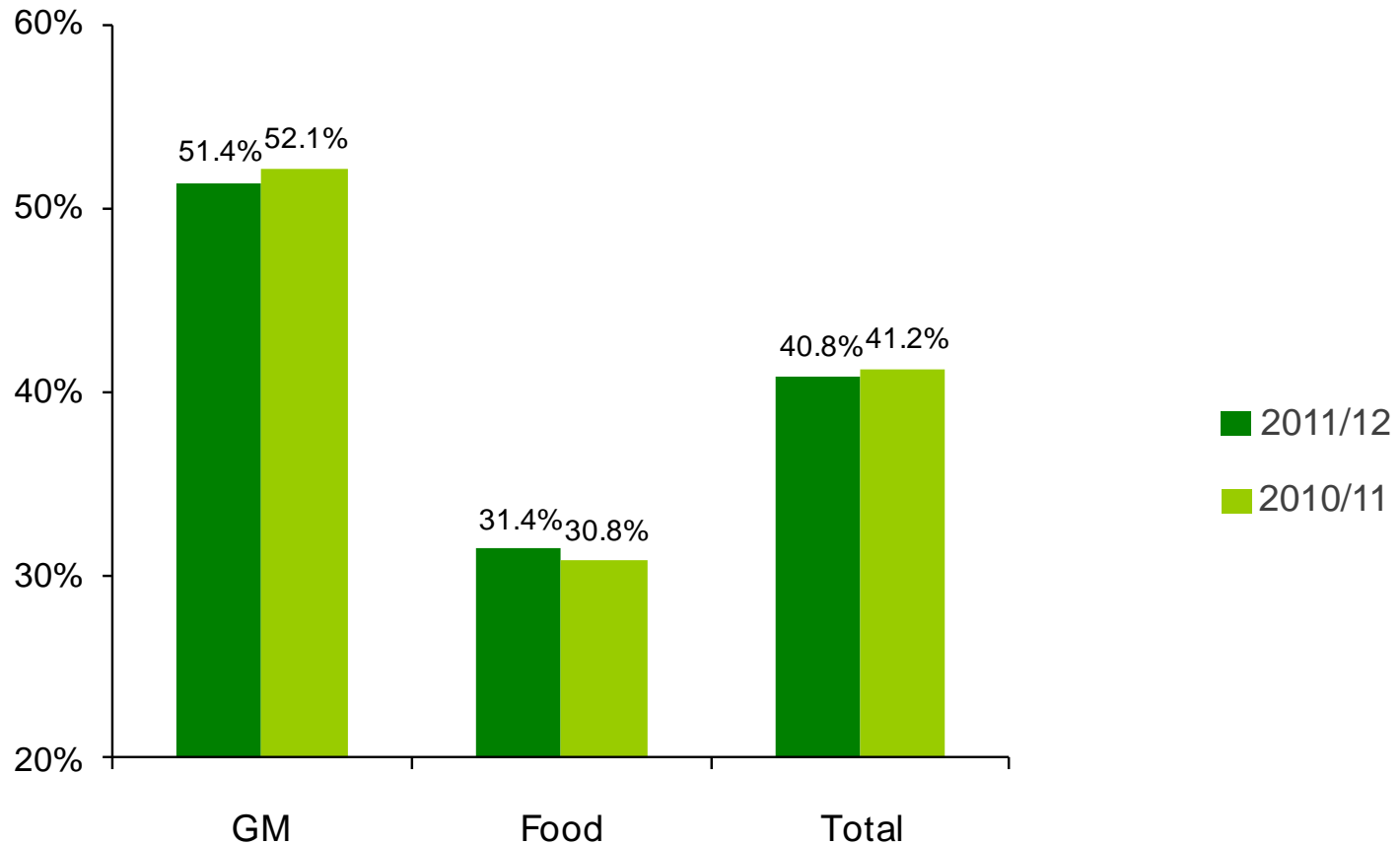
Appendices

UK sales

	TY £m	LY £m	Var %
Clothing	3,768	3,759	+0.2
Home	427	475	-10.0
General Merchandise	4,195	4,234	-0.9
Food	4,673	4,499	+3.9
Total UK	8,868	8,733	+1.5

Note: Results are stated before non-underlying items

UK gross margin



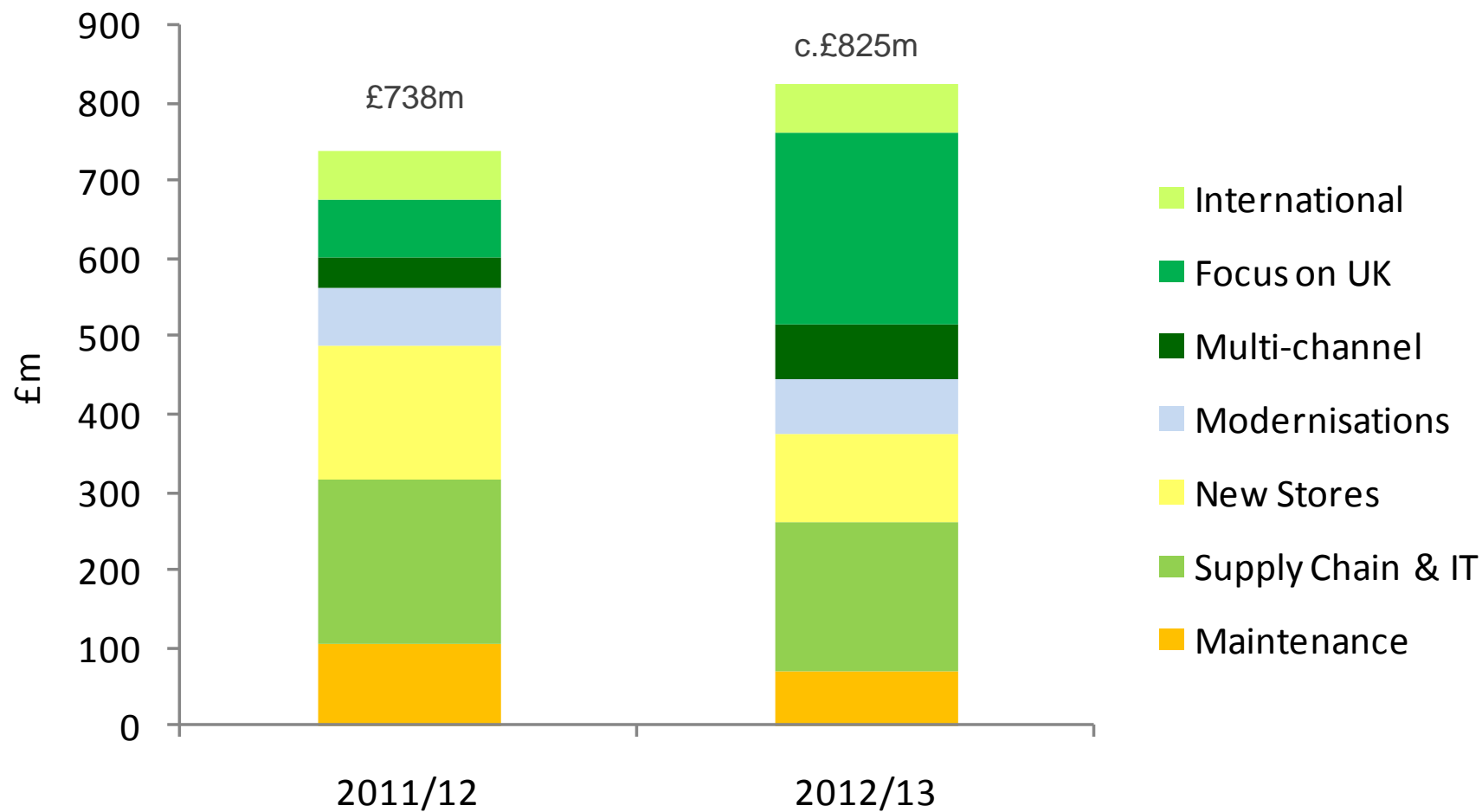
Note: Results are stated before non-underlying items

International

	TY £m	LY £m	Var %	Constant currency Var %
Revenue	1,066	1,007	+5.8	+5.8
- Owned	687	663	+3.5	+3.1
- Franchised	379	344	+10.4	+10.9
Operating profit	133	147	-9.3	-8.4
- Owned	23	55	-58.5	-58.0
- Franchised	110	92	+19.9	+21.0

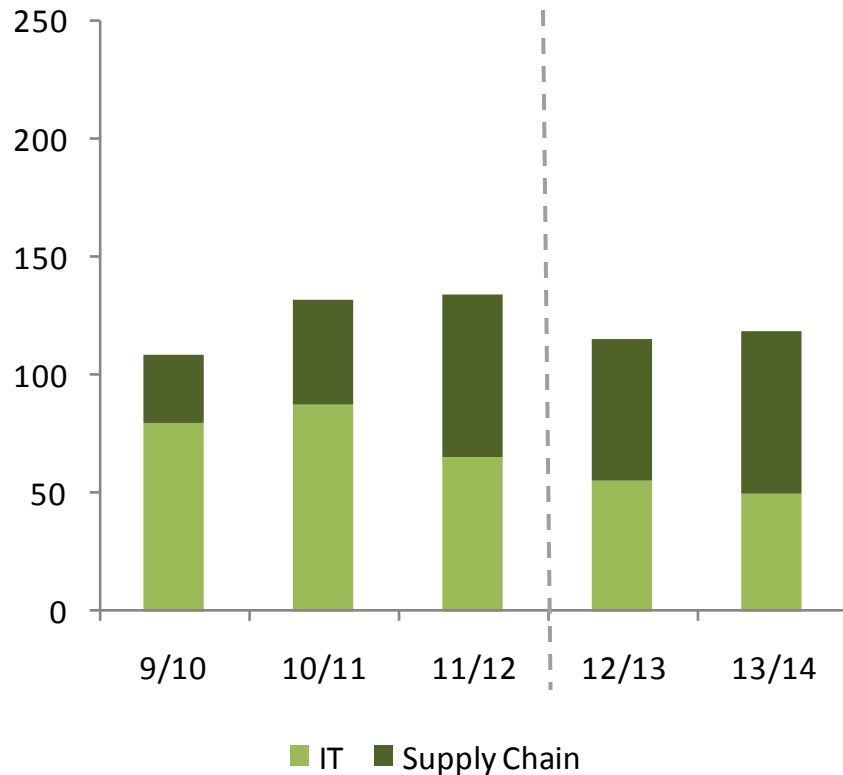
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Capital expenditure

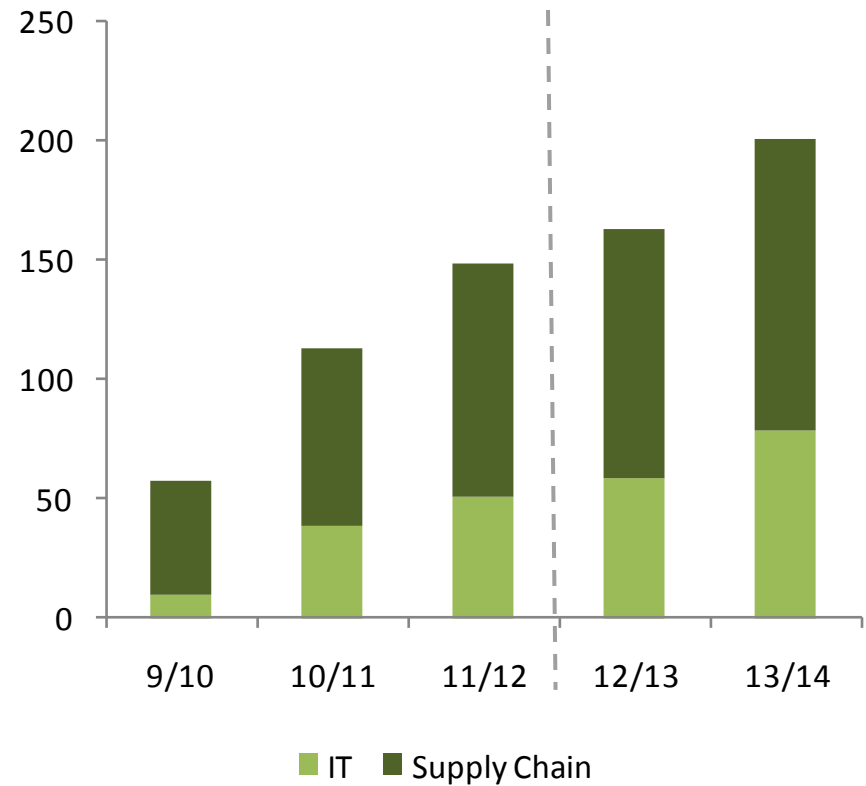


Supply Chain & IT

Capital expenditure



Benefits



Stores and space

	April 2012	April 2011	Openings	Closures	Change
<u>UK</u>					
Premier	11	10	+1	-	+1
Major	42	42	-	-	-
High Street	243	242	+1	-	+1
Simply Food Owned	168	161	+8	-1	+7
Simply Food Franchised	220	202	+18	-	+18
Outlets	47	46	+1	-	+1
UK stores	731	703	+29	-1	+28
Selling space (m sq ft)	16.0	15.6			+2.7%
<u>International</u>					
Owned	160	152	+13	- 5	+8
Franchised	227	209	+24	- 6	+18
International stores	387	361	+37	- 11	+26
Selling space (m sq ft)	4.7	4.2			+12%