

Issued: 5 November 2013

MARKS AND SPENCER GROUP PLC
HALF YEAR RESULTS 2013/14
26 WEEKS ENDED 28 SEPTEMBER 2013

"Marks & Spencer transformation on track"

Total revenue %	Q1	Q2	H1
General Merchandise	+0.5	+0.3	+0.4
Like-for-like	-1.6	-1.3	-1.5
Food	+4.5	+6.0	+5.3
Like-for-like	+1.8	+3.2	+2.5
UK total	+2.7	+3.4	+3.1
UK like-for-like	+0.3	+1.1	+0.7
International ¹	+8.7	+7.4	+8.0
Total Group ¹	+3.3	+3.8	+3.6
M&S.com ²	+29.9	+27.2	+28.5

Half-year results:

- Group sales¹ £4.9bn (last half year £4.7bn)
- Underlying profit before tax³ £261.6m (last half year £287.3m⁴)
- Underlying basic earnings per share³ 13.5p (last half year 14.1p⁴)
- Interim dividend 6.2p per share (last half year 6.2p)
- Net debt £2,787.2m (last half year £2,629.7m)

Statutory results:

- Profit before tax £280.6m (last year £280.0m⁴)
- Basic earnings per share 15.5p (last year 13.8p⁴)

Marc Bolland, Chief Executive, said:

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"Marks & Spencer made progress with a strong performance in Food, International and M&S.com. Our key priority was the re-launch of Womenswear. In September we launched our first new collection with new advertising and improved store formats. Although only in store for three weeks of the half year, our Autumn/Winter collection has been well received by customers, and we have seen some early signs of improvement.

"At the same time we continued to invest in the long term transformation of the business. We are pleased with the progress made, given the high level of activity and a number of key projects launching this year. This has led to a higher level of additional costs, which while planned for, have impacted short-term results.

"This year marks the final year of elevated capital investment in the business. From 2014/15 we will move to a lower, more sustainable long-term investment level of c.£550m. This, combined with the operational improvements we are making, makes us confident that we will deliver a material improvement in free cash flow from 2014/15, and we remain focused on delivering improved shareholder returns."

Current trading and outlook

While consumer confidence appears to be improving, there is little evidence as yet of this translating to increased spending in the retail sector. Given continued pressure on disposable incomes, we remain cautious about the outlook for the remainder of the year. However, we are well set up for the key Christmas trading period with more innovation and choice than ever before. Our overall expectations for the full year remain unchanged.

Guidance for financial year 2013/14:

- Gross margin is expected to grow by 30bps to 50bps. Within this, we expect GM gross margin to be up on the year, while Food gross margin will be ahead of the guided range.
- Operating costs are expected to increase by c.3.5%, or 4.5% including the impact of double running costs.
- Group capital expenditure is expected to be c.£775m, and £550m from 2014/15.
- The planned opening of new space will add c.2% to UK and c.15% to International space.
- Effective underlying tax rate is expected to be 20%, lower than the previous guidance of 21.5%.

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We will update on our third quarter sales on 9 January 2014.

Notes:

¹ *On constant currency basis*

² *Memo only*

³ *Underlying results are consistent with how the business is measured internally. Adjustments to derive underlying profit include one off strategic programme and restructuring costs, fair value movements on financial instruments and embedded derivatives, impairment of assets, one off pension credit and the impact to income earned from M&S Bank following M&S Bank's recognition of a provision for potential financial product mis-selling.*

⁴ *Last half year results have been restated for the changes to IAS19 "Employee Benefits". Refer to the Financial review for further details.*

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2013/14 half year operating review:

Business highlights:

- New General Merchandise strategy launched – reasserting leadership in quality and style
- Autumn/Winter product well received by customers
- New Womenswear in-store environment launched
- New initiatives working well – Beauty Shop +55%, new Home format stores +10%
- Food continues to outperform the market
- Food availability target of +5% achieved
- Customer satisfaction scores in Food at record high
- Multi-channel sales +28.5% outperforming the market growth of 16%
- 55% of Multi-channel orders now picked up in store
- International sales up +8.0% with strong LFL growth in key markets
- 26 international stores opened; over 50 to follow in the second half
- Good progress with supply chain and IT – EDC/NDC ramp up on track

Sales

Group sales were up 3.6% on a constant currency basis (up 3.9% actual currency) in the first half driven by a strong performance in our Food, International and Multi-channel businesses.

The trading environment continued to be challenging through the first half of the year. Trading was affected by unseasonable conditions at both the start and the end of the period, which led to increased levels of promotional activity in the marketplace.

General Merchandise sales were up 0.4% with like-for-like sales down 1.5%. In May, we set out our new product strategy for Womenswear, and the first Autumn/Winter product ranges launched in stores in September. In addition we rolled out a new, more inspiring in-store environment, backed up by a new advertising campaign, all of which have been well received. We are targeting a steady improvement in performance as our customers begin to notice the changes.

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Food sales were up 5.3%, with like-for-like sales up 2.5%. We have continued to deliver against our strategy to focus on fresh, speciality and convenience. We worked on increasing choice for our customers, through constant innovation and improvement in availability. With value still front of mind, we delivered a combination of great everyday value with our Simply M&S range, as well as attractive promotions such as our Delicious Offers every week.

International sales were up 8.0% on a constant currency basis (up 11.2% at actual rates). This was driven by a good performance in our priority markets in Asia with India and China delivering strong like-for-like growth. Our franchise business continued to perform well, with sales up 8.2%, and a good performance in key territories including Turkey, Russia and the Middle East. Whilst the macroeconomic pressures continue to impact the Republic of Ireland, trading in other European markets improved during the first half.

UK gross margin

General Merchandise gross margin was down 100 basis points, somewhat higher than planned, as a result of the one-off impacts of Autumn/Winter launch and a timing difference in the start of our annual October mid-season sale. This impact will reverse in the second half when we expect gross margin to be higher.

Food gross margin increased by 50 basis points with improved buying and more effective management of promotions helping to offset commodity price inflation. We expect this strong performance to continue in the second half.

Total UK gross margin was down 40 basis points at 41.3%, as a result of the mix change due to a difference in the rate of sales growth in General Merchandise and Food.

UK operating costs

UK operating costs were up 4.1% on last year, including the impact of double running costs. We continued to manage costs tightly despite the upward pressures from new space, inflation and investment in business initiatives such as improved customer service in stores. These were mitigated by further efficiencies from the supply chain & IT programme.

Underlying operating profit

Underlying group operating profit was £320.7m (last half year £352.9m). Within this, UK operating profit was £269.6m (last half year £298.5m) and International operating profit was £51.1m (last half year £54.4m).

Net debt and cash flow

Net debt at the half year was £2,787.2m (last half year £2,629.7m). Net cash outflow of £150.0m (£164.6m outflow last year), primarily reflects an increase in working capital, as a result of a higher inventory balance due to the increase in the proportion of direct sourcing. Our ongoing investment in our UK and International stores, the new multi-channel platform and new systems and supply chain resulted in capital expenditure of £266.8m (last half year £389.6m).

2013/14 half year business review:

We are mid-way through the third year of our plan to transform M&S into an international, multi-channel retailer. We have made strong progress against our medium and long term objectives in the first six months of this year.

1) Focus on the UK

Stores

The roll-out of the first phase of our new store layout concept continues on time and on budget, with around 80% of the stores now in the new format. We are on track to complete the programme by the end of this year.

In September we unveiled Phase 2 of the store concept, with refreshed Womenswear departments. Designed to showcase the latest collections, the new look and feel offers customers improved navigation and more inspiration leading to an enhanced shopping

experience. It includes new features such as the high impact 'Welcome Zones' highlighting the latest trends as well as new look destination departments such as Coat Shop, Dress Shop and Knitwear Shop. This has been rolled out to all our stores.

To support the in-store changes, all 10,000 of our Womenswear employees have completed the 'Fashion Camp training' to equip them with the skills to deliver world class customer service.

Clothing

General Merchandise sales were up 0.4%, with like-for-like sales down 1.5%. Clothing market conditions were challenging through the first half, with unseasonal conditions and high levels of promotional activity.

Our priority has been to deliver the new strategy for Womenswear. In September we launched the first of our new collections, reflecting our investment in quality, reinvigorating our style credentials and delivering a confident edited collection of the season's key styles, along with the quality wardrobe staples for which we're famous.

This was backed by a new advertising campaign entitled 'Britain's Leading Ladies', shot by acclaimed fashion photographer Annie Leibovitz, as well as a refreshed Womenswear in-store environment in all of our stores. We are pleased with the customers' reaction to the new ranges and have seen some encouraging early signs of improvement in sales.

We have continued to make operational improvements in our buying and merchandising. We have worked on reducing proliferation in the ranges, with the Autumn/Winter SKU count down 10% in Womenswear. We backed key departments including dresses and coats, resulting in sales performance up 60% in dresses and 20% in coats, despite the unseasonal conditions. We also delivered an improvement in availability through the move to 'push' method of stock allocation, which has now been rolled out to all stores.

Home

Last year we revealed our new Home in-store concept, which transforms the way we showcase our product, and makes use of technology to improve the range and ease of shopping for our customers. This has now been rolled out to 55 stores, with sales performance in these stores 10% ahead of the rest of the estate.

Our new concept Beauty stores continue to perform strongly. Sales performance in the 93 new look stores was 55% ahead of the rest of the estate.

Food

Our Food business performed strongly with total sales up 5.3% and 2.5% on a like-for-like basis, outperforming the market. We continued to deliver against our strategy to become more specialist, focusing on quality and innovation. We are pleased that our customers are noticing, with satisfaction scores at a record high, up 18% year on year.

Customers chose us as the destination shop for special occasions as well as everyday quality they can trust. Unlike 2012, the summer did not feature any major events. Instead, we created our own, with a new range, 'The Great British Summer', which included 160 new lines such as our Summer Macaroons, and helped us capitalise on the unseasonably warm conditions. We also continue to highlight the great value we offer on everyday items, with sales of our Simply M&S range growing strongly to now account for c.11% of the entire range.

We also continued to enhance our Food hall experience for customers. As part of the second phase of the new store concept we revealed new displays in areas including produce and horticulture, as well as introducing more excitement and theatre in stores with dedicated chilled event zones and live cooking stations in some of our flagship stores.

We have also improved on-shelf availability by a further 1%, meeting early our target of 5% set in November 2010. We have now stretched the target to measure over 6,000 lines and are continuing to see further improvements in availability. In addition, we have worked on bringing more of our ranges to more stores. This, together with the increase in availability, meant that we offered 20% more choice to customers.

2) Multi-channel

Multi-channel sales were up 28.5% outperforming the market growth of +16% (Source: BRC). Traffic to the site continued to grow as we increased the number of customers as well as the rate of conversion. Online clothing market share was up 70bps year on year to 6.9%.

The convenience of our Shop Your Way service continues to drive growth across both online and in-store, with 55% of multi-channel orders now collected in store or ordered in-store for home delivery. This multi-channel approach helped us deliver a great season on Back to School in Kidswear, with multi-channel sales growing by 25% and representing 38% of total UK sales.

Mobile sales grew by over 70%, with 140% growth in sales from tablets which now account for c.25% of sales compared with 11% a year ago.

In a marketing first, our new Womenswear advertising campaign was first posted on Facebook with c.10m people viewing the post.

3) International

Sales in our International business were up 8.0% on a constant currency basis (11.2% actual currency), to £0.6bn. International operating profit was down 6.2% at £51.1m due to continuing pressures in the Republic of Ireland and an acceleration in our store opening programme across our key markets, with consequential pre-opening costs.

We opened 26 new stores and now trade from 431 stores across 53 territories. Space growth is on track to accelerate in the second half of the year with over 50 stores scheduled to open.

In Asia, sales were up 19.1% on a constant currency basis and we opened nine new stores, focusing on driving growth in our key priority territories of India and China. In India, we opened six new stores taking the total to 35, with another nine due to open in the second half, including our new flagship store in Bandra, Mumbai. Sales in India were up 28.1% with double digit like-for-like sales growth.

Our franchise operations continue to grow. Our priority market, the Middle East, saw sales increase by 11.7% on a constant currency basis. We opened 14 new stores across eight markets, including Russia, Saudi Arabia and the U.A.E.

Sales in Europe were up 2.1% on a constant currency basis. Following the actions we took to address the performance in the Czech Republic and Greece, we are pleased that sales improved during the first half. We continued to grow our presence in Western Europe, opening our first store in the Netherlands. In France, two new stores opened in October, and we announced a partnership with Relay France to open standalone food stores in travel locations from next summer.

Supply Chain and IT

We continue to make good progress against our plan to restructure our supply chain, implement new information systems and improve operational execution. This year, we have a number of key projects launching.

In May we opened our first ever dedicated e-commerce facility in Castle Donington, our EDC/NDC. The build-up in volume processed through this new distribution centre is on track.

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In June we announced our intention to build our third large distribution centre at the new London Gateway deep-sea container port and logistics park. The planned 900,000 sq ft distribution centre will be used to store GM products before they are transported to UK and international stores.

The build of our new web platform continues as planned and we remain on track to launch in Spring 2014. We have also commenced implementation of the first of our new GM commercial systems, focusing on allocation and replenishment of stock.

Plan A

We continue to make good progress on our 180 commitment eco and ethical programme, Plan A.

The highlight in the half year was the launch of Make Your Mark, an employability scheme to support young unemployed people into meaningful, sustainable work run in partnership with the Prince's Trust.

To date over 1,000 16 – 24 year olds have taken part with more than 900 successfully completing each element of the four week mentoring programme. 95% have been offered jobs and are now M&S employees in stores up and down the country.

Make Your Mark has been recognised by the Prime Minister's office and formed part of the government's announcement last month of 100,000 new youth training opportunities to help the UK succeed in the global race.

We are currently working with our external Sustainable Retail Advisory Board to develop a series of new social and environmental goals to further strengthen Plan A and move us closer to our vision of M&S as a sustainable, international, multi-channel retail business.

Financial Review

26 weeks ended

Summary of Results

28 Sept 13	29 Sept 12	% var
£m	£m	
	Restated*	

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Group revenue	4,880.9	4,697.2	+3.9
UK	4,328.5	4,200.4	+3.1
International	552.4	496.8	+11.2
Underlying operating profit	320.7	352.9	-9.1
UK	269.6	298.5	-9.7
International	51.1	54.4	-6.1
Underlying profit before tax	261.6	287.3	-8.9
Non-underlying items	19.0	(7.3)	-
Profit before tax	280.6	280.0	+0.2
Underlying basic earnings per share	13.5p	14.1p	-4.3
Basic earnings per share	15.5p	13.8p	+12.3
Interim dividend per share (declared)	6.2p	6.2p	level

* The Group has adopted the revised IAS 19 'Employee Benefits' which has retrospective application and has resulted in the restatement of the results to 26 weeks ended 29 September 2012.

Reported results for HY 2012/13 were: Underlying operating profit: £354.9m, Underlying profit before tax: £296.8m, Underlying basic EPS: 14.6p, Basic EPS: 14.2p.

Revenues

Group revenues were up 3.9% (+3.6% on a constant currency basis) in the first half driven by a strong performance in Food, International and M&S.com.

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UK revenues were up 3.1% in total with a like-for-like increase of 0.7%, reflecting a strong performance in the Food business and a challenging trading environment in General Merchandise. We added 2.6% of space, 2.4% in General Merchandise and 3.1% in Food, on a weighted average basis.

International revenues were up 11.2%, or 8.0% on a constant currency basis. We saw good growth in our priority markets of India and China and with our franchise partners in the Middle East and Asia. Trading in the Republic of Ireland continues to be difficult; however, performance in our European businesses improved over the first half.

Operating profit

Group underlying operating profit was £320.7m, down 9.1%. In the UK, underlying operating profit was down 9.7% at £269.6m. UK gross margin was down 40 basis points at 41.3%. General Merchandise gross margin was down 100 basis points at 52.2%. While we planned for lower margin in the first half, we also saw the one-off effects of more aggressive end of season clearance and a timing difference with the start of the mid-season sale. Food gross margin was up 50 basis points at 32.5% as a result of improved buying and more effective management of promotions.

UK operating costs were up 4.1% to £1,545.7m, including £14.5m impact of double running costs. A breakdown of the costs is shown below:

	<u>26 weeks ended</u>		
	28 Sept 13	29 Sept 12	
	£m	£m	% var
		Restated*	
Retail staffing	478.5	445.9	+7.3
Retail occupancy	511.5	498.7	+2.6
Distribution	207.1	189.1	+9.5
Marketing and related	69.5	79.4	-12.5
Support	279.1	272.3	+2.5
Total	1,545.7	1,485.4	+4.1

*Restated from the reported £1,483.4m as a result of adoption of the revised IAS19 'Employee benefits'.

Retail staffing costs increased with our investment in store staffing in order to enhance customer service. In addition, costs were impacted by pension auto-enrolment as well as growth in selling space and the annual pay review.

The increase in occupancy costs reflects additional new space, rent and rates inflation and £1.2m of double running costs in relation to the new web platform.

Distribution costs were higher as a result of higher volumes and £10.2m of planned double running costs of the new EDC/NDC.

Marketing and related costs were lower due to a decrease in the number, and a change in approach to marketing campaigns.

Support costs also increased due to pension auto-enrolment, the annual pay review and £3.1m of double running costs in relation to the web platform.

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The underlying UK operating profit includes a contribution of £29.5m (last year £33.2m) from the Group's continuing economic interest in M&S Bank.

International operating profit was down 6.1% at £51.1m (last year £54.4m). Owned store operating profits were down £12.6m reflecting macroeconomic pressures in the Republic of Ireland and start up costs in France, the Netherlands and India, as we accelerate our store opening programme. These were partly offset by strong operating profit growth in the Franchise business which was up £9.3m.

Non-underlying profit items

The adjustments made to reported profit before tax to arrive at underlying profit are:

	<u>26 weeks ended</u>	
	28 Sept 13	29 Sept 12
	£m	£m
Profit on property disposal	82.2	-
Ireland one-off pension credit	17.5	-
Restructuring costs	(51.1)	-
Fair value movement on embedded derivative	(2.6)	(5.2)
Strategic programme costs	(2.0)	(2.1)
Reduction in M&S Bank Income	(25.0)	-
Total non-underlying profit items	19.0	(7.3)

The profit on property disposal relates to the sale of a warehouse site and mock shop in White City for a total consideration of £100m, with £25m received on completion and the remaining consideration deferred over three years. The property has been leased back to Marks and Spencer plc for a period of five years on an operating lease basis.

The one-off pension credit has arisen as a result of changes to the Marks and Spencer Ireland defined benefit scheme rules.

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Restructuring costs relate to the Group strategy of transitioning to a one tier distribution network and the associated closure costs of legacy logistics sites (£26.4m) and restructuring costs incurred in Ireland including the closure costs of four stores and redundancies (£24.7m).

The fair value movement on the embedded derivative is driven by a decrease in the expected RPI rate.

Strategic programme costs are the cost of implementing the Focus on the UK element of the strategy announced in November 2010, which cumulatively amount to £43m of the c.£50m announced in 2010.

The reduction in the fee income received from M&S Bank is due to M&S Bank's potential redress to customers in respect of possible mis-selling of financial products, as previously announced.

Net finance costs

	<u>26 weeks ended</u>	
	28 Sept 13	29 Sept 12
	£m	£m
		Restated*
Interest payable	(60.9)	(63.6)
Interest income	5.3	3.3
Net interest payable	(55.6)	(60.3)
Pension net finance income	5.7	2.7
Unwinding of discount on partnership liability	(8.9)	(6.9)
Unwinding of discounts on financial instruments	(0.3)	(1.1)
Net finance costs	(59.1)	(65.6)

*Restated from the reported £58.1m as a result of adoption of the revised IAS19 'Employee benefits'.

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Net interest payable was down 7.8% at £55.6m. This reflects a decrease in the Group's average cost of funding to 5.4% (last year 6.1%). Underlying net finance costs were down £6.5m, reflecting the lower net interest payable and a higher pension finance income which is partially offset by the higher unwinding of the discount on the partnership liability to the Marks and Spencer UK Pension Scheme.

Taxation

The taxation charge on underlying profits is based on an estimated full year effective tax rate of 20% (last full year 22.7%).

Underlying earnings per share

Underlying basic earnings per share decreased by 4.3% to 13.5p per share. The weighted average number of shares in issue during the period was 1,609.8m (last year 1,596.3m).

Dividend

The Board has declared an interim dividend of 6.2p (last year 6.2p).

Capital expenditure

	<u>26 weeks ended</u>	
	28 Sept 13	29 Sept 12
	£m	£m
Focus on the UK	42.6	65.4
Multi-channel	45.3	33.0
New stores	23.1	43.4
Store modernisation programme	5.9	51.9
International	30.5	20.5
Supply chain and technology	73.1	86.1
Maintenance	25.4	15.9
Proceeds from property disposals	(25.0)	-
Net capital expenditure	220.9	316.2

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Group capital expenditure, before proceeds from property disposals, was £245.9m for the half year. We continued our investment in UK stores in order to create a more inspiring environment, launching a new Womenswear concept in September which has been rolled out across the estate.

We also continued our investment in improved multi-channel capabilities with the final stages of the build of our new platform.

We added 2.6% of selling space in the UK (on a weighted average basis), trading from 16.5m square feet at the end of September 2013. We opened a net 16 new stores in the period, including two High Street and five owned Simply Food stores.

We continued to invest in our supply chain and technology in line with our strategy to build an infrastructure fit to support the future growth of the business. Our new EDC/NDC in Castle Donington opened in April.

Cash flow and net debt

	<u>26 weeks ended</u>	
	28 Sept 13	29 Sept 12
	£m	£m
		Restated*
Underlying EBITDA	541.1	576.7
Working capital	(153.3)	(76.4)
Pension funding	(45.6)	(30.6)
Capex and disposals	(266.8)	(389.6)
Interest and taxation	(58.4)	(77.8)
Dividends and share issues / purchases	(167.0)	(166.9)
Net cash outflow	(150.0)	(164.6)
Opening net debt	(2,614.3)	(2,463.1)**
Exchange and other adjustments	(22.9)	(2.0)
Closing net debt	(2,787.2)	(2,629.7)

*Restated as a result of adoption of the revised IAS19 'Employee benefits' in relation to underlying EBITDA and Working capital.

**Opening net debt has been restated to reflect the impact of the change in terms of the property partnership in May 2012, which resulted in £606.0m being transferred from reserves to liabilities.

The Group reported a net cash outflow of £150.0m (last half year outflow £164.6m). This reflects a 6.2% reduction in underlying EBITDA and higher working capital outflow driven by increased levels of inventory as a result of a further increase in the proportion of direct sourcing. This was partly offset by a decrease in net capital expenditure of £122.8m.

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Pensions

At 28 September 2013, the net retirement benefit surplus was £113.1m (last year £236.0m restated for the impact of the revised IAS 19 'Employee Benefits'). The decrease is due to lower than expected returns on assets partly offset by an increase in the discount rate.

- Ends -

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Investor & Analyst webcast:

Investor and analyst presentation will be held at 9am on 5 November 2013. This presentation can be viewed live on the Marks and Spencer Group plc website on:

www.marksandspencer.com/thecompany.

Video interviews with Marc Bolland, Chief Executive and Alan Stewart, Chief Finance Officer will be available on the above website. The interviews are also available in audio.

Fixed Income Investor Conference Call:

This will be hosted by Alan Stewart, Chief Finance Officer at 2pm on 5 November 2013:

Dial in number: +44 (0) 20 8515 2319

A recording of this call will be available until 15 November 2013:

Dial in number: +44 (0) 20 7959 6720 Access Code: 4648690#

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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Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 45 - 47 of the Group's 2013 Annual Report and Financial Statements. Information on financial risk management is also set out on pages 101 - 104 of the Annual Report, a copy of which is available on the Group's website www.marksandspencer.com. The key risks and mitigating activities have not changed from these:

- Financial risk, including the UK and global economic outlook;
- People development, programme and workstream management and distribution centre restructure;
- Brand and reputational risk relating to reputation with our core customers and food safety and integrity;
- Selling channels such as multichannel and International; and
- Operational threats, including GM stock management and IT security change.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Marks and Spencer Group plc are listed in the Group's 2013 Annual Report and Financial Statements with the exception of the appointment of Patrick Bousquet-Chavanne on 10 July 2013 and the resignation of Jeremy Darroch on 19 June 2013 and Steven Sharp on 9 July 2013. A list of current directors is maintained on the Group's website: www.marksandspencer.com.

By order of the Board

Marc Bolland
Chief Executive

Alan Stewart
Chief Finance Officer

Marks and Spencer Group plc
Registered Office:
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35 North Wharf Road
London W2 1NW
Registered No. 4256886
(England and Wales)

Consolidated income statement

	Notes	26 weeks ended		52 weeks ended
		28 Sept 2013	29 Sept 2012 (Restated) ¹	30 March 2013 (Restated) ¹
		£m	£m	£m
Revenue	3	4,880.9	4,697.2	10,026.8
Operating profit	3	339.7	345.6	753.0
Finance income	5	11.0	6.0	12.4
Finance costs	5	(70.1)	(71.6)	(218.2)
Profit before tax		280.6	280.0	547.2
Income tax expense	6	(38.7)	(67.2)	(102.4)
Profit for the period		241.9	212.8	444.8
Attributable to:				
Equity shareholders of the Company		249.6	220.0	453.5
Non-controlling interests		(7.7)	(7.2)	(8.7)
		241.9	212.8	444.8
Basic earnings per share	7	15.5p	13.8p	28.3p
Diluted earnings per share	7	15.3p	13.7p	28.2p

Non-GAAP measures: Underlying profit before tax

Profit before tax		280.6	280.0	547.2
Adjusted for:				
Profit on property disposal	4	(82.2)	-	-
Ireland one-off pension credit	4	(17.5)	-	-
Restructuring costs	4	51.1	-	9.3
IAS 39 Fair value movement of embedded derivative	4	2.6	5.2	(5.8)
Strategic programme costs	4	2.0	2.1	6.6
Fair value movement on buy back of the Puttable Callable Reset medium-term notes	4	-	-	75.3
Reduction in M&S Bank income for the impact of the financial product mis-selling provision	4	25.0	-	15.5
Underlying profit before tax	2	261.6	287.3	648.1
Underlying basic earnings per share	7	13.5p	14.1p	31.9p
Underlying diluted earnings per share	7	13.3p	14.0p	31.6p

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

Consolidated statement of comprehensive income

		26 weeks ended		52 weeks ended
		28 Sept 2013	29 Sept 2012 (Restated) ¹	30 March 2013 (Restated) ¹
		£m	£m	£m
Profit for the period		241.9	212.8	444.8
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurements of retirement benefit schemes	9	(144.2)	62.4	105.8
Tax credit/(charge) on retirement benefit schemes		42.0	(12.6)	(23.3)
		(102.2)	49.8	82.5
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences		(17.4)	(12.5)	7.9
Cash flow and net investment hedges				
- fair value movements in other comprehensive income		(92.0)	(23.7)	33.6
- reclassified and reported in net profit		31.1	14.8	(26.0)
- amount recognised in inventories		3.7	(9.2)	(13.6)
Tax credit/(charge) on cash flow hedges and net investment hedges		13.1	6.2	(0.4)
		(61.5)	(24.4)	1.5
Other comprehensive (expense)/income for the period, net of tax		(163.7)	25.4	84.0
Total comprehensive income for the period		78.2	238.2	528.8
Attributable to:				
Equity shareholders of the Company		85.9	245.4	537.5
Non-controlling interests		(7.7)	(7.2)	(8.7)
		78.2	238.2	528.8

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

The notes on pages 26 to 32 form an integral part of this condensed consolidated interim financial information.

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Consolidated statement of financial position

		As at 28 Sept 2013	As at 29 Sept 2012 (Restated) ¹	As at 30 March 2013 (Restated) ¹
	Notes	£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets		740.7	614.6	695.0
Property, plant and equipment		5,002.0	4,839.0	5,033.7
Investment property		15.8	15.9	15.8
Investment in joint ventures		12.1	15.2	15.5
Other financial assets		3.0	3.0	3.0
Retirement benefit asset	9	126.2	197.8	249.1
Trade and other receivables		315.2	266.5	265.4
Derivative financial instruments		51.5	53.9	65.3
		6,266.5	6,005.9	6,342.8
Current assets				
Inventories		920.1	849.4	767.3
Other financial assets		12.6	130.7	16.9
Trade and other receivables		321.3	281.3	245.0
Derivative financial instruments		5.8	86.4	42.5
Current tax asset		-	1.6	3.1
Cash and cash equivalents		166.7	144.5	193.1
		1,426.5	1,493.9	1,267.9
Total assets		7,693.0	7,499.8	7,610.7
LIABILITIES				
Current liabilities				
Trade and other payables		1,476.6	1,422.7	1,503.8
Partnership liability to the Marks & Spencer UK Pension Scheme	10	71.9	71.9	71.9
Borrowings and other financial liabilities		764.9	372.6	558.7
Derivative financial instruments		37.9	91.6	13.7
Provisions		50.6	13.9	19.2
Current tax liabilities		55.3	105.3	71.0
		2,457.2	2,078.0	2,238.3
Non-current liabilities				
Retirement benefit deficit	9	13.1	13.8	13.1
Trade and other payables		298.5	294.9	292.1
Partnership liability to the Marks & Spencer UK Pension Scheme	10	487.7	541.0	550.7
Borrowings and other financial liabilities		1,687.2	1,991.4	1,727.3
Derivative financial instruments		75.9	47.8	13.1
Provisions		28.0	16.4	16.0
Deferred tax liabilities		195.7	218.4	240.6
		2,786.1	3,123.7	2,852.9
Total liabilities		5,243.3	5,201.7	5,091.2
Net assets		2,449.7	2,298.1	2,519.5
EQUITY				
Issued share capital		404.0	402.1	403.5
Share premium account		321.2	299.0	315.1
Capital redemption reserve		2,202.6	2,202.6	2,202.6
Hedging reserve		(38.0)	(7.6)	9.2
Other reserve		(6,542.2)	(6,542.2)	(6,542.2)
Retained earnings		6,126.7	5,962.8	6,150.3
Total shareholders' equity		2,474.3	2,316.7	2,538.5
Non-controlling interests in equity		(24.6)	(18.6)	(19.0)
Total equity		2,449.7	2,298.1	2,519.5

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

The notes on pages 26 to 32 form an integral part of this condensed consolidated interim financial information.

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Consolidated statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m	Total £m	Non- controlling interest £m	Total £m
As at 31 March 2013 (restated)¹	403.5	315.1	2,202.6	9.2	(6,542.2)	6,150.3	2,538.5	(19.0)	2,519.5
Profit/(loss) for the period	-	-	-	-	-	249.6	249.6	(7.7)	241.9
Other comprehensive income:									
Foreign currency translation	-	-	-	(0.2)	-	(17.2)	(17.4)	-	(17.4)
Remeasurements of retirement benefit schemes	-	-	-	-	-	(144.2)	(144.2)	-	(144.2)
Tax credit on retirement benefit schemes	-	-	-	-	-	42.0	42.0	-	42.0
Cash flow and net investment hedges									
- fair value movements in other comprehensive income	-	-	-	(94.9)	-	2.9	(92.0)	-	(92.0)
- reclassified and reported in net profit	-	-	-	31.1	-	-	31.1	-	31.1
- amount recognised in inventories	-	-	-	3.7	-	-	3.7	-	3.7
Tax on cash flow hedges and net investment hedges	-	-	-	13.1	-	-	13.1	-	13.1
Other comprehensive expense	-	-	-	(47.2)	-	(116.5)	(163.7)	-	(163.7)
Total comprehensive income/(expense)	-	-	-	(47.2)	-	133.1	85.9	(7.7)	78.2
Transactions with owners:									
Dividends	-	-	-	-	-	(173.6)	(173.6)	-	(173.6)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	2.1	2.1
Shares issued on exercise of employee share options	0.5	6.1	-	-	-	-	6.6	-	6.6
Credit for share-based payments	-	-	-	-	-	12.3	12.3	-	12.3
Deferred tax on share schemes	-	-	-	-	-	4.6	4.6	-	4.6
As at 28 September 2013	404.0	321.2	2,202.6	(38.0)	(6,542.2)	6,126.7	2,474.3	(24.6)	2,449.7
	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m (Restated) ¹	Total £m (Restated) ¹	Non- controlling interest £m	Total £m (Restated) ¹
As at 1 April 2012	401.4	294.3	2,202.6	14.8	(6,114.3)	6,026.0	2,824.8	(11.4)	2,813.4
Profit/(loss) for the period	-	-	-	-	-	220.0	220.0	(7.2)	212.8
Other comprehensive income:									
Foreign currency translation	-	-	-	(0.5)	-	(12.0)	(12.5)	-	(12.5)
Remeasurements of retirement benefit schemes	-	-	-	-	-	62.4	62.4	-	62.4
Tax charge on retirement benefit schemes	-	-	-	-	-	(12.6)	(12.6)	-	(12.6)
Cash flow and net investment hedges									
- fair value movements in other comprehensive income	-	-	-	(33.7)	-	10.0	(23.7)	-	(23.7)
- reclassified and reported in net profit	-	-	-	14.8	-	-	14.8	-	14.8
- amount recognised in inventories	-	-	-	(9.2)	-	-	(9.2)	-	(9.2)
Tax on cash flow hedges and net investment hedges	-	-	-	6.2	-	-	6.2	-	6.2
Other comprehensive income/(expense)	-	-	-	(22.4)	-	47.8	25.4	-	25.4
Total comprehensive income/(expense)	-	-	-	(22.4)	-	267.8	245.4	(7.2)	238.2
Transactions with owners:									
Dividends	-	-	-	-	-	(172.3)	(172.3)	-	(172.3)
Recognition of financial liability	-	-	-	-	(427.9)	(178.1)	(606.0)	-	(606.0)
Shares issued on exercise of employee share options	0.7	4.7	-	-	-	-	5.4	-	5.4
Credit for share-based payments	-	-	-	-	-	20.3	20.3	-	20.3
Deferred tax on share schemes	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
As at 29 September 2012	402.1	299.0	2,202.6	(7.6)	(6,542.2)	5,962.8	2,316.7	(18.6)	2,298.1
	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m (Restated) ¹	Total £m (Restated) ¹	Non- controlling interest £m	Total £m (Restated) ¹
As at 1 April 2012	401.4	294.3	2,202.6	14.8	(6,114.3)	6,026.0	2,824.8	(11.4)	2,813.4
Profit/(loss) for the year	-	-	-	-	-	453.5	453.5	(8.7)	444.8
Other comprehensive income:									
Foreign currency translation	-	-	-	(1.5)	-	9.4	7.9	-	7.9
Remeasurements of retirement benefit schemes	-	-	-	-	-	105.8	105.8	-	105.8
Tax charge on retirement benefit schemes	-	-	-	-	-	(23.3)	(23.3)	-	(23.3)
Cash flow and net investment hedges									
- fair value movements in other comprehensive income	-	-	-	35.9	-	(2.3)	33.6	-	33.6
- reclassified and reported in net profit	-	-	-	(26.0)	-	-	(26.0)	-	(26.0)
- amount recognised in inventories	-	-	-	(13.6)	-	-	(13.6)	-	(13.6)
Tax on cash flow hedges and net investment hedges	-	-	-	(0.4)	-	-	(0.4)	-	(0.4)
Other comprehensive income/(expense)	-	-	-	(5.6)	-	89.6	84.0	-	84.0
Total comprehensive income/(expense)	-	-	-	(5.6)	-	543.1	537.5	(8.7)	528.8
Transactions with owners:									
Dividends	-	-	-	-	-	(271.3)	(271.3)	-	(271.3)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	1.1	1.1
Recognition of financial liability	-	-	-	-	(427.9)	(178.1)	(606.0)	-	(606.0)
Shares issued on exercise of employee share options	2.1	20.8	-	-	-	-	22.9	-	22.9
Credit for share-based payments	-	-	-	-	-	28.0	28.0	-	28.0
Deferred tax on share schemes	-	-	-	-	-	2.6	2.6	-	2.6
As at 30 March 2013	403.5	315.1	2,202.6	9.2	(6,542.2)	6,150.3	2,538.5	(19.0)	2,519.5

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

The notes on pages 26 to 32 form an integral part of this condensed consolidated interim financial information.

The 'Other reserve' was originally created as part of the capital restructuring that took place in 2002. It represents the difference between the nominal value of the shares issued prior to the capital reduction by the Company (being the carrying value of the investment in Marks and Spencer plc) and the share capital, share premium and capital redemption reserve of Marks and Spencer plc at the date of the transaction. As at 1 April 2012 the reserve also included discretionary distributions to the Marks and Spencer UK pension scheme of £427.9m. On 21 May 2012 the Group changed the terms of the Marks and Spencer Scottish Limited Partnership and the total equity instrument of £427.9m was derecognised and the fair value of the remaining distributions of £606.0m was recognised as a financial liability (see note 10).

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	26 weeks ended		52 weeks ended
		28 Sept 2013	29 Sept 2012	30 March 2013
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operations	13	349.9	469.7	1,246.2
Income tax paid		(35.7)	(44.8)	(106.0)
Net cash inflow from operating activities		314.2	424.9	1,140.2
Cash flows from investing activities				
Proceeds on property disposals		25.0	-	-
Purchase of property, plant and equipment		(210.6)	(322.4)	(642.6)
Purchase of intangible assets		(88.8)	(67.2)	(187.1)
Sale of current financial assets		3.8	129.4	243.4
Interest received		5.3	2.0	5.9
Net cash used in investing activities		(265.3)	(258.2)	(580.4)
Cash flows from financing activities				
Interest paid		(28.1)	(35.0)	(135.2)
Cash inflow from borrowings		181.6	8.1	0.5
Drawdown of syndicated loan notes		35.8	316.0	81.0
Issue of medium-term notes		-	-	395.6
Redemption of medium-term notes		-	(267.4)	(606.4)
Decrease in obligations under finance leases		(2.8)	(3.7)	(11.0)
Payment of liability to the Marks & Spencer UK Pension Scheme		(71.9)	(71.9)	(71.9)
Equity dividends paid		(173.6)	(172.3)	(271.3)
Shares issued under employee share schemes		6.6	5.4	22.9
Net cash used in financing activities		(52.4)	(220.8)	(595.8)
Net cash outflow from activities		(3.5)	(54.1)	(36.0)
Effects of exchange rate changes		(0.9)	(1.2)	0.9
Opening net cash		160.7	195.8	195.8
Closing net cash		156.3	140.5	160.7

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		26 weeks ended		52 weeks ended
		28 Sept 2013	29 Sept 2012	30 March 2013
		£m	£m	£m
Opening net debt		(2,614.3)	(1,857.1)	(1,857.1)
Net cash outflow from activities		(3.5)	(54.1)	(36.0)
Decrease in current financial assets		(3.8)	(129.4)	(243.4)
(Increase)/decrease in debt financing		(142.7)	18.9	132.7
Partnership liability to the Marks & Spencer UK Pension Scheme		-	(606.0)	(606.0)
Exchange and other adjustments		(22.9)	(2.0)	(4.5)
Movement in net debt		(172.9)	(772.6)	(757.2)
Closing net debt	14	(2,787.2)	(2,629.7)	(2,614.3)

The notes on pages 26 to 32 form an integral part of this condensed consolidated interim financial information.

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1 General information

This condensed consolidated interim information for the period does not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The summary of results for the year ended 30 March 2013 is an extract from the published Annual Report and Financial Statements which were approved by the board of Directors on 20 May 2013, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report on the Annual Report and Financial Statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s498 of the Companies Act 2006.

2 Basis of preparation

The financial information has been prepared in accordance with the Disclosure and Transparency rules of the Financial Conduct Authority (previously Financial Services Authority) and with International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' as adopted by the European Union. This condensed consolidated interim information should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 March 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 30 March 2013 and the half year ended 29 September 2012 are consistent with the Group's annual financial statements and half year financial statements respectively, with the exception of the restatement for the adoption of the revised IAS 19 'Employee Benefits' as discussed below.

Accounting policies

The results for the first half of the financial year have not been audited and are prepared on the basis of the accounting policies set out in the Group's 2013 Annual Report and Financial Statements, except as described below.

- The Group has adopted the revised IAS 19 'Employee Benefits'. The revised standard replaces the expected return on plan assets and the interest cost on liabilities with a net interest expense calculated by applying the discount rate to the net defined benefit asset or liability. In addition, administration costs on pension funds are now recognised in the profit or loss when the administration services are performed. Previously the Group included an expense reserve in the defined benefit obligation.

The revised standard has retrospective application. The impact of the revised standard has resulted in opening retained earnings to be increased by £34.6m. The impact on the 26 weeks to 29 September 2012 is to reduce profit before tax by £9.5m, increase the net retirement benefit asset by £45.0m, increase the deferred tax liabilities by £10.4m and increase the remeasurements of retirement benefit schemes by £9.5m. The impact on the year to 30 March 2013 is to reduce profit before tax by £17.1m, increase the net retirement benefit asset by £43.0m, increase the deferred tax liabilities by £9.9m and increase the remeasurements of retirement benefit schemes by £15.1m.

- Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings, adjusted for actual tax on non-underlying items.

- The Group has adopted the amendments to IAS 1 'Presentation of items of other comprehensive income', which require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified. The amendments have been applied retrospectively and the presentation of items of comprehensive income have been regrouped to reflect the change.

- The Group has adopted IFRS 13 'Fair value measurement' and the measurement and disclosure requirements are applicable for the financial year beginning 31 March 2013. The Group has included the disclosures required by IAS 34 para 16A(j) (see note 11).

There are no other new standards or amendments to standards which are mandatory for the first time for the financial year beginning 31 March 2013, and that will have a material impact on the results or net assets of the Group.

The directors believe that the underlying profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The underlying profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with underlying profit measures used by other companies. The adjustments made to reported profit before tax are to exclude the following:

- profits and losses on the disposal of properties;
- significant and one-off impairment charges that distort underlying trading;
- costs relating to strategy changes that are not considered normal operating costs of the underlying business;
- restructuring costs;
- fair value movements in financial instruments;
- reduction in income received from HSBC in relation to M&S Bank due to a non recurring provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products; and
- One-off pension credits arising on changes of the defined benefit pension scheme rules.

Going concern basis

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

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3 Segmental Information

IFRS 8 requires operating segments to be identified on the basis of internal reporting on components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources across each operating segment. The operating segments are UK and International which are reported in a manner consistent with the internal reporting to the executive directors.

The UK segment consists of the UK retail business and UK franchise operations. The International segment consists of Marks & Spencer owned businesses in the Republic of Ireland, Europe and Asia, together with international franchise operations.

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-underlying items from the operating segments. Central costs are all classified as UK costs and presented within UK operating profit. The executive directors also monitor revenue within the segments. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segments by subcategory.

The following is an analysis of the Group's revenue and results by reportable segment:

	26 weeks ended 28 September 2013		
	Management £m	Adjustment ² £m	Statutory £m
General Merchandise	1,930.1	(5.2)	1,924.9
Food	2,403.6	-	2,403.6
UK revenue	4,333.7	(5.2)	4,328.5
Franchised	201.9	-	201.9
Owned	350.5	-	350.5
International revenue	552.4	-	552.4
Group revenue	4,886.1	(5.2)	4,880.9
UK operating profit ¹	269.6	26.1	295.7
International operating profit	51.1	(7.1)	44.0
Group operating profit	320.7	19.0	339.7
Finance income	11.0	-	11.0
Finance costs	(70.1)	-	(70.1)
Profit before tax	261.6	19.0	280.6

¹ UK statutory profit includes £4.5m (last half year £33.2m and last full year £35.6m) in respect of fees received from HSBC in relation to M&S Bank. UK management operating profit includes fees in relation to M&S Bank of £29.5m (last half year £33.2m and last full year £51.1m), which reflects a non-GAAP adjustment of £25.0m (last half year £nil and last full year £15.5m) as detailed in note 4.

² Adjustments to revenue relate to an adjustment for refunds recognised in cost of sales for management accounting purposes. Management profit excludes the adjustments (income or charges) made to reported profit before tax that are one-off in nature, significant and distort the Group's underlying performance (see note 4).

	26 weeks ended 29 September 2012		
	Management (Restated) ³ £m	Adjustment ² £m	Statutory (Restated) ³ £m
General Merchandise	1,917.7	(0.9)	1,916.8
Food	2,283.6	-	2,283.6
UK revenue	4,201.3	(0.9)	4,200.4
Franchised	186.8	-	186.8
Owned	310.0	-	310.0
International revenue	496.8	-	496.8
Group revenue	4,698.1	(0.9)	4,697.2
UK operating profit ¹	298.5	(7.3)	291.2
International operating profit	54.4	-	54.4
Group operating profit	352.9	(7.3)	345.6
Finance income	6.0	-	6.0
Finance costs	(71.6)	-	(71.6)
Profit before tax	287.3	(7.3)	280.0

³ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

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3 Segmental Information (continued)

	52 weeks ended 30 March 2013		
	Management (Restated) ³	Adjustment ²	Statutory (Restated) ³
	£m	£m	£m
General Merchandise	4,090.3	3.6	4,093.9
Food	4,857.5	-	4,857.5
UK revenue	8,947.8	3.6	8,951.4
Franchised	392.6	-	392.6
Owned	682.8	-	682.8
International revenue	1,075.4	-	1,075.4
Group revenue	10,023.2	3.6	10,026.8
UK operating profit ¹	658.4	(25.6)	632.8
International operating profit	120.2	-	120.2
Group operating profit	778.6	(25.6)	753.0
Finance income	12.4	-	12.4
Finance costs	(142.9)	(75.3)	(218.2)
Profit before tax	648.1	(100.9)	547.2

Sales of General Merchandise and Food are subject to seasonality due to higher demand during the Christmas period which falls in the second half of the financial year.

Reportable segments' assets are reconciled to total assets as follows:

	As at	As at	As at
	28 Sept 2013	29 Sept 2012 (Restated) ³	30 March 2013 (Restated) ³
	£m	£m	£m
UK assets	5,942.2	6,372.4	6,163.4
International assets	1,750.8	1,127.4	1,447.3
Total assets	7,693.0	7,499.8	7,610.7

4 Non-GAAP performance measures

The adjustments made to reported profit before tax are income and charges that are one-off in nature, significant and distort the Group's underlying performance. These adjustments include:

- The profit on property disposal relates to the sale of a warehouse site and mock shop in White City on 26 July 2013 to St James Group Ltd for a total consideration of £100m, £25m received on completion and the remaining consideration to be deferred over three years. The property has been leased back to Marks and Spencer plc for a period of five years and has been recognised as an operating lease;
- Pension credit arising from changes to the Marks and Spencer Ireland defined benefit scheme rules whereby the discretions for post retirement pension increases have been removed;
- Restructuring costs relating to the commencement of the Group's strategy to transition to a one tier distribution network and the closure costs of the legacy logistics site (£26.4m), and restructuring costs in Ireland following a thorough commercial review of the Ireland business (£24.7m). This includes costs relating the closure of four stores, redundancies and other associated costs;
- IAS 39 fair value movement of the embedded derivative in a lease contract based upon the expected future RPI versus the lease contract in which rent increases are capped at 2.5%, with a floor of 1.5%;
- Strategic programme costs relating to the strategy announcements made in November 2010 and include the costs associated with the Focus on the UK plans. This includes asset write-offs and accelerated depreciation. These costs are not considered normal operating costs of the business;
- Fair value movement of the Puttable Callable Reset medium-term notes (PCR notes) realised on the repurchase of debt - in December 2007 the Group issued £250m of 30 year puttable callable bonds which included a coupon rate reset after five years based on a fixed underlying 25 year interest rate. On this basis the rate was reset at 9%. In light of continued low long-term market interest rates and the successful bond issuance in December 2012, the Group bought back and cancelled these bonds in January 2013, resulting in a one-off fair value loss. This change is the fair value movement of the bond net of any immaterial associated unamortised bond costs and fees. It is not considered a normal finance cost of the business;
- The Group has an economic interest in M&S Bank, a wholly owned subsidiary of HSBC, by way of a Relationship Agreement that entitles the Group to a 50% share of the profits of M&S Bank after appropriate deductions. The Group does not share in any losses of M&S Bank and is not obliged to refund any fees received from HSBC although future income may be impacted by significant one-off deductions. Last year, M&S Bank recognised an estimated liability for redress to customers in respect of possible mis-selling of financial products in its audited financial statements for the year ended 31 December 2012. The Group's fee income from M&S Bank has been reduced by the deduction of this estimated liability (under the Relationship Agreement) in both the current and prior year and this reduction has been treated as an adjustment to reported profit before tax on the basis that the directors believe that the impact of the provision recognised by M&S Bank materially distorts the Group's underlying performance. We are discussing with M&S Bank whether these charges are properly for our account under the terms of our agreement with HSBC.

The adjustments made to reported profit before tax to arrive at underlying profit are:

	26 weeks ended		52 weeks ended
	28 Sept 2013	29 Sept 2012	30 March 2013
	£m	£m	£m
Profit on property disposal	82.2	-	-
Ireland one-off pension credit	17.5	-	-
Restructuring costs	(51.1)	-	(9.3)
IAS 39 Fair value movement of embedded derivative	(2.6)	(5.2)	5.8
Strategic programme costs	(2.0)	(2.1)	(6.6)
Fair value movement on buy back of the Puttable Callable Reset medium-term notes	-	-	(75.3)
Reduction in M&S Bank income for the impact of the financial product mis-selling provision	(25.0)	-	(15.5)
Total adjustments	19.0	(7.3)	(100.9)

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5 Finance income/costs

	26 weeks ended		52 weeks ended
	28 Sept 2013	29 Sept 2012 (Restated) ¹	30 March 2013 (Restated) ¹
	£m	£m	£m
Bank and other interest receivable	5.3	3.3	5.3
Pension net finance income	5.7	2.7	7.1
Finance income	11.0	6.0	12.4
Interest on bank borrowings	(1.7)	(0.9)	(2.1)
Interest payable on syndicated bank facility	(2.5)	(3.1)	(6.1)
Interest payable on medium-term notes	(55.6)	(58.2)	(114.3)
Interest payable on finance leases	(1.1)	(1.4)	(2.8)
Unwind of discount on financial instruments	(0.3)	(1.1)	(1.0)
Unwinding of discount on partnership liability to the Marks & Spencer UK Pension Scheme	(8.9)	(6.9)	(16.6)
Underlying Finance costs	(70.1)	(71.6)	(142.9)
Fair value movement on buy back of the Puttable Callable Reset medium-term notes	-	-	(75.3)
Finance costs	(70.1)	(71.6)	(218.2)
Net finance costs	(59.1)	(65.6)	(205.8)

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

6 Taxation

The taxation charge on underlying profits for the 26 weeks ended 28 September 2013 is based on an estimated full year effective tax rate of 20% (last half year 24% and last full year 22.7%).

The tax charge in the income statement is based on management's best estimate of the full year effective tax rate on expected underlying profits to 29 March 2014, adjusted for actual tax on non-underlying items in the period to 28 September 2013.

The full year effective tax rate includes the impact to the income statement of calculating UK deferred tax balances at the reduced rate of 21%, being the corporation tax rate for the year commencing 1 April 2014, and 20%, being the corporation tax rate for the year commencing 1 April 2015, both of which were substantively enacted in the Finance Act 2013. The impact of this rate change on the interim income statement is a reduction in the half year effective tax rate of approximately 3% which is the main reason for the underlying rate being lower than both the statutory rate of 23% and the last half year rate of 24%.

The effective tax rate on overall profit before taxation is 13.8% (last half year 24% and last full year 18.7%). The rate is lower than the 20% rate on underlying profits primarily because of the difference between the accounting profit and the taxable gain on the White City warehouse disposal. The difference has arisen as a result of the application of a March 1982 value as the basis of the taxable gain calculation, the effect of indexation and the utilisation of current year capital losses. In addition, a non-underlying adjustment credit of £7.5m has arisen in respect of prior periods following the reassessment of historic tax liabilities following discussions with the tax authorities.

7 Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period.

The underlying earnings per share figures have also been calculated based on earnings before items that are one-off in nature, significant and are not considered normal operating costs of the underlying business (see note 4). These have been calculated to allow the shareholders to gain an understanding of the underlying trading performance of the Group.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one class of dilutive potential ordinary shares being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

Details of the underlying earnings per share are set out below:

	26 weeks ended		52 weeks ended
	28 Sept 2013	29 Sept 2012 (Restated) ¹	30 March 2013 (Restated) ¹
	£m	£m	£m
Profit attributable to equity shareholders of the Company	249.6	220.0	453.5
Add/(less) (net of tax):			
Profit on property disposal	(76.1)	-	-
Ireland one-off pension credit	(15.3)	-	-
Restructuring costs	43.5	-	7.1
IAS 39 Fair value movement of embedded derivative	2.1	4.0	(4.7)
Strategic programme costs	1.5	1.6	5.0
Fair value movement on buy back of the Puttable Callable Reset medium-term notes	-	-	57.3
Reduction in M&S Bank income for the impact of the financial product mis-selling provision	19.3	-	11.8
Non-underlying adjustment to tax charge in respect of prior periods	(7.5)	-	(20.4)
Underlying profit attributable to equity shareholders of the Company	217.1	225.6	509.6
	million	million	million
Weighted average number of ordinary shares in issue	1,609.8	1,596.3	1,599.7
Potentially dilutive share options under Group's share option schemes	22.8	9.5	10.6
Weighted average number of diluted ordinary shares	1,632.6	1,605.8	1,610.3
	pence	pence	pence
Basic earnings per share	15.5	13.8	28.3
Diluted earnings per share	15.3	13.7	28.2
Underlying basic earnings per share	13.5	14.1	31.9
Underlying diluted earnings per share	13.3	14.0	31.6

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

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8 Dividends

	26 weeks ended		52 weeks ended
	28 Sept 2013	29 Sept 2012	30 March 2013
	£m	£m	£m
Final dividend of 10.8p per share (last year 10.8p per share)	173.6	172.3	172.3
Prior period interim dividend of 6.2p per share	-	-	99.0
	173.6	172.3	271.3

The directors have approved an interim dividend of 6.2p per share (last half year 6.2p per share) which, in line with the requirements of IAS 10 - 'Events after the Reporting Period', has not been recognised within these results. This results in an interim dividend of £100.0m (last half year £99.0m) which will be paid on 10 January 2014 to shareholders whose names are on the Register of Members at the close of business on 15 November 2013. The ordinary shares will be quoted ex dividend on 13 November 2013. Shareholders may choose to take this dividend in shares or in cash.

9 Retirement benefits

	26 weeks ended		52 weeks ended
	28 Sept 2013	29 Sept 2012	30 March 2013
	£m	(Restated) ¹ £m	(Restated) ¹ £m
Opening net retirement benefit asset	236.0	123.0	123.0
Current service cost	(46.6)	(34.8)	(71.8)
Curtailment charge	(1.0)	-	(1.0)
One-off pension credit (note 4)	17.5	-	-
Net interest income	5.7	2.7	7.1
Past service cost	-	0.5	1.4
Employer contributions	45.6	30.6	70.9
Remeasurements	(144.2)	62.4	105.8
Exchange movement	0.1	(0.4)	0.6
Closing net retirement benefit asset	113.1	184.0	236.0
Total market value of assets	6,526.1	6,324.1	6,930.0
Present value of scheme liabilities	(6,399.9)	(6,126.3)	(6,680.9)
Net funded pension plan asset	126.2	197.8	249.1
Unfunded retirement benefits	(0.8)	(0.8)	(0.8)
Post-retirement healthcare	(12.3)	(13.0)	(12.3)
Net retirement benefit asset	113.1	184.0	236.0
Analysed in the statement of financial position as:			
Retirement benefit asset	126.2	197.8	249.1
Retirement benefit deficit	(13.1)	(13.8)	(13.1)
Net retirement benefit asset	113.1	184.0	236.0

¹ Restatement relates to the adoption of the revised IAS 19 Employee Benefits (note 2).

Financial assumptions

The main financial assumptions used to assess the liabilities of the scheme have been updated by independent qualified actuaries to assess the liabilities of the scheme. The most significant of these are the discount rate and the inflation rate which are 4.5% (last full year 4.3%) and 3.3% (last full year 3.4%) respectively. The inflation rate of 3.3% reflects the Retail Price Index (RPI) rate. Certain benefits have been calculated with reference to the Consumer Price Index (CPI) as the inflationary measure and in these instances, a rate of 2.3% (last full year 2.4%) has been used.

The amount of the surplus varies if the main financial assumptions change, particularly the discount rate. If the discount rate increased/decreased by 0.1%, the IAS 19 surplus would increase by c.£108m and decrease by c.£110m (last half year increase by c.£112m/decrease c.£114m, last full year increase/decrease c.£115m). If the inflation rate increased by 0.1%, the IAS 19 surplus would decrease by c.£94m (last half year c.£92m, last full year c.£50m) and if the inflation rate decreased by 0.1%, the IAS 19 surplus would increase by c.£92m (last half year c.£94m, last full year c.£75m).

10 Marks and Spencer Scottish Limited Partnership

Marks and Spencer plc is a general partner and the Marks & Spencer UK Pension Scheme is a limited partner of the Marks and Spencer Scottish Limited Partnership (the Partnership). As such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.6bn (last full year £1.6bn) of properties which have been leased back to Marks and Spencer plc at market rates. The Group retains control over these properties, including the flexibility to substitute alternative properties. The limited partnership interest (held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive an annual distribution of £71.9m from the profits of the Partnership earned from rental income.

From 2009 to 21 May 2012 this distribution was discretionary at the instance of Marks and Spencer plc. The discretionary right was exercisable if the Group did not pay a dividend or make any other form of return to its shareholders and on this basis, the future value of total discretionary scheduled payments was classified as an equity instrument within other reserves.

On 21 May 2012 the Group changed the terms of the Partnership to waive the Group's limited discretionary right over the annual distributions from the Partnership to the Pension Trustee. The change was reflected by the de-recognition of the related equity instruments and recognition of a financial liability from this date.

During the period to 28 September 2013 an interest charge of £8.9m (last half year £6.9m, last full year £16.6m) was recognised in the income statement representing the unwinding of the discount included in this obligation.

Under IAS 19, the partnership interest of the Pension Scheme in the Marks and Spencer Scottish Limited Partnership is included within the UK pension scheme assets, valued at £568.6m (last full year £645.7m). The market value of this non-quoted financial asset is measured based on the expected cash flows and benchmark asset-backed credit spreads.

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11 Financial Instruments

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: other established valuation techniques such as using discounting cash flow models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Unlisted equity investments are included in Level 3. The fair value of embedded derivatives is determined using the present value of the estimated future cash flows based on financial forecasts. The nature of the valuation techniques and the judgement around the inputs mean that a change in assumptions could result in significant change in the fair value of the instrument.

At the end of the reporting period, the Group held the following financial instruments at fair value:

	26 weeks ended 28 September 2013			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value				
Financial assets at fair value through profit and loss				
- Trading derivatives	-	0.6	-	0.6
Derivatives used for hedging	-	33.4	-	33.4
Embedded derivatives	-	-	23.3	23.3
Available-for-sale financial assets				
- Equity securities	-	-	3.0	3.0
Short term investments	-	6.9	-	6.9
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
- Trading derivatives	-	(4.7)	-	(4.7)
Derivatives used for hedging	-	(109.1)	-	(109.1)

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers out of Level 3 fair value measurements in the current reporting period.

The following table represents the changes in Level 3 instruments:

	26 weeks ended 28 September 2013 £m
Opening balance	28.9
Losses recognised in the income statement	(2.6)
Closing balance	26.3

The losses recognised in the income statement relate to the valuation of the embedded derivative in a lease contract. The fair value movement of the embedded derivative of £2.6m is treated as an adjustment to reported profit (note 4).

Fair value of financial instruments

With the exception of the Group's fixed rate bond debt and the partnership liability, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Group's fixed rate bond debt was £2,048.5m (last half year £1,935.8m and last full year £2,076.5m), the fair value of this debt was £2,118.0m (last half year £1,996.9m and last full year £2,196.6m). The carrying value of the Partnership liability to the Marks & Spencer UK Pension scheme is £559.6m (last full year £622.6m) and the fair value is £534.1m (last full year £606.0m).

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12 Capital expenditure and contingencies

A Capital expenditure

Additions to the cost of property, plant and equipment, investment property and intangible assets are £256.9m (last half year £316.2m) and for the year ended 30 March 2013 were £821.3m. Disposals in net book value of property, plant and equipment, investment property and intangible assets are £15.8m (last half year £0.6m) and for the year ended 30 March 2013 were £5.0m.

B Capital commitments

	As at 28 Sept 2013 £m	As at 29 Sept 2012 (Restated) ¹ £m	As at 30 March 2013 (Restated) ² £m
Commitments in respect of properties in the course of construction	54.5	48.2	9.5

C Other material contracts

In the event of a material change in the trading arrangements with certain warehouse operators, the Group has a commitment to purchase property, plant and equipment, at values ranging from historical net book value to market value, which are currently owned and operated by the warehouse operators on the Group's behalf.

Refer to note 10 for details on the partnership arrangement with the Marks & Spencer UK Pension Scheme.

13 Analysis of cash flows given in the statement of cash flows

	26 weeks ended 28 Sept 2013 £m	26 weeks ended 29 Sept 2012 (Restated) ¹ £m	52 weeks ended 30 March 2013 (Restated) ² £m
Cash flows from operating activities			
Profit on ordinary activities after taxation	241.9	212.8	444.8
Income tax expense	38.7	67.2	102.4
Finance costs	70.1	71.6	218.2
Finance income	(11.0)	(6.0)	(12.4)
Operating profit	339.7	345.6	753.0
Increase in inventories	(146.7)	(166.0)	(91.2)
(Increase)/decrease in receivables	(122.3)	(23.2)	9.5
Increase in payables	92.5	62.0	77.0
Non-underlying operating cash outflow	(29.0)	(3.8)	(21.4)
Depreciation, amortisation and asset write-offs	220.4	223.8	467.4
Share-based payments	12.3	20.3	25.8
Pension costs charged against operating profit	47.6	34.3	71.4
Cash contributions to pension schemes	(45.6)	(30.6)	(70.9)
Non-underlying operating profit items (note 4)	(19.0)	7.3	25.6
Cash generated from operations	349.9	469.7	1,246.2

¹ Restatement relates to the adoption of the revised IAS 19 'Employee Benefits' (note 2).

14 Reconciliation of net debt to statement of financial position

	As at 28 Sept 2013 £m	As at 29 Sept 2012 (Restated) ¹ £m	As at 30 March 2013 (Restated) ² £m
Statement of financial position and related notes			
Cash and cash equivalents	166.7	144.5	193.1
Current financial assets	12.6	130.7	16.9
Bank loans and overdrafts	(347.3)	(365.1)	(152.1)
Medium term notes - net of hedging derivatives	(2,073.2)	(1,942.9)	(2,040.2)
Finance lease liabilities	(55.7)	(62.9)	(57.4)
Partnership liability to the Marks & Spencer UK Pension Scheme (note 10)	(559.6)	(612.9)	(622.6)
	(2,856.5)	(2,708.6)	(2,662.3)
Interest payable included within related borrowing	69.3	78.9	48.0
Total net debt	(2,787.2)	(2,629.7)	(2,614.3)

15 Related party transactions

Supplier transactions occurred during the period between the Group and a company controlled by Martha Lane Fox's partner. Martha is a non-executive director of the Group. These transactions amounted to £1.0m during the period (last half year £0.9m) with an outstanding trade payable of £0.1m at 28 September 2013 (last half year £nil).

Supplier transactions occurred in the prior year between the Group and a company controlled by a close family member of Kate Bostock, a former executive director of the Group. These transactions amounted to £6.5m from 1 April 2012 to 1 October 2012, the date of Kate Bostock's resignation. The company was a supplier prior to Kate's employment by the Group.

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