

MATALAN

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Matalan Third Quarter results for the 13 weeks ended 26 November 2011

Matalan, the UK's leading out of town fashion and homeware retailer, announces a trading update for the 13 weeks ended 26 November 2011.

Financial highlights

- Total revenue of £310.8m
- EBITDA from continuing operations of £41.7m
- LTM EBITDA of £101.6m
- Online continues to deliver strong growth
- Opened Newtownards (Northern Ireland) and relocated our Scunthorpe store
- Outlook remains cautious

Performance overview

The results for the quarter continue to reflect the ongoing challenging trading conditions.

QTD sales were 3.5% up on last year (LFL sales up 1.3%). Maintaining a strong price message had a positive impact on footfall and conversion and also proved effective in managing seasonal stock holding.

Increased cotton prices in the latter part of 2010 and early 2011, coupled with increased labour costs, are now crystallising through our margin. Due to our buying cycle the subsequent fall in cotton prices during the latter part of 2011 will not be reflected in our margins until the second half of next year.

We remain focused on managing our cash, cost base and capital expenditure. This has resulted in our cost base at Q3 remaining comparable with last year, despite inflationary pressures.

We opened our third and final new store for the year during the quarter, in Newtownards and were also able to open our relocated store in Scunthorpe following the closure of the old site. We are continuing to see a strong performance in all new and relocated stores.

Recent Trading

Trading for the 5 weeks to 31 December showed LFL sales up 9.9%. This improvement in sales is a direct result of our strong seasonal product offering, the positive response to our Christmas TV campaign and the weather impact on last years results.

During the Christmas trading period we achieved our best sales week to date, beating our previous record set in 2005. This is a significant achievement considering current market conditions.

Recognising the challenging market conditions, we adopted a targeted promotional strategy during Christmas week and presented customers with offers on selected lines. This has allowed us to mitigate our terminal stock risk and maintain our strong cash liquidity. However, the combined impact of the January 2011 VAT increase, higher input costs and promotional markdown continues to put downward pressure on margins.

Closing cash as at 31 December 2011 was £114.0m (December 2010: £102.5m) and inventory levels were £121.6m (December 2010: £103.5m). The increase in inventory levels reflects higher input costs. We expect to exit the year with lower terminal stock volumes compared to the prior year.

Outlook

The outlook for the UK consumer continues to remain uncertain with increasing pressures on disposable incomes, declining confidence levels and the expectation of a tough January and February 2012. Continuing downwards margin pressure will start to ease as we go through the year. Last year's VAT increase has now annualised and tighter buying with more flexibility through higher "open to buy" will ease markdown pressures. Input cost prices, although not improving much before the end of the new Spring Summer season, will positively impact the Autumn Winter range.

Darren Blackhurst, CEO of Matalan said:

"It is clear that Matalan is well positioned in this increasingly competitive market to offer customers the higher quality, lower cost value proposition they seek. Style, quality and value are key to the Matalan offer and our customers recognise that.

During these challenging times, it is encouraging to see us deliver our best ever week's sales in the run up to Christmas and I would like to thank all of our employees for their efforts in delivering this great result.

We remain focused and cautious and recognise the need to maintain healthy cash levels and tight control of costs as we look after customers and exceed their expectations going forward."

Ends

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020 7831 3113**About Matalan Retail Limited**

Matalan is the UK's leading out of town fashion and homeware retailer and operates through 213 stores in the UK, an e-commerce platform and 6 overseas franchise stores. Matalan Retail Limited was taken private in December 2006 by the acquisition of its parent company, Matalan Plc (now delisted and known as Matalan Limited), by Missouri Bidco Limited, subsequently renamed Matalan Finance Limited. Matalan Finance Limited has subsequently become a public limited company and is ultimately controlled by the Hargreaves family.

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