John Lewis plc announces the unaudited results for the year ended 28 January 2023 for John Lewis Partnership plc.
John Lewis Partnership plc is the ultimate holding company of John Lewis plc.

Thursday 16 March 2023

JOHN LEWIS PARTNERSHIP UNAUDITED RESULTS FOR THE YEAR ENDED 28 JANUARY 2023 - LETTER FROM THE CHAIRMAN

Dear Partner

You've been exceptional in what has been another very tough year. Two years of pandemic and now a cost of living crisis.

I know you're feeling the impact of higher inflation, and I hope the £500 (pro rata) cost of living payment and free food over the winter helped.

Inflation has had a big impact on the Partnership and sent our costs soaring - up almost £180m on last year. We haven't sat on our hands. We've been working hard to drive out costs. Negotiating better deals with suppliers and simplifying ranges in both brands.

Shoppers felt the pain of inflation. Sales[1] were £12.25bn, a 2% dip on the year: a combination of strong sales at John Lewis and a decline of 3% at Waitrose, reflecting that we had more customers - 20 million of them, 800,000 more than last year - but they bought less. The big online growth of the pandemic years was partly reversed. Shoppers shifted some of their grocery spending to the discounters.

It is also the case that we had some set-backs. Product supply challenges and a major fire in our Brinklow warehouse hit availability in Waitrose last summer. This was recovered through autumn and availability is now strong.

All in all, this has made for a tough set of results. We made a loss[2] of £78m. When you add in exceptional costs - the biggest one being a write down in the value of Waitrose stores - the loss[3] was £234m. Our balance sheet remains strong - £1bn of cash and access to a £420m credit facility, like an overdraft, if we need it.

I am sorry that the loss means we won't be able to share a bonus this year or do as much as we would like on pay. We'll continue to help with the cost of living in other ways - the financial assistance fund will stay at £800,000 (a doubling) and there is support for travel, childcare and living costs.

[1] All references to sales are Total trading sales which includes VAT, sale or return and other accounting adjustments
[2] Loss/profit before Partnership Bonus, tax and exceptional items (PBTBE)
[3] Loss before tax

Far from diverting us from the Partnership Plan, the economic backdrop has galvanised us to go faster. The Plan is about two things - increasing the appeal of our brands and building on them to diversify into new services. Last year, we invested more than £500m in our transformation.

Waitrose is expanding in the all important convenience market through tie-ups with Dobbies (garden centres) and Shell, and getting exclusive brands (Gail's, Plants by Deliciously Ella). John Lewis has set out a clear pricing approach (good, better, best), brought stronger styling and design to own-brand Fashion and Home and introduced over 200 new brands. Both brands relaunched - John Lewis (*for all life's moments*), Waitrose (*food to feel good about*).

Great customer service is at the core of who we are, and always will be. John Lewis was voted top UK retailer for customer service. Waitrose won more Grocer 33 Store of the Week awards than any other supermarket.

A new £500m venture with abrdn secured investment in our 'build to rent' property business. And financial services - a business we've been in for nearly 20 years - is growing well, with popular products like our relaunched pet insurance. 600,000 customers joined our new Partnership (credit) Card. Not a smooth process for everyone, but customers are - on average - now spending more than before.

Those of you who have been in the Partnership for a while will know that the business expanded rapidly between 2000 and 2015, going from 151 to 379 stores. We now have catch-up investment to make and have the potential to modernise the business at greater pace.

Given the economic backdrop, it would have been easy to step back from our principles where these carry a price tag. That is not the Partnership way. Instead we chose to invest in British farmers so they did not have to compromise on their high animal welfare standards. We launched a programme to provide jobs for young people who have grown up in the care system, and the 'Building Happier Futures' fund has raised over £1m.

Looking ahead, the external environment is no less uncertain. Even as headline inflation is starting to fall, the Partnership is still seeing costs rise.

Faced with a more challenging environment, we have adapted the Partnership Plan to improve the profitability of the business, tripling our target for efficiency savings from £300m to ~£900m (by January 2026). The mantra for the year is ***cost out, margins up and customer focus***.

We're showing renewed confidence. A £100m price investment in Waitrose - demonstrating that value with values (quality and sustainability) go hand in hand. John Lewis Horsham has undergone a multimillion pound revamp and is testing new concepts like play spaces for children that will be tested in other stores. Going big this spring on nursery, childrenswear and advice for families.

Simplifying the way we run Waitrose shops - less time on process, more time with customers. Investing in data and loyalty so we can give customers more of what they want. More simplification of our ranges. Sale of Partnership assets will give us more money to invest in our transformation.

As we need to become more efficient and productive, that will have an impact on our number of Partners. That's a massive regret to me personally. It would be difficult enough in any business. It's particularly tough in the Partnership, when everything we do is with one goal in mind: *'happier people, happier business and happier world'*.

We're not just employees; together we own the Partnership. That's a huge responsibility as well as privilege - in the good times and when it's tough. I feel it acutely. By seizing the opportunities to transform, we will secure the Partnership's future for another 100 years.

Sharon White
Partner and Chairman

Notes
A glossary of financial and non-financial terms is included at the end of this document.

JOHN LEWIS PARTNERSHIP UNAUDITED RESULTS FOR THE YEAR ENDED 28 JANUARY 2023 - SUMMARY

STEPPING UP OUR TRANSFORMATION

- Attracted more customers. Partnership customers up 4% to 20.3 million, Waitrose customers up 7% to 13.7 million, John Lewis customers up 0.5% to 11.7 million.
- Customers benefited from Waitrose expansion into the convenience market while John Lewis brought stronger styling and design to own-brand Fashion and Home.
- Total Partnership sales were £12.25bn, down 2%: Waitrose sales were £7.31bn, down 3%; and John Lewis sales were £4.94bn, up 0.2%.
- Loss before exceptional items[4] and tax £78m, down from profit[4] of £181m last year, principally due to economic backdrop and inflationary pressures.
- Loss before tax was £234m, down from a loss of £27m last year, largely due to property write downs.
- The impact of inflation was felt across the business, adding £179m to our costs in the year.
- The Partnership is stepping up its transformation. We delivered over £300m of cost savings in the last two years; new target to save another ~£600m by January 2026.
- Strong balance sheet with £1.0bn of cash; total liquidity £1.5bn; borrowings of £650m; total net debts (including £1.9bn of leases) of £1.7bn.
- Spent £32m to support our Partners with a cost of living payment and free food over winter.
- Expect market and consumer conditions to remain uncertain.

PROGRESS WITH OUR PARTNERSHIP PLAN

We're entering the third year of the Partnership Plan, our strategy to transform and grow. This has been a challenging year. We've been transforming our business during the worst cost of living crisis for more than 40 years, which is hitting the Partnership and our customers hard.

At our half year results, we said that we would need a substantial strengthening of performance, beyond what we usually achieve in the second half, to generate sufficient profit to share a Partnership Bonus with Partners. Despite positive momentum over peak, we did not achieve the uplift in performance required in the second half. The full year loss means we won't be able to distribute a bonus this year.

This coming year, we are prioritising where we invest our time and money to deliver three critical priorities: ***cost out, margins up and customer focus***.

We're responding at pace to the economic environment and the changing needs of our customers. This requires long term structural change to ensure we are thriving for another 100 years. In support, we are more than trebling our original efficiency saving target to ~£900m by January 2026. We have a clear path to achieve this, and in doing so return to healthy profit. It's all in service of creating a modern, relevant business that's loved by our customers and delivers greater rewards to Partners, owners of the Partnership.

We're on track across many areas of our Plan, which gives us great confidence. We have already secured over £300m efficiency savings since the start of our Plan, achieving the target we set out. We grew customer numbers by 4% this year meaning that 20 million people shopped with us, spending over £12bn. This underlines the importance of our brands at the heart of British retail.

[4] Loss/profit before Partnership Bonus, tax and exceptional items (PBTBE)

We look ahead from a position of strength and the fundamentals of our business - growing customer base, strong liquidity and balance sheet - are strong.

Our values

Our values as a co-owned business make us different. We have stood by these values despite the challenges this year. Faced with increasing costs, we have not compromised on ethics and sustainability - from animal welfare to our commitment to buy British - while also helping customers manage tighter budgets.

In addition to recently announcing a £100m investment in lowering Waitrose prices, we gave over £100m in rewards through the MyWaitrose loyalty scheme. We provided an even greater choice of high quality Meal Deals during the year, and Essentials maintained its position as the largest value range of any grocer.

In John Lewis, we made a £500m price investment (versus £386m last year), expanded our value and quality focused ANYDAY range, and launched Black Friday and Christmas Shops earlier to help customers spread the cost. We lowered the limit on interest free credit purchases from £1,000 (single item) to £500 (per basket) across multiple categories, allowing customers greater access to instalment credit.

Underlining our commitment to our farmers, we pledged and substantially paid an extra £56m to invest in our long-standing UK suppliers to maintain high standards as they struggled with significantly rising costs. We won more Compassion in World Farming awards than any other retailer.

Our Building Happier Futures programme, a long term commitment to young people who are care experienced or in care, resonated with our customers and raised £1.2m. In addition, our customers and Partners donated £4.6m, to which we added a further £5.0m, to local charities including FareShare and Home-Start, to support those in need within our communities and beyond.

Our Partners

Our Partners have been exceptional in embracing the opportunities and challenges this year has brought. During the year, we distributed £27m from cash reserves to support our Partners with the cost of living crisis (a £500 payment pro rata), provided free meals across the business over winter at a cost of £5m and doubled the financial assistance fund for Partners facing hardship, to £800k.

Our customers - Waitrose

2022 saw many Covid shopping behaviours unwinding at the same time as consumer confidence dropped to record lows. After more than trebling in size from 2019/20 to 2021/22, our online business started to normalise, significantly down on Covid peak but decidedly up on pre-Covid levels, and the balance of trade returned to shops. Frequency of visits was up and we served nearly a million more customers year-on-year (up by 7%). As inflationary pressures grew, customers shopped carefully on a budget so basket size declined by 15% in branch against last year, versus a market decline of around 13%. Having grown 23% in 2021 and been 17% of trade, online demand normalised through 2022 settling at around 14% of trade. All of Waitrose sales decline this year came from online, branch sales were flat.

Product innovation continued at pace with the launch of 779 new products including the exclusive listing of Plants by Deliciously Ella. The biggest launches of the year included our Cooks Ingredients range, which relaunched with 40 new products and our Summer Food Festival range of 71 products from around the world.

Customers benefited from over £100m in personalised money-off rewards through our loyalty programme, MyWaitrose, which now has nine million members (up by 3%). We relaunched free coffee for members to strong positive feedback (240,000 drinks per week, 12% higher than the comparable period in 2019/20). The rollout of the John Lewis 'shop within a Waitrose shop' continues - we added 50 shops taking the total to 88, with more planned this year.

We have expanded Waitrose's presence with third parties, growing our convenience offer: 32 Dobbies Food Halls are now open and we expect to roll out to 50 branches by May 2023. Our Partnership with Deliveroo has expanded; now in 222 shops and customers can choose up to 2,500 products. We've seen strong growth of this proposition, with orders up 33% year-on-year, many of which are to a new, younger customer base. We began supplying 13 convenience stores in Scotland and Jersey and opened 11 new Waitrose shops at Shell forecourts taking the total to 80, with plans for more this financial year.

Our industry leading proposition saw Waitrose win more Grocer 33 Store of the Week awards than any other grocer.

Our customers - John Lewis

In stores, online and through our App, we saw resilience in total John Lewis customer numbers, up 0.5% compared to last year. From an already strong base, we grew market share in Fashion, which combined signature own-labels, and new brand launches. We launched our new mid-tier own label range in September, and expanded our entry range ANYDAY, with 600k customers trying it for the first time. Of our 2.7 million ANYDAY customers, over 70% also bought from our mid-tier John Lewis & Partners range and more than 75% bought items from our branded ranges, during the year.

The strength of our offer and expertise is also evident in the record number of personal styling appointments, with over 60,000 in the year, and nursery advice appointments, at over 21,000. W e are committed to reducing waste and launched our new fashion rental service with over 3,000 customers registered on the site. We also partnered with thelittleloop to offer 1,500 John Lewis own-brand childrenswear products to rent.

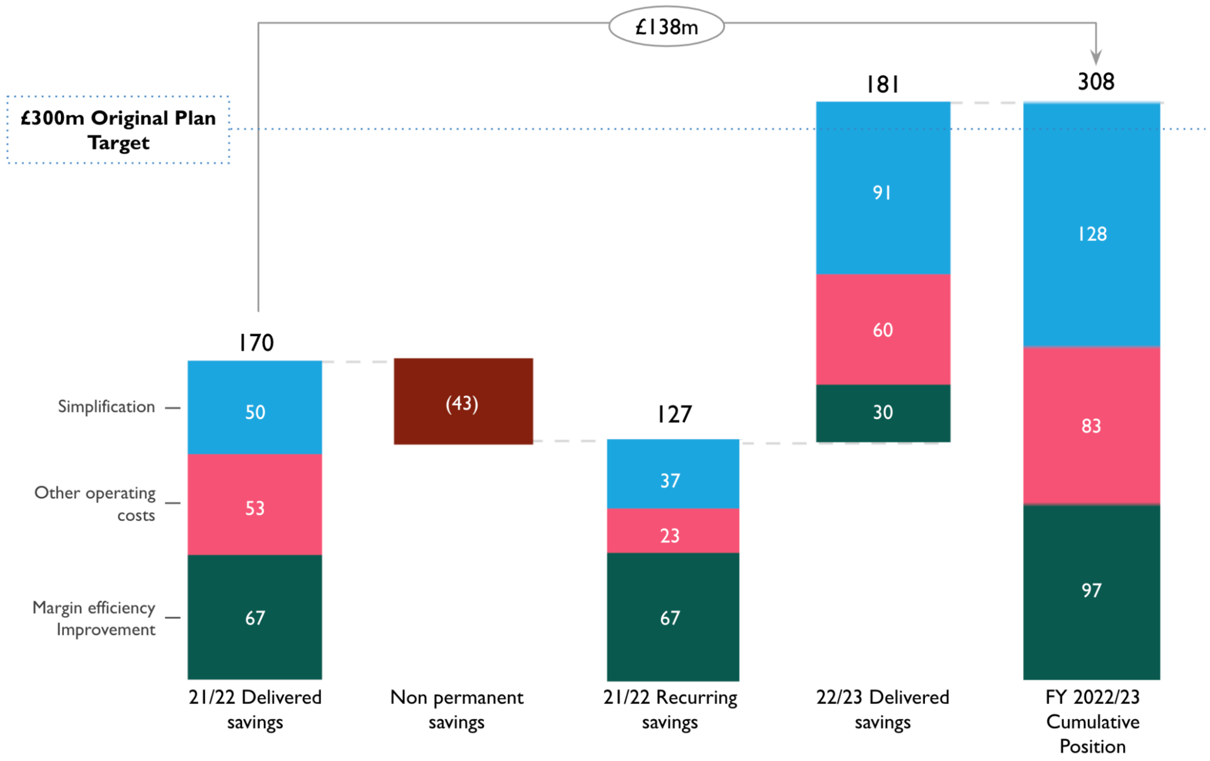
Retiring our pledge, Never Knowingly Undersold, enabled us to provide even better value for all customers through a £500m investment in price. Examples include the launch of Black Friday earlier than ever and more personalised offers with our loyalty card, My John Lewis. The card's five million members shopped more frequently, 2.5 times more than non members, and spent more with us.

We invested significantly this year to improve our digital capabilities to inspire customers and be more convenient: including in stores, online, through our App and our contact centres. Enhancing the in-store experience, we invested £5.4m in 27 shops with store designs using fresh new colours, as well as making it easier for customers to shop and find seasonal newness in store. We also partnered with our suppliers to deliver over 180 enhancements across our shop estate. Ten thousand Partners completed courses at the School Of Service, our retail training academy, and we were named top retailer for customer service by The Institute of Customer Service.

We made it easier than ever for our customers to shop with us over the peak Christmas period; our supply chain teams were able quickly and confidently to extend our pre-Christmas guaranteed delivery and Click & Collect cut off dates beyond many of our competitors, showing the strength of our two brands working together for customers when they need us most.

Our business - Lean Simple Fast

Our Lean Simple Fast transformation programme - a key pillar of our Partnership Plan - has helped our performance this year. We've made £308m of cumulative cost savings over the past two years, with £181m delivered in the year.



Note: £19m of the savings delivered in 2022/23 are one off in nature resulting in net ongoing cumulative savings of £289m

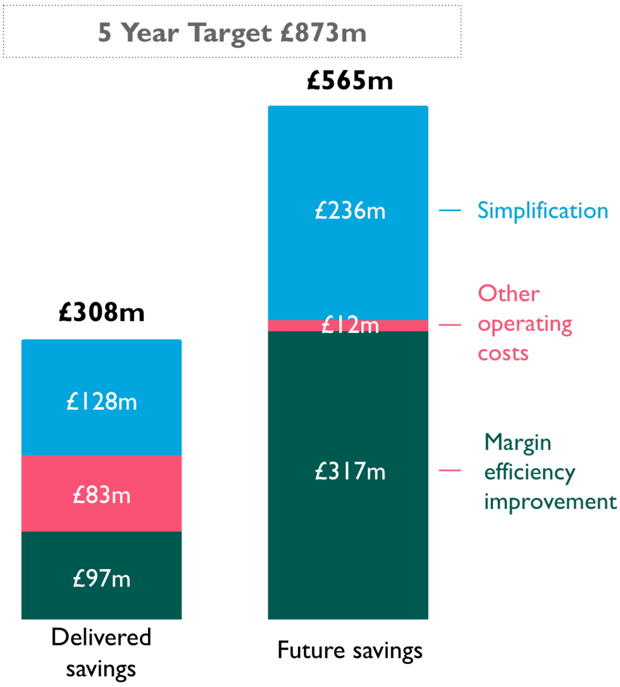
Savings have been made in a number of areas of the business. We categorise savings into three buckets for reporting: simplification; margin efficiency improvement and other operating costs.

Simplification - meaning driving productivity in everything we do. This includes activities such as restructures, streamlining processes and leveraging technology. Savings to date required difficult changes for our Partners but have been critical to supporting our business, minimising price increases to customers and funding our transformation. We delivered our shop leadership transformation, simplifying management structures across our shops, alongside Head Office Transformation, affecting many Partner jobs across our London and Bracknell offices. We have begun making a series of process improvements across our shops, delivering returns already including self check outs and changes to night shift processes to improve pick rate productivity for Waitrose.com orders, helping customers receive less substitutions.

Margin efficiency improvements - increasing margins across the range of products and services we sell. This includes working with suppliers to become more efficient across sourcing, manufacture, packaging and distribution of products. Margin gains have already been secured across many categories in both John Lewis and Waitrose. Examples in Waitrose include product changes in one frozen line range to improve taste quality, changing packaging sizes - but not the product size - to save over 12,000kg of cardboard each year and reduce distribution mileage by a third. In John Lewis, we've seen margin growth from range optimisation, supplier tendering and product quality reviews.

Other operating costs - cost efficiencies across operating costs not for onward sale to customers, such as property, technology and supply chain costs. We've delivered significant savings across our property estate through rates and lease reviews and in other areas through supplier tendering and rationalisation.

Despite significant progress on our Lean Simple Fast programme, we have seen the effects of high inflation - which cost the business £179m this year - eating into the savings we have achieved so far. Our efficiency ambitions have had to adapt, and we have now set out a clear pathway to triple the scale of our plans to ~£900m of savings by January 2026.



We have identified new measures and many are already in train. In respect of margin efficiency improvements, we will build on the examples of savings already achieved across all ranges of products we sell. In simplification, we will be trialling new ways of working in our shops and unlocking changes to how we operate to improve our availability for customers across both brands. This remains a high priority for the Partnership and is our route to greater profit to invest in customers and Partners.

Our diversification

In December, we agreed a £500m joint venture with global investment company abrdn to deliver around 1,000 new homes across three local communities. The deal marks a milestone in the Partnership's plans to use its significant property assets to build much-needed rental homes and to diversify our business. We are currently progressing public consultations in Bromley and West Ealing. We are continuing to assess further potential sites that would be suitable for development.

Income in John Lewis Financial Services was up 22% on last year. During the year, we acquired 409k new customers (gross), with Partnership Card, Point of Sale credit and Travel Money performing particularly well. Since the completion of the Partnership Card transfer, which wasn't easy for all customers given the scale of the change, we have seen average weekly spend of these customers increase by over 20% towards the end of last year. Our pet insurance product relaunched in Q2 and offers an annual video health check for pets, winning a Which? Best Buy. We will shortly launch the trial of a new proposition that helps parents invest for the long term future of their children with a John Lewis Junior ISA.

With over 20 million customers, loyalty card members (comprising nine million at Waitrose and five million at John Lewis), 360 stores, over 500 million website visits per year and 2.7 million readers of Waitrose Food Magazine per month, our physical and digital estate is uniquely placed to offer opportunities for third party brands to engage with our customers through our channels. We have significant plans to develop this business further.

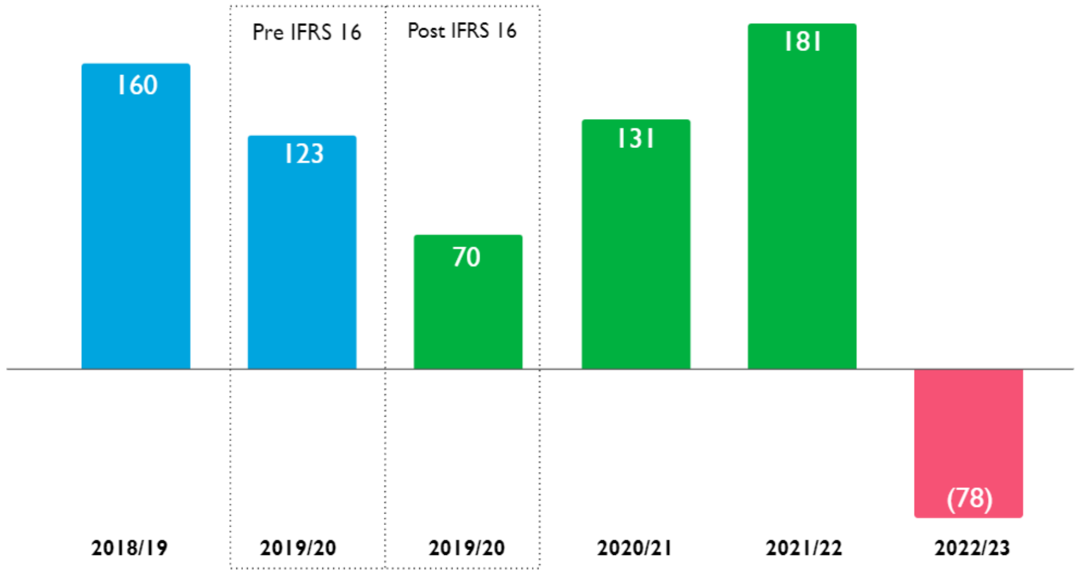
UNDERSTANDING OUR PERFORMANCE

The Partnership's principal internal measure of trading performance is Profit/loss before Partnership Bonus, tax and exceptionals (PBTBE). This comprises Trading operating profit for our brands, combined with other operating costs managed centrally (such as costs of our head offices, IT, net finance costs, property costs, depreciation and investment expenses).

Our PBTBE has been reconciled to the Partnership's statutory measure of Loss before tax in the Glossary, and the principal differences are exceptional items and Partnership Bonus.

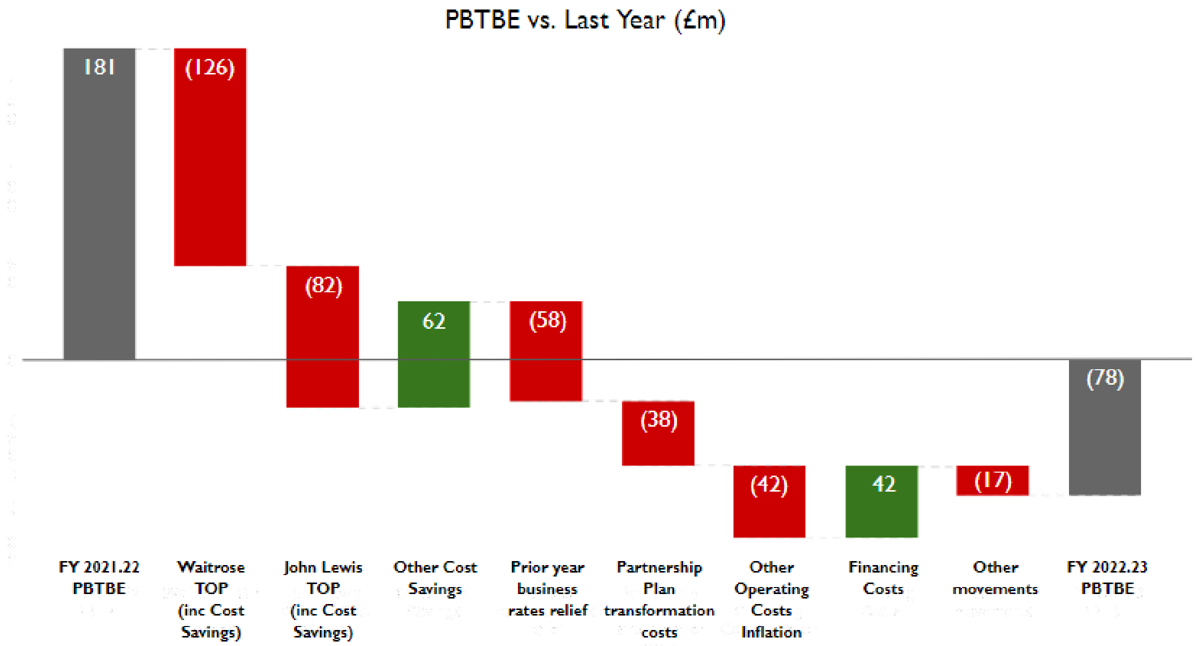
The loss before tax and exceptional items was £78m in the year, down from a £181m profit in 2021/22. Our loss before tax but after exceptional items was £234m, versus a loss before tax of £27m in 2021/22.

(Loss)/Profit before Partnership Bonus, tax and exceptional items (£m)



Note: The chart shows our Profit/(loss) before Partnership Bonus, tax and exceptionals since 2018/19, with 2019/20 shown twice as that is the year we adopted IFRS 16 (lease accounting standard) which reduced our profits that year by £53m. The period from 2018/19 to 2019/20 is shown before the adoption of IFRS 16, and the periods 2019/20 to 2021/22 are shown after the adoption of IFRS 16.

Year-on-year movement in Partnership PBTBE



Our loss before tax and exceptional items is £259m lower than last year, primarily due to:

- ***Waitrose Trading operating profit*** declining by £126m. Figures include £29m of Lean Simple Fast savings delivered in the year. Key factors are outlined later in this section;
- ***John Lewis Trading operating profit*** declining by £82m. Figures include £47m of Lean Simple Fast savings delivered in the year. Key factors are outlined later in this section;
- ***Other cost savings*** relate to the Lean Simple Fast savings below Trading operating profit amounting to £62m in year. Added to the cost savings shown in Waitrose and John Lewis Trading operating profit, the combined net saving is £138m in year (£181m of gross savings offset by non recurring savings from last year of £43m);
- ***Prior year business rates relief*** - Our business rates costs are £58m higher this year following the end of the business rates relief scheme utilised to offset Covid costs. This tax relief was used last year to offset higher operating costs across the business specific to Covid;
- ***Transformation costs*** - Higher investment in the Partnership Plan transformation, leading to an additional £38m of non recurring revenue expenditure;
- ***Other operating cost inflation*** - Exceptionally high rates of inflation in our other operating costs (below Trading operating profit), such as utility costs increases, added £42m of cost. Total inflation on operating costs (including elements presented in Trading operating profit of our brands) amounted to £179m, including £87m in pay;
- ***Financing costs*** - A combination of higher rates of interest earned on short term deposits along with lower pension and long leave costs reduced financing charges by £42m;
- ***Other movements*** of £17m principally relate to new property costs this year for expansion of our supply chain network to support future growth.

Trading operating profit by brand

	Waitrose					John Lewis				
	2022/23	2021/22	2019/20	% vs 21/22	% vs 19/20 **	2022/23	2021/22	2019/20	% vs 21/22	% vs 19/20 **
Total trading Sales (£m)	**7,312**	**7,536**	**6,917**	**(3)%**	**+6%**	**4,938**	**4,926**	**4,830**	**+0.2%**	**+2%**
Total trading Sales LFL*	7,312	7,531	6,765	(3)%	+8%	4,938	4,922	4,427	+0.3%	+12%
Revenue (£m)	6,750	6,984	6,373	(3)%	+6%	3,784	3,854	3,778	(2)%	+0%
Trading operating profit (£m)	**894**	**1,020**	**1,063**	**(12)%**	**(16)%**	**676**	**758**	**734**	**(11)%**	**(8)%**
Trading operating profit (%)	**12%**	**14%**	**15%**			**14%**	**15%**	**15%**		

*We report sales using two measures: in total and like-for-like. 'In total' is the comparison between the statutory balances for two periods of time (e.g. this year to last year). 'Like-for-like' sales are the 'in total' sales after adjustments to remove the impact of shop openings and closures. Waitrose like-for-like sales excludes fuel. Like-for-like sales gives a better comparison of our underlying performance
** As a consequence of the distortions to trade and our cost base over the last two years, we continue to compare our result to the most recent pre-Covid year in 2019/20

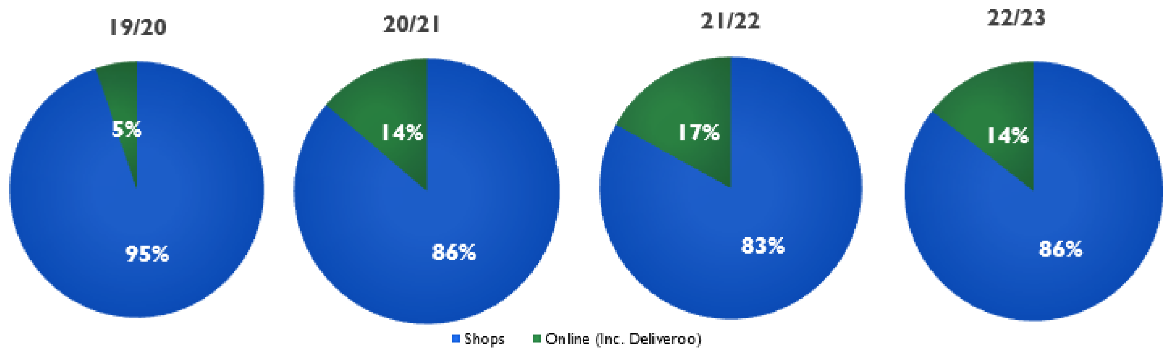
Waitrose performance

Waitrose sales for the year were £7.3bn, down 3% like-for-like and in total compared to last year. This equates to a reduction in market share[5] from 5.0% to 4.7%. Trading operating profit fell by £126m to £894m, due to five key drivers: challenging trading dynamics, inflation pressure and one-off cost inefficiencies, partially offset by cost savings and profit growth from new propositions. These are described further below.

1. Trading dynamics - Despite customer numbers increasing by 7% in the year, sales volumes were down 10% in the year. There are a number of factors driving this including record online volume gains from last year in part reversing and a consumer shift to convenience, where we're looking to grow our presence in future. We also saw customers putting fewer items in their basket (basket size down 15% in shops) and switching to lower priced products.

High online volumes last year have now normalised to lower levels, albeit well above pre pandemic levels. Online sales this year represented just over 14% of Waitrose sales at average orders per week of 168k. This compares to 17% last year at average weekly orders of 213k. This 27% drop in online volumes was expected and contributed significantly to the movement in market share during the year.

Waitrose Sales - Channel Mix



As the UK increasingly returns to pre-Covid working patterns, with growing hybrid or office-based working we have seen, consistent with the wider market, healthy growth in convenience channels, for example with market growth of 32% in 'Food to Go' categories. We are looking to increase our presence in the convenience market

[5] Source: Kantar data 52 weeks to 22 January 2023 and 52 weeks to 23 January 2022

through partnerships with third parties such as Deliveroo, Dobbies, Shell and local convenience shops to bolster and enhance our convenience reach for our customers.

As a consequence of low consumer confidence, pressure on household incomes amid the cost of living crisis, we have seen customers trading down to cheaper ranges; seeking to make their money go further and shifting their purchase behaviour with smaller baskets but more frequent shopping. Secondly, we saw an increase in customer marketing through vouchers and other customer promotions as customers began to spread their spend across supermarkets, convenience channels and eating out.

2. Inflation - Across our Waitrose operations, and excluding the effect of input cost inflation on goods we sell, inflation increased our cost base in Waitrose by £67m this year.

3. One-off cost inefficiencies - We embedded a new merchandising system across our buying to supply chain processes, dealt with a fire at one of our largest distribution sites in Milton Keynes and faced a combination of raw material shortages across the network. These challenges led to a period of reduced availability and created one-off supply chain, shop labour and increased wastage costs as we recovered and improved our position throughout the second half of the year. As we exit the year, many of these challenges are behind us, we have significantly improved availability and delivered a pleasing performance with strong availability over the festive period.

While items 1-3 above led to a decrease in Waitrose Trading operating profit in the year, these were partially offset by:

4. Lean Simple Fast cost savings - During the year, Waitrose delivered a further £29m of permanent net savings in addition to savings made in previous periods as part of our Lean Simple Fast programme. These savings were predominantly through supplier negotiations on the cost of goods we sell and savings from the shop leadership transformation (which streamlined management structures) announced the previous year.

5. New propositions - such as Dobbies, Deliveroo and Shell launched and/or expanded in the last 12 months contributing to Trading operating profit growth.

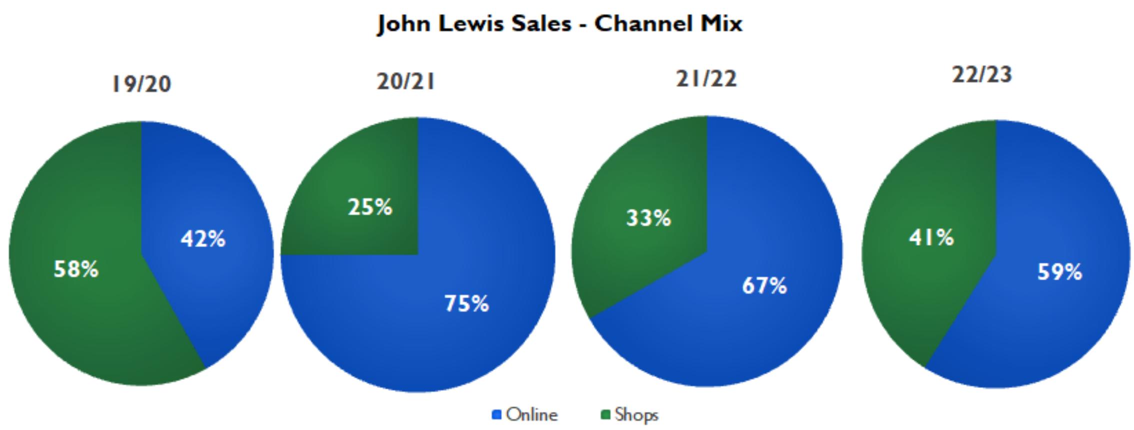
John Lewis performance

John Lewis sales for the year were £4.9bn, up £16m (0.3%) on a like-for-like basis with last year and up £12m (0.2%) in total. We maintained our market share with volumes up 1% for the year, supported by a strong performance from our branches, which were up 20%. John Lewis Trading operating profit fell by £82m to £676m, due to trading dynamics and inflation, partially offset by cost savings.

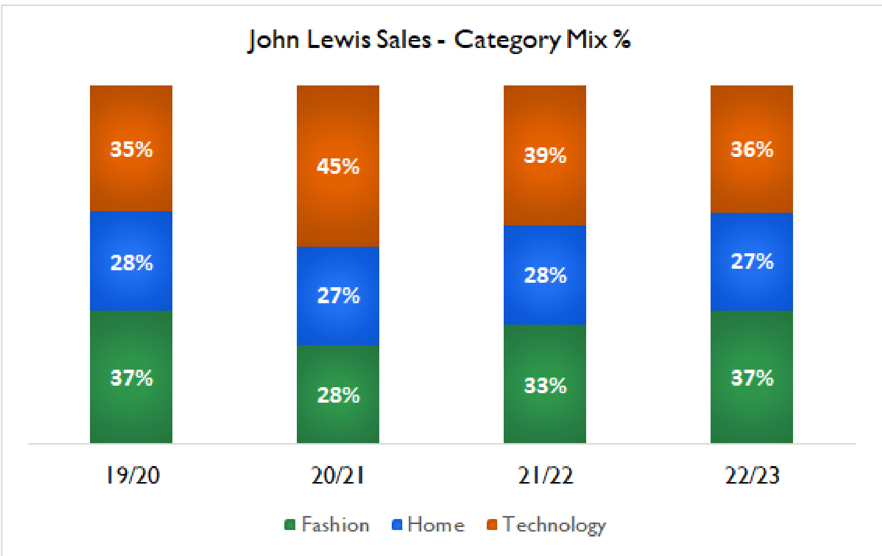
1. Trade dynamics and inflation - Our omnichannel strength and multi category offer allowed us to maintain market share and customer numbers.

After two challenging years for our shops, with Covid enforced closures, followed by Covid restrictions for our Partners and customers, we saw a pleasing return of footfall (up 34% like-for-like on last year) and sales to our shops this year. In online, we continue to see strong growth in our App, with traffic to the App up 13% in the year. Over a quarter of online sales are now through the App.

Footfall to our shops grew 34% (reaching 100 million for the first time since before Covid), while online traffic was down 5% on last year (albeit more than half a billion visits to our online channels), highlighting the value of both channels working in combination for our customers. The number of omnichannel customers (i.e. customers using both channels in the year) was up 4% and is now 21% of our customer base. In combination, this led to a channel mix rebalancing from pandemic levels of approximately 70:30 online/shops back to almost 60:40.



Our split of sales across categories reshaped to close to the last full year pre-pandemic with Fashion and Technology our largest sales (by value) categories at 37% and 36% of our sales mix respectively. Home has been relatively consistent for the last four years at 27%. The strength of our highly curated mixed category offer helped us offset trading headwinds in certain categories like Technology - where the Covid boom in home technology sales has subsided - and larger Home purchases where we saw a pull back from customers due to the cost of living climate. Instead, we saw strength in sales across Fashion and Beauty this year as customers enjoyed more holidays and social occasions. As part of our commitment to value, we invested in price in certain key categories across Fashion and Home, meaning we did not pass on all product cost inflation on to our customers.



Across our John Lewis operations, and excluding the effect of input cost inflation on goods we sell, inflation increased our cost base in John Lewis by £70m this year. Freight costs alone were £26m higher in the year than previously, as pressure on global supply chains created spikes in cost.

The effects of trading dynamics and inflation were partially offset by:

2. Lean Simple Fast cost savings - During the year John Lewis delivered a further £47m of permanent net savings in addition to savings made in previous periods as part of our Lean Simple Fast programme. These savings were predominantly through supplier negotiations, savings from the shop leadership transformation announced last year, and improved productivity in our shops.

Financial Services

Our financial services results are reported within the Trading operating profit of John Lewis. Income was up 22%, supported by Partnership Card and rebound of Travel Money after two subdued years of customer travel.

Exceptional items

During the year, we took the difficult decision to close two Waitrose branches and also reduce the space at both our Bracknell and London offices. We paid our Partners a onetime cost of living payment of £500 per Partner (pro-rated), amounting to £27m. Additionally, we have recorded a net impairment charge for the year of £113m against the value of our store estate. This is a non-cash accounting adjustment reflecting the performance in Waitrose. Together, these have totalled a net charge of £156m (2022: £161m charge).

Cash and liquidity

Our total liquidity at the year end remains strong at £1.5bn, including £1.0bn cash and short-term investments, and undrawn bank facilities of £420m. This allows us to invest with confidence in our Partnership Plan and meet our obligations. We carry £1.7bn of Total net debts including £1.9bn of leases and a pension deficit of £69m on an accounting basis, with £350m of financial borrowings due to be repaid in the next two years (£50m term loan maturing in December 2023 and £300m bond maturing in January 2025).

Liquidity has dropped by £473m from last year end. Our plans for 2022/23 anticipated much of the reduction as we sought to invest strongly in our Plan and repay £150m of term loans in the year. We had been operating with elevated cash positions from raising additional debt during the pandemic, all of which have now been repaid. In 2022/23, we paid a £46m bonus and £27m cost of living support payment to our Partners.

Despite weaker trading this year, we have positive cash generated from operations before Partnership Bonus of £348m (2021/22: £679m).

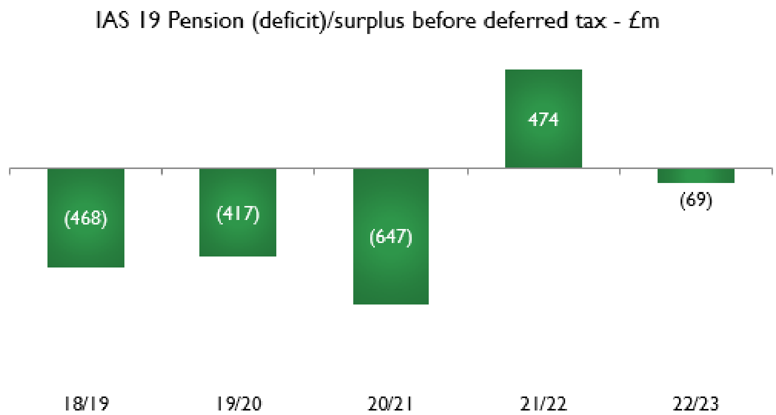
Our debt ratio at the end of the year was 4.1x, increasing from the previous year's unusually low position at 2.3x. We expect our debt ratio to improve in 2023/24.

	2022/23	2021/22	2020/21	2019/20	2018/19*
Total liquidity (£m)	1,458	1,931	2,019	1,415	1,482
Total net debts (£m)**	(1,711)	(1,413)	(2,097)	(2,436)	(2,682)
Debt ratio	4.1x	2.3x	3.4x	3.9x	4.3x

*The 2018/19 figure has not been restated for IFRS 16 and instead includes the comparative figures for finance lease liabilities and the present value of future rentals payable under operating leases calculated using a 5% discount rate.
** The movement in total net debts is explained in the Glossary.

Pensions

At the year end, we had an IAS 19 accounting pension deficit of £69m (£75m after deferred tax), compared to a surplus of £474m in January 2022 (£331m post deferred tax). The accounting position reflects the gap between the market value of pension assets held by our defined benefit scheme and the IAS 19 value of our pension liabilities. At the year end, IAS 19 pension liabilities were £4,490m, down from £6,752m at January 2022, with the reduction largely attributable to an increase in the discount rate as a result of increasing interest rates, partly offset by this year's inflation figure being higher than expected. The market value of pension assets was £4,421m, down from £7,226m at January 2022. The reduction was largely due to a fall in the value of liability driven investments designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on an actuarial basis).



Following positive progress over most of 2022, the pension scheme was affected by extreme market volatility in September and October following the UK government's 'mini budget', which created significant instability in the economy and financial markets. In order to preserve suitable liquidity within the Trust's assets, the hedge (designed to protect against movements in interest rates and inflation) was reduced from 100% to 75% of assets. The Trustee is currently in the process of increasing this back towards the 100% target and expects to be back to this level of hedging within the next few months. The Trustee continues to manage scheme risks carefully and appropriately and the pension scheme remains liquid and well funded despite the earlier market volatility.

At the year end, the scheme was in an estimated technical provisions surplus of £120m on a 2019 actuarial valuation basis. It is the actuarial valuation, not the accounting position of the scheme, that is used to judge the cash contributions from the Partnership to the scheme. We are in the closing stages of finalising the March 2022 triennial actuarial valuation. We expect the results of the 2022 valuation to show that the funding position of the scheme and the estimated time period to low dependency (also known as self sufficiency) have improved since the 2019 valuation, and this may mean that no deficit contributions will be required ahead of the next triennial valuation in 2025. The Partnership and the Trustee are working together on a long term funding and investment strategy that will seek to improve the funding strength of the scheme even further.

ENQUIRIES

John Lewis Partnership

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GLOSSARY OF FINANCIAL AND NON-FINANCIAL TERMS

This glossary gives an explanation of financial and non-financial terms included in the results statement. Where applicable tables have been included to give a year-on-year comparison.

Adjusted cash flow

Operating profit before Partnership Bonus, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt ratio.

	2022/23 £m	2021/22 £m
Operating (loss)/profit	**(159)**	118
add back		
Depreciation, amortisation and write-offs	**481**	484
Exceptional items (net)	**156**	161
Partnership Bonus	**-**	46
less		
Lease adjusted interest	**(102)**	(144)
Tax	**39**	(52)
Adjusted cash flow	**415**	613

Capital investment

Cash outflows in relation to additions to tangible assets (property, plant and equipment), and intangible assets (IT software) recognised on the balance sheet.

Debt ratio

Comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts.

	2022/23 £m	2021/22 £m
Total net debts	**(1,711)**	(1,413)
Adjusted cash flow	**415**	613
Debt ratio	**(4.1)**	(2.3)

Exceptional items

Items of income and/or expense which are significant by virtue of their size and nature are presented as exceptional items. The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance.

Investment

Total investment spend includes capital investment, revenue investment, restructuring and redundancy costs, and lease disposal costs.

Like-for-like (LFL) sales

Comparison of sales between two periods in time (e.g. this year to last year), removing the impact of shop openings and closures and the impact of a 53rd week for 2020/21. Waitrose like-for-like sales excludes fuel.

Profit/loss before Partnership Bonus, tax and exceptional items (PBTBE)
Profit/loss before Partnership Bonus, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.

	2022/23 £m	2021/22 £m
(Loss)/profit before tax, Partnership Bonus and exceptional items	**(78)**	181
Exceptional items	**(156)**	(162)
Partnership Bonus	**-**	(46)
Loss before tax	**(234)**	(27)

Revenue investment
Investment spend recognised directly in the income statement.

Total liquidity
The cash, short term investments and undrawn committed credit facilities we have available to us, which we can use to settle liabilities as they fall due.

Total net debts
The Partnership's borrowings and overdrafts, lease liabilities, derivative financial instruments and IAS 19 pension deficit (net of deferred tax), less any liquid cash, short-term deposits and investments.

	2022/23 £m	2021/22 £m
Borrowings and overdrafts	**(655)**	(815)
Derivative financial instruments	**-**	(1)
Pension deficit (after deferred tax)	**(75)**	-
Lease liabilities	**(1,903)**	(1,988)
Liquid cash, short-term deposits and investments	**922**	1,391
Total net debts	**(1,711)**	(1,413)

Total trading sales
Total trading sales represents the full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustment for sale or return sales and other accounting adjustments. A reconciliation between Total trading sales and Revenue is provided below.

Trading operating profit

Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs and depreciation.

2022/23	Waitrose £m	John Lewis £m	Partnership £m
Trading operating profit	**894**	**676**	**1,570**
Centrally managed costs incl property			(1,085)
Depreciation and amortisation			(488)
Net finance costs			(75)
PBTBE			**(78)**
Exceptional items			(156)
Partnership Bonus			-
Loss before tax			**(234)**

2021/22	Waitrose £m	John Lewis £m	Partnership £m
Trading operating profit	**1,020**	**758**	**1,778**
Centrally managed costs incl property			(970)
Depreciation and amortisation			(482)
Net finance costs			(145)
PBTBE			**181**
Exceptional items			(162)
Partnership Bonus			(46)
Loss before tax			**(27)**

Total operating profit %

Trading operating profit divided by Total trading sales.

Reconciliation of Total trading sales to Revenue

2022/23	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,312**	**4,938**	**12,250**
Deduct:			
Value added tax	(425)	(800)	(1,225)
Sale or return and other accounting adjustments	(137)	(354)	(491)
Revenue	**6,750**	**3,784**	**10,534**

2021/22	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,536**	**4,926**	**12,462**
Deduct:			
Value added tax	(439)	(798)	(1,237)
Sale or return and other accounting adjustments	(113)	(274)	(387)
Revenue	**6,984**	**3,854**	**10,838**

Reconciliation of Operating (loss)/profit to PBTBE

	2022/23 £m	2021/22 £m
Operating (loss)/profit	**(159)**	119
Add back:		
Exceptional items	**156**	161
Partnership Bonus	**-**	46
Deduct:		
Net finance costs	**(75)**	(145)
(Loss)/profit before Partnership Bonus, tax and exceptional items	**(78)**	181

Reconciliation of Loss before tax to PBTBE

	2022/23 £m	2021/22 £m
Loss before tax	**(234)**	(26)
Add back:		
Exceptional items	**156**	161
Partnership Bonus	**-**	46
(Loss)/profit before Partnership Bonus, tax and exceptional items	**(78)**	181