Full-Year Results*
2017/18

8 March 2018

Sir Charlie Mayfield
Patrick Lewis
Rob Collins
Paula Nickolds

* Unaudited

Our results

- Challenging year for the Partnership and the sector
- Backdrop of subdued consumer demand, political uncertainty and structural change
- Sales growth with increased customer numbers
- As anticipated, profits declined, driven by margin pressure
- Delivered significant reorganisation to prepare for the future, leading to higher exceptional charges

Financial results

Patrick Lewis
Group Finance Director

Financial key points

Gross sales

£11.60bn, up £224m (+2.0%)

Profit before Bonus, tax & exceptionals[1]

£289m, down £81m (-21.9%)

Profit before Bonus & tax

£178m, down £364m (-67.2%)

Net debt

£217m, £34m lower (13.6% improvement)

Estimated actuarial pension deficit

£211m, £187m lower (+47.0%)

Accounting pension deficit net of deferred tax

£623m, £234m lower (+27.3%)

Debt ratio

4.3 times

(increased from 4.0 times)

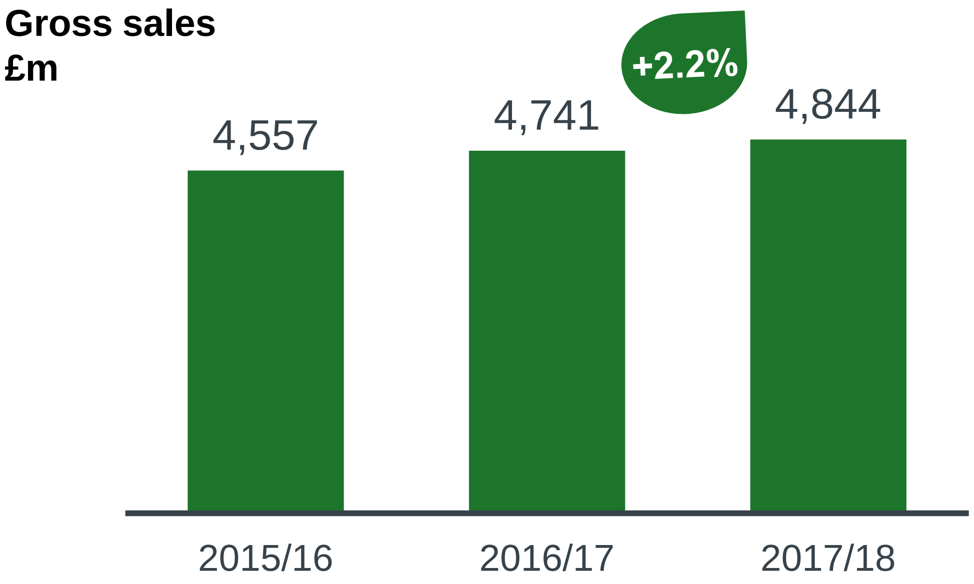
Partnership Bonus

5% of salary, £74.0m

[1] *Exceptional charges of £111.3m (2016/17: exceptional income of £171.2m)*

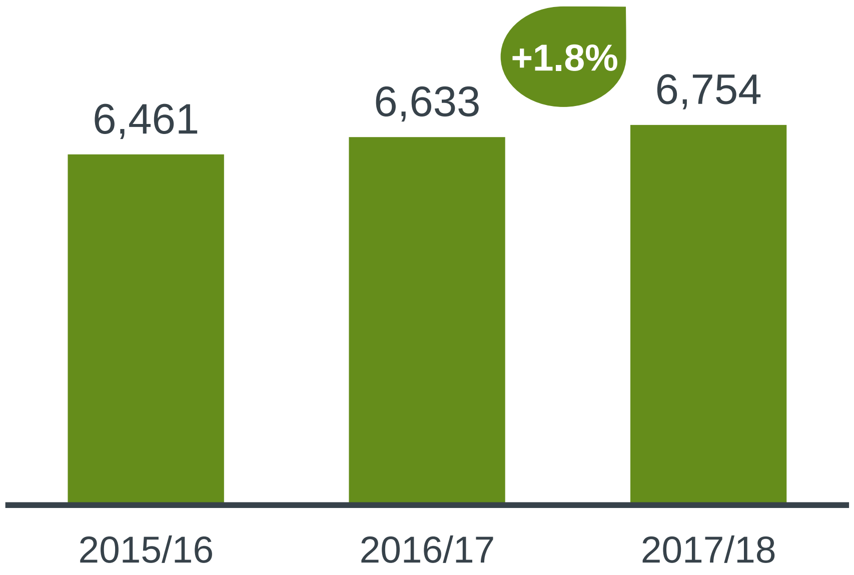
Sales growth in John Lewis and Waitrose despite challenging markets

John Lewis



- LFL sales up +0.4%
- Share growth[1] across Fashion, Home and Electricals & Home Technology (EHT)

Waitrose

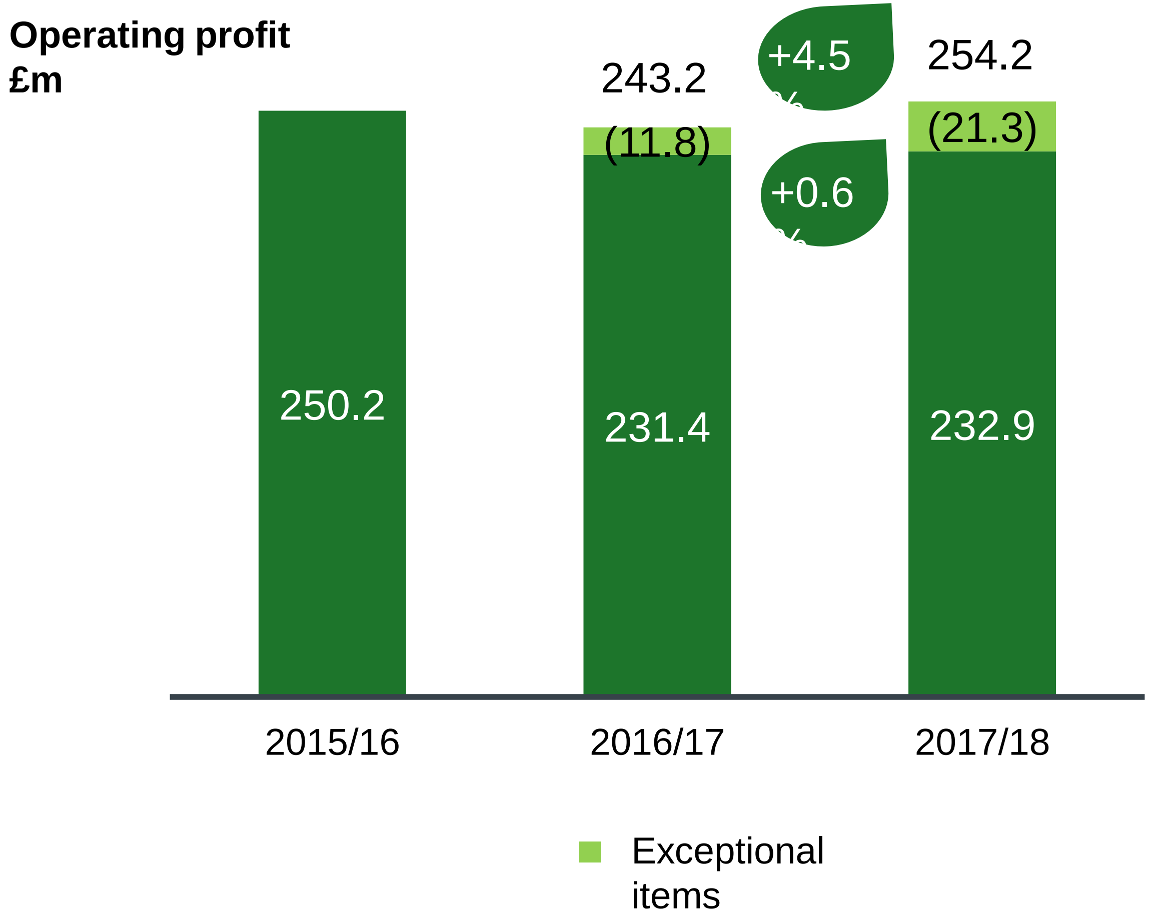


- LFL sales up +0.9%
- Built momentum in second half

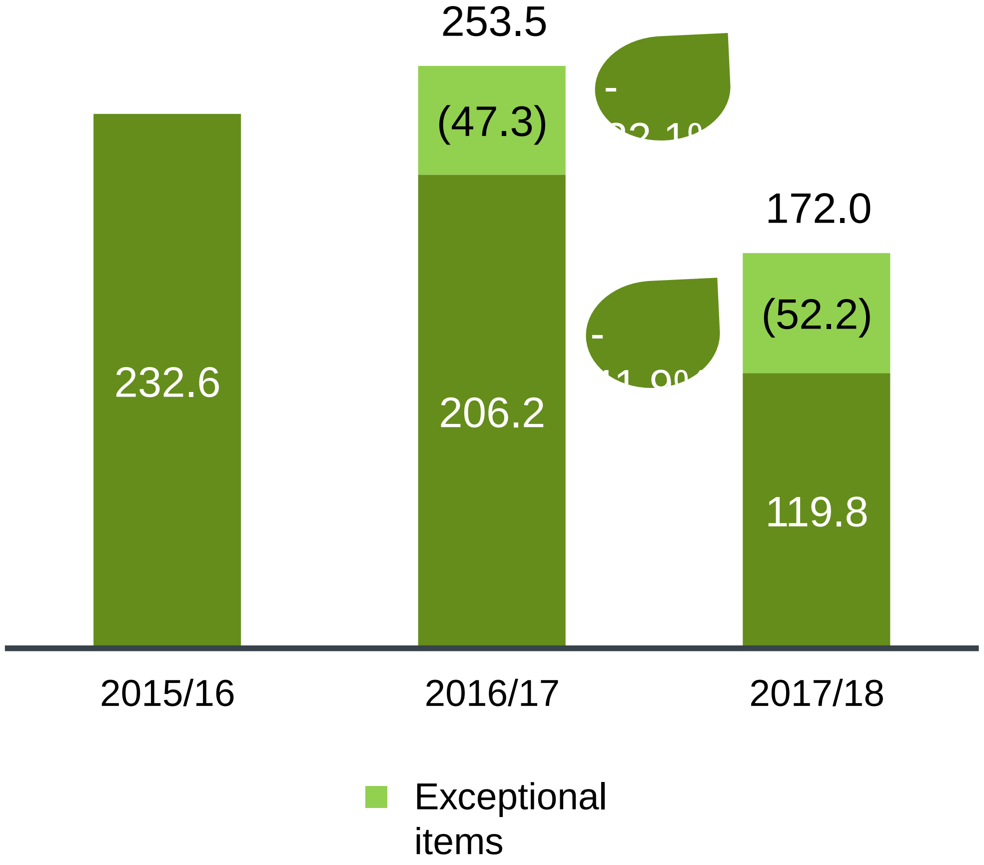
[1] BRC market for Fashion and EHT GfK Homewares market for Home as this covers a greater proportion of the total Home market

Profits up in John Lewis but down in Waitrose as margin declined

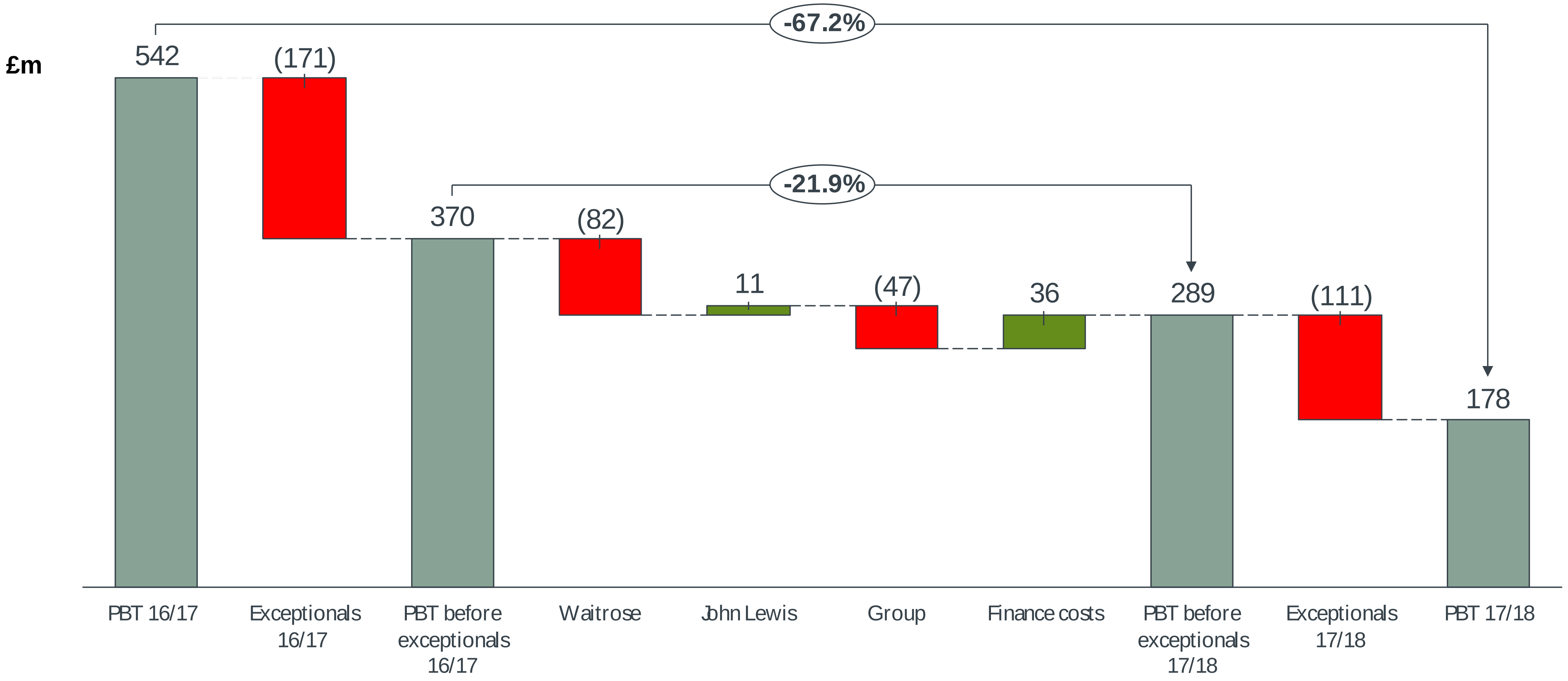
John Lewis



Waitrose



Partnership PBT before exceptionals down



Exceptional items

	2017/18 £m	2016/17 £m
Restructuring and redundancy (a)	(72.8)	(20.7)
Branch impairments (b)	(38.9)	-
Profit on disposal of items previously recognised as exceptional (c)	2.7	0.8
Strategic review (d)	(2.3)	(42.9)
Reduction in pension obligation (e)	-	270.0
Pay provision (f)	-	(36.0)
Total	**(111.3)**	**171.2**

a) Restructuring and redundancy costs, principally in relation to branch, distribution and retail operations as well as functional restructurings in Finance, Personnel and IT

b) Branch impairments in Waitrose

c) Finalisation of sale of the Clearings property

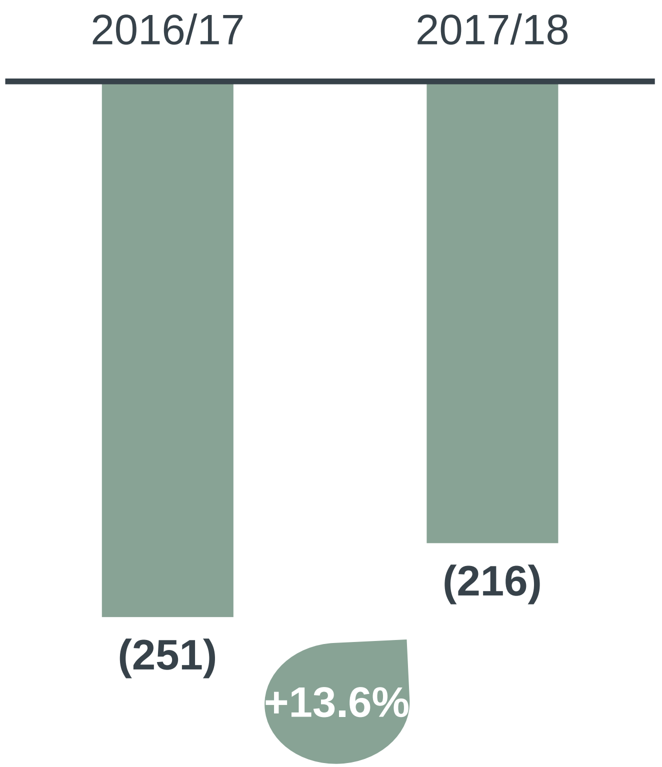
d) Further write down of property, other assets and related costs no longer intended to be developed or were being exited, following prior year strategic review

e) Reduction in pension obligation following change to the annual inflation rate assumed for pensions accrued prior to April 1997

f) Provision in 2016/17 to cover potential costs of complying with the National Minimum Wage Regulations

Positive progress in reducing total net debt

Net debt
£m



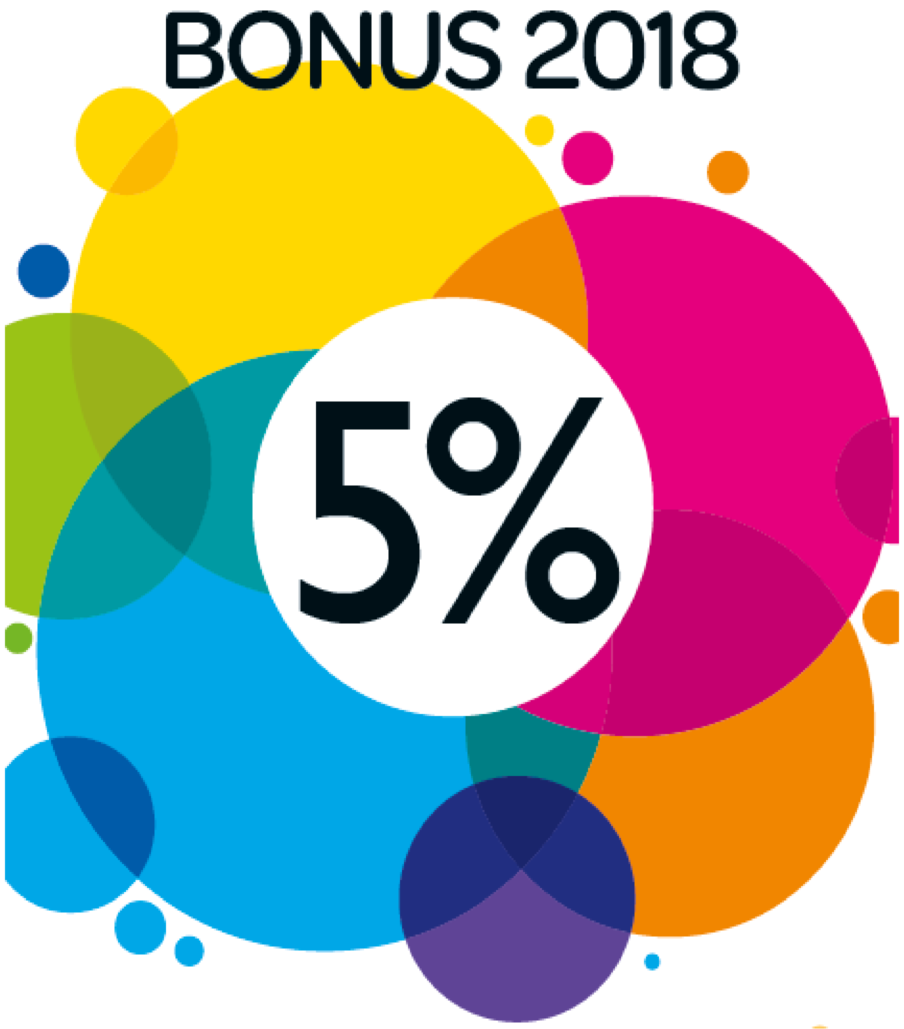
Net debt

- Strong cash from operations
- Reduction in capital expenditure and Partnership bonus distribution
- Strong liquidity position including £500m undrawn committed facilities

Total net debts

- £90m pension deficit repair payments
- Estimated actuarial pension deficit of £211m, £187m (47.0%) lower than January 2017
- Accounting pension deficit, net of deferred tax, of £623m, £234m (27.3%) lower that January 2017. Includes benefit from change in discount rate methodology
- Bought freehold of two leasehold properties for £34m
- Debt ratio increased to 4.3 times from 4.0 times last year, principally due to

Partnership Bonus 5%



- Board has again decided to retain a greater proportion of profit to strengthen our balance sheet. The reasons are:
  - Debt ratio has increased to 4.3 times from 4.0 times
  - Outlook remains volatile with continued economic uncertainty and no let up in competitive intensity
  - Continued investment for the future
- Over last 3 years, average hourly rate of non-management Partners increased by more than 11%
  - Interim pay uplift for 17,000 non-management Partners; average hourly rate of £8.91
- Above market pension offer
- Nine apprenticeship schemes

Waitrose

Rob Collins
Managing Director

A challenging year, solid sales, gross margin under pressure

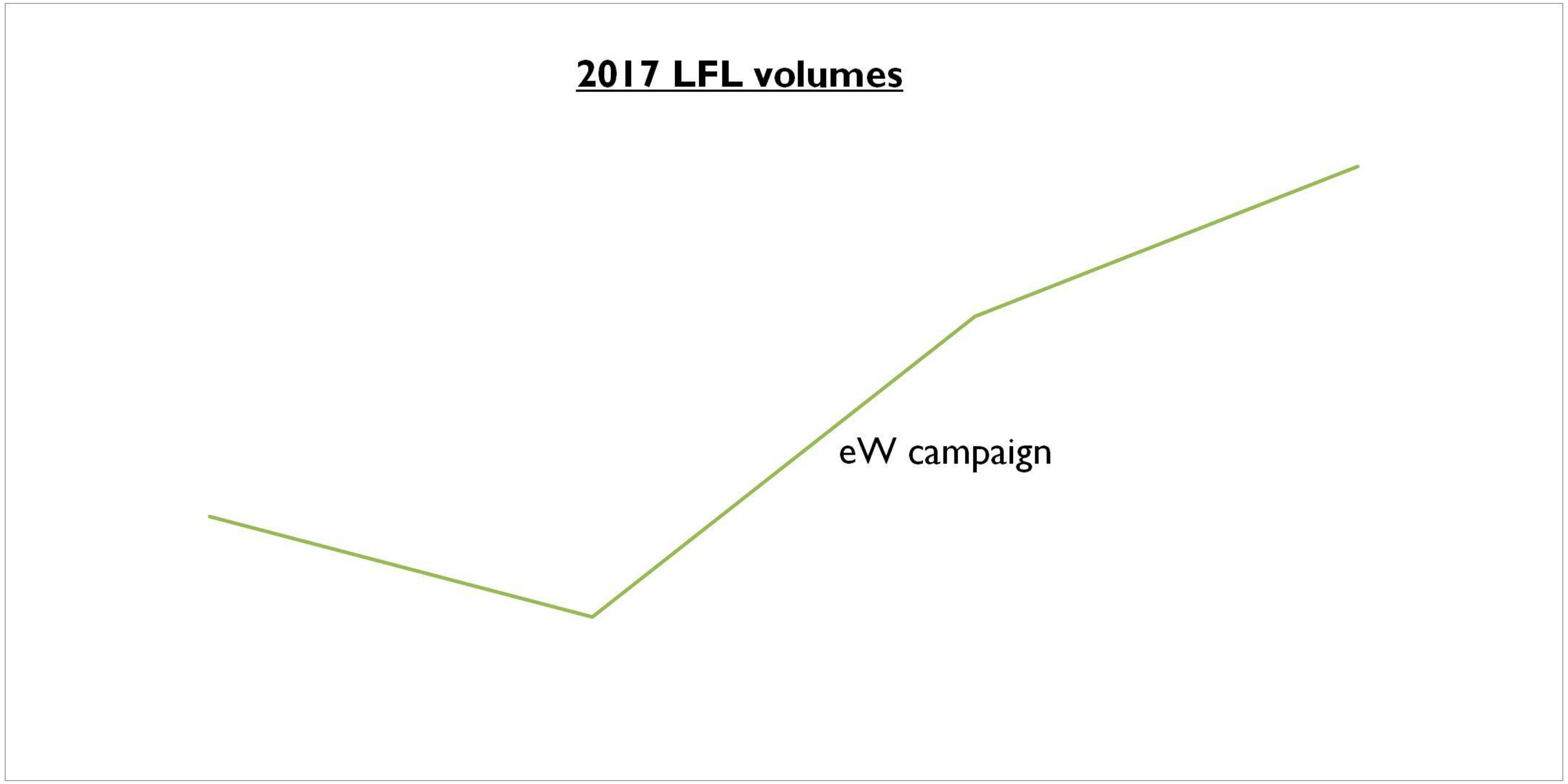
- Like-for-like sales growth with momentum built in the second half (H1: +0.7% and H2: +1.1%)
- Operating profit before exceptional items down 32.1% - gross margin reset equivalent to more than 80% of the shortfall

Gross margin impact – exchange rate related

- Weaker Sterling impact of £50m through adverse differential inflation
- Many cost prices increased three times faster than retail prices:
  - Scottish salmon cost price up 25%, retail price up 0-5%
  - British lamb cost price up 25%, retail price up 0-5%
  - essential Waitrose Butter cost price up 200%, retail price up 36%

Gross margin impact – price investment

- essential Waitrose price investment of £17m



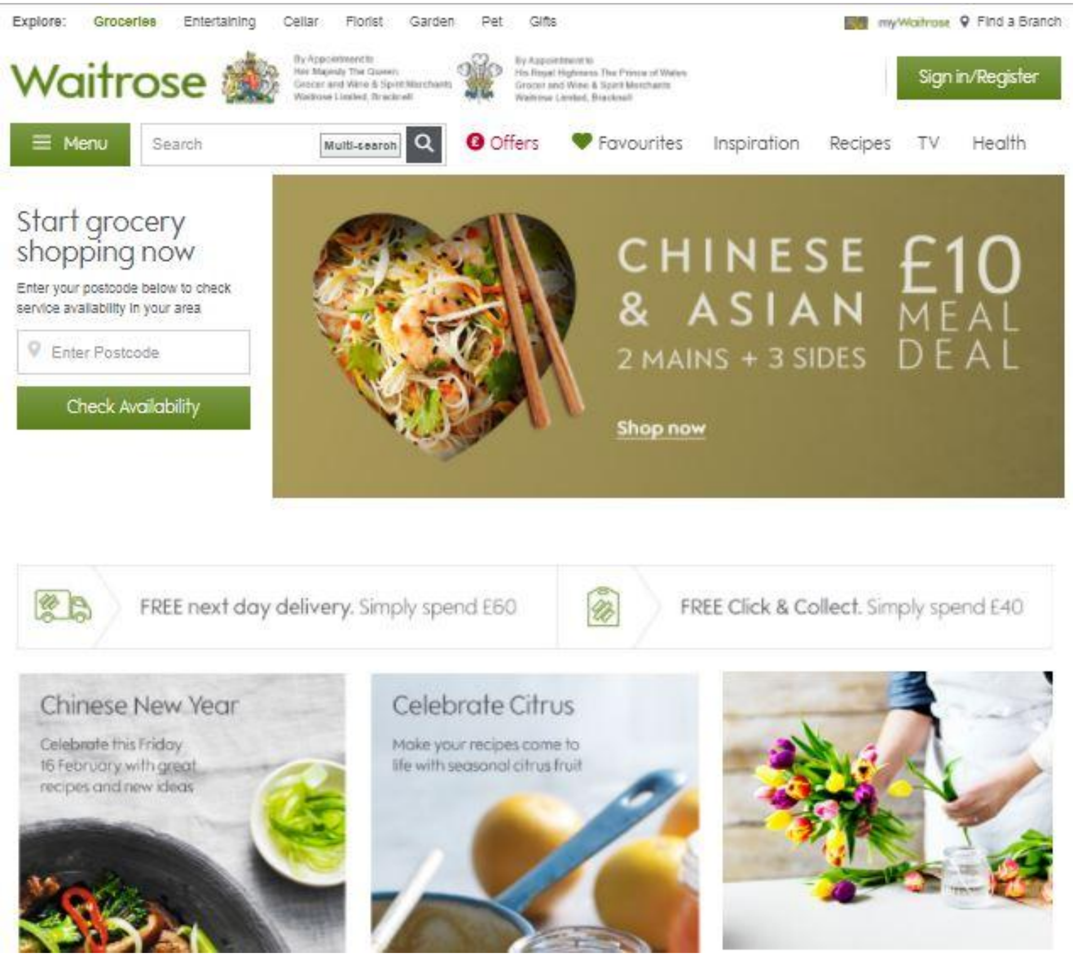
Other impact - short-term disruption in 2017

- Productivity and service – working flexibly
  - Changes by agreement to:
    - 4,000 manager roles
    - 45,000 Partner roles
  - 722 fewer management roles
  - Head office changes

Enhancing customer experience

- Programme of regeneration well underway with 127 projects completed
- 49 new sushi counters opened taking total to 73
- Stock management programmes in place to further improve availability
- Rolling out multi-functional devices to Partners

Market outperformance in e-commerce



- Online grocery sales up 10.9% with acceleration in second half – H1 up 4.3% and H2 up 17.0%
- A 12% year-on-year uplift in customer satisfaction for Waitrose.com following investment in easier navigation
- Click & Collect experience improved with self-service check in at 140 shops

Uncompromisingly good products

- More than 2,500 new products developed including all ready meals - 18% sales uplift in vegetarian dishes
- Compelling new ranges include: Blue Print mid tier wines and World Deli
- Helping our customers lead healthier, happier lives with cereals, drinks and ice cream reformulated with lower sugar content and new good health marque launched

Ethical milestones

- Industry leading pledge to stop the use of black plastic in own label packaging by end of 2019
- Winner of Compassion in World Farming's Best Retailer Award for top welfare standards in Europe
- Ranked top tier in Business Benchmark on Farm Animal Welfare for fourth year in a row
- All own label tea now Fairtrade

Looking ahead

- Programme of branch investment continues
- Upgrade of stock management, ordering and replenishment systems to support Partners to work productively
- New transport management system to plan and schedule our fleet more efficiently
- New food innovation centre opens in June to accelerate product development

John Lewis

Paula Nickolds
Managing
Director

A strong year for John Lewis

- Outperformed the BRC market by 1.4% with share growth across Fashion, Home and EHT
- Gross sales up 2.2%, like-for-like sales growth of 0.4%
- Customer numbers and Net Promoter Score increased
- Operating profit before exceptional items up 4.5%

Directorate performance

Fashion +3.2%

Home -

EHT +2.6%

Enhancing customer experience

- Delivering great customer service by empowering Partners with technology
- Hassle free shopping experiences with the introduction of initiatives to improve the customer experience
- Continued to inspire and delight customers in-shop

Driving productivity

- Leveraged investments made in recent years in distribution
- Simplification of processes enabling Partners to focus on delivering outstanding customer service
- Introduction of better jobs through improved role design

Looking ahead

- Unprecedented investment in our own brand to offer customers truly unique products they can only buy at John Lewis
- Continued investment in customer experience – combining the best of human and digital
- Laser like focus on innovation and experimentation across our brand
- White City Westfield and Cheltenham shop openings will demonstrate evolution of our strategy to reinvent the

Conclusion

Sir Charlie Mayfield

First 5 weeks' trade

Gross sales increase	5 week total	5 week LFL
John Lewis Partnership	+0.6%	
Waitrose	+2.7%	+2.4% *
John Lewis	-2.8% **	-3.4% **

* excluding fuel

** John Lewis sales significantly impacted by heavy snow in Week 5. For the first 4 weeks, John Lewis gross sales were up 0.3% (down 0.4% like-for-like)

Outlook

- Volatility and competitive intensity will continue
- Anticipate further pressure on profit as a result
- Have put Partnership on stronger footing to step up pace of innovation and seeing benefits
- Expect bold moves from our brands, including more innovation in product and service

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