Investor meetings
September 2016
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Agenda

- 2016/17 H1 Results
- Looking Ahead
- Overview of the Partnership
- Contacts
2016/17 H1 Results
Financial highlights

- Gross sales of £5.3bn, up £158m (+3.1%)
- Revenue of £4.7bn, up £124m (+2.7%)
- Operating Profit before exceptionals* of £139m (-4.3%)
- Profit before tax and exceptionals* of £82m, down £14m (-14.7%) with lower operating profits in Waitrose and John Lewis and higher financing costs for our long leave scheme, partly offset by reduced pension operating costs
- Net debt of £549m, £115m (17.3%) lower than 1 August 2015
- Accounting Pension deficit of £1,454m, £512m (54.4%) higher than January 2016

* Exceptional charge of £25.0m in Waitrose for the write-down of property assets no longer intended to be developed and related costs, following a strategic review (2015/16: income of £128.0m following the sale of the Clearings building)
Continuing to outperform the market

Waitrose sales growth\(^1\) exceeding the market

John Lewis LFL\(^2\) ahead of BRC

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1. Kantar 12 week Grocery data, YOY

2. Like for like sales is merchandise sales including VAT
Waitrose
(£m, before exceptionals)

<table>
<thead>
<tr>
<th>Year</th>
<th>Property Profits</th>
<th>Op. Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>160</td>
<td>5.6%</td>
</tr>
<tr>
<td>2014/15</td>
<td>145</td>
<td>4.9%</td>
</tr>
<tr>
<td>2015/16</td>
<td>136 (-10.5%)</td>
<td>4.5%</td>
</tr>
<tr>
<td>2016/17</td>
<td>121</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Excluding property profits: 4.5%

Focus on innovation: Waitrose 1 range of 626 ‘best in class’ products launched

Waitrose hospitality sales up 7.1%

Productivity in shops – items sold per worked hour up 2.1%

13 awards in H1

Shifting our investment to our existing shops and e-commerce business

Significant efficiency programme investment
John Lewis
(£m, before exceptionals)

<table>
<thead>
<tr>
<th>Year</th>
<th>Op. Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>2.5%</td>
</tr>
<tr>
<td>2014/15</td>
<td>3.8%</td>
</tr>
<tr>
<td>2015/16</td>
<td>3.0%</td>
</tr>
<tr>
<td>2016/17</td>
<td>2.0%</td>
</tr>
</tbody>
</table>


- **2013/14**: 2.5%
- **2014/15**: 3.8%
- **2015/16**: 3.0%
- **2016/17**: 2.0%

**Magna Park investment**

**Customer tracking for easier shopping**

**Focus on innovation**: new own-brand luxury womenswear label, Modern Rarity

**Consistent experience**
Lower operating profits partly offset by reduced pension costs

£m

H1 PBIT & exceptional item 15/16  145
Waitrose   (14)  -10.5%
John Lewis (15)  -31.2%
Partnership Services & Group  26
Decrease in pension operating costs
H1 PBIT & exceptional item 16/17  139

PBT & exceptionals: £82m (-14.7% YOY)
Total capital spend reduced but greater proportion in IT and distribution

<table>
<thead>
<tr>
<th></th>
<th>Capex</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016/17 Forecast</td>
<td>~£460m</td>
<td>-6.8%</td>
</tr>
<tr>
<td>FY 2015/16</td>
<td>£494m</td>
<td>-26.4%</td>
</tr>
<tr>
<td>FY 2014/15</td>
<td>£671m</td>
<td></td>
</tr>
</tbody>
</table>

£m (as at HY)

<table>
<thead>
<tr>
<th>Year</th>
<th>IT</th>
<th>Distribution</th>
<th>New Stores, Refurbs and Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>43%</td>
<td>32%</td>
<td>24%</td>
</tr>
<tr>
<td>2014/15</td>
<td>52%</td>
<td>32%</td>
<td>16%</td>
</tr>
<tr>
<td>2015/16</td>
<td>48%</td>
<td>32%</td>
<td>10%</td>
</tr>
<tr>
<td>2016/17</td>
<td>55%</td>
<td>32%</td>
<td>13%</td>
</tr>
</tbody>
</table>
IAS19 Accounting Deficit v Funding Deficit

- **IAS 19 at 30 July 2016**: £1,454m
- **Funding Deficit at 30 March 2013**: £840m
- **On the 2013 basis**: Funding Deficit at 31 March 2016 £642m
- **Current triennial valuation in progress. Deficit will be as at 31 March 2016.**

£m

Concluded by this financial year end.

<table>
<thead>
<tr>
<th>Jan-14</th>
<th>Jul-14</th>
<th>Jan-15</th>
<th>Jul-15</th>
<th>Jan-16</th>
<th>Jul-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,003</td>
<td>1,029</td>
<td>1,249</td>
<td>1,156</td>
<td>942</td>
<td>1,454</td>
</tr>
</tbody>
</table>

Real Discount Rate

- 0.35%
- 0.70%
- (0.25)%

John Lewis Partnership
Pension Deficit: Actions taken

Steps taken by the Partnership will drive a more sustainable and less volatile pension scheme

**Existing Pensions**

- Introduced an interest and inflation hedging programme for pension scheme assets
- 60% of assets hedged within 3 – 5 years
- Will significantly reduce volatility in the current Pension deficit

**Future Pensions**

- Halved the accrual rate to 1/120th of final salary
- Extended the period before the Defined Benefit scheme can be joined, from 3 to 5 years’ service
- Will significantly limit any further increases in the Pension Deficit
Net debt significantly lower than last year

### Net debt

<table>
<thead>
<tr>
<th></th>
<th>H1 2015/16</th>
<th>H1 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>401 £m</td>
<td>429 £m</td>
</tr>
<tr>
<td>Gross Debt</td>
<td>(1,066) £m</td>
<td>(978) £m</td>
</tr>
</tbody>
</table>

- Strong cash from operations over last 12 months
- Reduction in capital expenditure spend
- Strong liquidity position enabling £137m contribution to pension scheme in February to prepay approximately 10 months of contributions
- Repayment of Partnership bond in April from surplus cash
A conservatively managed Balance Sheet

Strong EBITDAR (£m) and EBITDAR margin

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDAR (£m)</th>
<th>EBITDAR margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>776</td>
<td>10.0%</td>
</tr>
<tr>
<td>2012/13</td>
<td>876</td>
<td>10.3%</td>
</tr>
<tr>
<td>2013/14</td>
<td>864</td>
<td>9.6%</td>
</tr>
<tr>
<td>2014/15</td>
<td>936</td>
<td>9.6%</td>
</tr>
<tr>
<td>2015/16</td>
<td>945</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

High fixed charge cover (EBITDAR / Interest+Rent)

<table>
<thead>
<tr>
<th>Year</th>
<th>High fixed charge cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>4.7x</td>
</tr>
<tr>
<td>2012/13</td>
<td>4.9x</td>
</tr>
<tr>
<td>2013/14</td>
<td>4.6x</td>
</tr>
<tr>
<td>2014/15</td>
<td>4.6x</td>
</tr>
<tr>
<td>2015/16</td>
<td>4.2x</td>
</tr>
</tbody>
</table>

Net debt lower (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt lower (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>577.3</td>
</tr>
<tr>
<td>2012/13</td>
<td>371.9</td>
</tr>
<tr>
<td>2013/14</td>
<td>485.8</td>
</tr>
<tr>
<td>2014/15</td>
<td>721.7</td>
</tr>
<tr>
<td>2015/16</td>
<td>372.5</td>
</tr>
</tbody>
</table>

Strong liquidity (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Committed Facilities</th>
<th>Cash and investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>551</td>
<td>325</td>
</tr>
<tr>
<td>2012/13</td>
<td>534</td>
<td>325</td>
</tr>
<tr>
<td>2013/14</td>
<td>359</td>
<td>475</td>
</tr>
<tr>
<td>2014/15</td>
<td>337</td>
<td>475</td>
</tr>
<tr>
<td>2015/16</td>
<td>677</td>
<td>325</td>
</tr>
</tbody>
</table>
Looking Ahead
A good start to the second half

<table>
<thead>
<tr>
<th>Gross sales increase</th>
<th>6 week total</th>
<th>6 week LFL</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Lewis Partnership</td>
<td>+3.8%</td>
<td></td>
</tr>
<tr>
<td>Waitrose</td>
<td>+5.0%</td>
<td>+1.4% *</td>
</tr>
<tr>
<td>John Lewis</td>
<td>+2.0%</td>
<td>+0.7%</td>
</tr>
</tbody>
</table>

* excluding petrol
Looking ahead

- Expect to trade well compared to the market
- Structural changes in retail will not ease
- Our commitment to competitive pricing, excellent service, increasing pay and investing for the long term have held back profits
- We expect trading pressures to continue through this year and next
- Uncertainty of leaving EU will remain and the full impact of this change is yet to become clear
Overview of the Partnership
Market overview

- Far reaching changes taking place in society, in retail and in the workplace
- Deep structural changes in retail
- Our response:
  - Decisions to prioritise investments in IT, our distribution network, pay and a shift towards our existing Waitrose stores
  - Our ownership structure makes it especially important that we look further into the future and our plans anticipate bigger changes
  - The Partnership’s “It’s Your Business 2028” strategy to get ahead of the significant changes that are affecting the wider retail market will position us well for the future
Our Partners are responsible for:

- Taking responsibility for our business success
- Building relationships powered by our principles
- Creating real influence over the business

So we have engaged and productive partners...

Creating the UK’s best food and non-food brands

...providing an outstanding customer experience

- Verdict best clothing retailer, best homewares retailer, best electronics retailer
- Which? Best supermarket

John Lewis Partnership

Waitrose
The future environment

### Society
- Emerging markets
- Polarised wealth
- Health paradox
- Resource scarcity

### Workplace
- Life expectancy
- New technology
- Next generation
- Flexible careers

### Retail
- Seamless experience
- Data analytics
- Product to service
- Squeezed margins

*The Partnership takes a long-term view, and in doing so we see that profound changes are taking place in society and to our planet. Our strength lies in our ability to respond to these opportunities and challenges.*

— Ken Robson, Director, Corporate Responsibility

*“Partners are our competitive advantage and our longer term financial health relies on Productivity. The two are intrinsically linked. Productivity works in harmony with Performance, Pay and Progression to form our 4Ps, positioning us ready for the future trends we see in the workplace.”*

— Andrew Murphy, Group Productivity Director

*“Our industry is undergoing fundamental structural change. Our challenge is to identify the opportunities this provides to drive growth into our business, while maintaining the democratic core of the Partnership.”*

— John Allott, Group Development Director
A long term approach: It’s Your Business 2028

Enabled by our unique ownership structure, we are focusing on the long term...

Financial Sustainability
- Increase the resilience of our balance sheet to market shocks
- Build our financial firepower to invest in new growth in the future

Stronger brands and new growth
- Renewing our focus on strengthening the appeal of our two well-loved brands
- Building new business in high growth areas
- Continuing to grow market share

Better jobs, better performing Partners, better pay
- Improving productivity, increasing the sales and profit we can make per Partner
- Partners receiving above market pay, because they achieve above market performance
The Partnership

A company which puts financial prudence and balance sheet strength at its heart, via its constitution.

The Constitution of the John Lewis Partnership

The constitution contains various references to financial prudence and our balance sheet.

To safeguard the Partnership’s future and to sustain economic vitality, the Partnership will not overreach its financial resources and must not risk any loss of its financial independence.

John Lewis Partnership in numbers

- 150 years of history
- Constitution written in 1928
- 88,900 dedicated Partners
- 46 John Lewis shops across the UK
- 349 Waitrose shops across the UK
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