John Lewis plc announces the unaudited results for 52 weeks ended 28 January 2017 for
John Lewis Partnership plc
John Lewis Partnership plc is the ultimate holding company of John Lewis plc
[This does not constitute a preliminary announcement]
Thursday 9 March 2017

Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>Waitrose</th>
<th></th>
<th>John Lewis</th>
<th></th>
<th>Partnership</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>YoY</td>
<td>£m</td>
<td>YoY</td>
<td>£m</td>
<td>YoY</td>
</tr>
<tr>
<td>Gross sales (^{(1)})</td>
<td>6,633.2</td>
<td>2.7%</td>
<td>4,741.0</td>
<td>4.0%</td>
<td>11,374.2</td>
<td>3.2%</td>
</tr>
<tr>
<td>LFL sales (^{(2)})</td>
<td>(0.2)%</td>
<td>2.7%</td>
<td>3,780.7</td>
<td>3.2%</td>
<td>10,026.2</td>
<td>2.8%</td>
</tr>
<tr>
<td>Revenue</td>
<td>6,245.5</td>
<td>2.6%</td>
<td>243.2</td>
<td>(2.8)%</td>
<td>478.2</td>
<td>18.9%</td>
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<tr>
<td>Operating profit before PB and exceptional items (^{(3)})</td>
<td>253.5</td>
<td>9.0%</td>
<td>206.2</td>
<td>(11.3)%</td>
<td>685.4</td>
<td>29.0%</td>
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<td>Operating profit before PB (^{(4)})</td>
<td>206.2</td>
<td>(11.3)%</td>
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<td>Profit before PB, tax and exceptional items (^{(4)})</td>
<td>577.6</td>
<td>32.8%</td>
<td>488.2</td>
<td>65.4%</td>
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Sir Charlie Mayfield, Chairman of John Lewis Partnership, commented:

“Waitrose and John Lewis have achieved growth in sales and market share, and our profits before exceptionals are up 21.2%. A large part of this profit increase was due to lower pension accounting charges. After excluding these and our long leave accounting charges, our profits before exceptionals increased by 1.9% in spite of trading pressures and investment in pay.

There are also a number of exceptional items in our results this year, which reflect the steps we are taking to adapt the Partnership for the future. After including these exceptional items, the operating profit in both Waitrose and John Lewis was below last year.

In January, we said Partnership Bonus was likely to be significantly lower this year. The Board has awarded a Bonus of 6%, which is equivalent to more than 3 weeks’ pay. Bonus is lower because the Board has decided to retain more of our annual profits in order to strengthen our balance sheet. This allows us to maintain our level of investment in the face of what we expect to be an increasingly uncertain market this year, while absorbing the costs associated with adapting the Partnership for the future.

We have also continued to put more money into pay. During the year, the average pay rates for our non-management Partners rose 5.0%.

This reflects our determination to create better jobs for better performing Partners on better pay, which is one of three elements to our strategy. As a part of that we are changing the nature and shape of roles within the Partnership and we have made a number of announcements to that effect this year. We will also be accelerating investment in innovation for customers across Waitrose and John Lewis. For example, from May we will begin rolling out technology to ensure Partners have access to more information at their fingertips to enhance service delivery and, in Waitrose, 2017 will see a significant investment in existing shops.”

\(^{(1)}\) Gross sales includes sale or return sales and VAT
\(^{(2)}\) Waitrose like-for-like sales excludes petrol
\(^{(3)}\) Partnership Bonus
\(^{(4)}\) Includes property profits of £0.8m in Waitrose and £1.7m in John Lewis (2015/16: £1.5m in John Lewis)
John Lewis Partnership plc  
Unaudited results for 52 weeks ended 28 January 2017

Key points

- Gross sales up 3.2% with increased market shares for both brands and rising customer numbers
- Profit before Partnership Bonus, tax and exceptional items up 21.2% to £370.4m
- Exceptional income of £207.2m mainly includes £270.0m income for a reduction in pension liabilities, offset by a £42.9m charge for write down of property and other assets, and related costs, and £20.7m charge for restructuring and redundancy costs (2015/16: income of £129.3m following the sale of the C Clearings building). See page 4 for further details
- Stronger balance sheet, with net debt 32.7% (£121.9m) lower than January 2016 at £250.6m
- Accounting pension deficit expected to be approximately £1bn at January 2017, higher than the £940m deficit at January 2016. However, we have made good progress and our actuarial pension deficit at 31 March 2016 was nearly half the deficit at the 31 March 2013 valuation
- Pension accounting charges decreased by £64.7m, mainly due to the impact in the year of changes to our pension scheme agreed in 2015, and lower accounting charges as a result of an improvement in the real discount rate used to determine the cost at the beginning of the year compared to the beginning of the previous year
- Partnership Bonus of £89.4m; 6% of salary (equivalent to more than 3 weeks’ pay for Partners with us for the whole year)

Chairman’s strategic update

We announced in January that we are accelerating our strategy which focuses on three key themes:

The first is strengthening the appeal of our two well-loved brands. This is our lead objective and is the basis for an increasing focus on innovation. In the year this has primarily focused on developing our product proposition while continuing to improve convenience and service delivery. The launch of the Waitrose 1 premium range, and our own-brand luxury womenswear label, modern rarity, and own-brand contemporary furniture collection, Design Project, in John Lewis were the main stand outs of this part of our strategy. Waitrose 1 achieved a sales uplift of 17.5%, whilst modern rarity and Design Project contributed to the strong sales uplifts in Womenswear and Furniture.

We will also make material improvements to the offer and experience in existing shops. This programme will see us investing in the majority of our Waitrose shops over the next three years, including the extension of successful food service propositions trialled during the year and the addition of a fresh Sushi offer in 36 shops. In John Lewis we are accelerating steps to equip Partners with better technology. After a successful trial in Cambridge, we will roll out iPhones to Partners, putting more information at their fingertips to enhance service delivery, starting with 20 of our largest shops in May.

Secondly, we are committed to creating better jobs, for better performing Partners, on better pay. Our approach to better jobs is developing in line with our customer strategy. We want to ensure Partners' pay remains well above the National Living Wage on average, and in this year's pay review, rates increased by 5.0% on average for our non-management Partners, driven by our performance related pay policy. As a result, additional annualised pay costs for our non-management Partners were £36m greater, whereas had we simply complied with the National Living Wage, costs would have been only £3m higher than the previous year. In addition, on average, these Partners will see an increase in their combined pay and Partnership Bonus from the previous year. The average hourly rate of pay for our non-management Partners is £8.67, and this will rise further following the April 2017 pay review.

In the year ahead, we will move towards making apprenticeships the cornerstone of progression and development across the Partnership. We will launch new apprenticeships in 2017 and 2018, ranging from hospitality to retail management. Apprenticeship numbers will rise from 80 apprentices today to approximately 500 during 2018, with the aim of increasing to thousands per year by 2020.

(5) Kantar 12 week Grocery data for Waitrose / BRC for John Lewis
The third area of focus is to **strengthen our financial position**, both to increase the resilience of our balance sheet to market shocks and to build our financial firepower to invest in new growth in the future. We have made good progress in the year by continuing to generate strong cash flows and by reducing capital expenditure on new shops. These have contributed to our planned reduction in net debt, which has improved by nearly 33% since last year.

We also made additional one-off and deficit reduction contributions to our pension scheme in 2016/17 of £125m, and over the last 10 years these have totalled nearly £1billion. As a result of our contributions, good investment returns on the scheme’s assets and the changes to the annual inflation rate assumed for pension accrued prior to 1997, we announced in January 2017 that the deficit on our defined benefit pension scheme, as measured in the latest triennial actuarial valuation to 31 March 2016, had nearly halved to £479m since 31 March 2013.

In the year ahead, we will press ahead with the consolidation of our support functions that we announced internally in October. We are also seeking significant cost reductions across our procurement spend - especially in contract labour and consultancy support. Towards the end of 2016 we began limited trials of robotic process automation and expect to see these develop into a significant productivity initiative during 2017.

**Outlook 2017/18**

For the first five weeks of the year, Partnership gross sales are up 0.5% on last year. Waitrose gross sales are up 0.4% (down 1.4% like-for-like, excluding petrol) and John Lewis gross sales are up 0.5% (down 1.4% like-for-like).

In the year ahead, trading pressures will continue as a result of the wider changes taking place in retail. The two major influences are pricing, where the rate of change in selling prices is likely to be significantly slower than the rate of change in input costs as a result of weakness in the Sterling exchange rate, and the continued shift from shops to online. These factors are significant for the outlook where we expect both inflationary cost pressures and competition to intensify in the market as a whole.

In addition, we expect our short-term profits to be impacted by significant one-off costs of change as we accelerate aspects of our strategy to ensure the Partnership’s success. However, we start from a position of strength and our plans will navigate the Partnership through the uncertainty in the year ahead.
Financial Results

In 2016/17 the Partnership delivered sales growth with both Waitrose and John Lewis increasing their market shares and customer numbers. Partnership gross sales were £11.37bn, an increase of £355.4m, or 3.2%, on last year. Revenue was £10.03bn, up by £277.4m or 2.8%.

Partnership operating profit before Partnership Bonus was £685.4m, up £154.0m or 29.0% on last year. This includes exceptional income of £207.2m, as explained in the table below (2015/16: exceptional income of £129.3m). Partnership operating profit before Partnership Bonus and exceptional items, was £478.2m, up £76.1m or 18.9% on last year.

<table>
<thead>
<tr>
<th>Exceptional items</th>
<th>2016/17</th>
<th>2015/16</th>
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<tbody>
<tr>
<td>Reduction in pension obligation (a)</td>
<td>270.0</td>
<td>-</td>
</tr>
<tr>
<td>Strategic review (b)</td>
<td>(42.9)</td>
<td>-</td>
</tr>
<tr>
<td>Restructuring and redundancy (c)</td>
<td>(20.7)</td>
<td>-</td>
</tr>
<tr>
<td>Profit on sale of Clearings building (d)</td>
<td>0.8</td>
<td>129.3</td>
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<td></td>
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<td></td>
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<td></td>
<td>207.2</td>
<td>129.3</td>
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a)  Income of £270.0m for the reduction in the pension obligation following the announcement that the annual discretionary increase for pension in retirement built up before 6 April 1997 will be expected to increase in line with CPI inflation (up to a maximum of 2.5%), instead of RPI inflation (up to a maximum of 5%).

b)  Charge of £42.9m in Waitrose for the write down of property and other assets that are no longer intended to be developed or are now being exited, and related costs, following a strategic review. In 2015/16, such costs did not meet the criteria of an exceptional item (6).

c)  Charge of £20.7m for restructuring and redundancy costs, principally in relation to distribution, contact centre and head office operations (Waitrose £4.4m, John Lewis £11.8m and Partnership Services and Group £4.5m). In 2015/16, such costs did not meet the criteria of an exceptional item.

d)  Income of £0.8m on finalisation of the Clearings sale which was previously recorded as exceptional.

Profit before Partnership Bonus and tax was £577.6m, up £142.8m or 32.8% on last year. Excluding exceptional items, it was £370.4m, up by £64.9m or 21.2%.

Waitrose

Gross sales were up 2.7% to £6.63bn and we grew market share and customer numbers. Although like-for-like sales decreased by 0.2%, these improved in the second half of the year.

Operating profit before exceptional items was up 9.0% to £253.5m, as a result of effective management of costs and improved productivity in branches, supply chain and head offices. In our core supermarkets, items sold per worked hour improved by 2.4%, and in our distribution centres, cases picked per hour improved by 2.4%. Exceptional items were a charge of £47.3m, and after including these, operating profit was down 11.3% to £206.2m.

As set out in our half year results, we are shifting our strategic focus towards investment in our existing shops, with fewer new shops. This investment will cover the majority of our branches over the next three years. This regeneration programme underlines our commitment to high quality and service. It will be shaped by our successful experience in bakery grazing, other food service concepts and the outcome of the current trials in our shops at Barbican and Twyford.

(6) Exceptional items are those which are both material and non-recurring.
We continue to develop our food service business. We have 121 cafes, 85 bakery grazing areas, 9 juice bars and 7 wine bars in our branches. Sushi Daily counters, which are operated under licence, have been rolled out to 24 branches, offering further variety and excitement in our shops. Convenient options also performed strongly with Food to Go sales seeing a 7.3% uplift.

We opened five core supermarkets and five convenience shops in the year, and we closed two convenience shops. In addition, in February 2017 we announced the proposed closure of four core supermarkets and two convenience shops. In 2017/18 we plan to open two core supermarkets and five convenience shops - the first of which, Faringdon (Oxfordshire) opened in February.

High quality and provenance are at the heart of our brand. Waitrose 1, our premium range with 766 best-in-class products, launched in May and is proving to be extremely popular, with a sales uplift of products in this range of 17.5%. Top selling products within the range include Scottish Salmon Fillets, sour dough bread and Croissants made with Charente Butter.

To drive productivity and build on our excellence in customer service we have been successfully piloting our Working Flexibly model in a number of branches. This is about fewer but better trained, multi-skilled Partners doing the right task in the right way at the right time, supported by managers with broader accountability across the whole branch. Encouraged by the results, we plan to roll this model out to all our core supermarkets by the end of July.

We continue to seek new growth opportunities. Our export sales grew by 14.9% with a new partnership with British Corner Shop - an online retailer for people in more than 100 countries - and a new export deal with the Alibaba Group, which allows us to sell products in China for the first time.

Against a backdrop of a changing and competitive retail landscape, John Lewis has continued to outperform the market. Gross sales were up 4.0% to £4.74bn, with strong like-for-like sales growth of 2.7%.

Operating profit before exceptional items was slightly down at £243.2m, 2.8% lower than last year. We have invested in our supply chain to ensure we were able to support a large, faster and more convenient multi-channel business and this showed in the second half of the year, as the investments made enabled a strengthening performance with operating profit before exceptional items up 3.8%. Exceptional items were a charge of £11.8m, and after including these, the full year operating profit was down 7.5% to £231.4m.

During the year we continued to focus on the customer, building a business which allows customers to combine convenient online shopping with visiting shops which provide inspiration and experiences. Our customer numbers increased by 2.7% this year to 12.1million.

All three product areas saw gross sales growth. In our product offer, we have invested in our in-house design capability to grow our own-brand fashion and home credentials, and combined this with exclusive branded ranges.

- EHT sales were up 6.8%. We opened Smart Home areas in three shops, leading to a 16.7% increase for Audio and Smart Home. New products such as the Dyson Supersonic hairdryer and an exclusive high street launch of the Oculus Rift helped to drive sales.
- Fashion sales were up 3.8%. Our first own-brand luxury label, modern rarity, boosted our own-brand womenswear (up 6.8%), and we were the first high street retailer to stock online brands Hush and Finery. A £9m investment in our beauty halls helped Beauty sales increase by 6.7%.
John Lewis Partnership plc
Unaudited results for 52 weeks ended 28 January 2017

- Home sales were up 3.0%. The launch of our own-brand Design Project range further established our credentials as a destination for quality and beautifully designed products and will support our ambition to reach £1bn own-brand sales. We also launched exclusive collaborations with external brands including Loaf and Leon.

We integrated our online platforms so that our mobile, desktop and app can seamlessly offer the same shopping experience whichever platform our customers use. Total online sales were up 16.2%. We opened two new shops in Chelmsford and Leeds - our most experiential shop to date and our second &Beauty spa - and later this year we will open a shop in Oxford. Sales in our shops were down 1.0%.

We completed our investment in two new distribution centres at Magna Park in Milton Keynes, allowing us to combine fashion and non-fashion deliveries to deepen efficiencies and deliver orders to our customers in fewer parcels. We also invested in a dedicated content hub in West London, where our Partners deliver creative content and photography.

Internationally, we expanded our physical and online international footprint by opening ten shops-in-shops in Australia, Malaysia, Ireland, and Holland, and extended our online international delivery locations from 32 to 39 countries. At the end of this month we will open our largest shop-in-shop to date in Dubai.

We rebranded our financial services business under a new John Lewis Finance umbrella, and relaunched Partnership Card to offer contactless payments.

Partnership Services Group

Partnership Services and Group includes the operating costs for our Group offices and shared services, the costs for pan-Partnership initiatives and transformation programmes, and certain pension operating costs. Partnership Services and Group net operating costs (before exceptional items) increased by £5.1m or 13.5%, principally reflecting additional costs supporting initiatives to either drive sales growth through new business opportunities or to reduce costs through increased productivity. However, overall costs (before exceptional items) decreased by £62.2m to £18.5m, largely due to the decrease in pension operating costs.

Going forwards, Partnership Services will not operate as a standalone division. The Finance, IT and Personnel shared service operations have become part of the end-to-end responsibility of the respective pan-Partnership function which will provide a platform for improved service delivery and lower costs in the future.

Investment in the future

Capital investment in 2016/17 was £419.3m, a decrease of £74.5m (15.1%) on the previous year. Investment in Waitrose was £161.5m, down £63.0m (28.1%) on the previous year, and in John Lewis investment was £230.7m, up £3.0m (1.3%).

We have continued to focus our investment in IT and distribution, which now represents 62% of our total capital investment, up from 50% last year. In addition, as set out in our half year results, we have decided to prioritise future investment in Waitrose in our existing shops ahead of new space.
Pensions

The pension operating cost (before exceptional items) was £187.9m, a decrease of £57.4m or 23.4% on the prior year costs, reflecting the impact of our move to a hybrid pension scheme combining defined benefit and defined contribution pensions from April 2016, as well as an increase in the real discount rate used to determine the cost to 0.70% at the beginning of the year from 0.35% at the beginning of the previous year. Pension finance costs were £29.6m, a decrease of £7.3m or 19.8% on the prior year, reflecting a reduction due to a lower accounting pension deficit at the beginning of the year than at the beginning of the previous year. As a result, total pension costs (before exceptional items) were £217.5m, a decrease of £64.7m or 22.9% on the prior year.

In January 2017 we announced that the annual discretionary increase for pension in retirement built up before 6 April 1997 will be expected to increase in line with CPI inflation (up to a maximum of 2.5%), instead of RPI inflation (up to a maximum of 5%). This has resulted in a reduction in pensions obligations of £270.0m and this change is classified as exceptional income.

In January 2017 we also concluded the triennial actuarial valuation of our defined benefit pension scheme as at 31 March 2016 with a deficit of £479m. This was significantly lower than the deficit of £840m at the previous valuation in March 2013. We have agreed the ongoing contribution rate for the defined benefit pension of 10.4% of members’ gross taxable pay, down from 16.4%, and put in place a plan to eliminate the deficit over a 10 year period. This includes cash contributions of £303m, of which £208m has been paid to date and the remainder is due to be paid over the 9 years to 31 March 2026. The balance of the deficit is expected to be met by investment returns on the scheme’s assets.

The total accounting pension deficit at 28 January 2017 is expected to be approximately £1bn, which is higher than the £940m deficit at 30 January 2016. Pension fund assets have increased to more than £5bn. However, despite the reduction in pension obligations following the change to annual discretionary pension increases, the accounting valuation of pension fund liabilities has increased to more than £6bn, mainly reflecting a decrease in the real discount rate used to value the liabilities to -0.50% at January 2017 compared to 0.70% at January 2016, due to historically low bond yields. This decrease in the real discount rate will be the main factor for driving a increase in our pension operating costs for the next financial year, the year ending 27 January 2018, which we expect to be approximately £30m higher.

Financing

At 28 January 2017, net debt was £250.6m, a decrease of £121.9m (32.7%) in the year, reflecting our focus on cash generation and the reduction in capital investment. During the year we repaid our £58m Retail Bond issued in 2011 and we cancelled and repaid expensive preference stock, all through our cash reserves. We have refinanced our main committed credit facility, increasing it from £325m to £450m, and extending the maturity to November 2021, whilst lowering the ‘cost per £’ of the facility.

Net finance costs on borrowings and investments decreased by £3.1m (5.1%) to £58.2m, mainly reflecting reduced finance costs following the repayment of the Partnership Bond in April 2016. After including the financing elements of pensions and long service leave and non-cash fair value adjustments, net finance costs increased by £11.2m (11.6%) to £107.8m, impacted by higher long leave financing costs arising from volatility in market driven assumptions.

Sustainability

Issues of environmental and social sustainability are becoming ever more important to our long term success. As such, our strategy continues to be underpinned by the values that our founder expressed through the Constitution – in particular our responsibilities not only towards our Partners and customers, but also the communities in which we operate, our suppliers and the environment. This year we have put significant effort behind tracing key raw materials back to source, reducing our operational environmental footprint and continuing to support Partners’ contribution to the communities in which we operate. Further details on our strategy and performance can be found on www.johnlewispartnership.co.uk/csr.html.
John Lewis Partnership plc
Unaudited results for 52 weeks ended 28 January 2017

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Graeme Buck, Head of Communications 07703 379561

Debt investors
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Lynn Lochhead, Assistant Group Treasurer 07834 770684

Notes to editors

The John Lewis Partnership - The John Lewis Partnership operates 48 John Lewis shops across the UK, johnlewis.com, 352 Waitrose shops, waitrose.com and business to business contracts in the UK and abroad. The business has annual gross sales of over £11bn. It is the UK's largest example of an employee-owned business where all 86,700 staff are Partners in the business.

Waitrose – winner of the Best Supermarket¹ and Best Food Retailer² awards - currently has 352 shops in England, Scotland, Wales and the Channel Islands, including 63 convenience branches, and another 27 shops at Welcome Break locations. It combines the convenience of a supermarket with the expertise and service of a specialist shop - dedicated to offering quality food that has been responsibly sourced, combined with high standards of customer service. Waitrose also exports its products to 58 countries worldwide and has eight shops which operate under licence in the Middle East. Waitrose’s omnichannel business includes the online grocery service, Waitrose.com, as well as specialist online shops including waitrosecellar.com for wine.

¹ Which? Customer Survey
² Verdict Customer Satisfaction Awards

John Lewis - John Lewis operates 48 John Lewis shops across the UK (34 department stores, 12 John Lewis at home and shops at St Pancras International and Heathrow Terminal 2) as well as johnlewis.com. John Lewis, ‘Best In-Store Experience 2016’, ‘Best Clothing Retailer 2016’, ‘Best Electricals Retailer 2016’, ‘Best Furniture Retailer 2016’ and ‘Best Homewares Retailer 2016’ and ‘Best Click & Collect Retailer 2016’³, typically stocks more than 350,000 separate lines in its department stores across fashion, home and technology. Johnlewis.com stocks over 280,000 products, and is consistently ranked one of the top online shopping destinations in the UK. John Lewis Insurance offers a range of comprehensive insurance products - home, car, wedding and event, travel and pet insurance and life cover - delivering the values of expertise, trust and customer service expected from the John Lewis brand.

³ Verdict Consumer Satisfaction Awards 2016

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www.johnlewis.com/youtube
## UNAUDITED RESULTS FOR THE 52 WEEKS ENDED 28 JANUARY 2017

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<th>2016/17 £m</th>
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<td><strong>GROSS SALES (including VAT)</strong></td>
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<td>4.0</td>
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<tr>
<td><strong>Gross sales</strong></td>
<td>11,374.2</td>
<td>11,018.8</td>
<td>3.2</td>
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<td><strong>REVENUE</strong></td>
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<td><strong>OPERATING PROFIT (before PB and exceptional items)</strong></td>
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<td>232.6</td>
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<td>John Lewis</td>
<td>243.2</td>
<td>250.2</td>
<td>(2.8)</td>
</tr>
<tr>
<td><strong>Partnership Services and Group</strong></td>
<td>496.7</td>
<td>482.8</td>
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</tr>
<tr>
<td><strong>Operating profit before PB and exceptional items</strong></td>
<td>478.2</td>
<td>402.1</td>
<td>18.9</td>
</tr>
<tr>
<td><strong>Exceptional items</strong></td>
<td>207.2</td>
<td>129.3</td>
<td>60.2</td>
</tr>
<tr>
<td><strong>Operating profit before PB</strong></td>
<td>685.4</td>
<td>531.4</td>
<td>29.0</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(107.8)</td>
<td>(96.6)</td>
<td>(11.6)</td>
</tr>
<tr>
<td><strong>Profit before PB and tax</strong></td>
<td>577.6</td>
<td>434.8</td>
<td>32.8</td>
</tr>
<tr>
<td>Partnership Bonus</td>
<td>(89.4)</td>
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<td>488.2</td>
<td>289.8</td>
<td>65.4</td>
</tr>
<tr>
<td><strong>Profit before, tax and exceptional items</strong></td>
<td>370.4</td>
<td>305.5</td>
<td>21.2</td>
</tr>
</tbody>
</table>

**Notes**

1. This statement does not constitute a preliminary announcement. These results are subject to audit. The Annual Report & Accounts for 2016/17 will be published in April 2017.