John Lewis Partnership plc
Unaudited results for 52 weeks ended 30 January 2016
[This does not constitute a preliminary announcement]
Strict Stock Exchange Embargo, 9.15am
Thursday 10 March 2016

Partners share 10% Bonus

Financial Summary

	Waitrose			John Lewis			Partnership		
	£m	Change	52 week change[1]	£m	Change	52 week change[1]	£m	Change	52 week change[1]
Gross sales	**6,461.4**	*(0.7)%*	*1.1%*	**4,557.4**	*2.8%*	*4.4%*	**11,018.8**	*0.7%*	*2.5%*
LFL sales[2]	**(1.3)%**			**3.1%**					
Revenue	**6,086.0**	*(0.8)%*	*1.0%*	**3,662.8**	*2.7%*	*4.3%*	**9,748.8**	*0.5%*	*2.2%*
Operating profit before exceptional items[3][4]	**232.6**	*(2.0)%*	*(0.8)%*	**250.2**	*(0.1)%*	*0.2%*	**402.1**	*(9.1)%*	*(7.7)%*
Operating profit[4]							**531.4**	*18.0%*	*19.8%*
PBT[5] before exceptional items[3][4]							**305.5**	*(10.9)%*	*(9.3)%*
PBT[4][5]							**434.8**	*24.0%*	*26.1%*
Net debt[6]							**372.5**	*48.4%*	

Highlights

- Solid sales performance and increased market shares[7] in challenging markets
- PBT before exceptional items down 10.9% to £305.5m (down 9.3% on a 52 week basis), in line with expectations; entirely due to higher pension charges arising from volatility in the market-driven assumptions[8], and lower property profits – excluding these profits up around 7%
- Operating profit before property profits[4] up £8.7m (3.9%) in Waitrose and £1.8m (0.7%) in John Lewis on a 52 week basis, both impacted by a higher share of central costs as well as restructuring costs in John Lewis. Including property profits[4], operating profit down 0.8% in Waitrose and up 0.2% in John Lewis on a 52 week basis
- Strong cash generation driven by good cost control, lower capital investment and the sale of the Clearings building
- Net debt[6] of £372.5m, £349.2m (48.4%) lower than January 2015 and consistent with our strategy of a stronger balance sheet
- Pension deficit of £941.6m, £307.7m (24.6%) lower than January 2015
- Partnership Bonus of £145.0m; 10% of salary (equivalent to more than 5 weeks' pay for Partners with us for the whole year)

(1) The results for 2014/15 comprised 53 weeks. To provide meaningful comparison, 52 week changes have been provided which exclude the impact of the additional week of 2014/15
(2) Waitrose like-for-like sales excludes petrol
(3) Exceptional income of £129.3m following the sale of the Clearings building (2014/15: income of £7.9m from release of remaining liabilities following the 2013/14 review of holiday pay policy)
(4) Property profits of £1.5m in John Lewis (2014/15: £10.5m in Waitrose, £2.8m in John Lewis and £0.9m in Group) included in operating profit.
(5) Profit before Partnership Bonus and tax
(6) Net debt has been restated for 2014/15. See page 6 for further details
(7) Kantar 12 week Grocery data for Waitrose / BRC for John Lewis
(8) £48.2m of the increase in pension costs is due to the substantial decline in the real discount rate.

Sir Charlie Mayfield, Chairman of John Lewis Partnership, commented:

"The Partnership has delivered a healthy trading performance and increased market shares in challenging conditions. Although Profit before tax and exceptionals was down by 10.9% on last year, that was entirely due to higher pension charges arising from volatility in the market-driven assumptions, and lower property profits. Excluding these, our profits were around 7% up on last year which, together with a strengthening balance sheet, represents good progress over the year.

Market conditions were challenging through the year with deflation in grocery of -2.6%[9] and subdued demand in non-food. Quality, value and product innovation were therefore all the more important alongside greater convenience and service. Our Partners performed well on all those fronts and did so while controlling costs tightly and increasing margin.

As a result, Waitrose gained market share and grew profits[10]. We attracted more customers while rewarding the loyalty of existing customers through hugely popular initiatives like myWaitrose, which now has six million members.

In John Lewis we achieved sales growth and market share gains in Fashion, Home and Electricals and Home Technology and an increase in profits[10]. Online sales growth[11] was especially strong at 17%, and although sales in shops[11] were down 1%, our results were very much a result of the effective combination of shops and online, demonstrated by the fact that more than three-quarters of our customers made a purchase from one of our shops.

We also benefitted from the combination of John Lewis and Waitrose. Click & collect is the most obvious demonstration of that. It accounted for over half of all johnlewis.com deliveries with 70% of them collected in Waitrose.

I am very pleased that 91,500 Partners will receive a Bonus of 10%, which is equivalent to more than 5 weeks' pay. Partners worked especially hard this year coping with unpredictable patterns of trade and the need to keep costs tight, making these results hard won and their Bonus well deserved. Taken together with the rising cost of pensions, the total combined cost we have set aside in our income statement for Bonus and pensions was higher than prior years.

Outlook 2016/17

Gross sales after the first five weeks of the current year are up by 4.2% against last year. In grocery, the market remains challenging, with Waitrose gross sales up 3.4% (0.4% like-for-like, excluding petrol). In John Lewis gross sales are 5.5% higher than last year (3.6% like-for-like).

Conditions in the market will remain difficult, especially in grocery. However, given our continued investment in both our operations and the customer offer, I expect sales in both Waitrose and John Lewis to continue to perform comparatively well against the market."

(9) ONS Food and non-alcoholic beverages CPI for 12 months to January 2016
(10) Before property profits
(11) Online returns to shops deducted from online sales

Financial Results

In 2015/16 the Partnership delivered solid sales growth. Both Waitrose and John Lewis grew sales ahead of their respective markets, increasing their market shares. Partnership gross sales (inc VAT) were £11.02bn, an increase of £76.2m, or 0.7%, on last year (2.5% on a 52 week basis). Revenue, which is adjusted for sale or return sales and excludes VAT, was £9.75bn, up by £47.8m or 0.5% (2.2% on a 52 week basis).

Partnership operating profit was £531.4m, up £81.2m or 18.0% on last year (up 19.8% on a 52 week basis). This includes exceptional income of £129.3m following the sale of the Clearings building (2014/15: income of £7.9m from release of remaining liabilities following the 2013/14 review of holiday pay policy). Partnership operating profit, before exceptional items, was £402.1m, down £40.2m or 9.1% on last year (7.7% on a 52 week basis).

Profit before Partnership Bonus and tax was £434.8m, up £84.2m or 24.0% on last year (up 26.1% on a 52 week basis). Excluding exceptional items, it was £305.5m, down by £37.2m or 10.9% (down 9.3% on a 52 week basis).

Our Partners, as co-owners, each receive the same percentage of pay as Partnership Bonus, which flexes from year to year reflecting the performance of our business. Partners will share £145.0m in profit, which represents 10% of pay or the equivalent of more than 5 weeks' pay.

Partners also continue to benefit from a number of other benefits. In total we have invested £452m in benefits to our Partners, including Partnership Bonus, pensions, Partner discount, catering subsidy, long service leave, leisure spending and the running of our five holiday centres.

Waitrose

As a result of effective management of costs and a focus on efficiency throughout the business, operating profit was £232.6m. This was down 2.0% (down 0.8% on a 52 week basis), but excluding property profits it was up 2.5% (up 3.9% on a 52 week basis), despite absorbing a greater share of centrally incurred functional costs. This profit improvement came against a backdrop of exceptionally tough market conditions and continuing food price deflation, as a result of improved productivity in our branches, reduced head office costs and operational improvements in our supply chain.

Gross sales were down by 0.7% to £6.46bn (up 1.1% on a 52 week basis), with like-for-like sales down 1.3%. We continued to increase our market share(12), up by 0.1 per cent to 5.5%, and have outperformed the market on sales for 80 consecutive months. We have also grown customer numbers and had, on average, 220,000 more customer transactions a week compared to last year.

The UK grocery market is changing rapidly and our response to advances in technology and the significant changes in how customers wish to shop is to create Modern Waitrose; we made good progress with this strategy over the last 12 months.

Giving customers additional reasons to visit our shops in an online age is a core part of our approach. We now have 117 cafes, six wine bars, nine juice bars, 66 eat-in bakeries and three recently opened sushi bars; together, these drove a 20% uplift in hospitality sales. We continued to add services, including foreign currency Click & collect - now available in 300 branches - and dry cleaning, now in 148 shops.

Building our online business included opening our first purpose-built .com fulfilment centre in Coulsdon in March 2015; this increased capacity in London by a third. Online grocery gross sales were down 2.9% (on a 52 week basis), held back by the first half of the year when sales were down 13.0% as they were impacted by a strong promotion-driven performance last year. Sales accelerated in the second half of the year, up 8.3%. The Waitrose Kitchen website was launched in October with over 3,000 lines of cookware, bakeware and gadgets. In total our Direct Services sites saw sales growth of 21%.

(12) Kantar 12 week Grocery data

The popularity of Click & collect grew, with collections of John Lewis orders from Waitrose up by 19%, and 70% of all Click & collect orders picked up from Waitrose branches.

The myWaitrose scheme deepens relationships with our customers and 6.0 million have now signed up and 70% of sales are to cardholders. Our ground-breaking Pick Your Own Offers scheme launched in June and well over a million customers have joined. We also launched a new app, which has made it more convenient for customers to change their selection of the ten products (out of more than a thousand) on which they would like discount.

The strength of our own-label product ranges was recognised last year when consumer watchdog Which? named Waitrose the top supermarket for own-brand products.

We now export Waitrose products to 58 countries around the world. Sales grew strongly in a number of territories – 47% up in Bermuda and 70% in Malta – and we started exporting to five new international destinations last year, with Mauritius and Dominica being the most recent additions.

We opened 12 new branches in the year – 10 supermarkets and two little Waitrose shops. This included two relocations and one acquisition. Two of the new branches, Basingstoke and Horsham, are in combined premises with John Lewis shops while our King's Cross branch has the third Waitrose cookery school.

We carried out major redevelopments of our shops in Saffron Walden and Bayswater and managed the planned closure of two convenience stores in Sutton Coldfield and Walton on Thames. We have also announced the planned closure of our convenience store in Tottenham Court Road.

Our first National Distribution Centre opened in Milton Keynes at the end of July and will build capacity to handle 25,000 longer-life ambient products.

John Lewis

John Lewis has continued to outperform the market in uncertain trading conditions, with gross sales up 2.8% to £4.56bn (4.4% on a 52 week basis). To ensure that customers can shop with us whenever and however they want, we have continued to invest in our shops, website and infrastructure. Operating profit was down 0.1% to £250.2m (up 0.2% on a 52 week basis), but excluding property profits it was up 0.4% (up 0.7% on a 52 week basis), held back by restructuring costs and absorbing a greater share of centrally incurred functional costs.

In line with changing customer expectations, we are redesigning shops to offer additional services and instore experiences, while delivering convenience and added flexibility through our online channels. Of total merchandise sales, shops(13) contributed 67% while online represents 33%. On a 52 week basis, online sales(13) increased by 17.3%, and while sales in shops were down 1.0%, their role in the omnichannel journey is demonstrated by the fact that more than three-quarters of our customers made a purchase from one of our shops, and online sales increase in catchment where we open a new shop. Click & collect orders grew by 11% and account for 53% of online orders, while sales through mobile devices increased by 34% and smartphones by 86%.

Our shops are increasingly becoming places of inspiration and leisure destinations. In Birmingham we opened our first full-line department store for four years with brand new concepts including our fashion-led lifestyle concept loved&found and the first ever &Beauty spa. We invested £14m in a brand new Home floor at John Lewis Oxford Street, and across the estate our shops continued to diversify with further third-party catering and service concepts opening this year.

(13) Online returns to shops deducted from online sales

All three product areas saw gross sales growth and market share increases, reflecting the strength of our offer. On a 52 week basis:

- Fashion was up 6.2%, confirming our strategy of combining signature own-labels, an edited selection of brands and exclusive collaborations. Menswear was up 8.8% and Womenswear was up 6.5%.
- Sales in Home were up by 4.1%. Our in-house collections including the House and Croft ranges complement the best of design from the industry, and we are building our personalisation offer to allow customers to create bespoke interiors. This year we also launched US brand West Elm at our Oxford Street shop.
- Electricals and Home Technology (EHT) had a much stronger second half, ending the year up 3.0%. Technology sales this year were characterised by increasing customer demand for 'smart'

products, along with premium and design-focused technology. Our mobile phone business also continues to win market share in the sim-free market.

We continued to invest in our distribution infrastructure. When a new distribution centre opens at Magna Park in Milton Keynes during 2016, for the first time we will be able to combine online orders from across our product assortment into one site, meaning that customers will receive fewer separate parcels when they order online.

Overseas we are continuing to build a premium John Lewis brand through shop-in-shops, where our successful ventures in Singapore, the Philippines and South Korea will be joined by sites in Dubai and Holland announced this year.

Our my John Lewis programme increased members by 32% to 1.8 million customers, and we continued to grow customer numbers.

John Lewis Financial Services continues to play an important role in the business, and commissions grew by 22%.

In 2016 we will open two shops in Leeds and Chelmsford, two major distribution centres in Milton Keynes and invest in significant changes to our technology infrastructure.

Partnership Services and Group

Partnership Services and Group includes the operating costs for our Group offices and shared services, as well as the costs for transformation programmes and certain pension operating costs. Partnership Services and Group net operating costs decreased by £15.9m or 29.6% (28.5% on a 52 week basis) reflecting lower costs for transformational programmes and an increase in the share of functional costs charged to Waitrose and John Lewis. However, overall costs increased by £35.1m to £80.7m predominantly due to the increase in pension operating costs resulting from volatility in the market-driven assumptions.

Investment in the future

Capital investment in 2015/16 was £493.8m, a decrease of £177.1m (26.4%) on the previous year. However, we have continued to increase our investment in IT and distribution, which now represents 50% of our total capital investment.

Investment in Waitrose was £224.5m, down £164.0m (42.2%) on the previous year, and in John Lewis investment was £227.7m, down £4.2m (1.8%).

Pensions

The pension operating cost was £245.3m, an increase of £54.2m or 28.4% on the prior year costs, with £48.2m of the increase reflecting the substantial decline in the real discount rate used to determine the cost to 0.35% at the beginning of the year from 1.10% at the beginning of the previous year. Pension finance costs were £36.9m, a decrease of £0.7m or 1.9% on the prior year, reflecting a reduction due to the lower discount rate partly offset by a higher accounting pension deficit at the beginning of the year than at the beginning of the previous year. As a result, total pension costs were £282.2m, an increase of £53.5m or 23.4% on the prior year.

Total cash contributions to the pension scheme totalled £166.0m, a decrease of £326.8m or 66.3% on the prior year. The reduction reflects the additional contribution of £294m in December 2014 to prepay almost 7 years of previously-agreed deficit reduction contributions to the pension scheme. Subsequent to our year end, in February 2016, we made a contribution of £137.0m to the pension scheme to prepay approximately 10 months of contributions. Our next triennial actuarial valuation will take place as at 31 March 2016.

The total accounting pension deficit at 30 January 2016 was £941.6m, a decrease of £307.7m (24.6%) since 31 January 2015. Net of deferred tax, the deficit was £789.2m. The accounting valuation of pension fund liabilities decreased by £161.0m (3.0%) to £5,140.0m, mainly reflecting an increase in the real discount rate used to value the liabilities. Pension fund assets increased by £146.7m (3.6%) to £4,198.4m.

The pension continues to be one of the most important benefits offered to Partners. We are moving to a hybrid pension scheme combining defined benefit and defined contribution pensions, where future pension risk is shared between Partners and the Partnership. Although our pension operating cost will start to be impacted by the changes coming into effect in April 2016, it will take a number of years for all the changes to be fully effected.

Financing

At 30 January 2016, net debt(14) was £372.5m, a decrease of £349.2m (48.4%) in the year. The reduction reflects our focus on cash generation driven by good cost control, the reduction in capital investment and the completion of the sale of our Clearings building.

Net finance costs on borrowings and investments increased by £8.5m (16.1%) to £61.3m, reflecting additional finance costs on the £300m bond issued in December 2014. After including the financing elements of pensions and long service leave and non-cash fair value adjustments, net finance costs decreased by £3.0m (3.0%) to £96.6m.

Sustainability

This year we established a new Board committee – the Corporate Responsibility Committee – to take on oversight of sustainability governance. This marks a significant step in our governance approach by promoting a focused and considered debate of our material sustainability issues.

At the same time we are further embedding sustainability in our business, underlined by new targets and a deeper understanding of our sustainability issues and impacts. We completed a review of our approach to Human Rights and invested in additional projects in supplier communities overseas through our Foundations. Waitrose continued to reformulate food and drink lines, including sugar in soft drinks, and was awarded Compassion in World Farming Retailer of the Year Award for the fifth time. Through our carbon strategy we are committed to increasing the energy efficiency of our buildings - John Lewis Birmingham is designed to be our most efficient full-line department store. Further details on our strategy and performance can be found on www.johnlewispartnership.co.uk/csr.html.

(14) During the year, the Directors reviewed the accounting for certain cash in transit balances and determined that, because outgoing payments have been instructed but not completed at the balance sheet date, it is more appropriate to retain the associated payables balance than to recognise an overdraft. Net debt has therefore been restated for 2014/15.

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Notes to editors

The John Lewis Partnership - operates 46 John Lewis shops across the UK, johnlewis.com, 345 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 91,500 staff are Partners in the business.

Waitrose - winner of the Best Supermarket[1] and Best Food and Grocery Retailer[2] awards - currently has 345 shops in England, Scotland, Wales and the Channel Islands, including 60 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 seven 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, and waitrosekitchen.com for cookware, utensils and kitchen gadgets.

[1] Which? Customer Survey
[2] Verdict Customer Satisfaction Awards

John Lewis - operates 46 John Lewis shops across the UK (32 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 Clothing Retailer 2015', 'Best Electricals Retailer 2015' and 'Best Homewares Retailer 2015'[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 2015

You can follow John Lewis on the following social media channels:
www.johnlewis.com/twitter
www.johnlewis.com/facebook
www.johnlewis.com/youtube

John Lewis Partnership plc

UNAUDITED RESULTS FOR THE 52 WEEKS ENDED 30 JANUARY 2016

	2015/16	2014/15	*Change*
	£m	£m	%
GROSS SALES (including VAT)			
Waitrose	6,461.4	6,508.9	*(0.7)*
John Lewis	4,557.4	4,433.7	*2.8*
Gross sales	**11,018.8**	**10,942.6**	***0.7***
REVENUE			
Waitrose	6,086.0	6,135.3	*(0.8)*
John Lewis	3,662.8	3,565.7	*2.7*
Revenue	**9,748.8**	**9,701.0**	***0.5***

OPERATING PROFIT			
Waitrose	232.6	237.4	*(2.0)*
John Lewis	250.2	250.5	*(0.1)*
	482.8	487.9	*(1.0)*
Partnership Services and Group	(80.7)	(45.6)	*(77.0)*
Operating profit before exceptional item	**402.1**	**442.3**	***(9.1)***
Exceptional item	129.3	7.9	**-**
Operating profit	**531.4**	**450.2**	***18.0***
Net finance costs	(96.6)	(99.6)	*3.0*
Profit before Partnership Bonus and tax	**434.8**	**350.6**	***24.0***
Partnership Bonus	(145.0)	(156.2)	*7.2*
Profit before tax	**289.8**	**194.4**	***49.1***
Profit before Partnership Bonus, tax and exceptional item	**305.5**	**342.7**	***(10.9)***

Notes

1. 2015/16 is a 52 week reporting period whereas 2014/15 was a 53 week reporting period.
2. This statement does not constitute a preliminary announcement. These results are subject to audit. The Annual Report & Accounts for 2015/16 will be published in April 2016.