

The logo consists of the text "WHSmith" in a white serif font, centered within a solid dark blue rectangular background.

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WH Smith PLC
Preliminary Results 2009

15 October 2009

Disclaimer

This document contains forward-looking statements with respect to the operations, performance and financial condition of WH Smith PLC. By their nature, these statements are subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events.

Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

The financial information referenced in this presentation does not contain sufficient detail to allow a full understanding of the results of WH Smith PLC. For more detailed information, please see the preliminary announcement for the year ended 31 August 2009 which can be found on the Investor Relations section of the WH Smith PLC website - www.whsmithplc.co.uk.

WH Smith PLC

- Introduction Robert Walker
- Financial review Robert Moorhead
- Business review Kate Swann
 - Travel Simon Marinker
 - High Street Stephen Clarke
- Summary Kate Swann

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Robert Moorhead
Group Finance Director

Group financial summary

	Year to Aug 2009 £m	Year to Aug 2008 £m	Change %
Revenue	1,340	1,352	(1)%
Profit from trading operations	97	88	10%
Profit before tax and exceptional items	82	76	8%
Underlying EPS ¹	41.3p	35.3p	17%
Free cash flow	89	63	41%
Final dividend per share	11.3p	9.7p	16%
Total dividend per share – ordinary ²	16.7p	14.3p	17%

¹ Underlying EPS: profit before exceptional items - diluted (weighted average no. of shares 2009: £155m; 2008: £167m)

² Additional special dividend of 33p per ordinary share paid on 29 February 2008

Group profit before tax

	Year to Aug 2009 £m	Year to Aug 2008 £m	Growth %
Travel ¹	48	41	17%
High Street ¹	49	47	4%
Trading operations	97	88	10%
Unallocated central costs	(14)	(14)	
Operating profit	83	74	12%
Net finance income	-	2	
Pension interest	(1)	-	
Profit before tax²	82	76	8%

¹ Stated after directly attributable share-based payment and pension service charges

² Before exceptional items

Revenue analysis

	Year to Aug 2009 £m	Year to Aug 2008 £m	Change %	LFL Change %
Revenue				
Travel	448	413	8%	(2)%
High Street	892	939	(5)%	(6)%
Total revenue	1,340	1,352	(1)%	(5)%

	H1 %	H2 %	Year to Aug 2009 %
LFL sales by category			
Books	(3)%	(4)%	(4)%
Stationery	-	2%	1%
News & Impulse	(3)%	(2)%	(2)%
Entertainment	(33)%	(40)%	(35)%
Total	(5)%	(4)%	(5)%

Profit from trading operations

	Year to Aug 2009 £m	Year to Aug 2008 £m	Change %												
Revenue	1,340	1,352	(1)%												
Gross contribution	655	632	4%												
Costs	(558)	(544)													
<table> <tbody> <tr> <td>Costs – occupation costs</td> <td style="text-align: center;">(231)</td> <td style="text-align: center;">(217)</td> <td></td> </tr> <tr> <td> – store costs</td> <td style="text-align: center;">(209)</td> <td style="text-align: center;">(207)</td> <td></td> </tr> <tr> <td> – other costs</td> <td style="text-align: center;">(118)</td> <td style="text-align: center;">(120)</td> <td></td> </tr> </tbody> </table>				Costs – occupation costs	(231)	(217)		– store costs	(209)	(207)		– other costs	(118)	(120)	
Costs – occupation costs	(231)	(217)													
– store costs	(209)	(207)													
– other costs	(118)	(120)													
Profit from trading operations¹	97	88	10%												
Gross margin	48.9%	46.7%	220bps												

¹ Before interest and tax and after directly attributable share-based payment and pension service charges

Group free cash flow

	Year to Aug 2009 £m	Year to Aug 2008 £m
Operating profit	83	74
Depreciation and amortisation	41	42
Working capital	11	2
Capital expenditure	(28)	(39)
Tax	(23)	(21)
Provisions	(1)	(3)
Net interest earned ¹	-	2
Non cash items	6	6
Free cash flow	89	63

¹ Stated before interest received on tax refund

Group net funds movement

	Year to Aug 2009 £m	Year to Aug 2008 £m
Free cash flow	89	63
Dividends paid	(23)	(21)
Pension deficit and retirement benefit funding	(10)	(10)
Tax refund and associated interest received	6	15
Purchase of own shares	(8)	(9)
Return of cash to shareholders	-	(90)
Acquisitions and associated costs	-	(24)
Sale and leaseback and fixed asset proceeds	-	3
Net funds / (debt) movement	54	(73)
Closing net funds / (debt)	45	(9)

Group balance sheet

	2009	2008
	£m	£m
Goodwill & other intangible assets	56	55
Property, plant & equipment	163	177
Working capital	(41)	(30)
Corporation tax	(34)	(31)
Other assets	9	7
Provisions	(8)	(8)
Operating assets employed	145	170
Net funds	45	(9)
Total net assets (excluding pensions)	190	161
Pension liability	(2)	-
Total net assets	188	161

Group key indicators

	Year to Aug 2009 £m	Year to Aug 2008 £m	Growth %
Underlying EPS ¹	41.3p	35.3p	17%
Fixed charges cover	1.5x	1.4x	
Free cash flow	89	63	
Final dividend per share	11.3p	9.7p	16%
Total dividend per share – ordinary ²	16.7p	14.3p	17%

¹ Diluted weighted average no. of shares 2009: £155m; 2008: £167m

² Additional special dividend of 33p per ordinary share paid on 29 February 2008

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Kate Swann

Group Chief Executive

Group – overview

- Strong profit performance
- Group resilient in difficult trading conditions
- Strong cash generation continues – up to £35m return of cash announced today
- Proposed final dividend up 16% YoY
- Operating performance ahead of expectations in both divisions
- Business well positioned for recovery in consumer spending
- Travel and High Street continue to make progress with the implementation of their distinct strategies

Travel – overview

- Profit up 17% to £48m, demonstrating strength of model
 - Compelling consumer proposition
 - Strong track record with landlords
 - Model translates well to new formats and channels
- Sales growth of 8% driven by new business, LFL sales down 2%
- Gross margin improvement of c. 220bps YoY
- Softer market particularly in Air
- Well positioned for recovery
- Further development of Hospital and Workplace channels
- Good progress with International trials

Travel - market overview

- Market conditions and growth opportunities vary by channel
- Air - passenger numbers soft as expected
 - Further passenger reductions likely, planned accordingly
 - Medium term forecasts show return to growth;
 - Well positioned for the recovery
- Rail & Motorways - trends broadly unchanged and in line with expectations
- Hospitals trends unchanged and channel under-developed
- Workplace and International provide large untapped markets for initial trials

Travel strategy

- Deliver organic growth in existing space by better meeting customer needs
- Retailing basics and cost control
- More effective use of space
- Renew existing contracts
- Expand CTN format to new profitable locations and channels
- Develop, test and roll out new formats in our categories that meet customer and landlord needs

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Simon Marinker

Managing Director, Travel

Travel – Air

- In Air LFL sales down 4%; continued outperformance vs passenger numbers
- Adapting to new passenger trends and purchasing patterns
- 4 small ‘pod’ units opened and trading well
- Continue to grow portfolio of specialist books-only stores



Travel – Rail & Motorway

Rail

- LFL sales down 2%
- Network changes continue in preparation for 2012 Olympics
- Focus on mix and space changes

Motorway

- Performance robust, in line with expectations
- All RoadChef units now converted to WHSmith brand
- 118 units now trading in this channel

Travel - Hospitals

- Strong presence in growing and under-developed hospital market with scope for further expansion
- Channel structure different to existing channels
- UNS units now fully integrated into WHSmith business
- New hospital-specific format, tailored to hospital staff, patients and visitors



Travel - Workplaces

- New format developed based on hospital learnings
- Market potential large but some similarities to hospital channel
- Trial in large workplaces, targeting locations with over 2,000 employees
- 3 workplace units now open
- Plan to open 8 – 10 units by the end of 2009/10



Travel – International Trials

- Exploring new growth opportunities in international travel retail locations
- Trials planned to evaluate three operating models:
 - WHSmith directly run - Shannon
 - Joint venture - Copenhagen
 - Franchise - Stockholm, Delhi
- Working with partners that already have a strong foothold in each territory
- Early days with trials still in their infancy

Travel - Business Development

- Good progress renewing contracts with 18 contracts renewed covering 20 units
- Contract extensions secured in key locations
- 12 refits completed
- 51 new units opened in 2008/9
- Scheduled to open c.29 units in 2009/10

	Opened 2008/09	Total 31 Aug '09	Opening 2009/10
Air	14	135	5
Rail/Other	4	131	2
Motorway	14	118	-
Hospital	11	95	10
Workplace	-	2	6
International	8	9	6
TOTAL	51	490	29

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Kate Swann

Group Chief Executive

High Street – overview

- Consistent delivery of our plan in a tough consumer environment
- LFL sales down 6%, down 2% excluding entertainment
- Strong gross margin performance up by c. 230bps driven by further mix changes
- Cost savings delivered as planned, further £14m cost savings identified
- Further strong cash generation
- Recovery well established
- We continue to deliver the strategy; expect a similar shape going forward

High Street – market overview

- Tough consumer environment – relatively resilient
- Changes to competitive landscape
- Mixed performance of core markets
- Share by category encouraging
- Expect challenging market in 09/10 but have planned accordingly

High Street strategy

- Rebuild position as Britain's most popular stationer, bookseller and newsagent
- Retailing basics and cost control
- Drive the gross margin by category mix management
- Focus on core categories, rebuilding authority as a specialist
- Reduce our reliance on entertainment
- Use our space more effectively
- Plan not predicated on sales growth in the short/medium term
- As we rebuild our authority in core categories we become better placed to benefit in sales terms

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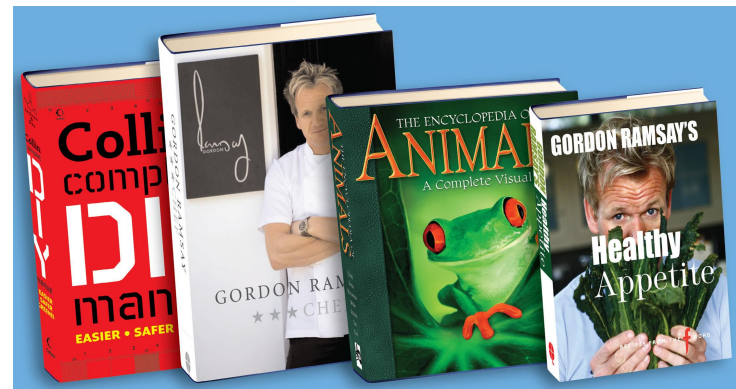
Stephen Clarke

Managing Director, High Street

Category performance

Books

- Strategy to rebuild authority remains unchanged
- Further good share performance vs general retail market
- Continue to focus on improving ranges and profitable promotions



Category performance

Stationery

- Core categories remain our focus
- 'Bolt on' ranges for core categories successfully rolling out
- Strong, well-executed Back to School campaign
- Extended Back to College period
- Stock well managed, contributing to margin growth



Category performance

News & Impulse

- Magazine market continues to be challenging
- Maintained market share in news and magazines
- Focus on development of strongly-growing bookazine category
- Continued growth from impulse categories

Entertainment

- LFL sales down in line with our strategy
- Supply chain challenges during key Christmas period
- Space rebalancing work continues



Margin optimisation

- Margin growth of c. 230 bps in line with targets, delivered through continued focus on category mix management
- Additional margin growth from:
 - Better buying terms and improved sourcing
 - Improved mark-down and promotional management
 - Shrinkage control
- Mix improvements continue to be a driver of profit growth

Cost efficiency improvements

- Continued successful and focused cost control
- In October 2008, targeted £25m savings over next 3 years
- Delivered savings of £15m in 2009; ahead of schedule
- Savings from across the business, including:
 - Variable costs associated with Entertainment
 - IT contracts and infrastructure
 - Store efficiencies
- Further savings of £14m identified

	2009 Actual	2010 Forecast	2011 Forecast	2012 Forecast	Total £m
October 2008	9	9	7	-	25
Projected at Interims	15	6	4	-	25
Further Savings Identified	-	6	3	5	14
Total Savings	15	12	7	5	39

Cost efficiency – Distribution network changes

- Review of network following category mix changes
- Opportunity for cost reduction and improved efficiency
- Opportunity to enhance returns facilities
- New Birmingham distribution centre; 6 smaller facilities removed
- Implementation phased through 2009/10
- Annual cost savings of £2m expected from Year 2

Christmas 2009

- Currently no material change in consumer environment
- Planning for a competitive Christmas season
- Christmas strategy competitive but profitable
- Active management of entertainment category and mix continues
- Seasonal offer will focus on value and choice in our core categories
- Flexible management of stock

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Kate Swann

Group Chief Executive

Summary

- Strong profit performance from the Group
- Strong cash generation; return of cash announced
- Proposed dividend up 16% YoY
- Good performance from Travel with opportunities for growth
- Focused execution of High Street plan
- Challenging trading environment, however we are well-positioned for recovery in consumer spending
- Continue to focus on delivering value for shareholders

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