

WH Smith PLC Interim Statement 2006 For the 6 months ended 28 February 2006

For the six months ended 28 February 2006 we have maintained our focus on Group profitability, which has increased despite the continuing tough trading environment.

The Group generated a headline profit¹ before tax of £73m (2005: £70m), an increase of 4 per cent on the prior year. Profit before tax was £76m (2005: £60m including discontinued items).

Total like-for-like sales were down 3 per cent to £1.3bn reflecting our strategy not to chase unprofitable sales, as well as the tough trading environment.

High Street Retail has increased its divisional profitability² by 6 per cent to £57m as we focused on good category mix management and cost control. This division is on track in the delivery of its plan.

Travel Retail had a strong first half with good sales and margin growth and an 18 per cent increase in divisional profit² to £13m, driven by improvements to ranges and space management.

News Distribution improved its divisional profit² by 5 per cent to £20m and continues to make good progress, delivering an industry-leading performance through service improvements, tight cost control and the benefits of house closures.

Headline earnings per share increased by 15 per cent to 32.6p (2005: 28.4p) with basic earnings per share of 33.1p (2005: 23.5p), up 41 per cent.

The Board also announces its intention to separate its Retail and News Distribution businesses, conditional upon shareholder approval. This separation will enable these distinct businesses to benefit from increased focus and to pursue their strategies to maximum effect.

In light of the Group's improved profit performance and its future prospects, the Board has declared an interim dividend of 5.1p per share (2005: 4.5p), an increase of 13 per cent. The dividend is payable on 15 June 2006 to shareholders on the register on 19 May 2006. We continue to be cautious about consumer spending, however we remain confident in the outcome for the full year.

Kate Swann, Group Chief Executive

¹ 'Headline profit' refers to profit before exceptional items and IAS 19 pension interest.
² 'Divisional profit' or 'Divisional profitability' refers to operating profit before exceptional items, pension service costs and charges in respect of share-based payments.

Group Income Statement

£m	6 months to 28.02.06			6 months to 28.02.05			12 months to 31.08.05		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total	Total	Total	Total
Continuing operations									
Revenue	1,302	-	1,302	1,359	-	1,359	2,497		
Operating profit	77	5	82	71	-	71	80		
Investment income	1	-	1	3	-	3	3		
Finance costs	(7)	-	(7)	(6)	-	(6)	(12)		
Profit before tax	71	5	76	68	-	68	71		
Income tax expense	(17)	(2)	(19)	(17)	-	(17)	(16)		
Profit after tax from continuing operations	54	3	57	51	-	51	55		
Loss for the period from discontinued operations	-	-	-	-	(8)	(8)	(8)		
Profit for the period	54	3	57	51	(8)	43	47		
Continuing earnings per share									
Basic earnings per share	33.1p			27.9p			31.1p		
Diluted earnings per share	32.7p			27.9p			30.7p		
Earnings per share									
Basic earnings per share	33.1p			23.5p			26.6p		
Diluted earnings per share	32.7p			23.5p			26.3p		
Non-GAAP measures									
Headline profit before tax ¹	£73m			£70m			£73m		
Headline earnings ² - continuing	£56m			£52m			£56m		
Headline earnings per share³									
Basic earnings per share - continuing	32.6p			28.4p			31.6p		
Diluted earnings per share - continuing	32.1p			28.4p			31.3p		
Dividend per share⁴	5.1p			4.5p			13.7p		
Fixed charges cover⁵	1.7x			1.7x			1.4x		

¹ Headline profit before tax excludes exceptional items and IAS 19 pension interest

² Headline earnings is calculated using profit after tax, but before exceptional items and IAS 19 pension interest net of taxation

³ Headline earnings per share is calculated using profit after tax, but before exceptional items and IAS 19 pension interest net of taxation

⁴ Dividend per share comprises the dividends proposed and dividends paid relating to the profits for the same period

⁵ Fixed charges cover is calculated by dividing profit before tax and fixed charges by total fixed charges

This advertisement contains only a summary of the results for the six months ended 28 February 2006. The full interim statement, in relation to which the independent review report above was issued, is available at www.whsmithplc.com and copies are available on request from the Secretary, WH Smith PLC, 180 Wardour Street, London W1F 8FY. The interim report for the six months ended 28 February 2006 has been prepared in accordance with the Basis of Preparation and Accounting Policies included in the Group's 'Restatement of financial information under International Financial Reporting Standards' document which was issued on 29 November 2005.

Summary Group Balance Sheet

£m	At		
	28.02.06	28.02.05	31.08.05
Non-current assets	269	290	309
Current assets	350	415	319
Total assets	619	705	628
Current liabilities	(390)	(387)	(386)
Non-current liabilities	(138)	(253)	(190)
Total liabilities	(528)	(640)	(576)
Total net assets	91	65	52
Shareholders' equity			
Called up share capital	4	4	4
Other reserves	87	61	48
Total equity	91	65	52

Summary Group Cash Flow Statement

£m	6 months to		
	28.02.06	28.02.05	31.08.05
Net cash from operating activities	65	(68)	(22)
Net cash from investing activities	6	199	186
Net cash used in financing activities	(54)	(160)	(182)
Net increase / (decrease) in cash and cash equivalents - continuing operations	8	(20)	(8)
Net increase / (decrease) in cash and cash equivalents - discontinued operations	9	(9)	(10)
Net increase / (decrease) in cash and cash equivalents in period	17	(29)	(18)
Opening net cash and cash equivalents	46	64	64
Closing net cash and cash equivalents	63	35	46

Group Statement of Recognised Income and Expenses

£m	6 months to		
	28.02.06	28.02.05	31.08.05
Exchange differences arising on translation of foreign operations	(1)	(1)	-
Actuarial gains / (losses) on defined pension schemes	2	(19)	(42)
UK deferred tax attributable to pension scheme liabilities	(2)	(14)	(27)
UK current tax attributable to the additional pension scheme contributions	2	18	39
Net income recognised directly in equity	1	(16)	(30)
Profit for the period	57	43	47
Total recognised income and expense for the period	58	27	17

Total recognised income and expense for the period is fully attributable to equity holders of the parent company.

Independent Review Report to WH Smith PLC

The auditors review report on the full interim statement is as follows:

Introduction

We have been instructed by the Company to review the financial information for the six months ended 28 February 2006 which comprises the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expenses, the reconciliation of movements in equity and related Notes 1 to 16. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in Note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2006.

Deloitte & Touche LLP Chartered Accountants

London, 12 April 2006

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