

19 April 2007

**WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2007**

Further progress in profitability

KEY POINTS

- Profit before tax and exceptional items up 7% to £59m (2006: £55m). Profits from trading operations are £51m¹ in High Street and £15m¹ in Travel, in line with expectations.
- Total Group profit before tax of £59m (2006: £60m including an exceptional gain of £5m).
- Total like-for-like (LFL) sales down 6% reflecting our strategy to rebalance the mix of our High Street business towards our core categories and the competitive trading in our markets. In High Street LFL sales are down 8% and in Travel LFL sales are up 4%.
- Gross margin has improved by 290 basis points year on year.
- Cost savings of £8m delivered ahead of plan.
- Strong free cash flow of £66m.
- Headline² earnings per share of 27.3p (2006: 26.7p) reflecting the increased number of shares as a result of the demerger following the crystallisation of Employee Savings Schemes.
- Basic earnings per share of 26.7p (2006: 29.1p) reflecting the increased number of shares as a result of the demerger following the crystallisation of Employee Savings Schemes and in the prior year a £5m exceptional gain related to the settlement of post retirement medical benefits.
- Interim dividend of 3.7p, up 19% on a proforma³ basis following the demerger.
- Successfully rolled out 52 WHSmith Travel motorway stores.
- Agreement with Post Office Limited to open 70 Post Offices in WHSmith High Street stores.

Commenting on the results, Kate Swann, Group Chief Executive said:

“We are on track with our plan, delivering another period of strong profit growth, with Group profits up 7%.

“In the High Street, we successfully continued to deliver our strategy to rebuild our authority in our core categories, despite competitive trading in our markets over the Christmas period. Our Travel business continued its strong performance and completed the rollout of 52 new motorway stores in partnership with leading motorway service operators.

“We remain cautious about consumer spending in our markets, however we are confident in the outcome for the full year.”

¹ High Street and Travel profit is stated after directly attributable defined benefit pension service costs, share based payment costs and before central costs, exceptional items, interest and taxation

² Profit before tax, exceptional items and IAS 19 pension interest - undiluted

³ Proforma based on two thirds / one third split of year end and interim dividend per the WH Smith PLC Circular dated 7 July 2006

- Ends -

Enquiries:

WH Smith PLC

Sarah Heath
Mark Boyle

Media Relations
Investor Relations

020 7851 8850
020 7851 8820

Brunswick

Tom Buchanan
Pam Small

020 7404 5959

A summary of WH Smith PLC's Interim Results 2007 will be published in The Times newspaper on 20 April 2007. WH Smith PLC's Interim Results 2007 are also available at www.whsmithplc.com and a copy of the Interim Results 2007 will shortly be available for inspection at the UK Listing Authority, 25 The North Colonnade, London, E14 5HS.

CURRENT TRADING

In the 6 weeks to 14 April 2007*, LFL sales were down 5% and gross margin was up on last year.

* Due to the difference in the timing of Easter, this year's current trading period is not comparable with last year's current trading period.

FINANCIAL REVIEW

Group Summary

The Group generated a profit before tax and exceptional items of £59m (2006: £55m), an increase of 7% on the prior year. Profit before tax and after exceptional items was £59m (2006: £60m). Travel profit¹ increased by 15% to £15m. This continued strong performance, with good sales and margin growth, was driven by mix changes, improved ranges and successful promotions. High Street profit¹ was £51m, in line with our expectations.

We continue our strategy to rebalance the mix of our business towards our core categories and reduce our reliance on entertainment. Entertainment is disproportionately weighted towards the first half of the year, and consequently the profile of profit generation will continue, as expected, to shift towards the second half.

Reflecting the increased number of shares as a result of the demerger following the crystallisation of Employee Savings Schemes, headline earnings per share increased to 27.3p (2006: 26.7p) with basic earnings per share of 26.7p (2006: 29.1p). Basic earnings per share also reflect the prior year £5m exceptional gain related to the settlement of post retirement medical benefits.

Cash generation was strong due to good working capital control combined with improvements in headline profit before tax². Group free cash flow was £66m (2006: £58m). The increase in net assets to £201m (2006: £143m) reflects the reduction in net retirement obligations and the strong cash generation.

The Board has declared an interim dividend of 3.7p per share. This is an increase of 19% on the prior year proforma³ dividend of 3.1p reflecting the increased profit² and good cash position of the business.

¹ High Street and Travel profit is stated after directly attributable defined benefit pension service costs, share based payment costs and before central costs, exceptional items, interest and taxation

² Profit before tax, exceptional items and IAS 19 pension interest

³ Proforma based on two thirds / one third split of year end and interim dividend per the WH Smith PLC Circular dated 7 July 2006

Trading Operations

Total Group sales were down 6% to £721m (2006: £771m) with LFL sales down 6%. Profit from trading operations was £66m, as we maintained our focus on improving profitability and focused cost control.

High Street sales were down 9% at £565m and down 8% on a LFL basis. Travel sales grew by 4% to £156m, up 4% on a LFL basis driven by the airport business which grew by 8% on a LFL basis and which was 4 percentage points ahead of passenger growth. LFL sales in rail were flat in the half year.

For the period, High Street profit¹ was £51m (2006: £53m) and Travel profit¹ was £15m (2006: £13m), in line with our expectations.

Books LFL sales were flat with gross margin up year on year as we continued to focus on rebuilding our authority as a popular book specialist and maximising profitability. We continued to perform well versus the general high street, for the fourth successive reporting period. The publishers' release schedule over Christmas contributed to this performance, with a good supply of titles that appeal to the WHSmith customer, such as celebrity autobiographies. Over Christmas, we took high market share in front list titles such as Peter Kay's *The Sound of Laughter*. Our ongoing programme to develop and improve ranges has delivered good results. We have also continued our focus on infrastructure, with investments in IT systems to manage the returns process more efficiently, both for range and for promotional stock. In Travel, we have introduced new book promotions, such as the popular Deal of the Week, and we are also seeing an encouraging performance from our specialist bookstore format.

Stationery LFL sales were down 4%. Gross margin was up driven by intra category mix, sourcing benefits from low cost countries and better markdown management. We continue to focus on improving our ranges in this broad and diverse category through a programme of category reviews, a process which we started this time last year with Christmas seasonal ranges. The results from these were positive, with sales and margins up in boxed cards, for example. Further category reviews have now been implemented this spring with initial signs, in areas such as PC consumables, looking encouraging.

News and Impulse LFL sales were up 1% year on year with an improvement in gross margin. Despite a tough market, particularly for partworks, we broadly held share in news and magazines, supported by innovative promotions. We continued to grow our confectionery and snacking ranges by making better use of our space, putting in new ranges and equipment. We are also responding to the popularity of healthy snacking options by extending the range of nuts, fruits and smoothies on offer.

In Entertainment, we continued with our strategy to reduce steadily our reliance on entertainment and as we do this, we are optimising profitability. Entertainment LFL sales were down 36% in an extremely competitive market with continuing price deflation. Stock continues to be tightly controlled to reflect sales patterns while maintaining availability levels in line with last year.

High Street

High Street delivered profits¹ of £51m, in line with expectations, as we continued with our strategy to rebalance the mix of the business focused on rebuilding authority in our core categories, optimising margins, tight cost control and delivering the retail basics.

Gross margin improved, driven by rebalancing the mix of our business, low cost sourcing, better buying and improved markdown management.

High Street delivered £8m of cost savings during the period ahead of plan. Cost savings were delivered from a number of areas of the business including logistics, information systems and stores.

The High Street business now operates from 545 stores, which occupy 3.0m square feet (2006: 3.0m square feet). We opened 3 new stores during the period with one store closing during the period.

As also announced this morning, we have reached an agreement with Post Office Limited to open Post Offices within 70 High Street stores.

This follows the successful trial of Post Office franchises in 6 High Street stores. The integration of the Post Offices into our stores was a complex process but we managed it well to ensure there was no negative impact on store performance. Customers quickly saw the benefits of the move to WHSmith, including the convenient location in the heart of the town's shopping area, the modern and inviting Post Office environment, shorter queues, improved speed of service and additional services, such as longer opening hours (including Sunday opening in some stores).

This agreement secures the future of Post Office services in 70 towns and the full range of over 170 Post Office services will be on offer at the new WHSmith concessions. In addition, there is an excellent fit between these two well-known high street brands and the complementary products and services should further enhance our customer offer.

The rollout is scheduled for completion in autumn 2008. We do not expect the Post Offices to have a material impact on profits during the current financial year due to set up costs.

Travel

Travel delivered a strong performance with profit¹ increasing by 15% to £15m. This was delivered from increased sales combined with improved gross margin and tight cost control. Sales were driven by mix and space changes with further range improvements in areas such as snacking.

Gross margin has increased during the year through good category mix management and further buying improvements, resulting in more sales in higher margin categories such as snacking. We have improved average transaction value by focusing on mix changes and improved promotional activity.

The Travel business now operates from 262 units, including motorway service area franchise units. Excluding motorway service area franchise units, Travel occupies 0.2m square feet (2006: 0.2m square feet).

¹ High Street and Travel profit is stated after directly attributable defined benefit pension service costs, share based payment costs and before central costs, exceptional items, interest and taxation

We have made good progress on contracts in airports and rail. We successfully renewed 2 contracts in airports and 10 in rail. In the six months to 28 February 2007, we opened 4 new units: 3 in airports and one in rail. During March and April, we have opened a further 2 units in airports.

The most significant area of expansion during this period has been motorway service areas - a new channel for Travel. This brings WHSmith's products and services direct to motorists for the first time. The new units are an important addition to Travel's existing network.

We now have 50 CTN franchise units open at Moto service areas and trials are underway with Roadchef at Watford Gap and with Welcome Break at Newport Pagnell. In addition, as previously announced, two further leased units are scheduled to open with Swayfield in 2008.

* CTN – confectionery, tobacconist, newsagent

Non-operating activities

Net Finance Charges

These results include finance costs net of investment income of £1m (2006: £5m). The decrease is primarily due to higher investment income and lower finance charges as the Group no longer has a term loan facility. In addition, we received a one-off payment of interest income associated with a tax refund of around £1.5m during the period.

Taxation

In the current year we expect the rate to be around 20%, in line with the prior year tax rate. In addition, as previously announced, during the period we received a tax refund of £13m; the bulk of these proceeds have been used to purchase shares to satisfy our share-based employee benefit obligations.

Pensions

At 28 February 2007, the gross defined benefit pension deficit was £34m (31 August 2006: £66m). On 1 September 2006, the Group made a one off cash contribution to the pension deficit of £25m. In addition the Group is committed to making ongoing pension deficit payments of £10m in the current year and in the each of the subsequent 4 years.

On 10 January 2007, the Group announced that, as part of an ongoing detailed review of the WHSmith Pension Trust ("The Trust"), it had written to employees who are members of the Final Salary Section of the Trust, proposing changes to their pension arrangements which would cease service accruals for active members, replacing this with a defined contribution pension benefit. The consultation period in respect of the proposed changes to the defined benefit scheme has ended and the Company is proceeding with the implementation of the changes, effective from 2 April 2007.