

11 April 2019

WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
For the six months ended 28 February 2019

**Strong trading performance across the Group with profits
in line with expectations and interim dividend up 8%. Well positioned for the full year.**

Overview

- Group revenue up 8% with Group like-for-like* revenue up 1%
- Travel total revenue up 18% (up 8% excluding InMotion) and up 3% on a like-for-like basis
- Strong profit growth in Travel with profit up 7% to £44m (2018: £41m). Expect continued strong profit growth in second half – slightly ahead of expectations
- Integration of InMotion progressing well. International Travel now has 425 units open
- High Street total revenue down 1% with like-for-like revenue down 2%, our second best sales performance in the past decade
- High Street profit in line with expectations at £48m (2018: £50m). Full year profit expected to be in line with last year with continued profit growth in the second half
- Non-underlying costs* in the half relate to the acquisition of InMotion (£9m) and completion of the review in High Street announced in October 2018 (£7m)
- Interim dividend increased by 8%. Share buyback of £25m in the half

Group Financial Summary

	6 months to Feb 2019	6 months to Feb 2018	% change
Travel trading profit*	£44m	£41m	7%
High Street trading profit*	£48m	£50m	(4)%
Group profit from trading operations*	£92m	£91m	1%
Headline Group profit before tax*	£81m	£82m	(1)%
Headline earnings per share*	60.6p	60.9p	-%
Non-underlying costs*	£16m		
Statutory profit before tax	£65m	£82m	(21)%
Diluted earnings per share	46.8p	60.9p	(23)%
Interim dividend per share	17.2p	16.0p	8%

Revenue Performance

	£m	Total	LFL
Travel	364	18%	3%
High Street	331	(1)%	(2)%
Group	695	8%	1%

* Denotes first instance of an Alternative Performance Measure (APM) term defined and explained in the Glossary on page 34

Stephen Clarke, Group Chief Executive, commented:

“The Group has delivered a strong performance in the first half of the financial year.

“In Travel, we continue to see strong sales growth, up 18%, driven by our ongoing investment and initiatives in our UK business and our growing international businesses. As a result, profit in Travel was up 7% in the period.

“The integration of InMotion is progressing well. This acquisition doubles the size of our business outside of the UK where we are now present in 99 airports and 30 countries. We won a further 21 units in the period, including two InMotion units in Australia and Spain, highlighting the potential of this business outside of the US.

“High Street delivered one of our best trading performances in recent years, despite the widely reported challenges facing the UK high street, with LFL sales down 2%. This has been driven by good growth in seasonal stationery ranges including Christmas cards, wrap, diaries, calendars and our latest fashion and art and craft ranges.

“These results are only possible through the hard work of all of our teams across the business and I am sincerely grateful for everyone’s continued support.

“While there is uncertainty in the broader economic and political environment, we have made a good start to the second half of the financial year and the increase in the interim dividend by 8% reflects the Board’s confidence in the outcome for the full year.”

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WH Smith PLC’s Interim Results 2019 are available at www.whsmithplc.co.uk. A copy of the Interim Results 2019 will shortly be available for inspection at the UK Listing Authority, 25 The North Colonnade, London E14 5HS.

GROUP OVERVIEW

The distinct strategies of our Travel and High Street businesses continue to be successful in driving annual profit growth and creating shareholder value, together with our disciplined approach to cash generation, capital allocation and making appropriate value-creating acquisitions.

In UK Travel, we aim to deliver high levels of sales and profit growth and good cash generation. We seek to achieve this by:

- i. driving like-for-like revenue in existing stores through improved execution and service;
- ii. investment in store environments and layouts;
- iii. a forensic store by store focus on space and category management;
- iv. winning new space and retaining existing space; and
- v. developing new formats

In International Travel, we aim to expand profitably by:

- i. winning new tenders and retaining existing space;
- ii. building critical mass in our emerging hubs;
- iii. driving like-for-like revenue in existing stores; and
- iv. by executing the same retail and operational disciplines and insights as we do in the UK

In High Street, we aim to deliver sustainable profit and, as we do in Travel, good cash generation in a constantly changing consumer environment. We seek to do this by:

- i. adopting a forensic store by store focus on space management to optimise the returns from our core categories;
- ii. driving margin growth through category mix management;

- iii. reducing our cost base to reflect our changing sales profile and productivity initiatives; and
- iv. creating value from our assets including third party partnerships that enhance our customer offer

Group Summary

Total Group revenue was up 8% compared to last year at £695m (2018: £643m) with Group LFL revenue up 1%.

Group profit from trading operations increased to £92m (2018: £91m) with Headline Group profit before tax at £81m (2018: £82m). Including non-underlying items relating to the acquisition of InMotion and the completed review in High Street announced in October 2018, Group profit before tax was £65m (2018: £82m).

Travel

Travel, (which generates over 70% of annual Group operating profit), delivered a strong performance across all channels. Trading profit increased by 7% to £44m (2018: £41m), of which £6m (2018: £4m) relates to our growing international business including InMotion. Total revenue was up 18% compared to last year and up 3% on a LFL basis driven by our initiatives and ongoing investment and growth in passenger numbers. Gross margin*, excluding InMotion, was up 40bps compared to last year. We continue to invest in the business and in the UK we are on track to open around 20 new units this year.

Our International business (including InMotion) is growing fast. We have won a further 21 new units since the start of the financial year including further units in Europe, Australia, the Middle East and InMotion units inside and outside of North America. As at 28 February 2019 we had 425 units open internationally.

The acquisition of InMotion, a market leading digital and travel accessories retailer in US airports, was completed on 30 November 2018. InMotion operates from 115 stores across 43 airports in the US. The acquisition was financed by a £200m term loan provided by the Group's four relationship banks: Barclays Bank PLC, BNP Paribas, HSBC and Santander UK PLC. During the period, InMotion contributed operating profit of £2m and revenue of £30m. Non-underlying costs relating to the acquisition were £9m in the period (see Note 3 on page 22).

As at 28 February 2019, our global Travel business, including InMotion, operated from 1,004 units (31 August 2018: 867 units), and excluding franchise units, Travel occupies 0.7m square feet.

High Street

High Street delivered a good performance in the first half with trading profit in line with expectations at £48m (2018: £50m). LFL revenue was down 2% with total revenue down 1%. We saw a good gross margin performance, up 70bps in the period. Cost savings of £4m were delivered in the half with a further £5m identified for the second half, making a total of £9m for the year, in line with plan. We continue to see savings in rent at lease expiry. Our average rent reduction was 33% and we have over 300 leases expiring over the next three years.

We have completed the High Street review announced in October 2018, with the balance of the non-underlying costs of £7m taken in the first half of the financial year (see Note 3 on page 22). There are no further costs to come from this review.

As at 28 February 2019 High Street operated from 578 WH Smith stores (31 August 2018: 578 WH Smith stores), which occupy 2.7m square feet.

Group

Headline earnings per share was 60.6p (2018: 60.9p). This reflects Headline profit, an 18% effective tax rate and a lower basic weighted average number of shares in issue following the share buyback. We expect the full year effective tax rate also to be around 18%.

The Board has declared an interim dividend of 17.2p per share, an 8% increase on last year. The increase in the interim dividend reflects the Board's confidence in the future prospects of the Group, the strong cash generative nature of the business, and the positive outlook for the full year.

The Group remains highly cash generative and has a strong balance sheet. Net debt* including the additional £200m term loan and after finance leases was £221m (2018: £15m). Group free cash flow* was £27m (2018: £39m). We anticipate full year free cash flow generation to be around £100m.

Following the acquisition of InMotion, the Group has the following debt facilities:

Term loan	£200m	Matures October 2022
Revolving credit facility	£140m	Matures December 2023
Total	£340m	

Both Travel and High Street are cash generative and we allocate our capital efficiently. We operate with a level of net debt of up to 1.25x EBITDA and we expect our leverage at the end of the financial year to be around 0.9x EBITDA. Our disciplined approach to cash and capital allocation remains unchanged:

- i. Investing in the business and new opportunities where we see attractive rates of return ahead of the cost of capital. We expect capex to be around £60m for the year
- ii. Returning cash to shareholders through a progressive dividend policy and then a share buyback. On 11 October 2018, the Group announced a further return of cash to shareholders of up to £50m through a rolling share buyback programme. As at 10 April 2019, we have purchased 1.3m shares, returning £25m to shareholders.
- iii. Making appropriate value-creating acquisitions

Including the share buyback announced on 11 October 2018 and the declared interim dividend, since our 2007 financial year, we will have returned over £1.0bn of cash to shareholders, increased the dividend every year and reduced our issued share capital by 40%.

Financial Year	Ordinary Dividend £m ¹	Buyback £m ³	Special Dividend £m	Total £m
2019	59 ²	50 ⁴	-	109
2018	54	26	-	80
2017	50	41	-	91
2016	46	47	-	93
2015	42	54	-	96
2014	38	41	-	79
2013	34	50	-	84
2007 - 2012	147	173	57	377
	470	482	57	1,009

¹ Cash dividend paid

² Cash dividend paid and interim dividend declared

³ Buyback in financial year

⁴ Buyback announced on 11 October 2018

Trading Operations

Travel

Travel delivered a strong first half performance with trading profit up 7% to £44m (2018: £41m). Total revenue was up 18% with LFL revenue up 3%. Gross margin, excluding InMotion was up 40bps.

While the increase in passenger numbers continues to be an important driver of growth, we are well placed to take advantage of the structural growth opportunities in our markets by:

- i. focusing in our existing stores on improved execution and customer service; investment in store layouts; space and category management
- ii. developing new formats and opening new space in the UK,
- iii. expanding profitably overseas through organic growth, and
- iv. acquiring appropriate value creating businesses with good growth prospects

Travel - UK

We delivered another strong revenue performance across all our key channels driven by our continued investment and the ongoing growth in passenger numbers. Total revenue was up 4% with LFL revenue up 3%. In air, total revenue was up 5% with LFL revenue up 4%; in rail, total revenue was flat with LFL revenue up 1%, and in our hospital channel, total revenue was up 11% with LFL revenue up 4%. Gross margin increased by 30bps during the period, driven by mix. Profit was up 3% to £38m (2018: £37m).

Retail space in travel locations is often very constrained, it varies substantially by channel and location and is expensive. We seek to maximise the return from every square metre of this space through our detailed analysis of the space and category elasticities of each square metre of display space. This, along with our operational capabilities to make space changes three or four times a year even in our busiest stores, means we are able to respond to the changes in our customers' needs, growth opportunities and adapt to seasonal variations.

This process has, over the years, led to a significant evolution of our formats and ranges and during the period, we have continued to invest and focus on developing new formats that position us well for the future. Following the success of our large airport format in Gatwick, Heathrow and Birmingham airports, we have been trialling combining the traditional WH Smith format with a pharmacy in partnership with Well Pharmacy – the UK's third largest pharmacy chain - providing time-pressed passengers with a compelling one-stop-shop customer offer. Following successful trials in Southampton and Southend airports, we have recently opened this new format in Gatwick Airport, North Terminal. This latest store is over 5,000 square feet and provides customers with everything they would expect from a WH Smith Travel store, alongside a licensed pharmacy with over 2,500 health and beauty lines and an in-store pharmacist. While it is still very early days, and it will take some time to assess the results, we believe this new format will present good opportunities for WH Smith and our landlords going forward.

Our hospital business continues to grow and has good growth prospects. Over the years, we have invested in our stores and developed new formats, built strong relationships with NHS Trusts, working closely with them to develop our healthy eating ranges, and we have structured our pricing in these stores so it is in line with other high street retailers or local supermarkets. As a result of this, and a growing health sector, this channel will have overtaken our rail channel, by revenue, as our second biggest channel this financial year.

Our partnership with M&S in hospitals continues to deliver good results and we now have 10 M&S implants within our stores, including a recent tender win at Guys Hospital, London. We expect to have around 20 implants open by the end of the second half of the financial year. During the period, we also opened our first Costa Coffee franchise unit in Blackburn Hospital. We have developed a suite of brands and formats to best meet the needs of our NHS partners and customers in a variety of different sized hospitals across the country. This is demonstrated by our recent tender win in Colchester Hospital where we will operate a WH Smith store, an M&S Simply Food and a Costa Coffee.

In the current financial year, we are on target to open c. 8 new hospital stores. As at the end of February 2019, we had 133 hospital stores open, including 20 M&S Simply Food stores. We believe there are around 300 hospitals that have the potential to support one of our store formats.

We continue to invest in rail, developing further our 'Tech Express' format with our latest units in London Bridge Station and Waterloo Station performing well. We expect to open a further two new rail units in the second half, including a Tech Express unit at Euston Station. Following the success of our large store format, we also plan to trial this format in rail starting with Paddington Station in the second half.

Our dedicated bookshops continue to be well received, providing a specialist customer experience with a unique look and feel. We now have 11 bookshops open in air and rail with a new 2,000 square feet standalone bookshop in Gatwick Airport, North Terminal due to open in the second half.

In the UK, we are on track to open around 20 new units this year which will be across all three channels and we anticipate opening around 15 new units each year over the following three years.

In addition to investing in our stores, we continue to focus on improving customer service. Following the opening of additional bookshops and with the growing number of 'Tech Express' implants and standalone units, we have introduced tailored training programmes for our staff in these stores as well as product specialists to help customers select the right product for their journey. During the half, a key priority has also been to ensure queue times are reduced further at peak periods. To support this, we have invested in better technology to support a faster and improved payment experience for customers.

International Travel

Total revenue for the half, including InMotion, was £104m (2018: £59m), up 76% versus the previous year. LFL revenue was up 4% on a constant currency basis. Trading profit for the half was £6m (2018: £4m), including £2m profit from InMotion. Excluding InMotion, profit from International was £4m although this includes a challenging performance from Madrid Airport, where we have a short-term contract due to airport re-development. In total, we won 21 new units outside of the UK in the half.

WH Smith

We have established a good business overseas and the WH Smith brand continues to be well received in both the new and existing territories in which we operate. We are able to demonstrate that we can deliver improved performance and add value relative to the previous incumbents. Our active space management and focus on providing a compelling offer to customers and to landlords enables us to win and retain business.

Our International business is growing rapidly. We have won a further 17 new units internationally in the half and opened 33 units, making a total of 310 units open internationally, as at 28 February 2019. However, our share of the global news, books and convenience (NBC) travel market is still very small and we continue to see opportunities to grow using our three economic models of directly-run, joint venture and franchise.

Of the 17 units won in the first half, 5 are in Australia with new stores in Sydney, Melbourne and Perth airports, 3 are in Europe, 4 are in the Middle East and 5 are in South East Asia and India. We also won our first InMotion units outside of North America in Perth, Australia and in Alicante in Spain.

Of the 310 units open, 37% are directly run, 51% are franchised with the balance joint venture. We will continue to use these three economic models flexibly in order to create value and win new business.

InMotion

On 30 November 2018, we acquired 100% of the issued share capital of InMotion, a market leading digital accessories retailer in US airports. Based in Jacksonville, Florida, InMotion has an excellent store portfolio with 115 stores across 43 airports in the US, the largest travel market in the world. InMotion also benefits from great relationships with landlords and brand suppliers as well as a best in class service proposition. Integration is on track and progressing well.

The acquisition of InMotion offers three attractive growth opportunities for the WH Smith Group:

- i. The travel retail market in North America for digital accessories offers significant growth potential. As the market leader, recognised for its best-in-class customer service, InMotion is well positioned to take advantage of that potential. Since 30 November 2018, InMotion has won 4 units;
- ii. InMotion provides us with a scalable platform to launch the WH Smith airport format into the US, the world's largest travel retail market for news, books and convenience products; and
- iii. Finally, building on our recent successes in the digital accessories category in the UK and on InMotion's supplier relationships and experience, we see significant potential to accelerate growth outside of the US using the InMotion format.

In total, across our Travel business outside of the UK, we are now present in 99 airports and 30 countries with 79 units open in Europe, 110 in the Middle East and India, 110 in Asia Pacific and 126 across North and South America.

High Street

High Street trading profit was in line with expectations at £48m (2018: £50m), despite the widely reported challenges facing the UK high street more generally. Our strategy of actively managing our space to optimise our core categories, gross margin growth and good cost control continues to deliver sustainable profit and good cash generation.

As expected, High Street revenue was down 1% in total and down 2% on a LFL basis. This is our second best performance in the past decade. Gross margin improved by around 70bps, through rebalancing the mix of our business, better buying, improved sourcing and markdown management.

As we do with our Travel business, we consider retail space as a strategic asset and we utilise our space to maximise profitability in the current year in ways that are sustainable for future years. We have extensive and detailed space and range elasticity data for every store, built up over many years and we utilise our space to maximise the return on every metre drop of display space in every store. We also create value through improving margins, reducing costs and driving third party income opportunities.

Nearly all of our stores are located in the best retail locations in the catchments in which we operate. This, and the huge variability in the size and shape of our stores, continues to give us opportunities to reconfigure our space to deliver margin mix benefits and efficiencies in the store operating model. During the half, space changes have included further extending our Stationery ranges and providing more, better quality space in store to this category.

Stationery remains an important area of investment in our High Street business and now generates half our High Street sales and over 60% of store contribution. The market for stationery remains robust, particularly for fashion stationery and our seasonal stationery and art and craft ranges all performed well over Christmas. Our recent trials to further improve the Stationery category across both our larger and some of our smaller stores have delivered some encouraging results.

Beyond our stores, we are growing our stationery business through a number of digital initiatives:

- i. Funkypigeon.com, our online personalised greetings card business, performed well over the key seasons delivering good revenue and profit growth. We saw increased traffic volumes with our focused marketing investment and conversion has continued to be strong as we have developed the website and app. Our extended gifting ranges performed well, with bestselling products over the Christmas period to include personalised keyrings and personalised baubles.
- ii. Whsmith.co.uk continues to provide customers with a comprehensive book and stationery offer and, during the half, we continued to see strong sales growth in our stationery ranges online. During the second half, we will launch a new website providing customers with more ranges and an improved shopping experience.
- iii. Cultpens.com, our specialist pen website, performed well in the period and we continue to develop this business and grow sales.

Further to our announcement in October 2018 regarding our extended partnership with Post Office Limited, we have, as of today, opened 9 of the proposed 40 Post Offices within our High Street stores and converted all 33 hosted branches to franchise. Subject to public consultation, we anticipate opening the balance throughout the second half of the financial year, bringing the total number of Post Offices within our High Street stores to over 200. The opening of these additional Post Offices further cements our position at the heart of the communities we serve.

Driving efficiencies remains a core part of our strategy and we focus on all areas of cost in the business. We continue to deliver savings as part of our cost efficiency programme whilst adjusting our variable costs to sales. We achieved cost savings of £4m in the half and expect to deliver £5m of cost savings in the second half, giving a total of £9m of cost savings for the year. These savings come from right across the business, including rent savings at lease renewal (on average 33%) which

continue to be a significant proportion, marketing efficiencies and productivity gains from our distribution centres and savings from the High Street review we announced in October 2018. We have worked hard to inject flexibility into our lease portfolio and have over 300 leases up for renewal over the next three years.

Category Performance

Stationery:

Our strategy to build on our market leading position in Stationery remains unchanged. Like-for-like revenue was up 2%, with gross margin also higher than last year. During the half, Stationery has continued to be the main beneficiary of the space changes with more space in many stores and also better quality space towards the front of some of our stores. This additional space combined with strong promotional offers and our increased focus on design, fashion and product quality has helped us deliver a strong performance in Stationery. Over the Christmas period and throughout the half, we have seen good year on year sales growth in fashion stationery, art and craft, Christmas cards, diaries, Christmas wrap and stationery gifts. The 'slime' phenomenon continues to drive sales and we are now the market leader for 'slime' having created a one-stop-shop for make your own slime products. Stock was managed tightly and we finished the season with a clean stock position.

News and Impulse:

News and Impulse like-for-like sales were up 2% compared to last year with further improvement in gross margin. Whilst the newspaper and magazine market continues to be challenging, we are seeing improving sales trends in our High Street business and we are growing our market share. In Travel, we continue to extend our food and drink ranges and, during the period, we delivered good growth from healthy snacking products and emerging categories such as protein bars.

Books:

In Books, we are making good progress with our standalone book store format in travel locations and we expect to open a new 2,000 square feet bookshop in Gatwick Airport, North Terminal in the second half of this financial year. In High Street, our approach to the books business is to make WH Smith High Street the home for kids and educational books and lighter readers, while at the same time driving the overall net profitability of the category by improving the efficiency of our books operating model. The quality of publishing is still the biggest driver of our performance and despite a challenging Christmas period in books, we delivered some good performances from titles such as Michelle Obama's *Becoming* and, more recently, David Walliams's *Fing*. Like-for-like sales were down 5% in the period with gross margin up compared to last year.

Group

The Group generated Headline profit before tax of £81m (2018: £82m) and, after non-underlying items, statutory profit before tax of £65m (Feb 2018: £82m).

£m	6 months to		Change %
	Feb 2019	Feb 2018	
Travel trading profit	44	41	7%
High Street trading profit	48	50	(4)%
Group profit from trading operations	92	91	1%
Unallocated costs	(9)	(8)	
Group operating profit⁵	83	83	-%
Net finance costs	(2)	(1)	
Headline Group profit before taxation	81	82	(1)%
Non-underlying items	(16)	-	
Statutory Group profit before taxation	65	82	(21)%

⁵ Headline, 2019 excludes £16m non-underlying items.

Non-underlying Items

Items which are not considered part of the normal operating costs of the business, are non-recurring and are exceptional because of their size, nature and incidence, are treated as non-underlying items and disclosed separately.

Non-underlying items included in the period ending 28 February 2019 (2018: £nil) are:

£m	6 months to Feb 2019	
	Income Statement £m	Cash Impact £m
Costs associated with the acquisition of InMotion:		
-Transaction costs	6	6
- Integration costs	2	-
- Amortisation	1	-
Completed High Street review	7	3
	16	9

Non-underlying items in the half relate to the InMotion acquisition and completing the High Street review announced in October 2018.

Costs relating to the acquisition of InMotion were £9m and include transaction costs, integration costs and the non-cash amortisation charge. We expect full year non-underlying costs relating to the InMotion acquisition to be around £11m with the addition being further integration costs and the second half amortisation charge.

In the half, we completed the review announced in October 2018 of central costs and our store operations in High Street. The costs relating to this were £7m. As this review is now finished, there are no further costs to come.

The cash cost of these items in the half was £9m with a further £5m expected in the second half.

Net Finance Costs

£m	6 months to	
	Feb 2019	Feb 2018
Bank interest	2	1
Pension interest	-	-
Net finance costs	2	1

The Group has in place a five-year committed multi-currency revolving credit facility of £140m. This is due to mature on 8 December 2023. In addition, during the period, the Group agreed an additional syndicated £200m term loan to fund the acquisition of InMotion. This loan is interest bearing at LIBOR plus 100 basis points and is due to mature on 29 October 2022.

Net finance costs relating to bank loans were £2m compared with £1m last year. The non-cash pension interest charge was £nil (2018: £nil).

Fixed Charges Cover*

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 1.7 times (2018: 1.8 times) by profit before tax and fixed charges. In the full year we expect fixed charges cover to be around 1.6 times. The difference to the half year reflects the seasonality of profits.

Cash Flow
Free cash flow reconciliation

£m	6 months to	
	Feb 2019	Feb 2018
Group operating profit ⁵	83	83
Depreciation, amortisation & impairment of fixed assets ⁶	24	22
Non-cash items	3	3
Working capital ⁶	(38)	(27)
Employers payroll tax on exercised share awards	(1)	(2)
Capital expenditure	(31)	(26)
Net tax paid	(10)	(13)
Net interest paid	(2)	-
Movement on provisions	(1)	(1)
Free cash flow	27	39

⁶ Headline, 2019 excludes cash flow impact of non-underlying items, explained on page 9.

The Group generated free cash flow of £27m during the period. This is lower than last year due to higher investment capex and some working capital investment. Non-cash charges from depreciation and share based payments were £2m higher than last year.

The working capital movement reflects some one-off items. These include an investment of around £5m as part of our contingency plan for Brexit. This is expected to unwind in the second half. We have also seen an adverse movement in the half of around £9m relating to rent in Travel being a combination of some early rent payments on a couple of new contracts and a wash-up of historic rents on a number of contract extensions. While this has a one-off impact on the Group's working capital, the new and extended contracts set us up well for the future. The remaining working capital cash flow pattern is similar to last year reflecting the seasonality of the business with Travel becoming a bigger part of the Group and investment in new stores as we continue to open stores in the UK and internationally. As in previous years, we expect most of this first half movement in working capital to reverse in the second half.

Capital expenditure in the half was £31m, £5m higher than the same period last year. Capital expenditure includes investment in new Travel stores both in the UK and internationally, investment in High Street stores (including the latest tranche of Post Offices) and further investment in our in-store operating model.

Net corporation tax paid was £10m in the period compared to £13m last year.

As at 28 February 2019 the Group had net debt of £221m, including £12m of finance lease liabilities and net overdrafts⁷ of £9m (2018: net debt of £15m, including £11m of finance lease liabilities and net overdrafts⁷ of £4m).

Reconciliation of net debt

£m	6 months to	
	Feb 2019	Feb 2018
Opening net cash	12	16
Free cash flow generated	27	39
Dividend paid ⁸	(41)	(37)
Pension funding	(1)	(2)
Net purchase of shares for employee share schemes	(5)	(5)
Purchase of own shares for cancellation	(25)	(9)
Acquisition of businesses, net of cash acquired	(161)	-
Proceeds from borrowings	200	-
Repayments of obligations under finance leases	(3)	(2)
Other	(3)	(4)
Non-underlying items ⁹	(9)	-
Net overdraft⁷	(9)	(4)
Borrowings	(200)	-
Finance leases	(12)	(11)
Net debt	(221)	(15)

⁷ Net overdrafts is Cash and cash equivalents (£48m; 2018: £36m) less bank overdrafts and other borrowings (£57m; 2018 £40m). See Condensed Group Balance Sheet on page 16.

⁸ Dividend paid is the prior year final dividend.

⁹ Cash flow effect of non-underlying items is explained on page 9.

The cash outflow from non-trading items was £20m higher than the same period last year reflecting our capital allocation policy with dividends of £41m, £4m higher than last year, and the share buyback in the first half, which, at £25m, was £16m higher than last year. We also spent £5m on ESOP trust purchases and pension deficit funding of £1m. During the period the Group acquired InMotion for a cash consideration of £163m. The cash flow impact of non-underlying items was £9m. Further detail is provided on page 9.

Balance sheet

£m	Feb 2019	Aug 2018
Goodwill and other intangible assets	205	72
Property, plant and equipment	193	179
Investments in joint ventures	3	3
	401	254
Inventories	173	154
Payables less receivables	(152)	(183)
Working capital	21	(29)
Derivative financial asset	-	1
Net current and deferred tax liability	(6)	(3)
Provisions	(4)	(6)
Operating assets employed	412	217
Net (debt) / funds	(221)	(2)
Net assets excluding pension liability	191	215
Pension liability	(4)	(4)
Deferred tax asset on pension liability	1	1
Total net assets	188	212

The Group had net assets of £191m before pension liabilities and associated deferred tax assets, £24m lower than last year end, reflecting cash generation, capex investment, movement in working capital, the share buyback programme and the acquisition of InMotion. Net assets after the pension liability and associated deferred tax asset were £188m compared to £212m at 31 August 2018.

Trading Update

The Group will issue its third quarter Trading Update on 21 May 2019.

Principal Risks and Uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain those detailed on pages 20 to 24 of the Group's Annual Report and Accounts 2018, a copy of which is available on the Group's website at www.whsmithplc.co.uk. These include: economic, political, competitive and market risks; brand and reputation; key suppliers and supply chain management; store portfolio; business interruption; reliance on key personnel; international expansion; treasury, financial and credit risk management; and cyber risk and data security.

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulations.

This announcement contains certain forward looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing in this announcement should be construed as a profit forecast. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 28 February 2019

£m	Note	6 months to 28 Feb 2019 (unaudited)			6 months to 28 Feb 2018 (unaudited)
		Headline	Non- underlying items ¹	Total	Total
Revenue	2	695	-	695	643
Group operating profit	2	83	(16)	67	83
Finance costs	5	(2)	-	(2)	(1)
Profit before tax		81	(16)	65	82
Income tax expense	6	(15)	1	(14)	(15)
Profit for the period		66	(15)	51	67
Attributable to equity holders of the parent		66	(15)	51	67
Attributable to non-controlling interest		-	-	-	-
		66	(15)	51	67
Earnings per share					
Basic	8			47.2p	61.5p
Diluted	8			46.8p	60.9p
Equity dividends per share²	7			17.2p	16.0p
Alternative Performance Measures³					
Headline earnings per share					
Basic	8			61.1p	
Diluted	8			60.6p	
Fixed charges cover	9			1.7x	1.8x

¹ See Note 3 for an analysis of Non-underlying items. See Glossary on page 34 for definition of alternative performance measures.

² Current period dividend per share is the interim dividend.

³ The Group has defined and outlined the purpose of its alternative performance measures in the Glossary on page 34.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 28 February 2019

£m	Note	6 months to 28 Feb 2019 (unaudited)			12 months to 31 Aug 2018 (audited)		
		Headline	Non-underlying items ¹	Total	Headline	Non-underlying items ¹	Total
Revenue	2	695	-	695	1,262	-	1,262
Group operating profit	2	83	(16)	67	147	(11)	136
Finance costs	5	(2)	-	(2)	(2)	-	(2)
Profit before tax		81	(16)	65	145	(11)	134
Income tax expense	6	(15)	1	(14)	(26)	-	(26)
Profit for the period		66	(15)	51	119	(11)	108
Attributable to equity holders of the parent		66	(15)	51	119	(11)	108
Attributable to non-controlling interest		-	-	-	-	-	-
		66	(15)	51	119	(11)	108
Earnings per share							
Basic	8			47.2p			99.1p
Diluted	8			46.8p			98.2p
Equity dividends per share²	7			17.2p			54.1p
Alternative Performance Measures³							
Headline earnings per share							
Basic	8			61.1p			109.2p
Diluted	8			60.6p			108.2p
Fixed charges cover	9			1.7x			1.7x

¹ See Note 3 for an analysis of Non-underlying items. See Glossary on page 34 for definition of alternative performance measures.

² Current period dividend per share is the interim dividend.

³ The Group has defined and outlined the purpose of its alternative performance measures in the Glossary on page 34.

WH Smith PLC
Condensed Group Statement of Comprehensive Income
For the 6 months to 28 February 2019

£m	Note	6 months to 28 Feb 2019 (unaudited)	6 months to 28 Feb 2018 (unaudited)	12 months to 31 Aug 2018 (audited)
Profit for the period		51	67	108
Other comprehensive loss:				
Items that will not be reclassified subsequently to the income statement:				
Actuarial losses on defined benefit pension schemes	4	(1)	(2)	(1)
		(1)	(2)	(1)
Items that may be reclassified subsequently to the income statement:				
(Losses) / gains on cash flow hedges				
- Net fair value (losses) / gains		(1)	(1)	-
- Reclassified and reported in the income statement		-	-	1
Exchange differences on translation of foreign operations		(7)	(3)	(4)
		(8)	(4)	(3)
Other comprehensive loss for the period, net of tax		(9)	(6)	(4)
Total comprehensive income for the period		42	61	104
Attributable to equity holders of the parent		42	61	104
Attributable to non-controlling interest		-	-	-
		42	61	104

WH Smith PLC
Condensed Group Balance Sheet
As at 28 February 2019

£m	Note	At	At	At
		28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Non-current assets				
Goodwill		160	40	41
Other intangible assets		45	30	31
Property, plant and equipment		193	166	179
Investments in joint ventures		3	2	3
Deferred tax assets		8	8	7
Trade and other receivables		9	5	7
		418	251	268
Current assets				
Inventories		173	155	154
Trade and other receivables		67	58	60
Derivative financial assets	15	-	-	1
Cash and cash equivalents	11	48	36	45
		288	249	260
Total assets		706	500	528
Current liabilities				
Trade and other payables		(216)	(211)	(238)
Bank overdrafts and other borrowings	11	(57)	(40)	(33)
Derivative financial liabilities	15	-	(1)	-
Retirement benefit obligations	4	(1)	(1)	(1)
Obligations under finance leases	11	(5)	(4)	(5)
Current tax liabilities		(11)	(14)	(9)
Short-term provisions		(1)	(1)	(1)
		(291)	(272)	(287)
Non-current liabilities				
Bank loans and other borrowings	11	(200)	-	-
Retirement benefit obligations	4	(3)	(5)	(3)
Long-term provisions		(3)	(3)	(5)
Obligations under finance leases	11	(7)	(7)	(9)
Deferred tax liabilities		(2)	-	-
Other non-current liabilities		(12)	(11)	(12)
		(227)	(26)	(29)
Total liabilities		(518)	(298)	(316)
Total net assets		188	202	212
Capital and reserves				
Called up share capital	13	24	24	24
Share premium		8	6	8
Capital redemption reserve		13	13	13
Revaluation reserve		2	2	2
ESOP reserve		(4)	(4)	(4)
Hedging reserve		-	(1)	1
Translation reserve		(9)	(1)	(2)
Other reserve		(272)	(267)	(267)
Retained earnings		424	430	437
Total equity attributable to equity holders of the parent		186	202	212
Non-controlling interest		2	-	-
Total equity		188	202	212

WH Smith PLC
Condensed Group Cash Flow Statement
For the 6 months to 28 February 2019

£m	Note	6 months to		12 months to
		28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Operating activities				
Cash generated from operating activities	12	50	63	144
Interest paid		(2)	-	(1)
Net cash inflow from operating activities		48	63	143
Investing activities				
Purchase of property, plant and equipment		(26)	(21)	(43)
Purchase of intangible assets		(5)	(5)	(10)
Acquisition of subsidiaries, net of cash acquired		(161)	(2)	(3)
Acquisition of investments in joint ventures		(1)	(1)	(2)
Net cash outflow from investing activities		(193)	(29)	(58)
Financing activities				
Dividend paid	7	(41)	(37)	(54)
Issue of new shares for employee share schemes		-	-	2
Purchase of own shares for cancellation		(25)	(9)	(26)
Purchase of own shares for employee share schemes		(5)	(5)	(5)
Proceeds from borrowings		224	18	11
Revolving credit facility arrangement fees		(1)	-	-
Repayments of obligations under finance leases		(3)	(2)	(5)
Net cash inflow/(outflow) from financing activities		149	(35)	(77)
Net increase/(decrease) in cash and cash equivalents in the period		4	(1)	8
Opening cash and cash equivalents		45	38	38
Effect of movements in foreign exchange rates		(1)	(1)	(1)
Closing cash and cash equivalents		48	36	45

Reconciliation of net cash flow to movement in net (debt) / funds

£m	Note	6 months to		12 months to
		28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Net (debt) / funds at beginning of the period		(2)	4	4
Net increase / (decrease) in cash and cash equivalents		4	(1)	8
Increase in debt		(224)	(18)	(11)
Net movement in finance leases		2	1	(2)
Effect of movements in foreign exchange rates		(1)	(1)	(1)
Net debt at end of the period	11	(221)	(15)	(2)

WH Smith PLC
Condensed Group Statement of Changes in Equity
For the 6 months to 28 February 2019

£m	Called up share capital and share premium	Capital redemption reserve	Revaluation reserve	ESOP reserve	Hedging and translation reserves ¹	Other reserve ²	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 September 2018	32	13	2	(4)	(1)	(267)	437	212	-	212
Profit for the period	-	-	-	-	-	-	51	51	-	51
Other comprehensive income/(expense):										
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(1)	(1)	-	(1)
Cash flow hedges	-	-	-	-	(1)	-	-	(1)	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	(7)	-	-	(7)	-	(7)
Total comprehensive income for the period	-	-	-	-	(8)	-	50	42	-	42
Recognition of share-based payments	-	-	-	-	-	-	3	3	-	3
Current tax on share-based payments	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	-	(41)	(41)	-	(41)
Employee share schemes	-	-	-	-	-	(5)	-	(5)	-	(5)
Purchase of own shares for cancellation	-	-	-	-	-	-	(25)	(25)	-	(25)
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	2	2
Balance at 28 February 2019 (unaudited)	32	13	2	(4)	(9)	(272)	424	186	2	188
Balance at 1 September 2017	30	13	2	(9)	2	(257)	406	187	-	187
Profit for the period	-	-	-	-	-	-	67	67	-	67
Other comprehensive income/(expense):										
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(2)	(2)	-	(2)
Cash flow hedges	-	-	-	-	(1)	-	-	(1)	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	(3)	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	-	-	(4)	-	65	61	-	61
Recognition of share-based payments	-	-	-	-	-	-	3	3	-	3
Current tax on share-based payments	-	-	-	-	-	-	1	1	-	1
Dividends paid (Note 7)	-	-	-	-	-	-	(37)	(37)	-	(37)
Employee share schemes	-	-	-	5	-	(10)	-	(5)	-	(5)
Purchase of own shares for cancellation	-	-	-	-	-	-	(8)	(8)	-	(8)
Balance at 28 February 2018 (unaudited)	30	13	2	(4)	(2)	(267)	430	202	-	202
Balance at 1 September 2017	30	13	2	(9)	2	(257)	406	187	-	187
Profit for the year	-	-	-	-	-	-	108	108	-	108
Other comprehensive income/(expense):										
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(1)	(1)	-	(1)
Cash flow hedges	-	-	-	-	1	-	-	1	-	1
Exchange differences on translation of foreign operations	-	-	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income for the year	-	-	-	-	(3)	-	107	104	-	104
Recognition of share-based payments	-	-	-	-	-	-	4	4	-	4
Current tax on share-based payments	-	-	-	-	-	-	1	1	-	1
Deferred tax on share-based payments	-	-	-	-	-	-	(1)	(1)	-	(1)
Dividends paid (Note 7)	-	-	-	-	-	-	(54)	(54)	-	(54)
Employee share schemes	-	-	-	5	-	(10)	-	(5)	-	(5)
Premium on issue of new shares	2	-	-	-	-	-	-	2	-	2
Purchase of own shares for cancellation	-	-	-	-	-	-	(26)	(26)	-	(26)
Balance at 31 August 2018 (audited)	32	13	2	(4)	(1)	(267)	437	212	-	212

¹ Included within the Hedging and Translation reserves is a cumulative loss of £7m (28 February 2018: cumulative loss of £3m) relating to foreign currency translation.

² The 'Other' reserve includes reserves created in relation to the historical capital reorganisation, proforma restatement and the demerger from Connect Group PLC (formerly Smiths News PLC) in 2006, as well as movements relating to employee share schemes of £5m (28 February 2018: £10m).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

1. Basis of preparation, Accounting policies and Approval of Interim Statement

The Condensed Interim Financial Statements for the 6 months ended 28 February 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. This report should be read in conjunction with the Group's Annual Report and Accounts 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

The financial information set out in this report does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The Annual Report and Accounts 2018 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under s498(2) or s498(3) of the Companies Act 2006.

The Condensed Interim Financial Statements have been prepared in accordance with the accounting policies set out in the 2018 Annual Report and Accounts and it is these accounting policies which are expected to be followed in the preparation of the full financial statements for the financial year ended 31 August 2019, except as outlined below.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

Non-controlling interests arising from acquisitions are accounted for based on the proportionate share of the fair value of identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group has adopted the following standards and interpretations which became mandatory for the first time during the current financial year. Except as outlined below the adoption of these standards has had no material impact on the Group.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 4	Amendments regarding implementation of IFRS 9
Amendment to IFRS 9	'Financial instruments', on general hedge accounting
Amendments to IFRS 15	'Revenue from contracts with customers'
Amendments to IFRS 2	'Share based payments' - Classification and measurement
Amendments to IAS 40	'Investment property' transfer of property
Annual improvements 2014-2016 cycle	

The Group has adopted IFRS 15 'Revenue from contracts with customers' from 31 August 2018. IFRS 15 replaces IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied. The majority of Group sales are for standalone products made direct to customers at standard prices either through franchisees, in-store or online, where there is a single performance obligation and revenue is recognised at the point of sale or, where later, delivery to the end customer, therefore the adoption of IFRS 15 has had no material impact on the financial statements.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities, and introduces a new impairment model for financial assets as well as new hedge accounting rules. The adoption of IFRS 9 has not had a material effect on the financial statements.

At the balance sheet date, there are a number of new standards and amendments to existing standards in issue but not yet effective. These include IFRS 16 'Leases'. Except as outlined below, the directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

1. Basis of preparation, Accounting policies and Approval of Interim Statement (continued)

IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019. This standard replaces IAS 17, and will require entities to apply a single lessee accounting model, with lessees recognising right of use assets and lease liabilities on balance sheet for all applicable leases. The Group anticipates that the adoption of IFRS 16 will have a material impact on the Income statement and Balance sheet including operating profit, profit before tax, property plant and equipment and net debt. There is no cash impact of adoption of this standard. The Group is in the process of assessing the impact of IFRS 16 and has invested in additional resource and systems in order to assess the impact on its existing lease estate which comprises approximately 1,400 property leases, as well as equipment leases. The Group has established a project group to lead the implementation and work is ongoing in respect of assessment of the accounting impacts of the change, collection of the required data from across the business and changes to systems and processes.

A reliable estimate of the financial impact on the Group's consolidated results is dependent on a number of unresolved areas, including; the choice of transition method, completion of discount rate data gathering and the refinement of the incremental borrowing rate determination for each lease, estimates of lease-term for leases with options to break and renew, and conclusion of lease attribute data gathering across the Group. In addition, the financial impact is dependent on the facts and circumstances at the time of transition. For these reasons, it is not yet practicable to determine a reliable estimate of the financial impact on the Group.

The undiscounted amount of the Group's operating lease commitments at 28 February 2019 disclosed under IAS 17, the current leasing standard, was £892 million.

Alternative performance measures

The Group has identified certain alternative performance measures ("APMs") that it believes will assist the understanding of the performance of the business. The Group believes that High Street and Travel trading profit, Group profit from trading operations, Fixed charges cover, Gross margin, Like-for-like revenue, Free cash flow, Return on capital employed and Net debt provide useful information to users of the financial statements. The terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. The Group has defined and outlined the purpose of its APMs in the Glossary on page 34.

Non-underlying items

The Group has chosen to present a Headline measure of profit and earnings per share which excludes certain items, which are considered non-underlying and exceptional due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of non-underlying items which are considered exceptional and occur infrequently such as, inter alia, restructuring costs, impairment charges and onerous lease charges, amortisation of acquired intangibles, costs relating to business combinations, and the related tax effect of these items. The Group believes that they provide additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance.

Further details of the non-underlying items are provided in Note 3.

Going concern

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in the Group Overview. The Group Overview describes the Group's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Group. The Annual Report and Accounts 2018 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, proposed dividends and borrowing facilities. Having reassessed the principal risks, the directors have a reasonable expectation that the Group has adequate financial resources to continue its current operations, including contractual and commercial commitments. For these reasons, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

The Condensed Interim Financial Statements are unaudited but have been reviewed by our auditors and were approved by the Board of Directors on 11 April 2019.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

2. Segmental analysis of results

For management and financial reporting purposes, the Group is organised into two operating divisions and reportable segments – High Street and Travel. The Group’s operating segments are based on the reports reviewed by the Board of Directors (who are collectively considered to be the chief operating decision maker) to make strategic decisions, and allocate resources.

IFRS 8 requires segment information to be presented on the same basis as that used by the Board for assessing performance and allocating resources.

a) Group revenue

	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
£m			
Travel	364	308	672
High Street	331	335	590
Group revenue	695	643	1,262

Seasonality

Sales in the High Street business are subject to seasonal fluctuations, with peak demand in the Christmas trading period, which falls in the first half of the Group’s financial year. Sales in the Travel business are also subject to seasonal fluctuations, with higher demand during peak travel periods particularly during the summer holiday months.

b) Group results

	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
£m			
Travel trading profit	44	41	103
High Street trading profit	48	50	60
Group profit from trading operations	92	91	163
Unallocated costs	(9)	(8)	(16)
Headline Group operating profit	83	83	147
Non-underlying items (Note 3)	(16)	-	(11)
Group operating profit	67	83	136
Finance costs	(2)	(1)	(2)
Income tax expense	(14)	(15)	(26)
Profit for the period	51	67	108

Included within Travel revenue and trading profit is International revenue of £104m (2018: £59m) and International trading profit of £6m (2018: £4m). Outside of the UK, no individual country represents greater than 10 per cent of total revenue.

Group profit before finance charges and taxation for the period to 28 February 2019 is stated after the write-down of inventories to net realisable value, £1m (2018: £2m).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

3. Non-underlying items

Items which are not considered part of the normal operating costs of the business are non-recurring and are considered exceptional because of their size, nature and incidence, are treated as non-underlying items and disclosed separately. Further details of the non-underlying items are included in Note 1, and in the Group Overview on page 9.

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Acquisition of InMotion			
- Transaction costs	6	-	-
- Integration costs	2	-	-
- Amortisation of acquired intangible assets	1	-	-
Costs related to an uncompleted transaction	-	-	2
High Street review			
- restructuring	7	-	3
- Cardmarket and store closure costs, onerous leases	-	-	6
	16	-	11

During the period, we incurred transaction and integration costs of £9m in relation to the acquisition of InMotion which completed on 30 November 2018, as well as the amortisation of intangible assets relating to the InMotion brand.

In October 2018 we reported that we had undertaken a detailed review of our High Street businesses to ensure they remain fit for purpose now and for the future. As a result of this review, we made the following decisions: to increase the focus on our core categories; wind down non core trial initiatives including Cardmarket and WHSmith Local; restructure some operational activities; and close around 6 High Street stores. We have completed this review and as a consequence have recorded a non-underlying charge in the six months to 28 February of £7m (2018: £nil) in respect of restructuring of some operational activities and the managed wind-down of the WHSmith Local franchise business.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

4. Retirement benefit obligations

WH Smith PLC has operated a number of defined benefit schemes (which are closed to new entrants and future service accrual) and defined contribution pension schemes. The main pension arrangements for employees are operated through a defined contribution scheme, WH Smith Retirement Savings Plan, and a defined benefit scheme, WHSmith Pension Trust. The most significant scheme is the defined benefit WHSmith Pension Trust.

The retirement benefit obligations recognised in the balance sheet for the respective schemes at the relevant reporting dates were:

£m	At 28 Feb 2019 (unaudited)	At 28 Feb 2018 (unaudited)	At 31 Aug 2018 (audited)
WHSmith Pension Trust	(3)	(4)	(3)
United News Shops Retirement Benefits Scheme	(1)	(2)	(1)
Retirement benefit obligation recognised in the balance sheet	(4)	(6)	(4)

WHSmith Pension Trust

The market value of the assets and the present value of the liabilities in the scheme at the relevant reporting dates were:

£m	At 28 Feb 2019 (unaudited)	At 28 Feb 2018 (unaudited)	At 31 Aug 2018 (audited)
Present value of the obligations	(994)	(1,025)	(983)
Fair value of plan assets	1,262	1,289	1,277
Surplus before consideration of asset ceiling	268	264	294
Amounts not recognised due to effect of asset ceiling	(268)	(264)	(294)
Additional liability recognised due to minimum funding requirements	(3)	(4)	(3)
Retirement benefit obligation recognised in the balance sheet	(3)	(4)	(3)

Total (expense) / income recognised in the Statement of Comprehensive Income ("SOCl"):

£m	6 months to 28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	12 months to 31 Aug 2018 (audited)
Total actuarial gain / (loss) before consideration of asset ceiling	(20)	40	69
(Loss) on plan assets excluding amounts included in net interest cost	(12)	(50)	(54)
Gain / (loss) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	31	8	(18)
Gain resulting from changes in additional liability due to minimum funding requirements excluding amounts recognised in net interest cost	-	-	1
Total actuarial loss recognised in other comprehensive income	(1)	(2)	(2)

Actuarial losses recognised in the statement of comprehensive income on the United News Shops Retirement Benefits Scheme were £nil in the period to 28 February 2019 (28 February 2018: £nil).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

4. Retirement benefit obligations (continued)

Movement in net retirement benefit liability during the period:

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
At beginning of period	(3)	(4)	(4)
Current service cost	-	-	-
Net interest cost on the defined benefit liability	-	-	-
Contributions from sponsoring companies	1	2	3
Actuarial losses on defined benefit pension schemes	(1)	(2)	(2)
At end of period	(3)	(4)	(3)

In accordance with the requirements of IFRIC 14 we have recognised the net present value of the schedule of contributions as a liability of £3m (2018: £4m). The defined benefit pension schemes are closed to further accrual and the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £268m (2018: £264m) available as a reduction of future contributions is £nil (2018: £nil). As a result the Group has not recognised this IAS 19 surplus on the balance sheet. There is an ongoing actuarial deficit primarily due to the different assumptions and calculation methodologies used compared to those on interpretation of IAS 19.

A full actuarial valuation of the Scheme is carried out every three years with interim reviews in the intervening years. The latest full actuarial valuation of the Pension Trust was carried out as at 31 March 2017 by independent actuaries using the projected unit credit method. Following the valuation, the deficit was £11m. The Group has agreed a revised annual funding schedule with the Trustees from September 2017 for the following six years, which includes the deficit recovery contributions and other running costs, of just under £3m.

During the period, the Group made a contribution of £1m to the WHSmith Pension Trust (2018: £2m) in accordance with the agreed pension deficit funding schedule. The Group expects the cash payments for the year ended 31 August 2019 to be approximately £3m in total in relation to the scheme (year ended 31 August 2018: £3m).

The principal long-term assumptions used in the IAS 19 valuation were:

%	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Rate of increase in pension payments	3.22	3.22	3.17
Rate of increase in deferred pensions	2.20	2.20	2.15
Discount rate	2.75	2.70	2.80
RPI Inflation assumption	3.30	3.30	3.25
CPI Inflation assumption	2.20	2.20	2.15

5. Finance costs

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Interest payable on bank loans and overdrafts	2	1	2
Net interest cost on the defined benefit pension liabilities	-	-	-
	2	1	2

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

6. Income tax expense

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Tax on profit	16	16	29
Adjustment in respect of prior year UK corporation tax	(1)	(1)	(3)
Total current tax charge	15	15	26
Deferred tax – current year	-	-	(1)
Deferred tax – prior year	-	-	1
Tax on headline profit	15	15	26
Tax on non-underlying items	(1)	-	-
Total tax on profit	14	15	26

The effective tax rate, before non-underlying items, was 18% (2018: 18%).

The UK corporation tax rate has been 19 per cent with effect from 1 April 2018. The UK corporation tax rate will reduce to 17 per cent from 1 April 2020.

7. Dividends

Amounts paid and recognised as distributions to shareholders in the period are as follows:

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Dividends			
2017 Final dividend of 33.6p per ordinary share	-	37	37
2018 Interim dividend of 16.0p per ordinary share	-	-	17
2018 Final dividend of 38.1p per ordinary share	41	-	-
	41	37	54

The directors have declared an interim dividend in respect of the period ending 28 February 2019 of 17.2p per ordinary share, which will absorb an estimated £18m of shareholders' equity. This will be paid on 1 August 2019 to shareholders registered at the close of business on 12 July 2019.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

8. Earnings per share

a) Earnings

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Earnings attributable to shareholders	51	67	108
Non-underlying items	15	-	11
Headline earnings attributable to shareholders	66	67	119

b) Weighted average share capital

Millions	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Weighted average ordinary shares in issue	108	110	110
Less weighted average ordinary shares held in ESOP Trust	-	(1)	(1)
Weighted average ordinary shares for basic earnings per share	108	109	109
Add weighted average number of ordinary shares under option	1	1	1
Weighted average ordinary shares for diluted earnings per share	109	110	110

c) Basic and diluted earnings per share

Pence	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Basic earnings per share	47.2	61.5	99.1
Adjustments for non-headline items	13.9	-	10.1
Headline basic earnings per share	61.1	61.5	109.2
Diluted earnings per share	46.8	60.9	98.2
Adjustments for non-headline items	13.8	-	10.0
Headline diluted earnings per share	60.6	60.9	108.2

Diluted earnings per share takes into account various share awards and share options including SAYE schemes, which are expected to vest, and for which a sum below fair value will be paid.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

9. Fixed Charges Cover

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Net finance charges	2	1	2
Net operating lease rentals	110	99	212
Total fixed charges	112	100	214
Headline profit before tax	81	82	145
Headline profit before tax and fixed charges	193	182	359
Fixed charges cover - times	1.7x	1.8x	1.7x

An explanation of Alternative performance measures, including Fixed charges cover is provided in the Glossary on page 34.

10. Capital Expenditure

In the financial period, there were additions to property, plant and equipment, including finance leases, of £24m (28 February 2018: £22m) and additions to intangible assets of £5m (28 February 2018: £5m).

In the financial period, there were disposals of property, plant and equipment with a net book value of £nil (cost and accumulated depreciation of £4m) (28 February 2018: net book value £nil, cost and accumulated depreciation of £3m). There were no material disposals of intangible assets during the period (28 February 2018: £nil).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

11. Analysis of net debt / funds

Net debt / funds can be analysed as follows:

£m	At 28 Feb 2019 (unaudited)	At 28 Feb 2018 (unaudited)	At 31 Aug 2018 (audited)
Cash and cash equivalents	48	36	45
Borrowings			
- Revolving credit facility	(57)	(40)	(33)
- Bank loans	(200)	-	-
- Obligations under finance leases	(12)	(11)	(14)
Net (debt) / funds	(221)	(15)	(2)

Movement in net debt / funds:

£m	At 31 Aug 2018 (audited)	On acquisition of subsidiaries	Cash flow	Non cash	Currency translation	At 28 Feb 2019 (unaudited)
Cash and cash equivalents	45	2	2	-	(1)	48
Borrowings						
- Borrowings – repayable after one year	-	(40)	(200)	40	-	(200)
- Revolving credit facility	(33)	-	(24)	-	-	(57)
- Obligations under finance leases	(14)	-	2	-	-	(12)
Net funds / (debt)	(2)	(38)	(220)	40	(1)	(221)

An explanation of Alternative performance measures, including Net debt is provided in the Glossary on page 34.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The Group has in place a five-year committed multi-currency revolving credit facility of £140m with Barclays Bank PLC, HSBC, BNP Paribas and Santander UK PLC. The revolving credit facility is due to mature on 8 December 2023. The utilisation is interest-bearing at LIBOR plus 85bps. As at 28 February 2019 this Group had drawn down £57m (28 February 2018: £40m) on this facility.

During the period, the Group agreed an additional syndicated £200m term loan to fund the acquisition of InMotion. This loan is interest bearing at LIBOR plus 100 basis points and is due to mature on 29 October 2022.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

12. Net cash inflow from operating activities

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Group operating profit	67	83	136
Depreciation and amortisation	24	22	43
Impairment losses (relating to store closures)	-	-	2
Share-based payments	3	3	4
Increase in inventories	(3)	(5)	(4)
Increase in receivables	(3)	(4)	(8)
(Decrease) / increase in payables	(26)	(20)	1
Pension funding	(1)	(2)	(3)
Income taxes paid	(10)	(13)	(27)
Movement on provisions	(1)	(1)	-
Net cash inflow from operating activities	50	63	144

13. Called Up Share Capital

	28 Feb 2019 (unaudited)		28 Feb 2018 (unaudited)		31 Aug 2018 (audited)	
	Number of shares (millions)	Nominal value £m	Number of shares (millions)	Nominal value £m	Number of shares (millions)	Nominal value £m
Equity						
Ordinary shares of 22 6/67p	108	24	110	24	110	24
Total	108	24	110	24	110	24

During the six month period the Company repurchased 1,276,140 (six months to 28 February 2018: 379,908) of its own shares in the open market for an aggregate consideration of £25m (2018: £8m).

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at the meetings of the Company.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

14. Contingent liabilities and capital commitments

£m	6 months to		12 months to
	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)	31 Aug 2018 (audited)
Bank guarantees and guarantees in respect of lease agreements	22	16	19

Other potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Group if the lessee defaulted. Pursuant to the terms of the Demerger Agreement with Connect Group PLC (formerly Smiths News PLC), any such contingent liability, which becomes an actual liability, will be apportioned between the Group and Connect Group PLC in the ratio 65:35 (provided that the actual liability of Connect Group PLC in any 12 month period does not exceed £5m). The Group's 65 per cent share of these leases has an estimated future rental commitment at 28 February 2019 of £2m (31 August 2018: £2m).

At 28 February 2019, contracts placed for future capital expenditure approved by the directors but not provided for amounted to £19m (28 February 2018: £10m).

15. Financial Instruments

IFRS 13 requires disclosure of fair value measurements by level based on the following measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All fair value measurements made by the group are in the Level 2 category. The fair value of forward foreign exchange contracts has been determined using forward currency exchange rates at the balance sheet date. These have been provided by the individual banking institutions with whom the contracts are held. There have been no transfers of assets or liabilities between any levels of the fair value hierarchy.

There were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values at the balance sheet date.

£m	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)
Financial assets		
Cash flow hedges:		
Forward foreign currency contracts	-	-
	-	-

£m	28 Feb 2019 (unaudited)	28 Feb 2018 (unaudited)
Financial liabilities		
Cash flow hedges:		
Forward foreign currency contracts	-	(1)
	-	(1)

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

16. Related Parties

There have been no material related party transactions during the interim period under review.

17. Acquisitions

On 30 November 2018, the Group acquired entire share capital of InMotion Entertainment Group LLC, for a total cash consideration of USD \$209m (£163m) comprising \$198m enterprise value, \$3m working capital, and \$8m cash and restricted cash.

InMotion is a market leading retailer of digital accessories in US airports, and is a strongly performing business in a category with attractive growth prospects. The acquisition provides a platform from which to expand WH Smith's international travel business into the world's largest travel retail market, and presents additional opportunities to grow digital accessories format in key markets outside of North America, complementing WH Smith's recent success internationally.

Included within the provisional fair value of the net identifiable assets on acquisition is an intangible asset of £15m, representing the InMotion fascia name. The Board believes that the excess of consideration paid over the net assets on acquisition of £122 million is best considered as goodwill on acquisition representing future operating synergies. The provisional goodwill calculation is summarised below:

	Book value	Measurement adjustments	Provisional fair value at 28 February 2019
	£m	£m	£m
Acquiree's net assets / (liabilities) at acquisition date:			
Intangible assets	4	11	15
Property, plant and equipment	12	-	12
Inventories	17	(1)	16
Cash and cash equivalents	2	-	2
Trade and other receivables	6	1	7
Deferred tax assets / liabilities	-	(2)	(2)
Trade and other payables - current	(6)	(3)	(9)
Interest-bearing loans	(40)	-	(40)
Net identifiable assets / (liabilities)	(5)	6	1
Non-controlling interest	(2)	-	(2)
Goodwill on acquisition			124
Total consideration – satisfied in cash			123

The provisional goodwill calculation in the table above includes significant estimates that may be refined in the second half of the financial period.

Included in the six months ended 28 February 2019 is revenue of £30m and a profit before tax of £2m in respect of InMotion. If the acquisition had taken place on 1 September 2018, total Group revenue would have been £727m and Group profit before tax would have been £67m.

Reconciliation of consideration

	£m
Cash consideration	123
Cash acquired	(2)
Repayment of interest-bearing loans	40
Net outflow of cash – investing activities	161

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2019

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

(a) The condensed financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU; and

(b) This interim report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related parties' transactions described in the last annual report that could do so.

The Directors of WH Smith PLC are listed on the website at www.whsmithplc.co.uk/about_whsmith/directors/.

By order of the Board

Stephen Clarke
Group Chief Executive

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

11 April 2019

INDEPENDENT REVIEW REPORT TO WH SMITH PLC

Report on the Condensed Interim Financial Statements

Our conclusion

We have reviewed WH Smith PLC's Condensed Interim Financial Statements (the "interim financial statements") in the Interim Results Announcement of WH Smith PLC for the 6 month period ended 28 February 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- The Condensed Group Balance Sheet as at 28 February 2019;
- The Condensed Group Income Statement and Condensed Group Statement of Comprehensive Income for the period then ended;
- The Condensed Group Cash Flow Statement for the period then ended;
- The Condensed Group Statement of Changes in Equity for the period then ended; and
- The explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results Announcement have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results Announcement, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results Announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results Announcement based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results Announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
11 April 2019
London

Notes:

- (a) The maintenance and integrity of the WH Smith PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

WH Smith PLC

Glossary

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, “APMs”, which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies’ alternative performance measures. The key APMs that the Group uses are outlined below.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose																								
Income Statement Measures																											
Headline Group profit before tax	Group profit before tax	Non-underlying items	Headline Group profit before tax excludes non-underlying items. A reconciliation from Headline Group profit before tax to Group profit before tax is provided in the Group income statement on page 13.																								
High Street and Travel trading profit, and Group profit from trading operations	Group operating profit	Refer to definition	Group profit from trading operations and High Street and Travel trading profit are stated after directly attributable share-based payment and pension service charges and before underlying items, unallocated costs, finance costs and income tax expense. A reconciliation from the above measures to Group operating profit and Group profit before tax is provided in Note 2 to the financial statements.																								
Non-underlying items	None	Refer to definition	Items which are not considered part of the normal operating costs of the business, are non-recurring and considered exceptional because of their size, nature or incidence are treated as non-underlying items and disclosed separately. The Group believes the separate disclosure of these items provides additional useful information to users of the financial statements to enable a better understanding of the Group’s underlying financial performance. An explanation of the nature of the items identified as non-underlying is provided in Note 3 to the financial statements.																								
Headline earnings per share	Earnings per share	Non-underlying items and dilutive effect of shares under option	Profit for the year before non-underlying items divided by the weighted average number of ordinary shares in issue during the financial year, adjusted for the effects of any potentially dilutive share options. See Note 8.																								
Effective tax rate	None	Non-underlying items	Total income tax charge excluding the tax impact of non-underlying items divided by Group Headline profit before tax. See Note 6.																								
Fixed charges cover	None	Refer to definition	This performance measure calculates the number of times Profit before tax is able to cover the total fixed charges included in calculating profit or loss. Fixed charges included in this measure are net finance charges and net operating lease rentals. The calculation of this measure is outlined in Note 9.																								
Gross margin	Gross profit margin	Not applicable	Where referred to throughout the Interim statement, gross margin is calculated as gross profit divided by revenue.																								
Like-for-like revenue	Movement in revenue per the income statement	- Revenue change from non like-for-like stores - Foreign exchange impact	Like-for-like revenue is the change in revenue from stores that have been open for at least a year, with a similar selling space at a constant foreign exchange rate. A reconciliation of these percentages is provided below.																								
<table border="1"> <thead> <tr> <th></th> <th>Travel</th> <th>High Street</th> <th>Group</th> </tr> </thead> <tbody> <tr> <td>LFL revenue change</td> <td>3%</td> <td>(2)%</td> <td>1%</td> </tr> <tr> <td>Net new space impact</td> <td>5%</td> <td>1%</td> <td>2%</td> </tr> <tr> <td>Acquisitions</td> <td>10%</td> <td>-%</td> <td>5%</td> </tr> <tr> <td>Foreign exchange impact</td> <td>-%</td> <td>-%</td> <td>-%</td> </tr> <tr> <td>Total revenue change</td> <td>18%</td> <td>(1)%</td> <td>8%</td> </tr> </tbody> </table>					Travel	High Street	Group	LFL revenue change	3%	(2)%	1%	Net new space impact	5%	1%	2%	Acquisitions	10%	-%	5%	Foreign exchange impact	-%	-%	-%	Total revenue change	18%	(1)%	8%
	Travel	High Street	Group																								
LFL revenue change	3%	(2)%	1%																								
Net new space impact	5%	1%	2%																								
Acquisitions	10%	-%	5%																								
Foreign exchange impact	-%	-%	-%																								
Total revenue change	18%	(1)%	8%																								

WH Smith PLC
Glossary (continued)

Alternative Performance Measures (continued)

Balance Sheet Measures			
Net debt	None	Reconciliation of net debt	Net debt is defined as Cash and cash equivalents, less Bank overdrafts and other borrowings and both current and non-current Obligations under finance leases. A reconciliation of Net debt is provided in Note 11.

Other measures			
Free cash flow	Net cash inflow from operating activities	See Group Overview	Free cash flow is defined as the net cash inflow from operating activities before non-underlying items and pension funding, less capital expenditure and repayments to HMRC. The components of free cash flow are shown on page 10, as part of the Group Overview.

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of High Street stores¹

	1 Sept 2018	Opened	Closed	28 Feb 2019
Total	607	-	(8)	599

¹ Excludes 100 WH Smith LOCAL franchised stores

Number of Travel units

A Travel store may consist of multiple units within one location. On an individual unit basis, Travel stores can be analysed as follows:

	1 Sept 2018	Opened	Acquired	Closed	28 Feb 2019
Non franchise units	570	11	114	(9)	686
Joint Venture and Franchise units ²	297	28	-	(7)	318
Total	867	39	114	(16)	1,004

² Travel units include motorway and international franchise units, and exclude kiosks in India, and *Supanews* and *Wild Cards and Gifts* franchisees in Australia.

Retail selling square feet ('000s)

	1 Sept 2018	Opened	Acquired	Closed	28 Feb 2019
High Street	2,764	-	-	(16)	2,748
Travel	650	7	77	(4)	730
Total	3,414	7	77	(20)	3,478

Total Retail selling square feet does not include franchise units.