12 April 2017

WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
For the six months ended 28 February 2017

Good first half across the Group with EPS up 7% and interim dividend up 9%

Group Financial Summary

	6 months to		% change
	Feb 2017	**Feb 2016**	
Group profit before tax	£83m	£80m	4%
Diluted earnings per share	61.6p	57.4p	7%
Travel trading profit[1]	£39m	£35m	11%
High Street trading profit[1]	£53m	£53m	- %
Group profit from trading operations[1]	£92m	£88m	5%
Interim dividend per share	14.6p	13.4p	9%

Revenue performance	**Total**	**LFL[2]**
Travel	10%	5%
High Street	(4)%	(3)%
Group revenue	2%	- %

Stephen Clarke, Group Chief Executive commented:

“The Group has delivered a good first half performance with earnings per share up 7%.

“In Travel, we continue to see strong sales growth, with like-for-likes up 5%, driven by continued investment in our UK and international businesses and growth in passenger numbers. As a result, profit in Travel was up 11% in the half.

“In our growing international business, we have now won 255 stores including 10 stores in Singapore following a significant tender win in Changi Airport – one of the world’s largest international airports and a key hub in Asia.

“In High Street, profit was in line with expectations, matching a very strong performance from last year. Stationery performed particularly well over the Christmas period driven by strong sales from our new seasonal product ranges and Books benefitted from good sales of spoof humour titles.

“These results are only possible through the hard work of our 14,000 colleagues in all parts of our business and I am very grateful for their continued support.

“Looking ahead, 2017 is a significant year for us as we celebrate 225 years since the business was founded. And, while there is some uncertainty in the broader economic environment, we will continue to focus on profitable growth, cash generation and investing in the business which positions us well in the current year and into the future.”

[1] 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 central costs, interest and taxation. See Note 2 to the financial statements and Appendix on page 25 for explanation of Alternative Performance Measures (APMs)

[2] Like-for-like sales (LFL) are calculated on stores with a similar selling space that have been open for more than a year (constant currency basis). See Appendix on page 25 for explanation of APMs

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WH Smith PLC's Interim Results 2017 are available at www.whsmithplc.co.uk. A copy of the Interim Results 2017 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 have been successful in driving profit growth and creating shareholder value, underpinned by our disciplined approach to cash generation and capital allocation.

In UK Travel, we aim to deliver high levels of sales and profit growth and good cash generation. We seek to achieve this by driving like-for-like sales in existing stores through improved execution and service; investment in store environments and layouts; a forensic store by store focus on space and category management; winning new space; and developing new formats in the UK.

In International Travel, we aim to expand profitably by winning new tenders; building critical mass in our emerging hubs; driving like-for-like sales in existing stores; and 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 growth and, as we do in Travel, good cash generation in a constantly changing consumer environment. We seek to do this by adopting a forensic store by store focus on space management to optimise the returns from our core categories; driving margin growth through category mix management; reducing our cost base to reflect our changing sales profile and through productivity initiatives; and creating value from our assets including third party partnerships that enhance our customer offer.

Group Summary

Total Group sales were up 2% at £643m (2016: £633m) with Group LFL sales flat.

Group profit from trading operations[1] increased by 5% on the prior year to £92m (2016: £88m) and Group profit before tax increased by 4% to £83m (2016: £80m).

Travel

Travel delivered a strong performance with increased LFL sales across all channels. Trading profit[1] increased by 11% to £39m (2016: £35m), which includes £4m (2016: £3m) from our growing international business. Total sales were up 10% compared to last year (of which 3% relates to forex benefits) and up 5% on a LFL basis, driven by our ongoing investment and an improvement in passenger numbers. Gross margin was up 80 bps compared to last year. We continue to invest in the business and are on track to open around 15 new units in the UK this year.

We won a further 23 new units in our international business in the half, including a significant tender win in Changi Airport, Singapore, as well as further units in Europe. We have now won a total of 255 units internationally, of which 213 are open.

As at 28 February 2017 Travel operated from 790 units (31 August 2016: 768 units), and excluding franchise units, Travel occupies 0.61m square feet.

High Street

High Street delivered a good performance in the half with trading profit[1] flat at £53m (2016: £53m) against a very strong performance last year driven by strong sales from 'colour therapy' titles. As expected, LFL sales were down 3% with total sales down 4%. We saw a good gross margin performance, up 100bps in the period. Cost savings of £7m were delivered in the period with a further £3m identified for the second half, making a total of £10m of cost savings in the year, in line with plan. As at 28 February 2017 High Street operated from 613 stores (31 August 2016: 612 stores), which occupy 2.82m square feet.

Group

Diluted earnings per share increased by 7% to 61.6p (2016: 57.4p). This reflects the increase in profit and a lower basic weighted average number of shares in issue following the share buyback. The effective tax rate was 17% and we expect the full year effective tax rate also to be around 17%.

The Group remains highly cash generative and has a strong balance sheet. Net debt[3] before finance leases was £8m (2016: net funds before finance leases of £9m) and total net debt including finance leases was £21m (2016: net debt £1m). Group free cash flow[4] was £44m (2016: £58m). The Group has a committed revolving credit working capital facility of £140m through to December 2021.

On 13 October 2016 the Board announced a further return of cash to shareholders of up to £50m through a rolling share buyback programme. As at 11 April we have purchased 1.6m shares, returning £25m of cash to shareholders.

The Board has declared an interim dividend of 14.6p per share, a 9% 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 our progressive dividend policy.

Both the Travel and High Street businesses are cash generative and we allocate our capital efficiently: investing in the business and new opportunities (capital expenditure in the period was £23m), and making appropriate acquisitions whilst consistently growing dividends and returning cash to shareholders as part of our long-term strategy to create value for shareholders. Including the share buyback announced on 13 October 2016 and the declared interim dividend, since our 2007 financial year, we will have returned over £820m of cash to shareholders, increased the dividend every year and reduced our issued share capital by 39%.

Financial Year	**Ordinary Dividend £m**	**Buyback £m**	**Special Dividend £m**	**Total £m**
2017	50 [5]	50 [6]	-	100
2016	46	42	-	88
2015	42	50	-	92
2014	38	50	-	88
2013	34	50	-	84
2007 - 2012	147	173	57	377
	357	**415**	**57**	**829**

[3] Net debt is defined as Cash and cash equivalents, less Bank overdrafts and other borrowings, and Obligations under finance leases. See Note 10 on page 21.

[4] Net cash flow from operating activities adjusted for net capital expenditure, pension deficit funding, net interest paid and, for 2016, repayment to HMRC (see Note 5). See also analysis of cash flow (page 7) and Appendix on page 25 for explanation of APMs

[5] Cash dividend paid and interim dividend declared

[6] Buyback announced on 13 October 2016

Trading Operations

Travel

Travel delivered a strong first half with trading profit[1] up 11% to £39m (2016: £35m). Total Travel sales were up 10% which includes 3% from forex benefits from our growing international business. LFL sales were up 5% on a constant currency basis.

Whilst the increase in passenger numbers will continue to be an important driver of growth in our Travel business, we see further opportunities:

i. in our existing stores through focusing 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 and
iii. expanding profitably overseas

Travel - UK

We delivered a strong sales performance across all our key channels driven by our continued investment and growth in passenger numbers. In air, total sales were up 6% with LFL sales also up 6%; in rail, total sales were up 2% with LFL sales up 1%; and in hospitals, total and LFL sales were up 7%. Gross margin increased by 80 bps during the period, driven by mix.

With around 100,000 transactions completed in a peak week in some of our busiest locations it is critical to effectively manage on-shelf availability, customer experience and customer throughput. We have invested in additional staff with more staffed tills, sales floor management and overnight replenishment in these locations to drive improved customer service. During the half we have also further invested in store environment and fabric in key locations such as Gatwick, Manchester, Glasgow, and in Heathrow T2 where we have increased the size of the store given the high levels of productivity there. All of these initiatives have contributed to the higher sales and, going forward, we will continue to look for further investment opportunities that improve customer experience and drive profitable growth.

Space in Travel is often very constrained and it varies substantially by channel and location. We have a very good understanding of the space and category elasticities for every metre of display space in every store and we seek to maximise the return of every square metre of this space. This approach has meant that we can make space changes three to four times a year in our busiest stores to reflect the changes in customer needs, growth opportunities and seasonal variations. Over the years this has driven our space allocation into new categories. For example, confectionery, food and drink now represents around 50% of our sales. This, along with extended souvenir and travel accessory ranges, has also enabled us to increase sales to international passengers.

During the half, we have continued to add digital ranges, extended the roll out of our digital and headphone offer and invested in additional book space, opening a standalone book store in Euston Station. These dedicated book stores provide an enhanced customer experience with a unique look and feel. While the new store in Euston has only been open for a short period, customer feedback has been extremely positive and performance is ahead of plan. We now have 9 book stores open.

We are on track to open around 15 new units in the UK this year.

Travel - International

We have built a successful Travel business based on the different operating models applied in each channel. Our active space management and our focus on providing a compelling offer to customers and landlords enables us to win and retain business.

We have been, and continue to be, successful in exporting this model overseas where the WHSmith brand has been well received and we have consistently demonstrated we can deliver improved performance and add value relative to the previous incumbent. Where we have opened new stores, sales per passenger continue to outperform previous incumbents.

Our international business continues to grow rapidly. However, our share of the global news, books and convenience (NBC) travel market is still very small and we see opportunities to grow using our three operating models of directly-run, joint venture and franchise. Total sales for the half were £50m (2016: £35m), up 43% versus the previous year. Approximately half of this increase relates to forex benefits. LFL sales were up 9% on a constant currency basis. Trading profit[1] for the half was £4m, an increase of £1m on the previous year.

During the half we won a further 23 new units outside of the UK, including a significant tender win in Changi Airport, Singapore, comprising 10 units across all four terminals. Changi Airport is a major international hub with flights to around 90 different countries and territories worldwide. With 58 million passengers passing through the airport annually, it is one of the world's largest premium airports. The new units will start opening from the autumn of this year, with all stores opened as WHSmith by summer 2018. During the half we also won units in Tenerife, Malta and Kolkata Airport. Of the 213 units open, 56% are franchise, 38% direct lease and the remainder are joint venture.

In Europe we now have directly-run stores open in Alicante, Dusseldorf and Dublin, and franchise stores in Norway, Sweden, Finland, Denmark and Greece. Including the new stores announced today, we have won 65 stores in Europe.

We have now won 255 units internationally across 25 countries and 42 airports outside of the UK.

High Street

High Street had a good first half, with trading profit[1] flat at £53m (2016: £53m) against a very strong performance last year. 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 sales were down 4% in total and down 3% on a LFL basis. This performance reflects successful ranges and strong promotions in our stationery categories and good sales of spoof humour books offset by the annualisation of last year's strong sales of 'colour therapy' titles. Gross margin improved by around 100bps, through rebalancing the mix of our business, better buying, improved sourcing and markdown management.

As we do with our Travel business, we consider 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 in every store through improving margins, reducing costs and driving third party income opportunities. Given the huge variability in the size and shape of our stores, we still see opportunities to reconfigure our space to deliver benefits to margin and the store operating model.

In the half, space changes have included extending our Stationery category and providing more, better quality space towards the front of the store. Our trial of moving seasonal stationery to the front of stores worked well and we have left this space re-set in the majority of these stores to trial the impact out of peak trading periods. We have now relocated 55 of the up to 61 Post Offices we announced in April 2016, bringing the total number of Post Offices now open within our High Street stores to 162. Customer feedback has been positive with customers commenting on the modern layout and environment as well as extended opening hours. These new Post Offices further cement our position in the heart of the communities in which we operate. Looking ahead, we will continue to manage space in this way.

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. In line with plan, we achieved cost savings of £7m in the half and remain on track to deliver our second half cost savings target of £3m, giving a total of £10m of cost savings for the year. These savings come from right across the business, including rent savings at lease renewal, a more efficient store operating model through greater use of technology and contract renegotiations.

Funkypigeon.com performed well over the key seasons delivering good sales and profit growth. Following further investment in the website and apps we have seen good growth in our volume of traffic and we continue to see increased conversion particularly for mobile devices. As the business has continued to grow, we have reached capacity in the original fulfilment centre and have invested in a much bigger site and additional equipment. We will fulfil Christmas 2017 from this new site.

Category Performance

Stationery:
Our strategy to build on our market leading position in Stationery remains unchanged. Like-for-like sales were up 2%, with gross margin slightly lower than last year reflecting mix. During the half, Stationery has continued to be the main beneficiary of space with more stores benefitting from additional space towards the front of store and further range improvements. This additional space, combined with our range development initiatives drove good like-for-like sales growth over the Christmas period in calendars, single Christmas cards, wrap, diaries and decorations. Stock was managed tightly.

Books:
In Books, the General Retail Market remains fairly stable, however the quality of publishing is still the biggest driver of market performance. In the half, spoof humour books were a key driver of sales while ‘colour therapy’ sales reduced significantly versus last year. Like-for-like sales were down 3% in the period with gross margin up compared to last year. Our approach to the books business is to focus on areas of market growth, build on our relative strengths and drive the overall net profitability of the category. We continue to look at how we can improve the efficiency of our books operating model, both in store and across our distribution and supply network, and expect to deliver further cost efficiencies in this area going forward. In Travel, we opened a new standalone book store in the half in Euston Station and we continue to see good sales from our ‘Fresh Talent’ recommendations, highlighting new and emerging authors.

News and Impulse:
News and Impulse like-for-like sales were up 1% compared to last year with further improvement in gross margin. The newspaper and magazine market continues to be challenging but we held our market share. In Travel, we continue to extend our own brand ‘Munch’ range with the launch of healthier snacks and ready to eat convenience lines, including fruit and protein pots.

Non-Operating Activities

Net Finance Costs

£m	6 months to Feb 2017	Feb 2016
Bank interest	1	-
Pension interest	-	-
Net finance costs	**1**	**-**

Net finance costs relating to bank loans were £1m compared with £nil last year. The non-cash pension interest charge was £nil (2016: £nil).

Fixed Charges Cover [7]

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 1.9 times (2016: 1.8 times) by profit before tax and fixed charges. In the full year we expect fixed charges cover to be consistent with the prior year at around 1.7 times. The difference to the half year reflects the seasonality of profits.

Cash Flow and Balance Sheet

Free cash flow reconciliation

£m	6 months to Feb 2017	Feb 2016
Group operating profit	84	80
Depreciation, amortisation & impairment of fixed assets	21	21
Working capital	(25)	(16)
Employers payroll tax on exercised share awards	(2)	(2)
Capital expenditure	(23)	(21)
Tax[8]	(14)	(9)
Share-based payments	3	5
Free cash flow	**44**	**58**

The Group generated free cash flow of £44m during the period. Non-cash charges from depreciation and share based payments were £2m lower than last year. The working capital cash pattern is similar to last year with an outflow of £25m in the half. This was £9m higher than the first half last year, reflecting the seasonality of the business with the growth of Travel, investment in new stores as we continue to open stores in the UK and internationally, and some additional stationery buys. Capital expenditure in the half was £23m, £2m higher than last year. Capital expenditure includes new stores, the relocation of Post Offices into High Street stores, together with the ongoing investment in technology and the existing estate. During the period we paid £2m of employers' payroll tax on exercised share awards (2016: £2m). Net corporation tax paid was £14m in the period compared to £9m last year.

As at 28 February 2017 the Group had net debt of £21m, including £13m of finance lease liabilities and net overdrafts[9] of £8m (2016: net debt of £1m including £10m of finance leases).

[7] See Note 8 to the Financial Statements for the Fixed charges cover calculation and Appendix on page 25 for an explanation of APMs.
[8] Prior year excludes £13m repayment to HMRC (See Note 5)
[9] Net overdrafts is Cash and cash equivalents (£37m) less bank overdrafts and other borrowings (£45m). See Condensed Group Balance Sheet on page 11.

Reconciliation of net debt

	6 months to	
£m	**Feb 2017**	**Feb 2016**
Opening net cash	20	25
Free cash flow generated	44	58
Equity dividends paid	(34)	(31)
Pension deficit funding	(2)	(1)
Net purchase of shares for employee share schemes	(9)	(6)
Purchase of own shares for cancellation	(24)	(23)
Return of payment on account to HMRC	-	(13)
Other (including capital repayment of finance leases)	(3)	-
Net (overdraft)/cash[9]	**(8)**	**9**
Finance leases	(13)	(10)
Net debt	**(21)**	**(1)**

In addition to the free cash generated, the Group has seen a net outflow in relation to non-trading operations, including last year's final dividend of £34m, pension deficit funding of £2m and net ESOP trust purchases of £9m. As at 28 February 2017 the Group had returned £24m of cash to shareholders via an on market buyback, in relation to the up to £50m buyback announced on 13 October 2016.

The Group had net assets of £178m before pension liabilities and associated deferred tax assets, £4m higher than last year end, reflecting cash generation, capex investment, movement in working capital and the share buyback programme. Net assets after the pension liability and associated deferred tax asset were £172m compared to £168m at 31 August 2016.

Trading Update

The Group will issue its third quarter Trading Update on 14 June 2017.

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 2016, 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 2017

£m	Note	6 months to 28 Feb 2017 (unaudited)	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Continuing operations				
Revenue	2	**643**	633	1,212
Operating profit	2	**84**	80	133
Finance costs	4	**(1)**	-	(2)
Profit before tax		**83**	80	131
Income tax expense	5	**(14)**	(14)	(23)
Profit for the period		**69**	66	108
Earnings per share				
Basic	7	**62.2p**	57.9p	95.6p
Diluted	7	**61.6p**	57.4p	93.9p
Alternative Performance Measures (Note 1)				
Equity dividends per share[1]	6	**14.6p**	13.4p	43.9p
Fixed charges cover	8	**1.9x**	1.8x	1.7x

[1] Current period dividend per share is the interim dividend.

WH Smith PLC
Condensed Group Statement of Comprehensive Income
For the 6 months to 28 February 2017

£m	Note	**6 months to 28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Profit for the period		**69**	66	108
Other comprehensive income:				
Items that will not be reclassified subsequently to the income statement:				
Actuarial losses on defined benefit pension schemes	3	**(2)**	(1)	(3)
Tax on defined benefit pension schemes		**-**	-	-
		(2)	(1)	(3)
Items that may be reclassified subsequently to the income statement:				
Cash flow hedges		**-**	1	2
Exchange differences on translation of foreign operations		**1**	2	5
		1	3	7
Other comprehensive (loss) / income for the period, net of tax		**(1)**	2	4
Total comprehensive income for the period		**68**	68	112

WH Smith PLC
Condensed Group Balance Sheet
As at 28 February 2017

£m	Note	**At 28 Feb 2017 (unaudited)**	At 29 Feb 2016 (unaudited)	At 31 Aug 2016 (audited)
Non-current assets				
Goodwill		**38**	37	38
Other intangible assets		**26**	24	25
Property, plant and equipment		**161**	155	158
Deferred tax assets		**9**	10	9
Investment in associates		**1**	-	-
Trade and other receivables		**6**	3	4
		241	229	234
Current assets				
Inventories		**147**	145	146
Trade and other receivables		**51**	45	50
Derivative financial asset	14	**2**	1	2
Cash and cash equivalents	10	**37**	34	38
		237	225	236
Total assets		**478**	454	470
Current liabilities				
Trade and other payables		**(207)**	(212)	(229)
Bank overdrafts and other borrowings	10	**(45)**	(25)	(18)
Retirement benefit obligation	3	**(1)**	(1)	(1)
Current tax liabilities		**(16)**	(23)	(16)
Obligations under finance leases	10	**(4)**	(2)	(3)
Short-term provisions		**(1)**	(1)	(1)
		(274)	(264)	(268)
Non-current liabilities				
Retirement benefit obligation	3	**(6)**	(5)	(6)
Deferred tax liabilities		**-**	-	-
Long-term provisions		**(5)**	(3)	(5)
Obligations under finance leases	10	**(9)**	(8)	(10)
Other non-current liabilities		**(12)**	(13)	(13)
		(32)	(29)	(34)
Total liabilities		**(306)**	(293)	(302)
Total net assets		**172**	161	168
Shareholders' equity				
Called up share capital	12	**25**	25	25
Share premium		**6**	5	6
Capital redemption reserve		**12**	12	12
Revaluation reserve		**2**	2	2
ESOP reserve		**(10)**	(8)	(10)
Hedging reserve		**2**	1	2
Translation reserve		**1**	(3)	-
Other reserve		**(256)**	(247)	(247)
Retained earnings		**390**	374	378
Total equity		**172**	161	168

WH Smith PLC
Condensed Group Cash Flow Statement
For the 6 months to 28 February 2017

£m	Note	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Net cash inflow from operating activities	11	**65**	65	135
Investing activities				
Purchase of property, plant and equipment		**(19)**	(16)	(34)
Purchase of intangible assets		**(4)**	(5)	(8)
Net cash outflow from investing activities		**(23)**	(21)	(42)
Financing activities				
Issue of new shares for employee share schemes		**-**	-	1
Interest paid		**-**	-	(1)
Dividend paid	6	**(34)**	(31)	(46)
Purchase of own shares for cancellation		**(24)**	(23)	(47)
Purchase of own shares for employee share schemes		**(9)**	(6)	(7)
Proceeds from borrowings		**27**	16	9
Revolving credit facility arrangement fees		**(1)**	-	-
Repayments of obligations under finance leases		**(2)**	(1)	(3)
Proceeds from sale and leaseback of property, plant and equipment		**-**	-	3
Net cash used in financing activities		**(43)**	(45)	(91)
Net (decrease) / increase in cash and cash equivalents in the period		**(1)**	(1)	2
Opening net cash and cash equivalents		**38**	34	34
Effect of movements in foreign exchange rates		**-**	1	2
Closing net cash and cash equivalents		**37**	34	38

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

£m	Note	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Net funds at beginning of the period		**7**	15	15
(Decrease) / increase in cash and cash equivalents		**(1)**	(1)	2
Increase in debt		**(27)**	(16)	(9)
Net movement in finance leases		**-**	-	(3)
Effect of movements in foreign exchange rates		**-**	1	2
Net (debt) /funds at end of the period	10	**(21)**	(1)	7

WH Smith PLC
Condensed Group Statement of Changes in Equity
For the 6 months to 28 February 2017

£m	Share capital and share premium	Capital redemption reserve	Revaluation reserve	ESOP reserve	Hedging and translation reserves	Other reserve[1]	Retained earnings	Total
Balance at 1 September 2016	**31**	**12**	**2**	**(10)**	**2**	**(247)**	**378**	**168**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**69**	**69**
Other comprehensive income/(expense):								
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(2)	**(2)**
Cash flow hedges	-	-	-	-	-	-	-	**-**
Exchange differences on translation of foreign operations	-	-	-	-	1	-	-	**1**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**1**	**-**	**67**	**68**
Transactions with owners in their capacity as owners								
Recognition of share-based payments	-	-	-	-	-	-	3	**3**
Current tax on share-based payments	-	-	-	-	-	-	1	**1**
Dividends paid (Note 6)	-	-	-	-	-	-	(34)	**(34)**
Employee share schemes	-	-	-	-	-	(9)	-	**(9)**
Purchase of own shares for cancellation	-	-	-	-	-	-	(25)	**(25)**
Balance at 28 February 2017 (unaudited)	**31**	**12**	**2**	**(10)**	**3**	**(256)**	**390**	**172**
Balance at 1 September 2015	**30**	**12**	**2**	**(11)**	**(5)**	**(239)**	**358**	**147**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**66**	**66**
Other comprehensive income/(expense):								
Actuarial (losses) / gains on defined benefit pension schemes	-	-	-	-	-	-	(1)	**(1)**
Cash flow hedges	-	-	-	-	1	-	-	**1**
Exchange differences on translation of foreign operations	-	-	-	-	2	-	-	**2**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**3**	**-**	**65**	**68**
Transactions with owners in their capacity as owners								
Recognition of share-based payments	-	-	-	-	-	-	4	**4**
Premium on issue of shares	-	-	-	-	-	-	1	**1**
Dividends paid (Note 6)	-	-	-	-	-	-	(31)	**(31)**
Employee share schemes	-	-	-	3	-	(8)	-	**(5)**
Purchase of own shares for cancellation	-	-	-	-	-	-	(23)	**(23)**
Balance at 29 February 2016 (unaudited)	**30**	**12**	**2**	**(8)**	**(2)**	**(247)**	**374**	**161**
Balance at 1 September 2015	**30**	**12**	**2**	**(11)**	**(5)**	**(239)**	**358**	**147**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**108**	**108**
Other comprehensive income/(expense):								
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	(3)	**(3)**
Cash flow hedges	-	-	-	-	2	-	-	**2**
Exchange differences on translation of foreign operations	-	-	-	-	5	-	-	**5**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**7**	**-**	**105**	**112**
Transactions with owners in their capacity as owners								
Recognition of share-based payments	-	-	-	-	-	-	7	**7**
Current tax on share-based payments	-	-	-	-	-	-	2	**2**
Deferred tax on share-based payments	-	-	-	-	-	-	(1)	**(1)**
Premium on issue of shares	1	-	-	-	-	-	-	**1**
Dividends paid (Note 6)	-	-	-	-	-	-	(46)	**(46)**
Employee share schemes	-	-	-	1	-	(8)	-	**(7)**
Purchase of own shares for cancellation	-	-	-	-	-	-	(47)	**(47)**
Balance at 31 August 2016 (audited)	**31**	**12**	**2**	**(10)**	**2**	**(247)**	**378**	**168**

[1] 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 £9m (2016: £8m).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2017

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

The Condensed Interim Financial Statements for the 6 months ended 28 February 2017 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 2016, 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 2016 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 2016 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 2017, 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.

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

Annual improvements 2012-2014	
Amendment to IFRS 11	Acquisition of an interest in a joint operation
Amendment to IAS 16 and IAS 38	Depreciation and amortisation
Amendments to IAS 27	Equity accounting
Amendments to IFRS 10 and IAS 28	Applying the consolidation exemption
Amendments to IAS 1	Disclosure initiative

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective, including IFRS 16 'Leases' which is effective for periods beginning on or after 1 January 2019, but is not yet endorsed by the EU. 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 will assess the full impact in due course.

The Group has identified certain measures 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, Like-for-like sales, Fixed charges cover, Net debt and Free cash flow 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, GAAP measures. A glossary of these terms is provided in the Appendix on page 25.

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 Financial Review. The Financial Review 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 2016 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 12 April 2017.

2. Segmental analysis of results

For management and financial reporting purposes, the Group is organised into two operating divisions – High Street and Travel. These divisions are the basis on which the Group reports its IFRS 8 operating segment information to the Board (the Chief Operating Decision maker for the Group).

a) Group revenue

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Travel	**289**	263	573
High Street	**354**	370	639
Group revenue	**643**	633	1,212

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
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Travel	**39**	35	87
High Street	**53**	53	62
Profit from trading operations	**92**	88	149
Unallocated costs	**(8)**	(8)	(16)
Group operating profit	**84**	80	133
Finance costs	**(1)**	-	(2)
Income tax expense	**(14)**	(14)	(23)
Profit for the period	**69**	66	108

Included within Travel revenue and trading profit is International revenue of £50m (2016: £35m) and International trading profit of £4m (2016: £3m).

Group profit before finance charges and taxation for the period to 28 February 2017 is stated after the write-down of inventories to net realisable value, £2m (2016: £1m).

3. Retirement benefit obligation

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 benefit scheme, WHSmith Pension Trust, and a defined contribution scheme, WH Smith Retirement Savings Plan. 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 2017 (unaudited)**	At 29 Feb 2016 (unaudited)	At 31 Aug 2016 (audited)
WHSmith Pension Trust	**(5)**	(5)	(5)
United News Shops Retirement Benefits Scheme	**(2)**	(1)	(2)
Retirement benefit obligation recognised in the balance sheet	**(7)**	(6)	(7)

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 2017 (unaudited)**	At 29 Feb 2016 (unaudited)	At 31 Aug 2016 (audited)
Present value of the obligations	**(1,193)**	(915)	(1,260)
Fair value of scheme assets	**1,344**	1,134	1,424
Surplus before consideration of asset ceiling	**151**	219	164
Amounts not recognised due to effect of asset ceiling	**(151)**	(219)	(164)
Additional liability recognised due to minimum funding requirements	**(5)**	(5)	(5)
Retirement benefit obligation recognised in the balance sheet	**(5)**	(5)	(5)

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

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Total actuarial gain / (loss) before consideration of asset ceiling	**42**	31	(315)
(Loss) / return on scheme assets excluding amounts included in net interest cost	**(58)**	(31)	255
Gain / (loss) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	**14**	(1)	58
Total actuarial loss recognised in other comprehensive income	**(2)**	(1)	(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 2017 (29 February 2016: £nil).

3. Retirement benefit obligation (continued)

WHSmith Pension Trust (continued)

Movement in net retirement benefit liability during the period:

£m	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
At beginning of period	**(5)**	(5)	(5)
Current service cost	**-**	-	-
Net interest cost on the defined benefit liability	**-**	-	(1)
Contributions	**2**	1	3
Actuarial (losses) / gains on defined benefit pension schemes	**(2)**	(1)	(2)
At end of period	**(5)**	(5)	(5)

In accordance with the requirements of IFRIC 14 we have recognised the schedule of contributions as a liability of £5m (2016: £5m). 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 £151m (2016: £219m) available on a reduction of future contributions is £nil (2016: £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 at 31 March 2014 by independent actuaries using the projected unit credit method. Following this valuation, the deficit was £24m, and a revised deficit funding schedule of approximately £3m per annum from 1 October 2014 for the following nine years was agreed with the Trustee. With effect from 1 September 2015 the Group agreed to pay certain investment management costs on behalf of the Trustee. The annual deficit funding agreement is around £1m per annum with effect from 1 September 2015.

During the period, the Group made a contribution of £1m to the WHSmith Pension Trust (2016: £1m) in accordance with the agreed pension deficit funding schedule, and £1m in respect of investment management costs. The Group expects the cash payments for the year ended 31 August 2017 to be approximately £3m in total in relation to the scheme (year ended 31 August 2016: £3m), of which £1m is payable to the Trustee in respect of the deficit funding agreement.

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

%	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Rate of increase in pension payments	**3.30**	3.04	2.91
Rate of increase in deferred pensions	**2.30**	2.00	1.85
Discount rate	**2.60**	3.75	2.00
RPI Inflation assumption	**3.40**	3.10	2.95
CPI Inflation assumption	**2.30**	2.00	1.85

4. Finance costs

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Interest payable on bank loans and overdrafts	**1**	-	1
Net interest cost on the defined benefit pension liability	**-**	-	1
	1	-	2

5. Income tax expense

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Tax on profit	**17**	18	30
Adjustment in respect of prior year UK corporation tax	**(3)**	(3)	(7)
Total current tax charge	**14**	15	23
Deferred tax – current year	**-**	(1)	(2)
Deferred tax – prior year	**-**	-	2
Tax on profit	**14**	14	23
Effective tax rate	***17%***	*17%*	*17%*

Changes to UK corporation tax rates reduce the tax rate to 19% from 1 April 2017 and 17% from 1 April 2020. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal, we have restated deferred tax closing balances using the applicable rate. The effect of the change has been to decrease the deferred tax asset by £nil.

In the prior year we made a £13m repayment to HMRC of a previous payment on account in respect of an historical commercial structure put in place in the year ended 31 August 2009.

6. Dividends

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

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Dividends			
2015 Final dividend of 27.3p per ordinary share	**-**	31	31
2016 Interim dividend of 13.4p per ordinary share	**-**	-	15
2016 Final dividends of 30.5p per ordinary share	**34**	-	-
	34	31	46

The directors have declared an interim dividend in respect of the period ending 28 February 2017 of 14.6p per ordinary share, which will absorb an estimated £16m of shareholders' equity. This will be paid on 3 August 2017 to shareholders registered at the close of business on 14 July 2017.

7. Earnings per share

a) Earnings

£m	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Earnings attributable to shareholders	**69**	66	108

b) Weighted average share capital

Millions	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Weighted average ordinary shares in issue	**112**	115	114
Less weighted average ordinary shares held in ESOP Trust	**(1)**	(1)	(1)
Weighted average ordinary shares for basic earnings per share	**111**	114	113
Add weighted average number of ordinary shares under option	**1**	1	2
Weighted average ordinary shares for diluted earnings per share	**112**	115	115

c) Basic and diluted earnings per share

Pence	6 months to **28 Feb 2017 (unaudited)**	6 months to 29 Feb 2016 (unaudited)	12 months to 31 Aug 2016 (audited)
Basic earnings per share	**62.2**	57.9	95.6
Diluted earnings per share	**61.6**	57.4	93.9

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.

8. Fixed Charges Cover

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Net finance charges	**1**	-	2
Net operating lease rentals	**96**	96	193
Total fixed charges	**97**	96	195
Profit before tax	**83**	80	131
Profit before tax and fixed charges	**180**	176	326
Fixed charges cover - times	**1.9x**	1.8x	1.7x

An explanation of Alternative performance measures, including Fixed charges cover is provided in the Appendix on page 25.

9. Capital Expenditure

In the financial period, there were additions to property, plant and equipment, including finance leases, of £19m (29 February 2016: £17m) and additions to intangible assets of £4m (29 February 2016: £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 £30m) (29 February 2016: net book value £nil, cost and accumulated depreciation of £3m). There were no material disposals of intangible assets during the period (29 February 2016: £nil).

10. Analysis of net debt / funds

Net debt / funds can be analysed as follows:

£m	**At 28 Feb 2017 (unaudited)**	At 29 Feb 2016 (unaudited)	At 31 Aug 2016 (audited)
Cash and cash equivalents	**37**	34	38
Debt			
- Revolving credit facility	**(45)**	(25)	(18)
- Obligations under finance leases	**(13)**	(10)	(13)
Net (debt) / funds	**(21)**	(1)	7

Movement in net debt / funds:

£m	At 31 Aug 2016 (audited)	Cash flow	**At 28 Feb 2017 (unaudited)**
Cash and cash equivalents	38	(1)	**37**
Debt			
- Revolving credit facility	(18)	(27)	**(45)**
- Obligations under finance leases	(13)	-	**(13)**
Net funds / (debt)	7	(28)	**(21)**

An explanation of Alternative performance measures, including Net debt is provided in the Appendix on page 25.

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 9 December 2021. The utilisation is interest-bearing at LIBOR plus 85bps. As at 28 February 2017 this Group had drawn down £45m (29 February 2016: £25m) on this facility.

11. Net cash inflow from operating activities

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Operating profit from continuing operations	**84**	80	133
Depreciation and amortisation	**21**	19	38
Impairment losses (relating to store closures)	**-**	2	3
Share-based payments	**3**	5	8
Increase in inventories	**-**	(4)	(5)
(Increase) / decrease in receivables	**(2)**	6	-
Decrease in payables	**(25)**	(20)	(5)
Adjustment for pension funding	**(2)**	(1)	(3)
Income taxes paid	**(14)**	(22)	(36)
Cash spend against provisions	**-**	-	2
Net cash inflow from operating activities	**65**	65	135

12. Called Up Share Capital

	28 Feb 2017 (unaudited)		29 Feb 2016 (unaudited)		31 Aug 2016 (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	111	25	114	25	113	25
Total	**111**	**25**	**114**	**25**	**113**	**25**

During the six month period the Company repurchased 1,561,909 (six months to 29 February 2016: 1,417,746) of its own shares in the open market for an aggregate consideration of £24m (2016: £23m).

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.

13. Contingent liabilities and capital commitments

	6 months to		12 months to
£m	**28 Feb 2017 (unaudited)**	29 Feb 2016 (unaudited)	31 Aug 2016 (audited)
Bank and other loans guaranteed	**13**	4	6

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 2017 of £2m (29 February 2016: £4m).

At 28 February 2017, contracts placed for future capital expenditure approved by the directors but not provided for amounted to £8m (29 February 2016: £5m).

14. 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 2017 (unaudited)**	29 Feb 2016 (unaudited)
Financial assets		
Cash flow hedges:		
Forward foreign currency contracts	2	1
	2	**1**

15. Related Parties

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

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

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

12 April 2017

INDEPENDENT REVIEW REPORT TO WH SMITH PLC

Report on the interim financial statements

Our conclusion

We have reviewed WH Smith Plc's interim financial statements (the "interim financial statements") in the interim results announcement of WH Smith Plc for the 6 month period ended 28 February 2017. 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 sourcebook 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 2017;
- 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 Ireland) 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
London
12 April 2017

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 interim 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

Appendix

Analysis of retailing stores and selling space

Number of High Street stores[1]

	1 Sept 2016	Opened	Closed	28 Feb 2017
Total	612	2	(1)	613

[1] Excludes 90 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 2016	Opened	Closed	28 Feb 2017
Non franchise units	525	10	(3)	532
Joint Venture and Franchise units[2]	243	18	(3)	258
Total	768	28	(6)	790

[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 2016	Opened	Closed	28 Feb 2017
High Street	2,827	6	(17)	2,816
Travel	597	10	(1)	606
Total	3,424	16	(18)	3,422

Total Retail selling square feet does not include franchise units.

Glossary

Alternative performance measures
The Directors use alternative performance, or "non-GAAP", measures as they believe these measures provide 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. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

Free cash flow
Free cash flow is defined as the net cash inflow from operating activities before pension deficit funding, less capital expenditure on property, plant and equipment and intangible assets, net interest paid/received and for 2016, repayments to HMRC (see Note 5).
The components of free cash flow are shown on page 7.

Like for like sales
Like-for-like is the growth in sales 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.

	Travel	High Street	Group
LFL sales change	**5%**	**(3%)**	**-%**
Net new space impact	2%	(1%)	1%
Foreign exchange impact	3%	-%	1%
Total sales change	**10%**	**(4%)**	**2%**

Fixed charges cover
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 8.

High Street and Travel trading profit, and Group profit from trading operations
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 central costs, interest and taxation. A reconciliation from the above measures to Group operating profit and Group profit before tax is provided in Note 2 to the financial statements.

WH Smith PLC

Appendix (continued)

Glossary (continued)

Alternative performance measures (continued)

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 10.