

**ELECTROCOMPONENTS PLC**  
**RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018**

**Above market, sustainable growth and strong execution**

Highlights	H1 2019	H1 2018	Change	Like-for-like <sup>1</sup> change
Revenue	£911.8m	£823.8m	10.7%	9.8%
Adjusted <sup>2</sup> operating profit	£104.0m	£81.2m	28.1%	25.9%
Adjusted <sup>2</sup> operating profit margin	11.4%	9.9%	1.5 pts	1.4 pts
Adjusted <sup>2</sup> profit before tax <sup>3</sup>	£100.2m	£79.0m	26.8%	24.9%
Adjusted <sup>2</sup> earnings per share	17.2p	13.0p	32.3%	30.5%
Adjusted <sup>2</sup> free cash flow	£34.0m	£17.4m	95.4%	
Net debt	£139.0m	£124.5m		
Net debt to adjusted <sup>2</sup> EBITDA	0.6x	0.7x		
Interim dividend	5.3p	5.25p		
Profit before tax	£93.0m	£75.7m	22.9%	
Earnings per share	15.9p	12.4p	28.2%	

**Continued focus on customer driving market share gains**

- Revenue growth of 10.7%, like-for-like revenue growth of 9.8%, with market share gains in all three regions
- Digital like-for-like revenue growth of 9.7% and an acceleration in RS Pro like-for-like revenue growth to 12.2%
- Strong double-digit revenue growth and initial contribution from IESA with encouraging new contract wins
- Driving best-in-class customer experience – Group (ex IESA) Net Promoter Score<sup>4</sup> up 3.8% to 52.5

**Profitability improvement**

- Gross margin rose 1.0 percentage point to 44.4%, up 0.7 pts on a like-for-like basis, 0.3 pts of accretion from IESA
- Revenue growth and cost control increased adjusted operating profit conversion ratio to 25.7% (H1 2018: 22.7%)
- Adjusted operating profit margin rose to 11.4% (H1 2018: 9.9%), with improvement in all three regions
- PBT up 22.9% and adjusted PBT up 24.9% on a like-for-like basis

**Growth in EPS and interim dividend**

- EPS of 15.9p up 28.2%; adjusted EPS up 30.5% on a like-for-like basis
- Adjusted free cash flow of £34.0 million up 95.4%; net debt to adjusted EBITDA of 0.6x (H1 2018: 0.7x)
- Interim dividend of 5.3p (2018: 5.25p); 40% of 2018 full-year dividend in line with policy

**Update on Performance Improvement Plan Phase II**

- Introduction of new simpler regional structure driving a more agile, scalable and customer-centric organisation
- Progress on global shared services and automation strategy; regional centre of excellence opened in China
- On track to deliver total annualised savings of £12 million by 31 March 2021, and £4 million by 31 March 2019

**LINDSLEY RUTH, CHIEF EXECUTIVE OFFICER, COMMENTED:**

“We are making progress on our journey to become first choice for customers, suppliers and employees and have delivered a good performance in the first half with strong like-for-like revenue growth, market share gains and improved profitability. Our teams worldwide are focused on delivering a best-in-class experience for customers and we believe the opportunity to drive continued market share gains and further improvement remains significant.

We have seen a good start to the second half of the year with around 7% like-for-like revenue growth in the first seven weeks of H2. While the external environment in some of our key markets is uncertain, we remain focused on driving organic performance, growing our market share in all three regions and managing our cost base. We aim to continue to augment organic growth with opportunistic value-accretive acquisitions as we drive continued consolidation in our large fragmented industry. We continue to be well positioned to make strong progress in the current financial year.”

- (1) Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2018 converted at 2019 average exchange rates for the period. Revenue is also adjusted to eliminate the impact of trading days year on year. The IESA acquisition contributed £11.0 million to revenue during the period. Currency movements decreased revenue by £7.5 million, extra trading days increased revenue by £4.3 million during the period.
- (2) Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (refer to Note 13 on pages 23 to 26 for reconciliations).
- (3) Currency movements decreased adjusted profit before tax by £0.8 million.
- (4) Rolling 12-month Net Promoter Score is a measure of customer satisfaction.

#### **Enquiries:**

Lindsley Ruth, Chief Executive Officer	Electrocomponents plc	020 7239 8400
David Egan, Group Finance Director	Electrocomponents plc	020 7239 8400
Polly Elvin, Head of Investor Relations	Electrocomponents plc	020 7239 8427
Martin Robinson / David Allchurch	Tulchan Communications	020 7353 4200

There will be an analyst presentation today at 9am at UBS, 5 Broadgate, London EC2M 2QS. We will also provide an audio webcast, which can be accessed live and later as a recording on the Electrocomponents website at [www.electrocomponents.com](http://www.electrocomponents.com).

#### **Notes to editors:**

Electrocomponents, through its trading brands RS Components (RS), Allied Electronics and Automation (Allied) and IESA, is a global multi-channel distributor. We offer more than 500,000 industrial and electronic products, sourced from over 2,500 leading suppliers, and provide a wide range of value-added services to over one million customers. With operations in 32 countries, we trade through multiple channels and ship over 50,000 parcels a day.

We support customers across the product life cycle, whether via innovation and technical support at the design phase, improving time to market and productivity at the build phase, or reducing purchasing costs and optimising inventory in the maintenance phase. We offer our customers tailored product and service propositions that are essential for the successful operation of their businesses and help them save time and money.

## **PERFORMANCE IMPROVEMENT PLAN PHASE II**

In May 2018 we launched the second phase of our Performance Improvement Plan (PIP) aimed at further building and enhancing our organisation model and capabilities to drive continued market share growth and improved profitability. During the first half, we have made good progress on initiatives to drive more customer centricity, simplicity and scalability into our model – these include:

- **New simpler regional structure:** We have successfully reorganised the business around three key regions; EMEA, the Americas and Asia Pacific, with new regional presidents reporting directly to the CEO. As a result of this new structure, activities, such as product and supplier management and marketing, are now primarily being run in the regions. This enables us to adapt more quickly to changes in customer needs, make our offer more relevant to the local market and remove duplication of activity between the regions and the centre.
- **Global shared services and automation strategy:** We have made a good start at rolling out our global shared service strategy during the first half. Our first regional centre of expertise has opened in Foshan, China for Asia Pacific. This centre, initially housing approximately one hundred employees, is focused on customer service, finance and inventory management. Over time, we are planning to invest in additional digital resources in Foshan, who will be focused on making our content more relevant to our customer base in Asia Pacific. We are also initiating the rollout of a global automation programme to automate standardised transactional activities where appropriate, allowing us to free up our resources to focus on more value-added activities. Following the successful completion of proof-of-concept pilots across a number of areas within the business including finance, customer service and HR, we are exploring opportunities to embed more process automation across the business. All our initiatives in this area are focused on driving improved service for external and internal customers at lower cost while also making our model simpler and more scalable.
- **Customer-centric supply chain:** We are also reinvesting in our supply chain to make it more customer centric, more efficient and capable of supporting our medium-term growth ambitions. During the first half, we began work to extend our Allied warehouse in the Americas. This project will not only increase the footprint of our warehouse from 300,000 square feet to over 520,000 square feet but also increase the level of automation. This will allow us to more than double our stocked range in the Americas and significantly scale our business in this important market in the future. We are on track to roll out a global track and trace capability during the current financial year. We also successfully implemented a project in H1 to automate more of our packing in our Nuneaton distribution centre in EMEA. While this was a small scale project, it is a great example of how automation can drive an improved customer experience by enhancing the presentation of the package while also generating savings and efficiencies.
- **On track to deliver cost savings:** As a result of these initiatives to simplify our organisation, we are on track to deliver savings of £4 million during the current financial year and £12 million of cumulative annualised savings by March 2021. Our longer-term aim remains to drive a best-in-class operating profit conversion ratio of 30%.

## **IESA ACQUISITION**

We completed the acquisition of IESA on 31 May 2018. IESA brings to the Group additional value-added service capabilities, enabling it to also service those larger corporate customers who choose to outsource their maintenance repair and operations (MRO) and other indirect purchases and inventory management. The integration of IESA has gone very well and results for IESA's first four months within the Group are in line with our expectation. Early interaction and feedback from both IESA customers and suppliers have been extremely positive and we have seen an encouraging performance since the acquisition with new contract wins from blue chip clients. Our sales teams are working closely with IESA to help identify new customer opportunities to accelerate its growth in the longer term and benefit all IESA suppliers, including RS and RS Pro. During its first four months within the Group IESA has contributed £11.0 million to revenue and £2.8 million of adjusted operating profit. Like-for-like revenue growth was in excess of 30% and its adjusted operating profit margin of 25.5% was accretive to Group operating profit margin. We continue to expect the acquisition to be accretive to Group earnings per share and meet our cost of capital in the first year of ownership. IESA has enhanced and accelerated Electrocomponents value-added services offering and we remain excited by the opportunity to scale and internationalise this business over time.

## OVERALL RESULTS

	H1 2019	H1 2018	Change	Like-for-like <sup>1</sup> change
<b>Revenue</b>	£911.8m	£823.8m	10.7%	9.8%
<b>Gross margin</b>	44.4%	43.4%	1.0 pts	0.7 pts
<b>Operating profit</b>	£96.8m	£77.9m	24.3%	24.3%
<b>Adjusted<sup>2</sup> operating profit</b>	£104.0m	£81.2m	28.1%	25.9%
<b>Adjusted<sup>2</sup> operating profit margin</b>	11.4%	9.9%	1.5 pts	1.4 pts
<b>Adjusted<sup>2</sup> operating profit conversion %</b>	25.7%	22.7%	3.0 pts	2.8 pts

(1) Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2018 converted at 2019 average exchange rates for the period. Revenue is also adjusted to eliminate the impact of trading days year on year.

(2) Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (refer to Note 13 on pages 23 to 26 for reconciliations).

### Revenue

Group revenue increased by 10.7% to £911.8 million (H1 2018: £823.8 million). The IESA acquisition, which is included within the EMEA region, contributed £11.0 million to revenue during its first four months within the Group. Additional trading days had a positive impact on revenue of £4.3 million in H1. Foreign exchange movements had a negative impact on revenue of £7.5 million in the period. Stripping out these factors, like-for-like revenue growth was 9.8%. All three geographic regions - EMEA, the Americas and Asia Pacific - saw strong like-for-like growth and market share gains in H1. RS Pro, our own-brand range, which accounts for around 12% of Group revenue, outperformed the Group growth rate with like-for-like revenue growth of 12.2%. Digital, which accounts for around 61% of Group revenue, saw like-for-like revenue growth broadly in line with the Group at 9.7%.

### Gross margin

Group gross margin increased by 1.0 percentage point to 44.4% (H1 2017: 43.4%). The acquisition of IESA was accretive to gross margin by 0.3 percentage points during H1, with gross margin improving by 0.7 percentage points on a like-for-like basis. Foreign exchange was broadly neutral overall to Group gross margin during H1, with the improvement being driven by strong progress on management initiatives on pricing, discount discipline and product mix. Particularly good progress was made to improve mix during H1 with strong revenue growth in our high margin own-brand range, RS Pro. During H1 we introduced over 5,200 new RS Pro products and we have plans to introduce over 10,000 in the year as a whole.

During the second half of the year, we will see tougher gross margin comparatives (gross margin was 43.4% in H1 2018 and 44.5% in H2 2018). However, we remain confident of delivering stable gross margins in our base business for the full year.

### Operating costs

We continue to focus on increasing efficiency and simplification so we can convert a higher proportion of gross profit into operating profit.

During the first half, total adjusted operating costs, which include regional costs and central costs (and exclude substantial reorganisation costs and amortisation of acquired intangibles), increased by 7.8% on a like-for-like basis, to £300.8 million (H1 2018: £276.2 million). We saw a c. 2.0 percentage point impact from inflationary increases to wages. As such, this and the impact of higher variable costs driven by higher volumes accounted for just under half the like-for-like increase. The majority of the balance of the increase was driven by the annualisation of the step up in investment in digital, talent and innovation that was made in H2 2018 to support continued growth in the business.

As revenue growth outpaced cost growth, our adjusted operating profit conversion ratio improved by 2.8 percentage points on a like-for-like basis, to 25.7% (H1 2018: 22.7%). Adjusted operating costs as a percentage of revenue fell by 0.5 percentage points to 33.0% (H1 2018: 33.5%).

### Substantial reorganisation costs

The Group incurred substantial reorganisation costs of £5.4 million (H1 2018: £3.3 million), which were labour-related restructuring costs.

### Amortisation of acquired intangibles

Amortisation of acquired intangibles was £1.8 million (H1 2018: £nil) and relates to the intangible assets arising on the acquisition of IESA.

## Operating profit

Operating profit rose 24.3% to £96.8 million (H1 2018: £77.9 million). Excluding substantial reorganisation costs and amortisation of acquired intangibles, adjusted operating profit increased by 28.1% to £104.0 million. The IESA acquisition contributed £2.8 million to adjusted operating profit. Foreign exchange movements reduced operating profit by £0.8 million. Excluding these factors, like-for-like growth in adjusted operating profit was 25.9%. Adjusted operating profit margin rose by 1.5 percentage points, 1.4 percentage points on a like-for-like basis, to 11.4% (H1 2018: 9.9%).

## Regional performance

As part of PIP II we have moved to a new regional structure, based around three regions: EMEA, the Americas and Asia Pacific. Results from IESA are included within EMEA. As previously announced, in order to drive further accountability, we have also taken the opportunity to move a greater proportion of cost that had previously been charged in central costs to the regions. These include costs such as regional recruitment costs, pensions and share-based payment costs. This does not change the Group's revenue or adjusted operating profit. While our regions are at different stages in development, each of them is focused on the following key priorities:

- **Improving customer and supplier experience:** We aim to be a customer-centric organisation and our key priority is to make our customers' and suppliers' lives easier. Our surveys, Voice of the Customer and Voice of the Supplier, give us valuable insight into how our customers and suppliers view our service and we are focused on tackling any pain points in their interaction with us, so we can offer a best-in-class experience to all our user groups. During the first half, our RS rolling 12-month Net Promoter Score (NPS), a measure of customer satisfaction, rose 8.0% to 47.3, Allied's rolling 12-month NPS rose 2.7% to 68.8 and Group overall (excluding IESA) rolling 12-month NPS rose 3.8% to 52.5. Our focus on service is paying off with our UK Trustpilot customer review score rising to a five star rating during the period which compares favourably with our key competitors' rankings.
- **Building a high-performance team:** Our people are what will differentiate us from the competition and enable us to continue to deliver a brilliant experience for our customers. We are investing in our people. We continue to recruit new and diverse talent to join our team and are working on programmes to continue to offer our people the training and development they need to be the leaders of the future. Our March 2018 employee engagement survey showed strong results with 71% of our people 'engaged', which is up significantly from our last survey from March 2016, and compares with a high performing benchmark of 79% and this is the level we aspire to reach over time.
- **Customer acquisition:** We continue to have significant opportunity to grow our market shares in all regions across the globe and we are focused on growing our reach and expanding our customer count in order to do so. We continue to invest in brand awareness and digital marketing worldwide to drive more traffic to our websites. We also remain focused on improving our online experience so we can convert a higher proportion of this traffic into revenue and offer our customers an increasingly personalised online experience. However, while we remain highly focused on delivering a best-in-class digital experience, we are also continuing to invest in our sales force and technical expertise. Our sales force remains a key differentiator for us. We are improving the way we use our online data to ensure we prioritise this resource more effectively to concentrate on the highest potential leads, and train and develop our people to improve sales force effectiveness. During the first half, we continued to see a good proportion of our growth coming from higher customer numbers.
- **Selling more to existing customers:** We are also focused on increasing our penetration with our existing customers. We are expanding our stocked and non-stocked ranges so we offer our customers a broader range and choice, allowing them to consolidate more of their indirect procurement spend with us. We are also developing a wide range of value-added services to make our customers' lives easier, such as eProcurement tools, calibration services and outsourcing solutions. In addition, we are investing in personalisation and associated selling on our websites so our customers are aware of the full range of products and services we have on offer. During the first half we saw good growth in average order value.

## EMEA

EMEA accounts for 63% of Group revenue and breaks down into four sub-regions: Northern Europe, Southern Europe, Central Europe and our emerging market operations. IESA's results are included within Northern Europe. RS and IESA are our trading brands in EMEA. We continue to differentiate ourselves from the competition by making our customers' lives easier. We offer a one-stop shop, with a broad range of products and high stock availability allowing customers to consolidate more spend with us. A best-in-class online experience is backed up by a knowledgeable sales force, technical expertise, 24/7 customer support and value-added solutions.

	H1 2019	H1 2018	Change	Like-for-like change <sup>1</sup>
<b>Revenue</b>	£575.7m	£511.3m	12.6%	9.3%
<b>Operating profit</b>	£89.1m	£73.5m	21.2%	16.6%
<b>Operating profit margin</b>	15.5%	14.4%	1.1 pts	0.9 pts

(1) Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.

- Overall, EMEA revenue increased 12.6%, 9.3% on a like-for-like basis, to £575.7 million (H1 2018: £511.3 million) as the team drove strong market share gains in a healthy underlying market. We estimate that approximately two-thirds of our growth in EMEA was driven by market share gains. Growth remained strong across the period with Q2 like-for-like revenue growth of 9.8% improving slightly from 8.8% in Q1. All four sub-regions within EMEA saw strong like-for-like revenue trends.
- Driving improved customer experience remained a key priority during H1 and EMEA rolling 12-month NPS rose by 4.3% to 53.5.
- Digital revenue, which accounts for 69% of revenue, grew at 8.6% on a like-for-like basis.
- RS Pro sales, which accounts for 17% of revenue, outperformed the region with 12.0% like-for-like revenue growth.
- EMEA gross margin saw a year-on-year improvement in H1 driven, in part, by accretion from the acquisition of IESA. Like-for-like gross margins also improved, aided by initiatives to drive discount discipline and improve mix with strong growth at RS Pro.
- Operating profit rose 21.2%, 16.6% on a like-for-like basis, to £89.1 million (H1 2018: £73.5 million).
- Operating profit margin rose 1.1 percentage points, 0.9 percentage points on a like-for-like basis, to 15.5% (H1 2018 14.4%), driven by good progress on gross margin and continuing tight cost control.

### Sub-regional revenue performance

	H1 2019	H1 2018	Change	Like-for-like change <sup>1</sup>
<b>Northern Europe</b>	£254.2m	£217.8m	16.7%	10.8%
<b>Southern Europe</b>	£171.7m	£158.7m	8.2%	6.6%
<b>Central Europe</b>	£126.0m	£112.6m	11.9%	10.8%
<b>Emerging markets</b>	£23.8m	£22.2m	7.2%	7.4%
<b>Total EMEA revenue</b>	£575.7m	£511.3m	12.6%	9.3%

(1) Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.

All the sub-regions within EMEA saw strong like-for-like revenue trends during the first half:

- Northern Europe (44% of EMEA revenue)** is the largest sub-region within EMEA and consists of the UK, Ireland and Scandinavia. The UK is the main market in this sub-region, accounting for around 90% of the revenue. Northern European revenue increased by 10.8% on a like-for-like revenue growth basis, to £254.2 million (H1 2017: £217.8m) with the growth rate remaining strong across the period (Q1 10.3%, Q2 11.3%). Over the last two years our Northern European team have significantly improved their go-to-market approach and driven a sales effectiveness programme. This, alongside a significant step forward in our digital marketing in the sub-region, has driven the strongest growth in customer numbers of all the sub-regions within EMEA. The team in Northern Europe has also been making good progress at broadening the range of value-added services that we offer to our customers to deepen our relationship and increase customer lifetime value. We have expanded and improved our service proposition in areas such as calibration, product plus (extended range), eProcurement and inventory management. During H1 2019, we have seen significant

growth in value-added services in Northern Europe, which has been a key driver behind the strong revenue performance, and we are now beginning to roll these services out into the other sub-regions within EMEA. The acquisition of IESA further accelerated this strategy by adding capabilities to support corporate customers who choose to outsource their MRO and other indirect purchases and inventory management.

- **Southern Europe (30% of EMEA revenue)** consists of our operations in France, Italy, Spain and Portugal. France is the main market in the sub-region accounting for approximately two-thirds of its revenue. Southern European revenue increased by 6.6% on a like-for-like basis with growth broadly consistent across the two quarters – Q1 6.7%, Q2 6.5%. All markets saw growth in H1, with France seeing the strongest growth within the sub-region driven by a strong growth in corporate accounts. During H1, our team in Southern Europe remained focused on driving deep partnerships with our existing suppliers and developing new local suppliers particularly in Italy and Iberia. We continue to work to ensure our sales team prioritise the largest potential opportunities and to build out our value-added service proposition, including IESA services, in the sub-region.
- **Central Europe (22% of EMEA revenue)** consists of our operations in Germany, Austria, Benelux, Switzerland and Eastern Europe. Germany is the main market in the sub-region accounting for approximately 60% of the revenue. Overall Central Europe saw 10.8% like-for-like revenue growth which improved across the first half – Q1 9.0%, Q2 12.5%. The team in Central Europe stepped up digital investment during H1 and continued to focus on improving customer experience. Key focuses in H1 have included: work to enhance our customer service operations to ensure we handle incoming customer queries more effectively; and a project to ensure we have all the relevant technical content available online so we can convert a higher proportion of digital traffic into revenue.
- **Emerging market operations (4% of EMEA revenue)** has operations in South Africa and distributors in other territories. During H1, our emerging market operations saw 7.4% like-for-like revenue growth with good growth from our distributors more than off-setting some weakness in South Africa caused by foreign exchange volatility.

## Americas

The Americas accounts for 26% of Group revenue. Allied Electronics and Automation is our main trading brand in the Americas, where we have operations in the US, together with smaller operations in Canada, Mexico and Chile. Allied's key focus remains on the Automation and Control (A&C) market. Its broad range of national A&C franchise authorisations and strong digital and technical expertise differentiates it from its primarily regional competition in the Americas.

	H1 2019	H1 2018	Change	Like-for-like change <sup>1</sup>
<b>Revenue</b>	£240.2m	£222.8m	7.8%	10.9%
<b>Operating profit</b>	£31.4m	£25.8m	21.7%	25.6%
<b>Operating profit margin</b>	13.1%	11.6%	1.5 pts	1.6 pts

(1) Like-for-like adjusted for currency; revenue also adjusted for trading days.

- Overall, the Americas revenue increased 7.8%, 10.9% like-for-like, to £240.2 million (H1 2018: £222.8 million). Like-for-like revenue growth moderated to 9.1% in Q2 versus 12.6% in Q1 as we entered a period of tougher two-year comparators, since the business returned to growth in Q2 of the year ended 31 March 2017. We estimate just under half our growth in the Americas was driven by market share gains.
- Allied continues to focus on delivering an excellent customer experience both online and offline. Its rolling 12-month NPS score rose a further 2.7% to 68.8, and remained the highest of our three regions.
- We saw good growth in all our product categories in the Americas, but the A&C category continued to see the strongest growth driven by market share gains. Geographically we saw good growth in all four operations in the Americas, with Mexico being aided by expansion of the sales force during the period.
- RS Pro continued to grow strongly from a very low base and offers significant further potential in the Americas.
- Digital revenue, which accounts for 42% of revenue in the region, grew at 10.4% on a like-for-like basis.
- Further progress was made in broadening the Allied range. During H1 we added 19,500 new stocked products to the range, and we are on target to introduce 25,000 new stock keeping units in the year as a whole.

- During the first half we began the expansion of the Allied warehouse. This £40 million project, which will span the next two financial years, will significantly increase the square footage of the existing warehouse and enable us to double the Allied stocked range in the future.
- The team at Allied continues to focus on driving a higher gross margin and has made good progress on a number of initiatives to drive improved pricing and discount discipline. These led to an improvement in gross margin during H1.
- Operating profit rose 21.7%, 25.6% on a like-for-like basis, to £31.4 million (H1 2018: £25.8 million).
- Operating profit margin rose 1.6 percentage points on a like-for-like basis to 13.1%, with strong revenue growth, improved gross margin and tight underlying cost control, offsetting increased investment in digital and marketing during the period.

### Asia Pacific

Asia Pacific accounts for 11% of Group revenue and consists of four similarly sized sub-regions: Australia and New Zealand, Greater China, Japan and South East Asia. RS is our trading brand in Asia Pacific. Similarly to EMEA, we aspire to become the one-stop-shop partner of choice for industrial customers in Asia Pacific, offering a broad range, market-leading multi-channel experience and a growing range of value-added services.

	H1 2019	H1 2018	Change	Like-for-like change <sup>1</sup>
<b>Revenue</b>	£95.9m	£89.7m	6.9%	9.6%
<b>Operating profit / (loss)</b>	£0.7m	£(3.9)m	117.9%	115.9%
<b>Operating profit margin</b>	0.7%	(4.3)%	5.0 pts	5.7 pts

(1) Like-for-like adjusted for currency; revenue also adjusted for trading days.

- Overall, Asia Pacific revenue increased 6.9%, 9.6% on a like-for-like basis, with all four sub-regions seeing similar levels of growth in the first half. While we believe we continue to take market share in Australia and New Zealand and in South East Asia, we are growing more in line with the market in both China and Japan. Overall, we remain a small player in Asia Pacific and continue to have significant scope to take share in this region.
- We continue to make strong progress on our journey to improve customer experience in Asia Pacific. As a result, our Asia Pacific NPS took a further step forward in H1 with the 12-month rolling score up 18.2% to 35.1. Our NPS score in Asia Pacific still remains below our other regions and we remain committed to continuing to drive improvements in the service we offer to our customers in Asia Pacific.
- Digital revenue, which accounts for 59% of revenue in the region, grew at 16.4% on a like-for-like basis.
- RS Pro, which accounts for 12% of revenue in the region, grew at 12.4% on a like-for-like basis. During the first half, we signed distribution agreements with local resellers to improve RS Pro's coverage in China and, in time, these initiatives should aid longer-term growth.
- The greatest single opportunity in Asia Pacific remains China. The opening of our regional centre of expertise in Foshan is an important step to develop a low-cost infrastructure capable of building a scalable business in this market place. However, we also need to tailor our offer and go-to-market approach to appeal to the local customer base. In October we announced we would be investing to build our capabilities in areas such as digital and product and inventory management. These new resources are necessary to build a more localised digital experience in Asia Pacific and make our online content and product offer more relevant to the local market. We believe these initiatives are key to driving the longer-term growth and scale we need to improve profitability in this region.
- We saw a modest reduction in the Asia Pacific gross margin during H1, which was due to product mix and, in particular, strong growth in single board computing revenue.
- Lower gross margin was more than offset by revenue growth and tight cost control, which led to the region moving into profit of £0.7 million (H1 2018: loss of £3.9 million).



## Central Costs

Central costs are Group head office costs and include Board, Group finance, Group HR and Group legal costs.

	H1 2019	H1 2018	Change	Like-for-like change <sup>1</sup>
<b>Central costs</b>	£(17.2)m	£(14.2)m	(21.1)%	(21.1)%

(1) Like-for-like adjusted for currency.

- Central costs increased 21.1% to £17.2 million (H1 2018: £14.2 million).
- The majority of the increase in central costs relates to the annualisation of the additional investment made in H2 2018 to expand our capabilities in areas such as corporate development and information security. The balance, approximately 25%, of the increase relates to an increase in performance-related pay and share-based payments.
- We expect central costs in H2 2019 to be similar to H2 2018.

## FINANCIAL REVIEW

### Net finance costs

Net finance costs in H1 increased to £3.9 million (H1 2018: £2.2 million) reflecting the increase in net debt due to the acquisition of IESA.

### Profit before tax

Profit before tax was up 22.9% to £93.0 million (H1 2018: £75.7 million). Excluding substantial reorganisation costs and amortisation of acquired intangibles, adjusted profit before tax was up 26.8%, 24.9% on a like-for-like basis to £100.2 million (H1 2018: £79.0 million).

### Taxation

The Group's tax charge was £23.0 million. The adjusted tax charge, which excludes the impact of tax relief on substantial reorganisation costs and amortisation of acquired intangibles was £24.2 million (H1 2018: £21.8 million), resulting in an effective tax rate of 24% on adjusted profit before tax (H1 2018: 28%). The key reason for the decrease in the effective tax rate was the reduction in the US tax rate following the enactment of the US Tax Cuts and Jobs Act in December 2017.

### Earnings per share

Earnings per share was up 28.2% to 15.9p (H1 2018: 12.4p). Excluding substantial reorganisation costs and amortisation of acquired intangibles, adjusted earnings per share of 17.2p (H1 2018: 13.0p) was up 32.3%, 30.5% on a like-for-like basis.

### Cash flow

£m	H1 FY19	H1 FY18
<b>Operating profit</b>	<b>96.8</b>	77.9
Add back depreciation and amortisation	<b>15.0</b>	12.8
<b>EBITDA</b>	<b>111.8</b>	90.7
Movement in working capital	<b>(49.1)</b>	(50.7)
Movement in provisions	<b>2.2</b>	2.4
Other	<b>3.9</b>	2.4
<b>Cash generated from operations</b>	<b>68.8</b>	44.8
Net interest paid	<b>(3.2)</b>	(2.5)
Income tax paid	<b>(20.3)</b>	(16.2)
<b>Net cash from operating activities</b>	<b>45.3</b>	26.1
Net capital expenditure	<b>(14.5)</b>	(9.4)
<b>Free cash flow</b>	<b>30.8</b>	16.7
Add back cash effect of adjustments <sup>1</sup>	<b>3.2</b>	0.7
<b>Adjusted<sup>1</sup> free cash flow</b>	<b>34.0</b>	17.4

(1) Adjusted excludes the impact of substantial reorganisation cash flows.

Cash generated from operations increased to £68.8 million (H1 2018: £44.8 million) driven by strong growth in operating profit which more than offset continued inventory investment to support revenue growth.

Working capital as a percentage of revenue increased by 1.5 percentage points to 22.7% (H1 2018: 21.2%). A large part of the increase was due to the acquisition of IESA. The like-for-like increase in working capital as a percentage of revenue was 0.3 percentage points. Stock turn remained stable at 2.7x (H1 2018: 2.7x). During the second half, we are planning to invest around £30 million in additional inventory in fast-moving product lines across our network in the UK and Continental Europe to help protect our service levels in the event of any potential disruption around the UK's exit from the European Union (EU), which is scheduled to take effect on 29 March 2019. We expect this to be a short-term investment in fast-moving inventory, the scale of which we may review as the situation becomes clearer. Over time, we would expect to see inventory levels return to a more normalised level.

Net interest paid was higher at £3.2 million (H1 2018: £2.5 million) due to the debt taken on to finance the IESA acquisition. Income tax paid rose to £20.3 million (H1 2018: £16.2 million).

Net capital expenditure in the first half was £14.5 million (H1 2018: £9.4 million). As a result, capital expenditure was 0.9 times depreciation (H1 2018: 0.7 times). During H1, we began our project to expand the Allied warehouse in the Americas and as such we would expect a higher weighting of capital expenditure in H2. We continue to expect capital expenditure to depreciation for the full year to be around 1.7 times.

Free cash flow was £30.8 million (H1 2018: £16.7 million). Adjusted free cash flow was £34.0 million (H1 2018: £17.4 million) and excludes a net cash outflow related to substantial reorganisation activities of £3.2 million (H1 2018: £0.7 million), which largely relates to labour restructuring charges. Adjusted operating cash flow conversion, which is defined as adjusted free cash flow before income tax and net interest paid as a percentage of adjusted operating profit and is one of our eight KPIs, was 55.3% (H1 2018: 44.5%).

### **Return on Capital Employed (ROCE)**

Net assets at the end of the first half were £551.5 million (H1 2018: £397.4 million). ROCE, calculated using adjusted operating profit for the 12 months ended 30 September 2018 and period-end net assets excluding net debt and retirement benefit obligations, was 26.4% (H1 2018: 25.2%).

### **Net debt**

At 30 September 2018 net debt was £139.0 million. This was £74.0 million higher than at 31 March 2018. This increase was principally due to the acquisition of IESA and associated loans, with H1 adjusted free cash flow of £34.0 million largely offsetting the payment of £35.4 million for the 2018 final dividend.

Net debt comprised gross borrowings of £269.8 million offset by cash and short-term deposits of £129.2 million and cross currency interest rate swaps with a fair value of £1.6 million.

In May 2018 the Group arranged a £120 million two-year term loan to run alongside its existing c. £186 million syndicated multi-currency bank facility, which has a maturity of August 2022. These facilities, together with \$100 million private placement loan notes maturing in June 2020, provide the majority of the Group's committed debt facilities and loans of £382 million, of which £212 million was undrawn as at 30 September 2018. Cross currency interest rate swaps have switched \$20 million of the private placement loan notes from fixed dollar to fixed sterling, giving the Group an appropriate spread of financing maturities and currencies.

The Group's financial metrics remain strong with net debt to adjusted EBITDA of 0.6x (based upon twelve months ended 30 September 2018 financials), leaving significant headroom to the Group's banking covenants.

### **Pension**

The Group has defined benefit schemes in the UK and Europe, with the UK scheme being by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service.

The combined accounting deficit of the Group's defined benefit schemes at 30 September 2018 was £66.1 million; this compares to £72.4 million at 31 March 2018 and £100.9 million at 30 September 2017. The UK defined benefit scheme's deficit at 30 September 2018 was £51.6 million, which compares to £58.1 million at 31 March 2018 and £86.7 million at 30 September 2017.

The decrease in the UK deficit at 30 September 2018 was principally driven by a decrease in liabilities due to discount rates rising by 0.2% from 2.7% to 2.9%, although this was partially offset by a 0.1% increase in inflation assumptions.

The triennial funding valuation of the UK Scheme at 31 March 2016 showed a deficit of £60.8 million on a statutory technical provisions basis. A recovery plan is in place, which has been agreed with the trustees of the UK scheme and our deficit contributions will continue with the aim that the scheme is fully funded on a technical provisions basis by 2023.

#### **Dividend**

The Board intends to continue to pursue a progressive dividend policy whilst remaining committed to further improving dividend cover over time by driving improved results and stronger cash flow.

At the year-end we announced that in the normal course of business, the interim dividend would be equivalent to 40% of the prior year full-year dividend. As such, the Board proposes an interim dividend of 5.3p per share. This will be paid on 9 January 2019 to shareholders on the register on 30 November 2018.

#### **Foreign exchange risk**

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the mix of non-sterling denominated revenue and adjusted operating profit, a one cent movement in the euro would impact annual adjusted profit before tax by £1.3 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.4 million.

The Group is also exposed to foreign currency transactional risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency. Group Treasury maintains three to six month hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures relate to euros and US dollars.

### **RISKS AND UNCERTAINTIES**

The Group's risk management process identifies, evaluates and manages the Group's principal risks and uncertainties. These are reviewed by both the Group's Risk Committee, comprising the Group's senior managers, and the Board, which regularly discusses the principal risks and receives risk reports covering risk mitigations and controls.

The Group has a defined risk appetite, which has been adopted by the Board, and is considered across three risk categories: strategic, operating and regulatory / compliance. These categories use both quantitative and qualitative criteria.

Whilst the principal risks and mitigations disclosed in the 2018 Annual Report continue to be valid, we have included below an update on one of the Group's principal risks being the consequences on the organisation of the UK exit from the EU.

#### **Consequences on the organisation of the UK exit from the EU**

In our 2018 Annual Report we reported that the UK's exit from the EU was one of the principal risks to the Group. The UK formally leaves the EU on 29 March 2019. In March 2018 the UK and EU negotiating teams reached an agreement, in principle, to a 21 month transition period through to 31 December 2020 to be included in the Withdrawal Agreement (which will define the terms of the UK's exit). Under this agreement the free movement of goods and people would continue until 31 December 2020. On 14 November 2018 the UK and EU negotiators reached an agreement on the Withdrawal Agreement for the UK's exit from the UK. However, at this stage it has not been approved by either the UK parliament or the EU council, as such it remains uncertain whether the 21 month transition period will be agreed.

#### **Group business planning**

Following the referendum result, the Group created a steering committee to assess and plan to mitigate the key business risks associated with the UK's exit from the EU. The steering committee has met regularly and has been planning for a range of potential UK exit scenarios. We have performed an externally facilitated group risk assessment to review our readiness and implement, where necessary, mitigating actions to address as much of the identified risk as possible.

We have also begun to implement mitigating actions to ensure we are prepared, as best we can, for a UK exit from the EU without a final withdrawal agreement.

### **Principal risk areas and mitigating actions**

We judge the key risks to our business from the UK exiting the EU without a withdrawal agreement to be across four key areas. In each of these areas we are undertaking mitigating actions to attempt to reduce the impact of these risks on the business. We will continue to review and monitor the evolving external and internal risk landscape and, if necessary and appropriate, modify our actions accordingly.

#### **1. Reduced free movement of products, goods and services across the UK / EU border**

A restriction on the smooth passage of goods across the UK / EU border has the potential to slow delivery times, which would impact the Group's ability to maintain its high level of customer service.

##### **Mitigating actions**

- We are investing in additional fast-moving inventory across our European network in the short term to lessen the customer service impact of potential delays at the UK / EU border.
- We have had, and continue to have, dialogue with our suppliers and freight forwarders in respect of their preparedness.
- We have applied for Authorised Economic Operator accreditation, which should ensure that our shipments pass across the UK / EU border with reduced physical checks.

#### **2. Increased tariff and duty costs on goods moving between the UK and EU**

Following the UK's exit from the EU goods moving between the UK and EU member states, and other areas of the world, may be subject to additional tariff and duty costs. At this stage, before we know the detail of any exit deal and any reciprocal agreements, the exact impact of tariffs is difficult to assess. At present around 60% of our Group cost of goods sold flows through the UK. Over 70% of the product coming into the UK comes from suppliers based in the UK with the balance from suppliers outside the UK (from both the EU and the rest of the world).

##### **Mitigating actions**

- Our international distribution network means we can work to mitigate this risk over time and continue to offer our customers the market-leading service they expect.
- Based on our assessments we believe that over time the vast majority of inventory needed to meet our EU customer needs could be sourced and retained directly within the EU post the UK's exit. Under this scenario we would look to change product sourcing and supply routes and seek to source and hold as much inventory as feasible directly within our Continental Europe network.
- Where product cannot be sourced directly into the market we will look to pass on tariffs and duties in the form of price increases.

#### **3. Increased administration to process the required cross border data flows**

Increased requirements for data collection may be required as shipments move across the UK / EU border, including more information for customs declarations and import / export forms for each consignment shipped into the EU. It is possible that this may require additional payments for customs clearance charges for goods moving across the UK / EU border.

##### **Mitigating Actions**

- We are engaged with the relevant authorities and continue to monitor guidance in all these areas closely.
- To reduce any potential increase in the administrative burden we are introducing an electronic trading system ahead of March 2019.
- We will recruit and train additional resource to enhance our existing skilled export teams as necessary, although we do not expect the cost of this additional resource to be material.
- We will seek to optimise our product flows across our network post March 2019 to minimise the movement of goods across the UK / EU border and therefore minimise the increased potential administrative requirement.

#### **4. Material movement in the value of sterling impacting the price of goods**

Sterling could depreciate materially in the event of the UK leaving the EU on 29 March 2019 with no transition deal in place.

##### **Mitigating Actions**

- To hedge against transactional foreign exchange risk we currently maintain three months of cover against freely tradable currencies to smooth the impact of fluctuations in currency. We will maintain our existing hedging strategy to mitigate against any immediate devaluation in sterling.
- Our global trading mix and product sourcing arrangements mean that historically we have had a natural gross margin hedge against a depreciation in sterling at a Group level.

#### **RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEAR FINANCIAL REPORT**

The Directors confirm that these condensed Group accounts have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of accounts, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Electrocomponents plc are listed in the Electrocomponents Annual Report and Accounts for the year ended 31 March 2018. A list of current Directors is maintained on the Electrocomponents plc website: [www.electrocomponents.com](http://www.electrocomponents.com).

**David Egan, Group Finance Director**  
**19 November 2018**

#### **SAFE HARBOUR**

*This financial report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Electrocomponents plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Electrocomponents plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of Electrocomponents plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, Electrocomponents plc has no intention or obligation to update forward-looking statements contained herein.*

## **GROUP INCOME STATEMENT**

For the six months ended 30 September 2018

		<b>Six months ended</b>	<b>30.9.2017</b>	<b>Year ended</b>
	<b>Notes</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>31.3.2018</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	2	<b>911.8</b>	823.8	1,705.3
Cost of sales		<b>(507.0)</b>	(466.4)	(955.5)
<b>Gross profit</b>		<b>404.8</b>	357.4	749.8
Distribution and marketing expenses		<b>(283.6)</b>	(255.5)	(528.2)
Administrative expenses		<b>(24.4)</b>	(24.0)	(49.0)
<b>Operating profit</b>	2	<b>96.8</b>	77.9	172.6
Finance income		<b>2.2</b>	2.7	7.5
Finance costs		<b>(6.1)</b>	(4.9)	(11.5)
Share of profit of joint venture		<b>0.1</b>	-	-
<b>Profit before tax</b>	2	<b>93.0</b>	75.7	168.6
Income tax expense	4	<b>(23.0)</b>	(21.2)	(19.0)
<b>Profit for the period attributable to owners of the Company</b>		<b>70.0</b>	54.5	149.6
<b>Earnings per share – Basic</b>	5	<b>15.9p</b>	12.4p	33.9p
<b>Earnings per share – Diluted</b>	5	<b>15.7p</b>	12.2p	33.6p

## **GROUP STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 September 2018

	<b>Six months ended</b>	<b>30.9.2017</b>	<b>Year ended</b>
	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>31.3.2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Profit for the period</b>	<b>70.0</b>	54.5	149.6
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to the income statement</b>			
Remeasurement of retirement benefit obligations	<b>4.4</b>	2.1	29.0
Income tax on items that will not be reclassified to the income statement	<b>(0.7)</b>	(0.3)	(4.9)
<b>Items that may be reclassified subsequently to the income statement</b>			
Foreign exchange translation differences	<b>24.4</b>	(15.7)	(29.3)
Movement in cash flow hedges	<b>1.2</b>	(1.0)	(1.4)
Income tax on items that may be reclassified to the income statement	<b>(0.3)</b>	0.3	0.3
<b>Other comprehensive income / (expense) for the period</b>	<b>29.0</b>	(14.6)	(6.3)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>99.0</b>	39.9	143.3

## GROUP BALANCE SHEET

As at 30 September 2018

	Notes	30.9.2018 £m	30.9.2017 £m	31.3.2018 £m
<b>Non-current assets</b>				
Intangible assets		318.9	244.1	233.3
Property, plant and equipment		100.5	94.3	97.3
Investment in joint venture		0.9	0.8	0.8
Other receivables		6.1	8.6	5.5
Cross currency interest rate swaps	8	1.6	1.3	0.5
Deferred tax assets		20.3	22.7	20.2
<b>Total non-current assets</b>		<b>448.3</b>	<b>371.8</b>	<b>357.6</b>
<b>Current assets</b>				
Inventories	7	369.1	337.9	331.0
Trade and other receivables		404.3	269.7	294.2
Cash and cash equivalents - cash and short-term deposits	8	129.2	83.1	122.9
Other derivative assets		1.8	0.5	0.8
Income tax receivables		1.2	1.0	0.9
<b>Total current assets</b>		<b>905.6</b>	<b>692.2</b>	<b>749.8</b>
<b>Total assets</b>		<b>1,353.9</b>	<b>1,064.0</b>	<b>1,107.4</b>
<b>Current liabilities</b>				
Trade and other payables		(367.2)	(245.5)	(280.9)
Cash and cash equivalents - bank overdrafts	8	(97.3)	(62.6)	(87.5)
Other derivative liabilities		(0.7)	(1.8)	(2.8)
Provisions		(3.8)	(1.4)	(1.5)
Income tax liabilities		(23.2)	(14.8)	(18.3)
<b>Total current liabilities</b>		<b>(492.2)</b>	<b>(326.1)</b>	<b>(391.0)</b>
<b>Non-current liabilities</b>				
Other payables		(11.3)	(14.8)	(12.7)
Retirement benefit obligations	10	(66.1)	(100.9)	(72.4)
Borrowings	8	(172.5)	(146.3)	(100.9)
Provisions		(1.2)	(1.8)	(1.2)
Deferred tax liabilities		(59.1)	(76.7)	(46.7)
<b>Total non-current liabilities</b>		<b>(310.2)</b>	<b>(340.5)</b>	<b>(233.9)</b>
<b>Total liabilities</b>		<b>(802.4)</b>	<b>(666.6)</b>	<b>(624.9)</b>
<b>Net assets</b>		<b>551.5</b>	<b>397.4</b>	<b>482.5</b>
<b>Equity</b>				
Share capital		44.3	44.2	44.2
Share premium account		49.1	44.8	47.1
Hedging reserve		0.4	(0.1)	(0.5)
Own shares held by Employee Benefit Trust (EBT)		(0.4)	(3.0)	(4.2)
Cumulative translation reserve		65.5	54.7	41.1
Retained earnings		392.6	256.8	354.8
<b>Equity attributable to owners of the Company</b>		<b>551.5</b>	<b>397.4</b>	<b>482.5</b>

## GROUP CASH FLOW STATEMENT

For the six months ended 30 September 2018

		Six months ended 30.9.2018	30.9.2017	Year ended 31.3.2018
	Notes	£m	£m	£m
<b>Cash flows from operating activities</b>				
Profit before tax		93.0	75.7	168.6
Depreciation and amortisation		15.0	12.8	25.8
Loss on disposal of non-current assets		-	0.2	1.7
Equity-settled share-based payments		3.9	2.4	5.3
Net finance costs		3.9	2.2	4.0
Share of profit of and dividends received from joint venture		(0.1)	(0.2)	0.1
Increase in inventories		(30.6)	(39.1)	(36.7)
(Increase) / decrease in trade and other receivables		(16.5)	2.0	(23.0)
(Decrease) / increase in trade and other payables		(2.0)	(13.6)	21.2
Increase in provisions		2.2	2.4	1.9
<b>Cash generated from operations</b>		<b>68.8</b>	<b>44.8</b>	<b>168.9</b>
Interest received		2.2	2.7	7.5
Interest paid		(5.4)	(5.2)	(11.7)
Income tax paid		(20.3)	(16.2)	(37.8)
<b>Net cash from operating activities</b>		<b>45.3</b>	<b>26.1</b>	<b>126.9</b>
<b>Cash flows from investing activities</b>				
Acquisition of business	12	(30.9)	-	-
Cash and cash equivalents acquired with business	12	1.0	-	-
Purchase of intangible assets, property, plant and equipment		(14.5)	(9.4)	(24.2)
<b>Net cash used in investing activities</b>		<b>(44.4)</b>	<b>(9.4)</b>	<b>(24.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of share capital		2.1	0.3	1.7
Purchase of own shares by EBT		-	(1.3)	(3.5)
Loans drawn down	8	95.0	70.1	25.5
Loans repaid	8	(70.5)	(52.8)	(52.8)
Dividends paid	6	(35.4)	(32.2)	(55.4)
<b>Net cash used in financing activities</b>		<b>(8.8)</b>	<b>(15.9)</b>	<b>(84.5)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(7.9)</b>	<b>0.8</b>	<b>18.2</b>
Cash and cash equivalents at the beginning of the period		35.4	21.4	21.4
Effects of exchange rate changes		4.4	(1.7)	(4.2)
<b>Cash and cash equivalents at the end of the period</b>	8	<b>31.9</b>	<b>20.5</b>	<b>35.4</b>



## GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital £m	Share premium account £m	Hedging reserve £m	Own shares held by EBT £m	Cumulative translation reserve £m	Retained earnings £m	Total £m
At 1 April 2017	44.2	44.5	0.6	(2.3)	70.4	231.6	389.0
Profit for the period	-	-	-	-	-	54.5	54.5
Remeasurement of retirement benefit obligations	-	-	-	-	-	2.1	2.1
Foreign exchange translation differences	-	-	-	-	(15.7)	-	(15.7)
Net loss on cash flow hedges	-	-	(1.0)	-	-	-	(1.0)
Taxation on other comprehensive income	-	-	0.3	-	-	(0.3)	-
Total comprehensive (expense) / income	-	-	(0.7)	-	(15.7)	56.3	39.9
Dividends (Note 6)	-	-	-	-	-	(32.2)	(32.2)
Equity-settled share-based payments	-	-	-	-	-	2.4	2.4
Shares allotted in respect of share awards	-	0.3	-	0.6	-	(0.6)	0.3
Purchase of own shares by EBT	-	-	-	(1.3)	-	-	(1.3)
Tax on equity-settled share-based payments	-	-	-	-	-	(0.7)	(0.7)
At 30 September 2017	44.2	44.8	(0.1)	(3.0)	54.7	256.8	397.4
Profit for the period	-	-	-	-	-	95.1	95.1
Remeasurement of retirement benefit obligations	-	-	-	-	-	26.9	26.9
Foreign exchange translation differences	-	-	-	-	(13.6)	-	(13.6)
Net loss on cash flow hedges	-	-	(0.4)	-	-	-	(0.4)
Taxation on other comprehensive income	-	-	-	-	-	(4.6)	(4.6)
Total comprehensive (expense) / income	-	-	(0.4)	-	(13.6)	117.4	103.4
Dividends (Note 6)	-	-	-	-	-	(23.2)	(23.2)
Equity-settled share-based payments	-	-	-	-	-	2.9	2.9
Shares allotted in respect of share awards	-	2.3	-	1.0	-	(1.9)	1.4
Purchase of own shares by EBT	-	-	-	(2.2)	-	-	(2.2)
Tax on equity-settled share-based payments	-	-	-	-	-	2.8	2.8
At 31 March 2018	44.2	47.1	(0.5)	(4.2)	41.1	354.8	482.5
Profit for the period	-	-	-	-	-	70.0	70.0
Remeasurement of retirement benefit obligations	-	-	-	-	-	4.4	4.4
Foreign exchange translation differences	-	-	-	-	24.4	-	24.4
Net gain on cash flow hedges	-	-	1.2	-	-	-	1.2
Taxation on other comprehensive income	-	-	(0.3)	-	-	(0.7)	(1.0)
Total comprehensive income	-	-	0.9	-	24.4	73.7	99.0
Dividends (Note 6)	-	-	-	-	-	(35.4)	(35.4)
Equity-settled share-based payments	-	-	-	-	-	3.9	3.9
Shares allotted in respect of share awards	0.1	2.0	-	3.8	-	(3.8)	2.1
Tax on equity-settled share-based payments	-	-	-	-	-	(0.6)	(0.6)
At 30 September 2018	44.3	49.1	0.4	(0.4)	65.5	392.6	551.5

## **NOTES TO THE CONDENSED GROUP ACCOUNTS**

### **1. Basis of preparation**

These condensed Group accounts were approved by the Board of Directors on 19 November 2018 and are unaudited but have been reviewed by the auditor. They do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, but have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union (EU) and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. The Directors consider it appropriate to continue to adopt the going concern basis in preparing these condensed Group accounts. Except as described below, they have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and delivered to 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 their report and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.

### **Changes in significant accounting policies**

The Group adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on 1 April 2018.

Except for the first-time application of IFRS 9 and IFRS 15, the significant judgements made by the Group in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group accounts for the year ended 31 March 2018.

#### *IFRS 9 'Financial Instruments'*

IFRS 9 sets out requirements on the classification and measurement of financial instruments, impairment on financial assets and new general hedge accounting requirements plus expanded disclosures. It replaces the incurred loss model with the expected loss model for assessing impairment of trade receivables and other financial assets. Adoption of IFRS 9 resulted in no adjustments to previously reported results.

#### *IFRS 15 'Revenue from Contracts with Customers'*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard is based on the principle that revenue is recognised when control of goods or services transfers to the customer. Adoption of IFRS 15 resulted in no adjustments to previously reported results.

### **Standards or interpretations issued but not yet applied**

#### *IFRS 16 'Leases'*

IFRS 16 will be adopted by the Group on 1 April 2019 and will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals discounted to present value will be recognised. The only exceptions are short-term and low-value leases.

As at 31 March 2018, the Group had non-cancellable operating lease commitments of £45.5 million. Some of this related to contracts that are short term or for low-value assets which will be recognised on a straight-line basis over the lease term as an operating expense. The accounting for leases under IFRS 16 will result in higher operating profit, with a lower lease expense partly offset by depreciation of the right-of-use asset, and higher interest expense due to the unwinding of the discount on the present value of the liability. There will be changes to the Group's net assets due to bringing the right-of-use assets and the financial liabilities onto the balance sheet. The Group is currently reviewing its leases and quantifying the likely effect of these changes.

## 2. Segmental reporting

As described in the Annual Report and Accounts for the year ended 31 March 2018, following the commencement of the second phase of the Performance Improvement Plan (PIP), the Group has moved to a new simpler management structure with three regions: EMEA, the Americas and Asia Pacific. EMEA includes the sub-regions of Northern Europe, Southern Europe and Central Europe, as well as the Group's emerging markets operations which were previously in Asia Pacific. In order to drive accountability, the Group has also moved costs such as regional recruitment costs, pensions and share-based payments from central costs to the regions. Internal reporting has been updated to reflect these changes. The segmental information below reflects this new structure and comparative information has been restated accordingly.

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
<b>Six months ended 30 September 2018</b>				
<b>Revenue from external customers</b>	<b>575.7</b>	<b>240.2</b>	<b>95.9</b>	<b>911.8</b>
<b>Segmental operating profit</b>	<b>89.1</b>	<b>31.4</b>	<b>0.7</b>	<b>121.2</b>
Central costs				(17.2)
Adjusted operating profit				104.0
Amortisation of acquired intangibles				(1.8)
Substantial reorganisation costs (Note 3)				(5.4)
Operating profit				96.8
Net finance costs				(3.9)
Share of profit of joint venture				0.1
Profit before tax				93.0
<b>Six months ended 30 September 2017 (restated)</b>				
<b>Revenue from external customers</b>	<b>511.3</b>	<b>222.8</b>	<b>89.7</b>	<b>823.8</b>
<b>Segmental operating profit / (loss)</b>	<b>73.5</b>	<b>25.8</b>	<b>(3.9)</b>	<b>95.4</b>
Central costs				(14.2)
Adjusted operating profit				81.2
Substantial reorganisation costs (Note 3)				(3.3)
Operating profit				77.9
Net finance costs				(2.2)
Profit before tax				75.7
<b>Year ended 31 March 2018 (restated)</b>				
<b>Revenue from external customers</b>	<b>1,083.5</b>	<b>440.8</b>	<b>181.0</b>	<b>1,705.3</b>
<b>Segmental operating profit / (loss)</b>	<b>161.0</b>	<b>51.4</b>	<b>(0.9)</b>	<b>211.5</b>
Central costs				(34.4)
Adjusted operating profit				177.1
Substantial reorganisation costs (Note 3)				(4.5)
Operating profit				172.6
Net finance costs				(4.0)
Profit before tax				168.6

## 2. Segmental reporting (continued)

In the following table, revenue is disaggregated by major products / services and sales channels. As a result of the second phase of the PIP, the Group updated the split of its products / services between Industrial and Electronics. Electronic products / services' revenue is recognised at a point in time. Of Industrial products / services' revenue £723.5 million is recognised at a point in time and £3.6 million over time (in previous periods all at a point in time).

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
<b>Six months ended 30 September 2018</b>				
<b>Major products / services lines</b>				
Industrial products / services	467.1	198.4	61.6	727.1
Electronic products / services	108.6	41.8	34.3	184.7
Group	575.7	240.2	95.9	911.8
<b>Sales channel</b>				
Digital	395.5	101.5	56.7	553.7
Offline	180.2	138.7	39.2	358.1
Group	575.7	240.2	95.9	911.8
<b>Six months ended 30 September 2017</b>				
<b>Major products / services lines</b>				
Industrial products / services	403.6	184.3	57.5	645.4
Electronic products / services	107.7	38.5	32.2	178.4
Group	511.3	222.8	89.7	823.8
<b>Sales channel</b>				
Digital	350.3	94.6	50.0	494.9
Offline	161.0	128.2	39.7	328.9
Group	511.3	222.8	89.7	823.8
<b>Year ended 31 March 2018</b>				
<b>Major products / services lines</b>				
Industrial products / services	854.7	366.2	113.7	1,334.6
Electronic products / services	228.8	74.6	67.3	370.7
Group	1,083.5	440.8	181.0	1,705.3
<b>Sales channel</b>				
Digital	741.6	187.9	105.4	1,034.9
Offline	341.9	252.9	75.6	670.4
Group	1,083.5	440.8	181.0	1,705.3

## 3. Substantial reorganisation costs

As described in the Annual Report and Accounts for the year ended 31 March 2018, in May 2018 the Group launched a second phase to the PIP which gave rise to substantial reorganisation costs in several of the Group's regions and activities. During the year ended 31 March 2018, the substantial reorganisation costs related to the completion of the first phase of the PIP. Substantial reorganisation costs are excluded from adjusted performance measures.

	Six months ended 30.9.2018 £m	30.9.2017 £m	Year ended 31.3.2018 £m
Redundancy and associated costs	(5.4)	(0.5)	(2.2)
Onerous lease costs	-	(2.5)	(2.1)
Asset write-offs	-	(0.3)	(0.2)
<b>Total substantial reorganisation costs</b>	<b>(5.4)</b>	<b>(3.3)</b>	<b>(4.5)</b>

#### 4. Income tax expense

	Six months ended		Year ended
	30.9.2018	30.9.2017	31.3.2018
	£m	£m	£m
UK taxation	7.2	8.0	21.2
Overseas taxation	15.8	13.2	25.7
Significant tax rate change – US deferred tax credit	-	-	(27.9)
<b>Total income tax expense</b>	<b>23.0</b>	<b>21.2</b>	<b>19.0</b>

The enactment of the US Tax Cuts and Jobs Act in December 2017 lowered the US corporate income tax rate from 35% to 21% from January 2018 and lowers the effective tax rate. During the year ended 31 March 2018, the US deferred tax balances were remeasured at this new income tax rate resulting in a deferred tax credit of £27.9 million which was excluded from adjusted profit for the year.

#### 5. Earnings per share

	Six months ended		Year ended
	30.9.2018	30.9.2017	31.3.2018
	m	m	m
Weighted average number of shares	441.3	440.8	441.2
Dilutive effect of share-based payments	3.4	5.6	4.1
<b>Diluted weighted average number of shares</b>	<b>444.7</b>	<b>446.4</b>	<b>445.3</b>
Basic earnings per share	15.9p	12.4p	33.9p
Diluted earnings per share	15.7p	12.2p	33.6p

#### 6. Dividends

	Six months ended		Year ended
	30.9.2018	30.9.2017	31.3.2018
	£m	£m	£m
Final dividend for the year ended 31 March 2018: 8.0p (2017: 7.3p)	35.4	32.2	32.2
Interim dividend for the year ended 31 March 2018: 5.25p	-	-	23.2
	<b>35.4</b>	<b>32.2</b>	<b>55.4</b>

An interim dividend of 5.3p will be paid on 9 January 2019 to shareholders on the register on 30 November 2018 with an ex-dividend date of 29 November 2018 and the estimated amount to be paid of £23.5 million has not been included as a liability in these accounts.

#### 7. Inventories

	30.9.2018	30.9.2017	31.3.2018
	£m	£m	£m
Gross inventories	395.3	369.7	359.3
Inventory provisions	(26.2)	(31.8)	(28.3)
<b>Net inventories</b>	<b>369.1</b>	<b>337.9</b>	<b>331.0</b>

During the six months ended 30 September 2018 £4.3 million (six months ended 30 September 2017: £5.5 million; year ended 31 March 2018: £7.9 million) was recognised as an expense relating to the write-down of inventories to net realisable value.

## 8. Net debt

	30.9.2018 £m	30.9.2017 £m	31.3.2018 £m
Cash and short-term deposits	129.2	83.1	122.9
Bank overdrafts	(97.3)	(62.6)	(87.5)
<b>Cash and cash equivalents</b>	<b>31.9</b>	<b>20.5</b>	<b>35.4</b>
Bank facilities repayable after more than one year	(96.1)	(71.9)	(29.9)
Private placement loan notes repayable after more than one year	(76.4)	(74.4)	(71.0)
Cross currency interest rate swaps designated as fair value hedges	1.6	1.3	0.5
<b>Net debt</b>	<b>(139.0)</b>	<b>(124.5)</b>	<b>(65.0)</b>

	Six months ended 30.9.2018 £m	30.9.2017 £m	Year ended 31.3.2018 £m
<b>Movement in net debt</b>			
Net debt at 1 April	(65.0)	(112.9)	(112.9)
Net (decrease) / increase in cash and cash equivalents	(7.9)	0.8	18.2
Loans acquired with business (Note 12)	(42.0)	-	-
Loans drawn down	(95.0)	(70.1)	(25.5)
Loans repaid	70.5	52.8	52.8
Translation differences	0.4	4.9	2.4
<b>Net debt at end of period</b>	<b>(139.0)</b>	<b>(124.5)</b>	<b>(65.0)</b>

## 9. Fair values of financial instruments

For all financial assets and liabilities, fair value approximates the carrying amounts shown in the balance sheet except for the following:

	30.9.2018		30.9.2017		31.3.2018	
	Carrying amounts £m	Fair value £m	Carrying amounts £m	Fair value £m	Carrying amounts £m	Fair value £m
Private placement loan notes	(76.4)	(75.6)	(74.4)	(74.1)	(71.0)	(67.8)

The other derivatives, cross currency interest rate swaps and the fair value of the loans they are hedging are measured at fair value using Level 2 inputs. These are estimated by discounting future cash flows using appropriate market-sourced data at the balance sheet date.

## 10. Retirement benefit obligations

The Group operates defined benefit schemes in the United Kingdom and Europe.

	30.9.2018 £m	30.9.2017 £m	31.3.2018 £m
Fair value of scheme assets	496.6	497.7	511.7
Present value of defined benefit obligations	(562.7)	(598.6)	(584.1)
<b>Retirement benefit obligations</b>	<b>(66.1)</b>	<b>(100.9)</b>	<b>(72.4)</b>

## 11. Related party transactions

There has been no material change in related party relationships in the six months ended 30 September 2018. There were no significant related party transactions which have materially affected the financial position or performance of the Group during that period.

## 12. Acquisition

On 31 May 2018 the Group acquired 100% of the issued share capital of AGHOCO 1079 Limited and its subsidiaries (IESA), a leading provider of value-added outsourcing services to industrial customers. In line with the Group's strategy, IESA significantly enhances and accelerates the Group's value-added services offering giving it additional capabilities to service corporate customers who choose to outsource their maintenance repair and operations (MRO) and indirect purchases and inventory management.

The fair value of the net assets acquired, consideration paid and goodwill arising were:

	£m
Intangible assets – customer contracts and relationships	41.2
Intangible assets – software	4.4
Property, plant and equipment	0.9
Non-current other receivables	0.9
Current trade and other receivables	87.7
Cash and cash equivalents – cash and short-term deposits	1.0
Current trade and other payables	(83.4)
Borrowings	(42.0)
Current income tax liabilities	(1.7)
Deferred tax liabilities	(7.6)
Net assets acquired	1.4
Goodwill	29.5
<b>Consideration paid – cash</b>	<b>30.9</b>

Amortisation is calculated on a straight-line basis to write off customer contracts and relationships at annual rates of 10% – 14% and software at 10% – 50%. The fair value of trade and other receivables is equal to the gross contractual amount. No acquisition-related costs for IESA were incurred in the six months ended 30 September 2018.

The goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate growth in revenue by increasing the Group's penetration with IESA's customers, plus from opportunities for IESA to grow through benefiting from the Group's global presence. The goodwill will not be deductible for tax purposes.

Movements in the Group's goodwill in the period were:

<b>Cost and net book value</b>	£m
At 1 April 2018	186.5
Acquisition of business	29.5
Translation differences	14.1
<b>At 30 September 2018</b>	<b>230.1</b>

IESA contributed revenue of £11.0 million and profit after tax of £0.6 million to the Group's results since acquisition and is included in EMEA. If the acquisition had occurred on 1 April 2018, the Group's revenue and profit for the six months ended 30 September 2018 would have been £917.1 million and £69.5 million respectively.

## 13. Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance.

The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community. As a result of the acquisition of IESA, the Group has updated its APMs so that like-for-like measures exclude acquisitions and adjusted measures exclude amortisation of intangible assets arising on acquisition of businesses (amortisation of acquired intangibles). Also the definition of free cash flow has been updated to exclude cash spent on the acquisition of businesses and cash and cash equivalents acquired with those businesses. The Directors believe that these changes aid comparison of the underlying performance between reporting periods and between businesses with similar assets that were internally generated.

### 13. Alternative Performance Measures (APMs) (continued)

#### Base business

The Group's base business excludes acquisitions in the relevant periods until they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months.

	Six months ended 30.9.2018		
	Base business £m	Acquisition £m	Group £m
Revenue			
EMEA	564.7	11.0	575.7
Americas	240.2	-	240.2
Asia Pacific	95.9	-	95.9
Group	900.8	11.0	911.8
Segmental operating profit			
EMEA	86.3	2.8	89.1
Americas	31.4	-	31.4
Asia Pacific	0.7	-	0.7
Segmental operating profit	118.4	2.8	121.2
Central costs	(17.2)	-	(17.2)
Adjusted operating profit	101.2	2.8	104.0
Adjusted profit before tax	97.7	2.5	100.2
Adjusted earnings per share	16.7p	0.5p	17.2p

#### Like-for-like revenue growth

Like-for-like revenue growth is growth in revenue adjusted to eliminate the impact of acquisitions and changes in exchange rates and trading days year on year. It is calculated by comparing the current period revenue with the comparable prior period's revenue in the Group's base business converted at the current period's average exchange rates and pro-rated for the same number of trading days as the current period. This measure enables management and investors to track more easily, and consistently, the underlying revenue performance of the Group.

	Six months ended		H1 2018 at H1 2019 rates and trading days	Like-for-like growth
	30.9.2018 £m	30.9.2017 £m	£m	%
EMEA	564.7	511.3	516.5	9.3%
Americas	240.2	222.8	216.6	10.9%
Asia Pacific	95.9	89.7	87.5	9.6%
Group's base business	900.8	823.8	820.6	9.8%

#### Like-for-like profit growth rates

Like-for-like growth rates are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. The rates are calculated by comparing the current period with the comparable prior period in the Group's base business converted at the current period's average exchange rates.

	Six months ended		H1 2018 at H1 2019 rates	Like-for-like growth
	30.9.2018 £m	30.9.2017 £m	£m	%
Segmental operating profit / (loss) of base business				
EMEA	86.3	73.5	74.0	16.6%
Americas	31.4	25.8	25.0	25.6%
Asia Pacific	0.7	(3.9)	(4.4)	115.9%
Segmental operating profit for base business	118.4	95.4	94.6	25.2%
Central costs	(17.2)	(14.2)	(14.2)	21.1%
Adjusted operating profit for base business	101.2	81.2	80.4	25.9%
Adjusted profit before tax for base business	97.7	79.0	78.2	24.9%
Adjusted earnings per share for base business	16.7p	13.0p	12.8p	30.5%



### 13. Alternative Performance Measures (APMs) (continued)

The principal exchange rates applied in preparing the Group accounts and in calculating the above like-for-like measures are:

	Average for six months ended		Closing	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
US dollar	1.33	1.29	1.30	1.34
Euro	1.13	1.14	1.12	1.13

#### Adjusted measures

These are the equivalent IFRS measures adjusted to exclude amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects.

	Six months ended 30.9.2018				Six months ended 30.9.2017		
	Reported £m	Amortisation of acquired intangibles £m	Substantial reorganisation costs (Note 3) £m	Adjusted £m	Reported £m	Substantial reorganisation costs (Note 3) £m	Adjusted £m
Operating profit	96.8	1.8	5.4	104.0	77.9	3.3	81.2
Operating profit margin <sup>1</sup>	10.6%			11.4%	9.5%		9.9%
Operating profit conversion <sup>2</sup>	23.9%			25.7%	21.8%		22.7%
Profit before tax	93.0	1.8	5.4	100.2	75.7	3.3	79.0
Profit for the period	70.0	1.5	4.5	76.0	54.5	2.7	57.2
Basic earnings per share	15.9 p	0.3p	1.0p	17.2p	12.4p	0.6p	13.0p

<sup>(1)</sup> Operating profit margin is operating profit expressed as a percentage of revenue.

<sup>(2)</sup> Adjusted operating profit conversion is operating profit expressed as a percentage of gross profit.

#### Free cash flow, adjusted free cash flow and adjusted operating cash flow conversion

Free cash flow is the net movement in cash and cash equivalents before net cash used in financing activities, acquisition of businesses and cash and cash equivalents acquired with businesses. Adjusted free cash flow is free cash flow adjusted for the impact of substantial reorganisation cash flows. Adjusted operating cash flow conversion is adjusted free cash flow before income tax and net interest paid, expressed as a percentage of adjusted operating profit.

	Six months ended 30.9.2018 £m	30.9.2017 £m	Year ended 31.3.2018 £m
Net (decrease) / increase in cash and cash equivalents	(7.9)	0.8	18.2
Add back: cash used in financing activities	8.8	15.9	84.5
Add back: cash used in acquisition of business	30.9	-	-
Deduct: cash and cash equivalents acquired with business	(1.0)	-	-
<b>Free cash flow</b>	<b>30.8</b>	<b>16.7</b>	<b>102.7</b>
Add back: impact of substantial reorganisation cash flows	3.2	0.7	2.4
<b>Adjusted free cash flow</b>	<b>34.0</b>	<b>17.4</b>	<b>105.1</b>
Add back: income tax paid	20.3	16.2	37.8
Add back: net interest paid	3.2	2.5	4.2
Adjusted free cash flow before income tax and net interest paid	57.5	36.1	147.1
Adjusted operating profit	104.0	81.2	177.1
<b>Adjusted operating cash flow conversion</b>	<b>55.3%</b>	<b>44.5%</b>	<b>83.1%</b>

**Net debt** - See Note 8.

### 13. Alternative Performance Measures (APMs) (continued)

#### Earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation. Net debt to adjusted EBITDA is the ratio of net debt to annualised EBITDA excluding substantial reorganisation costs for the preceding twelve-month period.

	30.9.2018 £m	30.9.2017 £m	31.3.2018 £m
Operating profit	96.8	77.9	172.6
Add back: depreciation and amortisation	15.0	12.8	25.8
<b>EBITDA</b>	<b>111.8</b>	<b>90.7</b>	<b>198.4</b>
Add back: substantial reorganisation costs	5.4	3.3	4.5
Adjusted EBITDA for this period	117.2	94.0	202.9
Adjusted EBITDA for prior year	202.9	162.4	
Less: Adjusted EBITDA for prior first half	(94.0)	(72.6)	
Annualised adjusted EBITDA	226.1	183.8	202.9
Net debt	139.0	124.5	65.0
<b>Net debt to adjusted EBITDA</b>	<b>0.6x</b>	<b>0.7x</b>	<b>0.3x</b>

#### Return on capital employed (ROCE)

ROCE is annualised adjusted operating profit expressed as a percentage of net assets excluding net debt and retirement benefit obligations.

	30.9.2018 £m	30.9.2017 £m	31.3.2018 £m
Net assets	551.5	397.4	482.5
Add back: net debt	139.0	124.5	65.0
Add back: retirement benefit obligations	66.1	100.9	72.4
Capital employed	756.6	622.8	619.9
Adjusted operating profit for this period	104.0	81.2	177.1
Adjusted operating profit for prior year	177.1	133.2	
Less: Adjusted operating profit for prior first half	(81.2)	(57.7)	
Annualised adjusted operating profit	199.9	156.7	177.1
<b>ROCE</b>	<b>26.4%</b>	<b>25.2%</b>	<b>28.6%</b>

### 14. Post balance sheet event

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that guaranteed minimum pensions (GMP) must be equalised between members of different sexes. No assumption for GMP equalisation has been included in the valuation of the Group's UK defined benefit obligations historically or as at 30 September 2018. The impact is still being assessed but it is estimated that GMP equalisation will increase the Group's retirement benefit obligations by approximately £5 million to £7 million. This will be recognised as a past service cost in the results for the year ending 31 March 2019 and will be excluded from adjusted profit measures.

## **INDEPENDENT REVIEW REPORT TO ELECTROCOMPONENTS PLC**

### **Report on the condensed Group accounts**

#### **Our conclusion**

We have reviewed Electrocomponents plc's condensed Group accounts (the 'interim financial statements') in the half-year financial report of Electrocomponents plc for the 6 month period ended 30 September 2018. 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 Group balance sheet as at 30 September 2018;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the 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 half-year financial report 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 (IFRS) as adopted by the European Union.

### **Responsibilities for the interim financial statements and the review**

#### **Our responsibilities and those of the Directors**

The half-year financial report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-year financial report 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 half-year financial report 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 half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
19 November 2018