SPORTSDIRECT.com

SPORTS DIRECT INTERNATIONAL PLC

8 December 2016

Interim Results for the 26 weeks to 23 October 2016 (“FY17 H1”)

Working to elevate our sports retail proposition over the medium to long term;
Group Underlying EBITDA down 33.5%

	FY17 H1	FY16 H1	Change
	£m	£m	%
Group revenue	1,638	1,434	+14.2
UK Sports Retail [(1)]	1,111	1,035	+7.4
International Retail stores	330	199	+66.1
Premium Lifestyle	83	88	-4.9
Brands	113	113	0.4
Group gross margin	40.4%	44.9%	-450bps
UK Sports Retail [(2)]	40.2%	46.3%	-610bps
International Sports Retail	39.7%	45.4%	-570bps
Underlying EBITDA (pre share scheme costs) [(3)]	145.3	218.5	-33.5
Underlying profit before tax [(3)(4)]	71.6	166.4	-57.0
Reported profit before tax	140.2	187.3	-25.1
Underlying earnings per share [(3)(4)]	8.5p	21.8p	-61.1
Reported earnings per share	15.6p	24.5p	-36.3

Key highlights

- Group revenue increased by 4.2% on a currency neutral basis excluding the impact of the acquisition of Heatons [(5)]
- UK Sports Retail revenue increased by 5.6% on a currency neutral basis excluding acquisitions [(2)(3)]
- International Sports Retail revenue increased by 44.5% on a currency neutral basis, and increased by 9.4% on a currency neutral basis excluding Heatons [(5)]
- Group underlying EBITDA decreased by 33.5% to £145.3m as a result of:
  - The deterioration of gross margin as a result of the devaluation of the Pound (“GBP”);
  - A requirement to increase the Group’s inventory provisions;
  - Increased provisions for onerous leases in International Retail; and
  - Increasing investment in our people
- Underlying profit before tax down 57.0% to £71.6m, following an increase in depreciation largely as a result of a reduction in the useful life of certain assets, and strategic property investment
- Underlying free cash generation of £129.5m [(6)] and Net Debt decrease to £72.0m (£99.7m at 24 April 2016), 0.2 times LTM EBITDA [(7)]
- Proud of our people: The significant events over the last year have been tough on our people and morale – our people are our number one priority over the long term
- UK Sports Retail: We continue to elevate our sports retail proposition, aiming for the “Selfridges” of sports retail in the medium to long term – remains critical to our relationships with third party brands
- International Sports Retail: During the half, management has appraised a number of the Group’s European stores and is working to implement a more tailored approach to Europe over the medium term. Expect this and currency headwinds to result in continued weak performance from this division over the medium term
- Expect existing strategic challenges and currency headwinds facing the Group to continue to adversely impact financial performance over the medium term

Mike Ashley, Chief Executive of Sports Direct International plc said:

"The last six months have been tough for our people and performance. Our UK Sports Retail business continues to be the engine of Sports Direct, but our results have been affected by the significant deterioration in exchange rates, and our assessment of our risk relating to our stock levels and European stores performance.

We continue to elevate our sports retail proposition for our key third party brand partners and customers, as we progress towards our medium to long term goal of becoming the "Selfridges" of sports retail. We are changing our retail channels for customers in the UK, and we will be changing our approach to our customers in Europe, which will take time.

What matters most to me is how tough the last year has been for the people who work at Sports Direct. Our people have once again found themselves in the spotlight through no fault of their own, yet they remain hardworking and loyal. It is for this reason that my immediate priority will be to protect the people at Sports Direct. Part of this includes the Company's commitment to underwrite the value of the share awards relating to the 2011 Share Scheme, that are vesting in September 2017, to reduce the impact of recent volatility on the financial outcomes for our people."

(1) Total UK Sports Retail revenue, including wholesale and other.

(2) Retail and online only, excludes wholesale and other.

(3) Underlying EBITDA, underlying profit before taxation (PBT) and underlying earnings per share (EPS) exclude realised foreign exchange gains/losses in selling and administration costs, exceptional costs and the profit/loss on sale of strategic investments. Underlying EBITDA also excludes the Share Scheme charges.

(4) Underlying PBT and underlying EPS also exclude profits/losses relating to the IAS 39 fair value adjustment on forward currency contracts in finance income/costs, but includes the Share Scheme charges.

(5) Sales and margin increases on a currency neutral basis are calculated by revaluing the division's foreign currency denominated sales at the prior year average exchange rate for the period.

(6) Underlying free cash generation is defined as operating cash flow before working capital, made up of underlying EBITDA before Share Scheme costs, plus realised foreign exchange gains and losses, less corporation tax paid.

(7) Net debt is borrowings less cash held.

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Matt Pearson, Acting Chief Financial Officer
Cameron Olsen, Company Secretary

KBA PR T: 0207 734 9995
Keith Bishop

Chairman's Statement

Overview
FY17 H1 has been challenging for our people. Overall, financial performance of the Group has materially declined since the prior period, with further strategic challenges and currency headwinds expected to continue to undermine the Group's financial performance over the medium term.

FY17 H1 Underlying EBITDA was down 33.5% to £145.3m as a result of the devaluation of GBP and subsequent deterioration in the Group's gross margin, and the requirement to increase the Group's inventory provisions and onerous lease provisions over the period. Underlying PBT was down 57.0% to £71.6m, and was further impacted by an increase in the depreciation charge as a result of a change in capitalisation threshold, a reduction in the useful life of certain assets, and the depreciation related to the Company's strategic property investment to elevate the sports retail business.

During the half year, the Group generated free cash flow of £129.5m, and undertook capital expenditure of £287.0m, including £261.0m in freehold property acquisitions. Net Debt decreased from £99.6m to £72.0m, assisted by management's decision to divest some of its strategic investments during the period, which resulted in net proceeds on disposal of investments of £160.5m. The Group maintains substantial financial resources and a strong balance sheet.

A major priority of the Board in this period has been to review and improve the working conditions for our people. The Board commissioned Reynolds Porter Chamberlain LLP ("RPC"), an independent legal adviser to the Company, to compile a report on the Company's progress to investigate, review, and where appropriate, address any shortcomings in employee practices. The Working Practices Report was delivered to the Board by RPC and published in full on the Company's website on 6 September 2016, the day before the 2016 Annual General Meeting ("AGM"). It highlighted a number of areas where we needed to improve, which I will discuss in more detail later in this statement.

During this time, in an effort to be as open and transparent as possible, the Company determined to make the day of the AGM an 'Open Day' where, in addition to shareholders, the public were also invited to participate in Q&A sessions with the Board, as well as to have a tour of the Shirebrook warehouse site. I am pleased to say that we had over 150 people attend the AGM/Open Day from a range of stakeholder groups, and I would like to thank all of the Sports Direct team who made that day possible.

Management changes
It is with regret that since the AGM our then Chief Executive, Dave Forsey, and our Acting Chief Financial Officer, Matt Pearson, resigned. Dave has been part of the Sports Direct family for 32 years, and we would like to thank him for his significant contribution during many years of growth and change. Following Dave's resignation, the Board appointed Mike Ashley as the Chief Executive. Dave continues to work with the business to ensure a smooth transition of responsibilities.

Matt Pearson has been a very dedicated member of the Sports Direct family for over nine years, and we are grateful to him for taking on his most recent role at a very difficult time. As an interim measure, the Company has appointed Herbert Monteith, a long-standing member of the Finance team, to the role of Interim Head of Finance, and has invested in the Finance team to build further support. Herbert will ensure Matt's knowledge and responsibilities are documented for a permanent replacement.

Board and corporate governance
Succession planning remains a major priority for the Board, and today we are delighted to announce the appointment of a new non-executive director, David Brayshaw. David comes to us with over 30 years' experience in investment and commercial banking with organisations such as Barclays Capital, HSBC, Citigroup and Pilkington plc. David's expertise will complement the Board very well and will be of significant benefit to the Company.

During the half, I offered to step down as Chairman of the Company in light of the shortcomings highlighted in the Working Practices Report, however, following support from the then Chief Executive, Dave Forsey, and the then Executive Deputy Chairman and majority shareholder, Mike Ashley, and my fellow directors, I was persuaded to remain in my role to continue to assist the Company in this challenging period. However, at this year's AGM, I did not receive the necessary support from a majority of the Company's independent shareholders who voted. As a consequence I must stand for re-election at a General Meeting between 90 and 120 days following the AGM. This Meeting has been set for 5 January 2017, the Notice of which will be sent to shareholders and lodged on the Company's website tomorrow.

In relation to the Board's commitment to undertake a review of the Company's corporate governance, the Board has continued a constructive dialogue with the Company's independent shareholders via The Investor Forum and is in the process of selecting an independent Chairperson to undertake the review.

Additionally during the half, the Company announced that Mike Ashley had recommended (and the Board agreed) that in future there should be a Worker's Representative appointed to the Board to give workers a direct voice at the highest level. Facilitating a direct dialogue between the Board and our people is an initiative that we think is fundamental to maintaining the culture of the Company. We continue to develop this initiative and will take into account the ongoing work of the Government and other think tanks in this area ahead of any implementation.

Our actions towards protecting the Sports Direct family
In this extended period of upheaval, the morale of the Group has suffered, and it will take time to restore. To provide an update on our actions since the release of the Working Practices Report on 6 September 2016, the Company has implemented a number of initiatives, as outlined below:

- **Working practices:** We continue to invest in development of our people and have assessed additional training and development needs across our warehouse teams;
- **Grievance procedure:** The so-called 'six strikes' policy operated by our employment agencies has been replaced by a standard grievance procedure which creates a better balance between rights of workers and disciplinary needs;
- **'Zero Hours' review:** Initial indications are that demand to move from 'zero hours' contracts is low. The Group will extend its consultation across the business, and now include exploring arrangements that may prove more attractive;
- **Staff migration:** We are pleased to report that an initial test group of agency staff have accepted permanent employment contracts with the Group.

Regarding the Business, Energy and Industrial Strategy Committee's (the "BEIS") inquiry into the working practices at the Company, we continue to liaise with the BEIS when appropriate and most recently we have offered its Chair, Iain Wright MP, the opportunity to attend Shirebrook to meet with a representative sample of 500 of our workforce in order to get a balanced view of life at the company.

In terms of long term incentives, with the 2015 Share Scheme having fallen away in FY16, the Board and management team have been working to develop a new incentive scheme for the Group, and this remains the case. As announced today, as a result of the continued volatility in Sports Direct's share price, the Company has committed to delivering a minimum value for share awards made under the 2011 Share Scheme and which are due to vest to participating eligible employees in September 2017. The minimum value will be fixed at £3 for each share awarded to participants and will be delivered via a flexible cash bonus arrangement which will operate, as necessary, to top up the market value of their shares on exercise by the participant. This arrangement will last for 4 years from the date of vesting, and is designed to reduce the impact of recent share price volatility on the financial outcomes of our people.

Related party arrangements
The Company has entered into an agreement with Double Take Limited ("Double Take"), a company owned by Mash Holdings Limited (of which Mike Ashley is the 100% shareholder) and in which Matilda Ashley, Mike Ashley's daughter, is a director. Under the agreement, Double Take licences the Group the exclusive rights to the cosmetic brand, SPORT FX. No royalties or other fees are payable to Double Take for these rights until September 2019 at the earliest, when this fee arrangement will be reviewed on a going forwards basis. It should be noted that the Group (rather than Double Take) owns the rights to SPORT FX for clothing, footwear and sports equipment. This is disclosed in Note 10 to the accounts.

Commercial arrangements
The Company has a contract in place with Barlin Delivery Limited, a company 100% owned by John Ashley, who is the brother of Mike Ashley. This contractual arrangement was entered into under market terms, and makes good commercial sense for the Company and its shareholders.

MM Prop Consultancy Ltd, a company owned and controlled by Michael Murray, continues to provide property consultancy services to the group. MM Prop Consultancy Ltd is primarily tasked with finding and negotiating the acquisition of new sites for both our larger format stores and our combined retail and gym units but it also provides advice to the Company's in-house property team in relation to existing sites both in the UK and in Europe.

MM Prop Consultancy Ltd fees are linked directly to value creation which is determined by the Company's non-executive directors who independently review performance bi-annually with a view to determining, at their absolute and sole discretion, the quantum of the fee payable. Under the terms of the agreement with MM Prop Consultancy Ltd no fees are payable until the earliest of 30th September 2018 so that the Company's independent non-executive directors have a sufficient amount of time to assess performance.

Strategy and strategic priorities
At the AGM/Open Day, the Company stated its medium to long term aspiration to make Sports Direct the "Selfridges" of sports retail. The Board and management team are committed to executing this strategic priority and elevating the Group's sports retail proposition, with an initial focus on the Group's UK operations. Further discussion of this initiative can be found in the Chief Executive's Business Review.

During the half, the Group paid €5m to acquire the remaining 49% interest in Cacifo Comercio de Artigos de Desportos S.A., our sports retail business in Portugal, which now means the Group owns 100% of the 17 sports stores that we operate in Portugal.

Additionally, during the half, management appraised a number of the Group's European stores and has determined to change the Group's approach in Europe. Typically the Group had replicated its successful UK customer proposition throughout its European stores, but following this appraisal, the Group will work towards implementing a more tailored approach over the medium term. This change in approach, together with the deterioration of the EUR/USD rate, is expected to result in a sustained weak performance from this business over the medium term.

Viewed together with our strategic ambitions; our focus on improving working conditions; near term succession planning; approach to the International business; and, our review of corporate governance, the Board believes it prudent to pause on actively pursuing strategic acquisitions and investments. However, this does not mean we will not continue to review and consider attractive opportunities that may arise.

Corporate assets and facilities
To facilitate efficiencies relating to the use of management time and the pursuit of the Group's strategic priorities, the Group will be taking delivery of a corporate plane in the coming weeks. It will form part of the Group's corporate assets and facilities, which include:

- A corporate helicopter which is used by senior management, employees and our business partners on a regular basis to visit and connect with our people across our 500+ sites and partner offices throughout the UK;
- A fleet of corporate vehicles which are used to transport employees and business partners to our sites across the UK; and,

- The Best Western Lion Hotel in Worksop and several houses in and around Shirebrook which are used to accommodate employees and business partners on their work visits to our Shirebrook campus. Employees, including the Chief Executive, whose work base is Shirebrook, but who choose to use Company accommodation, pay rent.

Each of the Group's assets and facilities are managed by protocols and procedures which are focused on utilising each for maximum commercial benefit, and their use is reviewed at regular intervals in line with the Group's protocols. The plane is being acquired at a total cost of $51.1m, and to ensure efficient use of this asset and the Group's helicopter the Group also enables these to be chartered at open market rates by third parties or staff in a personal capacity if they are not being used by the Group. The Board believes that these corporate assets generate substantial operational benefits for the Company and enable Sports Direct to operate efficiently across its global footprint.

Capital management
It is the Group's policy to maintain a strong capital base to sustain the development of the business and to maintain investor, creditor and market confidence.

The Board ensures that sufficient capital is retained within the Group to meet its strategic objectives, and to elevate the Group's sports store portfolio, the Company expects to invest c. £300m in freehold property assets per annum over the next 2 – 4 years.

In respect of cash and borrowings, the Board regularly monitors the ratio of net debt to underlying EBITDA, the working capital requirements, and forecasted cash flows, and while no minimum or maximum ratios are set, the objective is to keep net debt to underlying EBITDA below 2.5x. Net Debt to underlying EBITDA is currently 0.2x.

Further to the authority to repurchase shares granted by the Company's shareholders at its 2015 Annual General Meeting, and in light of current volatility in equity markets, the Company announced the intention to commence a share buyback on 28 July 2016, the purpose of which was to reduce the Company's share capital. With the authority to repurchase shares granted by the Company's shareholders at its 2016 Annual General Meeting, the Company announced the continuation of the Share Buyback Programme until the end of the FY17 period. To date, 4,582,085 shares have been bought back during FY17, at a cost of £13.1m.

The Board has decided not to propose a dividend in relation to FY17 H1. The Board remains of the opinion that it is in the best interests of the Group and its shareholders to preserve financial flexibility as we pursue our strategic priorities. The payment of dividends remains under review.

Mike Ashley's shareholding
Further to the statement made by the Company on 7 September 2016, Mike Ashley has confirmed to the Board that it remains the case that he has no current intention to take the Company private, and has indicated his willingness for the Company to confirm this statement publicly.

Thank you to our people
I have no doubt that the extreme political, union and media campaign waged against this Company has not only damaged its reputation and influenced our customers, it has impacted negatively on the morale of our people. I begin to question whether this intense scrutiny is all ethically motivated. One of the most damaging consequences has been for the very people our critics supposedly support. The Board accepts responsibility for our shortcomings, but there has also been disproportionate, inaccurate and misleading commentary. The individuals at the heart of our organisation are blameless. They are increasingly upset and angry at the barrage of detrimental comments about the company which in their view is unjustified. On behalf of the Board I thank every member of staff for their continued loyalty during such testing times. We recognise the massive contribution you have made to the success of this Company and look forward to less stressful times.

Keith Hellawell, QPM
Non-Executive Chairman
8 December 2016

Overview of Financial Performance

Summary of Results

	26 Weeks ended 23 October 2016	26 Weeks ended 25 October 2015	Change
	(£m)	(£m)	%
Revenue	1,637.7	1,433.7	+14.2%
Underlying EBITDA	145.3	218.5	-33.5%
Underlying profit before tax	71.6	166.4	-57.0%
Reported profit before tax	140.2	187.3	-25.1%
	Pence per share		
Underlying EPS(1)	8.5	21.8	-61.1%
Reported EPS(2)	15.6	24.5	-36.3%

(1) and (2) Based on 591.6 million and 592.4 million ordinary shares outstanding in FY17 H1 and FY16 H1, respectively.

Basis of reporting

The financial statements for the Group for the 26 weeks ended 23 October 2016 are presented in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting which has been adopted for use in the EU (IFRS).

The Directors believe that underlying EBITDA, underlying PBT and underlying EPS provide more useful information for shareholders on the underlying performance of the business than the reported numbers and are consistent with how business performance is measured internally. They are not recognised profit measures under IFRS and may not be directly comparable with "adjusted" profit measures used by other companies.

EBITDA is earnings before investment income, finance income and finance costs, tax, depreciation and amortisation and, therefore, includes the Group's share of profit from associated undertakings and joint ventures. Underlying EBITDA is calculated as EBITDA before the impact of realised foreign exchange gains or losses, any exceptional or other non-trading items and costs relating to the Share Schemes.

Business Review

Overview of FY17 H1 financial performance

Overall, consistent with the Company's previous guidance statements, the financial performance of the Group has materially declined on the prior period, with further strategic challenges and currency headwinds expected to continue to adversely impact financial performance over the medium term.

Management have determined to present the Group's segmental disclosures in a different way to that previously reported. Following our recent interaction with the Conduct Committee of the Financial Reporting Council ("FRC") in relation to this matter, and recognising the potential impact of Brexit on the economic characteristics of the countries we trade in through our European retail operations, and reconsidering the prolonged challenges this business is facing and the impact on long term financial performance expectations this will have, we have now presented our International Sports Retail segment separately from UK Sports Retail.

Assisted by the acquisition of the Heatons business in FY16 H2 and favourable movements in foreign exchange rates, Group revenue was up 14.2% to £1,637.7m. Excluding this acquisition and on a currency neutral basis, Group revenue was up 4.2%. Trading conditions remain challenging, particularly in Europe, and we expect this to continue into the foreseeable future.

As guided by the Company earlier this year, gross profit was significantly impacted by unfavourable movements in the GBP/USD rate. Overall, Gross margin for the Group decreased 450 basis points to 40.4% (FY16 H1: 44.9%) due to the impact of the GBP/USD rate movement and the requirement for an increase in provisions for slow-moving stock.

At the AGM/Open Day on 7 September 2016, the Company announced its expectations for FY17 Underlying EBITDA, while also stating that it was unhedged on GBP/USD and that its hedging policy was under review. Since that time, the Company has determined an approach to hedging the GBP/USD rate, which effectively sets an exchange rate range for the Company to operate in, to protect against extreme movements in the rate, and to help to reduce volatility in the Company's gross margin. The approach is executed by putting in place instruments to establish a minimum and maximum exchange rate and order value limit, consistent with the Company's buying cycles. The range and exposure is reviewed regularly by management.

On 7 October 2016, the Company announced that it had recently implemented a GBP/USD hedging arrangement (consistent with the aforementioned approach) and the overnight crash of the GBP/USD rate prior to that announcement led to a minimum limit of the Company being executed, which resulted in a substantial proportion of the Group's buying needs being bought at a rate of 1.19.

As the Company had based its FY17 Underlying EBITDA expectations announced on 7 September 2016 on an average rate of 1.30 for the remainder of FY17, this crystallisation at 1.19 resulted in a negative impact of approximately £15m on the Company's half year result and full year FY17 Underlying EBITDA expectation. Further the Company stated that if the GBP/USD remained at an average rate of 1.20 over the remainder of FY17, this would result in a further £20m impact on the Company's FY17 Underlying EBITDA expectation. The Company recently acquired the remainder of its GBP/USD needs for FY17 at an average rate of 1.2630, which is further discussed in the Company's Outlook Statement. Further discussion of the Company's approach to hedging is provided in the Foreign Exchange section below.

During the half, Group operating costs increased by 21.1% to £516.7m, largely due to the impact of the Heatons acquisition; the effect of movements in the GBP/EUR rates on translation of costs in our European businesses; anticipated increases in wages in the UK Sports Retail business, which includes the Company's Shirebook campus; the extension of the Shirebrook warehouse and office space; and, a decision by management to review our approach to our European sports retail stores, resulting in an increase in our International Sports Retail Division's onerous lease provisions of £15.6m. As a result, Group underlying EBITDA decreased by 33.5% to £145.3m.

The Company stated on 7 September 2016 that depreciation and amortisation was expected to increase to at least £130m in FY17. The Company now expects that depreciation and amortisation will be c. £130m. In FY17 H1, depreciation and amortisation increased by 67.8% to £68.8m largely as a result of a change in capitalisation threshold and a reduction in the useful life of certain assets in our Sports Retail business. Group underlying PBT decreased by 57.0% to £71.6m (FY16 H1: £166.4m). Underlying EPS similarly decreased by 61.1% to 8.5p.

Reported profit before tax decreased by 25.1% to £140.2m. Included within this figure is a £55.8m loss on the fair value of forward foreign exchange contracts that do not qualify for hedge accounting, a £145.8m profit on disposal of listed investments, including JD Sports, and £13.9m of exceptional items relating to the write down of certain non-core brands intangibles. Reported EPS similarly decreased by 36.3% to 15.6p.

The Group generated underlying free cash flow of £129.5m during the period, down from £175.1m in the prior year as a result of the decrease in Underlying EBITDA, offset by a gain on forward exchange contracts maturing in the period. FY17 H1 capital expenditure amounted to £287.0m, which included £261.0m of investment in 16 freehold properties across the UK and International Sports Retail divisions (which includes the acquisition of the Oxford Street site). The Company retains in excess of £500m of capacity in its revolving credit facility (limit of £788m).

Consistent with the Company's active management of the its portfolio of strategic assets and investments, during the period, the Company took the decision to sell down its stake in JD Sports and other investments, which resulted in net proceeds on disposal of investments of £160.5m. This gain positively assisted Net Debt which decreased to £72.0m at the period end (£99.7m at 24 April 2016), equating to 0.2 times LTM EBITDA(1) (FY16 H1: 0.1 times).

(1) LTM EBITDA is the last twelve months historic underlying EBITDA.

UK Sports Retail financial performance

	26 weeks ended 23 October 2016 (£m)	26 weeks ended 25 October 2015 (£m)	Change %
Retail			
Revenue	1,093.2	1,000.7	+9.2
Cost of Sales	(653.4)	(537.3)	+21.6
Gross Profit	**439.8**	**463.4**	**-5.1**
Gross Margin %	**40.2%**	**46.3%**	**-610**
Wholesale and Other Gross Profit	**13.4**	**8.7**	**54.0**
Operating costs	(313.9)	(267.7)	+17.3
Associates	-	(0.3)	-100
UK Sports Retail Underlying EBITDA	**139.3**	**204.1**	**-31.7**

The UK Sports Retail segment includes all of the Group's sports retail store operations in the UK, all of the Group's Sports Online business, the Group's Fitness Division, and the Group's Shirebrook campus operations, as well as the Heatons Northern Ireland stores. UK Sports Retail is the main driver of the Group and accounts for over 67% of Group revenue.

Store Portfolio	**As at 23 October 2016**	**As at 25 October 2015**
Stores at Year End	454	455
Opened	4	28
Closed	8	13

SPORTSDIRECT.com fascia	437	437
Other	17	18
Area (sq. ft.)	c.5.0m*	c.5.0m*

This implies a range between 4.75m sq. ft. – 5.25m sq. ft.

Heatons stores are not included within the above. We operate seven combination Sports Direct/Heatons stores and 8 standalone Sports Direct fascia stores in Northern Ireland.

UK Sports Retail continues to generate a robust sales performance, with organic revenue growth on a constant currency basis of 5.6% during FY17 H1 (1), which has largely been driven by space growth and growth in online sales. Revenue in our Fitness Division has also grown in the period, driven by the opening of three gyms since the prior year and membership growth in our existing gyms.

Including the impact of the acquisition of Heatons, UK Sports Retail achieved sales growth of 9.2%(1). The integration of the Heatons business remains ongoing and management expect to gain further operational benefits as integration of the business continues.

During the period, UK Sports Retail gross margin decreased by 610 basis points to 40.2% (FY16 H1: 46.3%)(1). This was primarily the result of unfavourable movements in the GBP/USD exchange rate and the Group's largely unhedged position on this rate during the period, as described above. It was also impacted by increased clearance activity to reduce the Group's stock levels following the build-up of stock over the FY16 period, and the need for an increased stock provision to cover slow-moving stock.

UK Sports Retail's operating costs increased by 17.3% to £313.9m in FY17 H1 including Heatons, and by 13.7% excluding Heatons. The movement excluding acquisitions was driven by increased provisions for the outcome of potential claims against the Group, planned wage increases and increased operating costs relating to our Shirebook warehouse extension. As a result, UK Sports Retail underlying EBITDA reduced by 31.7% to £139.3m (FY16 H1: £204.1m) including acquisitions.

(1) Retail and online only, excludes wholesale and other.

International Sports Retail financial performance

	26 weeks ended 23 October 2016 (£m)	**26 weeks ended 25 October 2015 (£m)**	**Change %**
Revenue	330.2	198.8	+66.1
Cost of Sales	(199.2)	(108.6)	+83.4
Gross Profit	**131.0**	**90.2**	**+45.2**
Gross Margin %	**39.7%**	**45.4%**	-570bps
Operating costs	(141.7)	(89.6)	+58.1
Associates	0.0	1.8	-
International Sports Retail Underlying EBITDA	**(10.7)**	**2.4**	**-**

The International Sports Retail segment includes all of the Group's sports retail store management and operations outside of the UK, including the Group's European distribution centres in Belgium and Austria. International Sports Retail accounts for over 20% of Group revenue.

Store Portfolio - Europe(1)	**As at 23 October 2016**	**As at 25 October 2015**
Belgium	41	42
Austria	39	44
Estonia (2)	26	25
Lithuania (2)	16	14
Latvia (2)	15	14
Portugal	17	17
Poland	16	11
Slovenia	15	15
Hungary	13	11

Czech Republic	9	6
France	7	7
Cyprus	6	6
Holland	6	6
Slovakia	6	4
Germany	3	3
Luxembourg	2	2
Spain	2	1
Switzerland	0	1
Total	**239**	**229**

(1) Excluding Iceland
(2) Includes only stores with SPORTSDIRECT.com and Sportland fascias

In addition to the above we also operate 29 combination Sportsdirect.com/Heatons stores and 14 standalone Heatons stores in the Republic of Ireland, 23 stores in Malaysia and one store owned by an associate in Iceland.

International Sports Retail achieved sales growth of 66.1%, primarily due to the acquisition of the Heatons Republic of Ireland business in FY16 H2, but also partly due to the translation of sales at an improved EUR/GBP exchange rate. On a constant currency basis and excluding the impact of Heatons, International Sports Retail revenue increased by 9.4%. Sales were ahead of the prior period in most countries, with only Austria, France and Switzerland showing a decline. During the period, gross margin decreased across all countries, and overall by 570 basis points to 39.7% (FY16 H1: 45.4%), largely due to an increase in the provision for slow moving stock and the devaluation of Euro against the Dollar, which we expect to continue to impact Gross Margin in FY17 H2 and FY18.

International Sports Retail's operating costs increased by 58.1% in FY17 H1 due to the inclusion of the Heatons cost base combined with the variance in the EUR/GBP exchange rate. On a constant currency basis and excluding the acquisition of Heatons, International Sports Retail's operating costs increased by 12.0%.

During the period, management appraised a sample of the Group's European stores and have determined to change the Group's approach to its European stores over the medium term. The impact of this initial appraisal is an increase in the provision for onerous leases of £15.6m, which has increased operating costs in the period.

International Sports Retail underlying EBITDA decreased to a loss of £10.7m (FY16 H1: £2.4m profit).

Premium Lifestyle financial performance

	26 weeks ended 23 October 2016 (£m)	**26 weeks ended 25 October 2015 (£m)**	**Change %**
Revenue	83.4	87.7	-4.9
Cost of Sales	(49.9)	(51.5)	-3.1
Gross Profit	**33.5**	**36.2**	**(7.5)**
Gross Margin %	**40.2%**	**41.3%**	-110bps
Operating costs	(33.9)	(41.3)	(17.9)
Premium Lifestyle Underlying EBITDA	**(0.4)**	**(5.1)**	**-92.2**

The Group's Premium Lifestyle division includes the Group's premium lifestyle fascias in the UK: Flannels.com, USC, Cruise and van mildert along with their ecommerce sites.

Store Portfolio	**As at 23 October 2016**	**As at 25 October 2015**
USC	49	54
Flannels.com	12	8
Cruise	10	10
van mildert	7	11
Other	5	7
	83	**90**

Sales in the period were down by 4.9% to £83.4m (FY16 H1: £87.7m), largely due to the closure of loss-making stores in the prior year. We continue to enhance existing space and to work closely with third party brand partners to build our relationships and deliver best in class premium retail destinations.

Gross margin decreased to 40.2% (FY16 H1: 41.3%), again due to a required increase in stock provision in the period.

Operating costs reduced by 17.9% to £33.9m (FY16 H1: £41.3m) as a result of the continued rationalisation of the USC business.

As a result, Premium Lifestyle underlying EBITDA improved from a loss of £5.1m to a loss of £0.4m.

Brands financial performance

	26 weeks ended 23 October 2016 (£m)	26 weeks ended 25 October 2015 (£m)	Change %
Wholesale revenue	95.6	96.5	-0.9
Licensing revenue	17.3	16.0	+8.1
Total Revenue	**112.9**	**112.5**	**+0.4**
Cost of Sales	(68.6)	(67.5)	1.6
Gross Profit	**44.3**	**45.0**	**-1.6**
Wholesale Margin	**28.2%**	**30.1%**	**-190bps**
Gross Margin %	**39.2%**	**40.0%**	**-80bps**
Operating costs	(27.2)	(27.9)	-2.5
Brands Underlying EBITDA	**17.1**	**17.1**	**-**

The Brands division operates our globally renowned heritage Group Brands, and our wholesale and licensing relationships across the world, as well as our partnerships with third party brands that we license-in to sell in Sports Retail and Premium Lifestyle products.

Brands division total revenue increased by 0.4% to £112.9m (FY16 H1: £112.5m). Wholesale revenues were down 0.9% to £95.6m (FY16 H1: £96.5m) largely due to a reduction in activity in third party licensed-in brands in the UK.

Licensing revenues in FY17 H1 increased 8.1% to £17.3m (FY16 H1: £16.0m). Our strategic focus remains on delivering further growth in licensing revenues and during the half, 16 new agreements were signed across 13 new licensees, and the Group renewed some licensees, with total minimums of $8.5m over the life of the contracts. In total, IBML has 407 active licensing agreements, across 282 licensees, with minimum revenues of $265m over the remaining contract lifetime.

Wholesale gross margin decreased 190 basis points to 28.2% (FY16 H1: 30.1%), due to the impact of the movement of the USD exchange rate and increased stock clearance activity. Brands total gross margin decreased by 80 basis points to 39.2% (FY16 H1: 40.0%).

Brands operating costs decreased by 2.5% to £27.2m (FY16 H1: £27.9m) in the period, as a result of the reduced UK wholesale activity, and advertising and promotion costs. We expect investment in key Group Brands to be maintained at similar levels to previous years.

As a result, underlying EBITDA in the division was maintained at £17.1m (FY16 H1 £17.1m).

Outlook

The Group is currently facing a number of strategic challenges across its business model and operations, and currency headwinds, which we expect to continue to adversely impact financial performance over the medium term.

Strategic property investment

- The Group intends to invest in excess of c. £300m per annum on property asset acquisitions over the next 2 – 4 years. The Group's current bank facility has in excess of £500m capacity, and is available until September 2018.
- We expect Group depreciation and amortisation to increase to c. £130m for FY17.

Currency exposure

- 54 months of cover in place on GBP/EUR – a mix of forwards and options gives between €1.1bn and €2.3bn cover.
- As stated above, the Group has hedged the remainder of FY17 GBP/USD requirements, but remains unhedged on FY18 and beyond.

Overall

- The Company expects FY17 Underlying EBITDA to be around the bottom of the range implied by the Company's announcement of 7 October 2016 (£265m - £285m), subject to no unforeseen events and continuation of current trading conditions.

Update on the Group's strategic priorities

To address our strategic challenges, the Board and management team's medium to long term strategic priorities are:
1. ***One Team, One Goal:*** restore our morale and protect the Sports Direct Family;
2. ***Elevate the Group's sports retail proposition:*** working to elevate the sports retail proposition over the medium to long term, initially focusing on the UK, and tailoring our retail proposition in Europe;
3. ***Improving stakeholder engagement:*** post the corporate governance review, developing a plan to improve our approach to and engagement with stakeholders, consistent with the Group's principals to be very open, very prudent and very compliant.

1. One Team, One Goal

Our people are our number one priority. As stated, there are a number of improvements that have been made since the Board commenced its review of working practices in December 2015 and commissioned and received the Working Practices Report earlier this year, as discussed in the Chairman's Statement. Our review of working practices, which continues to be assisted by RPC, remains ongoing and is extending beyond the warehouse operations.

What has been pleasing is the movement that our people have created in response to the constant criticism we've received over the period, and the second presentation and video that we published today shows a glimpse into that movement. The #SDFamily is a collection of our teams from different parts of the UK coming together to show solidarity with our team and management, and their pride in being part of Sports Direct. This is an insight into the culture that we believe is definitively Sports Direct, and one which the Board and management team is focused on protecting in the future.

2. Elevation of sports retail

The elevation of the sports retail proposition is vital to continuing to strengthen our relationships with our key third party brand partners, deliver benefits for our customers, and drive the Group's long term viability. It spans product, stores, online, and marketing.

The critical enabler to deliver this strategic priority is the Group's active management of its store property portfolio. As highlighted at the AGM/Open Day on 7 September 2016, the Group's key focus is to elevate the store portfolio through acquisitions and relocations. The Board has granted management the flexibility to invest in freehold properties and development projects, which can span vacant buildings, development land or re-development projects, and multi-tenanted schemes or properties, to increase the Group's ability to secure strategic retail locations that are commercially viable, and to ensure an efficient transition of the store portfolio, by aligning store openings with existing lease expiries where possible.

Store portfolio

In the UK at period end, the Group had 454 sports stores, a decrease of four since the year end, with a total of c. 5.0m sq. ft.(1) (FY16 H1: c. 5.0m sq. ft.), including ten larger format stores which demonstrate the elevated proposition, and which currently account for c. 0.4m square feet in total. Additionally, the Group increased the number of SportsDirectFitness.com and Everlast fascia gyms that it operates to 31(2) during the half, and gyms continue to be an important aspect of the New Generation concept to elevate the sports retail proposition.

During the period the Group opened two New Generation concept stores, a c. 38,000 sq. ft. store in Southampton and a c. 70,000 sq. ft. store in Southport. Southport includes not only a Sports Direct store, but also a Flannels store, a USC concession and an Everlast gym together on one site. Both of these properties are freehold investments that we acquired in the prior year.

With the acquisition of the Heatons business, the Group gained 15 stores in Northern Ireland, of which seven stores are combination Heatons/Sportsdirect.com stores fascia and the remaining 8 are standalone Sportsdirect.com fascia stores.

In International Sports Retail, at period end, the Group had 239 stores in Europe (excluding Heatons and Iceland), an increase from 234 at the year end, with a total of c. 3.5m sq. ft.(3) (FY16 H1: c. 3.0m sq. ft.). The change of approach to the Group's European stores is likely to result in a slower rate of future store openings and relocations than in the past.

During the period, the Group opened a further 11 stores across seven different European countries, which included two relocations, and closed six. With the acquisition of Heatons, the Group gained a further 43 stores in the Republic of Ireland, of which 29 stores are combination Heatons/Sportsdirect.com stores fascia and the remaining 14 are standalone Heatons department stores.

We also operate 23 stores (FY16 H1: 16 stores) in Malaysia and one store in Iceland that is owned by an associate.

(1) This implies a range between 4.75m sq. ft. – 5.25m sq. ft.
(2) Excludes an additional gym in West London operated under its own fascia
(3) Includes pre-existing European sports stores only and only stores in the Baltics trading under either the Sportland or Sportsdirect.com fascia. Excludes Heatons. This implies a range between 3.0m sq. ft. – 4.0m sq. ft.

Online

During the period the Group's marketing and ecommerce division has significantly re-styled and elevated our fascias' and brands' online presence in line with the elevation of the sports retail proposition. Adding to the Group's suite of fully responsive ecommerce sites and websites, the Group has launched an ecommerce app for Sportsdirect.com, which is also skinned for the Premium Lifestyle fascia, Flannels, and the Premium Lifestyle brand, Firetrap. The app is driven by the Group's centralised web platform, and is compatible with both Android and ios. The Group is currently improving the seamless feel and customer experience across the app and web. As part of our elevation and in working closer with our third party brand partners, during the period Sports Direct was the sole retail partner on an exclusive style of Nike's CR7 boot, and we worked with Nike to deliver a first time 'take over' of the SportsDirect.com website and app, which was a new level for the Group's collaboration with Nike.

Marketing of third party brands
Consistent with elevation of the sports retail proposition, in Sports Retail, the Group has moved towards clean, brand- and category-led campaigns, in contrast to our previous focus on offer-led campaigns. Our key third party brand partners are supporting this elevation with greater marketing assets in-store and online, and we have collaborated on the first major co-branded campaigns which were launched in November 2016. These included the exclusive style of Nike CR7 football boot, which is only available in SportsDirect.com stores, and the adidas Ace 17 football boot.

The Group has consistently applied the same principals across the Premium Lifestyle fascias and we are working closely with third party brand partners to deliver brand-led campaigns, and best-in-class visual merchandising.

Marketing of Group Brands
The Group has elevated the marketing of the Group's Brands, consistent with our priority and the marketing of our third party brands. The Group enhanced a number of brand profiles with ambassadors including launching the Little Mix co-branded range in November 2016; launching a Slazenger swimwear range by Becky Adlington in November 2016; and, Karrimor winning a total of six awards at the Men's and Women's Running awards, which included gold for the Best High Visibility Product, Best Support Shoe and Best Newcomer Shoe.

3. Improving stakeholder engagement
We have recognised the need to improve communications with stakeholders, and today we have stated a Company engagement approach which outlines how the Company intends to engage with the financial community and media. This can be found on the Company's website.

The Group intends to consider the recommendations of the Company's forthcoming Corporate Governance Review as the basis of developing a plan in accordance with our principles of being very open, very prudent and very compliant in our approach to engagement and communications. On completion of the Corporate Governance Review, we expect to progressively assess our approach and identify how we can improve it in the best interests of all stakeholders.

Mike Ashley
Chief Executive
8 December 2016

Reconciliation of reported to underlying results

	Note	EBITDA		PBT	
		FY17 H1	FY16 H1	FY17 H1	FY16 H1
		£m	£m	£m	£m
Operating profit		**80.0**	**131.3**		
Depreciation		**63.6**	**37.7**		
Amortisation		**5.2**	**3.0**		
Impairment		**-**	**0.3**		
Share of profit of associated undertakings		**-**	**1.5**		
Reported EBITDA/PBT		**148.8**	**173.8**	**140.2**	**187.3**
Realised FX gain/(loss)		**(18.6)**	**9.7**	**(18.6)**	**9.6**
IAS 39 foreign exchange fair value adjustment on forward currency contracts		**-**	**-**	**55.8**	**(1.3)**
Gain on disposal of listed investments and fair value movement on derivative agreements	**4**	**-**	**-**	**(119.7)**	**(53.6)**
Exceptional items	**3**	**13.9**	**24.1**	**13.9**	**24.1**
Impairment			**-**	**-**	**0.3**
Share scheme charge		**1.2**	**10.9**	**-**	**-**
Underlying EBITDA/PBT		**145.3**	**218.5**	**71.6**	**166.4**

Fair value movement in derivative agreements represents the movement in fair value of equity options in the period.

Underlying EBITDA by Business Segment

	FY17 H1	FY16 H1	
	£m	£m	
UK Sports Retail	**139.3**	**204.1**	**(31.7%)**
International Sports Retail	**(10.7)**	**2.4**	**-**
Premium Lifestyle	**(0.4)**	**(5.1)**	**(92.2%)**
Brands	**17.1**	**17.1**	**-**
Group Underlying EBITDA	**145.3**	**218.5**	**(33.5%)**

Foreign exchange

The Group manages the impact of currency movements through the use of forward fixed rate currency purchase and sales contracts and written option contracts. The Group's strategy is to hold or hedge up to five years of anticipated Euro denominated on-line sales and US dollar purchases. Both forwards and options are used as part of our overall risk management strategy, but only forward contracts are used as part of our hedging strategy. This hedging strategy has been approved by the board. Holding an option as well as a forward, whilst increasing risk, allows the business to achieve a better contracted rate for the forward. The group has an ongoing requirement to purchase USD and to sell Euros, and therefore these option arrangements have a direct relationship to the Group's future business needs. Should the Group wish to mitigate its potential losses on options these can be closed out without the need to cancel the forward.

Recent changes to our approach to managing foreign exchange exposure to USD/GBP movements is included in the Overview of Financial Performance.

Following the outcome of the EU referendum, we are aware of the associated market volatility and in particular material changes to sterling / dollar and sterling/Euro exchange rates, and the lack of transparency as to how those rates will move in the short to medium term. These factors are likely to impact US dollar purchases and therefore profitability for which the Company is currently not hedged beyond FY17.

There is also a potential exposure in relation to the Euro forward sales contracts and written option arrangements that the Group is party to, although we would highlight that the contracted rates on the forward contracts are favourable to underlying Euro/sterling rates experienced during FY16, and therefore the impact on reported underlying earnings in the half year to date has been limited.

As at 23rd October 2016 the Group was party to €1,140m of Euro sale forward contracts that qualify for hedge accounting and €1,140m of written option contracts that do not.

The forward contracts will be covered by our forecast Euro denominated on-line sales over the 54 month period of cover in place. Sales that we make over and above the covered amount, and existing surplus Euros within the business will mitigate the risk associated with the written options.

If sterling depreciates by 10% against the Euro (by reference to October 2016 rates), a fair value loss of £100m would be recognised in the income statement in relation to these option contracts.

The realised exchange gain of £18.6m (FY16 H1: £9.7m loss) included in administration costs has arisen from the translation of Dollar and Euro denominated assets and liabilities at the period end rate or date of realisation.

The exchange loss of £55.8m (FY16 H1: £1.3m gain) included in finance costs substantially represents the increase in the mark-to-market liability made for the Group's unhedged written option contracts as at 23 October 2016. A number of the forward contracts outstanding at 23 October 2016 qualify for hedge accounting and the fair value loss on these contracts has been debited to equity through the Consolidated Statement of Comprehensive Income. The Sterling exchange rate with the US Dollar was $1.440 at 24 April 2016 and $1.223 at 23 October 2016. The sterling exchange rate with the Euro was 1.283 at 24 April 2016 and 1.123 at 23 October 2016.

The fair value of outstanding foreign exchange contracts (hedged and unhedged) are included within the derivative financial assets balance of £51.5m and derivative financial liability balance of £206.7m. The derivative financial liability has increased significantly during the period due to the increase in the mark-to market liability made for the Group's forward and written option contracts as at 23 October 2016.

Given the potential impact of commodity prices on raw material costs, the Group may hedge certain input costs, including cotton, crude oil and electricity.

Taxation

The effective tax rate on profit before tax for FY17 H1 was 33.3% (FY16 H1: 21.3%). The underlying effective tax rate for FY17 H1 was 28.7% (FY16 H1: 22.0%). The difference between the prevailing corporate tax rate of 20% and the effective rate reflects depreciation on non-qualifying assets, unrelieved overseas losses and the derecognition of deferred tax assets following the appraisal of our International Retail business. We expect the full year underlying effective tax rate to be broadly similar.

Strategic investments

During the period the Group disposed of its remaining 9,920,000 shares in JD Sports and on 23 October 2016 held no shares in the company.

On 5 May 2016 the maturity date of the Put Option put in place on 23 January 2015 referencing 128,927,113 ordinary shares of Debenhams (10.5% of the share capital of Debenhams plc) was extended by 12 months.

The Group no longer holds an economic interest in Dicks Sporting Goods Inc. and continues to hold an economic interest in Iconix Brand Group Inc. of c.12%.

The Group continues to hold an interest in Findel plc representing 29.90% of the issued share capital; MySale Group plc, representing 4.8% of the issued share capital; and, Highland Group Holdings Limited representing 11.11% of the issued share capital.

These stakes allow us to develop a relationship and potentially develop commercial partnerships with the relevant party and assist in building relationships with key suppliers and brands.

The fair value of equity derivative agreements is included within the derivative financial assets balance of £51.5m and derivative financial liability balance of £206.7m.

Cash flow and net debt

The Group has a working capital facility of £788m. The facility is available until September 2018 and is not secured against any of the Group's fixed assets.

The Group continues to operate well within its banking covenants and the Board remains comfortable with the Group's available headroom.

Net debt decreased during the period to £72.0m (24 April 2016: £99.6m), which is 0.23 times the last 12 months historic underlying EBITDA (FY16 H1: 0.1 times)

Capital expenditure amounted to £287.0m (FY16 H1: £92.3m), including the acquisition of the Oxford Street site. The Group expects FY17 capital expenditure to be c. £480m, including freehold property acquisitions and the acquisition of a corporate plane as described in the Chairman's Statement.

The analysis of net debt at 23 October 2016 and at 24 April 2016 is as follows:

	At 23 October 2016	At 24 April 2016
	£m	£m
Cash and cash equivalents	188.0	233.8
Borrowings	(260.0)	(333.4)
Net debt	**(72.0)**	**(99.6)**

Cash Flow

	26 weeks ended 23 October 2016 £m	26 weeks ended 25 October 2015 £m
Underlying EBITDA (pre share scheme costs)	145.3	218.5
Realised gain on forward foreign exchange contracts	18.6	(9.7)
Taxes paid	(34.4)	(33.7)
Underlying free cash flow	**129.5**	**175.1**
Invested In:		
Working capital		
Inventory	(14.1)	(116.0)
Receivables, Payables & Other	55.2	17.7
Acquisitions (including debt)	-	(9.2)
Net proceeds from investments	160.5	19.4
Investment income received	0.5	2.1
Purchase of freehold properties	(261.0)	(39.7)
Other capital expenditure	(26.0)	(52.6)
Disposal of freehold property	-	44.0
Finance costs and other financing activities	(3.9)	(1.4)
Purchase of own shares	(13.1)	-
Net decrease in net debt	**27.6**	**39.4**

Areas of estimation and judgement

Areas of estimation and management judgement that impact on the presentation of the groups reported results are as follows:

1. Depreciation – we have reviewed depreciation periods across our International Sports Retail stores business and have reduced these to better align to store lease terms. We have also adjusted our estimates of the useful life of certain assets and the threshold at which we capitalise assets. These revisions, combined with revaluations and impairments of assets in the period has resulted in an additional depreciation charge of £23.5m to the income statement in the half year.

2. Inventory provisions – we have undertaken a review of the risks we consider impact on the levels of inventory provisions required. This has resulted in an increase in overall provisions against inventory and an increased charge in the period. The key risk considered relates to the groups relationships with major third party brands, and the impact that third party brand supplier behaviour has on the obsolescence risk of the groups own brand products. We have also refreshed the methodology used to calculate the detailed provisions.

3. Onerous leases –– we have re-assessed the risks facing our European retail business, and revised downwards the forecast future performance expectations. As a result of this, we have increased the level of onerous lease provisions in the period. The methodology applied in calculating the provision is unchanged and is consistent with that applied across the group as a whole. The impact of this increase is a £15.6m charge to operating costs in the period.

4. Forward currency contracts - judgements are applied in determining whether forward currency contracts qualify for hedge accounting. In this context in many cases forward contracts and written options are entered into at the same time with the same counterparty. However, they are managed separately and are separate legal contracts. Eligibility for hedge accounting includes an assessment of the business purpose of the contracts entered into, the assessed level of counterparty credit risk which can impact hedge effectiveness, and ensuring that the forecast transactions against which the contracts are hedging are considered highly probable.

Further details on the impact of the above estimates and judgements on reported underlying earnings and profit before tax is described in more detail in the Chief Executives statement.

Share Schemes

Management believes that the Share Schemes have been instrumental in the strength of the Group's ongoing performance.

The 2011 Share Scheme was a four year scheme based upon achieving underlying EBITDA (before the costs of the scheme) of £215m in FY12, £250m in FY13, £260m in FY14 and £300m in FY15 coupled with the individual participating eligible employee's satisfactory personal performance. All of the above targets have now been met and 4m shares vested in September 2015. Another c. 17m shares (including the Executive Share Scheme) are due to vest in the summer of 2017, subject to the individual participating employee's continued satisfactory personal performance.

The success of the scheme is demonstrated by ongoing improvements in operational and financial performance including various internal KPIs since the scheme's introduction.

Going concern

The Group is profitable, highly cash generative and has considerable financial resources. The Group is able to operate comfortably within its banking facilities and covenants, which run until September 2018.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the continued uncertain economic outlook. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group should be able to operate within the level of the current facility.

Additionally, the Directors have also considered the Group's reliance upon its key stakeholders, including customers and suppliers and found no over reliance on any particular stakeholder. The Directors are therefore confident that the Group will continue in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the interim financial statements.

Risks, systems and controls

The Board believes that the principal risks and uncertainties for the remaining six months of the current financial year are:

- Disruption or other adverse events affecting the Group's relationship with any of its key brands or brand suppliers which could have an adverse effect on the Group's business.

- The possibility of a deterioration of the economy both in the UK and worldwide and a reduction in consumer confidence and retail spending, which could impact on the performance of the business.

- The Group operates internationally. The majority of foreign contracts relating to the sourcing and sales of Group branded goods are denominated in US Dollars and the Euro, thus leaving exposure to foreign exchange risk. Our approach to managing these risks is set out under foreign exchange earlier in this statement.

- The sports retail industry is highly competitive and the Group currently competes at international, national and local levels with a wide variety of retailers of varying sizes who may have competitive advantages. New competitors may enter the market.

Funding and liquidity for the Group's operations are provided through bank loans , overdraft facilities and shareholders' funds.

The Group maintains a system of controls to manage the business and to protect its assets. We continue to invest in people, systems and IT to manage the Group's operations and to ensure that the Group is financed effectively and efficiently.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- The interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events during the first 26 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

No material related party transactions have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during that period and there have been no changes in related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the current period.

The directors of Sports Direct International plc are listed in the Group's 2016 Annual Report and Financial Statements, but please note that since this time, Dave Forsey and Matt Pearson have resigned.

On behalf of the Board

Mike Ashley
Chief Executive
8 December 2016

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SPORTS DIRECT INTERNATIONAL PLC

FOR THE 26 WEEKS ENDED 23 OCTOBER 2016

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report of Sports Direct International plc for the 26 weeks ended 23 October 2016 which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the related notes. We have read the other information contained in the half-yearly financial report which comprise the Key highlights, Chairman's statement, the Overview of Financial Performance and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company's members, as a body, 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''. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting,'' as adopted by the European Union.

Our Responsibility

Our responsibility is to express a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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''. 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 23 October 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 December 2016

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE 26 WEEKS ENDED 23 OCTOBER 2016

	Notes	26 weeks ended 23 October 2016 £'000	26 weeks ended 25 October 2015 £'000	52 weeks ended 26 April 2016 £'000
Continuing operations:				
Revenue	2	1,637,698	1,433,668	2,904,325
Cost of sales		(975,678)	(790,151)	(1,619,681)
Gross profit		662,020	643,517	1,284,644
Selling, distribution and administrative expenses		(576,177)	(492,405)	(1,021,844)
Other operating income		8,045	4,222	11,137
Exceptional items	3	(13,887)	(24,059)	(50,759)
Operating profit	2	80,001	131,275	223,178
Investment income	4	146,324	54,808	148,148
Investment costs	5	(26,122)	-	-
Finance income		4	1,676	3,362
Finance costs	6	(60,020)	(2,046)	(15,330)
Share of profit of associated undertakings and joint ventures		-	1,539	2,449
Profit before taxation		140,187	187,252	361,807
Taxation		(46,741)	(39,771)	(82,826)
Profit for the period	2	93,446	147,481	278,981
Attributable to:				
Equity holders of the Group		92,465	145,424	277,415
Non-controlling interests		981	2,057	1,556
Profit for the period	2	93,446	147,481	278,981

Earnings per share from total and continuing operations attributable to the equity shareholders

		Pence per share	Pence per share	Pence per share
Basic earnings per share	7	15.6	24.5	46.8
Diluted earnings per share	7	15.2	23.1	45.5
Underlying basic earnings per share	7	8.5	21.8	35.5

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 23 OCTOBER 2016

	Notes	26 weeks ended 23 October 2016 £'000	26 weeks ended 25 October 2015 £'000	52 weeks ended 24 April 2016 £'000
Profit for the period	2	93,446	147,481	278,981
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses)/gains on defined benefit pension schemes		(8,779)	2,055	(5)
Taxation on items not reclassified		1,711	(432)	34
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		70,810	(12,122)	12,404
Exchange differences on hedged contracts – recognised in the period		(91,497)	(6,852)	(5,685)
Exchange differences on hedged contracts – reclassified and reported in net profit		(5,864)	(31,931)	(63,679)
Exchange differences on hedged contracts – taxation taken to reserves		14,189	-	16,376
Fair value adjustment in respect of available for sale financial assets – recognised in the period		26,633	80,700	115,281
Fair value adjustment in respect of available for sale financial assets – reclassified in the period		(129,298)	(36,460)	(106,168)
Taxation on items subsequently reclassified		-	8,125	(1,837)
Other comprehensive income for the period, net of tax		(122,095)	3,083	(33,279)
Total comprehensive income for the period		(28,649)	150,564	245,702
Attributable to:				
Equity holders of the Parent		(29,630)	148,507	244,136
Non-controlling interests		981	2,057	1,556
		(28,649)	150,564	245,702

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 23 OCTOBER 2016

	Notes	23 October 2016 £'000	25 October 2015 £'000	24 April 2016 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		833,648	443,375	585,876
Intangible assets		216,352	216,554	208,569
Investments in associated undertakings and joint ventures		18,422	48,121	16,635
Available-for-sale financial assets		73,016	212,743	193,355
Deferred tax assets		71,996	43,748	43,984
		1,213,434	964,541	1,048,419
Current assets				
Inventories		716,255	633,058	702,158
Trade and other receivables		290,808	212,663	292,589
Derivative financial assets		51,519	62,849	82,527
Cash and cash equivalents		187,976	163,308	234,163
		1,246,558	1,071,878	1,311,437
TOTAL ASSETS		2,459,992	2,036,419	2,359,856
EQUITY AND LIABILITIES				
Share capital		64,060	64,060	64,060
Share premium		874,300	874,300	874,300
Treasury shares		(69,382)	(56,234)	(56,234)
Permanent contribution to capital		50	50	50
Capital redemption reserve		8,005	8,005	8,005
Foreign currency translation reserve		97,650	2,314	26,840
Reverse combination reserve		(987,312)	(987,312)	(987,312)
Own share reserve		(33,726)	(33,726)	(33,726)
Hedging reserve		(75,092)	40,013	8,080
Retained earnings		1,458,295	1,380,031	1,482,331
		1,336,848	1,291,501	1,386,394
Non-controlling interests		(1,835)	(1,175)	(1,666)
Total equity		1,335,013	1,290,326	1,384,728
Non-current liabilities				
Borrowings	8	259,839	182,812	333,063
Retirement benefit obligations		21,621	11,718	13,065
Deferred tax liabilities		20,433	38,092	21,590
Provisions		85,151	45,834	66,802
		387,044	278,456	434,520
Current liabilities				
Derivative financial liabilities		206,652	7,081	61,704
Trade and other payables		453,950	422,193	426,741
Borrowings	8	118	814	769
Current tax liabilities		77,215	37,549	51,394
		737,935	467,637	540,608
Total liabilities		1,124,979	746,093	975,128
TOTAL EQUITY AND LIABILITIES		2,459,992	2,036,419	2,359,856

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE 26 WEEKS ENDED 23 OCTOBER 2016

	Notes	26 weeks ended 23 October 2016	26 weeks ended 25 October 2015	52 weeks ended 24 April 2016
		£'000	£'000	£'000
Cash inflow from operating activities	9	205,122	110,613	135,589
Income taxes paid		(34,376)	(33,735)	(69,881)
Net cash inflow from operating activities		170,746	76,878	65,708
Cash flow from investing activities				
Proceeds on disposal of property, plant and equipment		-	44,000	44,000
Proceeds on disposal of listed investments		179,143	56,367	181,342
Purchase of associate, net of cash acquired		-	(9,218)	(9,078)
Purchase of subsidiaries, net of cash acquired		-	-	(24,013)
Purchase of intangible assets		-	(29)	(124)
Purchase of property, plant and equipment		(287,029)	(92,230)	(206,977)
Purchase of listed investments		(18,639)	(36,988)	(89,213)
Investment income received		499	2,050	2,778
Finance income received		4	326	3,362
Net cash outflow from investing activities		(126,022)	(35,722)	(97,923)
Cash flow from financing activities				
Finance costs paid		(3,888)	(1,739)	(7,720)
Borrowings drawn down		90,039	117,182	267,390
Borrowings repaid		(163,575)	(71,258)	(71,258)
Purchase of own shares		(13,148)	-	-
Net cash outflow from financing activities		(90,572)	44,185	188,412
Net (decrease) / increase in cash and cash equivalents including overdrafts		(45,848)	85,341	156,197
Cash and cash equivalents including overdrafts at beginning of period		233,702	77,505	77,505
Cash and cash equivalents including overdrafts at the period end		187,854	162,846	233,702

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 26 WEEKS ENDED 23 OCTOBER 2016

	Treasury shares £'000	Foreign currency translation £'000	Own share reserve £'000	Retained earnings £'000	Other reserves £'000	Total attributable to owners of the parent £'000	Non-controllin g interests £'000	Total £'000
At 26 April 2015	**(56,234)**	**14,436**	**(13,251)**	**1,181,511**	**37,899**	**1,164,361**	**(2,810)**	**1,161,551**
Share-based payments	-	-	-	6,482	-	6,482	-	6,482
Vesting of Share-based payments	-	-	8,963	(8,963)	-	-	-	-
Current tax on share schemes	-	-	-	5,407	-	5,407	-	5,407
Deferred Tax on share schemes	-	-	-	(3,818)	-	(3,818)	-	(3,818)
Purchase of own shares	-	-	(29,438)	-	-	(29,438)	-	(29,438)
Non-controlling Interest - acquisition							(422)	(422)
Transactions with owners	**-**	**-**	**(20,475)**	**(892)**	**-**	**(21,367)**	**(422)**	**(21,789)**
Profit for the financial period	-	-	-	145,424	-	145,424	2,057	147,481
Dividends received	-	-	-	-	-	-	-	-
Cashflow hedges								
– recognised in the period	-	-	-	-	(6,852)	(6,852)	-	(6,852)
– reclassification	-	-	-	-	(31,931)	(31,931)	-	(31,931)
Actuarial losses on defined benefit pension schemes	-	-	-	2,055	-	2,055	-	2,055
Fair value adjustment in respect of available for sale financial assets	-	-	-	44,240	-	44,240	-	44,240
Taxation on items taken to comprehensive income	-	-	-	7,693	-	7,693	-	7,693
Translation differences – group	-	(12,122)	-	-	-	(12,122)	-	(12,122)
Total comprehensive income	**-**	**(12,122)**	**-**	**199,412**	**(38,783)**	**148,507**	**2,057**	**150,564**
At 25 October 2015	**(56,234)**	**2,314**	**(33,726)**	**1,380,031**	**(884)**	**1,291,501**	**(1,175)**	**1,290,326**

	Treasury shares £'000	Foreign currency translation £'000	Own share reserve £'000	Retained earnings £'000	Other reserves £'000	Total attributable to owners of the parent £'000	Non-controllin g interests £'000	Total £'000
At 24 April 2016	**(56,234)**	**26,840**	**(33,726)**	**1,482,331**	**(32,817)**	**1,386,394**	**(1,666)**	**1,384,728**
Share-based payments	-	-	-	666	-	666	-	666
Deferred Tax on share schemes	-	-	-	(2,211)	-	(2,211)	-	(2,211)
Purchase of own shares	(13,148)	-	-	-	-	(13,148)	-	(13,148)
Changes to non-controlling Interest	-	-	-	(5,223)	-	(5,223)	(1,150)	(6,373)
Transactions with owners	**(13,148)**	**-**	**-**	**(6,768)**	**-**	**(19,916)**	**(1,150)**	**(21,066)**
Profit for the financial period	-	-	-	92,465	-	92,465	981	93,446
Cash flow hedges								
– recognised in the period	-	-	-	-	(91,497)	(91,497)	-	(91,497)
– reclassification	-	-	-	-	(5,864)	(5,864)	-	(5,864)
– taxation	-	-	-		14,189	14,189	-	14,189
Actuarial losses on defined benefit pension schemes	-	-	-	(8,779)	-	(8,779)	-	(8,779)
Fair value adjustment in respect of available for sale financial assets	-	-	-	(102,665)	-	(102,665)	-	(102,665)
Taxation on items taken to comprehensive income	-	-	-	1,711	-	1,711	-	1,711
Translation differences – group	-	70,810	-	-	-	70,810	-	70,810
Total comprehensive income	**-**	**70,810**	**-**	**(17,268)**	**(83,172)**	**(29,630)**	**981**	**(28,649)**
At 23 October 2016	**(69,382)**	**97,650**	**(33,726)**	**1,458,295**	**(115,989)**	**1,336,848**	**(1,835)**	**1,335,013**

The Company holds 46,719,593 ordinary shares in Treasury (FY16 H1: 42,137,508). The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

At 23 October 2016, the Sports Direct Employee Benefit Trust held 5,728,418 shares.

The credit for the share based payment charge does not equal the charge per the income statement as it excludes amounts recognised in the balance sheet in relation to the expected national insurance contributions for the shares.

1. **General information and basis of preparation**

The results for the first half of the financial year have not been audited and are prepared on the basis of the accounting policies set out in the Group's 2016 Annual Report and Financial Statements. The financial information in the Group's Annual Report and Financial Statements is prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").The Interim Results have been prepared in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting" as endorsed by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority (DTR). The principal accounting policies have remained unchanged from the prior financial information for the 52 weeks ended 24 April 2016. This consolidated financial information for the period does not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The summary of results for the 52 weeks ended 24 April 2016 is an extract from the published Annual Report and Financial Statements which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s498 (2) or s498 (3) of the Companies Act 2006.

2. Segmental analysis

Operating segments

Management have determined to present its segmental disclosures in a different way to that previously reported. Following our recent interaction with the Conduct Committee of the FRC in relation to this matter, and recognising the potential impact of Brexit on the economic characteristics of the countries we trade in through our European retail operations, and reconsidering the prolonged challenges this business is facing and the impact on long term financial performance expectations this will have, we have now presented our International Sports Retail Stores segment separately from UK Sports Retail. We continue to monitor the impacts of Brexit, and the continued uncertainties this has brought relating to the political and economic environments, and market and currency volatility in the countries we operate in. European countries have been identified as operating segments and have been aggregated into a single operating segment as permitted under IFRS 8. The decision to aggregate these segments was based on the fact that they each have similar economic characteristics, similar long term financial performance expectations, and are similar in each of the following respects:

- The nature of the products
- The type or class of customer for the products; and
- The methods used to distribute the products

In accordance with paragraph 12 of IFRS 8 the Group's operating segments have been aggregated into the following reportable segments:

1. UK Sports Retail – includes the results of the UK retail network of sports stores along with related websites;
2. International Retail - includes the results International retail network of sports stores;
3. Premium Lifestyle – includes the results of the premium retail businesses such as USC, Cruise and Flannels; and
4. Brands – includes the results of the Group's portfolio of internationally recognised brands such as Everlast, Lonsdale, Dunlop and Slazenger.

The comparative information for the period ended 25 October 2015 has been restated.

Information regarding the Group's reportable segments for the period ended 23 October 2016, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented below:

Segmental information for the 26 weeks ended 23 October 2016:

	Retail				Brands		
	UK Sports Retail	**International Sports Retail**	**Premium Lifestyle**	**Total Retail**	**Total**	**Eliminations**	**Total**
	£'000	£'000		£'000	£'000	£'000	£'000
Sales to external customers	1,111,160	330,159	83,411	1,524,730	112,968	-	1,637,698
Sales to other segments	-	-	-	-	22,283	(22,283)	-
Revenue	1,111,160	330,159	83,411	1,524,730	135,251	(22,283)	1,637,698
Gross profit	453,223	131,028	33,517	617,768	44,252	-	662,020

Operating profit/(loss) before foreign exchange and exceptional items	96,106	(31,479)	(3,449)	61,178	14,140	-	75,318
Operating Profit	115,148	(43,434)	(3,127)	68,587	11,414	-	80,001
Investment income							146,324
Investment costs							(26,122)
Finance income							4
Finance costs							(60,020)
Share of profits of associated undertakings and joint ventures							-
Profit before taxation							140,187
Taxation							(46,741)
Profit for the period							93,446

Reconciliation of operating profit to underlying EBITDA for the 26 week period ending 23 October 2016.

	UK Sports Retail	**International**	**Lifestyle**	**Brands**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Operating profit	115,148	(43,434)	(3,127)	11,414	80,001
Depreciation	41,721	19,445	1,489	992	63,647
Amortisation	418	1,316	1,534	1,926	5,194
Reported EBITDA	157,287	(22,673)	(104)	14,332	148,842
Charges for the Share Scheme	1,189	-	-	-	1,189
Exceptional items	2,844	1,379	-	9,664	13,887
Realised FX Loss	(21,886)	10,576	(322)	(6,938)	(18,570)
Underlying EBITDA (pre-scheme costs)	139,434	(10,718)	(426)	17,058	145,348

Sales to other segments are priced at cost plus a 10% mark-up.

Segmental information for the 26 weeks ended 25 October 2015 (restated):

	Retail						
	UK Sports Retail	International Sports Stores	Premium Lifestyle	Total Retail	Brands Total	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sales to external customers	1,034,741	198,777	87,686	1,321,204	112,464	-	1,433,668
Sales to other segments	-	-	-	-	15,796	(15,796)	-
Revenue	1,034,741	198,777	87,686	1,321,204	128,260	(15,796)	1,433,668
Gross profit	472,069	90,242	36,190	598,501	45,016	-	643,517
Operating profit/(loss) before foreign exchange and exceptional items	164,443	(7,330)	(6,617)	150,496	14,512	-	165,008
Operating Profit	158,119	(23,484)	(20,381)	114,254	17,021		131,275
Investment income							54,808
Finance income							1,676
Finance costs							(2,046)
Share of profits of associated undertakings and joint							1,539

Profit before taxation	187,252
Taxation	(39,771)
Profit for the period	147,481

Reconciliation of operating profit to underlying EBITDA for the 26 week period ending 25 October 2015.

	UK Sports Retail	International	Lifestyle	Brands	Total
	£'000	£'000	£'000	£'000	£'000
Operating profit	158,119	(23,484)	(20,381)	17,021	131,275
Depreciation	27,709	7,942	1,056	962	37,669
Amortisation	624	48	742	1,622	3,036
Impairment	262	25	-	-	287
Share of profit of associated undertakings	(258)	1,797	-	-	1,539
Reported EBITDA	186,456	(13,672)	(18,583)	19,605	173,806
Charges for the Share Scheme	10,911	-	-	-	10,911
Exceptional items	(8,397)	18,873	13,583	-	24,059
Realised FX Loss	14,721	(2,719)	181	(2,509)	9,674
Underlying EBITDA (pre-scheme costs)	203,691	2,482	(4,819)	17,096	218,450

Sales to other segments are priced at cost plus a 10% mark-up.

Segmental information for the 52 weeks ended 24 April 2016:

This information is available in the 2016 annual report.

3. Exceptional items

	26 weeks ended 23 October 2016 (£'000)	26 weeks ended 25 October 2015 (£'000)	52 weeks ended 24 April 2016 (£'000)
Profit on disposal of freehold property	-	12,197	13,541
Impairment, accelerated depreciation and amortisation	(13,887)	(32,456)	(58,544)
Provision against receivables and other	-	(3,800)	(5,756)
	(13,887)	(24,059)	(50,759)

The impairment relates to the write down of certain non-core brands which are no longer considered to have value to the Group.

4. Investment income

	26 weeks ended 23 October 2016 (£'000)	26 weeks ended 25 October 2015 (£'000)	52 weeks ended 24 April 2016 (£'000)
Profit on disposal of available-for-sale financial assets	145,825	-	135,576
Dividend income from investments	499	1,238	1,619
Fair value gain on derivative instruments	-	53,570	10,953
	146,324	54,808	148,148

The gain on disposal of listed investments mainly relates to the profit on disposal of JD Sports shares in the period.

5. Investment costs

	26 weeks ended 23 October 2016 (£'000)	26 weeks ended 25 October 2015 (£'000)	52 weeks ended 24 April 2016 (£'000)
Fair value loss on derivative instruments	(26,122)	-	-

	(26,122)	-	-

6. Finance costs

	26 weeks ended 23 October 2016 (£'000)	26 weeks ended 25 October 2015 (£'000)	52 weeks ended 24 April 2016 (£'000)
Interest on bank loans and overdrafts	3,713	1,751	7,512
Interest on other loans and finance leases	383	156	592
Interest on retirement benefit obligations	108	139	426
Fair value adjustment to forward foreign exchange contracts (1)	55,816	-	6,800
	60,020	2,046	15,330

(1) The fair value adjustment to written currency option contracts relates to movement between the fair values of the written options that do not qualify for hedge accounting.

7. Earnings per share

For diluted earnings per share, the weighted average number of shares, 591,605,484 (FY16 H1: 592,409,163), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's share schemes, being 16,667,000 (FY16 H1: 38,000,000) to give the diluted weighted average number of shares of 608,272,484 (FY16 H1: 630,409,163).

The number of dilutive ordinary shares under the Group's share schemes has been calculated on a weighted average basis to take account of any shares that vested during the period.

Basic and diluted earnings per share

	26 weeks ended 23 October 2016 Basic £'000	26 weeks ended 23 October 2016 Diluted £'000	26 weeks ended 25 October 2015 Basic £'000	26 weeks ended 25 October 2015 Diluted £'000	52 weeks ended 24 April 2016 Basic £'000	52 weeks ended 26 April 2016 Diluted £'000
Profit for the period attributable to the equity holders of the Group	92,465	92,465	145,424	145,424	277,415	277,415
	Number in thousands		Number in thousands		Number in thousands	
Weighted average number of shares	591,605	608,272	592,409	630,409	592,573	610,240
	Pence per share		Pence per share		Pence per share	
Earnings per share	15.6	15.2	24.5	23.1	46.8	45.5

Underlying earnings per share

The underlying earnings per share reflects the underlying performance of the business compared with the prior year and is calculated by dividing underlying earnings by the weighted average number of shares. Underlying earnings is used by management as a measure of profitability within the Group. Underlying earnings is defined as profit for the period attributable to equity holders of the parent for each financial period but excluding the post-tax effect of realised foreign exchange in selling and administration costs, the IAS 39 fair value adjustment on derivative financial instruments in finance income/costs, exceptional costs and the profit/loss on sale of strategic investments.

	26 weeks ended 23 October 2016 Basic £'000	26 weeks ended 23 October 2016 Diluted £'000	26 weeks ended 25 October 2015 Basic £'000	26 weeks ended 25 October 2015 Diluted £'000	52 weeks ended 24 April 2016 Basic £'000	52 weeks ended 24 April 2016 Diluted £'000
Profit for the period	92,465	92,465	145,424	145,424	277,415	277,415
Post tax adjustments to profit for the period for the following exceptional items:						

Realised (gain)/loss on forward foreign exchange contracts	(14,856)	(14,856)	7,546	7,546	1,813	1,813
Fair value adjustment to forward foreign exchange contracts	44,653	44,653	(1,053)	(1,053)	5,243	5,243
Fair value adjustment to derivative financial instruments	18,498	18,498	-	-	(8,445)	(8,445)
Profit on disposal of listed investments	(114,260)	(114,260)	(48,892)	(48,892)	(104,529)	(104,529)
Profit on disposal of property	-	-	(9,546)	(9,546)	(10,440)	(10,440)
Impairment of fixed assets	-	-	-	-	4,438	4,438
Impairment of goodwill	11,110	11,110	287	287	-	-
Impairment and accelerated depreciation and amortisation	-	-	32,456	32,456	45,137	45,137
Provision against receivables	-	-	2,964	2,964	-	-
Write off of deferred tax assets	10,761	10,761	-	-	-	-
Effect of reduced tax rate on deferred tax	1,736	1,736	-	-	-	-
Underlying profit for the period	50,107	50,107	129,186	129,186	210,632	210,632
	Number in thousands		Number in thousands		Number in thousands	
Weighted average number of shares	591,605	608,272	592,409	630,409	592,573	610,240
	Pence per share		Pence per share		Pence per share	
Underlying earnings per share	8.5	8.2	21.8	20.5	35.5	34.5

8. Financial Instruments

(a) Financial assets and liabilities by category

The carrying values of financial assets and liabilities, which are principally denominated in Sterling or US dollars, were as follows:

	Loans and receivables (£'000)	Assets at fair value through profit and loss (£'000)	Available for sale financial assets (£'000)	Non-financial assets (£'000)	Total (£'000)
Assets at 23 October 2016					
Property, plant and equipment	-	-	-	833,648	833,648
Intangible assets	-	-	-	216,352	216,352
Investments in associated undertakings and joint ventures	-	-	-	18,422	18,422
Available-for-sale financial assets	-	-	73,016	-	73,016
Deferred tax assets	-	-	-	71,996	71,996
Inventories	-	-	-	716,255	716,255
Derivative financial assets	-	51,519	-	-	51,519
Trade and other receivables	290,808	-	-	-	290,808
Cash and cash equivalents	187,976	-	-	-	187,976
	478,784	51,519	73,016	1,856,673	2,459,992
Assets at 24 April 2016					
Property, plant and equipment	-	-	-	585,876	585,876
Intangible assets	-	-	-	208,569	208,569
Investments in associated undertakings	-	-	-	16,635	16,635
Available-for-sale financial assets	-	-	193,355	-	193,355
Deferred tax assets	-	-	-	43,984	43,984
Inventories	-	-	-	702,158	702,158
Derivative financial assets	-	82,527	-	-	82,527
Trade and other receivables	292,589	-	-	-	292,589
Cash and cash equivalents	234,163	-	-	-	234,163
	526,752	82,527	193,355	1,557,222	2,359,856
Assets at 25 October 2015					
Property, plant and equipment	-	-	-	443,375	443,375
Intangible assets	-	-	-	216,554	216,554
Investments in associated undertakings and joint ventures	-	-	-	48,121	48,121

Available-for-sale financial assets	-	-	212,743	-	212,743
Deferred tax assets	-	-	-	43,748	43,748
Inventories	-	-	-	633,058	633,058
Derivative financial assets	-	62,849	-	-	62,849
Trade and other receivables	68,530	-	-	144,133	212,663
Cash and cash equivalents	163,308	-	-	-	163,308
	231,838	62,849	212,743	1,528,989	2,036,419

	Loans and payables (£'000)	**Liabilities at fair value through profit and loss (£'000)**	**Non-financial liabilities (£'000)**	**Total (£'000)**
Liabilities at 23 October 2016				
Non-current borrowings	259,839	-	-	259,839
Retirement benefit obligations	-	-	21,621	21,621
Deferred tax liabilities	-	-	20,433	20,433
Provisions	-	-	85,151	85,151
Derivative financial liabilities	-	206,652	-	206,652
Trade and other payables	181,132	-	272,818	453,950
Current borrowings	118	-	-	118
Current tax liabilities	-	-	77,215	77,215
	441,089	206,652	477,238	1,124,979
Liabilities at 24 April 2016				
Non-current borrowings	333,063	-	-	333,063
Retirement benefit obligations	-	-	13,065	13,065
Deferred tax liabilities	-	-	21,590	21,590
Provisions	-	-	66,802	66,802
Derivative financial liabilities	-	61,704	-	61,704
Trade and other payables	219,001	-	207,740	426,741
Current borrowings	769	-	-	769
Current tax liabilities	-	-	51,394	51,394
	552,833	61,704	360,591	975,128
Liabilities at 25 October 2015				
Non-current borrowings	182,812	-	-	182,812
Retirement benefit obligations	-	-	11,718	11,718
Deferred tax liabilities	-	-	38,092	38,092
Provisions	-	-	45,834	45,834
Derivative financial liabilities	-	7,081	-	7,081
Trade and other payables	200,275	-	221,918	422,193
Current borrowings	814	-	-	814
Current tax liabilities	-	-	37,549	37,549
	383,901	7,081	355,111	746,093

Carrying values do not materially differ from fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 23 October 2016, the only financial instruments held at fair value were Derivative financial assets and liabilities, which are classified as Level 2 except for Contracts for differences which are classified as Level 1, and Available-for-sale financial assets, which are classified as Level 1 except for House of Fraser (UK & Ireland) Ltd (previously Highland Group Holdings) and put options, which is classified as Level 3. House of Fraser Ltd is held at management's estimate of the fair value of the enterprise based on publicly available data. A 1% increase in profitability for the company would result in a £0.3m increase in value. Inputs for this calculation include EBITDA and an EBITDA multiple

Available for sale financial assets & contracts for difference are valued with reference to the publicly available share price.

The valuation of Derivative financial assets and liabilities is performed using an option valuation model, based on the market data available at the balance sheet date, depending on whether the instrument is a foreign exchange or an equity derivative. The e quity valuation model output is the result of a number of inputs including, the terms of the option, the share price, interest rate s, the volatility of the underlying stock, and dividends paid by the underlying company. The volatility of the underlying stock is a significant input into the valuation model. Volatility is considered an unobservable input. Changing one or more of the unobservable inputs, for example the volatility of the underlying stock, in the valuation of the option, to reflect reasonably possible alternative assumptions, would not change the fair value significantly.

The Group has a put option referencing listed company shares. To the extent that the market price of these shares is less tha n an agreed price on expiry of the put option, the Group has the right to settle the put option by acquiring ordinary shares. If the market price of the shares is greater than an agreed price on expiry of the put option the counterparty will not exercise the option and the group will receive the premium.

Sports Direct is required to transfer cash collateral to cover its obligations under the Put Option. The amount of collateral required during the life of the Put Option can increase or decrease by reference to the underlying market price of the shares.

	26 weeks ended 23 October 2016 £'000	**26 weeks ended 25 October 2015 £'000**	**52 weeks ended 24 April 2016 £'000**
Opening fair value of put options	7,576	10,470	10,470
Disposal during the year	-	(4,470)	(4,470)
Movement recognised in profit & loss	(22,778)	1,520	1,576
Closing fair value of put options	(15,202)	7,520	7,576

9. Cash inflows from operating activities

	26 weeks ended 23 October 2016 £'000	**26 weeks ended 25 October 2015 £'000**	**52 weeks ended 24 April 2016 £'000**
Profit before taxation	140,187	187,252	361,807
Net finance costs	60,016	370	11,968
Net other investment income	(120,202)	(54,808)	(148,148)
Share of profit of associated undertakings and joint ventures	-	(1,539)	(2,449)
Operating profit	80,001	131,275	223,178
Depreciation	63,647	37,669	89,206
Amortisation charge	5,194	3,036	6,379
Impairment	13,887	32,743	58,544
Profit on disposal of intangibles	-	9	27
Profit on disposal of property, plant and equipment	-	(12,239)	(13,541)
Defined benefit pension plan current service cost	-	14	13
Defined benefit pension plan employer contributions	(1,350)	(675)	(2,708)
Share based payments	1,189	10,911	7,077
Operating cash inflow before changes in working capital	162,568	202,743	368,175
Increase in receivables	1,684	(21,703)	(97,039)
(Increase in inventories	(14,098)	(116,004)	(155,385)
Increase / (decrease) in payables	54,968	45,577	19,837
Cash inflows from operating activities	205,122	110,613	135,589

Included within the movement in receivables are amounts held as collateral against equity derivatives.

10. Related party transactions

The Group has taken advantage of the exemptions contained within IAS 24 - "Related Party Disclosures" from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

All related party transactions were undertaken on an arm's length basis and were made in the ordinary course of business.

26 weeks ended 23 October 2016:

Related party	Relationship	Sales £'000s	Purchases £'000s	Trade and other receivables £'000s	Trade and other payables £'000s
The Flannels Group Ltd	Subsidiary	8,440	10,176	3,345	9,073
Brasher Leisure Ltd	Associate	5,693	580	8,143	62
Mash Holdings Ltd	Parent company	2	-	2	-
MST Sports	Subsidiary	7	-	13,949	-
NDS EHF	Associate	1,448	-	-	-
Rangers Retail Ltd	Associate	886	-	123	-
Sondico Professional Ltd	Subsidiary	1,115	-	3,990	-
Sportland International Group A.S	Subsidiary	39	-	14,668	-
Newcastle United Football Club	Connected persons	709	-	197	-
Heaven or Hell Ltd	Subsidiary	749	64	2,958	385
Queensdown Associates Ltd	Associate	17	-	1,418	-

An agreement has been entered into with Double Take Limited, a company owned by Mash Holdings Limited in which Matilda Ashley, Mike Ashley's daughter, is a director. Under the agreement Double Take licences the Group the exclusive rights to the cosmetic brand SPORT FX. No royalties or other fees are payable to Double Take for these rights until September 2019 at the earliest, when this fee arrangement will be reviewed on a going forwards basis. It should be noted that the Group (rather than Double Take) owns the rights to SPORT FX for clothing, footwear and sports equipment.

26 weeks ended 25 October 2015:

Related party	Relationship	Sales £'000s	Purchases £'000s	Trade and other receivables £'000s	Trade and other payables £'000s
The Flannels Group Ltd	Subsidiary	5,627	7,614	4,838	7,589
Heatons	Associate	14,221	-	1,818	-
Brasher Leisure Ltd	Associate	5,814	808	1,583	-
Mash Holdings Ltd	Parent company	54	-	54	-
MST Sports	Subsidiary	-	-	8,636	-
NDS EHF	Associate	-	-	-	-
Rangers Retail Ltd	Associate	1,221	-	201	-
Sondico Professional Ltd	Subsidiary	266	-	2,699	-
Sportland International Group A.S	Subsidiary	57	-	14,670	-
Newcastle United Football Club	Connected persons	709	-	197	-
Heaven or Hell Ltd	Subsidiary	749	64	2,958	-
Queensdown Associates Ltd	Associate	17	-	1,418	-