**Kingfisher reports half year total sales up 0.9% (+1.8% LFL) and flat adjusted pre-tax profits of £364 million after the negative impact of foreign exchange translation. Kingfisher also announces Group Chief Executive succession plan. Sir Ian Cheshire to be succeeded by Ms Véronique Laury, Chief Executive of Castorama France, before the end of the current financial year. See separate RNS.**

**Group Financial Summary**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **26 weeks ended** **2 August 2014** |  |  | **% Total** **Change**  | **% Total Change**  | **% LFL\* Change** |
|  | **2014/15** | **2013/14** | **Reported** | **Constant currency**  | **Constant currency** |
| Sales\* | £5,768m | £5,716m | +0.9% | +4.6% | +1.8% |
| Retail profit\* *(1)* | £390m | £390m | Flat | +3.3% |  |
| Adjusted\* pre-tax profit*(1)*  | £364m | £364m | Flat |  |  |
| Adjusted basic EPS*(1)* | 11.3p | 11.3p | Flat |  |  |
| Statutory pre-tax profit | £375m | £401m | (6.5)% |  |  |
| Statutory post-tax profit | £277m | £440m | (37.0)% |  |  |
| Basic EPS  | 11.8p | 18.7p | (36.9)% |  |  |
| Interim dividend | 3.15p | 3.12p | +1.0% |  |  |
| Net cash\* | £496m | £259m | n/a |  |  |

August 2014ed 1ax profit []ies, \*Throughout this release ‘\*’ indicates the first instance of terms defined in Section 5 ‘Glossary’ of this announcement.

*(1)2013/14 comparatives restated to reflect disposal of Hornbach (see note 2 in part 2 to this announcement)*

**First half highlights in constant currencies:**

* Reported Group retail profit of £390m impacted by £12m adverse foreign exchange movements when translating overseas profits into sterling
* Group retail profit ahead 3.3% in constant currencies, after development costs of £11m in our new markets - Portugal, Germany & Romania. Underlying retail profit, excluding these development costs, was up 6.0%
* Total sales in France grew 0.4% and profit was flat. The ongoing slow economy and declining housing market impacted our performance, particularly for our more construction orientated Brico Dépôt business
* UK & Ireland sales were up 6.6% (+4.4% LFL) and retail profit was up 17.7%, benefiting from initiatives to re-energise B&Q and better demand for trade products as housing construction and activity improved. The B&Q strategy update is on pages 8-9
* In Other International markets sales grew 8.8% but profit growth in Poland, Turkey and Spain was offset by new country development costs and higher losses in China
* Progress continued with our ‘Creating the Leader’ programme including entering a binding agreement to acquire the shares of the principal shareholders of Mr Bricolage, the French home improvement retailer, and opening today our first 4 Screwfix outlets in Germany with next day national delivery
* The previously announced multi-year capital returns programme to shareholders, starting with £200m in FY 2014/15 commenced in H1. £100m was returned as a special dividend and £35m via a share buyback (8.5m shares)

**Subsequent highlights:**

* Remainder of the capital returns programme will resume as a share buyback
* At Q2 we indicated that we experienced a sharp market downturn in June and July in France and Poland (Castorama France -3.3% LFL; Brico Dépôt -7.2% LFL; Castorama Poland -4.7% LFL). Since then in August, one of our largest months, sales were better across both markets (Castorama France -0.6% LFL; Brico Dépôt France -4.3% LFL; Castorama Poland +3.3% LFL) and overall Group LFL was +0.3%

**Kingfisher’s Group Chief Executive, Sir Ian Cheshire, said:**

“This was a difficult first half with demand in our largest and most significant market, France, remaining particularly weak with a sharp market downturn experienced in our second quarter. We did though deliver flat profits in France, a resilient performance despite the difficult backdrop. However, conditions in the UK were more favourable with better weather and encouraging signs in the smaller tradesman market. We were able to capitalise on the better conditions with Screwfix performing particularly well growing sales by 23%. B&Q UK & Ireland also delivered their best H1 sales growth in over a decade as the new team start to gain traction with its re-energising initiatives and started to make progress with its plan to better position the business for the future.

“Looking to the longer term, we continue to work on our ‘Creating the Leader’ programme including opening Screwfix and Brico Dépôt stores in two new countries and accelerating the rebranding of the recently acquired Romanian business into the Brico Dépôt format. We remain convinced that investment today to develop the highly profitable Screwfix and Brico Dépôt formats into new markets creates a huge growth opportunity for Kingfisher.

“Whilst our French business saw an improvement in August we remain cautious about the economic backdrop and focused on trading effectively with continued self-help initiatives whilst continuing with our initiatives to build a long term, sustainable future for the business. We have a strong balance sheet and cashflow to enable the necessary investment in the future as well as paying a healthy dividend to our shareholders. I am pleased that we are also recommencing our share buyback.”

**ENQUIRIES**

|  |  |
| --- | --- |
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Further copies of this announcement can be downloaded from [www.kingfisher.com](http://www.kingfisher.com) or viewed on the Kingfisher IR iPad App available for free at the Apple App store. Video

interviews with Sir Ian Cheshire (Group Chief Executive) and Karen Witts (Group Finance

Director) are also available on the website and we can be followed on twitter

@kingfisherplc with the interim results tag #KGFHY.

Kingfisher American Depository Receipts are traded in the US on the OTCQX platform:

(OTCQX: KGFHY)

http://www.otcmarkets.com/stock/KGFHY/quote

**COMPANY PROFILE**

**Kingfisher plc** is Europe’s leading home improvement retail group and the third largest in

the world, with 1,157 stores in ten countries in Europe and Asia. Its main retail brands are

B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also operates the Koçtaş brand, a

50% joint venture in Turkey with the Koç Group.

The remainder of this release is broken down into five main sections:

1. ‘Creating the Leader’ update
2. Trading review by major geography
3. 2014/15 Summary data by geography
4. Financial Review and, in part 2 of this announcement, the interim condensed Financial Statements
5. Glossary

**Section 1: ‘CREATING THE LEADER’ UPDATE**

Our unique contribution as a business to our customers is that we can harness our home improvement experience, our heritage as a leader in sustainability and our international scale to bring new, more sustainable and more affordable products to market. By also providing our customers with project advice and new shopping channels to complement our stores we will make it easier for them to adapt their homes to their evolving lifestyles. Our shorthand for describing this purpose is *“Better Homes, Better Lives”* and the programme of self-help initiatives to achieve this purpose is called ‘Creating the Leader’.

**‘Creating the Leader’ 2014/15 H1 progress**

In March 2014, we set out our key 2014/15 priorities against our four areas (Easier, Common, Expand and One Team) that make up ‘Creating the Leader’. Today we update on the progress we have made towards each of these 2014/15 priorities:

**EASIER**

*Priority: Extend omnichannel\* capabilities across the Group*

2014/15 half year progress

* ‘Click, Pay & Collect’ offer at B&Q UK going live with the release of diy.com
* Launched ‘Click, Pay & Collect’ in 17 stores across Castorama France and Brico Dépôt France

**COMMON\***

*Priority: Extend sourcing programmes*

2014/15 half year progress

* Achieved 10% common (up from 9% at Jan 2014) and 20% direct sourcing (20% at Jan 2014)
* Launched online sourcing ‘Katalog’ to support sourcing programmes
	+ Web-based virtual showroom showcasing 55,000 Group products
	+ Available to all operating companies

*Priority: Start four year Group-wide IT programme*

2014/15 half year progress

* Programme on track driven by cross Group team of c.100
* Fully working pilot will be in a standalone B&Q UK store late next year followed by a rollout phase to other operating companies

**EXPAND**

*Priority: Organic space growth of 2%* (71 net new stores, of which 54 are Screwfix outlets)

2014/15 half year progress

* Organic space growth of 1% (33 net new stores, of which 24 are Screwfix outlets) including 1 store new country entry into Portugal with Brico Dépôt
* Screwfix Germany was launched today incorporating 4 outlets and a website with national next day delivery

*Priority: Actively managing the portfolio*

2014/15 half year progress

* Completed the disposal of Hornbach (proceeds received of £198m)
* Commenced search for strategic partner for B&Q China
	+ In preliminary discussions

*Priority: Continue to capitalise on consolidation opportunities*

2014/15 half year progress

* Rebranded two of the recently acquired 15 Bricostore Romania stores under the Brico Dépôt brand
	+ Given encouraging results from these first two stores, the remaining 13 will be rebranded earlier than originally planned, by Q1 next year. The additional investment impact of this acceleration on 2014/15 profit will be a net charge of around £6 million
* Entered into a binding agreement on 23 July 2014 following the outcome of successful exclusive negotiations to acquire the shareholding of the principal shareholders of Mr Bricolage, the French home improvement retailer
	+ Acquisition of this shareholding will now proceed subject to French anti-trust clearance
	+ Subsequently, a mandatory offer will be made to acquire the shares held by the minority shareholders at the agreed price per share of €15, in accordance with applicable law
	+ Closure of the acquisition of the shareholding of the principal shareholders expected to be completed around the end of Kingfisher’s 2014/15 financial year
	+ This will then give rise to the start of a multi-year project, including plans to set up a Brico Dépôt franchising operation in FY 2015/16

**ONE TEAM**

*Priority: People (Increased focus on talent management*; *Continue to develop Kingfisher One Academy with new programme*s)

2014/15 half year progress

* Launched new ‘Early Talent’ programme for high potential graduates and ‘Kingfisher LEAD’ programme for high performing managers
* Continued to develop the Kingfisher One Academy with new ‘Collaborative Leadership’, Innovation and ‘Net Positive’ programmes

Priority: Net Positive (*Establish processes to accelerate Net Positive innovation and to apply what we learn across the Group; Further integrate Net Positive into our operating company business plans)*

2014/15 half year progress

* Extended Net Positive into bonusable objectives to the One Team board from the Group Executive previously
* Established internal governance framework for sustainability reporting to the Group Executive, with representation at board level from all operating companies

**Section 2: TRADING REVIEW BY MAJOR GEOGRAPHY**

**FRANCE\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sales £m** | **2014/15** | **2013/14** | **% Total Change Reported** | **% Total Change Constant** **Currency** | **% LFL****Change** |
| France | 2,205 | 2,306 | (4.4)% | +0.4% | (0.8)% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Retail profit £m** | **2014/15** | **2013/14** | **% Change Reported**  | **% Change Constant****Currency**  |
| France | 182 | 191 | (4.8)% | Flat |

***All trading commentary below is in constant currencies***

**Kingfisher France**

Kingfisher France total sales increased by 0.4% (-0.8% LFL; -3.2% 2 year LFL) to £2,205 million supported by better weather compared to H1 last year whilst underlying markets remained soft. Across the two businesses, 2% net new space was added compared to H1 last year. One net new store was opened, two stores were revamped, and two Castorama stores were converted to Brico Dépôt.

Kingfisher France delivered flat retail profit of £182 million reflecting lower levels of variable pay and pre-opening costs and higher gross margins largely offsetting inflation. Gross margins were up 30 basis points across H1, with ongoing self-help initiatives offset by additional promotional activity in Q2.

**Castorama** total sales grew by 0.1% (+0.1% LFL; -1.1% 2 year LFL) to £1,234 million.

According to Banque de France data*\**, sales for the home improvement market were up 2% for the first four months (February to May), turning down sharply by 5% in June and July. Across H1 sales for the home improvement market were broadly flat and down around 4% on a two year basis.

Sales of seasonal products were up around 4% whereas sales of indoor and building products were down around 1%.

**Brico Dépôt**, which more specifically targets trade professionals and heavy DIYers, grew total sales by 0.8% (-1.9% LFL; -5.7% 2 year LFL) to £971 million driven by new store openings. Sales were impacted by a slower house building market with new housing starts and planning consent data\* down around 15% and 13% respectively.

**UK & IRELAND\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sales £m** | **2014/15** | **2013/14** | **% Total** **Change****Reported** | **% Total Change Constant****Currency**  | **% LFL****Change** |
| UK & Ireland | 2,419 | 2,270 | +6.5% | +6.6% | +4.4% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Retail profit £m** | **2014/15** | **2013/14** | **% Change Reported** | **% Change Constant****Currency**  |
| UK & Ireland | 166 | 141 | +17.7% | +17.7% |

***All trading commentary below is in constant currencies***

**Kingfisher UK & Ireland**

Total sales increased by 6.6% to £2,419 million (+4.4% LFL, +3.3% 2 year LFL) and retail profit grew by 17.7% to £166 million. Gross margins were down 80 basis points largely reflecting the recognition in Q1 of more promotionally-led showroom sales (kitchens, bathrooms and bedrooms) from Q4 last year (Q1 gross margin down 210 basis points; Q2 gross margin up 40 basis points). Tight cost control continued, despite higher levels of variable pay.

On a value basis, the UK home improvement leader market\* for H1 was up 5.5% reflecting better weather year on year, a stronger UK economy and more buoyant housing construction. On the same definition, Kingfisher UK sales were up around 5%.

During H1, B&Q reduced prices on c.3,500 products helping improve price perception and increase sales volumes. Over time, as the initiative gains momentum, the resulting growth in sales volume will also drive growth in sales on a value basis, however so far it is too early for the results to be seen in Kingfisher UK’s sales performance on a value basis.

Consequently, on a volume basis (being quantity of products sold), the UK home improvement leader market for H1 was up 3.2%. On the same definition, Kingfisher UK sales were up over twice that rate with both businesses ahead of the market.

**B&Q UK & Ireland’s** total sales grew by 4.0% (+3.2% LFL, +1.5% 2 year LFL) to £2,033 million. Sales of outdoor seasonal and building products were up around 6% benefiting from the better weather and a more buoyant smaller tradesman market. Sales of indoor products, excluding showroom, were up around 3%. Sales of showroom products were down 1.5% reflecting less promotional activity in Q2.

**Screwfix** total sales grew by 23.3% (+11.9% LFL, +15.9% 2 year LFL) to £386 million, benefiting from a strong promotional programme, the continued roll out of new outlets and the continued success of the mobile ‘Click, Pay & Collect’ offer. Twenty-four net new outlets were opened, taking the total to 359.

The UK market for the smaller tradesman\* was up around 7%.

**B&Q strategy update**

Despite a very challenging housing and economic backdrop for the last six years, during which the UK home improvement market declined around 12%*(1)*, Kingfisher UK & Ireland delivered broadly flat sales and achieved profit growth of 50% by exploiting the UK trade market opportunity. While B&Q remains the market leader we recognise that the business needs to evolve and adapt to a fast changing retail environment. Looking ahead, its customers and market are evolving very quickly and B&Q has begun a transformation programme in this changing environment.

In October 2013, Kevin O’Byrne, an executive director of Kingfisher plc, assumed direct leadership of B&Q UK & Ireland. He has strengthened the B&Q UK & Ireland board with the appointment of three executives from the successful Screwfix business and two senior executives from outside Kingfisher. From Autumn 2014, the board will be complete following the appointment of Grahame Smith as B&Q UK & Ireland Property Director, who formerly held senior property roles at Carphone Warehouse, Mothercare and Arcadia.

The strengthened management team has made a good early start, initially focussed on re-energising the business. Examples of initiatives have included simplifying in-store price messaging, lowering prices to customers and driving customer transactions with better targeted marketing. The results have been encouraging, helping to drive sales and deliver double digit profit growth in H1, while improving value perception and marketing awareness.

Moving forward, B&Q’s ambition is to rejuvenate home improvement retailing for the digital age in the UK and Ireland as it evolves from the ‘old retail’ world to the ‘new retail’ world, combining the best of stores and digital. The programme has three major work streams which will take a number of years to implement due to the scale of the store portfolio. These are detailed below together with milestones:

* Productivity – B&Q aims to be a simpler, more efficient business with a lower cost operating model and with stores that are easier for customers to shop. This will enhance its pricing power to drive sales volumes which in turn drives further efficiency and higher cash profit. Various initiatives will be introduced including ‘store friendly deliveries’ (making it quicker and easier for store staff to replenish) and ‘better labour scheduling’ (in-store labour hours better matched to customer demand and delivery times). Trials start in H2 2014/15.
* Offer – B&Q wants to offer customers great value, a tighter range in store with greater project availability, and broader complementary ranges available on line. This will be supported by better online content, best in class ‘Click, Pay & Collect’ and home delivery. Comprehensive trials for 5 of our 19 categories will start in H2 2014/15 and will involve stock reduction. Of particular focus is the kitchen category where an improved ‘Every Day Great Value’ message, a quicker and easier web based design tool and a significantly reduced range together with new choice is to be introduced.
* Property – a detailed catchment review has confirmed that B&Q can adequately meet local customer needs from fewer stores and that some of stores could be smaller. The shape of the store portfolio is changing but this does take time as around 90% of our stores are on long term institutional leases with average lease lengths remaining of around 8 years. The property work stream involves two phases:

*Phase 1 Right Size Right Place* – this phase started last year and the first rightsize was a success. The store was reduced in size by 50% and sales densities improved by 70%. A further 17 large stores were earmarked for rightsizing and required planning permission. So far two have been granted permission and two have been denied. We now anticipate that of the original batch of 18 stores around 8 will complete, largely due to planning issues leading to lapse. These 8 will represent a reduction in B&Q’s total space of 2% and a reduction of around £50 million to lease adjusted debt.

*Phase 2 Catchment Analysis -* a mixture of store closures, further rightsizes and targeted reinvestment. Trials will commence next year.

**B&Q exceptional charges and benefits**

Productivity and Property Phase 1 work streams, as detailed above, give rise to exceptional charges for the first two years as follows:

* FY 2014/15: the net exceptional charge is expected to be around £1 million after the £16 million profit on disposal of the first store (Belvedere) as part of the Property Phase 1 work stream.
* FY 2015/16: the net exceptional charge is expected to be around £14 million.

The projects are expected to deliver discounted paybacks of less than 18 months. The benefits will be invested back in the business, largely into the ‘Offer’ work stream. From a cash perspective, the plans over the next two years are expected to be broadly self-funding.

These exceptional charges and benefits do not include the Offer and Property Phase 2 work streams, further details of which will be provided.

1. *As per Kingfisher estimates – BCG commissioned report*

**OTHER INTERNATIONAL\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sales £m** | **2014/15** | **2013/14** | **% Total Change Reported** | **% Total Change Currency****Constant**  | **% LFL****Change** |
| Other International | 1,144 | 1,140 | +0.3% | +8.8% | +1.6% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Retail profit £m** | **2014/15** | **2013/14** | **% Change Reported**  | **% Change Constant****Currency**  |
| Other International (existing) | 53 | 58 | (9.5)% | (3.7)% |
| New country development\* | (11) | - | n/a | n/a |
| Total | 42 | 58 | (27.6)% | (23.0)% |

***All trading commentary below is in constant currencies and 2013/14 comparatives restated to reflect disposal of Hornbach.***

**Other International** total sales increased by 8.8% (+1.6% LFL) to £1,144 million driven by LFL growth in Russia and Poland. Retail profit decreased by 23.0% to £42 million with retail profit growth in Poland, Turkey & Spain offset by higher losses in China and new country development costs.

During H1 eight net new stores were opened, four in Spain, one in Portugal and three in Turkey adding around 5% net new space compared to H1 last year.

Sales in **Poland** were up 3.6% (+3.1% LFL) to £554 million. Sales of seasonal products were up 7% across H1 benefiting from better weather patterns, representing around 15% of sales. After an encouraging start to the year, sales of indoor products for February to May were up around 7%, turning down sharply in June and July with sales down around 4%. Gross margins were up 60 basis points benefiting from ongoing self-help initiatives and weak comparatives (down 60 basis points in H1 last year). Retail profit grew by 5.2% to £54 million supported by the sales growth and higher gross margins, offset by higher levels of variable pay and range review costs.

In **Russia**,sales grew by 15.2% (+11.6% LFL) to £212 million benefiting from a strong market. Retail profit was £3 million (2013/14: £3 million reported retail profit) reflecting adverse foreign currency exchange movements and higher advertising costs compared to H1 last year. In **Turkey,** Kingfisher’s 50% JV, Koçtaş, grew sales by 10.8% (+1.9% LFL) to £149 million benefiting from new store openings. Retail profit contribution was up 7.2% to £4 million. In **Spain**, sales grew by 16.6% (-6.0% LFL) to £170 million reflecting new store openings offset by a difficult environment. Retail profit was up 7.3% to £3 million.

B&Q **China** sales decreased by 7.6% (-7.3% LFL) to £163 million impacted by a slowing Chinese property market\* which was down around 18%. The retail loss was £11 million (2013/14: £7 million reported loss) including around £2 million of costs relating to the new format trial.

**New country development activity**

Bricostore **Romania**, acquired in Q2 2013/14, contributed sales of £42 million. The retail loss of £6 million includes costs relating to the conversion of stores to the Brico Dépôt format, which are outperforming the previous format. Costs relating to the previously announced country entry into **Germany** with Screwfix and **Portugal** Brico Dépôt amounted to £5 million.

**Section 3: SUMMARY DATA BY GEOGRAPHY**

|  |  |  |  |
| --- | --- | --- | --- |
| As at 2 August 2014 | **Store** **numbers** | **Selling space****(000s m2)** | **Employees****(FTE)** |
| Castorama  | 103 | 1,117 | 12,392 |
| Brico Dépôt | 112 | 625 | 6,893 |
| **France** | **215** | **1,742** | **19,285** |
| B&Q UK & Ireland | 360 | 2,575 | 20,596 |
| Screwfix  | 359 | 24 | 4,683 |
| **UK & Ireland** | **719** | **2,599** | **25,279** |
| Poland | 72 | 529 | 10,357 |
| China | 39 | 318 | 3,695 |
| Portugal | 1 | 6 | 128 |
| Romania | 15 | 156 | 1,112 |
| Russia | 20 | 185 | 2,712 |
| Spain | 28 | 168 | 1,518 |
| Turkey JV | 48 | 232 | 3,555 |
| **Other International** | **223** | **1,594** | **23,077** |
| **Total Group** | **1,157** | **5,935** | **67,641** |
|  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Half year 2014/15 | **Sales**  | **% Total****Change** | **% Total Change** | **% LFL Change** |
|  | **£m** | **Reported** | **Constant currency**  | **Constant currency** |
| Castorama | 1,234 | (4.7)% | +0.1% | +0.1% |
| Brico Dépôt | 971 | (4.0)% | +0.8% | (1.9)% |
| **France** | **2,205** | **(4.4)%** | **+0.4%** | **(0.8)%** |
| B&Q UK & Ireland | 2,033 | +3.9% | +4.0% | +3.2% |
| Screwfix | 386 | +23.3% | +23.3% | +11.9% |
| **UK & Ireland** | **2,419** | **+6.5%** | **+6.6%** | **+4.4%** |
| Poland | 554 | (0.6)% | +3.6% | +3.1% |
| China | 163 | (16.1)% | (7.6)% | (7.3)% |
| Portugal | 3 | n/a*(1)* | n/a*(1)* | n/a*(1)* |
| Romania | 42 | n/a*(2)* | n/a*(2)* | n/a*(2)* |
| Russia | 212 | (5.9)% | +15.2% | +11.6% |
| Spain  | 170 | +11.1% | +16.6% | (6.0)% |
| **Other International** | **1,144** | **+0.3%** | **+8.8%** | **+1.6%** |
| **Total Group** | **5,768** | **+0.9%** | **+4.6%** | **+1.8%** |

*(1) First store opened during Q2 2014/15 therefore not applicable*

*(2) Acquisition of 15 stores in Romania completed during Q2 2013/14 therefore not applicable*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Half year 2014/15 | **Retail Profit**  | **% Total****Change** | **% Total Change** | **Operating Margin %** | **Operating Margin %** |
|  | **£m** | **Reported** | **Constant currency**  | **2014/15** | **2013/14** |
| **France** | **182** | **(4.8)%** | **Flat** | **+8.2%** | **+8.3%** |
| **UK & Ireland** | **166** | **+17.7%** | **+17.7%** | **+6.9%** | **+6.2%** |
| Poland | 54 | +0.9% | +5.2% | +9.9% | +9.7% |
| China | (11) | (63.1)% | (79.6)% | (6.9)% | (3.6)% |
| Portugal & Germany | (5) | n/a*(1)* | n/a*(1)* | n/a*(1)* | n/a*(1)* |
| Romania | (6) | n/a*(2)* | n/a*(2)* | (15.2)% | n/a*(2)* |
| Russia | 3 | (24.7)% | (7.8)% | +1.2% | +1.3% |
| Spain  | 3 | +2.2% | +7.3% | +1.5% | +2.0% |
| Turkey JV | 4 | (16.1)% | +7.2% | n/a*(3)* | n/a*(3)* |
| **Other International** | **42** | **(27.6)%** | **(23.0)%** | **+3.7%** | **+5.4%** |
| **Total Group** | **390** | **Flat** | **+3.3%** | **+6.8%** | **+6.9%** |

*(1) First Portugal store opened during Q2 2014/15 and Screwfix Germany opened post half year 2014/15 therefore not applicable*

*(2) Acquisition of 15 stores in Romania completed during Q2 2013/14 therefore not applicable*

*(3)Joint Venture (Koçtaş JV) sales are not consolidated therefore not applicable*

|  |
| --- |
| **Year to date average FX rates vs £ Sterling** |
|  | **2014/15** | **2013/14** |
| Euro | 1.23 | 1.17 |
| Polish Zloty | 5.11 | 4.91 |
| Chinese Renminbi  | 10.40 | 9.44 |
| Romanian Leu | 5.45 | 5.18 |
| Russian Rouble  | 59.05 | 48.22 |
| Turkish Lira | 3.60 | 2.82 |

**Q2 by major geography (compared to Q2 last year)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 13 weeks ended 2 August 2014 | **Sales**  | **% Total Change** | **% Total Change** | **% LFL Change** | **Retail Profit**  | **% Total Change** | **% Total Change** |
|  | **2014/15****£m** | **Reported** | **Constant currency** | **Constant currency** | **2014/15** **£m** |  **Reported** | **Constant currency** |
| France  | 1,128 | (8.0)% | (2.2)% | (3.0)% | 112 | (10.6)% | (5.3)% |
| UK & Ireland | 1,219 | +1.4% | +1.5% | (0.6)% | 98 | +8.1% | +8.1% |
| Other International  | 638 | (4.1)% | +4.2% | (2.2)% | 38 | (30.4)% | (24.6)% |
| **Total Group** | **2,985** | **(3.5)%** | **+0.6%** | **(1.8)%** | **248** | **(8.3)%** | **(4.4)%** |

Data tables for Q1, Q2 and half year are available for download in excel format at <http://www.kingfisher.com/index.asp?pageide=59>.

**Section 4: FINANCIAL REVIEW**

A summary of the reported financial results for the six months ended 2 August 2014 is set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014/15** | 2013/14 | Increase/(decrease) |
|  |  |  |  |
| Sales | **£5,768m** | £5,716m | +0.9% |
|  |  |  |  |
| Adjusted pre-tax profit  | **£364m** | £364m | Flat |
|  |  |  |  |
| Profit before taxation after exceptional items | **£375m** | £401m | (6.5)% |
|  |  |  |  |
| Exceptional items (post-tax) | **£11m** | £153m | n/a |
|  |  |  |  |
| Adjusted basic earnings per share  | **11.3p** | 11.3p | Flat |
|  |  |  |  |
| Dividends – interim | **3.15p** | 3.12p | +1.0% |
|  – special | **4.20p** | - | n/a |

The statutory results for the prior half year benefited significantly from exceptional items which added £35 million to profit before tax, £153 million to profit after tax and 6.5p to basic earnings per share (EPS). For comparative purposes adjusted measures are therefore presented. The current and prior period exceptional items are detailed further below.

Prior period adjusted measures have also been restated to exclude the contribution of Hornbach, following its disposal in the current period. For H1 2013/14, this has reduced retail profit by £4 million, adjusted pre-tax profit and adjusted earnings by £1 million, and with no material impact on adjusted earnings per share.

A reconciliation of statutory profit to adjusted profit is set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014/15****£m** | 2013/14£m | Increase/(decrease) |
|  |  |  |  |
| **Profit before taxation** | **375** | 401 | (6.5)% |
| Exceptional items (pre-tax) | **(10)** | (35) |  |
| Profit before exceptional items and taxation  | **365** | 366 | (0.3)% |
| Share of Hornbach post-tax results | **-** | (1) |  |
| Financing fair value remeasurements (FFVR\*) | **(1)** | (1) |  |
| **Adjusted pre-tax profit** | **364** | 364 | Flat |

Profit and EPS including all exceptional items for the six months ended 2 August 2014 are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014/15** | 2013/14 | Increase/(decrease) |
|  |  |  |  |
| Profit after tax | **£277m** | £440m | (37.0)% |
|  |  |  |  |
| Basic EPS  | **11.8p** | 18.7p | (36.9)% |

**Overview**

Total **sales** grew by 4.6% on a constant currency basis and grew by 0.9% to £5.8 billion (2013/14: £5.7 billion) on a reported rate basis. On a like-for-like basis, Group sales were up 1.8% (2013/14: down 0.8%). During the period, a net additional 30 new stores were opened, including 24 Screwfix trade counters and the first Brico Dépôt store in Portugal, taking the store network to 1,109 stores (excluding 48 Turkey JV stores).

**Retail profit** before exceptional items remained flat at £390 million (2013/14: £390 million restated), including a £12 million adverse foreign exchange movement representing a 3.3% increase on a constant currency basis. During the period significant work was performed on expansion including opening our first store in Portugal, preparing for the opening of the first four trade counters of Screwfix Germany and developing the newly acquired business in Romania. In total this resulted in a £11 million charge in the period.

The net **interest** charge for the six months was £3 million, compared with a prior period income of £25 million. A breakdown of this is shown below:

|  |  |  |
| --- | --- | --- |
|  | **2014/15****£m** | 2013/14£m |
| Interest on net cash/debt | **(3)** | (4) |
| Pensions interest | **(1)** | 1 |
| **Underlying net interest** | **(4)** | (3) |
| FFVR | **1** | 1 |
| Exceptional items | **-** | 27 |
| **Statutory net interest**  | **(3)** | 25 |

The principal movement in net interest is driven by the prior period release of a £27 million exceptional repayment supplement provision on the Kesa demerger French tax case (see exceptional items below). Underlying net interest of £4 million was slightly higher than last year, due principally to a net interest return on our defined benefit pensions last year becoming a net interest charge this year, reflecting the increase in deficit compared with the prior half year.

**Profit before tax** decreased by 6.5% to £375 million. On an adjusted basis **pre-tax profit** remained flat at £364 million. **Profit after tax** for the period was £277 million (2013/14: £440 million). This resulted in the Group recording a **basic EPS** of 11.8p in the period (2013/14: 18.7p).

**Taxation**

The effective rate of corporation tax, calculated on profit before exceptional items and prior year tax adjustments is 27% (2013/14: 27%).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Effective tax rate calculation** | **Profit****£m** | **Tax** **£m** | **2014/15 %** | 2013/14 % |
| Profit before tax and tax thereon | **375** | **(98)** | **26%** | (10)% |
| Exceptional items | **(10)** | **(1)** |  |  |
| Prior year items and rate changes |  | **1** |  |  |
| **Total - effective** | **365** | **(98)** | **27%** | 27% |

The overall rate of tax includes the impact of exceptional items and prior year tax adjustments. The impact of such items in the period results in a rate of 26%. In the prior period, the overall rate was -10% as a result of a £118 million exceptional tax provision release on the successful resolution of the KESA demerger French tax case.

The statutory rates for the Group’s main operating companies during 2014/15 are:

* UK 21%
* France 38%
* Poland 19%

The Group’s effective tax rate is sensitive to the blend of tax rates and profits in the Group’s various jurisdictions. The effective rate of tax is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions and because no future benefit is assumed for losses incurred in overseas jurisdictions such as China.

**Exceptional items**

|  |  |  |
| --- | --- | --- |
|  | **2014/15****£m****Gain/(charge)** | 2013/14 £mGain |
| Profit on disposal of properties - UK | **16** | - |
| UK restructuring | **(6)** | - |
| Total UK | **10** | - |
| Profit on disposal of properties - France | **5** | 1 |
| Acquisition and integration costs | **(5)** | - |
| Kesa demerger French tax case – repayment supplement | **-** | 27 |
| Ireland restructuring | **-** | 7 |
| **Exceptional items before tax** | **10** | 35 |
| Tax on exceptional items | **1** | - |
| Kesa demerger French tax case | **-** | 118 |
| **Net exceptional items** | **11** | 153 |

In the UK a profit of £16 million on disposal of part of the Belvedere store was offset by a £6 million restructuring charge relating to the transformation of B&Q, driven by productivity initiatives aimed at delivering a simpler, more efficient business with a lower cost operating model.

A further £5 million profit on disposal of properties was realised in France.

Current period acquisition and integration costs of £5 million have been incurred, including fees relating to the acquisition of Mr Bricolage.

In July 2013 the Conseil d’Etat, France’s ultimate court, found in favour of Kingfisher regarding the Kesa demerger tax case, which concluded the matter. Whilst a refund was received from the French tax authorities following the first positive decision in 2009, the Group continued to provide against the risk while litigation was ongoing. A £27 million repayment supplement provision and £118 million taxation provision related to the case were subsequently released and treated as exceptional.

**Earnings per share**

Basic EPS have decreased by 36.9% to 11.8p (2013/14: 18.7p). On a more comparable basis, removing the impact of exceptional items, the share of Hornbach results, fair value remeasurements and the effect of prior year tax adjustments, adjusted basic earnings per share have remained flat at 11.3p (2013/14: 11.3p).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Earnings****£m** | **2014/15****EPS****pence** | Earnings£m | 2013/14EPSpence |
| Basic earnings per share | **278** | **11.8** | 440 | 18.7 |
| Share of Hornbach post-tax results | **-** | **-** | (1) | - |
| Exceptional items (net of tax) | **(11)** | **(0.5)** | (153) | (6.5) |
| Prior year tax items and rate changes | **1** | **0.1** | (20) | (0.9) |
| FFVR (net of tax) | **(1)** | **(0.1)** | (1) | - |
| **Adjusted basic earnings per share** | **267** | **11.3** | 265 | 11.3 |

**Dividends and capital returns**

The interim ordinary dividend is proposed at 3.15p per share (2013/14: 3.12p per share).

The Group continues to aim to move towards a medium term annual ordinary dividend cover of around 2.5 times. At this level, the Board believes the ordinary dividend will continue to be prudently covered by earnings and free cash flow and remain consistent with the capital needs of the business.

The interim ordinary dividend will be paid on 14 November 2014 to shareholders on the register at close of business on 10 October 2014. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 9 October 2014. For those shareholders electing to receive the DRIP the last date for receipt of electing is 24 October 2014.

Of the £200 million due to be returned in FY 2014/15, £100 million has been returned via a special dividend of 4.2p per share paid on 25 July 2014 and £35 million via a share buyback (8.5 million shares). The remainder of our capital return programme will resume as a share buyback.

**Free cash flow\***

A reconciliation of free cash flow is set out below:

|  |  |  |
| --- | --- | --- |
|  | **2014/15****£m** | 2013/14£m |
| **Operating profit (before exceptional items)** | **368** | 368 |
| Other non-cash items*(1)* | **142** | 141 |
| Change in working capital | **33** | 125 |
| Pensions and provisions (before exceptional items) | **(20)** | (18) |
| Operating cash flow | **523** | 616 |
| Net interest paid | **(3)** | (5) |
| Tax paid | **(65)** | (39) |
| Gross capital expenditure | **(119)** | (147) |
| Disposal of assets | **47** | 10 |
| **Free cash flow** | **383** | 435 |
| Ordinary dividends paid | **(159)** | (150) |
| Special dividend paid | **(100)** | - |
| Share buyback | **(35)** | - |
| Disposal of Hornbach | **198** | - |
| Acquisition of Bricostore Romania (including debt) | **-** | (63) |
| Other*(2)* | **(2)** | 2 |
| **Net cash flow** | **285** | 224 |
| Opening net cash | **238** | 38 |
| Other movement including foreign exchange | **(27)** | (3) |
| **Closing net cash** | **496** | 259 |

 *(1) Includes depreciation and amortisation, share-based compensation charge, pre-exceptional non cash movement in pensions and provisions, share of post-tax results of JVs and associates and profit/loss on retail disposals.*

*(2) Includes dividends received from JVs and associates, issue of shares and exceptional items (excluding property disposals).*

**Net cash** at the end of the period was £496 million (1 February 2014: £238 million; 3 August 2013: £259 million). This balance includes funds set aside for the acquisition of Mr Bricolage. As previously announced the overall enterprise value is around €275 million.

**Free cash flow** of £383 million was generated in the period, a decrease of £52 million against the prior period due primarily to a lower reduction in working capital, which was partially offset by lower capital expenditure and higher receipts from the disposal of assets. The working capital movement was as a result of higher levels of stock at the period end due principally to different volumes of trading year on year around the period end. This stock relates to current ranges and is therefore expected to sell through by the year end.

During the period free cash flow generated was partially utilised by the ordinary and special dividend payments and share buybacks. The proceeds from the disposal of the Group’s shareholding in Hornbach AG have offset these additional outflows.

**Management of balance sheet and liquidity risk and financing**

The Group finished the period with £496 million of net cash on the balance sheet. However the Group’s overall leverage is more significant when including capitalised lease debt that in accordance with accounting standards does not appear on the balance sheet. The ratio of the Group’s lease adjusted net debt (capitalising leases at 8 times annual rent) to EBITDAR\* on a moving annual total basis is 2.1 times as at 2 August 2014. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

A reconciliation of lease adjusted net debt to EBITDAR is set out below:

|  |  |  |
| --- | --- | --- |
|  | **2014/15****Moving annual total****£m** | 2013/14 Year end*(1)*£m |
| EBITDA\* | **1,001** | 998 |
| Property operating lease rentals | **441** | 440 |
| **EBITDAR** | **1,442** | 1,438 |
| Financial net cash | **(496)** | (238) |
| Pension deficit | **46** | 100 |
| Property operating lease rentals (8x)*(2)* | **3,528** | 3,520 |
| **Lease adjusted net debt** | **3,078** | 3,382 |
| **Lease adjusted net debt to EBITDAR** | **2.1x** | 2.4x |

*(1) Comparatives restated to reflect disposal of Hornbach.*

*(2) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets.*

The Group has a £200 million committed facility that expires in 2016 and was undrawn at 2 August 2014. The next significant debt maturity is in December 2014 when the Group is required to repay MTNs with a notional value of £73 million.

The maturity profile of Kingfisher’s debt is illustrated at: [www.kingfisher.com/index.asp?pageid=76](http://www.kingfisher.com/index.asp?pageid=76)

Kingfisher currently holds a BBB credit rating with two of the three rating agencies. The third agency remains at BBB- with outlook upgraded to positive. Kingfisher aims to maintain its solid investment grade credit rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking into account the economic and trading outlook any surplus capital is returned to shareholders.

**Acquisitions and disposals**

On 3 April 2014, Kingfisher announced it had entered into exclusive negotiations with the principal shareholders of Mr Bricolage, the French home improvement retailer, to acquire their shareholding.

A non-binding memorandum of understanding was entered into, marking the start of exclusive negotiations during which the operating businesses of Mr Bricolage and of Kingfisher in France (Castorama and Brico Dépôt) would meet with their respective works councils and would propose improved commercial terms to the franchisees of Mr Bricolage. The outcome of these negotiations has been successful and accordingly, a binding agreement was entered into on 23 July 2014.

The acquisition by Kingfisher of the shares of the principal shareholders of Mr Bricolage will now proceed subject to French anti-trust clearance. Subsequently, a mandatory offer will be made to acquire the shares held by the minority shareholders at the agreed price per share of €15, in accordance with applicable law. The closure of the acquisition of the shareholding of the principal shareholders is expected to be completed around the end of Kingfisher’s 2014/15 financial year.

The Group received proceeds of €236 million (£198 million) following the disposal of its 21% stake in Hornbach in March 2014 and in the prior period, the Group acquired 100% of Bricostore Romania for £63 million (including debt).

**Pensions**

At the half year, the Group had a net deficit of £46 million in relation to defined benefit pension arrangements, compared with a net deficit of £100 million at 1 February 2014. The favourable movement is driven by Kingfisher’s contributions and strong asset returns, more than offsetting the interest cost and actuarial losses on the liabilities. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

**Risks**

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Kingfisher’s strategic objectives. The Board considers that the principal risks to achieving its objectives, which remain principally unchanged from those set out in the 2013/14 Annual Report and Accounts, are summarised below:

* Our ‘Easier’ initiatives fail to deliver demand and value due to a lack of capabilities and resources to manage the volume of change underway
* Our investment in systems and supply chain platforms fails to deliver the anticipated benefits
* As customers change the way they shop we fail to adapt our business model quickly enough to these changes
* We fail to unlock the potential to generate further shareholder value through the optimisation of combined purchasing and commercial synergies, while retaining accountability at the Operating Companies
* We fail to create enough innovation opportunities to sufficiently differentiate our product offer.
* We fail to identify and maximise potential cost reductions and efficiency savings
* Our investment in new store formats, customer markets and customer proposition strategies, particularly our omnichannel development plans fail to stimulate increased consumer spend and do not deliver the desired return to top line like-for-like growth in our mature markets
* Uncertainty surrounding the resilience of the global economy and increased political volatility may impact both consumer confidence and the long term sustainability and capabilities of our supplier base
* Our investments in overseas expansion fail to deliver value (synergies and cost savings)
* We do not make the necessary investment in our people to ensure that we have the appropriate calibre of staff, skills and experience
* We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day to day operations of the business
* A lack of perceived price competitiveness, particularly, when compared to more discount based or online competitors, would affect our ability to maintain or grow market share
* Key product suppliers lack the necessary resilience or disaster recovery capabilities to manage the impact of ongoing global economic volatility or the increasing impacts of extreme weather cycles and patterns on their operations and extended supply chains
* We fail to maintain a safe environment for our customers and store colleagues which results in a major incident or fatality that is directly attributable to a failure in our Health and Safety management systems
* Kingfisher’s reputation and brand are affected by a major environmental or ethical failure, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial procedures

Further details of the Group risks and risk management process can be found on pages 28 to 31 of the 2013/14 Annual Report and Accounts.

**Section 5: GLOSSARY (terms are listed in alphabetical order)**

**Adjusted** measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax. 2013/14 comparatives have been restated to exclude the share of Hornbach results. A reconciliation to statutory amounts is set out in the Financial Review (Section 4).

**Banque de France** data includes relocated and extended stores. July 2014 data is provisional.

<http://webstat.banque-france.fr/en/browse.do?node=5384326>

**Chinese property market** – new property market transactions sales down 18% for the six months to June 2014 for 17 cities in which B&Q China operates, according to the China Real Estate Exchange.

**Common** means two or more operating companies selling the same product, or a similar product but from the same supplier where the same product is not possible due to market / legal reasons (e.g. electrical extension cable which is from the same supplier but with different electrical sockets).

**EBITDA** (earnings before interest, tax, depreciation and amortisation) which is calculated as retail profit less central costs and before depreciation and amortisation.

**EBITDAR** (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) which is calculated as retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

**France** consists of Castorama France and Brico Dépôt France.

**Free cash flow** represents cash generated from operations less the amount spent on tax, interest and net capital expenditure during the year (excluding business acquisitions and disposals). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review (Section 4).

**French property market**

New housing starts and planning consent data for the six months to July 2014 according to the Ministry of Housing.

<http://www.statistiques.developpement-durable.gouv.fr/publications/p/2099/756/construction-logements-resultat-fin-juin-2014-france.html>

**FFVR** (financing fair value remeasurements)represents changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying value of borrowings and other hedged items under fair value hedge relationships.

**LFL** stands for like-for-like sales growth which represents the constant currency, year-on-year sales growth for stores that have been open for more than a year. This growth rate is compounded when calculating a cumulative 2 year LFL.

**Net cash** comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and current other investments.

**New country development** consists of Portugal, Romania and Germany.

**Omnichannel** - allowing customers to shop with us in any way they prefer (via shops, the internet or catalogues).

**Other International** consists of China, Poland, Portugal, Romania, Russia, Germany, Spain and Turkey (Koçtaş JV).

**Retail profit** is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group’s share of interest and tax of JVs and associates. 2013/14 comparatives have been restated to exclude the share of Hornbach operating profit.

**Sales**

Group sales exclude Joint Venture (Koçtaş JV) sales.

**Smaller tradesman market**

Kingfisher estimate for the UK smaller tradesman market is year on year movement of a weighted average incorporating 70% trade (using the most recent public data available for the big trade merchants as a proxy) and 30% DIY (using the UK RMI (Repairs, Maintenance & Improvement) GfK large chain (shed) data).

**UK home improvement leader market**

Kingfisher estimate for the UK RMI (Repairs, Maintenance & Improvement) market incorporates GfK data, which includes new space but which excludes B&Q Ireland and private retailers e.g. IKEA and other smaller independents. Kingfisher data is submitted on a cash sales basis and is adjusted for discounts.

**UK & Ireland** consists of B&Q UK & Ireland and Screwfix UK.

**Forward-looking statements**

This announcement contains certain statements that are forward-looking and which should be considered, amongst other statutory provisions, in light of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. Such statements are, therefore, subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company’s expectations around the Company’s programme known as ‘Creating the Leader’ and its associated eight steps.

Forward-looking statements can be identified by the use of relevant terminology including the words: “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. We urge you to read our annual report and other company reports, including the risk factors contained therein, for a more detailed discussion of the factors that could affect our future performance and the industry in which we operate. Reliance should not be placed on any forward-looking statement. Our forward looking statements speak only as of the date of this press release and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this press release should be construed as a profit forecast.