

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED INCOME STATEMENT**

£ millions	Notes	Half year ended 31 July 2018			Half year ended 31 July 2017		
		Before exceptional items	Exceptional items (note 5)	Total	Before exceptional items	Exceptional items (note 5)	Total
<b>Sales</b>	4	<b>6,080</b>	–	<b>6,080</b>	6,008	–	6,008
Cost of sales		<b>(3,868)</b>	–	<b>(3,868)</b>	(3,798)	–	(3,798)
<b>Gross profit</b>		<b>2,212</b>	–	<b>2,212</b>	2,210	–	2,210
Selling and distribution expenses		<b>(1,490)</b>	<b>4</b>	<b>(1,486)</b>	(1,439)	13	(1,426)
Administrative expenses		<b>(406)</b>	<b>(46)</b>	<b>(452)</b>	(390)	(5)	(395)
Other income		<b>11</b>	–	<b>11</b>	11	–	11
Share of post-tax results of joint ventures and associates		<b>(1)</b>	–	<b>(1)</b>	1	–	1
<b>Operating profit</b>		<b>326</b>	<b>(42)</b>	<b>284</b>	393	8	401
Finance costs		<b>(9)</b>	–	<b>(9)</b>	(8)	–	(8)
Finance income		<b>6</b>	–	<b>6</b>	9	–	9
Net finance (costs)/income	6	<b>(3)</b>	–	<b>(3)</b>	1	–	1
<b>Profit before taxation</b>		<b>323</b>	<b>(42)</b>	<b>281</b>	394	8	402
Income tax expense	7	<b>(86)</b>	<b>13</b>	<b>(73)</b>	(106)	(1)	(107)
<b>Profit for the period</b>		<b>237</b>	<b>(29)</b>	<b>208</b>	288	7	295
<b>Earnings per share</b>	8						
Basic				<b>9.7p</b>			13.3p
Diluted				<b>9.7p</b>			13.3p
Adjusted basic				<b>11.0p</b>			13.0p
Adjusted diluted				<b>11.0p</b>			13.0p
Underlying basic				<b>12.8p</b>			14.5p
Underlying diluted				<b>12.7p</b>			14.5p

Reconciliation of non-GAAP underlying and adjusted pre-tax profit:

<b>Underlying pre-tax profit</b>		<b>375</b>	<b>440</b>
Transformation costs before exceptional items	4	<b>(52)</b>	<b>(46)</b>
<b>Adjusted pre-tax profit</b>		<b>323</b>	<b>394</b>
Exceptional items		<b>(42)</b>	<b>8</b>
<b>Profit before taxation</b>		<b>281</b>	<b>402</b>

The proposed interim ordinary dividend for the period ended 31 July 2018 is 3.33p per share.

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED INCOME STATEMENT**

		Year ended 31 January 2018		
£ millions	Notes	Before exceptional items	Exceptional items (note 5)	Total
<b>Sales</b>	4	11,655	–	11,655
Cost of sales		(7,352)	–	(7,352)
<b>Gross profit</b>		4,303	–	4,303
Selling and distribution expenses		(2,863)	14	(2,849)
Administrative expenses		(782)	(15)	(797)
Other income		24	1	25
Share of post-tax results of joint ventures and associates		3	–	3
<b>Operating profit</b>		685	–	685
Finance costs		(19)	–	(19)
Finance income		16	–	16
Net finance costs	6	(3)	–	(3)
<b>Profit before taxation</b>		682	–	682
Income tax expense	7	(197)	–	(197)
<b>Profit for the year</b>		485	–	485
<b>Earnings per share</b>	8			
Basic				22.1p
Diluted				22.0p
Adjusted basic				21.8p
Adjusted diluted				21.7p
Underlying basic				25.5p
Underlying diluted				25.4p

Reconciliation of non-GAAP underlying and adjusted pre-tax profit:

<b>Underlying pre-tax profit</b>		797
Transformation costs before exceptional items	4	(114)
<b>Adjusted pre-tax profit</b>		683
Financing fair value remeasurements		(1)
<b>Profit before taxation</b>		682

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

£ millions	Notes	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Profit for the period</b>		<b>208</b>	295	485
Actuarial gains/(losses) on post-employment benefits	11	<b>86</b>	(21)	(58)
Tax on items that will not be reclassified		<b>(32)</b>	5	16
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>54</b>	(16)	(42)
Currency translation differences				
Group		<b>34</b>	137	84
Joint ventures and associates		<b>(1)</b>	1	(1)
Cash flow hedges				
Fair value gains/(losses)		<b>63</b>	(37)	(93)
Losses/(gains) transferred to inventories		<b>15</b>	(14)	20
Tax on items that may be reclassified		<b>(20)</b>	12	12
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>91</b>	99	22
<b>Other comprehensive income/(loss) for the period</b>		<b>145</b>	83	(20)
<b>Total comprehensive income for the period</b>		<b>353</b>	378	465

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 13)	Total equity
<b>At 1 February 2018</b>	<b>340</b>	<b>2,228</b>	<b>(29)</b>	<b>3,790</b>	<b>35</b>	<b>384</b>	<b>6,748</b>
Profit for the period	–	–	–	<b>208</b>	–	–	<b>208</b>
Other comprehensive income for the period	–	–	–	<b>54</b>	–	<b>91</b>	<b>145</b>
<b>Total comprehensive income for the period</b>	–	–	–	<b>262</b>	–	<b>91</b>	<b>353</b>
Share-based compensation	–	–	–	<b>10</b>	–	–	<b>10</b>
New shares issued under share schemes	–	<b>2</b>	–	–	–	–	<b>2</b>
Own shares issued under share schemes	–	–	<b>3</b>	<b>(3)</b>	–	–	–
Purchase of own shares for cancellation	<b>(5)</b>	–	–	<b>(90)</b>	<b>5</b>	–	<b>(90)</b>
Dividends (note 9)	–	–	–	<b>(160)</b>	–	–	<b>(160)</b>
<b>At 31 July 2018</b>	<b>335</b>	<b>2,230</b>	<b>(26)</b>	<b>3,809</b>	<b>40</b>	<b>475</b>	<b>6,863</b>
<b>At 1 February 2017</b>	352	2,221	(23)	3,837	22	362	6,771
Profit for the period	–	–	–	295	–	–	295
Other comprehensive (loss)/income for the period	–	–	–	(16)	–	99	83
<b>Total comprehensive income for the period</b>	–	–	–	279	–	99	378
Share-based compensation	–	–	–	12	–	–	12
New shares issued under share schemes	–	2	–	–	–	–	2
Own shares issued under share schemes	–	–	4	(4)	–	–	–
Purchase of own shares for cancellation	(7)	–	–	(200)	7	–	(200)
Dividends (note 9)	–	–	–	(159)	–	–	(159)
<b>At 31 July 2017</b>	345	2,223	(19)	3,765	29	461	6,804
<b>At 1 February 2017</b>	352	2,221	(23)	3,837	22	362	6,771
Profit for the year	–	–	–	485	–	–	485
Other comprehensive (loss)/income for the year	–	–	–	(42)	–	22	(20)
<b>Total comprehensive income for the year</b>	–	–	–	443	–	22	465
Share-based compensation	–	–	–	8	–	–	8
New shares issued under share schemes	1	7	–	–	–	–	8
Own shares issued under share schemes	–	–	7	(7)	–	–	–
Purchase of own shares for cancellation	(13)	–	–	(260)	13	–	(260)
Purchase of own shares for ESOP trust	–	–	(13)	–	–	–	(13)
Dividends (note 9)	–	–	–	(231)	–	–	(231)
<b>At 31 January 2018</b>	340	2,228	(29)	3,790	35	384	6,748

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED BALANCE SHEET**

£ millions	Notes	At 31 July 2018	At 31 July 2017	At 31 January 2018
<b>Non-current assets</b>				
Goodwill		2,438	2,400	2,437
Other intangible assets	10	375	332	355
Property, plant and equipment	10	3,757	3,657	3,736
Investment property	10	21	21	20
Investments in joint ventures and associates		18	25	25
Post-employment benefits	11	318	236	214
Deferred tax assets		31	29	30
Other receivables		8	9	8
		<b>6,966</b>	6,709	6,825
<b>Current assets</b>				
Inventories		2,718	2,522	2,701
Trade and other receivables		521	545	550
Derivative assets	12	47	71	41
Current tax assets		1	1	–
Cash and cash equivalents		181	776	230
		<b>3,468</b>	3,915	3,522
<b>Total assets</b>		<b>10,434</b>	10,624	10,347
<b>Current liabilities</b>				
Trade and other payables		(2,701)	(2,906)	(2,666)
Borrowings	12	(17)	(160)	(140)
Derivative liabilities	12	(16)	(36)	(79)
Current tax liabilities		(145)	(133)	(140)
Provisions		(44)	(31)	(25)
		<b>(2,923)</b>	(3,266)	(3,050)
<b>Non-current liabilities</b>				
Other payables		(64)	(56)	(61)
Borrowings	12	(72)	(31)	(36)
Deferred tax liabilities		(313)	(279)	(264)
Provisions		(77)	(71)	(73)
Post-employment benefits	11	(122)	(117)	(115)
		<b>(648)</b>	(554)	(549)
<b>Total liabilities</b>		<b>(3,571)</b>	(3,820)	(3,599)
<b>Net assets</b>		<b>6,863</b>	6,804	6,748
<b>Equity</b>				
Share capital		335	345	340
Share premium		2,230	2,223	2,228
Own shares held in ESOP trust		(26)	(19)	(29)
Retained earnings		3,809	3,765	3,790
Capital redemption reserve		40	29	35
Other reserves	13	475	461	384
<b>Total equity</b>		<b>6,863</b>	6,804	6,748

The interim financial report was approved by the Board of Directors on 18 September 2018 and signed on its behalf by:

**Véronique Laury**, Chief Executive Officer

**Karen Witts**, Chief Financial Officer

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED CASH FLOW STATEMENT**

£ millions	Notes	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Operating activities</b>				
Cash generated by operations	14	<b>503</b>	497	475
Income tax paid		<b>(77)</b>	(99)	(182)
<b>Net cash flows from operating activities</b>		<b>426</b>	398	293
<b>Investing activities</b>				
Purchase of property, plant and equipment and intangible assets		<b>(165)</b>	(129)	(368)
Purchase of businesses, net of cash acquired		–	–	(12)
Disposal of property, plant and equipment, investment property, and intangible assets		<b>4</b>	1	6
Interest received		<b>4</b>	6	11
Dividends received from joint ventures and associates		<b>5</b>	–	–
<b>Net cash flows used in investing activities</b>		<b>(152)</b>	(122)	(363)
<b>Financing activities</b>				
Interest paid		<b>(7)</b>	(6)	(10)
Interest element of finance lease rental payments		<b>(1)</b>	(1)	(2)
Repayment of bank loans		<b>(1)</b>	(3)	(7)
Issue of fixed term debt		<b>44</b>	–	–
Repayment of fixed term debt		<b>(134)</b>	–	–
Receipt on financing derivatives		<b>37</b>	–	–
Capital element of finance lease rental payments		<b>(5)</b>	(6)	(11)
New shares issued under share schemes		<b>2</b>	2	8
Purchase of own shares for ESOP trust		–	–	(13)
Purchase of own shares for cancellation		<b>(90)</b>	(149)	(260)
Ordinary dividends paid to equity shareholders of the Company	9	<b>(160)</b>	(159)	(231)
<b>Net cash flows from financing activities</b>		<b>(315)</b>	(322)	(526)
<b>Net decrease in cash and cash equivalents and bank overdrafts</b>				
		<b>(41)</b>	(46)	(596)
Cash and cash equivalents and bank overdrafts at beginning of period		<b>230</b>	795	795
Exchange differences		<b>(8)</b>	19	31
<b>Cash and cash equivalents and bank overdrafts at end of period</b>	15	<b>181</b>	768	230

**Kingfisher plc**  
**2018/19 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. General information**

Kingfisher plc ('the Company'), its subsidiaries, joint ventures and associates (together 'the Group') supply home improvement products and services through a network of retail stores and other channels, located mainly in the United Kingdom and continental Europe.

The Company is incorporated in the United Kingdom and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts for the year ended 31 January 2018 were approved by the Board of Directors on 20 March 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006. The interim financial report has been reviewed, not audited, and was approved by the Board of Directors on 18 September 2018.

**2. Basis of preparation**

The interim financial report for the six months ended 31 July 2018 ('the half year') has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. It should be read in conjunction with the annual financial statements for the year ended 31 January 2018, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the periods presented. Where comparatives are given, '2017/18' refers to the six months ended 31 July 2017.

*Going concern*

The Directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the half year ended 31 July 2018.

*Principal rates of exchange against Sterling*

	Half year ended 31 July 2018		Half year ended 31 July 2017		Year ended 31 January 2018	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
Euro	<b>1.14</b>	<b>1.12</b>	1.16	1.12	1.14	1.14
US Dollar	<b>1.37</b>	<b>1.31</b>	1.27	1.31	1.30	1.42
Polish Zloty	<b>4.83</b>	<b>4.79</b>	4.91	4.76	4.83	4.75
Russian Rouble	<b>82.55</b>	<b>81.81</b>	73.57	77.75	75.53	79.74

*Risks and uncertainties*

The principal risks and uncertainties to which the Group is exposed are set out on pages 40-47 of the Kingfisher plc Annual Report and Accounts for the year ended 31 January 2018. These have been reviewed as part of the Group's half year procedures and are listed in the Financial Review.

*Use of non-GAAP measures*

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, underlying pre-tax profit, adjusted pre-tax profit, adjusted effective tax rate, underlying earnings per share and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net cash, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'transformation costs', 'underlying', 'adjusted', 'adjusted effective tax rate' and 'net cash' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group's share of interest and tax of joint ventures and associates, transformation costs and exceptional items. It includes the sustainable benefits of the transformation plan. Central costs principally comprise the costs of the Group's head office before transformation costs.

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's ongoing business performance. The principal items which are included as exceptional items are:

- non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities;
- profits and losses on the disposal of properties and impairment losses on non-operational assets; and
- the costs of significant restructuring, including certain restructuring costs of the Group's five year transformation plan launched in 2016/17, and incremental acquisition integration costs.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

The term 'underlying' refers to the relevant adjusted measure being reported before non-exceptional transformation costs. Non-exceptional transformation costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they are incurred are not considered as exceptional items. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative. The separate reporting of such costs (in addition to exceptional items) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.

The adjusted effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.

Net cash comprises cash and cash equivalents and short-term deposits less borrowings and financing derivatives (excluding accrued interest).



### 3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2018, as described in note 2 of those financial statements, except where set out below. The critical accounting estimates and judgements are set out in note 3 of the annual financial statements for the year ended 31 January 2018 and remain unchanged.

Taxes on income for interim periods are accrued using the best estimate of the effective tax rate that would be applicable to expected total annual earnings.

#### *Changes to accounting policies as a result of new standards issued and effective*

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 February 2018. The new standards have been adopted under the modified retrospective approach. The effect of adopting these standards is outlined below.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities, and introduces a new impairment model for financial assets as well as new hedge accounting rules.

The adoption of IFRS 9 has not had a material effect on the financial statements, but will require additional disclosures in the annual financial statements relating to hedge accounting. IFRS 9 introduces the following new requirements:

- The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset and its contractual cash flow characteristics. Given the nature of the Group's financial assets, comprising principally derivatives, trade and other receivables and cash, this has had no material impact.
- The new impairment model requires the recognition of expected credit losses, in contrast to the requirement to recognise incurred credit losses under IAS 39. The Group does not hold financial assets for which application of the new impairment model is significant. The Group's trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels.

All Group hedging relationships designated under IAS 39 at 31 January 2018 met the criteria for hedge accounting under IFRS 9 at 1 February 2018, and are therefore regarded as continuing hedging relationships.

IFRS 15 replaces IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied.

The adoption of IFRS 15 has not had a material effect on the financial statements or the amount, timing or nature of revenue recognised by the Group. All revenue from the Group relates to contracts with customers and the Group does not apply significant judgment in determining the timing of satisfaction of its performance obligations or the transaction price allocated to those performance obligations, as the vast majority of the Group's revenue derives from in-store purchases of products by customers, where revenue is generally recognised at the point of cash receipt. Revenue arising from performance obligations satisfied over a period of time or at a future point in time (delivered products and services) typically have contract lengths of less than one year and represent only a small component of the Group's sales.

The Group's accounting policies for revenue recognition and financial instruments are provided in Note 2(d) and Note 2(p) respectively of the annual financial statements for the year ended 31 January 2018 and have been updated to reflect the above changes in requirements.

No retrospective adjustments, restatements or changes to opening retained earnings have been made to the financial statements as a result of adopting IFRS 9 and IFRS 15.

Other new standards, amendments and interpretations are in issue and effective for the Group's financial year ended 31 January 2019, but they do not have a material impact on the consolidated financial statements.

#### *Standards issued but not yet effective*

The following new standard will be effective for the Group's 2019/20 financial year:

IFRS 16 'Leases' replaces IAS 17 'Leases'. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) and those for items of low value. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group anticipates that the adoption of IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before taxation, total assets and total liabilities lines.

The IFRS 16 implementation project continues to make progress. The impact of the standard on the Group is currently being assessed and therefore it is not yet practicable to provide a full estimate of its effect. The undiscounted amount of the Group's operating lease commitments at 31 January 2018 disclosed under IAS 17, the current leasing standard, was £3.4 billion.

Other new standards, amendments and interpretations which are in issue but not yet effective are not expected to have a material impact on the consolidated financial statements.

#### 4. Segmental analysis

##### Income statement

£ millions	Half year ended 31 July 2018				
	UK & Ireland	France	Other International		Total
			Poland	Other	
<b>Sales</b>	<b>2,635</b>	<b>2,267</b>	<b>726</b>	<b>452</b>	<b>6,080</b>
<b>Retail profit</b>	<b>218</b>	<b>122</b>	<b>88</b>	<b>(24)</b>	<b>404</b>
Central costs					(24)
Share of interest and tax of joint ventures and associates					(2)
Transformation costs before exceptional items					(52)
Exceptional items					(42)
<b>Operating profit</b>					<b>284</b>
Net finance costs					(3)
<b>Profit before taxation</b>					<b>281</b>

£ millions	Half year ended 31 July 2017				
	UK & Ireland	France	Other International		Total
			Poland	Other	
<b>Sales</b>	<b>2,602</b>	<b>2,273</b>	<b>694</b>	<b>439</b>	<b>6,008</b>
<b>Retail profit</b>	<b>215</b>	<b>174</b>	<b>84</b>	<b>(6)</b>	<b>467</b>
Central costs					(25)
Share of interest and tax of joint ventures and associates					(3)
Transformation costs before exceptional items					(46)
Exceptional items					8
<b>Operating profit</b>					<b>401</b>
Net finance income					1
<b>Profit before taxation</b>					<b>402</b>

£ millions	Year ended 31 January 2018				
	UK & Ireland	France	Other International		Total
			Poland	Other	
<b>Sales</b>	<b>5,003</b>	<b>4,387</b>	<b>1,384</b>	<b>881</b>	<b>11,655</b>
<b>Retail profit</b>	<b>375</b>	<b>320</b>	<b>170</b>	<b>(16)</b>	<b>849</b>
Central costs					(46)
Share of interest and tax of joint ventures and associates					(4)
Transformation costs before exceptional items					(114)
<b>Operating profit</b>					<b>685</b>
Net finance costs					(3)
<b>Profit before taxation</b>					<b>682</b>

## Balance sheet

	At 31 July 2018				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
<b>Segment assets</b>	<b>1,565</b>	<b>1,673</b>	<b>694</b>	<b>553</b>	<b>4,485</b>
Central liabilities					(159)
Goodwill					2,438
Net cash					99
<b>Net assets</b>					<b>6,863</b>

	At 31 July 2017				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
<b>Segment assets</b>	<b>1,433</b>	<b>1,485</b>	<b>619</b>	<b>419</b>	<b>3,956</b>
Central liabilities					(202)
Goodwill					2,400
Net cash					650
<b>Net assets</b>					<b>6,804</b>

	At 31 January 2018				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
<b>Segment assets</b>	<b>1,589</b>	<b>1,643</b>	<b>685</b>	<b>477</b>	<b>4,394</b>
Central liabilities					(151)
Goodwill					2,437
Net cash					68
<b>Net assets</b>					<b>6,748</b>

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive, representing the geographical areas in which the Group operates. The Group only has one business segment being the supply of home improvement products and services. The majority of the sales in each geographical area are derived from in-store sales of products.

The 'Other International' segment consists of Poland, Iberia, Germany, Russia, Romania and the joint venture Koçtaş in Turkey. Poland has been shown separately due to its significance.

Central costs principally comprise the costs of the Group's head office before transformation costs. Central liabilities comprise unallocated head office and other central items including central assets, pensions, insurance, interest and tax.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic pillar, with £21m (2017/18: £21m) included within selling and distribution expenses and £31m (2017/18: £25m) included within administrative expenses.

The Group's sales, although generally not highly seasonal on a half-yearly basis, do increase over the Easter period and during the summer months leading to slightly higher sales usually being recognised in the first half of the year.

## 5. Exceptional items

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Included within selling and distribution expenses</b>			
UK & Ireland and continental Europe restructuring	4	13	12
Brico Dépôt Romania impairment reversal	–	–	2
	<b>4</b>	<b>13</b>	<b>14</b>
<b>Included within administrative expenses</b>			
Transformation exceptional costs	(46)	(5)	(15)
	<b>(46)</b>	<b>(5)</b>	<b>(15)</b>
<b>Included within other income</b>			
Profit on disposal of properties	–	–	1
	–	–	1
<b>Exceptional items before tax</b>	<b>(42)</b>	<b>8</b>	<b>–</b>
Tax on exceptional items	13	(1)	–
<b>Exceptional items</b>	<b>(29)</b>	<b>7</b>	<b>–</b>

Current period exceptional items include a £4m net credit principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group's transformation plan. Transformation exceptional costs of £46m have been recorded in the period, principally representing restructuring costs in France of £35m and other costs of people changes in the UK relating to the Group's five-year transformation plan.

## 6. Net finance (costs)/income

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
Bank overdrafts and bank loans	(7)	(5)	(10)
Fixed term debt	(1)	(1)	(2)
Finance leases	(1)	(1)	(2)
Financing fair value remeasurements	–	–	(1)
Unwinding of discount on provisions	–	–	(1)
Capitalised interest	2	–	2
Other interest payable	(2)	(1)	(5)
<b>Finance costs</b>	<b>(9)</b>	<b>(8)</b>	<b>(19)</b>
Cash and cash equivalents and short-term deposits	4	3	8
Net interest income on defined benefit pension schemes	2	3	5
Other interest income	–	3	3
<b>Finance income</b>	<b>6</b>	<b>9</b>	<b>16</b>
<b>Net finance (costs)/income</b>	<b>(3)</b>	<b>1</b>	<b>(3)</b>

## 7. Income tax expense

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>UK corporation tax</b>			
Current tax on profits for the period	(49)	(43)	(32)
Adjustments in respect of prior years	–	(2)	(8)
	<b>(49)</b>	<b>(45)</b>	<b>(40)</b>
<b>Overseas tax</b>			
Current tax on profits for the period	(31)	(56)	(152)
Adjustments in respect of prior years	–	1	(2)
	<b>(31)</b>	<b>(55)</b>	<b>(154)</b>
<b>Deferred tax</b>			
Current period	6	(8)	(20)
Adjustments in respect of prior years	1	1	1
Adjustments in respect of changes in tax rates	–	–	16
	<b>7</b>	<b>(7)</b>	<b>(3)</b>
<b>Income tax expense</b>	<b>(73)</b>	<b>(107)</b>	<b>(197)</b>

The adjusted effective tax rate on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 27% (2017/18: 27%), representing the best estimate of the effective rate for the full financial year. The adjusted effective tax rate on the same basis for the year ended 31 January 2018 was 30%, impacted by a one-off French tax surcharge. Exceptional tax items for the current period amount to a credit of £13m, none of which relates to prior year items (2017/18: £1m charge, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2018 amounted to a charge of £nil.

## 8. Earnings per share

Pence	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Basic earnings per share</b>	<b>9.7</b>	13.3	22.1
Effect of dilutive share options	–	–	(0.1)
<b>Diluted earnings per share</b>	<b>9.7</b>	13.3	22.0
<b>Basic earnings per share</b>	<b>9.7</b>	13.3	22.1
Exceptional items before tax	1.9	(0.3)	–
Tax on exceptional and prior year items	(0.6)	–	(0.3)
<b>Adjusted basic earnings per share</b>	<b>11.0</b>	13.0	21.8
Transformation costs before exceptional items	2.5	2.1	5.2
Tax on transformation costs before exceptional items	(0.7)	(0.6)	(1.5)
<b>Underlying basic earnings per share</b>	<b>12.8</b>	14.5	25.5
<b>Diluted earnings per share</b>	<b>9.7</b>	13.3	22.0
Exceptional items before tax	1.9	(0.3)	–
Tax on exceptional and prior year items	(0.6)	–	(0.3)
<b>Adjusted diluted earnings per share</b>	<b>11.0</b>	13.0	21.7
Transformation costs before exceptional items	2.4	2.1	5.2
Tax on transformation costs before exceptional items	(0.7)	(0.6)	(1.5)
<b>Underlying diluted earnings per share</b>	<b>12.7</b>	14.5	25.4

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to equity shareholders of the Company. A reconciliation of statutory earnings to adjusted and underlying earnings is set out below:

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Earnings</b>	<b>208</b>	295	485
Exceptional items before tax	<b>42</b>	(8)	–
Tax on exceptional and prior year items	<b>(14)</b>	1	(7)
Financing fair value remeasurements	–	–	1
<b>Adjusted earnings</b>	<b>236</b>	288	479
Transformation costs before exceptional items	<b>52</b>	46	114
Tax on transformation costs before exceptional items	<b>(14)</b>	(12)	(35)
<b>Underlying earnings</b>	<b>274</b>	322	558

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is 2,141m (2017/18: 2,216m). The diluted weighted average number of shares in issue during the period is 2,151m (2017/18: 2,225m). For the year ended 31 January 2018, the weighted average number of shares in issue was 2,192m and the diluted weighted average number of shares in issue was 2,201m.

## 9. Dividends

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Dividends to equity shareholders of the Company</b>			
Ordinary final dividend for the year ended 31 January 2018 of 7.49p per share	<b>160</b>	–	–
Ordinary interim dividend for the year ended 31 January 2018 of 3.33p per share	–	–	72
Ordinary final dividend for the year ended 31 January 2017 of 7.15p per share	–	159	159
	<b>160</b>	159	231

The proposed ordinary interim dividend for the period ended 31 July 2018 is 3.33p per share.

## 10. Property, plant and equipment, investment property and other intangible assets

Additions to the cost of property, plant and equipment, investment property and other intangible assets are £155m (2017/18: £125m) and for the year ended 31 January 2018 were £395m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and other intangible assets are £6m (2017/18: £2m) and for the year ended 31 January 2018 were £8m.

Capital commitments contracted but not provided for at the end of the period are £90m (2017/18: £101m) and at 31 January 2018 were £52m.

## 11. Post-employment benefits

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Net surplus in schemes at beginning of period</b>	<b>99</b>	131	131
Current service cost	(6)	(6)	(11)
Administration costs	(2)	(2)	(4)
Net interest income	2	3	5
Net actuarial gains/(losses)	86	(21)	(58)
Contributions paid by employer	19	18	38
Exchange differences	(2)	(4)	(2)
<b>Net surplus in schemes at end of period</b>	<b>196</b>	119	99
UK	318	236	214
Overseas	(122)	(117)	(115)
<b>Net surplus in schemes at end of period</b>	<b>196</b>	119	99
Present value of defined benefit obligations	(3,036)	(3,142)	(3,136)
Fair value of scheme assets	3,232	3,261	3,235
<b>Net surplus in schemes at end of period</b>	<b>196</b>	119	99

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis provided in note 26 of the annual financial statements for the year ended 31 January 2018.

A key assumption in valuing the pension obligation is the discount rate. Accounting standards require this to be set based on market yields on high quality corporate bonds at the balance sheet date. The UK scheme discount rate is derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality Sterling corporate bonds with the same duration as that of the scheme liabilities.

The principal financial assumptions for the UK scheme, being the Group's principal defined benefit scheme, are set out below:

Annual % rate	At 31 July 2018	At 31 July 2017	At 31 January 2018
Discount rate	2.5	2.5	2.5
Price inflation	3.3	3.4	3.4

## 12. Financial instruments

The Group holds the following derivative financial instruments at fair value:

£ millions	At 31 July 2018	At 31 July 2017	At 31 January 2018
Cross currency interest rate swaps	–	47	32
Foreign exchange contracts	47	24	9
<b>Derivative assets</b>	<b>47</b>	<b>71</b>	<b>41</b>

£ millions	At 31 July 2018	At 31 July 2017	At 31 January 2018
Foreign exchange contracts	(16)	(36)	(79)
<b>Derivative liabilities</b>	<b>(16)</b>	<b>(36)</b>	<b>(79)</b>

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk. All the derivatives held by the Group at fair value are considered to have fair values determined by level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

Except as detailed in the following table of borrowings, the carrying amounts of financial instruments recorded at amortised cost in the financial statements are approximately equal to their fair values. Where available, market values have been used to determine the fair values of borrowings. Where market values are not available or are not reliable, fair values have been calculated by discounting cash flows at prevailing interest and foreign exchange rates. This has resulted in level 2 inputs for borrowings as defined by the IFRS 13 fair value hierarchy.

£ millions	Carrying amount		
	At 31 July 2018	At 31 July 2017	At 31 January 2018
Bank overdrafts	–	8	–
Bank loans	5	6	6
Fixed term debt	44	139	125
Finance leases	40	38	45
<b>Borrowings</b>	<b>89</b>	<b>191</b>	<b>176</b>

£ millions	Fair value		
	At 31 July 2018	At 31 July 2017	At 31 January 2018
Bank overdrafts	–	8	–
Bank loans	5	6	5
Fixed term debt	44	144	129
Finance leases	47	44	56
<b>Borrowings</b>	<b>96</b>	<b>202</b>	<b>190</b>

On 31 July 2018, the Group issued €50m of floating rate notes due 31 July 2020 under the €2.5bn European Medium Term Note (EMTN) programme. The proceeds were swapped into sterling at floating interest rates using a cross currency swap.



### 13. Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total
<b>At 1 February 2018</b>	<b>262</b>	<b>(37)</b>	<b>159</b>	<b>384</b>
Currency translation differences				
Group	34	–	–	34
Joint ventures and associates	(1)	–	–	(1)
Cash flow hedges				
Fair value gains	–	63	–	63
Losses transferred to inventories	–	15	–	15
Tax on items that may be reclassified	(1)	(19)	–	(20)
<b>Other comprehensive income for the period</b>	<b>32</b>	<b>59</b>	<b>–</b>	<b>91</b>
<b>At 31 July 2018</b>	<b>294</b>	<b>22</b>	<b>159</b>	<b>475</b>
<b>At 1 February 2017</b>	184	19	159	362
Currency translation differences				
Group	137	–	–	137
Joint ventures and associates	1	–	–	1
Cash flow hedges				
Fair value losses	–	(37)	–	(37)
Gains transferred to inventories	–	(14)	–	(14)
Tax on items that may be reclassified	–	12	–	12
<b>Other comprehensive income/(loss) for the period</b>	<b>138</b>	<b>(39)</b>	<b>–</b>	<b>99</b>
<b>At 31 July 2017</b>	<b>322</b>	<b>(20)</b>	<b>159</b>	<b>461</b>
<b>At 1 February 2017</b>	184	19	159	362
Currency translation differences				
Group	84	–	–	84
Joint ventures and associates	(1)	–	–	(1)
Cash flow hedges				
Fair value losses	–	(93)	–	(93)
Losses transferred to inventories	–	20	–	20
Tax on items that may be reclassified	(5)	17	–	12
<b>Other comprehensive income/(loss) for the year</b>	<b>78</b>	<b>(56)</b>	<b>–</b>	<b>22</b>
<b>At 31 January 2018</b>	<b>262</b>	<b>(37)</b>	<b>159</b>	<b>384</b>

## 14. Cash generated by operations

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Operating profit</b>	<b>284</b>	401	685
Share of post-tax results of joint ventures and associates	1	(1)	(3)
Depreciation and amortisation	132	122	254
Net impairment losses	–	–	1
Loss on disposal of property, plant and equipment, investment property and intangible assets	2	1	2
Share-based compensation charge	10	12	8
Decrease/(increase) in inventories	3	(295)	(473)
Decrease in trade and other receivables	41	16	12
Increase in trade and other payables	20	313	87
Movement in provisions	21	(62)	(75)
Movement in post-employment benefits	(11)	(10)	(23)
<b>Cash generated by operations</b>	<b>503</b>	497	475

## 15. Net cash

£ millions	At 31 July 2018	At 31 July 2017	At 31 January 2018
Cash and cash equivalents	181	776	230
Bank overdrafts	–	(8)	–
<b>Cash and cash equivalents and bank overdrafts</b>	<b>181</b>	768	230
Bank loans	(5)	(6)	(6)
Fixed term debt	(44)	(139)	(125)
Financing derivatives	7	65	14
Finance leases	(40)	(38)	(45)
<b>Net cash</b>	<b>99</b>	650	68

£ millions	Half year ended 31 July 2018	Half year ended 31 July 2017	Year ended 31 January 2018
<b>Net cash at beginning of period</b>	<b>68</b>	641	641
Net decrease in cash and cash equivalents and bank overdrafts	(41)	(46)	(596)
Repayment of bank loans	1	3	7
Issue of fixed term debt	(44)	–	–
Repayment of fixed term debt	134	–	–
Receipt on financing derivatives	(37)	–	–
Capital element of finance lease rental payments	5	6	11
<b>Cash flow movement in net cash</b>	<b>18</b>	(37)	(578)
<b>Borrowings acquired</b>	<b>–</b>	–	(7)
Exchange differences and other non-cash movements	13	46	12
<b>Net cash at end of period</b>	<b>99</b>	650	68

## **16. Contingent liabilities**

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £44m (2017/18: £44m) would crystallise due to possible future events not wholly within the Group's control. At 31 January 2018, the amount was £43m.

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

The Group files tax returns in many jurisdictions around the world and at any one time, is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

Included within these audits is a dispute with the French Tax Authority regarding the treatment of interest paid since the 2010 year end, where additional French tax of €49m (£44m) has been assessed and for which a bank guarantee is now in place. At the balance sheet date, interest and penalties of €50m (£45m) would be due on this assessment if not challenged successfully. Having taken external professional advice, the Group disagrees with the assessment and intends to defend its position through the courts. The Group does not consider it necessary to make provision for the amounts assessed at the current time, nor for any potential further amounts which may be assessed for subsequent years.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. Along with many other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. The Group does not currently consider any provision is required in relation to EU State Aid.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial position.

## **17. Related party transactions**

The Group's significant related parties are its joint ventures, associates and pension schemes as disclosed in note 36 of the annual financial statements for the year ended 31 January 2018. There have been no significant changes in related parties or related party transactions in the period.

## **18. Events after the balance sheet date**

At 31 July 2018, the Group had undrawn revolving credit facilities of £225m due to mature in March 2022 and £400m due to mature in November 2019. In August 2018, the Group completed an amendment and extension of the £400m revolving credit facility, increasing the size to £550m and the term to August 2021.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- an indication of important events that have occurred during the period and their impact on the interim condensed financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and
- material related party transactions in the period and any material changes in the related party transactions described in the last annual report.

The Directors of Kingfisher plc were listed in the Kingfisher plc Annual Report for the year ended 31 January 2018 which noted that Jeff Carr would join the Board as a non-executive Director on 1 June 2018, replacing Andrew Bonfield as Chairman of the Audit Committee who resigned as a Director and Chairman of the Audit Committee on 12 June 2018.

By order of the Board

Véronique Laury  
Chief Executive Officer  
18 September 2018

Karen Witts  
Chief Financial Officer  
18 September 2018

## **INDEPENDENT REVIEW REPORT TO KINGFISHER PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2018 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report 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 in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it 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, for our review work, for this report, or for the conclusions 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs 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 to the Company 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" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **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 six months ended 31 July 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
18 September 2018