Kingfisher

Half year results for the six months ended 31 July 2023 (unaudited)

Financial summary	**2023/24**	**2022/23**	**% Total Change Reported**	**% Total Change Constant currency***	**% LFL* Change Constant currency**
Sales	£6,880m	£6,809m	+1.1%	(1.0)%	(2.2)%
Gross profit	£2,495m	£2,496m	(0.1)%	(2.0)%	
Gross margin %*	36.3%	36.7%	(40)bps	(40)bps	
Operating profit	£367m	£531m	(30.9)%		
Statutory pre-tax profit (PBT)	£317m	£474m	(33.1)%		
Statutory post-tax profit	£237m	£373m	(36.5)%		
Statutory basic EPS	12.4p	18.6p	(33.4)%		
Net increase/(decrease) in cash±	£51m	£(329)m	n/a		
Interim dividend	3.80p	3.80p	-		
Adjusted metrics					
Retail profit*	£433m	£555m	(22.0)%	(23.0)%	
Retail profit margin %*	6.3%	8.2%	(190)bps	(180)bps	
Adjusted pre-tax profit (PBT)*	£336m	£472m	(28.8)%		
Adjusted post-tax profit*	£249m	£368m	(32.3)%		
Adjusted basic EPS*	13.0p	18.3p	(28.9)%		
Free cash flow*	£346m	£104m	n/a		
Net debt*(1)	£(2,181)m	£(1,848)m	n/a		

** See page 5 for further details on non-GAAP measures and other terms; ± Net increase/(decrease) in cash and cash equivalents and bank overdrafts*

Highlights

- Group H1 sales slightly ahead of expectations. Total sales -1.0% and LFL -2.2%, with Q2 LFL -1.2% accelerating from Q1 (LFL -3.3%)
- Sales by region:
  - Positive UK & Ireland performance (LFL +1.7%) with strong market share gains at Screwfix
  - France (LFL -3.8%) saw resilient performance at Castorama; weaker at Brico Dépôt
  - Poland (LFL -10.9%) impacted by strong comparatives and weaker than expected Q2
- Sales by category:
  - Resilient core and 'big-ticket' category sales LFL -1.0% (78% of sales), with volumes showing an improving trend through H1
  - Seasonal sales LFL -5.9% (22% of sales), with sequential improvement in Q2 driven by better UK weather conditions in May and June
- Continuing to invest in our strategic priorities, including e-commerce and marketplace, data and retail media, developing our trade proposition, and Screwfix
- H1 adjusted PBT down 28.8% to £336m, with UK & Ireland and France slightly ahead of expectations (the latter due to good cost control), more than offset by lower than expected Poland performance. Statutory PBT down 33.1% to £317m
- FY adjusted PBT guidance: Q3 LFL to date -2.4%. Reflecting H1 results and the trading environment in our markets, updating our full year adjusted PBT guidance to c.£590m (previously c.£634m)
- Continue to expect >£500m free cash flow for the year, underpinning attractive shareholder returns with over £260m returned in H1. Announcing today a new £300m share buyback programme

Thierry Garnier, Chief Executive Officer, said:

"Our LFL sales in H1 were slightly ahead of expectations, against a backdrop of unseasonal weather and ongoing macroeconomic challenges in our markets. We saw good growth in our UK banners, with Screwfix gaining significant market share. At the same time, we faced strong comparatives and a weaker trading environment in Poland, while consumer confidence in France is at a 10-year low. Overall, demand for our core and 'big-ticket' categories was healthy, and we were pleased to see an improving volume trend in these categories through the half.

"We continue to make strong progress against our strategic priorities. E-commerce sales were up 7% in H1, supported by the continued success of our online marketplaces. B&Q's marketplace sales reached 33% of its e-commerce business in July. We leveraged our data science capabilities to develop AI-powered solutions such as our markdown tool, which in early pilots at B&Q delivered a very encouraging margin improvement on clearance products. We also advanced our retail media plans through new partnerships to accelerate advertising income. And we continued to invest in dedicated ranges, tailored services and expert colleagues to better serve trade customers across all our banners, including launching 'Pro' zones in 27 stores in France and Poland.

"Further, with nine Screwfix stores now open in France including four new stores in H1, customer momentum is building. We are now planning for up to 20 store openings this year. These early results in France have encouraged us to take the next step in our international expansion journey, and we are today announcing the launch of Screwfix in Q3 as a pure-play online retailer in up to 20 European countries.

"Trading in the UK & Ireland continues to have positive momentum. However, to better reflect our performance in H1 and the trading environment in our markets, we have updated our profit guidance for this year and are proactively managing our operating costs accordingly. We remain very positive on the medium-to-long term outlook for home improvement growth in our markets, and confident in our ability to grow market share and deliver on our medium-term financial objectives. Underscoring this confidence, we are today announcing a new £300m share buyback programme, starting in early October."

H1 23/24 results summary

- **Sales** -1.0% in constant currency, reflecting resilience across both retail and trade channels, particularly in the UK & Ireland*
- **LFL sales** -2.2%
  - Year-on-year (YoY) growth in the UK & Ireland; weak consumer sentiment in Poland and France*; strong prior year comparatives in Other International* (Poland, Iberia* and Romania)
- **Q2 23/24** LFL sales -1.2%, improving from Q1 23/24 (LFL -3.3%)
  - **UK & Ireland:** strong performance at B&Q across May and June (LFL +7.0%), with July impacted by unseasonal weather; acceleration in LFL from Q1 at Screwfix supported by robust demand from trade customers
  - **France:** resilient performance at Castorama, particularly in core and 'big-ticket' categories*; weaker performance at Brico Dépôt following unsuccessful reallocation of marketing to digital
  - **Poland:** macroeconomic backdrop continues to be challenging; weaker consumer sentiment reflected in lower than expected sales and profit in Q2
- **Total e-commerce sales*** +7.1%, driven by growth in the UK & Ireland and France
  - E-commerce sales penetration* of 16.8% (H1 22/23 and H1 19/20: 15.6% and 7.3%, respectively)
  - Continued strong growth of B&Q marketplace gross sales*, reaching 33% of B&Q's e-commerce sales in July 2023
- **Gross margin %** -40 basis points to 36.3% (H1 22/23: 36.7%) reflecting higher customer participation in promotional activity in France and Poland, higher clearance costs and stock provisions, and sales mix in Poland
- **Retail profit** -23.0% in constant currency to £433m (H1 22/23: £555m), largely reflecting lower gross profits in Poland and France, and higher operating costs* in the UK & Ireland and Poland largely due to higher pay rates and energy costs
- **Statutory pre-tax profit** -33.1% to £317m (H1 22/23: £474m), reflecting lower operating profit, including the impact of impairments reflecting revised future projections
- **Adjusted pre-tax profit** -28.8% to £336m (H1 22/23: £472m), reflecting lower retail profit and higher central costs* and share of JV interest and tax, partially offset by lower net finance costs
- **Free cash flow** of £346m, up £242m (H1 22/23: £104m), reflecting lower EBITDA* more than offset by the unwind of working capital outflows from the prior year
- **Net increase in cash** of £51m (H1 22/23: net decrease in cash £329m), reflecting higher free cash flow, partially offset by £264m returned to shareholders via ordinary dividends and share buybacks
- **Net debt** down to £2,181m (31 January 2023: £2,274m), including £2,398m of lease liabilities under IFRS 16, largely reflecting the net increase in cash. **Net debt to last twelve months' EBITDA** of 1.6x (31 January 2023: 1.6x)
- **Interim dividend** per share declared of 3.80p (FY 22/23 interim dividend: 3.80p)

FY 23/24 outlook

- Current trading in Q3:
  - Q3 23/24 LFL sales (to date)[(2)] -2.4%
  - Against Q2 sales trends, continued positive momentum in the UK & Ireland, slight slowdown in France, small improvement in Poland
  - Core and 'big-ticket' category volume trends continuing to improve
- Expectations for H2:
  - Maintain disciplined trading and competitive price indices
  - Easing YoY inflation on COGS, staff and energy costs
  - Actively managing operating costs to align to trading conditions
- Based on our H1 performance and the trading environment in our markets, we are updating our FY 23/24 adjusted PBT guidance to c.£590m[(3)] *(previous guidance: comfortable with consensus of sell-side analyst estimates for FY 23/24 adjusted PBT of £634m, as of 24 April 2023)*
- Remain on track to reduce our net inventory this year
- Continue to expect >£500m free cash flow for the full year, supported by the unwind of working capital outflows from the prior year
- Announcing a new £300m share buyback programme today, following the completion of £600m of buybacks over the last two years

Continuing to deliver against our strategic priorities

1) **Grow by building on our different banners:**
   - B&Q's trade-focused banner, TradePoint, opened 18 new trade counters in H1, extending its presence within the B&Q store network to 207 (67% of stores)
   - Screwfix opened 12 stores in the UK & Ireland in H1; on track for up to 60 new stores in these countries in FY 23/24
   - Four Screwfix stores opened in France (nine in total), with positive customer feedback and momentum. Now planning for up to 20 store openings in FY 23/24 *(previous guidance: up to 25)* with focus on growing brand awareness and sales
   - Preparing for launch in Q3 of Screwfix as a pure-play online retailer in continental Europe, serving up to 20 European countries
   - One new Castorama store opened in Poland; slightly slowing down expansion in H2 and now planning for a total of five new stores in FY 23/24 *(previous guidance: seven stores)*. Remain comfortable with target of up to 80 new medium-box and compact stores over next five years

2) **Accelerate e-commerce through speed and choice:**
   - Total e-commerce sales of £1.2bn in H1, a 7.1% increase YoY, with sales penetration of 16.8% (H1 22/23: 15.6%). Ambition to reach 25% sales penetration
   - 92% of all e-commerce orders picked in store (H1 22/23: 91%)
   - Growing adoption of our last-mile delivery options, including increased use of Screwfix *Sprint* resulting from a targeted national advertising campaign
   - Continued rapid growth of e-commerce marketplace proposition at B&Q and Iberia (reaching 33% marketplace participation* at B&Q in July 2023); marketplaces in France and Poland to launch in 2024
   - Signed strategic partnership with *Octopia*, giving Kingfisher access to thousands of additional marketplace merchants globally

3) **Build a data-led customer experience:**
   - Continued to invest in development of in-house data and artificial intelligence (AI) capabilities
   - Implemented AI-powered product recommendation and personalisation engines at B&Q and Screwfix, with early pilots generating up to 10% of e-commerce sales
   - Deployed AI-driven tools to optimise markdowns and clearance; early pilots at B&Q delivering very encouraging gross margin improvement on clearance products
   - Developed end-to-end supply chain visibility tool to support lower inventory levels and faster replenishment cycles. Live in France, Iberia and Romania, and already showing early success of reducing inventory levels without impacting product availability

- Accelerating advertising income, initially in France. Signed new partnerships with *CitrusAd* for technology and *Unlimitail*, the new retail media joint venture between *Carrefour* and *Publicis*, for sales support

4) Differentiate and win through own exclusive brands (OEB):

- OEB products continuing to drive affordability, product innovation and reduced environmental impact, and carrying a higher gross margin % on average than branded products
- Total OEB sales* of £3.1bn in H1; 46% of Group sales (H1 22/23: 46%). LFL sales -3.3%
- Resilient OEB sales trends in EPHC (electricals, plumbing, heating & cooling), tools & hardware and building & joinery categories
- Strong results from OEB ranges launched following key range reviews last year

5) Develop our trade business:

- TradePoint LFL sales -1.8%, against robust prior year comparatives, representing 20% sales penetration of B&Q (H1 22/23: 21%). Medium-term target of >£1bn of TradePoint sales
- Growing TradePoint focus on business-to-business (B2B) with sales up by over 30% YoY, catering to trade federations, professional housebuilders and small and medium-sized enterprises
- Making good progress across all other banners, including testing dedicated trade zones in 27 stores in France and Poland, the introduction of new trade-focused services (e.g., finance deals), and the continued curation of pro-specific product ranges. Encouraging early results on sales and trade customer penetration

6) Roll out compact store formats:

- High street compact store tests (*B&Q Local* in the UK, *Casto* in France and *Castorama Express* in Poland) continue to deliver encouraging learnings and results
- Small retail park concepts being adapted and iterated to find optimum blueprint
- Continuing to test Screwfix's ultra-compact 'Collect' and 'XSR' store format tests in the UK
- Brico Dépôt France successfully opened its first compact store, an innovative 1,000 sqm format

7) Lead the industry in Responsible Business and energy efficiency:

- Continuing to take swift action to help colleagues manage higher costs of living
- New target established for more than 20,000 colleagues to complete an apprenticeship, traineeship or external qualification by 2030
- Momentum in actions to reduce emissions from our operations (e.g., the deployment of electric vehicles across our delivery fleets, and the installation of air source heat pumps at Screwfix)
- Reported scope 3 emissions reduction (i.e., from our supply chain and customer use of products) of 34.1% since FY 17/18 (FY 22/23: 19.7%); on track to meet 1.5°C-aligned target of 40% by 2025
- Leveraging OEB capabilities to build products that reduce impact on the environment. Kingfisher's Sustainable Home Products represented 47% of Group sales last year (FY 21/22: 44%)

8) Human, agile and lean:

- Conducted Group-wide colleague engagement survey in June; participation up 4% YoY to 87%
- Employee Net Promoter Score (eNPS) of 57, up three points YoY, setting Kingfisher within the top 5% of worldwide retailers
- Progress made in transitioning to a more agile and modular technology operating model; moving from physical data centres to the cloud through a new strategic partnership with *Google*
- Continuing to deliver on multi-year cost reduction programmes to partly offset costs of inflation, expansion and space changes, and our investment requirements over the medium term
- Decrease in net inventory of 2% YoY (in constant currency) driven by a reduction in seasonal and 'buffer' stock, lower purchasing, and strategic reduction initiatives; partially offset by product cost inflation. Inventory in units (volume) down 11% YoY
- Actions underway to further optimise supply chain, inventory management and sourcing footprint
- Established procurement joint venture in France with Mr. Bricolage Group, focused on common national and international suppliers

Kingfisher

Information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. This announcement is being released on behalf of Kingfisher by Chloe Barry, Company Secretary.

Footnotes

(1) Net debt includes £2,398m of lease liabilities under IFRS 16 in H1 23/24 (H1 22/23: £2,318m).
(2) 'Q3 23/24 LFL sales (to date)' represents the period from 30 July 2023 to 9 September 2023 compared against the equivalent period in the prior year (i.e., 31 July 2022 to 10 September 2022). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.
(3) Guidance assumes current exchange rates.

Non-GAAP measures and other terms

Throughout this release '*' indicates the first instance of a term defined and explained in the Glossary (Section 6). Not all the figures and ratios used are readily available from the unaudited half year results included in part 2 of this announcement. Management believes that these non-GAAP measures (or 'Alternative Performance Measures'), including adjusted profit measures, constant currency and like-for-like (LFL) sales growth, are useful and necessary to assist the understanding of the Group's results. Where required, a reconciliation to statutory amounts is set out in the Financial Review (Section 5).

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Half year results announcement and data tables

This announcement and data tables for H1 23/24 can be downloaded from the Investors section of our website at www.kingfisher.com/investors. You can follow us on LinkedIn with the results tag #KingfisherResults.

Results presentation

We will host an in-person results presentation for pre-registered analysts and investors today at 09.00 (UK time) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. A simultaneous live video webcast of the presentation and Q&A will also be available via the Investors section of our website at www.kingfisher.com, and subsequently available on demand.

For enquiries, please email investorenquiries@kingfisher.com.

Financial calendar *(± Dates are provisional and may be subject to change)*

Q3 23/24 trading update	22 November 2023
Full year results	25 March 2024±
Q1 24/25 trading update	22 May 2024±
Half year results	17 September 2024±
Q3 24/25 trading update	27 November 2024±

American Depository Receipts

Kingfisher American Depository Receipts are traded in the US on the OTCQX platform: (OTCQX: KGFHY) www.otcmarkets.com/stock/KGFHY/quote.

The remainder of this release consists of seven main sections:

1) H1 2023/24 Financial performance summary and current trading
2) Group update (including **'Powered by Kingfisher'** strategic plan)
3) Trading review by division
4) FY 2023/24 Technical guidance
5) H1 2023/24 Financial review and, in part 2 of this announcement, the condensed financial statements
6) Glossary
7) Forward-looking statements

Section 1: H1 2023/24 Financial performance summary and current trading

Income statement summary

£m	2023/24	2022/23	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	**6,880**	**6,809**	+1.1%	(1.0)%	(2.2)%
Gross profit	**2,495**	**2,496**	(0.1)%	(2.0)%	
Retail profit:					
UK & Ireland	**306**	**339**	(9.8)%	(9.8)%	
France	**104**	**129**	(19.3)%	(21.9)%	
Poland	35	94	(62.5)%	(64.4)%	
Iberia	3	6	(48.7)%	(50.3)%	
Romania	(10)	(4)	n/a	n/a	
Other[1]	(10)	(13)	n/a	n/a	
Turkey (50% joint venture)	5	4	n/a	n/a	
Other International	**23**	**87**	(73.8)%	(74.6)%	
Retail profit	**433**	**555**	(22.0)%	(23.0)%	
Central costs	(36)	(26)	(38.5)%		
Share of JV interest and tax	(11)	-	n/a		
Operating profit (before adjusting items*)	**386**	**529**	(27.0)%		
Net finance costs	(50)	(57)	+12.2%		
Adjusted pre-tax profit	**336**	**472**	(28.8)%		
Adjusting items	(19)	2	n/a		
Statutory pre-tax profit	**317**	**474**	(33.1)%		

LFL sales by quarter

Quarterly sales	% LFL Change Q1 23/24	Q2 23/24	H1 23/24
UK & Ireland	**(0.8)%**	**+4.1%**	**+1.7%**
- B&Q	(1.6)%	+3.3%	+1.0%
- Screwfix	+0.7%	+5.6%	+3.1%
France	**(4.1)%**	**(3.5)%**	**(3.8)%**
- Castorama	(3.1)%	(2.3)%	(2.7)%
- Brico Dépôt	(5.2)%	(4.8)%	(5.0)%
Other International	**(8.1)%**	**(9.3)%**	**(8.8)%**
- Poland	(10.3)%	(11.5)%	(10.9)%
- Iberia	+2.5%	(4.2)%	(1.2)%
- Romania	(7.8)%	(2.7)%	(4.9)%
Group LFL	**(3.3)%**	**(1.2)%**	**(2.2)%**
Total e-commerce sales[2]	**+4.6%**	**+9.5%**	**+7.1%**

H1 LFL sales by core and ‘big-ticket’ vs seasonal

	% LFL Change		
	Core and ‘big-ticket’	Seasonal	H1 23/24
UK & Ireland	**+2.8%**	**(2.1)%**	**+1.7%**
- B&Q	+2.7%	(3.2)%	+1.0%
- Screwfix	+3.0%	+4.4%	+3.1%
France	**(2.1)%**	**(8.5)%**	**(3.8)%**
- Castorama	(0.9)%	(7.0)%	(2.7)%
- Brico Dépôt	(3.4)%	(10.8)%	(5.0)%
Other International	**(8.6)%**	**(9.3)%**	**(8.8)%**
- Poland	(10.8)%	(11.3)%	(10.9)%
- Iberia	+0.2%	(6.4)%	(1.2)%
- Romania	(6.1)%	(1.3)%	(4.9)%
Group LFL	**(1.0)%**	**(5.9)%**	**(2.2)%**
Proportion of sales	*78%*	*22%*	

Quarterly LFL sales by core and ‘big-ticket’ vs seasonal

	% LFL Change					
	Core and ‘big-ticket’(3)	Seasonal(3)	Q1 23/24	Core and ‘big-ticket’	Seasonal	Q2 23/24
UK & Ireland	**+1.9%**	**(12.6)%**	**(0.8)%**	**+3.8%**	**+5.0%**	**+4.1%**
- B&Q	+2.4%	(14.0)%	(1.6)%	+3.0%	+4.1%	+3.3%
- Screwfix	+1.2%	(4.6)%	+0.7%	+5.0%	+11.1%	+5.6%
France	**(2.2)%**	**(10.7)%**	**(4.1)%**	**(2.1)%**	**(7.0)%**	**(3.5)%**
- Castorama	(1.3)%	(8.4)%	(3.1)%	(0.4)%	(6.0)%	(2.3)%
- Brico Dépôt	(3.1)%	(13.7)%	(5.2)%	(3.7)%	(8.4)%	(4.8)%
Other International	**(8.7)%**	**(5.4)%**	**(8.1)%**	**(8.5)%**	**(11.8)%**	**(9.3)%**
- Poland	(10.5)%	(9.6)%	(10.3)%	(11.2)%	(12.4)%	(11.5)%
- Iberia	(0.2)%	+19.3%	+2.5%	+0.6%	(16.6)%	(4.2)%
- Romania	(9.9)%	(1.3)%	(7.8)%	(3.2)%	(1.3)%	(2.7)%
Group LFL	**(1.4)%**	**(10.6)%**	**(3.3)%**	**(0.6)%**	**(2.7)%**	**(1.2)%**
Proportion of sales	*82%*	*18%*		*74%*	*26%*	

Trading in Q2 23/24

LFL sales were down by 1.2% in Q2, showing momentum from Q1. The surfaces & décor and tools & hardware categories were the standout performers with positive LFLs, and we saw resilient sales trends in building & joinery and bathroom & storage. Outdoor category sales improved significantly from Q1. E-commerce sales were up by 9.5% in Q2, driven by the continued growth of B&Q’s e-commerce marketplace in the UK together with strong online sales growth in France.

Overall LFL in May and June (combined) was slightly positive. We saw an improvement in seasonal category* sales, particularly in the UK, following unseasonably wet weather conditions in Q1. We also saw continued resilience in our core and ‘big-ticket’ categories across all our customer segments, in particular from trade and DIFM*. In the UK, LFL for May and June was +7.0%, with both B&Q and Screwfix growing faster than their respective markets (as measured by the *British Retail Consortium*, *Barclaycard* and *GfK*). Castorama France LFL was slightly negative, with its core and ‘big-ticket’ categories performing particularly well against the backdrop of weak consumer sentiment. Brico Dépôt performed less well, impacted by the reallocation of a portion of its marketing budget to digital which proved unsuccessful – and has been corrected since mid-July. Brico Dépôt also saw lower cross-selling from its special promotions (or *'arrivages'*). Castorama Poland's performance was impacted by ongoing macroeconomic challenges in the country (high inflation and interest rates, decline in GDP in H1), leading to weaker consumer sentiment and lower sales than expected.

In July our trading momentum was affected by unseasonably poor weather (particularly in the UK and France), against a comparative month of July 2022 which saw an unusual heatwave across the UK and Western Europe. Given this, LFL seasonal sales for the Group were down 22.3% for the month. However, we saw a clear trend of customers moving to more indoor-based projects, with LFL sales from our core and 'big-ticket' categories up by 2.1% for the Group. Iberia and Romania experienced more normal weather conditions and saw an acceleration in sales trends in July versus May and June, supported by seasonal category sales.

Current trading in Q3 23/24

Q3 23/24 LFL sales (to date)(4) are down by 2.4%. Compared to our sales trends in Q2 (LFL -1.2%), we are seeing continued positive momentum in the UK & Ireland, with good demand from DIY and DIFM/trade customers and improved weather since mid-August supporting growth in both core and 'big-ticket' and seasonal category sales. In France we have seen a slight slowdown in the sales trend, reflecting continued weak consumer sentiment in the country. In Poland, we have seen a small improvement in the sales trend relative to Q2.

Core and 'big-ticket' category volumes for the Group show a continued improvement in the YoY trend, versus Q1 and Q2.

Footnotes

(1) 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise agreements.
(2) Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. Please refer to the glossary in Section 6 for definitions. References to digital or e-commerce sales growth relates to growth in constant currency and covers the total Group.
(3) Core and 'big-ticket' and seasonal category sales for Q1 23/24 have been restated to reflect a slightly updated categorisation of sales, adopted in Q2. Please refer to the glossary in Section 6 for definitions.
(4) 'Q3 23/24 LFL sales (to date)' represents the period from 30 July 2023 to 9 September 2023 compared against the equivalent period in the prior year (i.e., 31 July 2022 to 10 September 2022). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

Section 2: Group update (including 'Powered by Kingfisher' strategic plan)

At Kingfisher, we believe a better world starts with better homes.

Earlier this year we refreshed the focus areas of our **'Powered by Kingfisher'** strategy to ensure data, trade, culture and agility were given increased prominence and focus. Doing so also gave us better alignment with our investments for growth in multiple areas of the business.

Put simply, our strategic plan aims to maximise the benefits of combining our **distinct retail banners** (which serve a range of different customer needs) with the **scale, strength and expertise of the Kingfisher Group**.

The differentiation of our retail banners across trade (Screwfix, TradePoint), discounters (Brico Dépôt France, Brico Dépôt Iberia), and more general DIY* needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş) is a unique strength for us; more so in a more volatile and uncertain world. Equally, Kingfisher's scale and resources are a critical source of competitive advantage for our banners, providing product development and supply (through our industry-leading own exclusive brands), access to leading-edge technology, digital and data capabilities, as well as international support, sourcing and buying scale.

We are continuing to invest for growth in multiple areas of the business, underscoring our confidence in the medium-to-long term outlook for home improvement growth in our markets. We are pleased with the progress we have made over the last six months, against the backdrop of what remains an extraordinarily challenging operating environment.

The following section covers the progress made in H1 against our strategic plan:

a) Grow by building on our different banners
b) Accelerate e-commerce through speed and choice
c) Build a data-led customer experience
d) Differentiate and win through own exclusive brands (OEB)
e) Develop our trade business
f) Roll out compact store formats
g) Lead the industry in Responsible Business and energy efficiency
h) Human, agile and lean

a) Grow by building on our different banners

Our retail banners occupy number one or two positions in our key markets. These banners address a diverse range of customer needs, each operating different models tailored to these needs, with clear positionings and plans. Our goal is to grow by building on our different formats in existing and new markets, leveraging the power of Kingfisher. Over the medium term we believe net space growth will drive an uplift in sales of +1.5% to +2.5% per annum.

In H1, B&Q successfully rolled out its new *'Local'* sub-branding across all eight of its high street stores, following two successful tests in FY 22/23. *'Local'* stores address the customer needs of immediacy and convenience in locations with high footfall. We continue to adopt a 'test and learn' approach with these B&Q compact stores, focusing on establishing the correct blueprint for the in-store range of products and services available for customers, while optimising the economics. B&Q opened one new store in H1 and closed all eight of its 'grocery concession' format stores. We believe there are around 50 catchments or geographic 'white spaces' in the UK where B&Q is currently under-represented. Please refer to *'Roll out compact store formats'* below for further details of B&Q's evolving store footprint.

Increasing engagement with trade customers is a key driver of Kingfisher's growth ambitions. B&Q's trade-focused banner, TradePoint, has been one of the fastest-growing banners in Kingfisher over the last three years. The business delivered a good performance in H1, against robust prior year comparatives. LFL sales for TradePoint were down 1.8%, representing 20% sales penetration within B&Q (H1 22/23: 21%). TradePoint opened 18 trade counters in H1, extending its presence within the B&Q store network to 207 (67% of stores). Please refer to *'Develop our trade business'* below for further details.

Screwfix, the UK's number one 'light-trade' retailer, continues to expand through its capital-light and high-return small format outlets. In H1, the business opened 12 stores, including 10 in the UK and two in Ireland, bringing the total number of stores to 884 in both countries as of 31 July 2023. Ultra-convenience is one of Screwfix's key differentiators, and the business continues to plan for up to 60 new stores in the UK & Ireland in FY 23/24, keeping it on track to reach its medium-term goal of over 1,000 stores.

Screwfix progressed its international expansion plans in H1 by opening four stores in France, bringing its total to nine stores. With its proven and successful business model, supported by Kingfisher's scale, local knowledge and relationships, Screwfix is very well positioned to address the light-trade segment in France, which has an estimated total market size of over €29bn. We are pleased with the customer reaction to date, with the business recording strong store net promoter scores (on par with UK stores), and national brand awareness being higher than our closest competitor. Furthermore, our OEB products are landing well with customers, as we continue to 'test and learn' with the product offering. The business is planning to open up to 20 stores in FY 23/24 *(previous guidance: up to 25)*, with a focus on growing sales and brand awareness of existing stores. Assuming the success of the format is confirmed, we see the potential for more than 600 stores in France over the longer term.

The early results in France have encouraged us to take the next step in Screwfix's international expansion journey. In Q3, we intend to launch Screwfix as a pure-play online retailer in continental Europe (under the domain name screwfix.eu), serving up to 20 European countries.

Brico Dépôt France is one of the global home improvement industry's best hard discounters. With its 124 stores in France, and agile and lean operating model, the business is well positioned to penetrate more of the geographic 'white spaces' that exist in France. In June, Brico Dépôt opened its first compact store in France – an innovative 1,000 sqm format. Please refer to *'Roll out compact store formats'* below for further details.

In Poland, Castorama is the market leader and the most trusted and reputable home improvement brand. During the period, Castorama opened one new store and launched tests for dedicated *'CastoPro'* zones in three of its stores. Please refer to *'Develop our trade business'* below for further details of Castorama's progress and plans. Given the prevailing macroeconomic and consumer conditions in Poland in the near term, Castorama is slowing down its store expansion plans slightly this year, now planning for a total of five new stores in FY 23/24 *(previous guidance: seven stores)*. However, we look to the longer-term market growth opportunity in the country with deep conviction. Castorama plans to address the significant 'white spaces' that exist in Poland through the opening of up to 80 medium-box and compact stores over the next five years.

In Turkey, Kingfisher's 50% joint venture, Koçtaş, opened 42 stores (40 compact and two big-boxes) in its financial half-year to 30 June 2023, bringing its total store count to 397. The business is targeting approximately 55 new stores in FY 23/24, supported by Koçtaş' innovative *'Fix'* compact store format. We believe the longer-term growth opportunity for the home improvement industry in Turkey is significant.

A common thread through the narrative above is that compact stores are a key enabler for expansion in many of our banners and markets. The customer demands for speed and convenience are driving the need for a wider network of smaller and more accessible stores, and we believe compact stores unlock the opportunity for rapid expansion into smaller cities and geographic 'white spaces'. Please refer to *'Roll out compact store formats'* below for further details.

Longer term, we also believe new markets – addressed through franchise and wholesale models – could be an attractive source of growth. We will continue to test and, where necessary, adjust our plans. Following extensive testing and review, our two B&Q franchise stores in Saudi Arabia will close by early 2024, and we will re-focus efforts on wholesale and franchise agreements in other markets. We currently have two wholesale agreements in place with the Al-Futtaim Group in the Middle East, whereby certain OEB products are supplied to its retailers.

b) <u>Accelerate e-commerce through speed and choice</u>

We plan to accelerate our e-commerce sales, with the ambition of reaching 25% e-commerce sales penetration. We will do this by offering our customers faster fulfilment of orders, greater convenience and broader product choice, leveraging our store assets, e-commerce marketplace and data-led propositions.

This will be supported by the ongoing modernisation and simplification of our technology landscape, which is unlocking the rapid development of more customer-centric digital tools and services.

Speed and convenience

Total e-commerce sales, which include gross sales from third-party (3P) e-commerce marketplace transactions, as well as first-party e-commerce sales*, reached £1.2bn in H1. This represents an increase of 7.1% YoY (in constant currency), driven by increased marketplace participation in addition to higher first-party e-commerce sales across the Group. Overall e-commerce sales penetration was 16.8% (H1 22/23: 15.6%; H1 19/20: 7.3%).

Sales from click & collect (C&C), our most popular online fulfilment channel, were up 3% YoY. C&C accounted for 87% of total e-commerce orders (H1 22/23: 87%) and 67% of total e-commerce sales (H1 22/23: 70%). All our banners continue to make enhancements to their respective C&C customer journeys to improve speed and convenience. For example, we are using data to optimise C&C picking routines, leading to a significant decrease in pick times. Our new store format trials are also increasing C&C options for customers, in particular through our high street compact stores which allow us to expand into city centres.

Home delivery sales were up 18% YoY, reflecting the development of our e-commerce marketplace and same-day delivery propositions. Faster fulfilment is a key competitive advantage for our banners, especially over pure-play online peers, so we are introducing and testing options around same-day, next-day and specific-day delivery options. For example, Screwfix *Sprint* offers delivery direct to home or site within one hour. *Sprint* is currently available in 325 stores, covering around 45% of UK postcodes. In H1, Screwfix began advertising the proposition widely through television, radio, press, website and in-store campaigns, resulting in a significant increase in customer awareness of the service. We saw particularly strong success among trade customers in London.

Moving to store-based picking and fulfilment has been critical in enabling us to serve customers more efficiently. It gives us the ability to flex up or down in response to short-term changes in demand, without being exposed to high fixed costs. In H1, we picked 92% of the Group's e-commerce orders in store (excluding Screwfix: 89%). 52 B&Q stores are being used as 'digital hubs' for fulfilling home deliveries, serving near to 100% of the UK. These hub stores are selected based on their catchment and the depth of their in-store range. At B&Q, we recently commenced implementation of new order management capabilities for home deliveries. This has driven increases in 'save the sale' orders (where our previous ordering system would have shown an item as out of stock in the customer's local store) alongside reductions in fulfilment costs. In H1, our new order sourcing and management system 'saved' B&Q around 2% of its home delivery orders. The model is being tested and assessed in France and Poland.

Across all our banners, we are improving the online customer journey by adding new features through our Group-driven digital capabilities to enhance the website and mobile user experiences. We simplified our technology architecture, enabling quicker changes to be made to our technology products and platforms. For example in H1 we implemented *Fasterize,* a software-as-a-service solution, in Castorama France following successful implementation in Brico Dépôt France, where we saw a 30% improvement in its website's speed and page-load times. Brico Dépôt France's total e-commerce sales in H1 grew the fastest of all our banners in the Group. We plan to test this solution at B&Q and Castorama Poland in H2. We also improved our payment options with 'Buy Now, Pay Later' and 'Pay in Instalments' options available via *PayPal* in the UK and France. In the UK, we implemented a new 3P credit solution offering flexible credit, allowing B&Q customers to decide when and how they repay their credit loans.

Mobile remains our largest and fastest-growing channel (versus desktop and tablet), and performed strongly in H1, up 11% YoY. Mobile sales accounted for 59% of our first-party e-commerce sales (H1 22/23: 56%), representing an increase of 23 percentage points versus H1 19/20. In H1, we further strengthened our app capabilities. For example, Screwfix integrated *Braze*, a 3P customer relationship management (CRM) platform, into the Screwfix app to deliver personalised offers and deals for their most frequent trade customers. Our key mobile priorities for H2 are to further improve app capabilities across the Group, and optimise our mobile marketing and trading strategies.

Choice
Expanding customer choice is a key driver of our e-commerce ambitions. We are scaling and growing our marketplace capabilities alongside our key partners *Mirakl* and *Salesforce*. B&Q's e-commerce marketplace on *diy.com* is growing fast, following its launch in March 2022. There are now approximately 750 carefully selected 3P merchants live on *diy.com*, with products across all home improvement categories, enabling B&Q to offer over 700k additional home improvement SKUs*, compared to its previous first-party (1P) offer of c.40k products. Marketplace participation is growing quickly and reached 33% in July 2023 (i.e., B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). To accelerate our recruitment of top merchants, in H1 we signed a strategic partnership with *Octopia*, one of the biggest marketplace vendor aggregators in Europe. The partnership gives us access to thousands of additional merchants globally.

Our marketplace proposition is strengthening our 1P business. The diversity of SKUs offered by the marketplace is highly complementary to our existing 1P offer, with bed frames and air friers among our top-selling marketplace products in H1. This has helped drive incremental sales. Over 30% of B&Q's marketplace customers are new to *diy.com*. Furthermore, we saw that approximately 10% of customers who purchased a 3P product subsequently purchased a 1P product on *diy.com*. As the marketplace matures and customers get more familiar with using it, we expect this 'transference' rate to continue growing, increasing the strategic value for our banners.

Kingfisher has developed its marketplace technology and capabilities with low-cost scalability in mind. In November 2022, we launched e-commerce marketplaces in Brico Dépôt Iberia. Early growth has seen marketplace participation in Iberia reach 11% in July 2023, driven by over 50k additional SKUs from around 80 3P sellers. In Q1, our 50% joint venture, Koçtaş, also launched its e-commerce marketplace, leveraging the technology built by Kingfisher. We are now preparing to launch marketplaces in France and Poland in 2024 within our existing banners in those markets.

c) Build a data-led customer experience
We are accelerating the use of data within Kingfisher. Our banners are leveraging data to build customer-centric tools and solutions, support better commercial decision-making and higher productivity, thereby unlocking significant new sources of revenue and profit.

We are seeing strong results from our development of in-house data and AI capabilities and are continuing to invest in these areas. We have adopted more efficient ways of working to allow us to test and learn quickly. Some approaches using more advanced technologies are at the 'proof-of-concept' stage while others have piloted successfully and are now being deployed to our banners.

We have now aligned our data strategy across four key pillars: **top-line growth, strengthening margin, streamlining operations** and **new income streams.**

Top-line growth
We have developed a suite of AI-powered in-house recommendation and personalisation engines tailored to our markets and customers. These solutions leverage data to offer the best product options in multiple formats such as 'frequently bought together' carousels, 'substitute products' or direct personalised offers based on customer shopping trends and preferences. The engines are already live across multiple digital customer touchpoints (website and app) at B&Q and Screwfix. Customer feedback has been very positive with conversion rates increasing by over 100% in our early results, and generating as much as 10% of B&Q's e-commerce sales. We plan to extend these solutions to other banners from H2.

As mentioned above, in H1 we deployed new online CRM capabilities by connecting our in-house *'Nucleus'* data platform with *Braze*. This enables us to manage our customer relationships more effectively through specific promotions and personalised offers sent by email, SMS and in-app notifications. In H1, Screwfix ran an app-based campaign offering incentives based on shopping frequency, with very strong results. *Braze* was fully adopted by Screwfix in H1, with plans to implement at B&Q in H2, followed by other banners in FY 24/25.

Strengthening margin
We have developed AI-driven tools to support the optimisation of our markdown and clearance processes in-store and online. The algorithms have been designed to help us to achieve a higher margin, increase

the sell-through of seasonal stock, and improve the efficiency of our range changes. Early pilots of the solution at B&Q in H1 delivered a very encouraging gross margin improvement on clearance products.

Streamlining operations

We have developed a supply chain visibility tool to provide our banners with real-time and end-to-end visibility of products, as they leave factories all the way to arriving at stores. We believe the transparency over our supply chain networks will enable our banners to reduce inventory levels and replenishment cycles by optimising the time between products being ordered and arriving at stores and distribution centres. This will result in higher product availability, lower inventory days and, over time, less working capital requirements and higher profitability. First versions of the solution are now live in France, Iberia and Romania, and already showing early success of reducing inventory levels while also improving product availability.

New income streams

We believe there is a significant opportunity to create a proposition for 3P vendors who want to purchase advertising through retail media and use data to improve their offering. Earlier this year we established a partnership with *CitrusAd*, a market-leading technological solution that Kingfisher will use to manage the advertising proposition for 3P vendors. This solution is already active in Castorama France, with the intention to deploy to other banners from H2 starting with B&Q. To accelerate our retail media plans we have partnered with *Unlimitail*, a new European retail media joint venture between *Carrefour* and *Publicis*, to provide advertising sales support in the French market.

With c.1bn customer visits per annum across our e-commerce touchpoints, Kingfisher is very well placed to benefit from this opportunity. Along with our significant online traffic, many of our suppliers – including leading national and international home improvement brands – could become advertisers. Over time, we see the potential for retail media revenues to reach up to 3% of the Group's total e-commerce sales.

d) Differentiate and win through own exclusive brands (OEB)

We believe that our OEB product development is a significant source of value for our retail banners and their customers. OEBs provide us with the ability to differentiate ourselves from the rest of the market by delivering simple and innovative solutions at affordable prices, with a focus on reducing environmental impact. OEBs also carry a higher gross margin (on average) than branded products. We aim to grow our OEB sales further as we bring even more innovative and affordable solutions to our customers.

Total OEB product sales were £3.1bn, representing 46% of Group sales (H1 22/23: 46%). This is particularly impressive when considering our retail banners' renewed focus on offering more choice to customers through a wider range of local and international branded products, including from our e-commerce marketplace proposition. Kingfisher's top five OEBs, based on their breadth of differentiated ranges, innovation and growth potential, are *GoodHome*, *Verve*, *Erbauer*, *Magnusson* and *Cooke & Lewis*. These contributed 21% of total Group sales (H1 22/23: 21%).

LFL sales of our OEB ranges in H1 were down 3.3%, impacted by the performance of outdoor and 'big-ticket' categories, the latter having a higher weighting towards OEB. We saw a resilient performance from OEB ranges within our EPHC (electricals, plumbing, heating & cooling), tools & hardware and building & joinery categories. Our recent OEB range reviews have landed well with customers. The most successful range refreshes carried out in the last 12 months were *GoodHome* painting tools, OEB paint colour-mixing and ready-made paints, which have delivered sales growth of c.9% from launch to 31 July 2023. In H1 we also saw good performance of ranges launched in previous years, demonstrating lasting brand strength and their strong resonance with customers based on quality and value for money. In particular, our *Erbauer* power tools, *Volden* and *No Nonsense* sealants, and *Global Storage Solution* ranges were standout performers in H1, delivering average sales growth of over 6%. Our industry-leading OEB design capabilities continue to be recognised internationally, with our *Cascabel* kitchen tap and *Neva* decking solutions both winning prestigious *Red Dot* design awards in H1.

We continue to focus on OEB development with our three strategic pillars in mind: **innovation**, **affordability** and **reducing environmental impact**. All new product launches and range reviews stringently address each of these three pillars.

Designing **innovative** products is a key requirement to make home improvement projects easier for both retail and trade customers. We do this through our deep understanding of customer needs at every step of their home improvement journeys. We have developed our innovation pipeline by analysing four customer home projects: *improving energy efficiency*, *reducing water usage*, *maintaining & repairing the home* and *creating & improving the use of space*. Recent examples include our *Klikstrom* decking solution, designed for easy installation without the need for tools and screws, and our *GoodHome* paint tool range including a kickstand feature, allowing decorators to minimise paint spillage while setting down paint brushes. Developing our pipeline often takes the form of range reviews, which involve iterating an existing proposition through enhancements or new products, based on customer needs and feedback.

With many households in our markets impacted by the rising cost of living, this has strengthened our resolve to deliver **affordable** prices to our customers by leveraging our OEBs. We aim for our OEB products to be, on average, 15-30% cheaper than branded products. For example, our *GoodHome* durable paints and *Titan* combi drills are c.30% and c.45% cheaper respectively versus their equivalent branded products, and are significantly outpacing them on sales growth. We achieve this by maintaining strong range management practices across the OEB offer, strengthening the offer in the lowest selling price quartile and opening price points, and using value engineering to gain manufacturing efficiencies and economies of scale. For example, by sourcing components for our *GoodHome Beloya* modular shower enclosures from different regions and assembling in Europe, we'll be able to reduce its manufacturing cost significantly.

We also continue to embed **environmental** considerations at the core of the OEB proposition, all the way from the product design and development phase, through to the procurement and manufacturing phase. Our Sustainable Home Products (SHPs) aim to either help our customers reduce the impact of their homes on the environment (such as water-saving taps or loft insulation) or to reduce the impact on the environment because of their input materials or how they are manufactured (for example, FSC-certified timber, peat-free compost or recycled plastic). Through our OEB team's design and development work, we are focused on driving up product attributes that meet these requirements. As an example, our new *GoodHome* paintbrush handle and roller are manufactured with 100% recycled plastic, a first in the industry. In H1 we launched *Naturéa* by *GoodHome*, our first paint range containing resins made from renewable raw materials (as opposed to fossil fuels). *Naturéa* paint also contains minimal volatile organic compounds (VOCs) supporting better indoor air quality. We are working with other OEB vendors to introduce resins made from renewable raw materials and reduced VOC content in their paint ranges. In FY 22/23, 56% of OEB product sales were SHPs (FY 21/22: 55%). Please also refer to '*Lead the industry in Responsible Business and energy efficiency'* below for further details on how we are using OEBs to drive further SHP growth, while supporting our efforts to reduce our scope 3 emissions footprint.

e) <u>Develop our trade business</u>

Trade customers are an integral part of the home improvement ecosystem and a key priority for Kingfisher. Trade customers tend to visit more frequently and spend more than the average retail customer. The significant opportunities to engage further with trade customers include the further roll-out of trade counters, international expansion, digital enhancements, range expansion, loyalty programme optimisation, improved merchandising, more partnerships and new services.

Screwfix is the UK's number one 'light-trade' retailer. In H1, the business continued to expand, opening 10 stores in the UK, two in Ireland and four in France. Screwfix now operates 884 stores in the UK & Ireland, and nine stores in France where it launched in April 2021 (with its first store opening in October 2022). In Q3, the business plans to launch Screwfix as a pure-play online retailer in continental Europe. Please refer to *'Grow by building on our different banners'* above for further details.

The blueprint for our ambitions in 'heavier trade' is B&Q's trade-focused banner, TradePoint. In H1, TradePoint delivered a good sales performance against robust prior year comparatives, with LFL sales down 1.8%. This brought the business to £424m of sales, representing 20% of B&Q's total sales (H1 22/23: 21%). TradePoint has a strong plan to drive its annual sales to more than £1bn in the medium term, centred around growing its customer base and increasing its share of trade customer spend through a greater focus on project-related spend. The business is also increasingly focused on growing its business-to-business (B2B) sales, catering to trade federations, professional housebuilders and small and medium-sized enterprises, with sales in this area up by over 30% YoY.

More broadly we believe there is a significant opportunity to increase trade customer penetration across all other retail banners. Our Trade 'Centre of Excellence' brings together experts and leaders from across our banners and Group functions to share knowledge, insights and feedback from customers, to develop our trade business. We recognise the unique needs of trade customers and align our trade strategy across six key pillars: **stores**, **range & price**, **people**, **services**, **loyalty** and **digital**.

Within the **stores** pillar, we opened 18 new TradePoint counters in H1, extending its presence within the B&Q store network to 207 (67% of stores). Some of these new counters include small format solutions that have been implemented in B&Q stores unable to cater for the full TradePoint proposition. We are also continuing to update our legacy TradePoint counters, with 10 stores refreshed during H1 and a further 20 remaining in H2. During the half, Castorama Poland launched tests for *'CastoPro'* zones in three of its stores, providing a dedicated space to bring together key trade ranges and serve trade customers. In H2, Castorama Poland will test dedicated trade entrances to store and drive-in builder's yards, implementing best practices from TradePoint and Brico Dépôt France. In Brico Dépôt France, we launched tests in 24 stores in H1 to provide a differentiated proposition to trade customers including one dedicated trade colleague per store, trade service desks and a dedicated contact number for immediate customer service.

Within **range & price**, we are leveraging our strength in OEBs to develop and launch trade-focused products for our banners, while enabling low prices. As an example, we recently launched our OEB *Fortress* paint tools ranges, with paints launching in the coming months which will have higher durability than traditional paints. We also tailored our *Site* workwear product lines to be more suitable for female trade professionals. Our plumbing-focused OEB *Flomasta* range continues to perform well in the UK with over 500 SKUs to support key plumbing and heating engineer needs, with planned expansion into our other banners.

For **people**, we are piloting dedicated sales partner roles at TradePoint to build more direct and personalised relationships with trade customers. Over time we believe this will enable us to capture a greater share of trade customer spend, while providing feedback loops to help optimise our offer. At certain Brico Dépôt France and Castorama Poland stores, we are trialling dedicated colleagues to engage with trade customers, introduce them to trade-specific benefits, and encourage sign-ups to their loyalty programmes tests. At Brico Dépôt Iberia, our store colleagues are empowered through data to proactively engage with trade loyalty members. This is enabled through a customer 'dashboard', which identifies customers based on frequency and amount of spend. Colleagues receive alerts if such customers have not shopped in their store for a period of time, prompting re-engagement with personalised incentives.

In **services**, our tool rental partnerships with *SpeedyHire* (at 22 B&Q stores and online nationwide) and *Loxam* (at 41 Castorama France stores) provide trade customers with heavy machinery and tooling, delivered both in-store and nationwide via our digital platforms. Following a successful trial, Castorama Poland has expanded the trials of its *CastoRent* tool rental service, providing low-cost access and increasing customer exposure to our *Erbauer* and *MacAllister* brands. Payment facilities and cashflow are key considerations for our trade customers to successfully operate their businesses. In Brico Dépôt France, a new proposition for deferred payment is currently in trial. Dedicated 3P financial products for the trade are also being explored in Poland and Iberia. Fulfilment is also of crucial importance to the trade, with nationwide crane delivery being rolled out by Brico Dépôt France, and direct-to-site delivery, next-day delivery and 'timed delivery' slots all being tested and explored by the Group. Our responsible waste services in partnership with *AnyJunk* and *LoveJunk* are delivering positive results in the UK.

In **loyalty**, the TradePoint loyalty programme continues to be attractive to trade customers, with new sign-ups increasing by 37% YoY in H1. In Poland, we have been testing a variety of propositions for our trade customers – for example a trade loyalty scheme in 10 stores, with the aim of full roll-out next year. In Brico Dépôt France, we are driving membership of our loyalty programme through the offer of trade-specific benefits, and a 2% cashback being trialled in 24 stores. The loyalty programme tests in Brico Dépôt France are seeing encouraging early results, delivering an increase in trade sales of up to 50%. Our *BricoPro* loyalty programme in Iberia continues to grow successfully, with colleagues empowered through data to proactively engage with trade loyalty members. Sales to trade customers in Iberia have grown 50% since loyalty programme launch, with 26% sales growth YoY just from comparable customers.

Finally, in **digital**, Screwfix *Sprint* continues to deliver essential items to trade customers within one hour, available exclusively through the Screwfix app. Increased personalisation is a key area for us, leveraging our expanding data and analytics expertise to bring more relevant offers and content to known trade customers. Please refer to *'Build a data-led customer experience'* above for further details.

f) <u>Roll out compact store formats</u>

Our home improvement banners operate approximately 1,980 stores across eight countries in Europe. They play an integral role in meeting the demand for fast fulfilment via e-commerce channels, whether through C&C or delivery, to where the customer wants it. Compact stores are also playing an increasingly crucial role in addressing the consumer need for convenience. Through compact store expansion, our ambition is to grow market share, optimise our overall store footprint, and to grow sales densities and store profitability.

As set out in the section above, *'Grow by building on our different banners'*, a common denominator through the plans of many of our businesses is that compact stores are a key enabler for expansion. We are convinced of the need for a wider network of smaller and more easily accessible stores, and believe compact stores unlock the opportunity for rapid expansion into smaller cities and geographic 'white spaces' where larger stores are not suitable.

We are clear however that any space growth must be subject to our strict returns criteria, and balanced as part of our overall view on store footprint. While compact store growth will increase our overall store numbers, our aim is to reduce the average size of our stores. We aim to achieve this over time by opening more compact stores (less than 2,000 sqm), rebalancing any larger size new store opening programmes (e.g., at Brico Dépôt France and Castorama Poland) to mostly focus on medium-box stores (2,000 to 8,000 sqm), and 'rightsizing' or repurposing space within many of our larger format big-box stores (more than 8,000 sqm).

We continue to make good progress in testing different concepts in different catchments to unlock the compact store opportunity. In H1, we added one compact store, with a total of 34 such stores now live across three markets and five retail banners (B&Q, Screwfix, Castorama France, Brico Dépôt France and Castorama Poland). The compact stores are in a variety of locations including high streets, small retail parks, industrial estates and dense urban areas.

Our high street concept tests (300-800 sqm) continue to deliver encouraging learnings and results. We have 12 high street concept stores open in the UK, France and Poland, including four stores with two or more full years of trading. Following successful trials in Palmers Green and Camden (both in London), the *B&Q Local* sub-banner was rolled out to all eight B&Q high street stores in H1. Similar concepts are being tested in Castorama France (three *Casto* stores) and Castorama Poland (one *Express* store). In France, our Castorama concept stores reorganised their kitchen, bathroom, and storage project zones to give greater customer privacy and improve customer traffic flow. Castorama France is also exploring ways to extend the C&C range within their compact stores. At B&Q, high C&C participation in high street stores (three to four times higher than non-compact stores) have been a very positive development, fully in line with the underlying principles of our compact store strategy. Across all three markets, we continue to iterate the store tests taking into account local customer needs, as we create an optimum blueprint.

Our small retail park store concept tests (800-2,000 sqm) have been live at B&Q since January 2020 and at Castorama Poland, under the *Castorama Smart* sub-banner, since June 2021. The concept allows us to bring our core offer into smaller footprints and catchments, while offering a stronger showroom inspiration and more complete project journey than is possible within high street stores. We have a total of nine such stores in operation in the UK and Poland, in a variety of sizes and locations. Overall, these stores are yielding constructive learnings, especially those within the 1,750-2,000 sqm subset. One of our key focus areas going forward will be 2,000-4,000 sqm retail park stores that include a garden centre offering, to better meet customer needs through a greater depth of range and services.

In June, Brico Dépôt France launched its first compact store in Cahors, France. The concept allows customers to access the entire core Brico Dépôt range (c.11k SKUs) in an area of under 1,000 sqm, with a separate space to allow larger and bulk purchases to be collected. This innovative store format alleviates various pain points in the customer journey, saving customers time and effort by removing the need to take large or bulk items from shelves or navigating aisles with heavily-loaded trolleys.

Finally, Screwfix continues to test its ultra-compact 'Collect' and 'XSR' store formats, which have been developed to take the core Screwfix range into spaces unable to cater for the full traditional trade counter offer. We have one 'Collect' store (in London) and 11 'XSR' stores trading across various location types. We continue to see positive results, especially at the 'Collect' format. We expect to open two additional 'Collect' stores in H2 to further test the performance of the format in dense urban areas.

g) Lead the industry in Responsible Business and energy efficiency

We are committed to leading our industry in responsible business practices and energy efficiency. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business where we can maximise our positive impact on the lives of our customers, colleagues, communities, and the planet. As the 'green homes' agenda accelerates, we see considerable potential for our Sustainable Home Products.

Our priorities are underpinned by our commitment to our 'Responsible Business Fundamentals'. These are the many issues and impacts we need to measure and manage, to ensure we continue to operate responsibly across our business. We have clear policies in each of these areas, including health and safety, responsible sourcing, cybersecurity and data protection, and ethical conduct, to ensure we take a consistent best practice approach across our banners.

In H1 we continued to make strong progress against our **four Responsible Business priorities**, with key updates noted below.

Colleagues: Becoming a more inclusive company

- To deliver the best possible service to our customers and ensure that each of our colleagues is engaged, fulfilled and able to realise their full potential, we are building a culture based on trust, agility, inclusion and curiosity, which we track through frequent colleague engagement surveys and listening forums. Our colleague satisfaction scores remain within the top 5% of worldwide retailers. Please refer to *'Human, agile and lean'* below for further details.
- We are continually listening to our colleagues, including our 17 Affinity Networks, and acting on their ideas to build a more inclusive culture. To represent better the diversity of our colleagues, earlier this year we launched a new Affinity Network for our Group functions, focused on neurodiversity.
- We continue to work towards our gender representation targets of 40% women in management roles and 35% women in senior leadership roles by FY 25/26. Encouraging progress has been made so far this year against our annual targets. In the UK, our latest Gender Pay Gap report, published in March 2023, showed a reduction in the median hourly pay gap from 1.5% to 1.1%.
- We are continuing to actively monitor the cost of living across our markets, taking swift action where necessary to support colleagues in our stores and head offices. For example, in the UK, our minimum rate of pay for B&Q and Screwfix hourly paid retail colleagues rose to £10.60 from 1 April 2023 – a respective increase of 8.2% and 9.3% YoY. In Poland, colleagues received a one-off cost of living payment in February 2023. Initiatives introduced during FY 22/23, including our UK Colleague Support Fund, remain in place. Our most recent Group-wide colleague engagement survey showed that colleagues responded positively to actions taken to support them with elevated costs of living, with many of our banners reporting their highest scores for colleague reward in the last three years.
- We are investing in opportunities for colleagues to learn and grow with us. Having surpassed our previous learning target of providing 5 million hours of skills for life learning by 2025, we have now established a new target: "by 2030, more than 20,000 colleagues will have completed an apprenticeship, traineeship or external qualification". We will report progress against this target at the end of FY 23/24. During H1, both B&Q and Screwfix were listed in the Top 100 Apprenticeship Employers in the UK.
- We also continue to invest in talent and capability to support our growth ambitions, recruiting deep functional expertise in key areas such as trade, e-commerce, marketplace, data, and technology, including the creation of an in-house engineering centre at our shared services facility in Krakow and the creation of a new retail media team in France.
- In the context of strong competition for talent in our markets, our attrition levels, and the time it takes to hire new colleagues remain either in line with, or better than, retail industry benchmark levels. We believe this reflects our continued investment in our employer brand, stronger colleague engagement, and our focus on culture.

Kingfisher

Planet: Helping to tackle climate change and becoming Forest Positive

- In July 2022, we announced a target to reach net-zero for our own operations (scope 1 and 2 emissions) by the end of 2040. Achieving this means reducing absolute emissions by at least 90% against a FY 16/17 base year, and neutralising our residual emissions, in line with the requirements of the Science Based Targets initiative (SBTi) *Corporate Net-Zero Standard*.
- Achieving our near-term 1.5°C-aligned science-based scope 1 and 2 carbon reduction target (approved by the SBTi in 2021) is the first step towards achieving our net-zero targets by FY 40/41. The target is to reduce emissions by 37.8% by FY 25/26.
- Last year we exceeded this target, reducing our carbon footprint from our own operations by 52.6% against FY 16/17. This outperformance was achieved through a combination of accelerated strategic measures (such as the extension of our programme to purchase electricity from zero carbon sources) as well as shorter-term tactical measures to reduce gas and electricity consumption, some of which will likely reverse in the near term.
- Further actions taken so far this year include:
  - Extending our *COOLROOF* heat reflective paint trial at Brico Dépôt France, while exploring opportunities in other banners. For one of our trials in France, the energy needed for air conditioning reduced by over 40% in its first year.
  - The continued roll-out of LED lighting in stores.
  - The continued installation of air source heat pumps across our Screwfix network in the UK. As of 31 July 2023, 547 of Screwfix's 884 stores were heated with air source heat pumps.
  - The continued deployment of electric vehicles and fuels with a lower environmental impact across our delivery fleets. Screwfix has now replaced fossil fuel diesel with HVO (Hydrotreated Vegetable Oil from certified renewable sources) in 85% of their delivery fleet. Using HVO instead of diesel reduces a journey's carbon emissions by up to 90%.
- Our 1.5°C-aligned scope 3 target requires us to achieve a 40% reduction (per £'million turnover) from purchased goods and services and use of sold products by 2025, against a FY 17/18 base year. Our efforts are focused on raw materials used in the manufacturing of our products, emissions from the manufacturing process, and emissions from customer use of our products.
- By the end of FY 22/23, we had reduced the intensity of our emissions from the supply chain and customer use of products by 34.1% since FY 17/18 (FY 22/23: 19.7%), meaning we are on track to meet our target of 40% by 2025.
- In H1 we chose to partner with other home improvement retailers through the EDRA/GHIN global trade bodies to establish a collaborative taskforce to help the sector reduce its scope 3 emissions.
- Kingfisher has a strong heritage in sustainable forestry and the responsible sourcing of wood and paper. In line with our commitment to be 'Forest Positive' by 2025:
  - In FY 22/23, 94% of the wood and paper used in our products was responsibly sourced (FY 21/22: 87%), and 100% of catalogue paper. We are on track to achieve our target of 100% by FY 25/26.
  - In H1 we launched several local projects in the UK, France, and Poland to promote sustainable forestry. Screwfix and B&Q supported a *Woodland Trust* project in Snaizeholme, UK, by donating c.£100k to enable the *Woodland Trust* to begin surveying the area ready for planting new native sapling trees. In addition, Castorama France partnered with *Reforest'Action* to create an urban forest in Marseille, helping to plant over 1,000 local trees and shrubs.

Customers: Helping to make greener, healthier homes affordable

- In FY 22/23, £6.2bn of sales, representing 47% of Group sales (FY 21/22: 44%), were from Sustainable Home Products (SHPs). This has more than doubled since we established the programme in FY 11/12, and our target is to reach 60% by FY 25/26.
- In addition, 56% of OEB product sales were SHPs (FY 21/22: 55%), with a target of 70% by FY 25/26.
- We continue to embed environmental considerations at the core of our OEB proposition, from the product design and development phase, all the way through to procurement and manufacturing. Examples include:
  - Phasing out peat-based compost at B&Q (Kingfisher's biggest seller of compost by volume). We're now working to remove peat from all our OEB bagged-compost across the Group.
  - Removing solvents from further paint lines (e.g., through the launch of *Naturéa*, Kingfisher's first bio-based paint).
  - Increasing the use of recycled plastic in product packaging.
- An important subset of our SHPs are our energy and water-saving products. In FY 22/23, these represented 11% of Group sales. We see considerable longer-term potential across all our markets as

the 'green homes' agenda accelerates, in particular in the UK and France, where both governments have made 'net-zero' commitments.

- Energy efficiency and water-saving products continue to be a focus for customers as they look to reduce the impact of their homes on the environment. In H1, highlights included insulation roll sales at B&Q up 43%, Screwfix insulation sales (within plumbing) also up 43%, and water-saving plumbing product sales at Castorama France up 8%.
- We are developing opportunities to further increase our engagement with retail and trade customers in this area, with examples including:
  - Launching a water-saving campaign earlier this year, sharing tips and advice to help customers and colleagues use water more efficiently at home.
  - Expanding our range of OEB energy-saving products to support customers in improving energy efficiency at home, while helping them to save money.
  - Brico Dépôt France working with installation partner *Ynergie* to offer home energy audits, which include tailored recommendations on how to improve energy efficiency. Brico Dépôt customers who implement the recommended renovations with *Ynergie* get their audit for free.
  - B&Q launching a free energy-saving service in partnership with the *Energy Savings Trust*. Alongside our energy-saving product recommendations, the service incorporates partnerships with organisations to handle bigger installations including boiler replacements, solar panels, and roof and interior/exterior wall insulation.

Communities: Fighting to fix bad housing

- Last year we invested £5.4m in our communities, with our colleagues and customers raising an additional £2.8m. We reached almost 500,000 people through our charitable partnerships and banner Foundations. This brought our total to 2.1 million people helped since FY 16/17, thereby achieving our target of 2 million people three years ahead of schedule.
- All our banners have established charitable Foundations. The Foundations partner with national charities including *Shelter* and *Macmillan* in the UK, *Fondation Abbé Pierre* in France, and *Habitat for Humanity* in Poland and Romania.
- This year, the Screwfix Foundation celebrated its 10th anniversary, having raised over £10m since launch with nearly 2,200 organisations receiving a donation.
- The Brico Dépôt Romania Foundation received an award in the *'Supporting Communities'* category of the 2023 Romanian CSR Awards Gala for the *'Hope build'* project, overseen by *Habitat for Humanity*, which saw new homes built to re-house four families.

Governance and Reporting

The Responsible Business Committee (RBC) of Kingfisher's Board oversees the delivery of our Responsible Business strategy. It provides advice and assurance to the Group Executive and the Board on all matters relating to responsible business practices, and monitors performance against our priorities. The RBC is chaired by Sophie Gasperment, a non-executive director (NED) of the Board, and includes a further NED, our Group CEO, and other members of the Group Executive.

The Group Climate Committee (GCC), a sub-committee of the Group Executive, monitors the Group's approach to meeting its emission reduction commitments for 2025 and 2040, climate-related external reporting, and assessing and managing climate-related risks. The GCC is chaired by our Group CEO and includes other members of the Group Executive.

Responsible Business measures are integrated into our long-term incentive plan (known as the Kingfisher Performance Share Plan), which is granted to members of our senior leadership team. The performance conditions attached to the vesting of awards include a 25% weighting on ESG measures. Please refer to our 2022/23 Annual Report for further information.

Kingfisher has a £550m sustainability-linked revolving credit facility, which enables us to benefit from a lower interest rate when we deliver on ambitious sustainability and community-based targets under the Group's Responsible Business plan.

We align our reporting with the Sustainability Accounting Standards Board (SASB) standards for Multiline and Speciality Retailers and Distributors, and the Global Reporting Initiative (GRI). Furthermore, we are developing our understanding of the financial impacts of climate-related risks and opportunities, in line with the approach set out by the Task Force on Climate-related Financial Disclosures (TCFD). Further information is provided in our 2022/23 Annual Report.

In June 2023, we published our 2022/23 Responsible Business Report, detailing the progress we have made across the four priorities of our Responsible Business strategy. Additionally, we published our inaugural Responsible Business Databook which captures current and historical data, as well as performance against our priorities.

We continue to rank highly in external benchmarks and indices, including:

- **MSCI:** We rank as a 'Leader', having received a 'AAA' score, which was achieved by only 6% of companies in the *Retail – Consumer Discretionary* sector (as of July 2023).
- **CDP Climate Change:** We achieved a leadership score of 'A' (previously 'A-'). We are amongst nearly 300 companies globally to achieve an 'A' grading in 2022, and we score higher than the average discretionary retail performance of a 'C'.
- **Sustainalytics:** We continue to rank highly when compared against our sector peers – ranked second out of 45 in home improvement retail and second out of 502 in the wider retailing industry (as of April 2023).
- **Workforce Disclosure Initiative:** We received a disclosure score of 81%, ahead of the average consumer discretionary sector score of 66% and average disclosure score (all companies) of 68%.
- **ISS ESG Corporate Rating:** We achieved a 'C+' rating. This is supported by our 'Prime' status, which is given to companies that are perceived to be sustainability leaders in their industry (as of July 2023).
- **FTSE4Good:** Kingfisher is included in this index, with a rating of 4.3 out of 5 (Strong performance), as of June 2023: The home improvement retailer sub-sector average score is 2.7.

For further information on our strategy, performance and governance, please visit the Responsible Business section of our website at www.kingfisher.com, and our 2022/23 Responsible Business Report.

h) <u>Human, agile and lean</u>

To deliver the best possible service to our customers and ensure our colleagues are engaged, fulfilled and able to realise their full potential, we are building a culture based on trust, agility, inclusion and curiosity. We are adopting a 'done is better than perfect' mindset to move faster and with more agility, given the rapidly changing environment in which we do business. We also realise the need to be leaner and more productive, and are making changes to lower our costs and same-store inventories. And through the use of our scale, we expect to extract further value from sourcing and buying.

<u>Human</u>

To support an agile and inclusive culture led by trust, we are continuing to listen to our colleagues and measure their engagement across the Group, through formal and informal mechanisms. These include our 17 Affinity Networks and the Kingfisher Colleague Forum.

We conducted our most recent Group-wide colleague engagement survey in June 2023. We heard from 87% of colleagues (up 4% YoY), with colleagues sharing 280,000 comments. Our Employee Net Promoter Score (eNPS) of 57 improved by three points YoY. All banners are now running at least two colleague surveys a year, enabling better visibility of colleague engagement throughout the year.

Good progress continues to be made on delivering our inclusion plans. Last year, we established a new 'Inclusion & Diversity Forum', chaired by the Screwfix CEO, bringing together senior leaders and representatives from our Affinity Networks to share best practices and further develop our action plans. In H1, Kingfisher won an award from the *Women in Tech Employer Awards,* in the Best Employer Network Category, for promoting inclusion through our Affinity Networks. Our LGBTQ+ Affinity Network was shortlisted in the *Diva Awards* and the *Bank of London Rainbow Honours*, and several of our banners participated in Pride celebrations across our markets.

<u>Agile</u>

Kingfisher 'Centres of Excellence' in supply chain, trade, compact stores, services, data, technology, and e-commerce & marketplace continue to provide technologies, resources and best practices to ensure our banners can move with speed and agility. For example, Castorama Poland and Brico Dépôt France drew upon key learnings from TradePoint to launch their respective trade-oriented trials in H1, and Brico Dépôt

Iberia and Romania built upon learnings from the introduction of our new supply chain visibility tool in France to quickly and successfully implement the solution in their respective operations.

We continue to focus on further strengthening our capability in key areas to support the delivery of our strategy. For example, our strategic partnership with *Google* for cloud data has strengthened our technology services by enabling a multi-cloud strategy, while maintaining partnerships with *Amazon Web Services* and *Microsoft Azure*. These partnerships are enabling a seamless migration from traditional data centres to the cloud, leading to enhanced speed, performance and resilience of our technology systems.

Lean – costs

As part of our multi-year strategic cost reduction programme, we are making good progress across multiple initiatives covering store productivity, goods not for resale (GNFR*), supply and logistics, overheads, and property (including lease renegotiations and rightsizings). These programmes are robustly governed at both Group Executive and Board level.

The net savings from these programmes continue to partly offset the costs of inflation, expansion and space changes, and the investment requirements of our business over the medium term. They are also key to unlocking targeted profitability improvements in France. In H1, we made progress in several areas:

- **Store productivity –** We are continuously optimising store operating models through the improvement of operating procedures and the use of technology. Across all our banners we are redesigning processes and enhancing systems to improve the time taken to complete tasks such as picking, collection, and replenishment. Additionally, we are leveraging improved benchmarking and forecasting to support more flexible workforce planning. We have seen increased customer adoption of self-checkout terminals across B&Q, Castorama France and Castorama Poland. This has enabled colleagues to be redeployed to other areas of the store, including picking for e-commerce orders. Self-checkout terminals are currently being piloted in Brico Dépôt France and Iberia. During H1 we deployed various initiatives to improve stock shrinkage, including strengthening entrance/exit security, product tagging and the secure storage of high-value items.
- **GNFR optimisation** – Category managers with Group-wide responsibilities and local procurement teams continue to optimise c.£2.7bn of GNFR spend through over 240 cost reduction projects. Examples of our successful cost reduction projects in H1 include the review of our operating models and ways of working in cleaning and security services. The Group also realised lower IT hosting costs through our strategic partnership with *Google*.
- **Supply and logistics –** Kingfisher's supply and logistics teams continue to optimise the operational efficiency of our distribution centre and logistics networks. In Poland we have secured more favourable rates for cross-docking logistics. Major improvements are being realised in the UK through the increased use of automation at Screwfix's flagship site in Trentham. 26% of the Trentham centre is now using automated technology, leading to a 245% improvement in DC pick rates, generating meaningful cost savings for Screwfix.
- **Overheads –** Savings were realised across Group and banner head offices, including through the expanded use of our shared service centre (SSC) in Krakow, Poland. During H1, our SSC expanded its software engineering and data capabilities, facilitating a lower level of reliance on more expensive third-party contractors. Our SSC was also able to reduce costs through greater use of automation – for example, using bots to analyse and chase overdue accounts receivables.
- **Property** – Excluding Screwfix, the Group completed seven lease renewals and renegotiations in H1, with an average net rent reduction of 19% alongside improved lease terms. In addition, our rightsized big-box stores continue to deliver positive results. As a reminder, we completed four rightsizings in FY 22/23 at B&Q, further to the five completed in FY 21/22 at B&Q and Castorama France. These rightsizings resulted in an average space reduction of c.30%, which in general has been taken over by grocery retailers, thereby bringing incremental footfall to the vicinity of the stores. Since reopening, the stores have exceeded our performance expectations, with sales density improvements of up to 50%, improved profitability, and reductions in energy consumption of over 50%. Our plan remains to rightsize up to 40 big-box stores across B&Q and Castorama France over 10 years. This space reduction equates to a relatively small proportion of Kingfisher's store estate, and approximately 3% to 4% of the combined selling space of B&Q and Castorama France.

In addition to our more structural cost reduction programmes, we remain committed to the active and responsive management of costs against the backdrop of an uncertain market growth environment in the near term. Such cost actions include reducing temporary staff numbers and overtime, flexing performance-related incentive payments to align to financial performance, and adjusting more discretionary spend such as advertising, marketing and staff travel. Other measures include rephasing investments in store openings and range reviews, as necessary.

Lean – inventories

Structurally reducing our inventory levels and improving inventory turn is a major priority for Kingfisher over the medium term. To unlock efficiencies in our supply chain and inventory management, all our banners are deploying actions to structurally reduce same-store inventory. We are doing this by leveraging data to improve our planning and forecasting, optimising our replenishment systems (e.g., re-adjusting for shorter supplier lead-times), and developing stronger ranging and deployment principles (with a focus on reducing slow-moving inventory). For example, as described in *'Build a data-led customer experience'*, in H1 we developed and implemented a supply chain visibility tool to provide our banners with real-time visibility of our end-to-end supply chain, which we believe will significantly strengthen our planning and stock management capabilities over time.

Notwithstanding these medium-term ambitions, last year our priorities were to rebuild product availability for our customers, including through the purchase of 'buffer' stock, as well as managing significant input cost inflation. Managing inflation, especially in the earlier part of 2022, involved proactively purchasing stock (mainly seasonal product) ahead of forecast cost price increases. As of 31 January 2023, over 100% of the increase in our net inventory balance was driven by product cost inflation, with additional drivers including the seasonal and 'buffer' stock mentioned above. This was partially offset by our inventory reduction initiatives, which also led to inventory in units (volume) being down YoY.

As previously guided, our aim during this financial year is to sell through a large part of our seasonal and 'buffer' stock, while continuing to implement efficiency actions around our supply chain and logistics network. Despite lower than expected seasonal category sales in H1, we are on track for our net inventory balance to decrease in FY 23/24.

As of 31 July 2023, same-store net inventory* was 3% (£98m) lower YoY in constant currency. Total net inventory decreased by 2% (£78m) to £3,132m (H1 22/23: £3,210m in constant currency; £3,138m in reported rates). This was driven by lower purchasing, a reduction in seasonal and 'buffer' stock, and strategic reduction initiatives; partially offset by product cost inflation.

As of 31 July 2023, inventory in units (volume) was down 11% YoY. In parallel, our overall and 'best seller' product availability significantly improved YoY in H1. Net stock days increased by 5% YoY in H1.

Sourcing

In sourcing and buying, we continue to deliver cost and operational efficiencies by leveraging our Group scale. Our sourcing teams are working closely with our OEB teams on value engineering projects, including simplifying the design of products and optimising the end-to-end manufacturing of product components to reduce per-unit manufacturing costs. Through this approach we continue to deliver sourcing benefits on our large OEB product base (46% of Group sales in H1).

We are also increasing the resilience of our supply chain by increasing our 'near-sourcing' footprint and engaging in dual sourcing where possible.

In June, we established a procurement joint venture between Kingfisher's banners in France and Mr. Bricolage Group. Ahead of the FY 24/25 financial year, the joint venture is now preparing for commercial negotiations with common national and international suppliers, aiming to strengthen relationships and deliver additional value and new business opportunities for these suppliers. Mr. Bricolage Group has over 1,000 stores through franchisees and affiliates, mainly in France, with €2.35bn of gross sales under its different banners in 2022, and is the fourth largest player in the French home improvement market.

Medium-term financial and capital allocation priorities

Medium-term financial priorities

Our medium-term financial priorities reflect our continued confidence in the growth and cash generation opportunity of Kingfisher.

Building on our industry's attractive growth profile, which is supported by more recent positive longer-term trends (such as more working from home and energy efficiency renovations), the Group's medium-term financial priorities are:

- **Sales to grow ahead of our markets:**
  - LFL sales growth driven by our strategic focus areas including e-commerce and marketplace sales growth, OEB sales growth and higher trade customer penetration; and
  - Sales impact of +1.5% to +2.5% from annual net space growth over the medium term, primarily driven by Screwfix and Castorama Poland
- **Adjusted pre-tax profit to grow faster than sales:**
  - Supported by scale benefits, higher margin initiatives, operating cost leverage, and multi-year operating cost reduction opportunities
- **Strong cash generation to drive growth investment and shareholder returns:**
  - Free cash flow of £400m to £500m in FY 24/25, followed by >£500m per annum from FY 25/26, supported by profit growth and ongoing inventory self-help measures

Capital allocation priorities

The Group's objectives in managing capital are to:

- Invest in the business where economic returns are attractive
- Maintain a solid investment grade credit rating
- Safeguard the Group's ability to continue as a going concern and retain financial flexibility
- Provide attractive returns to shareholders

We allocate capital, subject to strict returns criteria, to organic and 'bolt-on' inorganic growth opportunities that accelerate our strategy. Our target gross capital expenditure is 3.0-3.5% of total sales per annum, on average, focused on delivering against attractive organic growth opportunities.

To maintain a solid investment grade credit rating, our maximum net debt to EBITDA is 2.0 times over the medium term. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash, cash equivalents and committed debt facilities), which is currently set at a minimum of £800m. Total liquidity as of 31 July 2023 includes an undrawn revolving credit facility of £550m and cash of £317m (net of bank overdrafts).

Our target ordinary dividend cover* range is 2.25 to 2.75 times, based on adjusted basic earnings per share. We may move outside of this target range, temporarily, from time to time. Overall, our aim is to grow the ordinary dividend progressively over time. If surplus capital remains after having achieved all the above objectives, the Board will return surplus capital to shareholders via a share buyback programme or special dividends.

Interim ordinary dividend

The Board has declared an interim dividend of 3.80 pence per share, flat versus the H1 22/23 interim dividend of 3.80 pence per share. The interim dividend will be paid on 17 November 2023 to shareholders on the register at close of business on 13 October 2023. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the Company's shares. The shares will go ex-dividend on 12 October 2023. The last date for receipt of DRIP elections is 27 October 2023.

New £300m share buyback programme

In line with our capital allocation policy, the Board has determined that there is surplus capital available. Further to the ordinary dividend and the recently completed £300m share buyback (as announced on 16 August 2023), the Board is pleased to announce the return of a further £300m of surplus capital via a share buyback programme. The first tranche of this programme will begin in early October.

Section 3: Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	H1 2023/24	H1 2022/23	% Reported Change	% Constant Currency Change	% LFL Change
B&Q	2,101	2,082	+0.9%	+0.8%	+1.0%
Screwfix	1,245	1,139	+9.3%	+9.2%	+3.1%
Total sales	**3,346**	**3,221**	**+3.9%**	**+3.8%**	**+1.7%**

Retail profit	**306**	**339**	**(9.8)%**	**(9.8)%**
Retail profit margin %	9.2%	10.5%	(130)bps	(130)bps

Kingfisher UK & Ireland sales increased by 3.8% (LFL +1.7%) to £3,346m. The LFL sales trend accelerated from -0.8% in Q1 to +4.1% in Q2, supported by a significant improvement in seasonal category sales due to more favourable weather in May and June, although momentum was affected by unseasonal weather in July. Core and 'big-ticket' category sales were also positive, and accelerated from Q1, supported by an improving volume trend. A resilient performance in DIY categories was outpaced by sales from DIFM/trade categories, with Screwfix gaining significant market share in H1. Gross margin % was flat versus prior year, reflecting the effective management of inflation and favourable channel mix impacts, offset by higher clearance costs and stock provisions. Positive channel mix reflects the strong growth of B&Q's e-commerce marketplace.

Retail profit decreased by 9.8% to £306m (H1 22/23: £339m, at reported rates), due to higher operating costs. Operating costs increased by 8.9%, driven by cost inflation, including YoY increases in staff and energy costs, higher technology spend, and higher costs associated with 59 net new store openings (YoY). Cost increases were partially offset through reductions achieved by our strategic cost reduction programme. Retail profit margin % decreased by 130 basis points to 9.2% (H1 22/23: 10.5%).

B&Q total sales increased by 0.8% (LFL +1.0%) to £2,101m, with LFL sales growth in its surfaces & décor and tools & hardware categories. Sales trends improved significantly in Q2 (LFL +3.3% vs Q1 - 1.6%), supported by strong seasonal category sales in May and June. Core and 'big-ticket' category sales growth were positive in both Q1 and Q2, with an acceleration from Q1 supported by an improving volume trend. B&Q's total e-commerce sales (including marketplace gross sales) increased by 18.5% YoY, driven by the continued success of B&Q's marketplace as it attracts new customers to diy.com. Marketplace reached a penetration of 33% in July 2023 (i.e., B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). B&Q's overall e-commerce sales penetration was 12% (H1 22/23: 11%; H1 19/20: 5%). The business opened one small retail park format store in H1 and closed all eight of its 'grocery concession' stores. As of 31 July 2023, B&Q had a total of 309 stores in the UK and Ireland.

B&Q's trade-focused banner, **TradePoint**, delivered a good performance in the half against robust prior year comparatives. LFL sales for TradePoint were down 1.8%, with penetration of B&Q sales reducing slightly to 20% (H1 22/23: 21%). Sales were impacted by a proactive decision to switch off trade instant vouchers during 'big-ticket' promotional events, in support of profitability and investment in promotions on the retail side of B&Q. Notwithstanding this, TradePoint's loyalty programme remains attractive to customers, with new sign-ups in H1 increasing by 37% YoY. During the half, the business focused on increasing customer engagement and loyalty through trade-only offers, special events, and enhanced services such as dedicated sales partners for trade customers. TradePoint is also increasingly focused on growing its business-to-business (B2B) sales, catering to trade federations, professional housebuilders and small and medium-sized enterprises, with sales in this area up by over 30% YoY. TradePoint opened 18 new counters in H1, extending its presence within the B&Q store network to 207 stores (67% of stores).

Screwfix total sales increased by 9.2% (LFL +3.1%) to £1,245m, with robust demand from trade customers driving growth in all categories, in particular in building & joinery, tools & hardware and surfaces & décor. Sales trends accelerated in Q2 (LFL +5.6% vs Q1 +0.7%), supported by an uptick in both its core and 'big-ticket' categories as well its seasonal categories. The business gained significant market share in the half. Screwfix's e-commerce sales increased by 3.9% YoY, with e-commerce sales penetration of 58% (H1 22/23: 60%; H1 19/20: 32%). The business continued to build on the success of its mobile app, the fastest growing channel at Screwfix, by running app-only campaigns and integrating personalised and trade-exclusive offers. The app delivered a record performance in the half, including record app revenue in a month and record app participation rates, reaching 2 million monthly active users.

Space growth and acquisitions contributed c.6% to total Screwfix sales. In H1, Screwfix opened 12 new stores, including 10 in the UK and two in Ireland, bringing its total to 884 as of 31 July 2023. The business continues to plan for up to 60 new stores in the UK & Ireland in FY 23/24, keeping it on track to reach its medium-term goal of over 1,000 stores.

In March, the business acquired the stock, intellectual property, contracts and fixed assets of Connect Distribution Services Limited (renamed Screwfix Spares), a leading retailer of appliance spares, accessories and consumables to tradespeople and consumers. Since acquisition, Screwfix Spares has performed in line with expectations, contributing c.1.2% to total Screwfix sales growth. The business expects to accelerate its sales in H2 and start generating profits by the end of the year.

Further progressing its international expansion plans, Screwfix opened four stores in France in H1 (with nine stores open in total), and plans to open up to 20 stores in FY 23/24. Customer momentum is building and the business continues to grow brand awareness, both regionally and nationally. The early results in France have encouraged us to take the next step in Screwfix's international expansion journey. In Q3, we intend to launch Screwfix as a pure-play online retailer in continental Europe (under the domain name screwfix.eu), serving up to 20 European countries. The results for **Screwfix International** are captured in *'Other International'* – see below for further information.

FRANCE

£m	H1 2023/24	H1 2022/23	% Reported Change	% Constant Currency Change	% LFL Change
Castorama	1,213	1,207	+0.5%	(2.7)%	(2.7)%
Brico Dépôt	1,098	1,118	(1.8)%	(5.0)%	(5.0)%
Total sales	**2,311**	**2,325**	**(0.6)%**	**(3.8)%**	**(3.8)%**

Retail profit	**104**	**129**	**(19.3)%**	**(21.9)%**
Retail profit margin %	4.5%	5.6%	(110)bps	(100)bps

Kingfisher France sales decreased by 3.8% (LFL -3.8%) to £2,311m, with trading impacted by a challenging consumer environment and unseasonal weather conditions throughout the half. In Q1, national strike action caused lower direct footfall into several Brico Dépôt store locations, with the weather affecting the performance of seasonal categories. The LFL sales trend improved slightly in Q2 (LFL -3.5% vs Q1 -4.1%), with a small uplift in seasonal category sales. Encouragingly, core and 'big-ticket' category sales performed well throughout the half, particularly at Castorama. Gross margin % decreased by 30 basis points, largely reflecting the higher weighting of sales towards special promotions (*'arrivages')* at Brico Dépôt, and higher clearance costs.

Retail profit decreased by 21.9% to £104m (H1 22/23: £129m, at reported rates), with lower gross profit somewhat offset by lower operating costs. Operating costs decreased by 1.5% due to the flexing of variable costs, and reductions achieved by our strategic cost reduction programme. This was substantially offset by cost inflation, including YoY increases in pay rates and energy costs, together with higher technology spend. Retail profit margin % decreased by 100 basis points to 4.5% (H1 22/23: 5.6%, at reported rates).

Castorama total sales decreased by 2.7% (LFL -2.7%) to £1,213m, a resilient performance against a challenging consumer backdrop. Sales trends improved in Q2 (LFL -2.3% vs Q1 -3.1%), largely driven by improvements in core and 'big-ticket' category sales, with positive LFL growth in surfaces & décor, building & joinery and tools & hardware. Seasonal sales improved slightly in Q2 but continued to be impacted by the weather. In H1, Castorama improved its online customer journey and further extended its customer offer, leading to an improvement in both store and online NPS scores. Castorama's e-commerce sales increased by 6.9% YoY, with e-commerce sales penetration of 6% (H1 22/23: 5%; H1 19/20: 2%). As of 31 July 2023, Castorama had a total of 95 stores in France.

Brico Dépôt total sales decreased by 5.0% (LFL -5.0%) to £1,098m, a weaker performance relative to Castorama. Overall sales trends in Q2 were similar to Q1 (LFL -4.8% vs Q1 -5.2%), with a small improvement in seasonal category sales due to the weather. In Q2, performance was impacted by a reallocation of a portion of its marketing budget to digital, which proved unsuccessful and has been corrected since mid-July. The business also saw lower cross-selling from its special promotions (or *'arrivages'*). In H1, Brico Dépôt launched trade proposition trials in 24 stores, including a 2% cashback offer for trade customers, and implemented changes to its website which enabled a 30% improvement in its speed and page-load times. Brico Dépôt's e-commerce sales increased by 20.2% YoY, the fastest e-commerce sales growth rate of all banners in the Group. E-commerce penetration reached 5% (H1 22/23: 4%; H1 19/20: 2%). During the half, the business also opened its first ever compact store – an innovative 1,000 sqm format. As of 31 July 2023, Brico Dépôt had a total of 124 stores in France.

OTHER INTERNATIONAL

	H1 2023/24	H1 2022/23	% Reported Change	% Constant Currency Change	% LFL Change
Sales (£m)					
Poland	880	913	(3.6)%	(8.5)%	(10.9)%
Iberia	200	196	+2.0%	(1.2)%	(1.2)%
Romania	137	145	(5.2)%	(8.4)%	(4.9)%
Other±	6	9	n/a	n/a	n/a
Other International	**1,223**	**1,263**	**(3.1)%**	**(7.5)%**	**(8.8)%**
Retail profit (£m)					
Poland	35	94	(62.5)%	(64.4)%	
Iberia	3	6	(48.7)%	(50.3)%	
Romania	(10)	(4)	n/a	n/a	
Other±	(10)	(13)	n/a	n/a	
Turkey (50% JV)	5	4	n/a	n/a	
Other International	**23**	**87**	**(73.8)%**	**(74.6)%**	
Retail profit margin %					
Poland	4.0%	10.3%	(630)bps	(630)bps	
Other International	**1.8%**	**6.8%**	**(500)bps**	**(490)bps**	

± 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise agreements.

Other International total sales decreased by 7.5% (LFL -8.8%) to £1,223m, reflecting tough prior year comparatives across all geographies (H1 22/23 LFL +19.5%). Retail profit decreased by 74.6% to £23m (H1 22/23: £87m, at reported rates), largely reflecting the retail profit decline in Poland. Retail profit margin % decreased by 490 basis points to 1.8% (H1 22/23: 6.8%, at reported rates).

Poland total sales decreased by 8.5% (LFL -10.9%) to £880m, against strong prior year comparatives (H1 22/23 LFL +25.9%) and a challenging trading environment. Overall sales trends in Q2 were similar to Q1 (LFL -11.5% vs Q1 -10.3%), with ongoing macroeconomic challenges in the country leading to a deterioration in consumer sentiment and lower than expected market growth. On a two-year basis, Castorama's sales grew faster than the market (as measured by *GfK*). Performance was weak across both core and 'big-ticket' and seasonal categories, with sales from the DIY customer segment outpacing DIFM and trade. Space growth contributed c.2% to total Poland sales. In H1, Castorama opened one medium-box store, bringing its total to 98 stores in Poland as of 31 July 2023.

In line with the business' longer-term objectives, Castorama continued to develop its trade proposition, launching tests for *'CastoPro'* zones in three of its stores, providing a dedicated space to bring together key trade ranges and serve trade customers. Castorama's e-commerce sales decreased by 33.8% YoY, following some temporary disruption arising from the implementation of its new digital technology stack in Q2. E-commerce sales penetration was 4% (H1 22/23: 5%; H1 19/20: 2%).

Gross margin % decreased by 170 basis points, largely reflecting higher customer participation in promotional activity, higher clearance, and sales mix. Retail profit decreased by 64.4% to £35m (H1 22/23: £94m, at reported rates) due to a lower gross profit and an increase in operating costs. Operating costs increased by 9.3%, driven by cost inflation (including YoY increases in pay rates and energy costs), higher technology spend, higher costs associated with five new store openings (YoY), and charges related to ineffective foreign exchange hedges. Increases were partially offset through reductions achieved by our strategic cost reduction programme. Retail profit margin % decreased by 630 basis points to 4.0% (H1 22/23: 10.3%, at reported rates).

As a result of our performance in H1 and the trading environment in the country, we are proactively managing our operating costs. In H2, the business will strengthen actions around its cost base, including further flexing staffing levels, lowering discretionary spend, and rephasing certain investments including opening fewer stores than previously planned (now planning for a total of five new stores in FY 23/24, versus seven previously). The business continues to target up to 80 medium-box and compact store openings over the next five years.

Iberia total sales decreased by 1.2% (LFL -1.2%) to £200m, reflecting a resilient performance against good prior year comparatives (H1 22/23 LFL +2.3%) and the impact of unseasonal weather on seasonal category sales in Q2. Core and 'big-ticket' sales were +0.2% for the half. The business achieved good YoY growth in its building & joinery, EPHC and kitchen categories. Retail profit decreased to £3m (H1 22/23: £6m, at reported rates), reflecting lower sales and gross margin %, with slightly higher operating costs, up 1.7% YoY.

Romania total sales decreased by 8.4% to £137m (LFL -4.9%), reflecting strong prior year comparatives (H1 22/23 LFL +8.9%). Sales trends improved in Q2 (LFL -2.7% vs Q1 -7.8%), largely driven by an improvement in its core and 'big-ticket' category sales, with positive LFL growth in EPHC and tools & hardware. Romania's retail loss increased to £10m (H1 22/23: £4m reported retail loss), primarily reflecting lower sales and gross margin %. Operating costs increased by 1.0%, with cost inflation largely offset by our strategic cost reduction initiatives including reduced energy usage in stores.

In **Turkey**, Kingfisher's 50% joint venture, Koçtaş, contributed £5m of retail profit (H1 22/23: £4m, at reported rates). The business opened 42 mostly compact stores in their financial half-year to 30 June 2023, bringing its total store count to 397.

'Other' consists of the consolidated results of **Screwfix International**, **NeedHelp**, and **franchise** agreements. Due to these businesses being in their early investment phase, a combined retail loss of £10m (H1 22/23: £13m reported retail loss) was recorded, largely driven by Screwfix France as the business invested in the opening of new stores. As noted in the *UK & Ireland* commentary above, **Screwfix** has a total of nine stores in operation in France as of 31 July 2023, having opened four in H1. The business will also launch as a pure-play online retailer in several European countries, later in Q3. Following extensive testing and review, our two B&Q **franchise** stores in Saudi Arabia will close by early 2024, and we will re-focus efforts on wholesale and franchise agreements in other markets. We currently have two wholesale agreements in place with the Al-Futtaim Group in the Middle East, whereby certain OEB products are supplied to its retailers.

RETAIL BANNER EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 July 2023	Store numbers at 31 July 2023	Sales area[1] (000s m^2) at 31 July 2023
B&Q	16,147	309	2,201
Screwfix	9,738	884	55
UK & Ireland	**25,885**	**1,193**	**2,256**
Castorama	10,866	95	1,156
Brico Dépôt	8,286	124	875
France	**19,152**	**219**	**2,031**
Poland	11,896	98	825
Iberia	1,972	31	195
Romania	2,420	33	238
Other[2]	178	9	-
Other International	**16,466**	**171**	**1,258**
Total	**61,503**	**1,583**	**5,545**

(1) Screwfix sales area relates to the front of counter area of an outlet.
(2) ‘Other’ consists of Screwfix International, NeedHelp, and franchising.

Section 4: FY 2023/24 Technical guidance

New guidance, or significant updates to our previous guidance, are noted below *in italics*.

Please refer to Section 7 for further details regarding forward-looking statements.

Income statement

- Space
  - Sales impact of c.+1.5% from net space growth, largely from Screwfix and Castorama Poland
- New businesses
  - 'Other' retail losses of c.£30m (FY 22/23: £30m) *(previous guidance: c.£40m; lower guidance driven by rephasing of investments in Screwfix France)*. 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and franchise agreements, recorded within the 'Other International' division
- Central costs
  - Anticipate c.£65m (FY 22/23: £49m; FY 21/22: £60m) *(previous guidance: c.£60m)*
- Net finance costs
  - Decrease by c.£10m due to higher interest income (FY 22/23: £112m) *(previous guidance: decrease by c.£5m)*
- Adjusted PBT
  - Full year adjusted PBT of c.£590m(1) *(previous guidance: comfortable with consensus of sell-side analyst estimates for FY 23/24 adjusted PBT of £634m, as of 24 April 2023)*
- Tax rate
  - Group adjusted effective tax rate* of c.26% (FY 22/23: 22%) *(previous guidance: c.25%; higher guidance driven by changes in our expectations for the blend of profit this year within the Group's various jurisdictions)*

Cash flow

- Capital expenditure
  - Targeting gross capex of c.£425m (FY 22/23: £449m; c.3.4% of total sales) *(previous guidance: broadly flat YoY)*
- Free cash flow
  - >£500m for the year, supported by the unwind of working capital outflows from the prior year
- *Share buybacks*
  - *c.£109m outflow related to previous share buyback programme; expect new £300m share buyback programme (announced today) to commence in early October*
- *Dividends*
  - *c.£235m outflow for dividends related to the FY 22/23 final dividend and FY 23/24 interim dividend. Our dividend policy target cover range remains 2.25 to 2.75 times, based on adjusted basic earnings per share. We may move outside of this target range, temporarily, from time to time*

(1) Guidance assumes current exchange rates.

Section 5: H1 2023/24 Financial review

A summary of the reported financial results for the six months ended 31 July 2023 is set out below.

Financial summary	2023/24	2022/23	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	£6,880m	£6,809m	+1.1%	(1.0)%	(2.2)%
Gross profit	£2,495m	£2,496m	(0.1)%	(2.0)%	
Gross margin %	36.3%	36.7%	(40)bps	(40)bps	
Operating profit	£367m	£531m	(30.9)%		
Statutory pre-tax profit (PBT)	£317m	£474m	(33.1)%		
Statutory post-tax profit	£237m	£373m	(36.5)%		
Statutory basic EPS	12.4p	18.6p	(33.4)%		
Net increase/(decrease) in cash[(1)]	£51m	£(329)m	n/a		
Interim dividend	3.80p	3.80p	-		
Adjusted metrics					
Retail profit	£433m	£555m	(22.0)%	(23.0)%	
Retail profit margin %	6.3%	8.2%	(190)bps	(180)bps	
Adjusted pre-tax profit (PBT)	£336m	£472m	(28.8)%		
Adjusted pre-tax profit margin %*	4.9%	6.9%	(200)bps		
Adjusted post-tax profit	£249m	£368m	(32.3)%		
Adjusted basic EPS	13.0p	18.3p	(28.9)%		
Free cash flow	£346m	£104m	n/a		
Net debt[(2)]	£(2,181)m	£(1,848)m	n/a		

(1) Net increase/(decrease) in cash and cash equivalents and bank overdrafts.
(2) Net debt includes £2,398m of lease liabilities under IFRS 16 in H1 23/24 (H1 22/23: £2,318m).

Total **sales** decreased by 1.0% on a constant currency basis, to £6,880m, reflecting resilience across both retail and trade channels, particularly in the UK & Ireland. Sales were higher in the UK & Ireland, offset by lower sales in Poland, where we faced strong comparatives and an increasingly weaker trading environment, and France where consumer confidence is at a 10-year low (as measured by the National Institute for Statistics and Economics in France (*INSEE*)). Sales were also lower in Iberia and Romania, where we faced tough comparatives. On a reported basis, which includes the impact of exchange rates, total sales increased by 1.1%.

LFL sales of -2.2% excludes a +1.2% sales impact from a net increase in space, driven by Screwfix store openings in the UK & Ireland and Castorama in Poland, and the acquisition of assets of Connect Distribution Services Limited (renamed Screwfix Spares). During H1, we opened 19 new stores (including 11 stores in the UK, two in Ireland, five in France including four Screwfix stores, and one in Poland), and closed eight 'grocery concession' stores in the UK.

Gross margin % decreased by 40 basis points on a constant currency basis, reflecting higher customer participation in promotional activity in France and Poland, higher clearance costs and stock provisions, and sales mix in Poland. On a reported basis, gross margin % also decreased by 40 basis points. Group **gross profit** decreased by 2.0% in constant currency.

In constant currency, **retail profit** decreased by 23.0%, largely reflecting lower gross profits in Poland and France, and higher operating costs in the UK & Ireland and Poland. On a reported basis, retail profit decreased by 22.0%. **Operating costs** increased by 4.0% on a constant currency basis, largely reflecting cost inflation, including YoY increases in pay rates and energy costs, higher technology spend, higher costs associated with space growth and new store openings, and charges related to ineffective foreign exchange hedges. The increase in operating costs was partially offset through flexing our staffing levels and variable costs, and reductions achieved by our strategic cost reduction programme. The Group's **retail profit margin %** decreased by 180 basis points on a constant currency basis to 6.3% (H1 22/23: 8.2%, at reported rates).

Adjusted pre-tax profit decreased by 28.8% to £336m (H1 22/23: £472m), reflecting lower retail profit, higher central costs (including the impact of insurance claim deductibles in the UK & Ireland and Poland) and higher share of JV interest and tax (reflecting accounting under high inflation and interest rates in our joint venture Koçtaş), partially offset by lower net finance costs. **Adjusted pre-tax profit margin %** decreased by 200 basis points to 4.9% (H1 22/23: 6.9%).

Statutory pre-tax profit, which includes adjusting items, decreased by 33.1% to £317m (H1 22/23: £474m). This reflects lower operating profit, including the impacts of impairments (see adjusting items below).

A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2023/24 £m	2022/23 £m	Increase/ (decrease)
Retail profit (constant currency)	**433**	562	(23.0)%
Impact of exchange rates	**-**	(7)	n/a
Retail profit (reported)	**433**	555	(22.0)%
Central costs	**(36)**	(26)	n/a
Share of interest and tax of joint ventures & associates	**(11)**	-	n/a
Net finance costs	**(50)**	(57)	n/a
Adjusted pre-tax profit	**336**	472	(28.8)%
Adjusting items before tax	**(19)**	2	n/a
Statutory pre-tax profit	**317**	474	(33.1)%

Net finance costs of £50m (H1 22/23: £57m) consist principally of interest on IFRS 16 lease liabilities. The YoY decrease was largely due to higher interest income.

Adjusting items after tax were a total charge of £12m (H1 22/23: gain of £5m), as detailed below:

	2023/24 £m Gain/(charge)	2022/23 £m Gain/(charge)
Net store asset impairment charges	**(14)**	-
Operating model restructuring	**(7)**	-
Release of France and other restructuring provisions	**-**	1
Profit on disposal of Crealfi associate investment	**2**	-
Profit on exit of properties	**-**	1
Adjusting items before tax	**(19)**	2
Prior year and other adjusting tax items	**7**	3
Adjusting items after tax	**(12)**	5

In consideration of H1 23/24 performance to date, we have revised future projections for a number of stores across the Group's portfolio. This has resulted in the recognition of £14m of net store impairments in the period. These have been recorded principally in France, Poland and Romania.

During the period, the Group commenced formal consultations with employee representatives regarding a proposed restructuring of the Group technology operating model. Charges of £7m have been recorded in the period, primarily related to this programme. The total cost of the programme is expected to reach c.£15m by FY 24/25.

On 30 June 2023, the Group completed the disposal of its 49% interest in its French associate investment Crealfi S.A., resulting in a gain on disposal of £2m.

Prior year and other adjusting tax items relate principally to deferred tax credits recorded in respect of the impairment and restructuring expenses noted above, movements in prior year provisions to reflect a reassessment of expected outcomes, and refunds from tax authorities. Please refer to note 7 of the condensed financial statements.

Taxation

The Group's adjusted effective tax rate (ETR) is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions. The adjusted ETR, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 26% (H1 22/23: 22%). The adjusted ETR is higher than the prior year rate primarily due to the increase in the UK statutory tax rate which took effect on 1 April 2023. Other factors include the impact of a lower share of Group profit from Poland, partially offset by reduced losses in territories in which tax credits are not recognised.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these result in a statutory effective tax rate of 25%.

	Pre-tax profit £m	**Tax £m**	**2023/24 %**	Pre-tax profit £m	Tax £m	2022/23 %
Adjusted effective tax rate	**336**	**(87)**	**26%**	472	(104)	22%
Adjusting items	**(19)**	**7**		2	3	
Statutory effective tax rate	**317**	**(80)**	**25%**	474	(101)	21%

In FY 21/22, Kingfisher paid £64m (including interest) to HM Revenue & Customs in relation to the European Commission's 2019 state aid decision concerning the UK's controlled foreign company tax rules. The General Court of the European Union dismissed several of the appeals in June 2022 and the decision is now pending with the European Court of Justice. The Group continues to recognise the amounts paid, together with £3m of accrued repayment interest, as a non-current tax asset, based on its assessment that its appeal will ultimately be successful. Please refer to note 17 of the condensed financial statements for further details.

The statutory tax rates applicable to this financial year and the expected statutory tax rates for next year in our main jurisdictions are as follows:

	Statutory tax rate 2024/25	Statutory tax rate 2023/24
UK	25%	24%
France	26%	26%
Poland	19%	19%

Adjusted basic earnings per share decreased by 28.9% to 13.0p (H1 22/23: 18.3p), which excludes the impact of adjusting items. **Basic earnings per share** decreased by 33.4% to 12.4p (H1 22/23: 18.6p) as set out below:

	Earnings[(1)] £m	**2023/24 EPS pence**	Earnings[(1)] £m	2022/23 EPS pence
Adjusted basic earnings per share	**249**	**13.0**	368	18.3
Adjusting items before tax	**(19)**	**(1.0)**	2	0.1
Prior year and other adjusting tax items	**7**	**0.4**	3	0.2
Basic earnings per share	**237**	**12.4**	373	18.6

[(1)] Earnings figures presented reconcile adjusted post-tax profits to statutory post-tax profits.

Dividends

The Board has declared an interim dividend of 3.80 pence per share, flat versus the H1 22/23 interim dividend of 3.80 pence per share. The interim dividend will be paid on 17 November 2023 to shareholders on the register at close of business on 13 October 2023. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the Company's shares. The shares will go ex-dividend on 12 October 2023. The last date for receipt of DRIP elections is 27 October 2023. For further details on our dividend policy please refer to *'Medium-term financial and capital allocation priorities'* within Section 2.

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities
Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the medium term, determining the level of debt facilities required to fund the business, planning for repayment of debt at its maturity, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows and/or unexpected impacts to cash inflows. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash and cash equivalents, and committed debt facilities), which is currently set at a minimum of £800m.

Net debt to EBITDA
As of 31 July 2023, the Group had £2,181m (H1 22/23: £1,848m) of net debt on its balance sheet including £2,398m (H1 22/23: £2,318m) of total lease liabilities.

The ratio of the Group's net debt to EBITDA (on a last twelve months' basis) was 1.6 times as of 31 July 2023 (1.6 times as of 31 January 2023). At this level, the Group has financial flexibility whilst retaining an efficient cost of capital.

The Group's maximum net debt to EBITDA is 2.0 times over the medium term. For further details please refer to *'Medium-term financial and capital allocation priorities'* within Section 2.

Net debt to EBITDA is set out below:

	2023/24 Moving annual total £m	2022/23 Year end £m
Retail profit	**801**	923
Central costs	**(59)**	(49)
Depreciation and amortisation	**615**	582
EBITDA	**1,357**	1,456
Net debt	**2,181**	2,274
Net debt to EBITDA	**1.6**	1.6

Credit ratings
Kingfisher holds a BBB credit rating with Fitch, (P) Baa2 rating with Moody's, and a BBB rating with Standard and Poor's. The Outlook is Stable across all three agencies.

Revolving credit facility
The Group has a £550m revolving credit facility (RCF) agreement in place with a group of its relationship banks, linked to sustainability and community-based targets, of which c.£50m expires in May 2025 and c.£500m expires in May 2026. As of 31 July 2023, this RCF was undrawn.

Term loans
In FY 22/23, the Group entered into two new fixed term loans: £50m maturing in December 2024 and £50m maturing in January 2025, with the latter linked to the Group's sustainability and community-based targets.

Covenants
The terms of the committed RCF and both term loans require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. As of 31 July 2023, Kingfisher was in compliance with this requirement.

Total liquidity
As of 31 July 2023, the Group had access to over £800m in total liquidity, including cash and cash equivalents of £317m (net of bank overdrafts) and access to a £550m RCF. Further detail on Kingfisher's debt and facilities can be found at www.kingfisher.com.

Free cash flow
A reconciliation of free cash flow is set out below:

	2023/24 £m	2022/23 £m
Operating profit	**367**	531
Adjusting items	**19**	(2)
Operating profit (before adjusting items)	**386**	529
Other non-cash items(1)	**341**	295
Change in working capital	**84**	(223)
Pensions and provisions	**-**	(13)
Net rent paid	**(238)**	(223)
Operating cash flow	**573**	365
Net interest received/(paid)	**5**	(2)
Tax paid	**(68)**	(75)
Gross capital expenditure	**(164)**	(184)
Free cash flow	**346**	104
Ordinary dividends paid	**(165)**	(172)
Share buybacks	**(99)**	(218)
Share purchase for employee incentive schemes	**(24)**	(9)
French tax authority payment	**-**	(34)
Disposal of Crealfi S.A. and acquisition of assets of Connect Distribution Services Limited	**6**	-
Disposal of assets and other(2)	**(13)**	-
Net cash flow*	**51**	(329)
Opening net debt	**(2,274)**	(1,572)
Movements in lease liabilities	**40**	57
Other movement including foreign exchange	**2**	(4)
Closing net debt	**(2,181)**	(1,848)

(1) Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.
(2) Includes adjusting cash flow items (principally comprising restructuring costs), partially offset by proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets.

Operating profit (before adjusting items) was £143m lower than last year, reflecting lower retail profit, higher central costs and higher share of JV interest and tax. The working capital inflow of £84m was driven by an increase in payables of £226m, reflecting more normalised purchasing patterns compared to prior periods (during which we made higher inventory purchases to rebuild product availability, build seasonal and 'buffer' stock, and secure lower cost stock). Net inventory increased by £89m, largely reflecting the seasonality of stock levels at half year versus year end. The sell-through of 'carry-over' seasonal stock in H1 was limited to an extent by lower than expected seasonal sales in the period. Receivables increased by £53m.

Gross capital expenditure in H1 was £164m, decreasing by 11% YoY (H1 22/23: £184m). Of this expenditure, 27% was invested in refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 13% on new stores, 32% on technology and digital development, 6% on range reviews and 22% on other areas including supply chain investment.

Overall, free cash flow for H1 was £346m (H1 22/23: £104m). Net debt (including IFRS 16 lease liabilities) as of 31 July 2023 was £2,181m (H1 22/23: £1,848m).

A reconciliation of free cash flow and net cash flow to the statutory net movement in cash and cash equivalents and bank overdrafts is set out below:

	2023/24 £m	2022/23 £m
Free cash flow	**346**	104
Ordinary dividends paid	**(165)**	(172)
Share buybacks	**(99)**	(218)
Share purchase for employee incentive schemes	**(24)**	(9)
French tax authority payment	**-**	(34)
Disposal of Crealfi S.A. and acquisition of assets of Connect Distribution Services Limited	**6**	-
Disposal of assets and other[1]	**(13)**	-
Net cash flow	**51**	(329)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**51**	(329)

[1] Includes adjusting cash flow items (principally comprising restructuring costs), partially offset by proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets.

Pensions

As of 31 July 2023, the Group had a net surplus of £127m (H1 22/23: £406m net surplus, FY 22/23: £137m net surplus) in relation to defined benefit pension arrangements, of which a £243m surplus (£251m surplus as of 31 January 2023) was in relation to the UK scheme. The net surplus has remained broadly stable in the period, with a higher discount rate reducing scheme liabilities, offset by asset losses. As part of the funding valuation exercise completed in the prior year, the Trustee and Kingfisher agreed to cease annual employer contributions from August 2022 to July 2025. The accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. Please refer to note 11 of the condensed financial statements for further details.

Risks

The Group's principal risks and uncertainties have been reviewed as part of our half year procedures. There are no additions since the FY 22/23 year-end. The risk of 'contagious diseases' has been removed as a principal risk, as we no longer see this as a material risk to the Group. We have successfully demonstrated our ability to operate in challenging circumstances, and we are better prepared to react should a new epidemic or pandemic occur. We will continue to monitor any remaining operational challenges through the existing 'supply chain resilience' risk.

The current macroeconomic climate remains uncertain, and inflation levels remain high across all our territories despite recent reductions. These factors continue to put pressure on consumer confidence and pose challenges for the wider retail industry. We continue to carefully monitor and manage the external situation to ensure our costs are well controlled and that we provide value for money to our customers.

- **Our people:** Our colleagues are critical to the successful delivery of our 'Powered by Kingfisher' strategy. Failure to retain, develop and attract colleagues with appropriate skills could impact our ability to deliver our strategic priorities at the pace required. This risk is particularly important for our technology and digital functions. Furthermore, we have set ambitious inclusion and diversity targets, aimed at making Kingfisher an even better place to work whilst increasing our innovation and creativity. Failure to meet these could have a negative impact on delivering our business objectives.
- **Level and impact of change:** We continue to execute our strategy at pace and invest for growth. Under our strategic plan, the business is utilising its core strengths and commercial assets, and 'powering' its distinct retail banners to address the significant growth opportunities that exist within the home improvement market. We have high ambitions and are continuously improving our offer, market positions, cost base and technologies. In particular, we are evolving our technology development programme to better meet banner and customer needs. Where relevant we may also consider complementary acquisitions, partnerships and joint ventures to optimise our business activities and support our strategy. Failure to properly prioritise activity and manage change effectively could result in weaker than anticipated sales growth, reduced operating margins, or insufficient cash being generated to meet our objectives.
- **Supply chain resilience:** A resilient supply chain is key to our business and the achievement of our strategic objectives. We are dependent on complex global supply chains and fulfilment solutions to deliver our products to our customers. We are also reliant on the ability of our suppliers to respond

quickly to changes in demand and to be financially resilient, particularly to fluctuations in energy prices. Major disruption to our supply chain could result in reduced levels of product availability, with an adverse financial and reputational impact.

- **Competitor behaviour:** Our competitors include both store-based and pure-play online retailers. In recent years, we have seen an increase in online penetration in the home improvement market, including through e-commerce marketplaces. Competitors are also developing their offers, including more products, services and fulfilment options. Targeted actions or disruptive behaviour by competitors could negatively impact our market share, the value of our assets and our financial results.
- **Responding to changing customer preferences:** The pace of change remains high, with a greater use of e-commerce solutions for click & collect and home delivery. To make our products available to customers where and when they want it, we are investing in innovative digital channels supported by an agile and reliable infrastructure, a robust logistics capability and an optimised property portfolio with in-store services. Failure to identify and respond to new trends effectively with pace could affect our ability to stimulate spend and adversely impact the value of our assets and our financial results.
- **Geopolitical instability creating macroeconomic volatility:** Kingfisher operates in eight countries across Europe and relies on a global supply base, exposing us to both geopolitical uncertainty and local volatility. Disruption could include government restrictions on mobility, strikes and protests, work stoppages and/or our ability to receive products from affected countries. These impacts could potentially disrupt the day-to-day operations of our business. Recent geopolitical events have created uncertainty in economic markets, with higher energy prices fuelling inflation. This uncertainty and volatility could change customer behaviours and reduce consumer confidence, and negatively impact the demand for our products and services. Furthermore, if governments try to reduce their budget deficits through further taxation, this could create additional burdens on consumers and businesses.
- **Cyber and data security:** Cyber-attacks and security incidents continue to present a risk for organisations. We proactively manage our risk profile and will continue to do so as we deliver on our strategy, and as our use of technology evolves. Failure to protect data, detect breaches, and respond accordingly could negatively impact our operations, profitability and reputation.
- **Legal and regulatory:** The Group's operations are subject to a broad range of regulatory requirements in the markets in which we operate. A major corporate issue or crisis, a significant fraud, or material non-compliance with legislative or regulatory requirements could impact our brands and reputation, potentially exposing us to significant fines or penalties and requiring significant management attention.
- **Reputation and trust:** Our customers, colleagues, suppliers, investors and the communities we source from and operate in expect us to conduct our business in a way that is responsible. One of the many ways we strive to ensure this is through our publicly communicated Responsible Business strategy and targets, covering topics such as how we help our customers to reduce the impact on the environment of their homes, responsible sourcing and diversity (please refer to *'Lead the industry in Responsible Business and energy efficiency'* within Section 2 for further details). Failure to deliver on our obligations and commitments, or material breaches of our policies or controls, could undermine trust in Kingfisher, damage our reputation and impact our ability to meet our strategic objectives.
- **Climate change:** Climate change could have significantly adverse consequences on society and businesses without concerted mitigation efforts. We have identified several climate-related financial and operational risks, which are potentially significant if climate solutions are not effective, even if their impact over our outlook period is limited. These include:
  - The cost of carbon increasing, through the introduction and strengthening of national and international carbon policies and pricing mechanisms.
  - Physical damage to assets and business disruption from an expected increase in the frequency of extreme weather events.
  - Sourcing and supply chain disruption, and changes in the availability of key raw materials (such as timber) from long-term climate changes.

  Failure to implement appropriate cross-functional responses to these risks could negatively impact our operations and profitability over time. In response to these challenges, we have created ambitious carbon reduction plans. Failure to deliver on these could damage our reputation.

Further details of the Group risks and risk management process can be found on pages 51 to 58 of the 2022/23 Annual Report and Accounts.

Section 6: Glossary

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also known as non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted basic earnings per share (EPS)	Basic earnings per share	A reconciliation of adjusted basic earnings per share is included in the Financial Review (Section 5) and note 8 of the condensed financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of adjusting items (see definition below), divided by the weighted average number of shares in issue during the period. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the statutory effective tax rate is set out in the Financial Review (Section 5)	The adjusted effective tax rate is calculated as continuing income tax expense excluding tax adjustments in respect of prior years (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of adjusting items, divided by continuing profit before taxation excluding adjusting items. Prior year tax items represent income statement tax relating to underlying items originally arising in prior years, including the impact of changes in tax rates on deferred tax. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide an indication of the Group's ongoing rate of tax.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review (Section 5)	Adjusted pre-tax profit is used to report the performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted pre-tax profit margin %	No direct equivalent	Refer to definition	Adjusted pre-tax profit is used to report the performance of the business at a Group level and is separately defined. Adjusted pre-tax profit margin % represents adjusted pre-tax profit as a percentage of sales. It is a measure of overall business profitability.
Adjusted post-tax profit	Profit after tax	A reconciliation of adjusted post-tax profit is set out in the Financial Review (Section 5) and note 8 of the condensed financial statements	Adjusted post-tax profit is used to report the after-tax performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing after-tax business performance.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusting items	No direct equivalent	Not applicable	Adjusting items, which are presented separately within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading performance. Adjusting items may include, but are not limited to: non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities; the costs of significant restructuring and incremental acquisition integration costs; profits and losses on the exit of properties, impairments of goodwill and significant impairments (or impairment reversals) of other non-current assets; prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items; financing fair value remeasurements i.e., 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 (or non-designated) hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before adjusting items. This helps provide an indication of the Group's ongoing head office costs.
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross profit, gross margin %, retail profit, retail profit margin % and operating costs reflect the year-on-year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuations on the reported results.
Core and 'big-ticket' category sales±	No direct equivalent	Not applicable	Core and 'big-ticket' category sales include the sales from non-seasonal products across all our categories, including 'big ticket' sales (i.e., kitchen, bathroom & storage). It is used as a measure of our non-seasonal related performance, which is the majority of Group sales.
Dividend cover	No direct equivalent	Not applicable	Dividend cover represents the ratio of earnings to dividends. It is calculated as adjusted basic earnings per share divided by the total (full year) dividend per share. It is used as an indication of how sustainable dividend payments are.
Digitally-enabled sales	No direct equivalent	Refer to definition	Digitally-enabled sales are e-commerce sales plus sales associated with customer orders

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			placed in stores or via contact centres for collection from store or home delivery (via central home delivery or via store-to-home). It is used to help track how well we are responding to changing customer behaviours.
E-commerce sales penetration %	No direct equivalent	Refer to definition	E-commerce sales penetration % represent total e-commerce sales as a percentage of sales. For the purpose of this calculation only, sales are adjusted to replace marketplace net sales with marketplace gross sales. It is used to track the success of our e-commerce strategy.
First-party e-commerce sales	No direct equivalent	Refer to definition	First-party e-commerce sales are total first-party sales (excluding VAT) derived from online transactions, including click & collect (C&C). This includes sales transacted on any device, however not sales through a call centre. Sales (and related commissions/fees) from products supplied by third-party e-commerce marketplace vendors are excluded. It is used to measure the performance of our first-party e-commerce business across the Group.
Total e-commerce sales	No direct equivalent	Refer to definition	Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. References to digital or e-commerce sales growth relates to growth in constant currency. It is used to measure the performance of all e-commerce business (first-party and third-party) across the Group.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 5)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
Free cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of free cash flow is set out in the Financial Review (Section 5)	Free cash flow represents the cash generated from operations (excluding adjusting items) less the amount spent on interest, tax and capital expenditure during the year (excluding asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year-on-year sales growth for stores that have been open for more than one year. It is a measure to reflect the Group's performance on a comparable basis.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Marketplace gross merchandise value (GMV)	No direct equivalent	Refer to definition	Marketplace GMV is the total transaction value (including VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. It is used to measure the performance of our e-commerce marketplace, and is the basis on which our commissions from third-party vendors are determined.
Marketplace gross sales	No direct equivalent	Refer to definition	Marketplace gross sales is the transaction value (excluding VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. Returned and cancelled orders are excluded. It is used to measure the performance of our e-commerce marketplace.
Marketplace net sales	No direct equivalent	Refer to definition	Marketplace net sales are commissions (excluding VAT) earned on e-commerce marketplace transactions, together with other service fees. This is included within sales. Commissions are determined based on GMV. It is used to measure the performance of our e-commerce marketplace.
Marketplace participation %	No direct equivalent	Refer to definition	Marketplace participation % represents marketplace gross sales as a percentage of total e-commerce sales. It is used to track the success of our marketplace strategy and performance.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 16 of the condensed financial statements	Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.
Net cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of net cash flow is set out in the Financial Review (Section 5) and in note 16 of the condensed financial statements	Net cash flow is a measure to reflect the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Operating costs	No direct equivalent	Not applicable	Operating costs represent gross profit less retail profit. This is the Group's operating cost measure used to report the performance of our retail businesses.
Own exclusive brands (OEB) sales	No direct equivalent	Refer to definition	OEB refers to our portfolio of own exclusive brands across seven core categories – surfaces & décor, tools & hardware, bathroom & storage, kitchen, EPHC (electricals, plumbing, heating & cooling), building & joinery, and outdoor. OEB sales are sales of own exclusive brand products. It is used to measure the performance of OEB across the Group.
Retail profit	Profit before taxation	A reconciliation of Group retail profit to profit before taxation is set out in the	Retail profit is stated before central costs, adjusting items and the Group's share of interest and tax of JVs and associates. This is

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
		Financial Review (Section 5) and note 4 of the condensed financial statements. There is no statutory equivalent to retail profit at a retail banner level	the Group's operating profit measure used to report the performance of our retail businesses.
Retail profit margin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately defined above. Retail profit margin % represents retail profit as a percentage of sales. It is a measure of operating performance.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, year-on-year change in net inventory before the impact of store openings and closures. It is a measure to reflect the Group's inventory management on a comparable basis.
Seasonal category sales±	No direct equivalent	Refer to definition	Seasonal category sales include the sales from certain products within our outdoor, electricals, plumbing, heating & cooling (EPHC) and surfaces & décor categories. It is used as a measure of the performance of our sales that are subject to the season we are in, or prevailing weather conditions.

± Indicates the inclusion of new APMs during H1 23/24. The new APMs in the table above have been introduced to track the performance of our core and 'big-ticket' and seasonal category sales.

Other Definitions

Banque de France data for DIY retail sales (non-seasonally adjusted). Includes relocated and extended stores. https://webstat.banque-france.fr/fr/#/node/5384398. As of and including January 2023, we have taken the decision to no longer communicate Castorama France and Brico Dépôt France monthly sales figures to *Banque de France* and the internal index of *FMB* (*Fédération des Magasins de Bricolage* – our trade association), until further notice.

'Do It Yourself' (DIY) sales include products that facilitate self-undertaken home improvement projects and tasks, including paint, lighting, tools and hardware, and garden maintenance.

'Do It For Me' (DIFM) sales include products and services used in home improvement projects and tasks that predominantly require a tradesperson to undertake, including kitchens, bathrooms, tiling, wardrobes, windows and doors, certain electrical and plumbing activities, and installation services.

France consists of Castorama France and Brico Dépôt France.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including ocean freight, energy, media buying, cleaning, and security).
Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, 'Other', and Turkey (Koçtaş JV). 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise agreements.

SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix in the UK & Ireland.

Section 7: Forward-looking statements

You are not to construe the content of this announcement as investment, legal or tax advice and you should make your own evaluation of the Company and the market. If you are in any doubt about the contents of this announcement or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction).

This announcement has been prepared in relation to the financial results for the six months ended 31 July 2023. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the Group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended) (or, otherwise under any other law, regulation or exchange rules in any other applicable jurisdiction).

Certain information contained in this announcement may constitute "forward-looking statements" (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as "may", "will", "would", "could", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target", "plan", "goal", "aim", forecast, or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events. These forward-looking statements include all matters that are not historical facts and include statements which look forward in time or statements regarding the Company's intentions, beliefs or current expectations and those of our Officers, Directors and employees concerning, amongst other things, the Company's results of operations, financial condition, changes in global or regional trade conditions (including a downturn in the retail or financial services industries), competitive influences, changes in tax rates, exchange rates or interest rates, changes to customer preferences, the state of the housing and home improvement markets, share repurchases and dividends, capital expenditure and capital allocation, liquidity, prospects, growth and strategies, litigation or other proceedings to which we are subject, acts of war or terrorism worldwide, work stoppages, slowdowns or strikes, public health crises, outbreaks of contagious disease, environmental disruption or political volatility. By their nature, forward-looking statements are not guarantees of future performance and are subject to future events, risks and uncertainties – many of which are beyond our control, dependent on actions of third parties, or currently unknown to us – as well as potentially inaccurate assumptions that could cause actual events or results or actual performance of the Group to differ materially from those reflected or contemplated in such forward-looking statements. For further information regarding risks to Kingfisher's business, please consult the risk management section of the Company's Annual Report (as published). No representation, warranty or other assurance is made as to the achievement or reasonableness of, and no reliance should be placed on, such forward-looking statements.

The forward-looking statements contained in this announcement speak only as of the date of this announcement and the Company does not undertake any obligation to update or revise any forward-looking statement to reflect any new information, change in circumstances, or change in the Company's expectations to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events.