Kingfisher

Half year results for the six months ended 31 July 2022 (unaudited)

Financial summary	**2022/23**	**2021/22**	**% Total Change Reported**	**% Total Change Constant currency***	**% LFL* Change Constant currency**
Sales	£6,809m	£7,101m	(4.1)%	(2.8)%	(4.1)%
Gross profit	£2,496m	£2,697m	(7.4)%	(6.3)%	
Gross margin %*	36.7%	38.0%	(130)bps	(130)bps	
Operating profit	£531m	£747m	(29.1)%		
Statutory pre-tax profit	£474m	£677m	(30.0)%		
Statutory post-tax profit	£373m	£556m	(32.9)%		
Statutory basic EPS	18.6p	26.4p	(29.8)%		
Net (decrease)/increase in cash±	£(329)m	£444m	n/a		
Interim dividend	3.80p	3.80p	-		
Adjusted metrics					
Retail profit*	£555m	£767m	(27.7)%	(27.1)%	
Retail profit margin %*	8.2%	10.8%	(260)bps	(270)bps	
Adjusted pre-tax profit*	£472m	£669m	(29.5)%		
Adjusted post-tax profit*	£368m	£525m	(29.7)%		
Adjusted basic EPS*	18.3p	24.9p	(26.6)%		
Free cash flow*	£104m	£723m	(85.6)%		
Net debt*(1)	£(1,848)m	£(908)m	n/a		

** See page 4 for further details on non-GAAP measures and other terms; ± Net (decrease)/increase in cash and cash equivalents and bank overdrafts*

Highlights
- H1 performance in line with expectations (total sales -2.8% in constant currency and LFL -4.1%)
- Sales significantly ahead of pre-pandemic levels (3-year LFL sales +16.6%), supported by market share gains; Group Q2 sales trend ahead of Q1
- Resilient sales from both DIY and DIFM/trade categories
- Continued effective management of inflation and supply chain pressures
- Strong execution against our strategic priorities and investing for growth – digital, trade proposition, Screwfix and Poland expansion
- Attractive shareholder returns through dividends and ongoing second £300m share buyback programme; reflects confidence in long-term growth and cash generation opportunity

Thierry Garnier, Chief Executive Officer, said:

“Kingfisher has delivered a very resilient first half of sales. While facing very strong comparatives from the prior year as well as a more challenging environment, LFL sales were 16.6% ahead of pre-pandemic levels with a sequential improvement from Q1 to Q2. This was driven by the extension of share gains in all our key markets, reflecting successful execution of our strategy, and resilient sales from both DIY and trade customers. We are now back to pre-pandemic levels for in-store product availability and maintaining competitive pricing across our banners.

“Looking to the months ahead, although trading in the year to date has been in line with our expectations, we remain vigilant against the more uncertain economic outlook for the second half. We are therefore focussed on delivering value to our customers at a time when they need it most. You can expect continued strong execution, with a focus on growing sales and market share, effective management of our gross margin, and alignment of our costs and inventories to market conditions.

“With the business and our balance sheet in a strong position, we continue to invest in opportunities to drive growth. B&Q successfully launched its first home improvement marketplace during the period, and we are now preparing for marketplace launches in France, Poland and Iberia. We are also continuing to invest in the trade segment through Screwfix’s expansion in the UK and Ireland, as well as the further development of our offer for tradespeople across our banners, building on the success of TradePoint.

We are on course to open our first Screwfix stores in France within a few weeks from now. And we are developing innovative new products and services to support more sustainable and energy efficient homes, which will benefit our customers and the environment.

"These investments, together with the proven resilience of the home improvement sector, our balanced exposure to DIY and DIFM/trade, and our strong and consistent execution, support our confidence in continuing to grow ahead of our markets."

H1 22/23 Group results

- **Sales** down 2.8% in constant currency, reflecting strong prior year comparatives linked to high demand for home improvement products. Resilient sales across both retail and trade channels
- **LFL sales** down 4.1% and corresponding 3-year LFL* up 16.6%
  - Double-digit 3-year LFL sales growth across all banners (i.e., versus pre-pandemic levels)
  - Positive 1-year growth in Poland, Iberia* and Romania; resilient performance in France*; strong prior year comparatives for the UK & Ireland*
- **Q2 22/23** LFL sales up 17.4% on a 3-year basis, adjusted for a c.0.7% adverse calendar impact; stronger trend than Q1 22/23 (+14.8%, adjusted for a c.1.4% positive calendar impact)
- **Total e-commerce sales*** down 19% (3-year growth up 156%); new B&Q marketplace proposition performing well, and omni-channel customer engagement scores remain high
  - E-commerce sales penetration* of 16% (H1 21/22 and H1 19/20: 19% and 7%, respectively)
  - B&Q marketplace gross sales* performing ahead of expectations, representing 8% of B&Q's total e-commerce sales in August 2022
- **Gross margin %** down 130 basis points to 36.7% (H1 21/22: 38.0%; H1 19/20: 37.0%), reflecting an exceptionally strong prior year comparative ('normalised' promotional activity versus the prior year, one-off logistics spend to secure/manage seasonal and 'buffer' stock, and banner & category mix)
- **Retail profit** down 27.1% in constant currency to £555m (H1 21/22: £767m; H1 19/20: £454m), largely reflecting very strong prior year comparatives in the UK & Ireland
- **Statutory pre-tax profit** down 30.0% to £474m (H1 21/22: £677m; H1 19/20: £245m), reflecting lower operating profit, partially offset by lower net finance costs
- **Adjusted pre-tax profit** down 29.5% to £472m (H1 21/22: £669m; H1 19/20: £337m), reflecting lower retail profit, partially offset by lower net finance costs
- **Free cash flow** of £104m, down 85.6% (H1 21/22: £723m; H1 19/20: £204m), largely reflecting working capital outflow associated with completion of inventory rebuild programme
- **Net decrease in cash** of £329m (H1 21/22: net increase in cash of £444m), largely reflecting lower free cash flow, and £390m of outflows in relation to ordinary dividends and share buybacks
- **Net debt** of £1,848m (£1,572m as of 31 January 2022), reflecting the net decrease in cash
- **Net debt to last twelve months' EBITDA*** of 1.3x (1.0x as of 31 January 2022)
- **Interim dividend** per share declared of 3.80p (FY 21/22 interim dividend: 3.80p)

Outlook for FY 22/23

- An encouraging start to trading in the second half of the year:
  - Q3 22/23 LFL sales (to 17 September 2022)(2) up 15.2% on a 3-year basis, with 1-year LFL down 0.7%
  - Continued resilience in outdoor and 'big-ticket' category sales trends
- H1 performance and current trading in Q3 consistent with FY 22/23 adjusted pre-tax profit guidance of c.£770m, as set out at the start of this year
- For the balance of year, we have run several trading scenarios to take into account the potential for a more uncertain macroeconomic environment. These point towards a range of outcomes for FY 22/23 adjusted pre-tax profit(3) of c.£730m to £770m
- Expect continued strong execution:
  - Targeting further market share growth
  - Anticipate full year gross margin % to be in line with pre-pandemic level (FY 19/20: 37.0%)
  - Accelerating investment in Screwfix France
  - Committed to continued active and responsive management of our operating costs*
  - Anticipate reduction of stock levels in H2 related to sell-through of a large part of 'buffer' stock previously held to protect product availability

<u>Continuing to deliver against our strategic priorities</u>

- Strengthened competitive position in all key markets
- High revenue retention rates of customers acquired during the pandemic
- France: on track to complete 'fixes' in H2; LFL growth above market and priority to deliver more profitable growth
- **Focused on investments to support long-term growth:** Investing in faster fulfilment and expanded product choice; targeting further store expansion in Screwfix UK & Ireland and Castorama Poland; opening first Screwfix stores in France within weeks; stepping up initiatives to further increase trade penetration across the Group
- **E-commerce:**
  - Expanded store-based picking model for faster click & collect (C&C) and last-mile delivery, including optimised order management through 'digital hub' stores, roll-out of C&C lockers in Poland (also being tested at B&Q) and continued successful roll-out of one-hour delivery with Screwfix Sprint
  - New e-commerce marketplace model successfully launched at B&Q (100,000 SKUs* added in six months); preparing roll-out of marketplaces in France, Poland, Spain and Portugal
- **Own exclusive brands (OEB):**
  - OEB driving affordability, sustainability and wider customer engagement
  - OEB represented 45% of Group sales in H1 (H1 21/22: 46%); strong performance in kitchen, bathroom & storage and EPHC (electricals, plumbing, heating & cooling) categories
  - Developing specific OEB for different retail banners and extending ranges to support choice – roll-out of 32 new and redeveloped OEB brands almost complete
- **Mobile-led and service innovations:**
  - Embedding Scan & Go into the B&Q app
  - Extending the roll-out of self-checkout terminals across B&Q, Castorama France and Poland
  - Extended 3D design tool capabilities to new categories (including bathrooms, modular storage solutions, fireplaces)
- **Compact stores and rightsizing:**
  - Continuing to test new compact stores and partnership models; opened six new compact stores in H1 in the UK, France and Poland, and first two B&Q franchise stores in the Middle East
  - Positive initial results from the five stores rightsized in the UK and France last year; preparing for further rightsizings in H2 (in line with our previously announced target of up to 40 'big-box' store rightsizings across B&Q and Castorama France over 10 years)
- **Trade proposition:**
  - A record 31 new store openings for Screwfix in the UK & Ireland in H1
  - Screwfix online sales in France continue to perform well; first distribution centre now operational, supporting opening of first stores in France within a few weeks from now
  - TradePoint (in B&Q) 3-year LFL sales growth of 34%, outperforming core B&Q and Screwfix, and reaching 21% sales penetration
  - Launched plan to grow trade customer penetration across all 'big box' banners, including new trade loyalty programmes in Poland and Iberia, and the introduction of new OEB and branded trade-focused ranges
- **Costs and inventory:**
  - Multi-year cost reduction programmes partially mitigating against inflation pressures
  - Majority of year on year (YoY) increase in net inventory driven by inflation (61%) and store expansion (7%)
  - Proactive inventory purchases from Q4 last year to (i) rebuild product availability, (ii) build seasonal and 'buffer' stock ahead of peak trading, and (iii) secure lower cost stock,
  - Actions underway to further optimise sourcing footprint and maximise Group sourcing efficiencies
  - Good inventory health, with stock provisioning rates below pre-pandemic levels
- **Responsible Business:**
  - Announced new net-zero emissions target for our operations (scope 1 and 2) by the end of 2040
  - Innovative end-to-end solutions at B&Q and Brico Dépôt France to help customers create a personalised energy efficiency action plan for their homes, including access to relevant products and services
  - New targets for growth of sustainable home product sales

Footnotes
(1) Net debt includes c.£2.3bn lease liabilities under IFRS 16 in H1 22/23 (H1 21/22: c.£2.3bn).
(2) 'Q3 22/23 LFL sales (to 17 September 2022)' represents the period from 31 July 2022 to 17 September 2022 compared against the equivalent period in the prior year (i.e., 1 August 2021 to 18 September 2021). The corresponding 3-year LFL represents the period 31 July 2022 to 17 September 2022 compared against the equivalent period in FY 19/20 (i.e., 4 August 2019 to 21 September 2019). 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
This announcement can be downloaded from the Investors section of our website at www.kingfisher.com.

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 22/23 trading update	24 November 2022
Full year results	21 March 2023±
Q1 23/24 trading update	25 May 2023±
Half year results	19 September 2023±
Q3 23/24 trading update	22 November 2023±

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

The remainder of this release consists of seven main sections:

1) H1 2022/23 Financial performance summary and current trading
2) Group update (including **'Powered by Kingfisher'** strategic plan)
3) Trading review by division
4) FY 2022/23 Technical guidance
5) H1 2022/23 Financial review and, in part 2 of this announcement, the condensed financial statements
6) Glossary
7) Forward-looking statements

Section 1: H1 2022/23 Financial performance summary and current trading

Income statement summary

£m	2022/23	2021/22	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	**6,809**	**7,101**	(4.1)%	(2.8)%	(4.1)%
Gross profit	**2,496**	**2,697**	(7.4)%	(6.3)%	
Retail profit:					
UK & Ireland	**339**	**579**	(41.3)%	(41.3)%	
France	**129**	**129**	+0.3%	+2.4%	
Poland	94	58	+58.6%	+66.4%	
Iberia	6	11	(41.9)%	(40.7)%	
Romania(1)	(4)	(6)	+25.3%	+23.3%	
Other±	(13)	(5)	n/a	n/a	
Turkey (50% joint venture)	4	1	n/a	n/a	
Other International*	**87**	**59**	+43.7%	+52.1%	
Retail profit	**555**	**767**	(27.7)%	(27.1)%	
Central costs*	(26)	(27)	(2.0)%		
Share of JV interest and tax	-	(1)	n/a		
Operating profit (before adjusting items*)	**529**	**739**	(28.5)%		
Net finance costs	(57)	(70)	(18.6)%		
Adjusted pre-tax profit	**472**	**669**	(29.5)%		
Adjusting items	2	8	n/a		
Statutory pre-tax profit	**474**	**677**	(30.0)%		

± 'Other' consists of the consolidated results of NeedHelp (acquired in November 2020), Screwfix International (launched online in France in April 2021), and results from franchise agreements.

LFL sales by quarter

Quarterly sales	% LFL Change		
	Q1 22/23	Q2 22/23	H1 22/23
UK & Ireland	**(15.8)%**	**(7.1)%**	**(11.6)%**
- B&Q	(18.3)%	(7.4)%	(13.0)%
- Screwfix	(10.9)%	(6.4)%	(8.8)%
France	**(3.7)%**	**(2.3)%**	**(3.0)%**
- Castorama	-	(1.0)%	(0.5)%
- Brico Dépôt	(7.5)%	(3.7)%	(5.5)%
Other International	**+37.1%**	**+8.1%**	**+19.5%**
- Poland	+54.5%	+8.9%	+25.9%
- Iberia	(0.3)%	+4.4%	+2.3%
- Romania(2)	+13.9%	+5.3%	+8.9%
Group LFL(3)	**(5.4)%**	**(2.8)%**	**(4.1)%**
Total e-commerce sales(4)	**(26.1)%**	**(10.4)%**	**(18.8)%**

3-year LFL sales by quarter

Quarterly sales	% 3-year LFL Change		
	Q1 22/23	Q2 22/23	H1 22/23
UK & Ireland	**+16.7%**	**+15.3%**	**+16.0%**
- B&Q	+16.3%	+17.1%	+16.7%
- Screwfix	+18.0%	+11.0%	+14.4%
France	**+13.7%**	**+13.8%**	**+13.6%**
- Castorama	+13.9%	+13.5%	+13.4%
- Brico Dépôt	+13.5%	+14.1%	+13.8%
Other International	**+22.2%**	**+25.7%**	**+24.3%**
- Poland	+22.8%	+25.2%	+23.8%
- Iberia	+11.8%	+18.8%	+15.6%
- Romania(2)	+32.8%	+46.7%	+43.6%
Group LFL(3)	**+16.2%**	**+16.7%**	**+16.6%**
Total e-commerce sales(4)	**+163.7%**	**+149.6%**	**+156.3%**

Trading in Q2 22/23

LFL sales were down by 2.8% in Q2 and up 16.7% on a 3-year basis, showing continued good momentum from Q1. Adjusting for calendar impacts, Q2 LFL sales were up 17.4% on a 3-year basis, up from 14.8% in Q1. E-commerce sales were down by 10% in Q2 as footfall returned to stores but up by 150% on a 3-year basis. Sales remained resilient across our banners, with all reporting double-digit 3-year LFL growth, and across customer segments (DIY* and DIFM*/trade). This resulted in trading in line with our expectations, supported by our focus on execution and market share gains.

In the UK, B&Q saw an overall improvement in 1-year LFL trends from Q1 to Q2, benefiting from more favourable weather and improved product availability. Sales of cooling products at B&Q were particularly strong in July given the unusual heatwave. B&Q's 3-year LFL increased from Q1 to Q2 while Screwfix's decreased somewhat, with lower YoY DIY revenues linked to very strong demand in the prior year. 3-year LFL growth of B&Q and Screwfix's trade revenues continued to be strong.

In France, 3-year LFL trends were similar from Q1 to Q2 with seasonal categories also driving a modest improvement at Brico Dépôt.

Poland, Iberia and Romania all saw growth on a 1-year basis, and an acceleration into Q2 of 3-year trends, driven by strengthening competitive positions and effective trading activities.

Current trading in Q3 22/23

Q3 22/23 LFL sales (to 17 September 2022)[5] are down by 0.7%, reflecting strong comparatives in the prior year. On a 3-year basis, LFL sales are up 15.2%, with resilient sales trends in our outdoor, kitchen, and bathroom & storage categories. E-commerce sales continue to progress well, and we are pleased with the strong performance of our new marketplace proposition at B&Q.

Footnotes

(1) Kingfisher's subsidiary in Romania has historically prepared its financial statements to 31 December. In the prior year (FY 21/22), Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January). Its retail loss presented in H1 21/22 therefore included one additional month of results (July 2021) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Reported and constant currency variances for Romania's retail loss are for February to July 2022 (compared against January to July 2021).

(2) Further to footnote 1 above, Romania's LFL and 3-year LFL sales growth compares equivalent periods in the current and prior years.

(3) Group LFL includes e-commerce sales, and excludes Koçtaş (Kingfisher's 50% JV in Turkey). Other International and Group LFL on a 3-year basis exclude Russia. (Kingfisher completed the sale of Castorama Russia on 30 September 2020.)

(4) 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 at constant currency and covers the total Group. 3-year total e-commerce sales growth excludes Russia.

(5) 'Q3 22/23 LFL sales (to 17 September 2022)' represents the period from 31 July 2022 to 17 September 2022 compared against the equivalent period in the prior year (i.e., 1 August 2021 to 18 September 2021). The corresponding 3-year LFL represents the period 31 July 2022 to 17 September 2022 compared against the equivalent period in FY 19/20 (i.e., 4 August 2019 to 21 September 2019). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

Kingfisher

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

The update is organised into the following key topics:

1) Update on Ukraine
2) Delivering on value and effectively managing pressures arising from the current environment
3) France – on track to complete 'fixes' in H2
4) Strong execution against our 'Powered by Kingfisher' strategic priorities
5) Clear financial priorities and capital allocation framework

1. Update on Ukraine

Our thoughts are with the people in Ukraine and Eastern Europe who are affected by the conflict. We are part of the international effort to support them and we stand ready to help further.

At the start of the crisis, we immediately offered our aid for Ukrainian refugees, with all our retail banners working with organisations who are supporting relief efforts, such as the International Red Cross and United Nations High Commission for Refugees (UNHCR). Kingfisher has donated c.£0.5m to help these organisations, including matched funding for colleague donations to the Red Cross Ukraine Crisis Appeal.

Two of our banners, Castorama Poland and Brico Dépôt Romania, are in countries bordering Ukraine and have been working hard to provide funds and practical assistance to refugees. Across all our other banners, our teams have been raising money and organising support for refugees, including establishing in-store and online donation facilities for customers. This allows them to donate funds or essentials such as clothes, blankets, medicines and hygiene products. In addition, B&Q is donating profits from the sale of certain products, and many of our banners have worked closely with the Red Cross to find employment for refugees in our stores.

Many of our colleagues have been personally affected by the war, particularly in Poland which is home to many people of Ukrainian descent. Castorama Poland has made counselling available for all store and head office employees, recognising that the war is a source of stress and anxiety, particularly for colleagues whose friends or family are directly affected. In Romania, Brico Dépôt has supported colleagues via a hotline offering free and anonymous counselling, as well as legal and financial advice.

The Group has no direct business exposure to the conflict, having completed the sale of Castorama Russia to Maxidom, a Russian home improvement company, in September 2020. We have no operations in the country, and we do not provide sourcing to Maxidom.

We have not seen disruption to our supply chain to date. On 1 March 2022, we decided to stop selling the limited number of products directly sourced from Russian and Belarusian suppliers across the Group, and removed those products from our shelves. We are also engaging with our suppliers to help ensure that they are no longer sourcing materials or components from Russia or Belarus.

2. Delivering on value and effectively managing pressures arising from the current environment

We are committed to delivering value for our customers, at a time when they need it most, while also effectively managing near-term operational challenges that continue to impact our industry and markets.

Inflation

In common with other businesses, we have seen higher than normal cost price inflation (CPI) over the last 18 months, caused by rising prices for raw materials, energy, wage increases and higher freight costs.

As expected, year on year CPI stepped up in H1 as we sold through higher-cost inventory and experienced higher contracted freight prices. We continue to manage these impacts effectively.

While many raw material prices such as metals and plastics are now below their recent peaks, and maritime freight costs (i.e., spot rates) have been on a downward trend since January, we expect inflationary pressures to persist in H2 due to the time lag between ordering products (at a relatively higher cost) and their subsequent sale (and therefore cost recognition in our income statement). Favourable movements in our YoY foreign exchange hedging positions will offset some of the increases. Approximately 20% of our cost of goods sold (COGS) is directly sourced in USD, and we maintain hedging contracts for periods up to 18 months, with our forecast USD COGS exposure in FY 22/23 fully hedged.

Supply and logistics

High demand, port congestion and COVID lockdowns have placed considerable strain on the industry's global supply and logistics network over the last two years.

To date, the strength and expertise of our supply, sourcing and logistics teams have enabled us to manage our supply and logistics needs effectively. We decided in the summer of 2021 to build inventory from Q4 21/22 in order to further improve our product availability, to secure seasonal and 'buffer' stock ahead of our peak trading season, and to purchase ahead of anticipated further cost price inflation. We have worked closely with suppliers and logistics providers, helping us to mitigate industry-wide availability issues. The key product availability risks that we saw in FY 21/22 have eased in H1 and we are pleased with both overall and 'best seller' product availability, which have been at pre-pandemic levels since Q1. This has supported our continued market share gains.

Costs and capacity in the global freight market was a constant challenge in 2021. We have carefully managed freight costs and availability, and successfully navigated through shortages of heavy goods vehicles drivers. Whilst we expect to experience higher YoY freight costs throughout 2022, we note that the freight headwinds noted above that have forced prices up over the last 18 months have been easing since January.

For further details please refer to *'Source and buy better, reduce costs and same-store inventory'*, below.

Delivering on value

In this inflationary environment, Kingfisher is strongly committed to deliver on value for our customers.

We are mindful of the impact rising consumer prices could have on customer demand. Our focus on attractive price positioning across the Group means we are well positioned, with an aim to maintain a price index at 100 or below versus our nearest competitors. Customers can also choose lower-priced and high-quality products from our own exclusive brand (OEB) ranges, which represented 45% of Group sales in H1 22/23 (H1 21/22: 46%). We also have some of the industry's best hard discounters in Brico Dépôt France and Iberia, who together represent c.20% of Group sales.

Of particular importance in the current environment, we are also very well placed in energy efficiency categories such as loft insulation, LED lighting, underfloor heating and electric radiators, and we are developing other innovative solutions to actively support our customers as they look to mitigate the impact of rising energy costs. For further details please refer to *'Build a mobile-first and service orientated customer experience'* and *'Lead the industry in Responsible Business practices'*, below.

3. France – on track to complete 'fixes' in H2

The Group's strategic progress over the last two and a half years has benefited from some of the capabilities that we had previously developed. These include Group sourcing and buying, developing our OEBs and our investment in a common SAP platform. However, we also faced many unresolved issues from previous years.

As part of our 'Powered by Kingfisher' plan, we set out our 'focus and fix' priorities to address these issues. We made rapid progress in FY 21/22, completing all the required 'fixes' in the UK and Poland and we are on track to complete our 'fixes' in France this year.

These actions have significantly improved our trading, both in store and online, while supporting the roll-out of our strategy.

Set out below is our progress with the France 'fixes' in H1:

- We progressed the roll-out of Brico Dépôt's updated SAP platform without disruption and expect to complete it before the end of FY 22/23.
- We are also on track with implementing 'seamless payments' and 'dotcom+' solutions in all Castorama stores by the end of FY 22/23. 'Seamless payments' is an up-to-date and frictionless customer payment experience, enabling self-checkout and 'Scan & Go' technologies, and 'dotcom+' is an in-store ordering solution, enabling more digitally-enabled sales*. Both solutions have already been successfully introduced at B&Q, leading to significant improvements in the customer proposition and experience.
- We continue to reorganise our logistics operations in France, to create an optimised network for Castorama and Brico Dépôt. We have made significant progress with optimising distribution centre space, as well as transforming our *cross-dock* sites. The final distribution centre space reductions in France will be completed this month, bringing cumulative space reduction to c.27% versus two years ago (c.19% as of 31 July 2022).
  - *Note: cross-docking is a logistics practice of moving product from a manufacturer to stores through a cross-dock facility, with little or no storage in between.*
- This programme will significantly reduce the travel distance required to service our stores, resulting in shorter lead-times, better customer service, lower inventory and reduced greenhouse gas emissions.
- We continue to make good progress with extending and optimising Castorama's ranges, by introducing more local and international brands, and by launching new OEBs. We added more than 1,200 SKUs over the last six months, bringing the total added over the last two and half years to more than 8,500. As previously announced, we expect to complete our work on improving Castorama's range by the end of FY 22/23.
- Brico Dépôt, one of our industry's leading discounter banners, is also optimising its range to increase its differentiation from Castorama and other general DIY peers. We are improving the banner's already price-leading proposition, reducing some non-core ranges and introducing discount OEBs (such as the *Evalux* paint discount brand) and more local trade brands. Optimising SKUs will give us more volume and pricing power for key products, reinforcing Brico Dépôt's 'discounter DNA'.
- Our price positioning in France is very competitive, with both banners improving their price index this year. While we do not anticipate requiring any further significant investment in price for the remainder of the year, the DNA of a discounter like Brico Dépôt is to continuously reduce its cost to sales ratio, improve its sales density and reinvest part of this efficiency into price positioning.
- Following Pascal Gil's appointment as the CEO of Castorama Poland (in early April 2022), Laurent Vittoz has moved from leading our Group Sourcing team to replace Pascal as the Managing Director of Brico Dépôt, reporting to the CEO of Kingfisher France, Alain Rabec.

The actions described above, along with continued strong delivery against our wider strategic priorities, have contributed to a significantly improved performance in France over the last two and a half years. 3-year LFL sales are up 13.6% in France and, following years of underperformance, France's LFL sales are growing ahead of the market. Based on *Banque de France** data, France's H1 22/23 LFL sales grew ahead of the market YoY.

The completion of our 'fixes' in France will also help us deliver on our priority of more profitable growth in France. In H1, in constant currency, France's retail profit margin improved 30 basis points to 5.6% (H1 21/22: 5.3%), with its retail profit increasing 2.4%.

Customers have reacted positively to our work in France, with Net Promoter Scores (NPS) improving in both French banners. The store NPS for both Castorama and Brico Dépôt France have improved over the last three years, with an increase of +12 and +10 points, respectively. We have also made considerable progress online, with castorama.fr showing a +29 point increase in NPS, and bricodepot.fr showing a +20 point improvement over the last three years.

4. Strong execution against our 'Powered by Kingfisher' strategic priorities

In June 2020, we announced our strategic plan – **'Powered by Kingfisher'**. This 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**, so we can address the significant growth opportunities we see in the home improvement market.

Our retail banners occupy number one or two positions in all our key markets. Some are predominantly trade focused (Screwfix, TradePoint), while others address more general DIY needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş), and Brico Dépôt France and Brico Dépôt Iberia are discounters. This differentiation is a major strength for us, especially in a more volatile and uncertain world.

Kingfisher's scale and resources are an important source of growth and competitive advantage for our banners. They benefit from Group-wide OEB product development, sourcing and buying scale, leading technologies, customer and market data insight and analysis, shared services and best practices, and cost and inventory management support.

We are pleased with the progress we have made over the last three years, achieved in an extraordinarily challenging operating environment. We have made good progress with our core strategic priorities whilst investing for growth in multiple areas of the business. This has driven an improved competitive position in our key markets.

The following sub-section covers the progress made in H1 against our key strategic focus areas:

a) **Grow e-commerce sales**
b) **Differentiate and grow through own exclusive brands (OEB)**
c) **Build a mobile-first and service orientated customer experience**
d) **Test compact store concepts and adapt our store footprint**
e) **Expand engagement with trade customers**
f) **Source and buy better, reduce costs and same-store inventory**
g) **Lead the industry in Responsible Business practices**

a) <u>Grow e-commerce sales</u>

We are committed to growing our e-commerce sales by offering speed, convenience and choice to our customers.

E-commerce sales remain significantly ahead of pre-pandemic trends, driven by improvements to our e-commerce proposition that offer our customers more convenience, broader product choice and faster fulfilment of orders, powered by our store assets.

Total e-commerce sales, which for the first time this period includes gross sales from third-party e-commerce marketplace transactions, as well as first-party e-commerce sales*, were £1.1bn in H1. This represents a decline of 19% YoY (in constant currency), and an increase of 156% on a 3-year basis. Overall **e-commerce sales penetration** was 16% in H1 (H1 21/22: 19%; H1 19/20: 7%). Our **digitally-enabled sales** were c.24% (FY 21/22: 26%; FY 19/20: 20%), highlighting that approximately a quarter of Group sales are from e-commerce channels and online orders placed in-store, delivered through click & collect (C&C) or to customer homes. We expect digitally-enabled sales to continue to grow over time, in line with the continued evolution of both customer behaviours and our in-store technologies and solutions.

Sales from C&C, our most popular online fulfilment channel, were down 22% YoY reflecting very strong prior year comparatives, although remain ahead of pre-pandemic levels with growth of 195% on a 3-year basis. C&C accounted for 87% of total e-commerce orders (H1 21/22: 87%) and 70% of total e-commerce sales (H1 21/22: 73%). The popularity of this fulfilment channel has been supported by significant enhancements to the options available to customers to collect their orders, including car park collection capabilities in France, as well as contactless 'Drive-thru' collections in both France and Poland, for all our medium and large stores. During H1 we completed the roll-out of C&C lockers to Castorama Poland stores and continued testing C&C lockers at some B&Q stores. 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 down 11% YoY reflecting higher footfall in stores, and up by 97% on a 3-year basis. Faster fulfilment is a key competitive advantage for our banners, in particular over ‘pure-play’ online peers, so we have increased our focus on next-day and same-day home delivery. In August 2021, Screwfix launched Screwfix ‘Sprint’, offering delivery direct to home or site within one hour. ‘Sprint’ is currently available from over 300 stores, covering c.45% of UK postcodes, with further roll-out planned in H2. So far, the average delivery time is c.45 minutes and our quickest delivery is just eight minutes. Feedback from customers, especially our most loyal trade customers, has been very positive, and we believe this will help us to continue growing our market share. ‘Sprint’ reinforces Screwfix’s focus on speed and convenience for customers, alongside its industry-leading one-minute C&C proposition. We are sharing lessons from the roll-out with other retail banners that are testing same-day delivery, including B&Q.

Moving to store-based picking and fulfilment has been critical to enabling us to serve our customers efficiently, in line with the scaling up of e-commerce volumes over the last two and a half years, reaching up to 1.5 million orders a week at peak. This also 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 91% of the Group’s e-commerce orders in store (excluding Screwfix: 87%). We are also leveraging our stores to improve the speed and cost of home deliveries. At present, 54 B&Q stores are being used as ‘digital hubs’ for fulfilling home deliveries, serving nearly 100% of UK postcodes. These hub stores are selected based on their catchment and the depth of their in-store range. Similar models have been introduced at Castorama France and Castorama Poland.

Several innovative digital initiatives are being developed and tested at B&Q, with a view to broader adoption across Kingfisher’s retail banners. During H1 we commenced the development of optimised order management capabilities, leveraging B&Q’s hub stores to cast a wider net for the availability of products ordered online, thereby lowering the rate of abandonment of online baskets. The business is also testing a new product substitution algorithm to help minimise lost sales. Finally, B&Q rolled out new capability in digital colleague apps to enable more efficient picking, stock accuracy and shelf re-organisation, whilst unlocking improved stock updates for an improved online customer experience.

Finally, we believe we can add significant value for customers by offering them more product choice. Kingfisher is very well placed to benefit from the growing trend of shopping on e-commerce marketplaces. Our retail banners have top one or two market positions; they already have significant online traffic; they have strong brands and are trusted by millions of customers; they are able to leverage their store assets to offer faster delivery, pick-up and return options for customers; and they have long-standing and trusted relationships with a growing global supplier base.

Using scalable technology built by Kingfisher alongside Mirakl, the leading marketplace platform provider, we launched our first e-commerce marketplace on B&Q’s www.diy.com in March 2022. Approximately 200 carefully selected third-party sellers are now offering new products in 10 home improvement categories, including wallpaper, lighting, power tools and small domestic appliances, the latter being a new category for B&Q. B&Q successfully reached its target of 100,000 additional home improvement SKUs within six months of launch, compared to its previous offer of c.40,000 products. B&Q’s marketplace has grown quickly since March, reaching a marketplace participation* of 8% in August 2022 (i.e., B&Q’s marketplace gross sales divided by B&Q’s total e-commerce sales). Over the medium term, further rapid expansion of the number of SKUs is planned, and in addition we are preparing for the roll-out of marketplaces in France, Poland, Spain and Portugal, leveraging the technology already built by Kingfisher for B&Q.

b) <u>Differentiate and grow through own exclusive brands (OEB)</u>

We believe that our OEB product development is a significant source of value for our retail banners and their customers. OEBs provide a strong point of differentiation in terms of design, functionality, sustainability and value for money, as well as carrying a higher gross margin (on average) than branded products. We aim to grow our OEB sales further, as we bring even more innovation to our ranges and differentiation to our banners.

With the households in our markets being impacted by the rising cost of living, the differentiation brought by our OEB proposition is more important than ever. From an affordability perspective, our OEB products are, on average, 15-30% cheaper than branded products (for example, our *Erbauer* brand compared to its branded power tool competitors). However, it's not just about affordability. Our OEBs provide an opportunity to meet customer needs by designing innovative products, whilst also supporting our ambitious sustainability goals. For example, with our *Verve* brand we aim to make our watering products affordable and accessible, whilst simplifying the user experience and using our innovation to adopt recycled plastic and water-saving features.

As well as promoting affordability and sustainability, our OEBs aim to simplify projects, thereby encouraging and engaging more people to complete home improvement tasks. For example, earlier this year we launched new OEB sealants ranges, *Volden* and *No Nonsense*, which includes an ecosystem of products to help customers at all stages of their projects. This includes tools to remove old sealants, smoothing tools and an award-winning applicator system. In H1, sales of our *Volden* and *No Nonsense* sealant products were up both YoY and on a 3-year basis.

The performance of our OEB ranges in H1 was resilient against very strong prior year comparatives, with LFL sales down 5.2%. LFL sales were up 18.1% on a 3-year basis, outperforming the growth of non-OEB ranges. Total OEB sales were £3.1bn, representing 45% of Group sales (H1 21/22: 46%). This is particularly impressive when considering our retail banners' renewed focus on offering more choice to customers, including through a wider range of local and international branded products. Kingfisher's top five OEBs, based on their breadth of differentiated ranges, innovation and growth potential, are *GoodHome*, *Verve*, *Erbauer*, *Magnusson* and *LAP*. These contributed 19% of total Group sales (H1 21/22: 19%; FY 19/20: 11%).

We are leveraging our OEB capabilities to provide differentiated and specialised products for our general home improvement, trade and discounter banners. Over the last 18 months, we have developed a strong pipeline of innovative products, with an overall portfolio of 32 new and redeveloped OEBs. The roll-out of these OEBs is now almost complete, and we will be looking to further extend the new OEB pipeline in H2. For example, *Evalux*, a high-performance discount paint range sold only at Brico Dépôt France, has been performing well since its launch earlier this year. During H1 we relaunched *GoodHome* paint in all our general home improvement banners to create an unrivalled paint offering from selected ready-mixed colours for customers, increasing choice to 2.2 million paint options via tinting machines. This relaunch includes our first bio-based paint, *Naturea*. At B&Q and Screwfix, respectively, we are launching new featured ranges for *MacAllister* and *Titan* power tools incorporating a better battery platform, whilst keeping our selling prices low, helping to make home improvement projects easier and more cost-efficient.

The OEB kitchen range continues to receive strong customer feedback on design, innovation and value for money. It remains one of our top-performing new ranges for the Group and has been a key contributor to our banners' market share growth. Supported by market-leading price positioning, installation services and an enhanced in-store sales journey, the Group LFL sales performance of the new kitchen range was positive in H1 (mid-single digit % growth), up by nearly 20% on a 3-year basis. B&Q is further enhancing its digitally-enabled customer journey for kitchens by testing virtual reality technology in 10 stores. This allows customers to visualise pre-set 3D kitchen designs through virtual reality headsets in-store. The performance of our kitchen range at Castorama Poland has demonstrated our ability to create a new market opportunity having the right combination of offer, price and service, delivering over 60% LFL sales growth in H1.

Our OEB ranges have also given us a platform to accelerate our Responsible Business goals, with our sustainability guidelines fully integrated into OEB product design and development. Sustainable Home Products (SHPs) either help our customers live more sustainably (such as water-saving taps or loft insulation) or are sustainable because of their input materials or how they are manufactured (for example, FSC timber, peat-free compost or recycled plastic). In FY 21/22, 55% of OEB product sales were SHPs. Two OEB ranges, *GoodHome* and *Verve*, have already exceeded their SHP sales targets. Please also refer to *'Lead the industry in Responsible Business practices'* below for more details on how we are using OEB to drive further SHP growth, including more energy and water-efficient products.

We are also looking at ways for our OEB products to play a bigger role in the 'circular economy'. For example, B&Q and Castorama France have begun offering tool repair and maintenance services. For further details please refer to '*Build a mobile-first and service orientated customer experience*', below.

c) <u>Build a mobile-first and service orientated customer experience</u>

Our mission is to grow our mobile channel by creating great customer experiences. We will continue to grow our active app user base by optimising our app stores, using push messaging and in-app offers, and improving design and performance. We are also providing customers with a more compelling and complete range of services, including augmented reality, 3D design tools, and installation services.

Mobile remains our largest and fastest growing channel (versus desktop and tablet) and has performed strongly compared to pre-pandemic levels. Sales through the mobile channel were down 19% in H1 but up 280% on a 3-year basis, accounting for 54% of our first-party e-commerce sales (H1 21/22: 54%). This is an increase of 18 percentage points since H1 19/20.

Across our banners, we continue to optimise the mobile user experience through Group-driven technology and capabilities, which is resulting in faster page-loading times, enhanced 'search, shop and pay' features, and new mobile tools and features. We are providing customers with unique, app-first experiences such as Screwfix 'Sprint' (home delivery within one hour), and features that enable greater customer convenience and self-service within our stores. Since its launch in February 2021, our new Screwfix app has been downloaded 2.6m times, with 30x faster search results and 6% higher conversion versus the Screwfix website. The app also uses geolocation to speed up in-store pickups, and enables targeted customer offers. Brico Dépôt Iberia launched its trade customer loyalty app in Q1, with strong early results.

We are automating marketing campaigns and maturing our mobile and app capabilities, giving us the ability to test prototypes and run faster 'A/B tests' (meaning we compare two versions of a webpage or app to see which performs better). This is giving our teams richer data, which we can use to optimise the experience for our most frequent and valuable customers. We have also unlocked push notifications across the B&Q, Castorama France and Screwfix apps, thereby driving user traffic.

We are continuing to modernise the in-store experience and now have self-checkout terminals in 261 stores across B&Q (169), Castorama France (49) and Castorama Poland (43). We are seeing very strong adoption by customers in store, ahead of expectations, resulting in meaningful efficiency gains. Following successful tests, Scan & Go apps in B&Q, Brico Dépôt France and Brico Dépôt Iberia continue to make the checkout experience faster. B&Q and Castorama France are also testing in-store digital ordering terminals to modernise the purchasing experience.

We also continue to test different payment options online, with 'Buy Now, Pay Later' and 'Pay in Instalments' options available via PayPal in the UK and France. Additionally, new credit options for all customers (trade and non-trade) are being developed in H2 with third-party providers.

Following the successful introduction of our Group-developed 3D design tool for kitchens, we have extended the technology to enable customers to create 3D designs of bathrooms, storage furniture, and fireplaces. Furthermore, to make it easier for customers to visualise their projects, we are testing virtual reality headsets and widescreen panoramic experiences in 10 B&Q stores, with the ambition to roll these out across B&Q if successful.

We are continuing to grow our installations and services offer for our DIFM customers. Both kitchen and bathroom installation services are now available in all our general home improvement and discounter banners. Group sales of showroom products with installations increased by 56% YoY in H1. NeedHelp, our leading home improvement services marketplace, is now live throughout the UK, France and Poland. In H1, we saw good growth of the platform, with a 37% increase YoY of the gross merchandise value of completed jobs. Screwfix and TradePoint have launched partnerships with NeedHelp in the UK, providing their tradespeople customers with free local leads via the NeedHelp platform. Brico Dépôt France also launched a dedicated kitchen installation service in partnership with NeedHelp.

We are also launching services that support our Responsible Business ambitions, and help our customers make choices that are better for them and more responsible for the planet. To keep products in use longer, Screwfix and Castorama France have launched online refurbished product stores. B&Q has introduced a new *Erbauer* tool repair service, and Castorama France has partnered with *Swap*, the servicing and maintenance company, for outdoor motorised tools. To help customers (particularly trade customers of TradePoint) dispose of their project waste responsibly, B&Q has launched partnerships with *AnyJunk* and *LoveJunk* in-store and online, providing licensed waste clearance and skip hire. B&Q and Castorama France are continuing their respective tool hire partnerships with *Speedy Hire* and *LOXAM*, with a focus on driving stronger integration within the customer journey and the development of online propositions to enable a broader reach.

The ongoing energy crisis adds weight to the urgent need for greener homes and energy efficiency. In the UK, two thirds of homes have an energy performance certification rating of ‘D’, or worse, and at least 19 million homes need better insulation. In the coming weeks, B&Q will launch an innovative end-to-end solution to help customers create a personalised energy efficiency action plan for their homes, and then access the relevant products and services via B&Q and its partners to take action.

In France, energy efficiency renovations have become even easier and more popular, with Castorama and Brico Dépôt launching dedicated finance products linked to the French government’s *MaPrimeRénov* grant programme. To further support this initiative, and deliver value for our customers and help them save energy, in H2 Castorama will launch partnerships with several national installers supporting key aspects of energy efficiency improvements (for example, the installation of air source heat pumps and solar panels in residential properties). Castorama is also planning to pilot an energy efficiency audit service which will provide customers with a view of their energy usage combined with a tailored plan to increase energy efficiency in their homes. In the coming weeks, Brico Dépôt France will launch an online energy diagnostic tool to help customers diagnose and fit energy efficiency solutions.

d) Test compact store concepts and adapt our store footprint

Stores are a critical part of the home improvement market. Customers want to be inspired, to be able to visualise what they buy, and to get advice and design services from in-store experts. Stores also serve as a ‘one-stop shop’ for projects and allow us to provide customised services. Our c.1,500 stores also play an integral role in meeting the increasing customer demand for convenience and speed, whether through fast C&C or delivery to where the customer wants it.

We continue to increase our overall store count, while reducing the average size of our stores. We aim to achieve this over time by opening more ‘compact stores’ (less than 2,000 sqm), rebalancing our larger size ‘new store’ opening programme to mostly focus on ‘medium-box’ stores (2,000 to 8,000 sqm), and ‘rightsizing’ a relatively small proportion of our larger format ‘big-box’ stores (more than 8,000 sqm).

Compact stores are a key enabler for growing our market share in urban areas. We have made good progress with testing different concepts to unlock this opportunity. In H1 we added six compact stores tests, bringing the total to 31. These tests span three markets and four retail banners (Screwfix, B&Q, Castorama France and Castorama Poland), and are located in small retail parks, high streets and within supermarkets. Further tests are planned in H2 and 2023 in the UK, France and Poland.

Our high street concept tests (300-800 sqm) are delivering positive results. We now have eight high street concepts open in the UK and France, including our first two compact stores in Paris, which opened in Les Lilas and Levallois in February. We continue to learn from these tests and optimise subsequent store openings to create a scalable blueprint for the future. In August, we opened our first 500 sqm concept store in Poland, in Warsaw, under the *Castorama Express* banner.

Our trials of B&Q ‘grocery concessions’ (200-250 sqm) continue in ASDA stores in the UK (eight locations to date), testing and optimising both in-fill (where B&Q stores are in close proximity) and unserved locations.

Our small retail park store concept tests (800-2,000 sqm) continue in B&Q (four stores) and in Poland (three stores, where they trade under the *Castorama Smart* banner). During H1 we opened one new small retail park store at each of B&Q and Castorama Poland. We see positive results from this concept, especially larger stores in the 1,500-2,000 sqm subset, where we can provide broader product ranges and services. This concept, along with our high street stores, support our ambitious store roll-out strategy in Poland, to increase penetration in small towns and cities and reinforce Castorama Poland’s leading market position. Brico Dépôt France will also be testing a 1,000 sqm format in Q1 23/24.

Screwfix continues to test its ultra-compact ‘XSR’ store format, which has been developed to take the core Screwfix range into spaces unable to cater for the full traditional trade counter offer. Screwfix opened two more 'XSR' stores in H1, bringing its total to seven, and is successfully experimenting with the format in a variety of urban and rural locations, with more tests planned for H2. In addition, the Screwfix 'Collect' concept, launched in London Victoria in 2020, has seen a complete overhaul of the customer experience and range, and is performing ahead of expectations.

Store rightsizings completed in the last 12-18 months have shown very encouraging results. The three B&Q 'big-box' rightsizings completed in FY 21/22 saw c.15-30% of space taken over by discounter retailers, bringing incremental footfall to the vicinity of these stores. Since reopening, the stores have exceeded our performance expectations, with strong sales retention and improved profitability. In France, where we completed two 'big-box' rightsizings at Castorama France (Gonesse and La Rochelle) in January 2022, we have selected a grocery partner to fill the vacated c.20-30% space. Initial sales of these rightsized stores are positive. Further rightsizings are planned in H2.

As a reminder, last year we announced that we expect up to 40 'big-box' stores across B&Q and Castorama France to be rightsized over 10 years, including the reallocation of space to e-commerce operations and fulfilment hubs. 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.

Finally, we believe partnerships can enable Kingfisher to attract new customers and generate incremental revenues. Earlier this year we opened our first **franchise** store under the B&Q banner in the Middle East, with a further store opening in May. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group (https://www.alfuttaim.com/).

e) Expand engagement with trade customers

Trade customers are an integral part of the home improvement ecosystem and a key priority for Kingfisher. While we already have strong and growing participation, there are significant opportunities to engage further with trade customers. This includes continuing to roll-out trade counters, international expansion, digital enhancements, range expansion, loyalty programme optimisation, improved merchandising, more partnerships and new services.

Screwfix, the UK's number one light-trade retailer, continues to expand through its capital-light small format outlets. We are pleased to have opened 31 new outlets in H1 (28 in the UK and three in Ireland), bringing the total to 821 as of 31 July 2022. We are on track to reach our goal of over 80 new stores this financial year and remain confident of reaching more than 1,000 stores in the medium term in the UK & Ireland.

As part of our international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Results have been very encouraging, with strong web traffic and conversion rates, and growing brand awareness across the country. We are making good progress with building a new supply chain, with our first distribution centre now open, and a strong pipeline of local and national vendors selected and onboarded. We expect to open Screwfix's first stores in France within a few weeks from now, with a meaningful step-up in roll-out targeted in 2023. This will position us to start taking share from the large trade segment in France, which has an estimated total market size of over £20bn.

B&Q's trade-focused banner, TradePoint, continues to build strong foundations for growth. TradePoint's LFL sales outperformed the rest of B&Q (and Screwfix) in H1, down just 3.1% in H1, with low single-digit growth in Q2 despite strong comparatives. TradePoint's 3-year LFL sales were up 34% in H1. This brings the business to £435m of sales in H1, representing 21% of B&Q's total sales (H1 21/22: 19%). Looking forward, we have put together a strong plan to drive TradePoint's annual sales to more than £1bn. Work is underway to develop and grow TradePoint's loyalty programme, implement new trading approaches, update and expand TradePoint's store counters, implement new trade-specific ranges (such as *Harris Trade*, *Turbo Silver/Gold* and *No Nonsense*) and services (such as tool hire – see below), and enhance the business' digital and online experience. Work is also ongoing to launch the TradePoint proposition in Ireland.

More broadly, we believe there is a significant opportunity to increase trade customer penetration across all our other retail banners, benefitting from lessons learned in Screwfix and through TradePoint's successful relaunch. Over time, we expect increased trade customer penetration to contribute to higher sales and profit growth. In H1, we launched our Trade 'Centre of Excellence' at Kingfisher, to bring together experts from across our banners and Group functions to share knowledge, insights and feedback from customers. We are aligning our trade strategy across five key pillars: store formats, pricing and loyalty, product range, services and digital.

Within store formats, we are considering dedicated trade counters in France, Poland and Iberia. The initial focus on pricing and loyalty saw the pilot launches of pro loyalty programmes in Poland and Iberia in H1, with encouraging early results. Within product range, other than the new ranges launched in TradePoint, as noted above, we launched our new OEB *Erbauer* 12V power tool range in Screwfix and Castorama France. The 12V ecosystem provides a more compact range to our 18V offer, bringing power tool capabilities to smaller areas, ideal for tradespeople working in confined spaces or on more intricate work where larger tools are inefficient. In August, Screwfix announced a partnership with decorating specialist *Lick* to exclusively distribute *LickPro*, a high-quality paint range of 127 trend-led colours specifically designed for tradespeople, with high opacity, low splatter and minimal clean-up. *Lick* and Screwfix will also pioneer innovative new technology to reduce waste. Once an order is placed with Screwfix, it will be sent to the *Lick* master paint mixer who combines technology and engineering in its manufacturing process to reduce unnecessary waste generated by pre-mixed paint. Additionally, *LickPro* paints reinforce Screwfix's commitment to sustainability, with the range being low odour, low VOC (volatile organic compound), and water-based for improved indoor air quality. In H2, we plan to bring several more new and innovative trade-focused products to market.

In services, in H1 we expanded our tool hire tests by a further 10 stores, with tool and equipment hire now available in 79 stores across B&Q (38) and Castorama France (41), through partnerships with *Speedy Hire* and *LOXAM*, respectively. To further support our partnership, in H1 we developed an online referral process to *Speedy Hire* for TradePoint.co.uk customers. Our partnerships with *AnyJunk* and *LoveJunk* are being directly targeted towards the trade customers of TradePoint, to make responsible waste disposal for projects easily accessible. In digital, Screwfix 'Sprint' continues to deliver essential items to trade customers within one hour, exclusively on the Screwfix app. In 2023, TradePoint is planning to launch a dedicated app to make membership tracking and purchases easier to complete, and we are increasingly utilising our scale and data expertise to drive tradesperson loyalty through more relevant and personalised content.

f) <u>Source and buy better, reduce costs and same-store inventory</u>

We have identified significant opportunities to reduce costs across Kingfisher, through initiatives covering store productivity, goods not for resale (GNFR), supply and logistics, overheads and property (including lease renegotiations). In addition, through value engineering and the use of our scale, we expect to extract further value from sourcing and buying. Reducing same-store inventory levels is also a priority.*

<u>Costs</u>

Over the last two and a half years we have had multiple cost-reduction projects in place covering all of our retail banners and Group teams, with robust governance at Group Executive and Board level. The following areas have contributed to partially offsetting cost growth in H1 22:

- *Store productivity* – Increasing staff productivity through the use of technology and implementing new store operating procedures. In particular, we have now rolled out self-checkout terminals in 261 stores across B&Q (169), Castorama France (49) and Castorama Poland (43), with strong take-up from customers. We are also reducing shrinkage through increased use of analytics, and implementing best practices to higher risk areas. For further details please refer to *'Build a mobile-first and service orientated customer experience'*, above.
- *GNFR optimisation* – Our category managers with Group-wide responsibilities and local procurement teams continue to optimise a c.£1.9bn GNFR spend through over 220 projects, 70 of which each deliver more than £0.25m of annualised savings.
- *Supply and logistics* – Kingfisher's supply and logistics teams continued to work on distribution centre space reduction, network optimisation and operational efficiency. Next to the significant distribution centre space reductions in France (see '*France – on track to complete 'fixes' in H2'* above), major improvements were also realised in the UK, with the opening of a new bulk distribution centre for B&Q and the automation of Screwfix's site in Trentham.

- *Overheads* – Savings were realised across Group and banner head offices, including through the expansion of the use of our shared service centre in Krakow, Poland.
- *Property* – Completed 34 B&Q lease renegotiations over the last 12 months, with an average net rent reduction of 19%, alongside improved lease terms. We are seeing positive initial results from the five rightsized stores from last year, and have plans to complete further rightsizings in H2. For further details please refer to *'Test compact store concepts and adapt our store footprint'*, above.

Over the course of the pandemic, we learnt multiple lessons about how to significantly adjust our cost base during times of volatile sales. We understand and prepare for a range of trading scenarios, with corresponding plans to adjust our cost base quickly when we need to, including reducing discretionary P&L spend and operating measures to reduce variable store costs.

Inventory

Our priority over the last two years has been to secure inventory and improve availability for our customers, amidst unprecedented global supply chain and logistics challenges, as well as to improve the quality of our inventory. As and when a more 'normalised' environment emerges, we believe there are opportunities to unlock further efficiencies in our supply chain and inventory management.

As described in the *'Supply and logistics'* section, above, overall and 'best seller' product availability has gradually improved over the last year and is now back to pre-pandemic levels (since Q1). In the longer-term, our initiatives to reduce same-store inventory include better ranging and deployment (with a focus on further removing slow-moving inventory) and more agile planning and forecasting. Completing our SAP roll-out and further implementing and optimising our Group digital technology stack will support these initiatives.

In constant currency, net inventory at the end of H1 increased by £449m to £3,138m (H1 21/22: £2,730m at reported rates). 61% of the increase is related to higher product purchase cost with an additional 7% driven by additional stock to support our store expansion programme. The balance includes proactive inventory purchases from Q4 21/22 to (i) rebuild product availability, (ii) build seasonal and 'buffer' stock ahead of peak trading, and (iii) secure lower cost stock. Net stock days increased by 19% YoY in H1, and are stable versus H1 19/20. All our banners are deploying actions to reduce inventory, including managing existing orders and optimising our replenishment systems (e.g., re-adjusting for lower supplier lead-times and lower security stock parameters).

Same-store net inventory* (in constant currency) increased by £417m (16%), driven by higher cost of goods sold and our proactive inventory purchases from Q4 last year. On a 3-year basis the increase in same-store inventory (in constant currency) was £593m (24%), with net stock days 3% (4 days) higher than H1 19/20 (excluding Russia).

Our inventory remains healthy, with stock provisioning rates below pre-pandemic levels.

Sourcing

In sourcing and buying, we continue to deliver cost and operational efficiencies by leveraging our Group scale. By using a value engineering approach, we continue to deliver sourcing benefits on our large OEB product base (45% of Group sales in H1 22/23), which helped to partly mitigate the impact of cost price inflation during the year.

We continue to make progress on our sourcing diversification plan, by increasing our 'near-sourcing' footprint and exploring dual sourcing where possible. Our sourcing teams are also working closely with our OEB teams on value engineering projects, including simplifying the design of products to reduce per-unit manufacturing costs.

g) Lead the industry in Responsible Business practices
We are committed to leading our industry in responsible business practices. 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.

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, cyber security and data protection, and ethical conduct, to ensure we take a consistent best practice approach across our banners.

Colleagues

Strong engagement to attract and retain colleagues
Our 80,000 colleagues are at the heart of our business and help our customers make their home improvement plans a reality. As a global business with colleagues in eight countries, we are proud of our cultural diversity and believe this is a strength that is fundamental to the way we operate.

We believe that highly motivated, engaged colleagues not only give great service to our customers, but are also more likely to stay and build their careers with us. We heard from more colleagues in our engagement survey this year (83%, up 4% compared to last year) and colleagues shared 317,000 comments (up 10%). Our Employee Net Promoter Score (eNPS) is again significantly ahead of the global retail benchmark (+6 points), putting us in the top 5% of the global retail benchmark (compared to top 10% last year).

We invested to strengthen our employer brands, to ensure we can attract and retain colleagues in increasingly competitive labour markets, especially at store level. To recognise the contribution of our frontline teams and to support colleagues with the cost of living, our annual pay review process was focused on our store colleagues, with more significant pay increases being awarded to these colleagues. We have also broadened colleague benefits across the Group, including employee discounts across a range of household goods and services, and financial wellbeing support. As a result of this and strong engagement across the Group, our attrition levels and the time it takes to hire new employees are either in line with, or ahead of, industry norms.

We continue to focus on diversity and inclusion because we know it makes us a better business and a more innovative and engaged workforce. We are listening to our colleagues and acting on the ideas from our affinity networks about how we can build a more inclusive culture. This summer, we responded to colleague feedback and worked in partnership with our affinity networks to improve our UK and France family leave policy and launched a new gender expression and identity guide. We also launched a 'What dads can do' campaign in Castorama Poland aimed at reminding fathers of the benefits and support available to them. Colleagues across the group celebrated PRIDE in June and Brico Dépôt Iberia focused on driving awareness of safe spaces for the LGBTQ+ community via a campaign which subverted typical health and safety signs with data about LGBTQ+ discrimination.

We are also investing in inspiring opportunities for colleagues to learn and grow with us. Colleagues completed nearly 600,000 hours of 'skills for life' learning during H1, bringing the total number of hours completed since FY 19/20 to over 4.5 million.

We continue to invest in talent and capability to unlock further growth. As part of our focus on creating new customer propositions, we have recruited in key areas, in particular scaling digital, technology and data. To support the growth of e-commerce sales, we have established new marketplace capability through a combination of specialist hires and targeted upskilling, and have expanded user experience (UX) capability to further build online customer experience. We have established a new highly skilled team brought together from across the Group to lead Screwfix France as we scale up in preparation for our first store openings. In parallel, we continue to focus on head office efficiencies, ensuring we align our resources to our strategic priorities.

Responsible Business priorities
We continue to make strong progress against our four Responsible Business priorities:

Colleagues: Becoming a more inclusive company

- In FY 21/22 we reached 25.2% women in senior leadership and 37.7% in management, an increase from 23.2% and 36.1% respectively versus FY 20/21. We remain focused on meeting our targets of 35% women in senior leadership and 40% in management, by FY 25/26.
- Colleagues completed nearly 600,000 hours of 'skills for life' learning during H1, bringing the total number of hours completed since FY 19/20 to over 4.5 million, on track to meet our target.
- We had 3,890 apprentices across the Group in FY 21/22.

Planet: Helping to tackle climate change and create more forests than we use

- In July 2022, we announced a new target to reach net-zero for our operations (scope 1 and 2) by the end of 2040. This means we will reduce absolute emissions by at least 90% against our FY 16/17 baseline, and neutralise 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 our first step towards achieving net-zero carbon by FY 40/41.
- In July 2022 we established a Group Climate Committee, with the primary purpose to agree and monitor the Company's approach to meeting its emission reduction commitments for 2025 and 2040; to climate-related external reporting, and to assessing and managing climate-related risks. The Committee is chaired by our Group CEO.
- We are a founding member of the UN's Race to Zero Breakthroughs – Retail Campaign, a partnership aiming to inspire more of the world's retailers to take action on climate change. In FY 21/22, we reduced our carbon footprint for our own operations (scope 1 and 2 emissions) by 24.5%, against a FY 16/17 base year. This showed a strong underlying improvement over the previous two years (FY 19/20: 18.5%). We remain on track to meet our 2025 target of a 37.8% reduction.
- Actions during H1 included further roll-out of LED lighting, installing or retrofitting air source heat pumps into a further 65 Screwfix stores in the UK, and installing photovoltaic (PV) panels and biomass boilers at selected locations. As of 31 July 2022, over 300 of Screwfix's 821 stores are heated with air source heat pumps.
- We buy electricity from zero carbon sources, supported by *Guarantee of Origin* certificates. This now covers 100% of purchased electricity for our operations in the UK, France, Poland, Iberia and Romania.
- 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. By the end of FY 21/22 we had reduced emissions from energy-using products by 1.4 million tonnes of CO2e, versus FY 17/18. This takes account of a product's estimated lifetime carbon emissions from energy use. This has reduced the intensity of our emissions from the supply chain and customer use of products by 19.7%, meaning we are on track to meet our 2025 target of a 40% reduction.
- Kingfisher has a strong heritage in sustainable forestry and the responsible sourcing of wood. In line with our commitment to be 'forest positive' by 2025:
  - 87% of the wood and paper used in our products is responsibly sourced (FY 20/21: 81%), including 100% of catalogue paper, putting us on track to achieve our target of 100% by FY 25/26.
  - As a founder member of the Rainforest Alliance's 'Forest Allies' initiative, we continue to support forest projects in Indonesia, Peru, Columbia, Guatemala and Cameroon, which will have a positive impact on tropical forests and their communities, including over 7,000 people and over 300,000 hectares of forest.

Customers: Helping to make greener, healthier homes affordable

- In FY 21/22, £5.8bn of sales, representing 44% of Group sales (FY 20/21: 42%), were from Sustainable Home Products (SHPs). This equates to a doubling of our penetration since we established the programme in FY 11/12.
- These are products that either help our customers live more sustainably (such as water-saving taps or loft insulation) or are sustainable because of their input materials or how they are manufactured (for example, FSC timber, peat-free compost or recycled plastic).

- In July we announced a new ambitious target for SHP sales to reach 60% of Group sales by FY 25/26 (previous target 50% by FY 20/21). We are also targeting 70% of OEB product sales to be from SHPs by FY 25/26 (FY 21/22: 55%).
- Sustainability is one of the five core design principles we use in developing our OEB ranges and we remain focused on improving sustainability performance. For example, we lead the market in moving towards 100% peat-free compost, we have removed solvents from further paint lines, integrated recycled plastic into more furniture and tools, and increased the longevity of some hand tool ranges.
- We also see considerable potential across all our markets as the 'green homes' agenda accelerates, in particular in the UK and France, where the governments have made 'net zero' commitments and are exploring opportunities to further increase engagement with DIY and trade customers on this agenda. For example:
  - In FY 21/22, Kingfisher derived 10% of Group sales from energy and water-saving products. We are very well placed in energy efficiency categories such as loft insulation, LED lighting, underfloor heating and electric radiators, and are exploring other product solutions.
  - Screwfix is selling photovoltaic (PV) panels and air-source heat pumps to the trade and is exploring further options in this market.
  - In the coming weeks, B&Q will launch an innovative end-to-end solution to help customers create a personalised energy efficiency action plan for their homes, and then access the relevant products and services via B&Q and its partners to take action. Brico Dépôt France will also launch a similar solution in the coming weeks.
  - Following its launch in early 2021, Castorama France and Brico Dépôt France have supported the French government's *'MaPrimeRénov'* grant scheme for energy-efficient projects in customers' homes. The programme has gained significant traction in France.

<u>Communities: Fighting to fix bad housing</u>

- In FY 21/22, we invested £4m in our communities, and our colleagues and customers raised an additional £2.8m. We reached over 800,000 people through our charitable partnerships and banner Foundations.
- This brings our total to over 1.5m people helped since FY 16/17, putting us on track to achieve our target to help 2m people by FY 25/26.
- We established charitable Foundations in all our banners and extended our partnerships with the national charities, *Shelter* and *Macmillan* in the UK, *La Fondation Abbé Pierre* in France, and *Habitat for Humanity* in Poland and Romania.
- Our banners supported a range of local projects during FY 21/22, such as the *Bricobus* run by *Compagnons Bâtisseurs* in France, which reached 2,000 people in deprived rural regions with free DIY training and advice, and *Meta Pomoc* in Poland, supporting young people leaving the care system to improve their housing.
- Kingfisher responded rapidly to the Ukraine crisis, with all our retails banners actively fundraising and seeking donations across their markets. We donated c.£0.5m to help organisations such as the International Red Cross and the UNHCR with their relief efforts. This included matched funding for colleague donations to the Red Cross Ukraine Crisis Appeal.
- In late August, torrential rains flooded Pakistan, impacting around 33 million people. We have donated to the International Red Cross *Red Crescent Movement* to support their humanitarian efforts. The Pakistan Red Crescent is working hard to reach 300,000 people with safe drinking water, tents, health support and other aid.

<u>Governance and Reporting</u>

Our Responsible Business Committee (RBC) is a sub-committee of Kingfisher's Board. It supports the governance of Responsible Business 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.

This year, we have integrated Responsible Business measures 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 25% weighting on ESG measures. More information on this is provided in our 2021/22 Annual Report and Accounts.

In May 2021, we entered into a new £550m sustainability-linked revolving credit facility (RCF), which enables Kingfisher to benefit from a lower interest rate when we deliver on ambitious sustainability and community-based targets under the Group's Responsible Business plan. Kingfisher achieved its FY 21/22 targets.

In July 2022 we published our FY 21/22 Responsible Business Report aligned with the **Sustainability Accounting Standards Board (SASB)** standards for Multiline and Speciality Retailers and Distributors, and the Global Reporting Initiative (GRI). Furthermore, we have been working to improve 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 2021/22 Annual Report and Accounts.

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

- **MSCI:** We rank as a 'Leader', having received the highest-possible 'AAA' score, which was achieved by only 4% of companies in the *Retail – Consumer Discretionary* sector.
- **CDP climate change:** We continue to achieve a leadership score of 'A-'. We are amongst 25% of companies in our sector globally that reached 'Leadership' level and we score higher than the average discretionary retail performance of 'B-'.
- **Sustainalytics:** We rank first out of 39 in home improvement retail and third out of 460 in the wider retailing industry.
- **Workforce Disclosure Initiative:** We received a disclosure score of 71%, which is ahead of the average consumer discretionary sector 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.
- **FTSE4Good:** Kingfisher is included in this index, with a rating of 4.6 out of 5 ('Strong' performance).

For more information on our Responsible Business strategy, performance and governance, please visit the Responsible Business section of our website at www.kingfisher.com. You can read our 2021/22 Responsible Business report here.

5. Clear financial priorities and capital allocation framework

Group financial priorities

Since September 2019, our 'Powered by Kingfisher' strategic plan has delivered sales and profit growth, as well as over £900m of returns to shareholders through dividends and share buybacks. We are also making progress against our financial priorities over the medium term. These are to:

- **Prioritise top line growth and grow sales ahead of market:**
  - Clear strategy, actions and investments to drive market share growth
  - Focused on store and online customer satisfaction
  - Operating in an attractive market, with new longer-term trends supporting the industry
- **Grow adjusted pre-tax profit in line with sales and gradually faster than sales over time:**
  - Focused on driving scale benefits and cost improvements, enabling us to accelerate investment in top line growth and achieve an improved adjusted pre-tax profit margin %* over time
- **Generate strong free cash flow to underpin investment and shareholder returns:**
  - Drive inventory self-help, which presents a significant opportunity over the medium term
  - Disciplined approach to capital expenditure allocation, with target gross capex of c.3.0-3.5% of total sales per annum, on average
  - Progressive, sustainable dividend policy, with target dividend cover* of 2.25-2.75x
  - Committed to an efficient capital structure, while maintaining a prudent position in times of uncertainty
  - Scope for surplus capital returns via share buybacks or special dividends

Capital allocation
Last year, we updated our capital allocation policy to reflect the investment requirements and ambition of 'Powered by Kingfisher', while maintaining a strong balance sheet. 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 compelling organic or strategic/bolt-on inorganic growth opportunities that strengthen and accelerate our strategy. Over this and the next financial year, we expect to be towards the upper end of the gross capex target range set out above, as we make investments for growth.

To maintain a solid investment grade credit rating, our target is a maximum of c.2.0 times net debt to EBITDA on an IFRS 16 basis, 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 2022 includes an undrawn RCF of £550m and cash of £479m (net of bank overdrafts).

In March 2021, the Board announced a target ordinary dividend cover range of 2.25 to 2.75 times, based on adjusted basic earnings per share. We aim to grow the ordinary dividend progressively over time.

If surplus capital remains after having achieved all the above objectives, the Board will periodically evaluate returning 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 21/22 interim dividend of 3.80 pence per share.

The interim dividend will be paid on 11 November 2022 to shareholders on the register at close of business on 7 October 2022. 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 6 October 2022. The last date for receipt of DRIP elections is 21 October 2022.

Additional £300m share buyback programme
In September 2021, the Board announced the return of £300m of surplus capital via a share buyback programme. The programme completed in April 2022.

In line with our capital allocation policy described above, in May 2022 the Board determined that a further £300m of surplus capital was available to return to shareholders, via a share buyback programme. The first £75m tranche of this programme completed in July, and the second £75m tranche is expected to complete by next month.

Section 3: Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
B&Q	2,082	2,378	(12.5)%	(12.4)%	(13.0)%	+16.7%
Screwfix	1,139	1,192	(4.4)%	(4.4)%	(8.8)%	+14.4%
Total sales	**3,221**	**3,570**	**(9.8)%**	**(9.8)%**	**(11.6)%**	**+16.0%**

Retail profit	**339**	**579**	**(41.3)%**	**(41.3)%**
Retail profit margin %	10.5%	16.2%	(570)bps	(570)bps

Kingfisher UK & Ireland sales decreased by 9.8% (LFL -11.6%) to £3,221m, reflecting very strong prior year comparatives. 3-year LFL sales were up 16.0% in H1. The LFL sales trend improved from -15.8% in Q1 to -7.1% in Q2, supported by resilient sales from both DIY and DIFM/trade categories and benefiting from more favourable weather. Our banners continued to improve their competitive position in the UK home improvement market, and engagement with new and existing customers remained strong, with both store and online NPS improving on last year. Gross margin % decreased by 200 basis points, reflecting 'normalised' promotional activity versus the prior year, one-off logistics spend to secure and manage seasonal and 'buffer' stock, and mix impacts. Mix impacts are the result of a lower YoY share (versus Screwfix) of B&Q's higher gross margin % revenues given very strong prior year sales; unfavourable B&Q category mix between lower margin building & joinery and EPHC (electricals, plumbing, heating & cooling) and higher margin surface & décor categories, and the success of the kitchen and bathroom & storage categories that attracts higher fulfilment costs.

Retail profit decreased by 41.3% to £339m (H1 21/22: £579m; H1 19/20: £279m), due to the exceptionally higher sales and gross margin % in H1 last year. Operating costs increased by 3.9%, reflecting higher costs associated with 88 net new store openings (YoY), the normalisation of COVID-related underspend last year, and operating cost inflation including higher utility charges. The increase in operating costs was partially offset by lower staff costs and cost reductions achieved as part of our strategic cost reduction programme. Retail profit margin % decreased by 570 basis points to 10.5% (H1 21/22: 16.2%; H1 19/20: 10.5%).

B&Q total sales decreased by 12.4% (LFL -13.0%) to £2,082m as the business lapped very strong prior year comparatives. 3-year LFL sales were up 16.7% in H1. The business has achieved good growth across all categories on a 3-year basis, in particular building & joinery and outdoor. In H1 B&Q saw resilient sales in its kitchen and bathroom & storage categories, driven by enhancements in the overall customer journey from design through to installation. LFL sales of weather-related categories decreased by 18% (increase of 23% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, decreased by 11% (increase of 14% on a 3-year LFL basis). B&Q's total e-commerce sales (including marketplace gross sales) decreased by 17% YoY, largely reflecting strong online trading in the prior year due to the COVID lockdowns in the UK. B&Q's total e-commerce sales were up 149% on a 3-year basis, with e-commerce sales penetration of 11% (H1 21/22: 11%; H1 19/20: 5%). B&Q's marketplace has seen good growth since its launch in March, reaching a penetration of 8% in August 2022 (i.e., B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). B&Q opened one new compact store in H1, bringing its total to 313 stores in the UK and Ireland.

B&Q's trade-focused banner, **TradePoint**, continues to perform ahead of expectations as demand from trade customers remains robust. The business remains a significant part of B&Q at 21% of its sales (H1 21/22: 19%). LFL sales for TradePoint outperformed the rest of B&Q, with LFL sales down just 3.1% in H1 and 3-year LFL sales up 34%, as well as low single-digit growth in Q2 despite strong comparatives. Over the last two years, TradePoint has made significant enhancements to its customer proposition, including the addition of more trade-specific product ranges and services (for example, tool hire), trade-only deals and campaigns, and enhancements to its loyalty programme. Strong engagement with trade customers has continued in H1, with the recruitment and retention of members remaining a key area of focus for the business. TradePoint continues to increase awareness of its digital offer through in-store advertising, and is on track to launch a dedicated app in 2023.

Screwfix total sales decreased by 4.4% (LFL -8.8%) to £1,139m, again reflecting very strong prior year comparatives. 3-year LFL sales were up 14.4% in H1. Screwfix grew its market share in H1, with resilient sales from trade customers throughout the period. Its 3-year LFL performance decreased somewhat from Q1 to Q2, with lower YoY DIY revenues linked to very strong demand in the prior year. Screwfix's e-commerce sales decreased by 17% YoY, largely reflecting strong online trading in the prior year due to the COVID lockdowns in the UK. E-commerce sales were up 144% on a 3-year basis, with e-commerce sales penetration of 60% (H1 21/22: 70%; H1 19/20: 32%). The business has significantly strengthened its digital proposition, with its new mobile app (launched in February 2021) having been downloaded 2.6m times, with 30x faster search results and 6% higher conversion versus the Screwfix website. The app has enabled the rollout of Screwfix 'Sprint', the within one-hour home delivery service, currently available from over 300 stores, covering c.45% of UK postcodes. Further roll-out is planned in H2.

Space growth contributed c.4% to total sales. In H1, Screwfix opened 31 new stores (including three in Ireland), bringing the total to 821 as of 31 July 2022. The business is on track to reach its goal of over 80 new stores this financial year, and more than 1,000 stores in the medium term in the UK & Ireland.

As part of its international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Results have been very encouraging, with strong web traffic and conversion rates, and growing brand awareness across the country. The business is making good progress with building a new supply chain, with its first distribution centre now open, and a strong pipeline of local and national vendors selected and onboarded. In addition, Screwfix is on track to deliver a dedicated IT system for its operations in France. The business expects to open its first stores in France within a few weeks from now, with a meaningful step-up in roll-out targeted in 2023. The results for **Screwfix International** are captured in *'Other International'* – see below for further information.

FRANCE

£m	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
Castorama	1,207	1,237	(2.5)%	(0.4)%	(0.5)%	+13.4%
Brico Dépôt	1,118	1,200	(6.8)%	(4.9)%	(5.5)%	+13.8%
Total sales	**2,325**	**2,437**	**(4.6)%**	**(2.6)%**	**(3.0)%**	**+13.6%**

Retail profit	**129**	**129**	**+0.3%**	**+2.4%**
Retail profit margin %	5.6%	5.3%	+30bps	+30bps

Kingfisher France sales decreased by 2.6% (LFL -3.0%) to £2,325m, reflecting resilient sales from both DIY and DIFM/trade customers, despite strong prior year comparatives. 3-year LFL sales were up 13.6% in H1. The LFL sales trend improved from -3.7% in Q1 to -2.3% in Q2, driven by an improving sales trend at Brico Dépôt. We continued to improve our competitive position in the French home improvement market. In H1 22/23, Kingfisher France outperformed the market (based on *Banque de France* data), driven by the outperformance of Castorama which grew three percentage points ahead of the market. Gross margin % decreased by 30 basis points, reflecting category mix impacts and 'normalised' promotional activity versus the prior year, partially offset by lower logistics costs. France will complete its distribution centre space reductions this month, closing a further 8% of space and bringing its cumulative reduction to a c.27% decrease in square metres versus two years ago.

Retail profit increased by 2.4% to £129m (H1 21/22: £129m; H1 19/20: £112m), with lower gross profit YoY more than offset by lower operating costs. Operating costs decreased by 4.5% due to lower staff costs (including the phasing of store staff incentives), lower store property costs, and cost reductions achieved as part of our strategic cost reduction programme. Retail profit margin % improved 30 basis points to 5.6% (H1 21/22: 5.3%; H1 19/20: 5.2%).

Castorama total sales decreased by 0.4% (LFL -0.5%) to £1,207m, reflecting resilient sales despite strong prior year comparatives. 3-year LFL sales were up 13.4%. The business has achieved strong growth across its outdoor, building & joinery and kitchen categories on a 3-year basis, with each growing by over 20%. In H1 Castorama saw positive YoY sales growth in its building & joinery, kitchen, bathroom & storage and EPHC categories, the latter driven by the unusual heatwave in July. LFL sales of weather-related categories decreased by 2% (increase of 22% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, were flat YoY (increase of 11% on a 3-year LFL basis). Castorama's e-commerce sales decreased by 38% YoY, largely reflecting strong online trading in the prior year due to COVID-related restrictions in France (which led to some temporary store and non-essential range closures throughout the first quarter and part of the second quarter of 2021). Castorama's e-commerce sales were up 226% on a 3-year basis, with e-commerce sales penetration of 5% (H1 21/22: 8%; H1 19/20: 2%). Castorama opened two new stores in H1, its first high street compact store tests in Paris. Castorama now has 95 stores in total in France.

Brico Dépôt total sales decreased by 4.9% (LFL -5.5%) to £1,118m, again reflecting resilient sales levels despite strong prior year comparatives. 3-year LFL sales were up 13.8%. The business has achieved strong growth across its outdoor and building & joinery categories on a 3-year basis, with each growing by over 25%. Brico Dépôt continues to drive increased customer engagement and improved price perception, as the business focuses on strengthening its discounter credentials and further differentiating its ranges. Brico Dépôt's e-commerce sales decreased by 34% YoY, again reflecting strong online trading in the prior year. Brico Dépôt's e-commerce sales were up 138% on a 3-year basis, with e-commerce sales penetration of 4% (H1 21/22: 6%; H1 19/20: 2%).

OTHER INTERNATIONAL

	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
Sales (£m)						
Poland	913	743	+22.9%	+29.0%	+25.9%	+23.8%
Iberia	196	196	+0.2%	+2.3%	+2.3%	+15.6%
Romania±	145	152	(4.4)%	(1.8)%	+8.9%	+43.6%
Other±±	9	3	n/a	n/a	n/a	n/a
Other International	**1,263**	**1,094**	**+15.4%**	**+20.2%**	**+19.5%**	**+24.3%**

Retail profit (£m)				
Poland	94	58	+58.6%	+66.4%
Iberia	6	11	(41.9)%	(40.7)%
Romania±	(4)	(6)	+25.3%	+23.3%
Other±±	(13)	(5)	n/a	n/a
Turkey (50% JV)	4	1	n/a	n/a
Other International	**87**	**59**	**+43.7%**	**+52.1%**

Retail profit margin %				
Poland	10.3%	8.0%	+230bps	+230bps
Other International	**6.8%**	**5.5%**	**+130bps**	**+140bps**

± Kingfisher's subsidiary in Romania has historically prepared its financial statements to 31 December. In the prior year (FY 21/22), Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January). Its sales and retail loss presented in H1 21/22 therefore included one additional month of results (July 2021) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Reported and constant currency variances for Romania's retail loss are for February to July 2022 (compared against January to July 2021), whilst LFL and 3-year LFL sales growth for Romania compares equivalent periods in the current and prior years.
±± 'Other' consists of the consolidated results of NeedHelp (acquired in November 2020), Screwfix International (launched online in France in April 2021), and results from franchise agreements.

Other International total sales increased by 20.2% (LFL +19.5%) to £1,263m, with 3-year LFL sales up 24.3%, driven by growth in all key geographies. Retail profit increased by 52% to £87m (H1 21/22: £59m; H1 19/20: £63m), with improved performances in Poland, Romania and Turkey partially offset by a lower retail profit in Iberia and losses incurred in ‘Other’ operations. The retail profit margin % increased by 140 basis points to 6.8% (H1 21/22: 5.5%; H1 19/20: 5.3%).

Poland total sales increased by 29.0% (LFL +25.9%) to £913m, supported by strong market share gains, notwithstanding weak prior year comparatives in Q1 due to the COVID-related temporary closure of all Castorama stores (between 27 March and 3 May 2021). 3-year LFL sales were up 23.8% in H1. The business has achieved very strong growth across all categories on a 3-year basis, with building & joinery, kitchen and outdoor all growing by over 30%. The performance of the OEB kitchen range in Poland has demonstrated Kingfisher’s ability to capture a new market opportunity with the right combination of offer, price and service, delivering over 90% LFL sales growth in H1 on a 3-year basis and up by over 60% YoY. LFL sales of weather-related categories increased by 26% (increase of 33% on a 3-year LFL basis) while LFL sales of non-weather-related categories, including showroom, increased by 26% (increase of 22% on a 3-year LFL basis). Poland’s e-commerce sales decreased by 3% YoY, impacted by the temporary store closures in Q1 last year. Q2 e-commerce sales in Poland increased by 19% YoY. Poland’s e-commerce sales were up 330% on a 3-year basis, with e-commerce sales penetration of 5% (H1 21/22: 7%; H1 19/20: 2%). Gross margin % increased by 10 basis points, largely reflecting favourable mix impacts (category and channel mix). Retail profit increased by 66.4% to £94m (H1 21/22: £58m; H1 19/20: £81m) with strong growth in gross profit partially offset by an increase in operating costs. Operating costs increased by 18.1%, reflecting space growth and new store opening costs, higher marketing costs, staff and operating cost inflation, as well as reflecting the reversal of one-off cost savings in H1 21/22 related to the period of temporary store closures. The increase in operating costs was partially offset by cost reductions achieved as part of our strategic cost reduction programme. Retail profit margin % increased by 230 basis points to 10.3% (H1 21/22: 8.0%; H1 19/20: 10.8%).

Space growth contributed c.3% to total sales. Castorama opened three new stores in H1, including two big-boxes and one compact store (a small retail park store concept test, trading under the *Castorama Smart* banner), bringing its total to 93 stores in Poland. In August, the business opened its first 500 sqm concept store in Poland, in Warsaw, under the *Castorama Express* banner.

Iberia total sales increased by 2.3% (LFL +2.3%) to £196m, reflecting resilient sales against strong prior year comparatives, though impacted by abnormally cold and wet weather during Q1. LFL sales growth improved in Q2 to +4.4%. 3-year LFL sales were up 15.6% in H1. The business has achieved strong growth in most of its categories on a 3-year basis, with building & joinery, EPHC, kitchen, surfaces & décor and outdoor all growing by double-digit percentages. Retail profit decreased to £6m from £11m (H1 19/20: £2m), reflecting a lower gross margin % and an increase in operating costs of 2.0%.

Romania total sales decreased by 1.8% to £145m, reflecting the inclusion of one additional month of sales in the prior year comparative. On an LFL basis sales growth was +8.9%, reflecting strong YoY performances in its building & joinery, kitchen, surfaces & décor and outdoor categories. This was despite the impact of COVID-related trading restrictions earlier in the year (lifted in March 2022). Growth in gross profit was partially offset by an increase in operating costs of 4.5%, mainly driven by staff costs and inflation. As a result, the business reduced its retail loss by 23.3% to £4m (H1 21/22: £6m retail loss; H1 19/20: £12m retail loss). On a comparable basis, excluding losses incurred in the month of January 2021, Romania’s retail loss increased by 3.6% YoY.

In **Turkey**, Kingfisher’s 50% joint venture, Koçtaş, continues to grow successfully in a challenging economy. The business contributed £4m of retail profit in the period (H1 21/22: £1m; H1 19/20 £3m), benefiting from strong customer demand in H1, partly due to the expectation of higher inflation. The business recently opened its 300th store, on its way to a target of over 500 stores in 2023.

‘Other’ consists of the consolidated results of **NeedHelp**, **Screwfix International**, and **franchise** agreements. Due to these businesses being in their early investment phase, a combined retail loss of £13m was incurred as they scale up for growth. In November 2020, Kingfisher acquired **NeedHelp**, one of Europe’s leading home improvement services marketplaces. As noted in the *UK & Ireland* commentary above, **Screwfix** launched in France as a pure-play online retailer in April 2021 with very encouraging results, and expects to open its first stores in France soon. Earlier this year we opened our first **franchise** store under the B&Q banner in the Middle East, with a further store opening in May. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group.

RETAIL BANNER EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 July 2022	Store numbers at 31 July 2022	Sales area[1] (000s m^2) at 31 July 2022
B&Q	17,235	313	2,211
Screwfix	9,225	821	52
UK & Ireland	**26,460**	**1,134**	**2,263**
Castorama	11,683	95	1,156
Brico Dépôt	8,636	123	862
France	**20,319**	**218**	**2,018**
Poland	12,486	93	797
Iberia	2,038	31	195
Romania	2,724	35	253
Other[2]	96	-	-
Other International	**17,344**	**159**	**1,245**
Total	**64,123**	**1,511**	**5,526**

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

Section 4: FY 2022/23 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
  - Net space growth to impact total sales by c.+1.5%, largely from Screwfix and Poland
- *Gross margin %*
  - *In line with pre-pandemic level (FY 19/20: 37.0%)*
- New businesses
  - 'Other' retail losses of c.£30m (FY 21/22: £10m) *(previous guidance c.£20m, with increase driven by accelerated investment in Screwfix France)*. 'Other' consists of the consolidated results of NeedHelp, Screwfix International, and franchise agreements, recorded within the 'Other International' division
  - Retail loss of c.£5m in relation to investment in B&Q's e-commerce marketplace, recorded within the results of B&Q in the 'UK & Ireland' division
- Central costs
  - Broadly flat YoY (FY 21/22: £60m)
- Net finance costs
  - Decrease by c.£20m mainly as a result of lower lease liability interest rate (FY 21/22: £137m) *(previous guidance decrease by c.£15m)*
- *Adjusted pre-tax profit*
  - *Full year adjusted pre-tax profit(1) in the range of c.£730m to £770m (previous guidance c.£770m)*
- Tax rate
  - Group adjusted effective tax rate* of c.22%(2) (FY 21/22: 22%)

Balance sheet and cash flow

- *Inventory – anticipate reduction of stock levels in H2 22/23 related to sell-through of a large part of 'buffer' stock previously held to protect product availability*
- Capital expenditure – targeting gross capex of c.3.5% of total sales (FY 21/22: £397m; c.3.0% of total sales)
- Tax – in February 2022, a payment of €40m (c.£34m) was made to the French tax authorities with regards to a historic tax liability. The amount was fully provided for in prior periods
- *Share buybacks – c.£325m outflow for share buybacks (c.£145m for the first £300m programme completed in April, and a further c.£180m related to the second £300m programme)*
- *Dividends – c.£246m outflow for dividends (£172m related to the FY 21/22 final dividend of 8.60p, and c.£74m related to the FY 22/23 interim dividend of 3.80p). For the total dividend in respect of FY 22/23, our dividend policy target cover range remains 2.25 to 2.75 times, based on adjusted basic earnings per share*

(1) Guidance assumes current exchange rates
(2) Subject to the blend of profit within the Group's various jurisdictions

Section 5: H1 2022/23 Financial review

A summary of the reported financial results for the six months ended 31 July 2022 is set out below.

Financial summary	2022/23	2021/22	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	£6,809m	£7,101m	(4.1)%	(2.8)%	(4.1)%
Gross profit	£2,496m	£2,697m	(7.4)%	(6.3)%	
Gross margin %	36.7%	38.0%	(130)bps	(130)bps	
Operating profit	£531m	£747m	(29.1)%		
Statutory pre-tax profit	£474m	£677m	(30.0)%		
Statutory post-tax profit	£373m	£556m	(32.9)%		
Statutory basic EPS	18.6p	26.4p	(29.8)%		
Net (decrease)/increase in cash(1)	£(329)m	£444m	n/a		
Interim dividend	3.80p	3.80p	-		
Adjusted metrics					
Retail profit	£555m	£767m	(27.7)%	(27.1)%	
Retail profit margin %	8.2%	10.8%	(260)bps	(270)bps	
Adjusted pre-tax profit	£472m	£669m	(29.5)%		
Adjusted pre-tax profit margin %	6.9%	9.4%	(250)bps		
Adjusted post-tax profit	£368m	£525m	(29.7)%		
Adjusted basic EPS	18.3p	24.9p	(26.6)%		
Free cash flow	£104m	£723m	(85.6)%		
Net debt(2)	£(1,848)m	£(908)m	n/a		

(1) Net (decrease)/increase in cash and cash equivalents and bank overdrafts.
(2) Net debt includes c.£2.3bn lease liabilities under IFRS 16 in H1 22/23 (H1 21/22: c.£2.3bn).

Total **sales** decreased by 2.8% on a constant currency basis, to £6,809m, reflecting resilient sales across both retail and trade channels despite strong prior year comparatives. Sales were lower in the UK & Ireland, France and Romania (the latter due to the alignment to Kingfisher's financial reporting calendar last year), partially offset by positive YoY sales growth in Poland and Iberia. On a reported basis, which includes the impact of exchange rates, total sales decreased by 4.1%.

LFL sales decreased by 4.1%, which excludes the sales impact from a net increase in space of +1.3%, driven by store openings by Screwfix in the UK & Ireland, and Castorama in Poland. During H1, we opened 37 new stores (including 29 stores in the UK, three in Ireland, two in France and three in Poland).

Gross margin % decreased by 130 basis points on a constant currency basis, reflecting 'normalised' promotional activity versus the prior year, one-off logistics spend to secure and manage seasonal and 'buffer' stock, and mix impacts. Mix impacts are the result of a lower YoY share (versus other banners) of B&Q's higher gross margin % revenues given very strong prior year sales, and unfavourable category mix between lower margin building & joinery and EPHC (electricals, plumbing, heating & cooling) and higher margin surface & décor categories. On a reported basis, gross margin % also decreased by 130 basis points. Group **gross profit** decreased by 6.3% in constant currency.

Reported **retail profit** decreased by 27.7% including £6m of unfavourable foreign exchange movement on translating foreign currency results into sterling. In constant currency, retail profit decreased by 27.1%, largely reflecting very strong prior year comparatives in the UK & Ireland which was partially offset by strong retail profit growth in Poland. **Operating costs** increased by 2.1% on a constant currency basis, largely reflecting higher costs associated with space growth and new store openings, operating cost inflation, and the reversal of one-off cost savings that were achieved in H1 21/22 due to COVID-related restrictions in our markets (e.g., advertising & marketing and travel costs). The increase in operating costs was partially offset by lower staff costs and cost reductions achieved as part of our strategic cost reduction programme. The Group's **retail profit margin %** decreased by 260 basis points to 8.2% (H1 21/22: 10.8%; H1 19/20: 7.6%).

Adjusted pre-tax profit down 29.5% to £472m (H1 21/22: £669m; H1 19/20: £337m), reflecting lower retail profit, partially offset by lower net finance costs largely as a result of lease renewals and regears. **Adjusted pre-tax profit margin %** decreased by 250 basis points to 6.9% (H1 21/22: 9.4%; H1 19/20: 5.6%).

Statutory pre-tax profit, which includes adjusting items, decreased by 30.0% to £474m. This reflects lower operating profit, partially offset by lower net finance costs.

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

	2022/23 £m	2021/22 £m	Increase/ (decrease)
Retail profit (constant currency)	**555**	761	(27.1)%
Impact of exchange rates	**-**	6	n/a
Retail profit (reported)	**555**	767	(27.7)%
Central costs	**(26)**	(27)	n/a
Share of interest and tax of joint ventures & associates	**-**	(1)	n/a
Net finance costs	**(57)**	(70)	n/a
Adjusted pre-tax profit	**472**	669	(29.5)%
Adjusting items before tax	**2**	8	n/a
Statutory pre-tax profit	**474**	677	(30.0)%

Net finance costs of £57m (H1 21/22: £70m) consist principally of interest on IFRS 16 lease liabilities. Net finance costs decreased due to lower interest on lease liabilities and debt repayments.

Adjusting items after tax were a gain of £5m (H1 21/22: gain of £31m), as detailed below:

	2022/23 £m Gain/(charge)	2021/22 £m Gain/(charge)
Release of France and other restructuring provisions	**1**	-
Release of France uncertain operating tax position	**-**	7
Property gains	**1**	1
Adjusting items before tax	**2**	8
Prior year and other adjusting tax items	**3**	23
Adjusting items after tax	**5**	31

Current year adjusting items include a £1m gain principally arising due to savings on costs relating to legacy store closure programmes in France, as compared with the original restructuring provisions recognised.

A gain of £1m was recorded on the exit of one property in the UK.

Prior year and other adjusting tax items relate principally to the impact on deferred tax balances of the enacted future increase in the UK tax rate. 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 22% (H1 21/22: 22%). The adjusted ETR is consistent with the prior year rate with small increases relating to the effective impact of permanent differences on lower profits and the higher share of profits in France, offset by reductions for the fall in French corporate income tax rate.

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 21%.

	Pre-tax profit £m	**Tax £m**	**2022/23 %**	Pre-tax profit £m	Tax £m	2021/22 %
Adjusted effective tax rate	**472**	**(104)**	**22%**	669	(144)	22%
Adjusting items	**2**	**3**		8	23	
Statutory effective tax rate	**474**	**(101)**	**21%**	677	(121)	18%

On 8 June 2022, the General Court of the European Union dismissed several of the appeals, including the UK Government's, to annul the European Commission's 2019 state aid decision concerning the UK's controlled foreign company tax rules. It is expected that the decision of the General Court will be appealed to the European Court of Justice.

In FY 21/22 Kingfisher paid £64m (including interest) to HM Revenue & Customs in relation to the state aid decision. The Group continues to recognise this amount as a non-current tax asset based on its assessment that its appeal will ultimately be successful. Refer to note 17 of the condensed financial statements.

In February 2022, a payment of €40m (c.£34m) was made to the French tax authorities relating to a historic tax liability. This amount was fully provided for in prior periods.

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 2023/24	Statutory tax rate 2022/23
UK	24%	19%
France	26%	26%
Poland	19%	19%

Adjusted basic earnings per share decreased by 26.6% to 18.3p (H1 21/22: 24.9p), which excludes the impact of adjusting items. **Basic earnings per share** decreased by 29.8% to 18.6p (H1 21/22: 26.4p) as set out below:

	Earnings[(1)] £m	**2022/23 EPS pence**	Earnings[(1)] £m	2021/22 EPS pence
Adjusted basic earnings per share	**368**	**18.3**	525	24.9
Adjusting items before tax	**2**	**0.1**	8	0.4
Prior year and other adjusting tax items	**3**	**0.2**	23	1.1
Basic earnings per share	**373**	**18.6**	556	26.4

[(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 21/22 interim dividend of 3.80 pence per share.

The interim dividend will be paid on 11 November 2022 to shareholders on the register at close of business on 7 October 2022. 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 6 October 2022. The last date for receipt of DRIP elections is 21 October 2022.

For further details on our dividend policy please refer to *'Clear financial priorities and capital allocation framework'*, 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 2022, the Group had £1.8bn (H1 21/22: £0.9bn) of net debt on its balance sheet including £2.3bn (H1 21/22: £2.3bn) of total lease liabilities.

The ratio of the Group's net debt to EBITDA (on a last twelve months' basis) was 1.3 times as of 31 July 2022 (1.0 times as of 31 January 2022). At this level, the Group has the necessary financial flexibility during this current period of heightened uncertainty, whilst retaining an efficient cost of capital.

Over the medium term, the Group's objective is a target of a maximum of c.2.0 times net debt to EBITDA. For further details please refer to *'Clear financial priorities and capital allocation framework'*, within Section 2.

Net debt to EBITDA is set out below:

	2022/23 Moving annual total £m	2021/22 Year end £m
Retail profit	**936**	1,148
Central costs	**(59)**	(60)
Depreciation and amortisation	**564**	555
EBITDA	**1,441**	1,643
Net debt	**1,848**	1,572
Net debt to EBITDA	**1.3**	1.0

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
In May 2021 the Group entered into a new £550m three-year revolving credit facility (RCF) agreement with a group of its relationship banks, linked to sustainability and community-based targets. In May 2022 the credit facility was extended by one year and now expires in May 2025. As of 31 July 2022, this RCF was undrawn.

Other borrowings
The Group repaid its €50m and £50m fixed term loans at maturity in September 2021 and December 2021 respectively.

Covenants
The terms of the committed RCF 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 2022, Kingfisher's ratio was higher than this requirement.

Total liquidity
As of 31 July 2022, the Group had access to over £1bn in total liquidity, including cash and cash equivalents of £479m 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:

	2022/23 £m	2021/22 £m
Operating profit	**531**	747
Adjusting items	**(2)**	(8)
Operating profit (before adjusting items)	**529**	739
Other non-cash items[1]	**295**	295
Change in working capital	**(223)**	157
Pensions and provisions	**(13)**	(13)
Net rent paid	**(223)**	(242)
Operating cash flow	**365**	936
Net interest paid	**(2)**	(4)
Tax paid	**(75)**	(78)
Gross capital expenditure	**(184)**	(131)
Free cash flow	**104**	723
Ordinary dividends paid	**(172)**	(174)
Share buybacks	**(218)**	-
Share purchase for employee incentive schemes	**(9)**	(29)
French tax authority payment[2]	**(34)**	-
Other tax authority payment[3]	**-**	(64)
Disposal of assets and other[4]	**-**	(9)
Net cash flow*	**(329)**	447
Opening net debt	**(1,572)**	(1,394)
Movements in lease liabilities	**57**	78
Other movement including foreign exchange	**(4)**	(39)
Closing net debt	**(1,848)**	(908)

(1) Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.
(2) Payments made in relation to French tax authority settlement (refer to the Taxation section above for further details).
(3) Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).
(4) Includes adjusting cash flow items, principally comprising restructuring costs, offset by property disposals.

Operating profit (before adjusting items) was £210m lower than last year, largely reflecting lower profits in the UK & Ireland.

The working capital outflow of £223m was driven by an increase in net inventory of £395m. The majority of this increase was driven by inflation and store expansion, with the balance including the Group's proactive rebuild of inventory levels to support stronger product availability. Partially offsetting this was a £172m increase in payables (net of increase in receivables of £59m), largely reflecting the timing of inventory purchases and higher VAT creditors.

Gross capital expenditure in H1 was £184m, increasing by 40% (H1 21/22: £131m). Of this expenditure, 24% was invested in refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 13% on new stores, 45% on technology and digital development, 3% on range reviews and 15% on other areas including supply chain investment.

Overall, free cash flow for H1 was £104m (H1 21/22: £723m).

Net debt (including IFRS 16 lease liabilities) as of 31 July 2022 was £1,848m (H1 21/22: £908m).

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:

	2022/23 £m	2021/22 £m
Free cash flow	**104**	723
Ordinary dividends paid	**(172)**	(174)
Share buybacks	**(218)**	-
Share purchase for employee incentive schemes	**(9)**	(29)
French tax authority payment[(1)]	**(34)**	-
Other tax authority payment[(2)]	**-**	(64)
Disposal of assets and other[(3)]	**-**	(9)
Net cash flow	**(329)**	447
Repayment of bank loans	**-**	(3)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(329)**	444

[(1)] Payments made in relation to French tax authority settlement (refer to the Taxation section above for further details).
[(2)] Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).
[(3)] Includes adjusting cash flow items, principally comprising restructuring costs, offset by property disposals.

Pensions
As of 31 July 2022, the Group had a net surplus of £406m (H1 21/22: £361m net surplus, FY 21/22: £410m net surplus) in relation to defined benefit pension arrangements, of which a £542m surplus (£540m surplus as of 31 January 2022) 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. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. The UK scheme's triennial funding valuation as of 31 March 2022 is ongoing. Refer to note 11 of the condensed financial statements.

Risks
The Group's principal risks and uncertainties have been reviewed as part of our half year procedures, and there are no additions or removals since the FY 21/22 year-end.

Over the last six months we have seen increased macroeconomic uncertainty with discretionary spending coming under pressure across our markets due to inflation and especially higher energy prices. We continue to carefully monitor and manage the situation to ensure our costs are well controlled and that we provide good value for money to our customers.

The risk of 'Political Volatility' remains high due to the ongoing war in Ukraine, global tensions with China and the need for individual governments to react to the current economic challenges. We assessed the specific risks resulting from the conflict in Ukraine, including in the area of 'Cyber and Data Security', and have taken specific actions to mitigate any impact. The risk of 'Contagious Diseases' has been retained. Most countries have successfully adapted to living with COVID. Several elements of the 'Supply Chain Resilience' risk relating to the pandemic have reduced, with lead times and service levels improving and less congestion in ports. However, the virus is still prevalent as seen with recent lockdowns in Chinese regions, and there is a continued risk that a future variant is resistant to vaccines.

- **Our People:** Our colleagues are critical to the successful delivery of our 'Powered by Kingfisher' strategy. We have rebalanced responsibilities between Group and banners to set the right conditions for our individual banners to grow while leveraging the Group's scale and expertise to meet customer needs. Our accelerated investment programme requires an expansion of our technical capabilities. More generally, the failure to attract, retain and develop colleagues with the appropriate skills, capabilities and diverse backgrounds, or to have adequate succession plans, could impact our ability to meet our business objectives.
- **Level and Impact of Change:** 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 technology. In particular, we are rolling out a Group-wide IT systems development programme. 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.

- **Contagious Diseases:** Over the past two and a half years, Kingfisher has demonstrated its ability to navigate the challenging operational impacts of the COVID pandemic, retaining good product availability and operating safely. With the emergence of new variants, the risk of a prolonged global health threat and associated government restrictions remains, including the 'zero-COVID' policy in China, which could adversely affect our operations and those of our partners and suppliers. This could cause a significant reduction in footfall and consumer spending and could negatively impact our ability to receive products from affected suppliers. High levels of absence in either our workforce or our suppliers could impact our ability to operate stores and warehouses, deliver products or provide appropriate functional support to our business. Such restrictions and/or reductions in demand could adversely affect our financial results and the financial condition of the Group.
- **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. Major disruption to our supply chain could result in reduced levels of product available for sale, with an adverse financial and reputational impact.
- **Competition:** Our competitors include both traditional store-based and pure-play online retailers. The pandemic has accelerated changes in the market, with a sharp rise in the use of online marketplaces and an increase in the number of competitors in the home improvement market. Competitors are also developing their offers, including both direct-to-customer operations and the services offered. Targeted actions or disruptive behaviour by competitors could negatively impact our market share, the value of our assets and our financial results.
- **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 have accelerated our investment programme. This ensures we have innovative digital channels supported by an agile and reliable infrastructure, including technology and logistics capability, and an optimised property portfolio with in-store services. Failure to identify new trends and optimise our channels quickly enough could affect our ability to stimulate spend and adversely impact the value of our assets and our financial results.
- **Political and Market 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, work stoppages and/or our ability to receive products from affected countries. Market volatility has increased since the pandemic began, resulting in increased energy prices, changing customer behaviours and reduced consumer confidence. If governments try to reduce their budget deficits through taxation, this will create additional burdens on businesses. These impacts could potentially disrupt the day-to-day operations of our business and our ability to meet our strategic objectives.
- **Legal and Regulatory:** The Group's operations are subject to a broad range of regulatory requirements in the markets in which it operates. A major corporate issue or crisis, a significant fraud or material non-compliance with legislative or regulatory requirements would impact our brands and reputation, could expose us to significant fines or penalties and would require significant management attention.
- **Cyber and Data Security:** Cyber-attacks and security incidents continue to increase and the retail sector has joined a number of industry sectors as a target due to it becoming more data driven. As we increase our digital presence and develop smart products and services our risk profile will continue to change. Failure to protect data, detect breaches, and respond accordingly would negatively impact our operations, profitability and reputation.
- **Reputation and Trust:** Our customers, colleagues, suppliers, investors and the communities we source from and operate 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 climate change, responsible sourcing and diversity (for further details please refer to *'Lead the industry in Responsible Business practices'*, within Section 2). Failure to deliver on our obligations and commitments could undermine trust in Kingfisher, damage our reputation and impact our ability to meet our strategic objectives.

Further details of the Group risks and risk management process can be found on pages 42 to 50 of the 2021/22 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 a better 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.
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 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.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
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 at 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.
FFVR	No direct equivalent	Included within net finance costs in note 6 of the condensed financial statements	FFVR (financing fair value remeasurements) is included within adjusting items (see definition above) and represent fair value fluctuations from financial instruments.
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, YoY sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			to reflect the Group's performance on a comparable basis.
3-year LFL	Sales	Refer to definition	3-year LFL is calculated by compounding the current and prior two periods' LFL growth. For example, H1 22/23 LFL growth of 5%, H1 21/22 LFL growth of 4%, and H1 20/21 LFL growth of 3%, results in 3-year LFL growth of 12.5%. Russia (sale completed on 30 September 2020) is excluded from Group and Other International 3-year LFL calculations. It is a measure of the Group's performance on a comparable basis.
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 % represent B&Q's marketplace gross sales as a percentage of B&Q's 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.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Retail profit	Profit before taxation	A reconciliation of Group retail profit to profit before taxation is set out in the 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	Retail profit is stated before central costs, adjusting items and the Group's share of interest and tax of JVs and associates. This is 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.
ROCE	No direct equivalent	Refer to definition	ROCE (return on capital employed) is the post-tax retail profit less central costs, excluding adjusting items, divided by capital employed excluding historic goodwill, net cash and adjusting restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two-point average. The calculation excludes disposed businesses.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, YoY change in net inventory before the impact of store openings and closures. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's inventory management on a comparable basis.

± Indicates the inclusion of new APMs. The new APMs in the table above have been introduced to track the performance and success of our e-commerce businesses and digital products and services.

Other Definitions

Banque de France data for DIY retail sales (non-seasonally adjusted). Includes relocated and extended stores. http://webstat.banque-france.fr/en/browse.do?node=5384326

'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). The sale of Russia was completed in FY 20/21 (on 30 September 2020). 'Other' consists of the consolidated results of NeedHelp (acquired in November 2020), Screwfix International (launched online in France in April 2021), 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 2022. 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 (including but not limited to the COVID pandemic), 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.