Half year results for the six months ended 31 July 2021 (unaudited)

Financial summary			**% Total Change**	**% Total Change**	**% LFL* Change**
	2021/22	**2020/21**	**Reported**	**Constant currency***	**Constant currency**
Sales*	£7,101m	£5,921m	+19.9%	+22.2%	+22.8%
Gross profit	£2,697m	£2,186m	+23.4%	+25.4%	
Gross margin %*	38.0%	36.9%	+110bps	+100bps	
Operating profit	£747m	£486m	+53.9%		
Statutory pre-tax profit	£677m	£398m	+70.6%		
Statutory post-tax profit	£556m	£317m	+75.2%		
Statutory basic EPS	26.4p	15.1p	+74.8%		
Net increase in cash±	£444m	£1,513m	(70.7)%		
Interim dividend	3.80p	2.75p	+38.2%		
Adjusted metrics					
Retail profit*	£767m	£533m	+44.1%	+45.1%	
Retail profit margin %*	10.8%	9.0%	+180bps	+170bps	
Adjusted pre-tax profit*	£669m	£415m	+61.6%		
Adjusted pre-tax profit margin %*	9.4%	7.0%	+240bps		
Adjusted post-tax profit*	£525m	£317m	+65.7%		
Adjusted basic EPS*	24.9p	15.1p	+64.9%		
Free cash flow*	£723m	£1,042m	(30.6)%		
Net debt*[(1)]	£(908)m	£(1,377)m	(34.1)%		

** Refer to page 4 for further details on non-GAAP measures and other terms; ± Net increase in cash and cash equivalents and bank overdrafts*

Highlights
- Strong financial performance and improved competitive position in key markets
- Effective management of product availability, logistics and inflation pressures
- Rapid progress made with 'fixing' issues from previous years
- Delivery against **'Powered by Kingfisher'** strategic priorities ahead of schedule
- New longer-term industry trends creating growth opportunities
- Accelerating investments for growth
- £300 million to be returned to shareholders via share buyback programme, reflecting strong cash generation and confidence in outlook

H1 21/22 Group results
- **Sales** up 22.2% in constant currency, driven by strong demand for home improvement across retail and trade channels
- **LFL sales** up 22.8% and corresponding 2-year LFL* up 21.3%
  - Strong performances in the UK & Ireland*, France*, Iberia* and Romania; Poland impacted by COVID-related temporary store closures in Q1 21/22
  - Transaction volume and average basket value both up on 1-year and 2-year basis
  - LFL sales down 0.8% in Q2 21/22 and corresponding 2-year LFL up 20.0%
- **E-commerce sales*** up 21% (2-year growth up 216%) driven by continued strong demand
  - E-commerce sales 19% of Group sales (H1 20/21 and H1 19/20: 19% and 7%, respectively)
- **Retail profit** up 45.1% in constant currency, driven by strong UK & Ireland profit growth and France profit growth of over 100%
- **Statutory pre-tax profit** up 70.6%, reflecting higher operating profit, and lower net finance costs and adjusting items* before tax
- **Adjusted pre-tax profit** up 61.6%, reflecting higher retail profit and lower net finance costs
- **Free cash flow** of £723 million, down 30.6% (H1 20/21: £1,042 million; H1 19/20: £204 million), largely reflecting reversal of working capital inflow in prior year related to inventory
- **Net debt to last twelve months' EBITDA*** of 0.5x (0.9x as of 31 January 2021)
- **Interim dividend** per share declared of 3.80p (FY 20/21 interim dividend: 2.75p)

<u>Delivery against strategic priorities ahead of schedule – accelerating investments for growth</u>

- Rapid progress made fixing issues from previous years – UK and Poland 'fixes' complete; France on track with range repair and logistics optimisation within 12 months
- Making good progress with core strategic priorities, including:
  - **E-commerce:** Accelerated focus on last-mile delivery; store 'hub' model implemented in Castorama France and Poland, with further investments in B&Q's hubs
  - **Own exclusive brands (OEB):** Successful roll-out of new kitchen range in France, Poland & Romania; driving specific OEB into different formats and extending ranges to support choice
  - Several **mobile-led and service** innovations, including: installations services at B&Q, new mobile app for Screwfix, self-checkout terminals, new 3D kitchen and bathroom design tool; accelerating roll-out of NeedHelp services marketplace in the UK and Poland
  - Continuing to test and launch new **compact stores** and partnership models
  - Progressing **Responsible Business** priorities: strong colleague engagement survey results; new approved carbon reduction targets (consistent with a 1.5°C trajectory to 2025)
  - Multiple **cost reduction** programmes in motion; improved **inventory** health and availability
- Resulting in strong new customer growth and retention over last 18 months, particularly online; improved competitive position in key markets
- Adding significant talent in key business areas of digital, technology and data
- **Accelerating investments for growth:** Acceleration of digital investment with faster fulfilment and expanded product choice; Screwfix UK & Ireland and Castorama Poland store expansion; opening of first Screwfix stores in France in 2022; relaunch of TradePoint in the UK

Thierry Garnier, Chief Executive Officer, said:

"We have had a very strong first half of the year, with growth across all our categories and channels, particularly e-commerce. This is a testament to the rapid progress being made against our strategic priorities which continue to drive customer engagement and an improved competitive position in our key markets. For this, I remain extremely grateful to all our colleagues for their continuous effort and outstanding customer service.

"Our commitment to 'do the right thing' remains a key priority. During the period we announced ambitious carbon reduction targets, continued to support the wellbeing and development of our colleagues, and created over 5,300 new roles across the Group.

"We have navigated well through the challenging operational impacts of the pandemic, retaining good product availability at competitive prices and operating safely. We have addressed many of Kingfisher's past issues, with 'fixes' now complete in the UK and Poland. We are also on track in France, with positive results from our ongoing programme to repair our ranges and optimise the logistics network. Retail profit in France more than doubled in the first half.

"The 'Powered by Kingfisher' strategy is moving forward at pace. Key progress has included a new one-hour delivery proposition at Screwfix, the successful introduction of our new OEB kitchen ranges, and many mobile-led and service innovations, including a new and enhanced Screwfix app, the ongoing roll-out of our NeedHelp marketplace, and a new installation offer at B&Q.

"With the business in a strong position, we are now ready to accelerate our investments to capitalise on the attractive growth opportunities available to us. We are accelerating Screwfix's expansion in the UK & Ireland, and will open our first Screwfix stores in France in 2022. We are accelerating our digital investments with new initiatives enabling faster fulfilment and broader choice. We are also moving faster with our expansion plans for Castorama Poland. While we are prioritising growth in our capital allocation, we are also delivering attractive returns to shareholders. Alongside an increased interim dividend, we announced today a £300 million share buyback programme.

"Our industry is benefiting from new trends that we believe will be supportive over the long term. These include people spending more time working from home, the emergence of a new generation of DIY'ers, the need for greener homes, and a strong housing market. Kingfisher is well placed to capitalise on these trends and deliver sustained outperformance."

Outlook for FY 21/22

- The following guidance applies in the event of no adverse change in COVID-related confinement measures (e.g. new lockdown restrictions resulting in store or showroom closures)
- Good start to the second half of the year, with resilient demand across all markets
  - Q3 21/22 LFL sales (to 18 September)[(2)] down 0.6%, with 2-year LFL up 16.1%
  - Remain mindful of continued uncertainty relating to COVID
- Increasing our H2 21/22 sales expectations – now planning for LFL scenarios of -7% to -3% (previously -15% to -5%), with corresponding 2-year LFLs of +9% to +13%
- Anticipate full year adjusted pre-tax profit in the range of c.£910 million to £950 million
- Strategic execution and supportive market trends provide opportunity for sustained long-term growth

The remainder of this release consists of seven main sections:

1) H1 2021/22 Financial performance summary and current trading
2) Group update (including **'Powered by Kingfisher'** strategic plan)
3) Trading review by division
4) FY 2021/22 Technical guidance
5) H1 2021/22 Financial review and, in part 2 of this announcement, the condensed financial statements
6) Glossary
7) Forward-looking statements

Kingfisher

Footnotes
(1) Net debt includes c.£2.3 billion lease liabilities under IFRS 16 in H1 21/22 (H1 20/21: c.£2.5 billion).
(2) 'Q3 21/22 LFL sales (to 18 September)' represent the period from 1 August 2021 to 18 September 2021 (compared against the equivalent period in the prior year, from 2 August 2020 to 19 September 2020). The corresponding 2-year LFL represents the period from 1 August 2021 to 18 September 2021 compared against the equivalent period in FY 19/20 (i.e. from 4 August 2019 to 21 September 2019). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

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 believe that these non-GAAP measures (also known as alternative performance measures), including adjusted profit measures, constant currency and like-for-like 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 www.kingfisher.com. We can be followed on Twitter (@kingfisherplc) with the half year results tag #KGFHY.

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.

The presentation slides will be available on our website at 09.00 (UK time).

Financial calendar

Q3 trading update	19 November 2021±
Full year results	22 March 2022±

± *These dates are provisional and may be subject to change*

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.

Section 1: H1 2021/22 Financial performance summary and current trading

Income statement summary

£m	2021/22	2020/21	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	**7,101**	**5,921**	+19.9%	+22.2%	+22.8%
Gross profit	**2,697**	**2,186**	+23.4%	+25.4%	
Retail profit:					
UK & Ireland	**579**	**411**	+40.8%	+40.8%	
France	**129**	**63**	+104.1%	+109.3%	
Poland	58	74	(19.9)%	(16.1)%	
Iberia	11	1	n/a	n/a	
Romania[1]	(6)	(11)	+48.5%	+46.3%	
Other±	(5)	-	n/a	n/a	
Russia[2]	-	(5)	n/a	n/a	
Turkey (50% joint venture)	1	-	n/a	n/a	
Other International*	**59**	**59**	+2.4%	+6.4%	
Retail profit	**767**	**533**	+44.1%	+45.1%	
Central costs*	(27)	(28)	n/a		
Share of JV interest and tax	(1)	(2)	n/a		
Operating profit (pre-adjusting items)	**739**	**503**	+47.0%		
Net finance costs (pre-adjusting items)	(70)	(88)	n/a		
Adjusted pre-tax profit	**669**	**415**	+61.6%		
Adjusting items	8	(17)	n/a		
Statutory pre-tax profit	**677**	**398**	+70.6%		

± '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 in H1 (and Q3 to date)

Quarterly sales	% LFL Change			
	Q1 21/22	Q2 21/22	H1 21/22	Q3 21/22 (to date)[6]
UK & Ireland	**+65.0%**	**+3.8%**	**+28.1%**	**(1.9)%**
- B&Q	+81.9%	(1.2)%	+28.8%	(4.2)%
- Screwfix	+39.0%	+15.9%	+26.8%	+2.5%
France	**+101.7%**	**(8.4)%**	**+24.4%**	**(1.7)%**
- Castorama	+101.8%	(8.5)%	+23.1%	(2.5)%
- Brico Dépôt	+101.7%	(8.2)%	+25.8%	(0.8)%
Other International	**+5.9%**	**+4.0%**	**+4.7%**	**+5.2%**
- Poland	(12.0)%	-	(5.0)%	+4.4%
- Iberia	+112.3%	+15.0%	+45.5%	(3.4)%
- Romania[3]	+27.4%	+14.0%	+19.2%	+21.8%
Group LFL[4]	**+64.2%**	**(0.8)%**	**+22.8%**	**(0.6)%**
E-commerce sales[5]	**+62.8%**	**(6.5)%**	**+21.2%**	**(8.5)%**

2-year LFL sales by quarter in H1 (and Q3 to date)

Quarterly sales	% 2-year LFL Change			
	Q1 21/22	Q2 21/22	H1 21/22	Q3 21/22 (to date)[6]
UK & Ireland	**+38.6%**	**+24.1%**	**+31.2%**	**+16.6%**
- B&Q	+42.3%	+26.5%	+34.0%	+18.7%
- Screwfix	+32.5%	+18.7%	+25.4%	+12.6%
France	**+18.1%**	**+16.4%**	**+17.1%**	**+14.7%**
- Castorama	+13.9%	+14.7%	+14.0%	+17.6%
- Brico Dépôt	+22.7%	+18.4%	+20.5%	+11.7%
Other International	**(11.0)%**	**+16.3%**	**+3.9%**	**+17.5%**
- Poland	(20.5)%	+15.0%	(1.7)%	+15.2%
- Iberia	+12.1%	+13.8%	+13.0%	+17.1%
- Romania[3]	+16.6%	+39.2%	+31.9%	+30.6%
Group LFL[4]	**+22.5%**	**+20.0%**	**+21.3%**	**+16.1%**
E-commerce sales[5]	**+257.4%**	**+179.1%**	**+216.3%**	**+137.3%**

Operational status in H1

Kingfisher remains committed to meeting the needs of our customers safely, and ensuring colleague safety and wellness. For the time being, COVID-related safety measures remain in place in all our stores and locations (for further details please refer to *'Lead the industry in Responsible Business practices'* within Section 2). While all our c.1,420 stores are currently open for in-store purchasing and click & collect, the operational status of our stores in H1 has evolved in line with the prevailing COVID-related restrictions and government advice within our markets.

In the **United Kingdom**, restrictions imposed from late December 2020 meant that discrete areas of certain B&Q stores (e.g. showrooms in England, Wales and Scotland) were temporarily closed until early-to-mid April 2021. During this period of restrictions, B&Q operated a virtual sales model for kitchens and bathrooms, with tens of thousands of virtual showroom planning sessions successfully conducted since the start of 2021.

In **France**, from late January 2021, the government gradually instructed certain regions (*départements*) with higher COVID infection rates to implement additional containment measures. A national lockdown took effect on 3 April 2021, resulting in the temporary closure of non-essential retailers.

While Castorama and Brico Dépôt stores retained their 'essential' retailer status, some *départements* required us to close larger stores even before the national lockdown. Most of these temporary store closures took effect from early March 2021, resulting in up to 26 Castorama and four Brico Dépôt stores being temporarily closed for in-store browsing and purchasing. Following the commencement of the national lockdown on 3 April, all other Castorama and Brico Dépôt stores were impacted by the temporary closure of non-essential areas of stores (e.g. showrooms and certain areas of surfaces & décor).

At all stores impacted, click & collect, home delivery and virtual showroom planning services remained available for the public. On 19 May 2021, restrictions on retailers in France were lifted.

In **Poland**, national lockdown restrictions were imposed on 27 March 2021, leading to the closure of all Castorama stores between 27 March and 3 May 2021. During some of this period, stores were able to offer click & collect, home delivery, garden and buildings products, as well as in-store access for professional tradespeople. All stores fully reopened on 4 May.

In **Iberia** and **Romania**, while all stores remained open in H1 for in-store browsing and purchasing, restrictions were imposed in several regions (including reduced opening hours, weekend closures, limits on the number of people allowed in stores, and limits on access to stores from out of the city or region).

Trading in Q2 21/22

LFL sales were down by 0.8% in Q2, with the corresponding 2-year LFL up 20.0%. E-commerce sales were down by 6.5% and up by nearly 180% on a 2-year basis. 2-year growth was in double-digits across all retail banners, supported by both transaction volume and average basket growth. The performance reflects continued strong execution, together with high levels of demand from both new and existing customers, across retail and trade channels.

Within the quarter we experienced strong 2-year growth in May and June, driven by the UK and France, the reopening of stores in Poland, and strong demand in Romania. Growth slowed slightly in July (relative to May and June) due to unseasonal weather conditions in the UK and France, though 2-year growth remained strong in the mid-to-high teens.

Trading since 1 August 2021

The third quarter has started positively, with Q3 21/22 LFL sales (to 18 September)[(6)] down 0.6% and the corresponding 2-year LFL up 16.1%. E-commerce sales continue to progress well with 2-year growth of over 130%. The 2-year growth rate reflects resilient levels of demand in all markets, particularly the UK & Ireland, despite the unseasonal weather conditions noted above continuing into August in the UK and France.

Notwithstanding this good start to the third quarter, we remain mindful of continued uncertainty related to COVID.

Footnotes

[(1)] Kingfisher's subsidiary in Romania has historically prepared its financial statements to 31 December. In FY 21/22, Romania is migrating to Kingfisher's financial reporting calendar (year ending 31 January 2022). Its retail loss presented therefore includes 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 January to July 2021 (compared against January to June 2020).

[(2)] Kingfisher completed the sale of Castorama Russia on 30 September 2020.

[(3)] Further to footnote 1 above, Romania's weekly, quarterly and 2-year LFL sales growth compares equivalent periods in the current year and prior years. Romania's LFL sales growth in the month of January 2021 was 22.2%.

[(4)] Group LFL includes e-commerce sales, and excludes Koçtaş (Kingfisher's 50% JV in Turkey). Other International and Group LFL on a 2-year basis excludes Russia.

[(5)] E-commerce sales are total sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre. E-commerce sales change is in constant currency and covers the total Group, excluding Russia.

[(6)] 'Q3 21/22 LFL sales (to 18 September)' and 'Q3 21/22 (to date)' represent the period from 1 August 2021 to 18 September 2021 (compared against the equivalent period in the prior year, from 2 August 2020 to 19 September 2020). The corresponding 2-year LFL represents the period from 1 August 2021 to 18 September 2021 compared against the equivalent period in FY 19/20 (i.e. from 4 August 2019 to 21 September 2019). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

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

In June 2020, Kingfisher announced its new strategic plan – **'Powered by Kingfisher'**. Under this plan we aim to maximise the benefits of our **distinct retail banners** (which address diverse customer needs) with the **scale, strength and expertise of the Kingfisher Group**, to address the significant growth opportunities that exist within the home improvement market. To serve our customers effectively we need to be more digital and service orientated, provide broader choice, and leverage our strong store assets to provide convenience and faster fulfilment.

Overview

This section provides an update on our management of the ongoing operational impacts of COVID, the progress made so far this year on our 'Powered by Kingfisher' strategy, and our financial priorities. The update is organised around the following key messages:

1) Effective management of the operational impacts of COVID
2) Rapid progress made with 'fixing' issues from previous years
3) Delivery against **'Powered by Kingfisher'** strategic priorities ahead of schedule
4) Clear financial priorities and drivers

1. Effective management of the operational impacts of COVID

Throughout the pandemic, Kingfisher has taken swift and effective measures to support our clear commitments – to serve our customers as a retailer of essential goods, to look after our colleagues as a responsible employer, to provide support to the communities in which we operate, and to protect our business for the long term. Our actions in this regard have been about 'doing the right thing' – one of the key cultural characteristics of our 'Powered by Kingfisher' strategy.

While the pandemic is not yet over, we believe that it has accelerated many elements of our strategy and, as a result, we are emerging from the pandemic a far stronger business. However, like many other businesses and industries, we are facing significant operational pressures arising due to the pandemic, including product supply and availability, shipping and logistics, and cost price inflation, which have been managed effectively to date.

This section provides an update on the main areas where we have experienced operational impacts from COVID during H1 21/22, and how we are managing those impacts:

Supply, availability and logistics

The key risks around stock availability continue to be driven by polarised demand within some of our categories, in particular building materials and outdoor ranges. This has created challenges for suppliers in keeping up with high order levels, while managing extended raw material lead times. The impact on supplier factory capacity levels from COVID-related closures and absenteeism has been relatively limited in H1 21/22, although more recently has increased slightly in China and Vietnam.

In addition, the pandemic and Asian port congestion continue to place a considerable strain, industry-wide, on the international logistics infrastructure. In particular, the cost and availability of shipping containers remains a constant challenge. We expect these pressures to continue through the second half of the year, and into 2022.

Despite all this, to date we have been able to manage our supply and logistics needs effectively. This has been achieved through close collaboration with suppliers and logistics providers, improved forecasting processes, and placing orders significantly ahead of peak trading periods. As a result, product availability has gradually improved during H1, and is currently above where it was at the start of the financial year. Moreover, to date we have managed the challenges well around the cost and availability of shipping containers and heavy goods vehicles (HGV) drivers.

Overall, we are still below target product availability levels in some categories, and this remains a key area of focus for the business. We expect to continue our rebuild of inventory levels in H2 ahead of peak trading periods. As a result, we expect inventory levels to be higher, year on year (YoY), at the end of January 2022.

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

<u>Inflation</u>
In line with the wider industry, we are seeing higher than normal cost price inflation arising from certain raw materials and freight costs (as referenced above).

In H1 21/22 the net impact of these inflationary pressures has been limited. This is largely due to timely engagement with suppliers and partners, and the time lag between placing orders for products and their subsequent sale.

While some raw material prices have moved away from their peaks, as higher-cost inventory is sold through in the second half of the year, we expect inflationary pressures to persist throughout H2. As demonstrated in H1, we are committed to managing the cost implications effectively, which will also be partly offset by foreign exchange benefits from a weaker USD exchange rate.

We remain committed to maintaining a favourable competitive price index, assisted by better buying of product.

<u>Colleagues</u>
We continue to be inspired by the way our colleagues and teams are responding to the immense challenges brought about by the pandemic. We have prioritised the wellbeing and safety of our colleagues, ensuring they have been supported personally and financially. We have continued to invest in our people and are accelerating our efforts on Inclusion and Diversity, as well as developing early talent through apprenticeships. For further details please refer to *'Lead the industry in Responsible Business practices'* below.

We are thankful that, to date, we have not experienced any significant issues with regards to colleague absence due to COVID-related self-isolation, or recruitment. Our colleagues have been flexible and accommodating, and where necessary and practicable, have provided temporary assistance at neighbouring stores. Colleagues who are unable to work due to being high-risk, vulnerable, or self-isolating, continue to have their salaries paid by the Group.

To support our growing business, we have created over 5,300 roles (primarily in our stores) over the last twelve months, which has put us in a good position to continue providing outstanding service to our customers.

2. Rapid progress made with 'fixing'

One of the key drivers of our strategic progress over the last 18 months has been leveraging some of the strengths developed by Kingfisher in previous years, such as Group sourcing and buying, differentiated OEB development, and common SAP platform investments. However, we were also faced with many unresolved issues from previous years.

As part of our 'Powered by Kingfisher' plan, last year we set out our 'Focus and Fix' priorities aimed at addressing these issues. In H1 21/22 we have made rapid progress, with 'fixes' for the UK and Poland now complete. France is on track and is expected to progressively complete within the next 12 months.

These actions are having a significant positive impact on our trading, both in store and online. They have also enabled us to respond to the challenges of the pandemic with speed and agility, while also facilitating the roll-out of our new strategy.

The following key ‘Fix’ actions have been implemented since FY 19/20 to date:

- Completed the appointment of a new Group Executive team in March 2020.
- Made key additional hires at banner and Group level, including the supply chain team in France. In H1 21/22, we have invested further by adding significant talent in the key business areas of digital, technology and data.
- Completed a fundamental reorganisation of our commercial operating model in September 2020, implemented at Group level and across all our banners. The reorganisation covered Offer & Sourcing, Supply & Logistics, merchandising, pricing and marketing.
- Established a new banner-Group operating model for our digital and technology teams in H1 21/22, increasing banner autonomy and agility while still leveraging Group resources.
- Implemented Group ‘Centres of Excellence’ in H1 21/22 in the areas of e-commerce, digital journey, data, store concepts, services and service platforms, property, and supply chain. The role of these Centres is to set strategy and targets, to share knowledge and best practices, to support implementation, and to help steer progress.
- Trialled and implemented new trading approaches in all retail banners, with a greater focus on promotion-based trading events and targeted price investments. As a result, our price positioning is strong in all key banners.
- Lowered clearance and disruption levels by significantly reducing the level of range reviews, focusing on critical ranges only.
- Expanded our product offer through reintroducing local and international brands which had been removed from the assortment in previous years.
- More focus on services, including reintroducing B&Q’s kitchen and bathroom installation service.
- Completed the SAP roll-out at all relevant banners, except Brico Dépôt France and Iberia. In Iberia, SAP was implemented in all stores in H1 21/22, and roll-out into back-office functions will complete in H2 21/22. We paused the Brico Dépôt France implementation to increase focus on Castorama France’s SAP implementation, which was more critical. During FY 20/21, a total of 18 key ‘pain points’ were identified and addressed, significantly improving the effectiveness of Castorama’s SAP platform.
- SAP roll-out has enabled the accelerated and optimised implementation of our Group digital technology stack (the front-end IT architecture) at relevant Kingfisher banners. B&Q (including TradePoint) and Castorama France have been fully implemented without disruption. In H1 21/22 good progress was made with implementing in Poland, with completion expected in Q1 22/23.

France ‘repair and modernise’ is on track, with the completion of key programmes around range repair and logistics optimisation expected within the next 12 months:

- Commenced fundamental reorganisation of the logistics network in France. Work is ongoing to optimise distribution centre space (with c.13% of distribution centre space reduced over the last 12 months) and transform cross-dock sites with the aim of creating a single optimised network for Castorama and Brico Dépôt. *(Note – cross-docking is a practice in logistics of moving product from a manufacturer through a cross-dock facility to stores, with little or no storage in between.)*
- Meeting our goals for this programme will significantly reduce the distance required to service our stores, leading to shorter lead-times, better customer service, lower levels of inventory and a reduction of greenhouse gas emissions.
- Good progress on extending and improving Castorama’s ranges, with more than 6,000 SKUs* added over the last 18 months. Further range extensions are required in certain categories, especially higher price-point SKUs. These will be facilitated through further implementations of our differentiated OEB ranges, as well as additional local and international brands.
- Restoring Brico Dépôt’s ‘discounter DNA’ remains a key area of focus. The upweighting of special promotions *(arrivages)* has contributed to increased customer engagement and improved price perception.
- Brico Dépôt is making progress on its ‘range repair’ programme, to increase differentiation from Castorama and other general DIY peers. Differentiation is being achieved through discount-model OEB brands and more local trade brands, while testing is underway in a small number of Brico Dépôt stores to reduce SKUs and drive volume and pricing power through key products.
- Commenced roll-out of Brico Dépôt’s SAP platform, with completion expected towards the end of FY 22/23.

The above-mentioned actions have contributed significantly to the improved performance in France, with H1 21/22 LFL sales in France up 24.4%, and up 17.1% on a 2-year basis. France's retail profit margin in H1 improved 220 basis points to 5.3% (H1 20/21: 3.1%). France retail profit more than doubled in H1 21/22 vs H1 20/21.

Since implementation of the first 'fix' actions in the prior year, the store and website Net Promoter Score (NPS) has improved in both French banners, with customers reacting positively to the renewed focus on customer propositions. In addition, targeted price investment, special promotions and more trading events have allowed us to strengthen our price positioning and perception at both banners.

Following multiple years of market underperformance, we are also seeing improvements in our competitive position. France has outperformed the market on a 2-year basis (based on *Banque de France** data), excluding the impacts on trading from COVID-related restrictions in H1 21/22. While there is still work to do, we are pleased with the progress made to date at both Castorama and Brico Dépôt.

3. Delivery against 'Powered by Kingfisher' strategic priorities ahead of schedule

Under our strategic plan, 'Powered by Kingfisher', we aim to maximise the benefits of our distinct retail banners (which address diverse customer needs) with the scale, strength and expertise of the Kingfisher Group, thereby addressing the significant growth opportunities that exist within the home improvement market.

Our retail banners occupy number one or two positions in all our key home improvement markets (number one in the UK, Poland and Turkey). While some of our banners are focused on trade (Screwfix, TradePoint), others address more general DIY needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş), while Brico Dépôt France and Brico Dépôt Iberia are positioned as discounters. This differentiation is a major strength, especially in a world that is more volatile and uncertain.

Kingfisher's scale and resources, used intelligently, are an important source of growth and competitive advantage for our banners, enabling OEB development, sourcing and buying scale, access to technologies, shared services, and lower cost functions. We are continuing our work to adapt our operating model so that these Group functions are set up in the most efficient way to 'power' and accelerate growth in our retail banners.

In H1 21/22 we achieved continued strong financial performance, and made good progress on our core strategic priorities, with delivery ahead of schedule. This is allowing us to now accelerate investments for growth in multiple areas of the business. The strategic progress, alongside our 'fix' actions detailed in Section 2 above, resulted in strong new customer growth and retention over the last 18 months, particularly online; driving an improved competitive position in our key markets.

This sub-section covers the progress made in H1 21/22 against our key strategic areas of focus:

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) **Source and buy better, reduce costs and same-store inventory**
f) **Lead the industry in Responsible Business practices**

a) Grow e-commerce sales

We are committed to delivering growth in e-commerce sales through providing speed, convenience and choice to our customers.

Following the onset of the pandemic and the rapid changes seen in consumer habits, we have accelerated our planned e-commerce initiatives to offer greater convenience and faster deliveries to our customers. We rapidly transformed our operations in March 2020 to shift to store-based picking and fulfilment as a priority.

E-commerce continued to be the Group's fastest growing channel in H1 21/22, with e-commerce sales in constant currency up 21%, and up 216% on a 2-year basis (excluding Screwfix: up 36% YoY, and up 258% on a 2-year basis). This resulted in e-commerce sales accounting for 19% of total Group sales in H1 21/22 (H1 20/21: 19%; H1 19/20: 7%). Excluding Screwfix, e-commerce sales penetration grew to 9% in H1 21/22 (H1 20/21: 8%; H1 19/20: 3%).

Click & collect (C&C) sales, the largest online fulfilment channel, grew by 10% in H1 21/22, and by 277% on a 2-year basis. C&C accounted for 87% of Group e-commerce orders (H1 20/21: 90%) and 73% of Group e-commerce sales (H1 20/21: 79%). To offer customers more C&C pick-up options, in H1 21/22 we started tests of C&C lockers at B&Q, following a successful trial in Poland where up to 4,000 lockers will be rolled out nationally from H2 21/22. In addition, we offer car park collections in France, as well as contactless 'Drive-thru' collection in both France and Poland.

Moving to a store-based picking and fulfilment model has proved critical to meeting the significant rise in online volumes over the last 18 months. During H1 21/22, 90% of the Group's online orders were picked in store (both including and excluding Screwfix). Placing stores at the centre of our e-commerce strategy has also allowed us to improve the speed and cost of fulfilling home delivery orders. At present, 57 of our B&Q stores are successfully being used as 'digital hubs' for fulfilling home deliveries, serving close to 100% of all UK postcodes. A similar model has been implemented at Castorama France in H1 21/22, initially at 14 stores (although all Castorama France stores have small parcel DPD fulfilment services for local deliveries). In addition, as of H1 21/22, all stores in Poland serve as e-commerce hubs for home delivery. We are currently reorganising our distribution and fulfilment capacity in the UK with three new sites opening within the next six to 12 months, enabling faster store replenishment, an expanded available range for home deliveries, and wider coverage of fulfilment.

Our focus on 'same-day' home delivery has accelerated. We believe quick fulfilment will drive a key competitive advantage for our banners, in particular over online 'pure-plays'. Following a successful trial in Bristol, Screwfix launched Screwfix 'Sprint' in August 2021, offering delivery of orders direct to site within one hour. Sprint will be available in more than 30 cities across the UK by November, including London, Birmingham and Glasgow, covering one third of UK postcodes, with further rollout planned in 2022. This development reinforces Screwfix's focus on speed and convenience for customers, supplementing its already industry-leading one-minute C&C proposition. Learnings from the 'Sprint' tests are being shared with other retail banners that are also testing same-day delivery, including B&Q.

In H1 21/22 we upgraded store colleagues' hand-held 'computers', now rolled out to all banners. This technology is the foundation of colleague efficiency in stores, enabling more efficient picking and greater visibility on product availability and aisle location. Feedback from colleagues has been extremely positive, with improved speed and accuracy allowing them to spend more time assisting customers.

We have added significant talent in 2021 to the key business areas of digital, technology and data, further reinforcing our e-commerce capability and development plans. Finally, we continue to review the best options to further expand product choice, including an e-commerce marketplace proposition.

b) Differentiate and grow through own exclusive brands (OEB)

We believe that the Kingfisher Group's OEB product development is a significant source of value for our retail banners and their customers. OEB provides a strong point of differentiation for our retail banners 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.

The performance of our OEB ranges in H1 21/22 was strong, with LFL sales up 22.8%, and up 24.6% on a 2-year basis, outperforming non-OEB ranges. Total OEB sales were c.£3.2 billion, representing 46% of Group sales (H1 20/21: 46%; previously reported comparable was 38%, updated due to a change in definition). OEB brand awareness remains strong, with our five main OEB brands contributing c.25% of total Group sales.

During the year we implemented several new OEB ranges across our markets, including our new Magnusson ranges (for building, plumbing and plastering) and garden hand tools range. The launch saw a positive reaction, with strong customer feedback on value for money and innovation. Building on the success of its general hand tools range in recent years, Magnusson is now the number one hand tools brand across Kingfisher, outperforming its major branded competitors.

To support the different product needs of our banners, ten new own exclusive brands have been created to date, with a further 18 own brands redeveloped. All are ready for implementation from H2 21/22. To illustrate the power of differentiated OEB, sales volumes of the new Titan pressure washer range at Screwfix is already outperforming our sales volumes of major branded competitors, with improved product design, accessories and packaging, as well as competitive pricing.

One of our largest new range roll-out programmes, our own brand kitchen range, is now available in the UK (B&Q), France, Poland and Romania. Implementation at Castorama France and Brico Dépôt France completed in March 2021, and at Castorama Poland in May 2021. Supported by market-leading price positioning, installation services, and an in-store and virtual sales model, the LFL sales performance of the new kitchens range in H1 21/22 was at double-digit growth for the Group, despite COVID-related restrictions in-store.

Going forward, our plan is to continue extending our ranges to support broader customer choice, and to continue driving specifically designed OEB to cater for general home improvement, trade, or discounter banners. We are also continuing to simplify our OEB development approach, including engineering enhancements and prioritising key range reviews, to bring new products to market more quickly. This should also support continued profitable sales growth over the longer term.

c) Build a mobile-first and service orientated customer experience

More than ever, mobile is at the centre of our customers' home improvement journeys and experiences, from research and inspiration, all the way through to purchase, delivery, building and installation. We believe that this channel will remain the focal point of the end-to-end customer journey and experience. We intend to make it easier for customers to shop with us by building a mobile-first, data-led and service orientated customer experience. We also aim to provide customers with a more compelling and complete services offer, including visualisation tools and installation services.

Mobile is our fastest growing origination channel, with sales up by 32% in H1 21/22, and up 369% on a 2-year basis, accounting for c.54% of our total e-commerce sales (H1 20/21: 49%).

Across our banners, we are making good progress in optimising the mobile user experience through faster page load speeds, enhanced search functions, and new mobile tools and apps. During H1 21/22, Screwfix rolled out an upgraded mobile app, receiving excellent reviews from customers, with over one million downloads so far. Alongside enhanced search capability, the app uses geolocation to facilitate quicker in-store pickups and targeted customer offers. Following successful trials, Brico Dépôt Iberia rolled out mobile 'Scan & Go' technology for customers, enabling a speedier self-service store checkout process. B&Q are also in the process of trialling this service, with the next step being to integrate it into the B&Q mobile app, which will enable the technology to be live in all stores. Similar trials will take place at Castorama France.

We are also in the process of rolling out self-checkout terminals at B&Q, which will be in over 100 stores by the end of the year. Adoption by customers has been very strong to date.

The recently implemented B&Q kitchen and bathroom installation service is now available at all B&Q stores, with the Republic of Ireland completed in August 2021. Customer engagement is growing and feedback on installations has been very encouraging to date. Installations is benefitting B&Q by attracting new customers who may not have shopped with us without the service. We are also seeing that offering installation services encourages customers to broaden the scope of their projects, providing us with an opportunity to cross-sell complementary products e.g. lighting, tiles, flooring. B&Q's kitchen and bathroom offer is further supported by in-store and virtual showroom planning services, and the launch of a new 3D design tool.

Following positive results to date from 16 tool hire concessions with Speedy Hire (located adjacent to TradePoint), B&Q is extending the service to 39 stores from September 2021. In partnership with Crystal Direct, B&Q is also testing 'Made to Measure' doors and windows concessions, initially in four B&Q stores. Castorama France is piloting an equipment hire service in 40 stores, and Brico Dépôt France and Castorama Poland are trialling online van rental services with an app-enabled key.

In November 2020, Kingfisher acquired NeedHelp (www.needhelp.com), one of Europe's leading home improvement services marketplaces. NeedHelp operates in seven countries, supporting over 1,500 partner stores with more than 300,000 registered tradespeople. NeedHelp is growing rapidly, with gross merchandise value up 80% YoY. While most of its business is currently in France, the marketplace is currently rolling out in the UK and Poland following successful trials. The marketplace will benefit from in-store advertising and lead generation at B&Q and Castorama Poland, and the significant volume of website traffic that these banners generate, while leveraging the tradesperson network of Screwfix and TradePoint on the supply side. Early take-up has been encouraging. Brico Dépôt France is piloting an in-store installation service utilising NeedHelp 'jobbers'.

d) Test compact store concepts and adapt our store footprint

Stores are a critical feature of the home improvement market, due to the importance placed by customers on inspiration and visualisation, the advice and design expertise of in-store experts, serving as a 'one-stop shop' for projects, and the provision of customised services. However, as highlighted by the pandemic, our conviction is that our c.1,420 stores will also play an integral role in meeting the increasing customer demand for convenience and speed, whether through fast C&C or home delivery.

We believe that the demand for speed and convenience is driving both the shift towards online in our industry, as well as the need for smaller and more localised stores. In response, over the next few years, we have plans to increase our overall store count, while at the same time reducing the average size of our stores. We expect to achieve this through a combination of opening more 'compact stores' (less than 2,000 sqm), rebalancing our 'new store' opening programme to focus on 'medium-box' stores (2,000 to 8,000 sqm), and rightsizing some of our larger format 'big-box' stores (more than 8,000 sqm).

Compact stores are a key enabler for market share growth in urban catchment areas. In 2020 we tested six compact store concepts, each showing an encouraging and improving performance in H1 21/22. At B&Q we have opened five more trial compact stores in the year to date, including three high-street stores (in Wandsworth, Tooting and Wood Green) and two further B&Q store-in-store concessions within ASDA supermarkets (in Roehampton and Edmonton). Poland opened its first ever compact store, *'Castorama Smart'*, in Ostrow Wielkopolski. The plan for H2 21/22 is to continue trialling new compact stores in all our key banners, including four further concession stores at ASDA (bringing the total to eight), along with further tests of ultra-compact stores.

Screwfix, whose store operating model is based entirely around compact stores (average sales floor size of 64 sqm per store), opened a total of 20 new outlets in H1 21/22, with 14 opened in the UK and six in the Republic of Ireland. The total store count in the UK & Ireland was 741 as of 31 July 2021, with plans to accelerate store openings in H2 21/22, bringing the total number of new stores opened for the year to over 70 (FY 20/21: 38 new stores opened). Following the identification of further opportunities in certain catchment areas, we now see a medium term roadmap to over 1,000 stores in both the UK and Republic of Ireland (versus previous target of 900). As part of its broader international expansion plans, the business launched Screwfix as a pure-play online retailer in France in April 2021, and initial results are encouraging. Investment in expansion will now be accelerated, and we expect to open Screwfix's first stores in France in 2022.

'Medium-box' stores in our banners tend to be well-located and with good sales densities. In Q1 21/22 we completed the conversion of two Castorama France stores into Brico Dépôt France 'medium-box' stores, with encouraging results so far, and opened two new 'medium-box' stores in Poland. Plans to expand the store footprint in Poland have been accelerated, further building on our number one position in the market. There are significant opportunities to roll out new stores (including big-box, medium-box and compact format stores) that have the potential to yield high returns. We are on track to open seven new stores in Poland by the end of the financial year, and are expecting to open more stores than this in FY 22/23.

In the UK and France, we have identified certain 'big-box' stores which we believe to be over-spaced. This is based on our analysis of catchment demand, store economics, proximity to other stores, and the number of 'digital hub' stores required to achieve national coverage for home deliveries (as part our e-commerce strategy). As a result, we have selected a small number of stores to be tested for rightsizing at B&Q and Castorama France over the next two to three years. We have completed two B&Q rightsizings to date, Canterbury in March 2021 and Watford in September 2021, with a c.25-30% space reduction taken over by discount retailers, bringing incremental footfall to the vicinity of our stores. Since reopening, the Canterbury store has seen a strong trading performance to date. Four further tests are planned to commence in H2 21/22, including two more B&Qs and our first rightsizing tests at Castorama France. Following the learnings from the rightsizing trial programme we will establish a plan to target a larger sub-set of stores over the longer term.

As discussed above, we are testing store-in-store B&Q concessions within ASDA supermarkets, as well as Speedy Hire (tool hire) and Crystal Direct (doors and windows) concessions within B&Q stores. More generally, we believe partnership models can enable Kingfisher to attract new customers and generate incremental revenues. As announced in March 2021, we signed a franchise agreement with the Al-Futtaim Group to expand B&Q into the Middle East. We are on track to open the first two B&Q-franchised stores in Saudi Arabia in H2 21/22. The stores and support office functions will be fully operated and staffed by the Al-Futtaim Group.

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

We believe there are significant opportunities to reduce costs across Kingfisher – in areas such as store productivity, supply and logistics, goods not for resale (GNFR), property (including lease renegotiations), IT, and central costs, all of which will benefit from reduced organisational complexity over time. In addition, through the intelligent use of our scale, we expect to extract further value from sourcing and buying. Reducing same-store inventory levels over the medium and longer term is also a priority.*

Following the onset of the pandemic in 2020, we implemented multiple actions to reduce costs, especially during H1 20/21, including the benefit from several government support measures (many of which were subsequently repaid in H2 20/21). Many of these cost reductions were temporary or one-off in nature, which has resulted in an ongoing cost 'rebuild' in FY 21/22 as cost levels normalise. As a reminder, total non-recurring net cost savings* in FY 20/21 were c.£85 million.

The pandemic has deepened our conviction over the opportunity to operate more effectively as a Group within an efficient cost envelope over the longer term. Following on from the progress made in FY 20/21, multiple cost reduction programmes are in motion. While we are not disclosing the expected value of our multi-year cost reduction programmes, the net savings achieved are expected to partially offset the cost of inflation, expansion and space changes, and the investment requirements of our business over the next few years.

All cost programmes continue to be managed by our retail banners and Group functions, with robust overall governance at Group Executive and Board level. During H1 21/22 we have made progress in the following areas:

- Completed two ‘big-box’ rightsizings at B&Q (the latest in September 2021). B&Q Canterbury has achieved a YoY cost reduction of c.33% to date. Four further tests are planned to commence at B&Q and Castorama France in H2. For further details please refer to *‘Test compact store concepts and adapt our store footprint’* above.
- Completed ten additional B&Q lease renegotiations with a combined net rent reduction of almost 25%, alongside improved lease terms.
- Rolling out store productivity initiatives such as new self-checkout terminals and ‘Scan & Go’ at B&Q and Brico Dépôt Iberia. For further details please refer to *‘Build a mobile-first and service orientated customer experience’* above.
- Continued IT cost optimisation, covering areas such as IT hosting, telecoms, and other network costs.
- Ongoing GNFR efficiency initiatives across all retail banners.
- Realising benefits from the reorganisation of our commercial operating model (fully implemented at a Group level and across all banners, with France completed in March 2021) and the establishment of a new banner-Group operating model for our Digital and Technology teams (completed in Q1 21/22).

COVID-related costs (including costs of PPE, additional store security, and additional bonuses to frontline store colleagues) were c.£15 million in H1 21/22 (H1 20/21: £28 million). We expect full year COVID-related costs to be c.£20-25 million (FY 20/21: £45 million).

In the area of sourcing and buying, we continue to deliver cost price efficiencies through leveraging our scale, which will help to partly mitigate the impact from cost price inflation pressures this year. In addition to driving sourcing and engineering benefits from our large OEB product base (c.46% of Group sales in H1 21/22), we are also in the process of renewing strategic partnerships with our top 15 international brands.

As described in the *‘Supply, availability and logistics’* section above, product availability has gradually improved during H1, and is currently above where it was at the start of the financial year. In addition, we are benefiting from an improvement in our inventory health YoY, mainly due to lower delisted and slow-moving stock. Our same-store inventory reduction initiatives include a combination of better ranging and deployment (with a focus on removing and redeploying slow-moving inventory) and better planning and forecasting. The completion of our SAP roll-out and the further implementation and optimisation of our Group digital technology stack will further support the above initiatives.

Net inventory at the end of H1 21/22 increased by £439 million to £2,730 million (H1 20/21: £2,291 million, excluding Russia, in constant currency), driven by the rebuilding of inventory levels, the impact of inflation and store expansion. As a reminder, we had exceptionally low inventory levels in the prior year, caused by deferred stock orders due to COVID and strong sales in Q2 20/21. On a comparable basis in 2019, net inventory at the end of H1 19/20 was £2,533 million.

Same-store net inventory* (in constant currency) increased by £407 million (c.18%), reflecting higher demand levels and the rebuilding of product availability into H2 21/22. Reflecting our improved inventory management initiatives, net stock days reduced by c.15% YoY in H1 21/22 (excluding the impact from the disposal of Russia). On a 2-year basis the increase in same-store inventory (in constant currency) was c.£160 million (c.6%), with net stock days c.14% lower than in 2019 (excluding Russia).

While our work continues to reduce same-store inventory sustainably, inventory levels may be higher YoY at the end of January 2022 as we continue to rebuild inventory levels in H2, together with the impact of inflation and store expansion.

f) Lead the industry in Responsible Business practices

We are committed to leading our industry in responsible business practices, seeking to maximise our positive impact on the lives of our customers, colleagues, communities and the planet. This commitment has been at the forefront of our response throughout the pandemic. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business, where Kingfisher can apply its experience, scale and influence to play our part in the big challenges facing us today – from becoming a more inclusive company that better represents the customers and communities we serve, through to enabling our customers and communities to have better, more sustainable homes and helping to protect our planet for the future.

Colleagues

Throughout the pandemic, we have been focused on serving our customers' essential needs, while protecting the safety of all concerned, especially our colleagues on the frontline.

All our stores across Kingfisher continue to operate with health and safety measures to protect customers and colleagues. Similar measures are also in place at our distribution and fulfilment centres, and our corporate offices. In addition, we have provided support for safe home working, including risk assessments and the provision of office equipment. In most cases, the measures applied in our stores and offices go beyond government recommendations in each market, which has been met with strong approval by both customers and colleagues.

Along with ensuring the safety of our colleagues, we are also committed to providing proactive support for wellbeing and mental health. Examples of this include our partnership with the Retail Trust in the UK to offer *'Taking stock of Wellbeing in Retail'* workshops in B&Q.

Recognising that new ways of working since the pandemic have changed how colleagues feel about work, we have implemented a new engagement tool and processes to support more frequent and dynamic colleague listening and action (further details below). We have listened to feedback from office colleagues and decided to retain a mixture of virtual and office working by implementing a new 'hybrid' working model across our corporate offices. Furthermore, following our annual colleague engagement survey conducted over the summer, our teams across our banners and at Group level have local action plans in place.

In addition, we have ensured that the tireless efforts of our colleagues during the pandemic continue to be rewarded. Colleagues who are unable to work due to self-isolation continue to have their salaries paid by the Group.

Inclusion and Diversity plays an important part in the delivery of Powered by Kingfisher as it reinforces our commitment to differentiate our offer to our diverse customer base through our banners. Building an inclusive culture is also a core pillar of our Responsible Business priorities (see below). We are in the process of implementing a new Kingfisher Inclusion and Diversity strategy across the Group and in every banner; from introducing inclusive leadership training for leaders through to hiring more diverse talent through our apprenticeship programmes. We have engaged with colleagues at all levels to better understand their perceptions and experiences at Kingfisher to inform our approach.

In addition to creating jobs, we also have over 1,500 apprentices across the Group giving opportunities for colleagues to build their careers with us. We continue to invest in learning and development. For example, across Castorama France and Brico Dépôt France, we have invested in over 700,000 hours of learning over the last year.

All-colleague share plan

As part of our commitment to build a responsible and inclusive business, we were proud to launch our 1+1 'Sharing In Our Future' plan in September 2020, giving all our colleagues the opportunity to become Kingfisher shareholders. We were very pleased with the take-up rate, with over 9,000 colleagues (c.12%) electing to participate in the plan, of which nearly 75% are store-based colleagues. 'Purchased shares' were bought in July 2021 using participants' contributions; and ‘matching shares’ allocated by Kingfisher on a one-for-one basis up to a value of £1,500. Following a holding period of one year (July 2022), the ‘matching shares’ will transfer to the participants.

Continued strong employee engagement

In July 2021, we introduced a new tool to listen to our people and measure colleague engagement across the Group and our banners. Over 63,500 colleagues took part in our annual colleague engagement survey, showing a score of 8.3 for Kingfisher Group, representing a retail top quartile score, and higher than the retail benchmark of 7.8. We now measure our Employee Net Promoter Score (eNPS), a method of measuring how willing colleagues are to recommend their workplace to family or friends. Our eNPS was 48, putting us in the top 10% of global retailers compared to the benchmark of 22.

Strengths highlighted included the positive impact of our strategy, a greater sense of empowerment to make decisions and work in an agile way, and our approach to Responsible Business (including measures to support our colleagues and customers during the pandemic). We are actively working to address feedback from the survey, together with the output from our regular Kingfisher Colleague Forum meetings, which includes representatives from all parts of the Kingfisher business and is attended by Board and Group Executive team members.

Responsible Business priorities

In June 2021, we published our latest Responsible Business Report. Our performance in H1 21/22 against our four priority areas is as follows:

People: Becoming a more inclusive company

- A new Board-approved Inclusion and Diversity strategy is being implemented across Kingfisher’s retail banners, with multiple initiatives underway in all markets.
- From July 2021, over 9,000 colleagues became shareholders through our 1+1 ‘Sharing In Our Future’ share plan. See above for further information.

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

- In June 2021 we announced new carbon reduction targets to 2025, consistent with reductions required to keep global warming to 1.5°C, the most ambitious goal of the Paris Climate Agreement. The new targets have been approved by the Science Based Targets Initiative (SBTi), and replace Kingfisher’s previous targets, which were met four years ahead of schedule. This puts Kingfisher among a very small number of retailers worldwide to have such a commitment.
- Kingfisher became a founder member of the UN’s Race to Zero Breakthroughs – Retail Campaign in July 2021, a partnership aiming to inspire more of the world’s retailers to take action on climate change.
- We support the Task Force on Climate-related Financial Disclosures (TCFD) and summarise our approach on page 27 of the 2020/21 Annual Report and Accounts. Over the next two years, we will be conducting a climate risk and opportunity scenario analysis, which will help us further align with its recommendations. An update on the scenario analysis work undertaken in FY 21/22 will be published in our next Annual Report and Accounts.
- As part of the Rainforest Alliance’s ‘Forest Allies’ initiative, which we were a founder member of, several projects have now commenced in some of the world’s most at-risk areas for deforestation, including Indonesia, Peru, Columbia, Guatemala and Cameroon. This critical work will allow us to have a positive impact on tropical forests and their communities, including over 7,000 people and over 300,000 hectares of forest. This initiative is a key part of our commitment to becoming ‘forest positive’ by 2025, building on our heritage in sustainable forestry and the responsible sourcing of wood.

Customers: Helping to make greener, healthier homes affordable

- In FY 20/21, 42% of our total Group sales came from products that create greener, healthier homes, such as LED lighting, low-flow taps, and low VOC paint.
- This year we are accelerating our focus on ‘Sustainable Home’ product development, through our OEB ranges.
- We are reviewing our approach with a view to updating our target ‘Sustainable Home’ product penetration.

Communities: Fighting to fix bad housing

- Since FY 16/17 we have supported a total of 791,000 people (as of FY 20/21), well on our way towards our goal of helping more than one million people whose housing needs are greatest by 2025.
- As a result, we have doubled our previous ambition and now commit to help at least two million people who live in unfit housing, by FY 25/26.
- Kingfisher and its banners will do this by helping to improve homes and community spaces through our charity partnerships, fundraising and network of banner charitable Foundations.

Our priorities are underpinned by our commitment to our 'Responsible Business Fundamentals' – 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.

In FY 20/21, for the first time, we linked a portion of our colleague bonus programme to our performance against our key Responsible Business priorities, and we continue to do so in FY 21/22.

In June 2021, we announced a new £550 million sustainability-linked revolving credit facility agreement, which enables Kingfisher to benefit from a lower interest rate if we deliver on ambitious sustainability and community-based targets under the Group's Responsible Business plan.

Our Responsible Business Committee (RBC), a sub-committee of Kingfisher's Board, continues to support the governance of Responsible Business and monitor 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 Executive Committee.

For more information, please visit our Responsible Business section of our website at www.kingfisher.com. Additional data and performance against our priority areas was published in our Responsible Business Report in June 2021.

4. Clear financial priorities and drivers

Group financial priorities

Through the implementation of our 'Powered by Kingfisher' strategic plan we are focused on growth and creating shareholder value, with the following financial priorities, all of which we made strong progress against in H1 21/22:

- **Prioritise top line growth and grow sales ahead of market:**
  - Clear strategy and actions to drive market share growth
  - Focused on store and website customer satisfaction
  - Attractive market with new longer-term industry support
- **Aim to grow adjusted pre-tax profit in line with sales±; gradually faster than sales over time:**
  - Focused on driving scale benefits and cost self-help, enabling us to accelerate investment in top line growth
- **Generate strong free cash flow to underpin shareholder returns:**
  - Focused on driving inventory self-help and capital expenditure discipline (targeting 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 efficient capital structure while maintaining prudent position in times of uncertainty

± Group total sales growth and adjusted pre-tax profit growth in constant currency.

Key drivers
We believe that progressing the following key drivers will support the delivery of our financial priorities over time:

- **E-commerce sales growth and penetration** – grow e-commerce sales and lead the industry;
- **OEB sales growth** – grow total OEB sales, providing differentiation, value for money, and margin;
- **New compact stores** – test and roll out compact stores across our markets;
- **'Big-box' rightsizings** – starting with tests at B&Q and Castorama France;
- **Costs and same-store inventory reduction** – opportunity for self-help and to reverse inefficiencies; and
- **Responsible Business** – 'forest positive' and helping to limit global warming to 1.5°C

Capital allocation
The Group's objectives when managing capital are to invest in the business where economic returns are attractive, target a solid investment grade credit rating, safeguard the Group's ability to continue as a going concern and retain financial flexibility, and to provide attractive returns to shareholders.

We aim to allocate capital, subject to strict returns criteria, to meet the strategic needs of the business. Our focus is to invest in compelling organic or inorganic growth opportunities that strengthen and accelerate our strategy. Our target is gross capex of approximately 3.0 to 3.5% of total sales per annum, on average.

To achieve a solid investment grade credit rating, our target is 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 and cash equivalents, and committed debt facilities), which is currently set at £1 billion.

At the time of our FY 20/21 results 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, to be applied from this financial year. We aim to grow the ordinary dividend progressively over time.

If the above objectives have all been achieved, after considering the capital needs of the business as described above, and there remains surplus capital, the Board will evaluate returning this surplus capital to shareholders in addition to the ordinary dividend.

Interim ordinary dividend
Based on the strong performance to date and the outlook for the rest of the year, the Board has declared an interim dividend of 3.80 pence per share, up 38% on the H1 20/21 interim dividend of 2.75 pence per share.

The interim dividend will be paid on 12 November 2021 to shareholders on the register at close of business on 8 October 2021. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 7 October 2021. For those shareholders electing to participate in the DRIP, the last date for receipt of elections is 22 October 2021.

Share buyback
In line with our capital allocation policy described above, the Board has determined that there is surplus capital available to return to shareholders. In addition to the ordinary dividend, the Board is pleased to announce the return of £300 million of surplus capital via a share buyback programme. The programme will commence soon.

Section 3: Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
B&Q	2,378	1,839	+29.3%	+29.4%	+28.8%	+34.0%
Screwfix	1,192	914	+30.4%	+30.4%	+26.8%	+25.4%
Total sales	**3,570**	**2,753**	**+29.7%**	**+29.7%**	**+28.1%**	**+31.2%**

Retail profit	**579**	**411**	**+40.8%**	**+40.8%**
Retail profit margin %	16.2%	14.9%	+130bps	+130bps

Kingfisher UK & Ireland sales increased by 29.7% (LFL +28.1%) to £3,570 million, with 2-year LFL sales up 31.2%, reflecting strong demand in all categories throughout H1 from both retail and trade customers. Q1 21/22's performance (LFL +65.0%) benefitted from weak comparatives due to prior year temporary store closures. Our banners significantly improved their competitive position in the UK home improvement market, and engagement with new and existing customers was strong, with both store and website NPS significantly improving YoY. Gross margin % increased by 10 basis points, largely reflecting higher volume rebates earned and effective management of inflation; partially offset by category mix and, at Screwfix, increased promotions and higher supply & logistics costs.

Retail profit increased by 40.8% to £579 million, with a strong performance from both B&Q and Screwfix. Operating costs increased by 23.9% largely due to higher costs associated with strong trading (including headcount increases and higher staff incentives), 23 net new store openings, prior year business rates and furlough relief (subsequently repaid in H2 20/21), and the reversal of some COVID-related temporary cost reduction measures implemented in H1 20/21 (e.g. advertising and marketing). This was partially offset by cost reductions achieved as part of our strategic cost reduction programme.

B&Q total sales increased by 29.4% to £2,378 million (LFL +28.8%), with 2-year LFL sales up 34.0%. On a LFL basis, 'big-ticket' items saw a strong recovery, with showroom (kitchens and bathrooms) in the top-performing categories, while demand remained strong for outdoor products. LFL sales of weather-related categories increased by c.32% (increase of c.50% on a 2-year LFL basis), while sales of non-weather-related categories, including showroom, increased by c.27% (increase of c.27% on a 2-year LFL basis). B&Q's e-commerce sales grew strongly in H1 21/22, increasing by 28% and representing 11% of total sales (H1 20/21: 11%; H1 19/20: 5%).

The relaunch of **TradePoint**, B&Q's trade-focused banner, is underway. The business continues to be a significant part of B&Q at c.19% of its sales. LFL sales for TradePoint outperformed the rest of B&Q, growing c.39% in H1 21/22, with 2-year LFL sales also up c.39%. Engagement with trade customers continues to be high, with the loyalty program benefitting from continued new sign-ups. Going forward, the loyalty scheme will be integrated into our digital platforms, giving customers the ability to understand current spend levels, and additional spend requirements to trigger higher discount bands (up to 10%). Work is also ongoing to address gaps in ranges, and to improve the digital customer journey and services proposition. We are in the process of trialling a small number of new store layouts.

B&Q opened four new stores in H1 21/22, including two compact stores and two further store-in-store concessions within ASDA supermarkets.

Screwfix total sales increased by 30.4% (LFL +26.8%) to £1,192 million, with 2-year LFL sales up 25.4%, reflecting continued strong momentum, in particular from trade customers. Space growth contributed c.4% to total sales. E-commerce sales grew by 14%, representing 70% of total sales (H1

20/21: 80%; H1 19/20: 32%). H1 20/21 online penetration was higher as all stores were closed for in-store browsing and purchasing from late March to late July 2020. The business continued to strengthen its digital proposition, launching an innovative new mobile app which has been very well received by customers to date, with mobile remaining the dominant channel of ordering online.

In H1 21/22, Screwfix opened 19 net new stores (including six in the Republic of Ireland). The total number of stores as of 31 July 2021 is 741, including 18 in the Republic of Ireland. The business now has a medium term target of over 1,000 stores in both the UK and Republic of Ireland. See *'Other International'* below for further information on Screwfix's launch in France.

FRANCE

£m	**2021/22**	**2020/21**	**% Reported Change**	**% Constant Currency Change**	**% LFL Change**	**% 2-year LFL Change**
Castorama	1,237	1,055	+17.3%	+20.3%	+23.1%	+14.0%
Brico Dépôt	1,200	973	+23.3%	+26.5%	+25.8%	+20.5%
Total sales	**2,437**	**2,028**	**+20.2%**	**+23.3%**	**+24.4%**	**+17.1%**

Retail profit	**129**	**63**	**+104.1%**	**+109.3%**
Retail profit margin %	5.3%	3.1%	+220bps	+220bps

Kingfisher France sales increased by 23.3% (LFL +24.4%) to £2,437 million, with 2-year LFL sales up 17.1%, reflecting strong demand in all categories. A reduction in space following the permanent closure of eight Castorama stores in FY 20/21 impacted total sales by c.-1%. COVID-related restrictions in France led to some temporary store closures throughout the first quarter (and part of the second quarter), impacting total H1 21/22 LFL sales by c.-3%. These trading restrictions mostly impacted Castorama's larger stores, contributing to Brico Dépôt's relative outperformance in H1 21/22 (Brico Dépôt's store estate consists of mainly medium-sized stores, which were not required to close). LFL sales growth also benefited from our decision to gradually open more stores on Sundays, since Q3 20/21, to satisfy higher demand safely.

Our banners continue to improve their competitive position in the French home improvement market. In H1 21/22, Kingfisher France outperformed the market on a 2-year basis (based on *Banque de France* data), excluding the impacts on trading from COVID-related restrictions in the period.

Gross margin % increased by 80 basis points, largely reflecting positive range initiatives (including higher OEB weighting at Brico Dépôt), supply & logistics efficiencies, and effective management of inflation. This was partially offset by an upweighting of special promotions *(arrivages)*, trading events and category mix.

Retail profit increased by 109.3% to £129 million, reflecting strong growth in gross profit, partially offset by an increase in operating costs of 18.3%. Operating costs increased due to higher costs associated with strong trading, including higher staff costs (headcount and staff incentives) and store-related costs. In addition, H1 20/21 benefitted from COVID-related temporary cost reduction measures (e.g. advertising and marketing) and *'activité partielle'* relief related to temporary store closures in 2020. The increase in operating costs were partially offset by the annualisation of cost benefits from the permanent closure of eight Castorama stores in FY 20/21.

Castorama total sales increased by 20.3% (LFL +23.1%) to £1,237 million, with 2-year LFL sales up 14.0%. LFL sales of weather-related categories increased by c.23% (increase of c.24% on a 2-year LFL basis), while LFL sales of non-weather-related categories, including showroom, increased by c.23% (increase of c.11% on a 2-year LFL basis). COVID-related restrictions imposed on Castorama's stores throughout Q1 21/22 (and some of the second quarter) impacted H1 21/22 LFL sales by c.-5%. Further commentary on many of the operational improvements made at Castorama France are detailed in *'Rapid progress made with 'fixing' issues from previous years'*, within Section 2. Castorama's e-commerce sales increased by 74% in H1 21/22, representing c.8% of total sales (H1 20/21: 6%; H1 19/20: 2%).

Brico Dépôt total sales increased by 26.5% (LFL +25.8%) to £1,200 million, with 2-year LFL sales up 20.5%. Brico Dépôt's performance benefitted from being able to keep most of its stores open during the period (except for four stores that were only open to trade customers and for C&C). The upweighting of special promotions *(arrivages)* is contributing to increased customer engagement and improved price perception. Brico Dépôt's e-commerce sales increased by 13% in H1 21/22, representing c.6% of total sales (H1 20/21: 7%; H1 19/20: 2%). Brico Dépôt opened two new 'medium-box' stores in H1 21/22 (both conversions of former Castorama stores).

OTHER INTERNATIONAL

	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
Sales (£m)						
Poland	743	783	(5.0)%	(0.6)%	(5.0)%	(1.7)%
Iberia	196	138	+41.9%	+45.5%	+45.5%	+13.0%
Romania±	152	107	+41.5%	+47.6%	+19.2%	+31.9%
Other±±	3	-	n/a	n/a	n/a	n/a
Other International (ex-Russia)	**1,094**	**1,028**	**+6.5%**	**+11.1%**	**+4.7%**	**+3.9%**
Russia	-	112	(100.0)%	(100.0)%	n/a	n/a
Other International	**1,094**	**1,140**	**(4.0)%**	**+1.1%**	**+4.7%**	**+3.9%**

Retail profit (£m)				
Poland	58	74	(19.9)%	(16.1)%
Iberia	11	1	n/a	n/a
Romania±	(6)	(11)	+48.5%	+46.3%
Other±±	(5)	n/a	n/a	n/a
Turkey (50% JV)	1	-	n/a	n/a
Other International (ex-Russia)	**59**	**64**	**(5.5)%**	**(1.0)%**
Russia	-	(5)	(100.0)%	(100.0)%
Other International	**59**	**59**	**+2.4%**	**+6.4%**

Retail profit margin %				
Poland	8.0%	9.4%	(140)bps	(150)bps
Other International (ex-Russia)	**5.5%**	**6.2%**	**(70)bps**	**(70)bps**
Other International	**5.5%**	**5.1%**	**+40bps**	**+30bps**

± Kingfisher's subsidiary in Romania has historically prepared its financial statements to 31 December. In FY 21/22, Romania is migrating to Kingfisher's financial reporting calendar (year ending 31 January 2022). Its sales and retail loss presented therefore include 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 sales and retail loss are for January to July 2021 (compared against January to June 2020), whilst LFL and 2-year LFL sales growth for Romania compares February to July 2021 to the equivalent periods in prior years. Romania's LFL sales growth in the month of January 2021 was 22.2%.
±± '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 (ex-Russia) total sales increased by 11.1% (LFL +4.7%) to £1,094 million, with 2-year LFL sales up 3.9%, driven by strong growth in Iberia and Romania, partially offset by a decline in Poland due to the impact of temporary store closures. Retail profit decreased by 1.0% to £59 million, with improved performances in Iberia, Romania and Turkey offset by a lower retail profit in Poland and losses incurred in 'Other' operations. Including Russia's retail loss in H1 20/21 (disposal completed on 30 September 2020), **Other International** retail profit increased by 6.4%.

Sales in **Poland** decreased by 0.6% (LFL -5.0%) to £743 million, with 2-year LFL sales down 1.7%. This reflects the impact from the temporary closure of all Castorama stores between 27 March and 3 May 2021, partially offset by the strong recovery seen in Q2 21/22. Temporary store closures had a net impact of c.-9% on H1 21/22 LFL sales. The kitchens category outperformed all categories, supported by the new OEB kitchens range, strong price positioning and the wider project proposition. Space growth contributed c.4% to total sales. LFL sales of weather-related categories decreased by c.4% (increase of c.5% on a 2-year LFL basis) while sales of non-weather-related categories, including showroom, decreased by c.5% (decrease of c.3% on a 2-year LFL basis). Poland's e-commerce sales continued to grow strongly in H1 21/22, increasing by 35% and representing c.7% of total sales (H1 20/21: 5%; H1 19/20: 2%). Gross margin % increased by 70 basis points, largely reflecting range initiatives and effective management of inflation. Retail profit decreased by 16.1% to £58 million with limited growth in gross profit (impacted by temporary store closures in H1) more than offset by an increase in operating costs of 8.4%. Operating costs increased largely due to space growth and new store opening costs, costs associated with the new Polish retail sales tax (effective from January 2021) and inflation; partially offset by cost savings related to the period of temporary store closures and lower staff bonuses. Five new stores were opened during the period, including two large big-boxes, two medium-boxes and one compact format store.

In **Iberia**, sales increased by 45.5% (LFL +45.5%) to £196 million, with 2-year LFL sales up 13.0%. This reflects strong demand, in particular in the building & joinery, surfaces & décor and outdoor categories, as well as a recovery in trading following prior year COVID-related temporary store closures in Spain. Retail profit increased to £11m from £1m, reflecting strong growth in gross profit, partially offset by an increase in operating costs of 34.9%. Operating costs increased largely due to higher costs associated with strong trading, and due to H1 20/21 benefitting from COVID-related temporary cost reduction measures and government wage relief.

Romania's sales and retail loss include one additional month of results (July 2021) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Sales increased by 47.6% (LFL +19.2%) to £152 million, with 2-year LFL sales up 31.9%, reflecting strong performance in building & joinery, surfaces & décor and outdoor categories. Growth in gross profit was partially offset by higher operating costs, mainly driven by higher staff costs and inflation. As a result, the business reduced its retail loss by 46.3% to £6 million (H1 20/21: £11 million reported retail loss).

As previously announced, Kingfisher completed the sale of Castorama **Russia** on 30 September 2020. H1 21/22 Group sales were impacted by c.-2% as a result of the YoY reduction in space related to Russia.

In **Turkey**, Kingfisher's 50% joint venture, Koçtaş, contributed £1 million of retail profit (H1 20/21: nil).

'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 £5 million was incurred, as they scale up for growth. In November 2020, Kingfisher acquired **NeedHelp**, one of Europe's leading home improvement services marketplaces. As part of its broader international expansion plans, **Screwfix** launched in France as a pure-play online retailer in April 2021. Investment in expansion will now be accelerated, and we expect to open Screwfix's first stores in France in 2022. As announced in March 2021, we signed a **franchise** agreement with the Al-Futtaim Group to expand B&Q into the Middle East. We are on track to open the first two B&Q-franchised stores in Saudi Arabia in H2 21/22. The stores and support office functions will be fully operated and staffed by the Al-Futtaim Group.

RETAIL BANNER EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 July 2021	Store numbers at 31 July 2021	Sales area[1] (000s m^2) at 31 July 2021
B&Q	18,828	305	2,209
Screwfix	9,813	741	46
UK & Ireland	**28,641**	**1,046**	**2,255**
Castorama	12,017	93	1,160
Brico Dépôt	8,908	123	862
France	**20,925**	**216**	**2,022**
Poland	12,195	88	763
Iberia	1,962	31	195
Romania	2,575	35	253
Other[2]	46	-	-
Other International	**16,778**	**154**	**1,211**
Total	**66,344**	**1,416**	**5,488**

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

Section 4: FY 2021/22 Technical guidance

Significant updates to our previous guidance are noted below ***in italics***.

The following guidance applies in the event of no adverse change in COVID-related confinement measures (for example, new lockdown restrictions resulting in store or showroom closures). Please also refer to Section 7 for further details regarding forward-looking statements.

Income statement:

- LFL sales outlook
  - ***H2 21/22 –*** *planning for LFL scenarios of -7% to -3% (previously -15% to -5%), with corresponding 2-year LFLs of +9% to +13%*
- Space
  - Anticipate net space growth (excluding Russia) to impact total sales by c.+1.5%, largely from the UK and Poland
  - Total sales impact from the disposal of Russia in the prior year will be c.-1.5%
- Central costs
  - *Expected to be c.£58-60m (previous guidance 'broadly flat year on year'; FY 20/21: £54m)*
- IT development
  - *Following recent new guidance, the Group is reviewing its policy on accounting for 'software as a service' related IT development. Indicatively, this may result in a total charge of c.£10m in FY 21/22*
- Net finance costs
  - *Expected to decrease by c.£15m as a result of lower lease liability balance and lower non-lease interest (previous guidance 'decrease by c.£10m'; FY 20/21: £160m)*
- Adjusted pre-tax profit
  - *Anticipate full year adjusted pre-tax profit in the range of c.£910m to £950m*
- Tax rate
  - *Group adjusted effective tax rate* expected to be c.22%*[(1)] *(previous guidance c.23%; FY 20/21: 23%)*

Cash flow:

- *Working capital – anticipate temporary working capital benefits from prior year to continue reversing in H2, related to inventory rebuild and reversal of creditor positions*
- Capital expenditure – continue to target gross capex of up to 3.5% of total sales, including c.£70m of capex deferred from FY 20/21 (FY 20/21: £281m; FY 19/20: £342m)
- Tax – as anticipated, in H1 21/22 we paid c.£64m (including interest) to HMRC in relation to the EC state aid challenge. The full amount is being contested and is recorded as a receivable
- *Share buyback – £300m to be returned to shareholders via a share buyback programme; to commence soon*
- *Dividends – dividend policy target cover range of 2.25 to 2.75 times, based on adjusted basic earnings per share; cover may move above this range in FY 21/22*

(1) Subject to the blend of profit within the Group's various jurisdictions.

Section 5: H1 2021/22 Financial review

A summary of the reported financial results for the six months ended 31 July 2021 is set out below.

Financial summary	2021/22	2020/21	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	£7,101m	£5,921m	+19.9%	+22.2%	+22.8%
Gross profit	£2,697m	£2,186m	+23.4%	+25.4%	
Gross margin %	38.0%	36.9%	+110bps	+100bps	
Operating profit	£747m	£486m	+53.9%		
Statutory pre-tax profit	£677m	£398m	+70.6%		
Statutory post-tax profit	£556m	£317m	+75.2%		
Statutory basic EPS	26.4p	15.1p	+74.8%		
Net increase in cash[1]	£444m	£1,513m	(70.7)%		
Interim dividend	3.80p	2.75p	+38.2%		
Adjusted metrics					
Retail profit	£767m	£533m	+44.1%	+45.1%	
Retail profit margin %	10.8%	9.0%	+180bps	+170bps	
Adjusted pre-tax profit	£669m	£415m	+61.6%		
Adjusted pre-tax profit margin %	9.4%	7.0%	+240bps		
Adjusted post-tax profit	£525m	£317m	+65.3%		
Adjusted basic EPS	24.9p	15.1p	+64.9%		
Free cash flow	£723m	£1,042m	(30.6)%		
Net debt[2]	£(908)m	£(1,377)m	(34.1)%		

(1) Net increase in cash and cash equivalents and bank overdrafts.
(2) Net debt includes c.£2.3 billion lease liabilities under IFRS 16 in H1 21/22 (H1 20/21: c.£2.5 billion).

Total **sales** increased by 22.2% on a constant currency basis, to £7,101 million, largely driven by a strong sales performance in the UK and France. On a reported basis, which includes the impact of exchange rates, total sales increased by 19.9%. LFL sales increased by 22.8%, which excludes the sales impact from a net reduction in space of -0.6%, mostly driven by the disposal of Russia in September 2020. During H1 21/22, we opened 31 new stores (including 18 stores in the UK, six in the Republic of Ireland, five in Poland and two in France) and closed one store in the UK.

Gross margin % increased by 100 basis points on a constant currency basis, reflecting effective management of inflation, ranging initiatives, net supply & logistics efficiencies and the disposal of Russia; partially offset by higher promotions and trading events, and category mix. On a reported basis, gross margin % increased by 110 basis points.

Reported **retail profit** increased by 44.1% including £4 million of unfavourable foreign exchange movement on translating foreign currency results into sterling. In constant currency, retail profit increased by 45.1%, driven largely by a strong performance in the UK & Ireland and France. The Group's strong gross profit performance (an increase of 25.4% in constant currency) was partly offset by higher operating costs. **Operating costs** increased by 19.0% on a constant currency basis, largely reflecting higher costs associated with strong trading; new store openings; higher store property costs (H1 20/21 benefitted from government business rates relief, subsequently repaid in H2 20/21); higher staff costs (headcount increases, and H1 20/21 benefitting from wage furlough relief that was subsequently repaid in H2 20/21); and the reversal of some temporary cost measures implemented in H1 20/21 (e.g. advertising and marketing); partially offset by the delivery of cost saving initiatives, and the annualisation of cost benefits from the disposal of Russia and the permanent closure of eight Castorama France stores, both in FY 20/21.

Statutory pre-tax profit, which includes adjusting items, increased by 70.6% to £677 million. This reflects higher operating profit, and lower net finance costs and adjusting items before tax.

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

	2021/22 £m	2020/21 £m	Increase/ (decrease)
Retail profit	**767**	533	44.1%
Central costs	**(27)**	(28)	n/a
Share of interest and tax of joint ventures & associates	**(1)**	(2)	n/a
Net finance costs	**(70)**	(88)	n/a
Adjusted pre-tax profit	**669**	415	61.6%
Adjusting items before tax	**8**	(17)	n/a
Statutory pre-tax profit	**677**	398	70.6%

Net finance costs of £70 million (2020/21: £88 million) consists principally of interest on IFRS 16 lease liabilities. Net finance costs decreased by 21%, largely due to lower lease liabilities and debt repayments.

Adjusting items after tax were £31 million (2020/21: nil), as detailed below:

	2021/22 £m Gain/(charge)	2020/21 £m Gain/(charge)
Russia impairments & other exit costs	**-**	(27)
Property disposals	**1**	-
Other	**7**	10
Adjusting items before tax	**8**	(17)
Prior year and other adjusting tax items	**23**	17
Adjusting items after tax	**31**	-

The Group no longer uses the term 'exceptional adjusting items' within its Alternative Performance Measure definitions, with the term 'adjusting items' now judged to be more appropriate. This represents a change in terminology and presentation only, with no impact on adjusted or statutory performance measures. Refer to note 2 of the condensed financial statements.

A profit of £1 million was recorded on the disposal of one property in France. The 'Other' adjusting item of £7 million relates to the release of a liability that was held in relation to an uncertain tax position in France. This formed part of a liability of £26 million that had been recorded as an adjusting item in FY 19/20. 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 8 of the condensed financial statements for further information.

Taxation

The Group's adjusted effective tax rate 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 effective tax rate, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 22% (2020/21: 24%). The reduction from the prior year is a combination of the sale of the loss-making Russian business, a French tax rate reduction, as well as the 'super-deduction' incentive in the UK whereby additional tax reliefs can be claimed on qualifying capital expenditure.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these lower the rate from 22% to 18%. This mainly reflects the revaluation of UK deferred tax balances due to the enacted future UK tax rate increase, as well as the applicable tax treatment of adjusting items, and the release of prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired.

	Pre-tax profit £m	Tax £m	2021/22 %	Pre-tax profit £m	Tax £m	2020/21 %
Adjusted effective tax rate	**669**	**(144)**	**22%**	415	(98)	24%
Adjusting items	**8**	**23**		(17)	17	
Statutory effective tax rate	**677**	**(121)**	**18%**	398	(81)	20%

The Group has been impacted by the European Commission's state aid decision published in April 2019, which concerns the UK's controlled foreign company rules. Along with the UK government and other UK-based international companies, Kingfisher has appealed the decision to the European courts. In H1 21/22 Kingfisher paid £64 million (including interest) to HMRC in relation to the state aid decision. The full amount is being contested and is recorded as a receivable. Refer to note 17 of the condensed financial statements.

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 2022/23	Statutory tax rate 2021/22
UK	19%	19%
France	26%	28%
Poland	19%	19%

Adjusted basic earnings per share increased by 64.9% to 24.9p (2020/21: 15.1p), which excludes the impact of adjusting items. **Basic earnings per share** increased to 26.4p (2019/20: 15.1p) as set out below:

	Earnings[(1)] £m	2021/22 EPS pence	Earnings[(1)] £m	2020/21 EPS pence
Adjusted basic earnings per share	**525**	**24.9**	317	15.1
Adjusting items before tax	**8**	**0.4**	(17)	(0.8)
Prior year and other adjusting tax items	**23**	**1.1**	17	0.8
Basic earnings per share	**556**	**26.4**	317	15.1

(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, up 38% on the H1 20/21 interim dividend of 2.75 pence per share.

For further details please refer to *'Interim ordinary dividend'* 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 repayments 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 (for example, COVID-related temporary store closures). 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 £1 billion.

Net debt to EBITDA

As a result of the Group's strong cash position, the Group ended the period with £0.9 billion (2020/21: £1.4 billion) of net debt on its balance sheet including £2.3 billion (2020/21: £2.5 billion) of total lease liabilities. The ratio of the Group's net debt to EBITDA was 0.5 times as of 31 July 2021

(0.9 times as of 31 January 2021). 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 c.2.0 times net debt to EBITDA. For further details please refer to *'Clear financial priorities and drivers'* within Section 2.

Net debt to EBITDA is set out below:

	2021/22 Moving annual total £m	2020/21 Year end £m
Retail profit	**1,237**	1,003
Central costs	**(53)**	(54)
Depreciation and amortisation	**545**	536
EBITDA	**1,729**	1,485
Net debt	**908**	1,394
Net debt to EBITDA	**0.5**	0.9

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 facilities
In May 2021 the Group entered into a new £550 million three-year revolving credit facility (RCF) agreement with a group of its relationship banks, linked to sustainability and community-based targets. The new credit facility expires in May 2024 and replaces the two previous facilities (£225 million that was due to expire in March 2022 and £550 million, most of which was due to expire in August 2023), which were cancelled in June 2021. As of 31 July 2021 this RCF was undrawn.

European Medium Term Note programme
Kingfisher plc has a €2.5 billion European Medium Term Note (EMTN) programme in place, which allows it to issue debt in the capital markets. As of 31 July 2021, there were no notes in issue under the programme.

Other borrowings
The Group has a £50 million fixed term loan maturing in December 2021. The Group intends to repay its €50 million fixed term loan on 21 September 2021.

Note that for presentational purposes, reported prior period cash and bank overdraft balances relating to notional cash pooling arrangements as of 31 July 2020 have been restated to meet IFRS requirements for offsetting. There was no impact on the total of cash and overdrafts, net debt, net assets or net profit. Refer to note 2 of the condensed financial statements for further information.

Covenants
The terms of the committed RCF and the £50 million term loan 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 2021, Kingfisher's ratio was higher than this requirement.

Total liquidity
As of 31 July 2021, the Group had access to over £2 billion in total liquidity, including cash and cash equivalents of over £1.5 billion and access to a £550 million 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:

	2021/22 £m	2020/21 £m
Operating profit	**747**	486
Adjusting items	**(8)**	17
Operating profit (before adjusting items)	**739**	503
Other non-cash items[1]	**295**	286
Change in working capital	**157**	656
Pensions and provisions	**(13)**	(14)
Net rent paid	**(242)**	(211)
Operating cash flow	**936**	1,220
Net interest paid	**(4)**	(11)
Tax paid	**(78)**	(80)
Gross capital expenditure	**(131)**	(87)
Free cash flow	**723**	1,042
Ordinary dividends paid	**(174)**	-
Share purchase for employee incentive schemes	**(29)**	-
Other tax authority payments[2]	**(64)**	-
Disposal of assets and other[3]	**(9)**	(17)
Net cash flow*	**447**	1,025
Opening net debt	**(1,394)**	(2,526)
Movements in lease liabilities	**78**	69
Other movement including foreign exchange	**(39)**	55
Closing net debt	**(908)**	(1,377)

(1) Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.
(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.

Operating profit before adjusting items was £236 million higher than last year, largely reflecting higher profits in the UK & Ireland and France.

The working capital inflow of £157 million reflects the continued strong sales performance of the Group in H1 21/22. The inflow is driven by a £460 million increase in payables (net of receivables) reflecting timing of inventory purchases and higher VAT creditors associated with continued strong sales levels, partially offset by an increase in net stock of £303 million, largely due to the ongoing rebuild of inventory levels.

Gross capital expenditure in H1 21/22 was £131 million, increasing by 51% (2020/21: £87 million). Following the onset of the pandemic in H1 20/21, capital expenditure was largely limited to essential areas, and as a result approximately £70 million was deferred to FY 21/22 (for further details please refer to *'FY 2021/22 Technical guidance'* within Section 4). Of the expenditure in H1 21/22, 33% was invested on refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 16% on new stores, 31% on technology and digital development, 9% on range reviews and 11% on other areas including supply chain investment.

Overall, free cash flow for H1 21/22 was £723 million (2020/21: £1,042 million).

Net debt (including IFRS 16 lease liabilities) as of 31 July 2021 was £908 million (2020/21: £1,377 million).

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

	2021/22 £m	2020/21 £m
Free cash flow	**723**	1,042
Purchase of own shares for ESOP trust	**(29)**	-
Ordinary dividends paid	**(174)**	-
Other tax authority payments(1)	**(64)**	-
Disposal of assets and other(2)	**(9)**	(17)
Net cash flow	**447**	1,025
Repayment of bank loans	**(3)**	(1)
Issue of fixed term debt	**-**	1,950
Repayment of fixed term debt	**-**	(1,461)
Net increase in cash and cash equivalents and bank overdrafts	**444**	1,513

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

Pensions

As of 31 July 2021, the Group had a net surplus of £361 million (2020/21: £359 million net surplus as of 31 January 2021) in relation to defined benefit pension arrangements, of which a £506 million surplus (£504 million surplus as of 31 January 2021) was in relation to the UK scheme. The net surplus has remained stable, mainly due to returns on the UK scheme assets being offset by actuarial losses on the liabilities driven by a higher inflation rate assumption. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. Refer to note 12 of the condensed financial statements.

In July 2021, the Kingfisher Pension Scheme purchased a pensioner buy-in policy with an insurer for £902 million. The Scheme has now insured around 35% of the pension scheme liabilities. The buy-in policy covers specific pensioner liabilities and passes risk to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity.

Risks

The principal risks and uncertainties have been reviewed as part of our half year procedures and are unchanged since the FY 20/21 year-end. We have retained ‘Contagious Diseases’ as a separate risk as we believe this could still have a significant impact to our operations. While the overall risk around the COVID pandemic is decreasing as vaccinations become more widely available, the development of new variants that are more transmissible, or resistant to vaccines, may challenge a return to normal. There is an ongoing risk of colleagues being unavailable for work, both in our organisation and our suppliers. We also continue to see pandemic related pressure on the availability of raw materials and component parts and on the global supply chain.

- **Our People:** Our colleagues are critical to the successful delivery of our ‘Powered by Kingfisher’ strategy. We have rebalanced responsibilities between Group and local level to set the right conditions for our individual banners to grow and to leverage the Group’s scale and expertise to meet customer needs. Failure to manage the impact of organisation changes, 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 ‘Powered by Kingfisher’, 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. Actions are already underway bringing continuous improvements to our offer, market positions and cost base. We have high ambitions that require changes to roles and ways of working, while continuing to implement our IT systems 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:** A prolonged global health threat and associated government restrictions 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 countries. High levels of absence in our workforce could impact our ability to operate stores and warehouses, deliver products or provide appropriate functional support to our business. There is also a risk that we are perceived not to prioritise safety by our customers, colleagues or stakeholders, which could negatively impact our brands. 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 supply chains and delivery solutions to deliver our products to our customers. There has been significant disruption caused by the pandemic with congestion at ports and an increased demand for containers. The pandemic has also caused operational difficulties for our suppliers, testing their ability 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 online retailers. The pandemic has accelerated changes in the market, with a sharp rise in the use of online marketplaces. Competitors are also developing their offers, including both direct-to-customer operations and the services offered. Targeted actions by competitors could negatively impact our market share, the value of our assets and our financial results.
- **Changing Customer Preferences:** The pandemic has caused an acceleration in the pace of change, with a greater use of e-commerce solutions for click & collect and home delivery. We must ensure 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, to make our product sufficiently compelling to customers and available when and where they want it. Failure to identify new trends and optimise our channels 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 and relies on a global supply base, exposing us to geopolitical uncertainty and local volatility. Forms of disruption could include strikes, work stoppages and/or our ability to receive products from affected countries. This could also include the restrictions imposed by different governments in response to the current pandemic. Market volatility has increased due to the pandemic, creating a prolonged economic downturn resulting in changing customer behaviours and reduced consumer confidence. If governments try to recoup their budget deficits incurred 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 have increased in recent years and the retail sector has joined a number of industry sectors as a target due to it becoming more data-driven. Several high-profile organisations have suffered severe security incidents in recent times that have had an impact on operations, profitability and reputation, demonstrating the requirement to protect data, detect breaches, and respond accordingly.
- **Reputation and Trust:** Our customers, colleagues, suppliers, investors and the communities in which we operate expect us to conduct our business in a way that is responsible. We have publicly communicated ambitious Responsible Business targets – 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 40 to 46 of the 2020/21 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 9 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

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			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 9 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.
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 disposal 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 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.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross profit, gross margin %, retail profit and retail profit margin % 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.
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, year on year sales growth for stores that have been open for more than one year. Stores temporarily closed

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's performance on a comparable basis.
2-year LFL	Sales	Refer to definition	2-year LFL is calculated by compounding current and prior year LFL growth. For example, current year LFL growth of 10% and prior year LFL growth of 5% results in 2-year LFL growth of 15.5%. Prior year LFL growth excludes Russia for the purposes of the Group and Other International 2-year LFL calculations. It is a measure to reflect the Group's performance on a comparable basis.
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.
Non-recurring net cost savings	No direct equivalent	Not applicable	Non-recurring net cost savings relate to the prior year (FY 20/21) and include discretionary cost savings achieved following the onset of the pandemic (such as advertising & marketing) and government furlough programme support. This is net of one-off COVID-related costs, including supply & logistics costs, costs of PPE and social distancing, donations, new store layouts, additional store security, and additional bonuses to frontline store colleagues.
Retail profit	Profit before taxation	A reconciliation to profit before taxation is set out in the Financial Review (Section 5) and note 4 of the condensed financial statements	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. Retail

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			profit margin % represents retail profit as a percentage of sales. It is a measure of operating performance.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, year on year change in net inventory before the impact of store openings and closures. 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.

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

E-commerce sales are total sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre. References to digital or e-commerce sales growth relates to growth at constant currency and covers the total Group, excluding Russia.

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 media buying, mechanical handling equipment, printing & paper).

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, Russia, '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.

Sales refer to Group sales excluding Joint Venture (Koçtaş JV) sales.

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 UK & Ireland and Screwfix 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 2021. 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).

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 include all matters that are not historical facts and speak only as of the date on which they are made and include 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, changes in tax rates, exchange rates or interest rates, changes to customer preferences, liquidity, prospects, growth and strategies, 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 involve inherent risks, assumptions and uncertainties that could cause actual events or results or actual performance of the Company 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 or warranty is made as to the achievement or reasonableness of, and no reliance should be placed on, such forward-looking statements.

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.