Half year results for the 6 months ended 31 July 2019 (unaudited)

Financial highlights	**2019/20**	**2018/19(1)**	**% Total Change Reported**	**% Total Change Constant currency***	**% LFL* Change Constant currency**
Sales	£5,997m	£6,080m	(1.4)%	(0.9)%	(1.8)%
Gross margin*	37.0%	36.4%	+60bps	+60bps	
Retail profit*	£466m	£490m	(4.8)%	(4.4)%	
Underlying pre-tax profit*	£353m	£377m	(6.4)%		
Adjusted pre-tax profit*	£337m	£325m	+3.7%		
Statutory pre-tax profit	£245m	£280m	(12.5)%		
Statutory post-tax profit	£171m	£206m	(17.0)%		
Underlying basic EPS*	12.3p	12.8p	(3.9)%		
Adjusted basic EPS*	11.8p	11.0p	+7.3%		
Statutory basic EPS	8.1p	9.6p	(15.6)%		
Interim dividend	3.33p	3.33p	-		
Net debt*(2)	£2,384m	£2,661m	n/a		

H1 19/20 Group results:

- Total sales down 0.9% in constant currency
- LFL down 1.8% with growth in Screwfix, Poland and Romania offset by B&Q and France
- Transformation activity continued across the Group including significant new range implementation in H1
  - Unified product (COGS) now 59% (H1 18/19: 42%); H1 unified sales up 0.4%
  - Digital sales* up 18%; now 7% of total Group sales (H1 18/19: 6%)
- H1 Group gross margin % up 60 basis points, largely driven by sourcing benefits
  - Unified sourcing benefits contributed 80 basis points to Group gross margin %, outweighing clearance impact of -40 basis points
  - Gross margin % for UK and Brico Dépôt France up
- Retail profit down 4.4% in constant currency, largely driven by France
- Adjusted pre-tax profit up 3.7%, reflecting lower transformation P&L costs*
- Statutory pre-tax profit down 12.5%, after exceptional items*
- Balance sheet remains strong
  - Net debt (post-IFRS 16) reduced by £158m since year end
  - Net debt (post-IFRS 16) to last twelve months' EBITDA* multiple of 1.8 times

Outlook for FY 19/20:

- Focused on improving execution and delivering priorities for the year, including the launch of key new and differentiated ranges (e.g. B&Q kitchens in H2 19/20) and optimising the implementation of key transformation enablers
- Outlook by geography remains mixed; continued uncertainty around UK consumer demand
- Continue to expect FY 19/20 gross margin % after clearance to be flat(3), including c. £30-35m of incremental clearance costs (including B&Q kitchens in H2 19/20)
- Thierry Garnier to join as CEO on 25 September

**Throughout this release '*' indicates the first instance of a term defined and explained in the Glossary (Section 5). Not all of the figures and ratios used are readily available from the unaudited half year results included in part 2 of the announcement. These non-GAAP measures (also known as alternative performance measures), including constant currency and like-for-like sales growth, underlying and adjusted profit measures, management believes are both useful and necessary to better understand the Group's results. Where required, a reconciliation to statutory amounts is set out in the Financial Review (Section 4).*

(1) FY 18/19 comparatives have been restated for IFRS 16 ‘Leases’. Refer to note 18 of the half year condensed financial statements (in part 2 of this announcement) for detailed restatement tables and associated commentary
(2) Net debt includes £2.6 billion lease liabilities under IFRS 16 in H1 19/20 (H1 18/19: £2.8 billion)
(3) Gross margin % movement excluding Russia and Iberia

Véronique Laury, Chief Executive Officer, said:

“Our transformation activity continued in the first half of this year, including new range launches across the Group and the rollout of further capabilities within our unified IT platform. These activities resulted in some ongoing disruption that impacted sales at B&Q and Castorama France. This was partly offset by positive sales performances in Screwfix, which continues to grow its market share, and Poland.

“It has been a great privilege to lead Kingfisher during a period of significant change, both in retail and within our business, and I would like to take this opportunity to thank all of our colleagues for their tireless commitment.”

Andy Cosslett, Chairman, said:

“The Board and I would like to thank Véronique for her vision and her determination in laying the foundations for our future growth. She leaves with our best wishes.

“In Thierry Garnier, who joins Kingfisher next week, we have found the right individual with the right skills and experience to build on the platform that we are establishing. In the near term our focus will be on improving execution and delivering on our key priorities for the year. Thierry will bring a fresh perspective to the Group as we focus on delivering growth in shareholder value and creating a compelling experience for our customers and colleagues.”

Contacts

	Tel:	Email:
Investor Relations	+44 (0) 20 7644 1082	investorenquiries@kingfisher.com
Media Relations	+44 (0) 20 7644 1030	corpcomms@kingfisher.com
Teneo	+44 (0) 20 7260 2700	Kfteam@teneo.com

This announcement can be downloaded from www.kingfisher.com. We can be followed on Twitter (@kingfisherplc) with the half year results tag #KGFHY.

We will host a results presentation to analysts and investors today at 09.00 (UK time) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. A simultaneous live audiocast of the presentation will be available via the Investors section of the Company’s website at www.kingfisher.com and where, subsequent to the live audiocast, a copy of the results presentation will also be available for viewing.

Our next announcement will be the Q3 trading update for the period ended 31 October 2019, on 20 November 2019.

2019/20 interim dividend	8 November 2019
Q3 trading update	20 November 2019
2019/20 final results	24 March 2020(1)

(1) This date is provisional and may be subject to change.

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

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

1) Group update
2) Trading review by division
3) FY 2019/20 Technical guidance
4) H1 2019/20 Financial review and, in part 2 of this announcement, the half year condensed Financial Statements
5) Glossary
6) Forward-looking statements

Section 1: Group update

Kingfisher's transformation plan, which commenced in FY 16/17, has centred around leveraging the scale of the Group for the benefit of its customers and the wider business. The transformation activity has concentrated on three key strategic pillars:

1. creating a unified, unique and leading home improvement **offer**;
2. driving **digital** capability; and
3. optimising **operational efficiency**.

The aim of the transformation is to build a strong foundation from which the Group can create a superior customer proposition, adapt to changes in consumer shopping habits and to deliver more profitable growth.

After three and a half years of transformation activity, the business has been significantly reorganised including establishing a single buying organisation in order to leverage the buying scale of the Group. 59% of product ranges (COGS) have been unified, with sales and gross margin % from unified ranges growing and outperforming non-unified ranges.

In H1 19/20, the gross margin % for unified ranges increased by c. 150 basis points year on year, after cost price inflation and price investment (but before clearance and the impact of logistics & stock inefficiencies), equating to a c. 80 basis points improvement at a Group level.

Alongside sourcing benefits, this unified approach has also allowed the Group to leverage its deep understanding of customer needs to create its own exclusive brands and develop 'unique' ranges offering differentiated design, high functionality, and quality at an affordable price. Sales from unique ranges are a small but growing proportion of overall sales today.

Kingfisher is transforming its digital capability through its unified IT platform in order to deliver long-term operational efficiency and customer benefits. The rollout of the base platform is substantially complete. Digital sales for the Group grew by 18% in H1 19/20 (click & collect +24%), now accounting for 7% of Group sales (6% in H1 18/19; 3% in FY 15/16). In H1 19/20, digital sales (including click & collect sales), website conversion rates and digital penetration each increased in all operating companies.

The scale of the Group is also being leveraged to implement a number of operational efficiency initiatives, including a shared services centre established in Poland. In excess of £100m of savings (largely driven by GNFR* initiatives, to date) have been delivered over the last three and a half years.

Over the same timeframe, the total cost of the transformation plan (P&L, exceptional and capital expenditure) is £537m, and over the five-year period is expected to be less than the £800m originally anticipated.

Transformation on the scale undertaken by the Group has been a complex and substantial programme, involving the setup of new organisational structures, systems and processes. As explained at the FY18/19 results the transformation is delivering clear customer and business benefits, which have been offset by a combination of 'internal' and 'external' factors. 'Internal' factors have included transformation-related disruption and the underperformance of Castorama France. 'External' challenges have included weaker than expected economic growth in the UK, significant cost price inflation (commodity prices and FX) and higher wage inflation in the UK and Poland.

H1 19/20 has followed a similar pattern, resulting in a mixed overall financial performance for the Group. Improving operational execution has been a major focus during the period, although high levels of transformation activity continue to have an impact on operational performance. At the FY 18/19 results in March 2019, clear priorities were set for the year ahead. The next section provides an update on each.

Kingfisher

Focused on delivering priorities for FY 19/20 and improving execution

1. Continue key unified & unique range implementations

Over the last three and a half years, we have leveraged our scale in order to **unify** our offer, which means rationalising the number of SKUs* and suppliers whilst improving the quality and functionality for our customers. This has allowed us to achieve cost price reductions and therefore better prices for our customers. Products are typically unified across the whole range; from selling the same product in all our markets to having some customer-driven market adaptions where needed. Unified includes our own exclusive brands alongside international and national brands.

During the period we also continued the design and development of our own **unique** and differentiated product, some of which was demonstrated at the Group's Innovation Day in London, in May 2019. Unique ranges relate to the development of our own ranges to provide differentiation for customers and offer great value for money and quality. These ranges are not available elsewhere and are sold under our own exclusive brands.

New unified & unique range implementation continued across the Group during H1 19/20, with several significant new ranges implemented within categories such as outdoor, surfaces & décor, bathroom & storage, and tools & hardware. Within this, examples of differentiated products launched in the period include the GoodHome bathroom range, Erbauer cordless power tools range, and GoodHome paint. These new ranges were supported by a series of globally coordinated marketing campaigns to build awareness of new Kingfisher brands.

During H1 19/20, 59% of products (COGS) were unified (42% in H1 18/19), helping to drive an overall uplift in gross margin % for the Group:

- Sales of unified & unique ranges continue to outperform non-unified ranges;
    - Sales of unified & unique ranges, including clearance, were up 0.4%(1) compared to H1 18/19 and sales of non-unified ranges were down 0.9%(1).
- For unified & unique ranges, we achieved sales growth in four of the seven key categories of the Group, and gross profit uplift in all seven(1)(2).
- Gross margin % for unified & unique ranges increased by c. 150 basis points year on year, after cost price inflation and price investment (but before clearance and the impact of logistics & stock inefficiencies). This uplift was on the 59% of COGS that have been unified, therefore contributing c. 80 basis points to the overall Group gross margin % movement in H1 19/20.
- Incremental clearance costs year on year had an adverse impact of 40 basis points on the gross margin % for the Group.

(1) In constant currency including clearance (excludes Iberia, Russia, Praktiker Romania, Screwfix Germany and services)
(2) After cost price inflation and price investment; before logistics & stock inefficiencies

2. Optimise the implementation of key transformation enablers

The transformation of Kingfisher's digital capability is a key enabler of long term operational efficiency and customer benefits, including more efficient vendor management, improved stock availability, better customer fulfilment capabilities, and enhanced ecommerce and digital tools for our customers.

As explained above and in our FY 18/19 results, the rollout across the Group of our base unified IT platform is substantially complete. The operating model across Kingfisher today is underpinned by this IT platform along with a split of responsibilities and processes across local markets and our Group Offer & Sourcing organisation.

In certain areas of the business, particularly Castorama France, the overall change programme is causing disruption. As a result, the Group continues to focus on improving the effectiveness of its enabling technologies and the efficiency of its operational processes. In addition, the Group is building in new modular capabilities to the unified IT platform, with an initial focus on Brico Dépôt France, Poland and Romania.

Over the last three and a half years, the Group has improved the capabilities and performance of its ecommerce platform, while also building digital tools and capabilities for customers (for example, ‘plan my bathroom’, which is now live in B&Q and Castorama France). To support further digital growth, the Group is developing and extending ecommerce capabilities across Kingfisher. Enhancements include higher quality content, more advanced search and checkout capabilities, and digital tools linked to new range launches. The rollout will start with Castorama France in the second half of this year.

3. Address underperformance of Castorama France and other parts of the business

Castorama France: Castorama’s underperformance in H1 19/20 largely reflects the impact of ongoing transformation-related activity, together with the impact of price repositioning. The move to an everyday low prices (EDLP) strategy in the second half of FY 18/19 had a c. -2% impact on Castorama France’s H1 19/20 LFL sales.

Transformation-related activity during the period included the implementation of several significant new unified ranges. Approximately 60% of product ranges have now been unified at the business. Plans are in place for certain key ranges (such as kitchens) to be implemented in the next financial year, and we continue to develop further unique and differentiated product to drive sales growth.

The overall change programme at Castorama France is causing issues in our stock planning, stock management and logistics processes which, in turn, is leading to lower than expected stock availability and fulfilment rates. These issues have arisen due to ongoing challenges with vendor management, product data and changes to store operations, which are all being aligned to the new IT, operational processes and unified ranges within the business. This is further amplified by the complexity of running both new and legacy IT systems while we transition to the new unified IT platform. A number of initiatives are underway at both a Group and local level in the second half of the year to improve the effectiveness of Castorama France’s IT platform, and the efficiency of its operational processes and fulfilment function. Over time, this should improve the overall performance of our supply chain and logistics operations, which is a key enabler for the longer term growth of Castorama France.

In the second half of the year, we are also planning to implement enhanced ecommerce capabilities within the business. In addition, good progress is being made on improving Castorama France’s price perception with customers, as well as addressing cost inefficiencies and loss-making stores within the business:

- Price positioning and customer perception has improved. Castorama France’s price index is now at 101, while the business’ net promoter score (NPS) is up 5 percentage points over the last 12 months;
- Variable cost reduction initiatives, including the transition to finance shared services in the second half of FY 18/19, helped deliver savings in H1 19/20; and
- Following consultation processes conducted during the period, we will be closing nine Castorama France stores over the next 18 months.

In summary, the focus in the second half of FY 19/20 will be on implementing key new and differentiated ranges, improving the effectiveness of the IT platform, improving stock planning and management processes to support better stock availability, improving the efficiency of our fulfilment and logistics operations, and implementing enhanced ecommerce capabilities.

Closing underperforming stores across the business: In line with the plans we outlined in our FY 18/19 results, the relevant consultation processes were conducted during H1 19/20, and 15 stores across the business, including 11 in France, will be closed over the next 18 months. These stores are a combination of owned and leased properties and the estimated cash costs of exit are expected to be covered by the sale proceeds from the owned stores.

Focusing on markets where we are, or can be, leading: In our Q3 18/19 trading update, we announced the strategic decision to exit Russia and Iberia to focus on markets where we have, or can reach, a market leading position. Those processes are progressing. As explained in our FY 18/19 results, the decision was also taken to close all 19 of our Screwfix Germany outlets. The store closures were completed in H1 19/20. Screwfix maintains an online presence in Germany through its European website.

4. Extend rollout of Screwfix outlets in the UK and enter new markets

Screwfix continues to grow its market share. Its success is rooted in its customer focus, digital capability and convenience proposition. During the period Screwfix grew total sales by 9.9% (+5.1% LFL) to £882m and achieved strong digital growth of 18% (32% of total sales). The business also strengthened its overall customer proposition, including some selective ongoing price investment, and continued its store rollout plan in the UK with 16 new openings. At the end of H1 19/20, Screwfix had 643 outlets with a longer term target of 800 outlets in the UK.

We remain confident that the Screwfix model will work in markets outside of the UK. Plans to open outlets in the Republic of Ireland in 2019, to complement our existing online presence in that market, remain on track with the first outlets to open in H2 19/20. We continue to conduct validation for market entry opportunities in France and Poland, initially via an online presence.

Brexit preparation

Kingfisher's internal Brexit steering committee, in place since the outcome of the United Kingdom referendum on EU membership in June 2016, continues to assess the progress and adequacy of the business' contingency planning. We have updated our importation processes to prepare for a hard border between the United Kingdom and EU, including access to simplified customs procedures and alternative cross-channel and deep seaports of entry in order to mitigate the possible impacts from disruption. We remain engaged with our key vendors in this area.

On tariffs, most of Kingfisher's products would incur a zero percent tariff under the government's current proposed temporary tariff schedule in a 'no-deal' Brexit scenario. On people-related matters, there has been no significant impact on either retention or hiring following the referendum. Kingfisher has a low dependency on European Economic Area (EEA) nationals in its retail and distribution centres. Finally, we anticipate having sufficient stock build in place as at 31 October to cover near-term demand, and so no significant additional stock has been arranged to date.

Summary & outlook

The transformation of the business that started three and a half years ago continued during H1 19/20, with further progress made in unifying product, key launches across the Group of differentiated and unique ranges, and the implementation of further capabilities within our unified IT platform.

The financial performance in the half was mixed. Screwfix, Poland and Romania delivered like-for-like sales growth. The sales performance of B&Q and Castorama France, however, was disappointing, with a weak consumer backdrop in the UK and disruption caused by new range implementation at B&Q, and transformation-related issues at Castorama France. Group gross margin % in the first half grew by 60 basis points as we captured the rewards of unified sourcing as well as benefiting from price repositioning in Brico Dépôt France. Both the sales and gross margin % of our unified products across the Group increased year on year.

The outlook across our main markets for the rest of the year remains mixed, with the UK facing ongoing uncertainty. Our gross margin % guidance for FY 19/20 is unchanged. Kingfisher remains financially strong and well placed with leadership positions in attractive markets. The building blocks are in place to deliver growth in the medium and longer term in our chosen markets. The focus in the near term, however, is on improving execution and delivering our priorities for the year.

Thierry Garnier joins Kingfisher as CEO on 25 September. His experience in international retail and transformational change will be invaluable to the ongoing development of the business.

Kingfisher

Section 2: Trading review by division

Note: all commentary below is in constant currencies and is under IFRS16

UK & IRELAND*

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,655	2,635	+0.7%	+0.8%	(0.7)%
Retail profit	277	282	(1.7)%	(1.7)%	

Kingfisher UK & Ireland sales increased 0.8% (-0.7% LFL) to £2,655 million within the context of a continuing weak consumer backdrop. Gross margin % was up 60 basis points mainly reflecting sourcing benefits and the discontinuation of installation services at B&Q, partly offset by higher clearance activity. Costs increases reflected wage inflation and increased digital costs partly offset by cost efficiency initiatives. Retail profit decreased by 1.7% to £277 million.

B&Q total sales declined by 3.3% to £1,773 million. LFL sales declined by 3.2%. The discontinuation of installation services impacted LFL by c. -2%. Sales were also impacted by the ongoing implementation of the new surfaces & décor ranges. LFL sales of weather-related categories decreased by 2.9% while sales of non-weather-related categories, including showroom, were down 3.4%. B&Q's total digital sales continued to make good progress with sales growing by 10% and now represent 5% of total sales.

Screwfix grew total sales by 9.9% (+5.1% LFL) to £882 million, driven by specialist trade desks exclusive to plumbers and electricians, strong digital growth of 18% (now 32% of total sales); and the continued roll out of new outlets. 16 new outlets were opened in H1 19/20, taking the total to 643. The overall target is to have around 800 outlets in the UK and the business remains on track to open stores in the Republic of Ireland in H2 19/20 to complement our existing online presence.

FRANCE

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,158	2,267	(4.8)%	(4.2)%	(4.4)%
Retail profit	114	131	(12.7)%	(12.2)%	

Kingfisher France sales decreased by 4.2% (-4.4% LFL) to £2,158 million. According to Banque de France data*, sales for the home improvement market were up 1.9% and continue to be volatile from month to month. Gross margin % increased by 60 basis points with the benefit of lower promotional activity at Brico Dépôt partly offset by a weak performance at Castorama France, including impacts from logistics & stock inefficiencies. Retail profit decreased by 12.2% to £114 million.

Castorama total sales declined by 4.3% (-4.3% LFL) to £1,143 million reflecting price repositioning (c. -2% impact on LFL sales), and the impact of transformation-related activity (c. -2% impact on LFL sales). LFL sales of weather-related categories were down 4.1% while sales of non-weather-related categories, including showroom, were down 4.5%. Further commentary on the performance of Castorama France is detailed in Section 1 of this release.

Brico Dépôt total sales declined by 4.2% (-4.6% LFL) to £1,015 million driven by the proactive reduction of low margin promotional activity, which impacted LFL sales by c. -5%. Gross profit and gross margin % both increased year on year.

Across the two businesses, space remained broadly flat.

OTHER INTERNATIONAL*

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	1,184	1,178	+0.5%	+1.8%	+1.2%
Poland	753	726	+3.7%	+5.2%	+3.3%
Other	431	452	(4.5)%	(3.5)%	(2.8)%

Retail profit	75	77	(2.9)%	(0.9)%
Poland	88	90	(1.9)%	(0.5)%
Other	(13)	(13)	n/a	n/a

Other International total sales increased by 1.8% (+1.2% LFL) to £1,184 million reflecting growth in Poland and Romania. Retail profit decreased by 0.9% to £75 million, reflecting a modest decline in Poland and similar combined losses in Romania, Russia, and Screwfix Germany.

Sales in **Poland** were up 5.2% (+3.3% LFL) to £753 million. Two new stores were opened in H1. The removal of one further Sunday of trading each month had an estimated adverse impact on LFL sales of c. 1%. LFL sales of weather-related categories were up 5.1% while sales of non-weather-related categories, including showroom, were up 2.9%. Gross margin % was down 20 basis points reflecting higher sales of weather-related categories and higher clearance. Retail profit decreased by 0.5% to £88 million reflecting good sales growth offset by higher costs, largely driven by wage inflation, higher digital costs and pre-opening costs.

Romania sales increased by 4.1% (+10.5% LFL) to £96 million with a good performance of unified & unique ranges. The business made a retail loss of £8 million (2018/19: £7 million reported retail loss) driven by losses in the former Praktiker stores, which have been rebranded to Brico Dépôt with the final store to complete in H2 19/20. The back-office integration process for the businesses will commence towards the end of the year.

At Q3 18/19 we announced the decision to exit Russia and Iberia to focus on markets where we have, or can reach, a market leading position. At FY 18/19 we announced that we would close our 19 Screwfix Germany outlets and retain an online presence.

In **Iberia*** sales decreased by 3.6% (-3.6% LFL) to £176 million, with retail profit decreasing by 5.0% to £3 million. In **Russia** sales declined by 6.9% (-6.9% LFL) to £154 million. The business delivered a retail loss of £7 million (2018/19: £5 million reported retail loss) reflecting a continuing challenging market environment and one store closure. In **Screwfix Germany**, all 19 stores were closed during the period and the business made a £4 million retail loss (2018/19: £7 million reported retail loss). Screwfix maintains an online presence in Germany through its European website.

In **Turkey,** Kingfisher's 50% JV, Koçtaş, contributed retail profit of £3 million (2018/19: £2 million reported retail profit).

Section 3: FY 2019/20 Technical guidance

Employees, new stores and space growth:

	Employees (FTE) at 31 Jul 2019	Store Numbers at 31 Jul 2019	Sales area[1] (000s m^2) at 31 Jul 2019	Net new stores FY 2019/20	Space % change FY 2019/20
B&Q	16,382	296	2,205	-	(1)%
Screwfix	8,394	643	41	55	+10%
UK & Ireland	**24,776**	**939**	**2,246**	**55**	**-**
Castorama	11,583	101	1,250	-	(1)%
Brico Dépôt	7,783	123	850	(2)	-
France	**19,366**	**224**	**2,100**	**(2)**	(1)%
Iberia[2]	2,000	31	195	-	-
Poland	11,475	78	679	4	+6%
Romania	2,321	35	253	(3)	(7)%
Russia	2,931	19	198	(2)	(10)%
Screwfix Germany	20	-	-	(19)	n.a.
Other International	**18,747**	**163**	**1,325**	**(20)**	**-**
Total	**62,889**	**1,326**	**5,671**	**33**	**-**

(1) Screwfix sales area relates to the front of counter area of an outlet
(2) Brico Dépôt Spain & Portugal

Income statement:

- Sales outlook:
  - UK – heightened levels of uncertainty; annualising discontinuation of installations at B&Q at the end of Q3 19/20
  - France – Castorama continues to underperform; Brico Dépôt annualising reduction in promotional activity ("*arrivages*") at end of Q3 19/20
  - Poland – loss of one further Sunday of trading per month (3 non-trading Sundays from January 2019; previously 2)
- Continue to expect full year gross margin % after clearance to be flat[3]
  - c. £30-35m incremental clearance costs (previously £25-30m), including B&Q kitchens in H2 19/20
- Central costs expected to be up to c. £55m (previously c. £50m)
- Total transformation costs over five years to FY 20/21 expected to be less than £800m
  - Transformation P&L costs expected to be c. £50-60m in FY 19/20 (previously c. £60-80m)
  - Transformation exceptional costs in FY 19/20 expected to be up to c. £40m
- Group adjusted effective tax rate* expected to be around 26-27%[4]

Cash flow:

- Continue to expect total capex (including transformation) of up to c. £375m
- 15 store closures over next 18 months, including 11 in France; cash costs expected to be covered by store disposal proceeds

(3) Gross margin % movement excluding Russia and Iberia
(4) Subject to the blend of profit within the companies' various jurisdictions, as well as the timing of exits from Russia and Iberia

Section 4: H1 2019/20 Financial review

A summary of the reported financial results for the half year ended 31 July 2019 is set out below. IFRS 16 has been adopted as of 1 February 2019 with comparatives restated.

	2019/20	2018/19[(1)]	% Reported Change	% Constant Currency Change
Sales	**£5,997m**	£6,080m	(1.4)%	(0.9)%
Gross margin	**37.0%**	36.4%	+60bps	+60bps
Retail profit	**£466m**	£490m	(4.8)%	(4.4)%
Underlying pre-tax profit	**£353m**	£377m	(6.4)%	
Transformation P&L costs[(2)]	**£(16)m**	£(52)m	n/a	
Adjusted pre-tax profit	**£337m**	£325m	+3.7%	
Statutory pre-tax profit	**£245m**	£280m	(12.5)%	
Exceptional items (post-tax)[(2)]	**£(74)m**	£(29)m	n/a	
Adjusted effective tax rate	**26%**	27%	1%	
Underlying basic earnings per share	**12.3p**	12.8p	(3.9)%	
Adjusted basic earnings per share	**11.8p**	11.0p	+7.3%	
Basic earnings per share	**8.1p**	9.6p	(15.6)%	
Dividends - half year ordinary	**3.33p**	3.33p	-	
Net debt	**£2,384m**	£2,661m		

(1) 2018/19 comparatives have been restated for IFRS 16 'Leases'. Refer to note 18 of the half year condensed financial statements (in part 2 of this announcement) for detailed restatement tables and associated commentary
(2) Kingfisher separately reports exceptional items and transformation P&L costs in order to calculate adjusted and underlying results, as it believes these measures provide additional useful information on underlying performance and trends

Total **sales** decreased by 0.9%, on a constant currency basis, to £6.0 billion, with LFL sales down 1.8%. On a reported rate basis, which includes the impact of exchange rates, sales decreased by 1.4%. During H1 five net stores were closed including 16 Screwfix outlet openings in the UK and two new store openings in Poland, 19 Screwfix Germany outlet closures, three Romania store closures and one Russia store closure.

Gross margin increased by 60 basis points as the sourcing benefits from unified & unique product and the move to everyday low prices (EDLP) were partly offset by incremental clearance activity and logistics & stock inefficiencies.

Reported **retail profit** decreased by 4.8% including £2 million of adverse foreign exchange movement on translating foreign currency results into sterling. In constant currencies, retail profit decreased by 4.4%, driven largely by a decline in France.

Underlying pre-tax profit, which excludes the impact of transformation P&L costs and exceptional items, declined by 6.4%, to £353 million.

Adjusted pre-tax profit, which excludes the impact of exceptional items, increased by 3.7% to £337 million, reflecting £16 million of transformation P&L costs, £36 million lower than H1 18/19.

Statutory pre-tax profit, which includes the impact of transformation P&L costs and exceptional items, decreased by 12.5% to £245 million.

We continued to invest in the business and the transformation, paid £157 million in cash dividends while maintaining a strong balance sheet.

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

	2019/20 £m	2018/19 £m	Change
Retail profit	**466**	490	(4.8)%
Central costs	**(25)**	(23)	
Share of interest and tax of joint ventures & associates[1]	**(5)**	(3)	
Net finance costs[1]	**(83)**	(87)	
Underlying pre-tax profit	**353**	377	(6.4)%
Transformation P&L costs	**(16)**	(52)	
Adjusted pre-tax profit	**337**	325	+3.7%
Exceptional items before tax	**(93)**	(42)	
Exchange gains/(losses) on lease liabilities (lease FX)	**1**	(3)	
Statutory pre-tax profit	**245**	280	(12.5)%

(1) Excludes exchange differences relating to translation of leases denominated in non-functional currencies (e.g. USD leases in Russia)

Net finance costs of £83 million (2018/19: £87 million) principally includes interest on IFRS 16 lease liabilities.

Transformation P&L costs, which includes digital transformation initiatives and unified & unique offer range implementation, were £16 million in the period. The reduction is as anticipated, and reflects change processes for unified ranges now being largely embedded into the business. Range implementation activities principally comprise remerchandising work associated with introducing the unified & unique offer, incremental in-store labour costs and point of sale change. Digital transformation P&L costs represent the initial revenue expenditure of investing in developing wider digital services to support customers' home improvement projects.

Exceptional items (post-tax) were a net charge of £74 million (2018/19: £29 million charge) as detailed below:

	2019/20 £m	2018/19 £m
Transformation exceptional costs	**-**	(46)
Store closures	**(68)**	4
Russia & Iberia	**(26)**	-
Gain on disposal of properties	**1**	-
Exceptional items before tax	**(93)**	(42)
Exceptional tax items	**19**	13
Net exceptional items	**(74)**	(29)

As announced at FY 18/19 results and following the relevant consultation processes conducted during the period, we will be closing 15 stores across the business (including 11 in France) over the next 18 months. The stores are a combination of owned and leased properties and we expect to cover the cash costs with sale proceeds. During H1 19/20 we have recognised a £68 million charge mainly reflecting redundancy provisions related to stores closures in France and Germany (all 19 Screwfix Germany outlets were closed during the period). During the period we recognised a £26 million charge mainly relating to store impairments in Russia, following a deterioration in trading. The Group announced the decision to exit Russia and Iberia in November 2018 and recorded impairments of £16 million to store and non-operational assets in FY 18/19.

Taxation

The adjusted effective tax rate, calculated on the best estimate of full year profit before exceptional items, prior year tax adjustments and the impact of future rate changes is 26% (2018/19: 27%). The overall tax rate includes the impact of exceptional items and prior year tax adjustments.

	Pre-tax profit £m	**Tax £m**	**2019/20 %**	Pre-tax profit £m	Tax £m	2018/19 %
Adjusted effective tax rate	**338**	**(89)**	**26%**	322	(87)	27%
Exceptional items	**(93)**	**19**		(42)	13	
Prior year tax adjustments		**(4)**			-	
Overall tax rate	**245**	**(74)**	**30%**	280	(74)	26%

The statutory rates for the Group's main operating companies during FY 2019/20 are:

- UK: 19%
- France: 34.43%
- Poland: 19%

The Group's adjusted effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The adjusted effective tax rate is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions.

Underlying basic earnings per share decreased by 3.9% to 12.3p (2018/19: 12.8p), which excludes the impact of transformation P&L costs and exceptional items and the effect of prior year tax items. **Adjusted basic earnings per share** increased by 7.3% to 11.8p (2018/19: 11.0p), which excludes the impact of exceptional items and prior year tax items. **Basic earnings per share** decreased by 15.6% to 8.1p (2018/19: 9.6p) as set out below:

	Earnings £m	**2019/20 EPS Pence**	Earnings £m	2018/19 EPS Pence
Underlying basic earnings per share	**260**	**12.3**	275	12.8
Transformation P&L costs (net of tax)	**(12)**	**(0.5)**	(38)	(1.8)
Adjusted basic earnings per share	**248**	**11.8**	237	11.0
Net exceptional items	**(74)**	**(3.5)**	(29)	(1.3)
Prior year tax items	**(4)**	**(0.2)**	-	-
Net exchange differences on lease liabilities	**1**	**-**	(2)	(0.1)
Basic earnings per share	**171**	**8.1**	206	9.6

Dividends

The Board has declared an interim dividend of 3.33p, flat on last year (2018/19: 3.33p). We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times based on adjusted basic earnings per share, a level the Board believes is prudent and consistent with the capital needs of the business.

The interim dividend will be paid on 8 November 2019 to shareholders on the register at close of business on 4 October 2019. 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 3 October 2019. For those shareholders electing to participate in the DRIP, the last date for receipt of elections is 18 October 2019.

Free cash flow*

A reconciliation of free cash flow and net debt is set out below:

	2019/20 £m	2018/19 £m
Operating profit	**328**	369
Exceptional items	**93**	42
Operating profit (before exceptional items)	**421**	411
Other non-cash items[(1)]	**288**	283
Change in working capital	**(45)**	69
Pensions and provisions	**(20)**	(22)
Net rent paid	**(236)**	(217)
Operating cash flow	**408**	524
Net interest paid	**(7)**	(3)
Tax paid	**(34)**	(77)
Gross capital expenditure	**(163)**	(164)
Free cash flow	**204**	280
Ordinary dividends paid	**(157)**	(160)
Share buyback	**-**	(90)
Share purchase for employee incentive schemes	**(10)**	-
Disposal of assets and other[(2)]	**95**	(17)
Net cash flow*	**132**	13
Opening net debt	**(2,542)**	(2,678)
Other movement including foreign exchange	**26**	4
Closing net debt	**(2,384)**	(2,661)

(1) Other non-cash items include depreciation and amortisation, share-based compensation charge, share of post-tax results of JVs and associates, pension operating cost and profit/loss on non-property disposals
(2) Includes exceptional cash flow items, principally relating to UK & Europe store closures and transformation costs

Net debt (post-IFRS 16) at the end of the period was £2,384 million (2018/19: £2,661 million).

Operating profit before exceptional items was £10 million higher than last year. The working capital outflow of £45 million reflects a £111 million increase in stock due to store expansion and higher stock levels in Castorama France, partly offset by an increase in payables (net of receivables) of £66 million.

Gross capital expenditure for H1 was £163 million (2018/19: £164 million). Of this 31% was invested in refreshing and maintaining existing stores, 13% on new stores, 33% on IT and digital development, 19% on the transformation and 4% on other areas including supply chain investment.

This resulted in free cash flow of £204 million (2018/19: £280 million). £157 million was returned to shareholders in the form of the ordinary dividend.

Management of balance sheet and liquidity risk and financing

The Group ended the period with £2.4 billion of net debt on the balance sheet including the recognition of £2.6 billion of lease liabilities under IFRS 16. The ratio of the Group's net debt to EBITDA on a moving annual total basis is 1.8 times as at 31 July 2019. At this level, the Group has financial flexibility whilst retaining an efficient cost of capital.

Net debt to EBITDA is set out below:

	2019/20 Moving annual total £m	2018/19 Year end £m
Retail profit	**900**	924
Central costs	**(51)**	(49)
Transformation P&L costs	**(84)**	(120)
Depreciation and amortisation	**544**	535
EBITDA	**1,309**	1,290
Net debt	**2,384**	2,542
Net debt to EBITDA	**1.8x**	2.0x

Kingfisher holds a BBB investment grade credit rating with all three rating agencies. Kingfisher aims to maintain its investment grade rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking into account the economic and trading outlook, any surplus capital would be returned to shareholders.

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.

At 31 July 2019, the Group had undrawn revolving credit facilities of £550 million due to expire in August 2021 and £225 million due to expire in March 2022. In August 2019, the Group completed an extension of the £550 million revolving credit facility, taking the maturity date to August 2022.

In July 2018, following a reverse enquiry, a €50 million Floating Rate Note (FRN) was issued under Kingfisher's €2.5 billion European Medium Term Note (EMTN) programme. The note matures in July 2020.

The Group also has two fixed term loans: €50 million maturing in September 2021 and £50 million maturing in December 2021.

The maturity profile of Kingfisher's debt is illustrated at: www.kingfisher.com/index.asp?pageid=74

Pensions

At the period end, the Group had a net surplus of £287 million (£205 million net surplus at 31 January 2019) in relation to defined benefit pension arrangements, of which a £413 million surplus (£320 million surplus at 31 January 2019) was in relation to the UK scheme. The favourable movement in the net surplus is driven by returns on the UK scheme assets more than offsetting the actuarial losses on the liabilities due to a lower discount rate assumption. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

IFRS 16 – Leases

The IFRS 16 'Leases' accounting standard applies to Kingfisher from 1 February 2019, replacing the previous standard IAS 17. The Group has adopted the full retrospective transition option and therefore has restated comparatives. The half year condensed financial statements in part 2 of this announcement provides fully restated half year and full year comparatives.

A reminder of the nature of the principal impacts is provided below.

Lessee accounting

For operating leases in which the Group is a lessee, the Group recognises a new right-of-use asset and a new lease liability for its leases of properties and equipment assets. Finance leases, rent prepayments and accruals, and onerous lease provisions for rental charges are derecognised under IFRS 16. Under IFRS 16 the income statement expense comprises a straight-line depreciation charge on the right-of-use asset and a front-loaded interest charge on the lease liability, both over the term of the lease. For an individual lease, this provides an overall front-loaded expense profile compared with the straight-line rental charge recognised under IAS 17. The historical discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily determinable. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Lessor accounting

There are no significant impacts for leases in which the Group is a lessor. Where the Group subleases assets, it is determined whether the sublease should be classified as an operating lease or a finance lease, with reference to the right-of-use asset (not the underlying asset as per IAS 17).

Impacts of adopting IFRS 16

- No impact on the Group's underlying economics, cash flows or ability to pay dividends.
- IFRS 16 impact is driven by the UK lease portfolio, given a much higher proportion of leased stores than other geographies.
- No impact on sales.
- Increase in retail profit across all operating companies driven by the elimination of IAS 17 rental expenses, only partially offset by the recognition of depreciation on IFRS 16 right-of-use assets.
- Recognition of interest charge on IFRS 16 lease liabilities results in a broadly neutral overall impact on underlying and adjusted pre-tax profits.
- Exceptional items have been impacted by right-of-use asset impairments under IFRS 16 replacing onerous lease rental provisions under IAS 17.
- Adjusted effective tax rate remains broadly unchanged.
- Adjusted and underlying EPS impacts are broadly neutral, reflecting similar impacts on adjusted and underlying earnings. Basic EPS is impacted by the change, after exceptional items, in statutory post-tax profits.
- No change to reported cash and cash equivalents and net movement in these.
- Presentational changes to the cash flow statement principally comprise the reclassification of rent paid from operating profit to separate rental payment lines.
- Net debt increases significantly with the inclusion of IFRS 16 lease liabilities, replacing IAS 17 finance lease liabilities. The ratio of net debt to EBITDA ('lease adjusted net debt to EBITDAR' under IAS 17) reduces due to lower lease liabilities than the previous 8x rent assumption.

Refer to note 18 of the half year condensed financial statements (in part 2 of this announcement) for detailed restatement tables and associated commentary.

Risks

The principal risks and uncertainties have been reviewed as part of our half year procedures and are listed below:

Level and impact of change: As our transformation to ONE Kingfisher progresses, we are continuing to carry out several significant projects across the Group. The scope and pace of our transformation may disrupt our business activities.

Technology Delivery: Technology is key to enabling our strategy, meeting customer needs and growing the business. Our unified IT platform is designed to deliver our requirements in order to support the strategy. Failure to do this may impact the anticipated benefits and disrupt the underlying business.

Unifying our offer and processes: We aim to offer customers a product range which is differentiated from that of our competitors through innovation, exclusivity and affordability. We are unifying our offer and standardising our activities and processes. This is a large and complex project therefore there is a risk of not executing this across the Group and delivering the projected benefits.

Channel Development: As consumer preferences continue to change, we must ensure we create and deliver a strong and agile infrastructure including supply chain and logistics capabilities, an optimised property portfolio and innovative digital channels. This will enable us to keep pace with changing consumer behaviours and our competitors to be able to stimulate spend and deliver the desired sales growth.

Attracting, retaining and investing in our People Capability: Our colleagues are critical to the successful delivery of our strategy and business. We must ensure we take steps to retain and attract talent to the company and make the necessary investment in our people to ensure that we have the appropriate capacity, skills and capabilities.

Political Environment: With continuing geopolitical and local market uncertainty and market volatility across all the economies in which we operate, we are exposed to potential risks which may impact consumer confidence and disrupt the day to day operations of the business.

EU Referendum: Following the UK's decision to leave the EU we continue to see increased economic uncertainty, exchange rate volatility and an impact on consumer confidence in the UK market. These issues may impact our purchase costs, including additional import tariffs and packaging costs and our operations, including supply chain delays for the UK, Ireland and Northern Europe. Assuming an agreement to exit is reached, the negotiations on the future relationship may also result in further changes to regulation and operational frameworks which may impact our ability to operate across our European businesses as we do today.

Legal and Regulatory: The Group's operations are subject to an increasing range of regulatory requirements in the countries in which it operates. A major corporate issue or crisis, a significant corporate fraud or material non-compliance with legislative or regulatory requirements would impact Kingfisher's brand and reputation and could expose us to significant fines.

Cyber and Data Security: Cyber-attacks and security incidents have increased in recent years and the retail sector is now a target. There have been a number of high-profile attacks in the sector in recent times that have had an impact on operations, profitability and reputation.

Further details of the Group risks and risk management process can be found on pages 44 to 51 of the 2018/19 Annual Report and Accounts.

Section 5: Glossary (terms are listed in alphabetical order)

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also termed 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.

The APMs have been amended where necessary to reflect the adoption of IFRS 16 'Leases' from 1 February 2019 (with restated comparatives). The principal changes are the inclusion of lease liabilities within 'Net debt', the replacement of 'Lease adjusted net debt to EBITDAR' with 'Net debt to EBITDA' as a leverage ratio, and the exclusion of 'Lease FX' from adjusted and underlying performance measures.

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 4) and note 8 of the condensed financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of exceptional items, lease FX, FFVR, related tax items and tax on prior year items, divided by the weighted average number of shares in issue during the period.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the overall tax rate is set out in the Financial Review (Section 4)	Adjusted effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing tax rate.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review (Section 4) and the consolidated income statement of the condensed financial statements	Adjusted pre-tax profit is used to report the performance of the business at a Group level including both the benefits of our transformation programme and the associated costs. This is stated before exceptional items, lease FX and FFVR. The exclusion of exceptional items, lease FX and FFVR helps provide an indication of the Group's ongoing business performance.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group’s head office before transformation costs and exceptional items. This is a measure of the underlying head office costs.
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, digital sales, gross margin % and retail profit 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.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 4)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central and transformation P&L costs and before depreciation and amortisation. This measure is used in calculating the ratio of net debt to EBITDA, to reflect the Group's leverage.
Exceptional items	No direct equivalent	Not applicable	Exceptional items are certain types of income or cost that are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group. The principal exceptional items are: 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; profits and losses on the disposal of properties and impairment losses on non-operational assets; and the costs of significant restructuring, including certain restructuring costs of the Group’s five year transformation plan launched in 2016/17 (‘transformation exceptional costs’), and incremental acquisition integration costs.
FFVR	No direct equivalent	Included within net finance costs in note 6 of the condensed financial statements	FFVR (financing fair value remeasurements) represent fair value fluctuations from financial instruments.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Free cash flow	No direct equivalent	A reconciliation of free cash flow is set out in the Financial Review (Section 4)	Free cash flow represents the cash generated from operations (excluding exceptional items) less the amount spent on interest, tax and capital expenditure during the year (excluding business acquisitions and disposals and 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.
Lease FX	No direct equivalent	Included within share of interest and tax of joint ventures and associates and net finance costs in notes 4 and 6 of the condensed financial statements	Lease FX (exchange differences on lease liabilities) represents the income statement impact of translating lease liabilities denominated in non-functional currencies (e.g. a USD denominated lease in Russia).
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. It is a measure to reflect the Group's performance on a comparable basis.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 15 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.
Net cash flow	No direct equivalent	A reconciliation of net cash flow is set out in the Financial Review (Section 4)	Net cash flow represents the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Retail profit	Profit before taxation	A reconciliation to profit before taxation is set out in the Financial Review (Section 4) and note 4 of the condensed	Retail profit is stated before central costs, transformation P&L costs, exceptional 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 underlying performance of our retail businesses

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
		financial statements	including the sustainable benefits of our transformation plan.
Transformation costs	No direct equivalent	Not applicable	Transformation costs represent the additional costs of the ONE Kingfisher transformation programme launched in 2016/17. They comprise 'transformation exceptional costs', 'transformation P&L costs' (i.e. non-exceptional items) and 'transformation capex' (capital expenditure).
Transformation P&L costs	No direct equivalent	Not applicable	Transformation P&L costs represent the additional costs that arise only as a result of the transformation plan launched in FY 2016/17. These costs principally relate to unified & unique offer range implementation and the digital strategic initiative.
Underlying pre-tax profit	Profit before taxation	A reconciliation to statutory pre-tax profit is set out in the Financial Review (Section 4) and the consolidated income statement of the condensed financial statements	Underlying pre-tax profit is stated before transformation P&L costs, exceptional items, lease FX and FFVR. The exclusion of transformation P&L costs (in addition to exceptional items, lease FX and FFVR) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.
Underlying basic earnings per share (EPS)	Basic earnings per share	A reconciliation of underlying earnings per share is included in the Financial Review (Section 4) and note 8 of the condensed financial statements	Underlying basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of transformation P&L costs, exceptional items, lease FX, FFVR, related tax items and tax on prior year items, divided by the weighted average number of shares in issue during the period.

Banque de France data includes relocated and extended stores.
http://webstat.banque-france.fr/en/browse.do?node=5384326

Digital sales are 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 online sales growth relates to growth at constant currencies.

EDLP refers to everyday low prices.

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, Screwfix Germany and Turkey (Koçtaş JV).

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 in the UK & Ireland and Screwfix UK.

Section 6: 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 Half Year ended 31 July 2019. 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" 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 include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, changes in global or regional trade conditions, changes in tax rates, liquidity, prospects, growth and strategies. By their nature, forward-looking statements involve 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. 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 change in circumstances or in the Company's expectations.