

Final results for the year ended 31 January 2023

Financial summary			% Total Change	% Total Change	% LFL* Change
	2022/23	2021/22	Reported	Constant currency*	Constant currency
Sales	£13,059m	£13,183m	(0.9)%	(0.7)%	(2.1)%
Gross profit	£4,795m	£4,935m	(2.8)%	(2.6)%	
Gross margin %*	36.7%	37.4%	(70)bps	(70)bps	
Operating profit	£723m	£1,144m	(36.7)%		
Statutory pre-tax profit	£611m	£1,007m	(39.3)%		
Statutory post-tax profit	£471m	£843m	(44.1)%		
Statutory basic EPS	23.8p	40.3p	(40.9)%		
Net decrease in cash [‡]	£(555)m	£(237)m	n/a		
Total dividend ⁽¹⁾	12.40p	12.40p	-		
Adjusted metrics					
Retail profit*	£923m	£1,148m	(19.7)%	(19.2)%	
Retail profit margin %*	7.1%	8.7%	(160)bps	(160)bps	
Adjusted pre-tax profit*	£758m	£949m	(20.2)%		
Adjusted post-tax profit*	£589m	£737m	(20.2)%		
Adjusted basic EPS*	29.7p	35.2p	(15.6)%		
Free cash flow*	£(40)m	£385m	n/a		
Net debt ^{‡(2)}	£(2,274)m	£(1,572)m	n/a		

* See page 5 for further details on non-GAAP measures and other terms; [‡] Net decrease in cash and cash equivalents and bank overdrafts

Highlights

- A year of solid execution**
 - FY performance in line with our expectations & guidance, against strong prior year comparatives
 - Total sales -0.7% in constant currency and LFL -2.1% (3-year LFL* +15.6%)
 - Sales outperforming home improvement industry growth, with 3-year total sales CAGR⁽³⁾ of +5.9% vs market CAGR⁽⁴⁾ of +4.9%
 - Total e-commerce sales* -9.1% (3-year growth +146%), with growth of +3.7% in H2. E-commerce sales penetration* of 16.3% (FY 19/20: 7.9%)
 - Adjusted pre-tax profit (PBT) -20% to £758m (+39% vs FY 19/20). Statutory PBT -39.3% to £611m
 - Exceeded target for 1.5°C science-based scope 1 and 2 carbon reduction (-52.7% vs FY 16/17)
 - Proposed total dividend maintained at 12.40p per share, in line with FY 21/22
- Multiple profitable growth opportunities being pursued at pace**
 - Ambition of 25% e-commerce sales penetration. Successful e-commerce marketplace launches in the UK and Iberia*; preparing roll-out in Poland and France*
 - Opened first 5 Screwfix stores in France; up to 25 new stores planned in FY 23/24
 - Record 82 Screwfix store openings in the UK & Ireland*; up to 60 new stores planned in FY 23/24
 - Targeting up to 80 medium-box and compact store openings in Castorama Poland over 5 years
 - Continued focus on increasing trade penetration across all banners. TradePoint (in B&Q) 3-year LFL sales growth of +31.5%, outperforming core B&Q and reaching 22% sales penetration
- Well positioned to navigate FY 23/24**
 - Resilient underlying sales trends in the new year (February 23/24 LFL sales⁽⁵⁾: +0.5%)
 - Maintaining strong price indices in our key markets, and continuing to deliver value to customers
 - Own exclusive brands (45% of sales) providing customer benefits and support to gross margin %
 - Effectively managing inflation, costs and inventory levels
 - Comfortable with current consensus of sell-side analyst estimates for FY 23/24 adjusted pre-tax profit⁽⁴⁾, with expectation of >£500m free cash flow for the year
- Announcing new medium-term financial priorities; confident in growth and cash generation opportunity**

Thierry Garnier, Chief Executive Officer, said:

“Across all our markets, sales have remained resilient in both DIY and DIFM/trade channels, with like-for-like sales 15.6% ahead of pre-pandemic levels. We have maintained a sharp focus on pricing to deliver value to our customers during this challenging period for household finances, while at the same time managing our cost inflation pressures effectively. Strong supply chain management has ensured good product availability and a firm grip on our inventories.

“We continue to execute our strategy at pace and invest in our multiple growth opportunities. We are proud of the progress our teams have made during the year, and since the start of our ‘Powered by Kingfisher’ strategy. Our e-commerce sales have increased by 146% over the last three years and we have enhanced our online proposition with the launch of marketplace offerings in the UK, Spain and Portugal, which are all performing strongly. Across the Group, we are strengthening our proposition for trade customers, building on the success of B&Q’s TradePoint and the accelerated expansion of Screwfix. Whilst it’s still early days for Screwfix’s ambitions in France, we are happy with the results of the first few months of operations and planning for up to 25 more store openings this year. We are also building on our leadership position in Poland and the attractive potential of this market by opening seven more Castorama stores in 2023.

“We remain confident in both the growth of our industry, and in our strategic priorities supporting growth ahead of our markets. And we are announcing today our new medium-term financial priorities, focused on growth, cash generation and higher returns to shareholders.”

FY 22/23 Group results

- **Sales** down 0.7% in constant currency, reflecting strong prior year comparatives linked to high demand for home improvement products. Resilient sales across both retail and trade channels
- **LFL sales** down 2.1% and corresponding 3-year LFL up 15.6%
 - Double-digit 3-year LFL sales growth across all banners
 - Positive 1-year growth in Poland, Iberia and Romania; resilient performance in France; strong prior year comparatives for the UK & Ireland
- **Q4 22/23 LFL sales** flat, and up 13.7% on a 3-year basis, broadly consistent with the trend from Q3 22/23 (LFL +0.2%; 3-year LFL +15.3%)
- **Gross margin %** down 70 basis points to 36.7% (FY 21/22: 37.4%; FY 19/20: 37.0%), reflecting banner & category mix, and the impact in H1 of ‘normalised’ promotional activity and one-off logistics spend to secure/manage seasonal and ‘buffer’ stock
- **Retail profit** down 19.2% in constant currency to £923m (FY 21/22: £1,148m; FY 19/20: £786m), largely reflecting very strong prior year comparatives in the UK & Ireland and France
- **Statutory pre-tax profit** down 39.3% to £611m (FY 21/22: £1,007m; FY 19/20: £103m), reflecting lower operating profit, including the impact of impairments following significant increases in discount rates and revised future projections
- **Adjusted pre-tax profit** down 20.2% to £758m (FY 21/22: £949m; FY 19/20: £544m), reflecting lower retail profit, partially offset by lower finance costs
- **Free cash flow** of £(40)m, down £425m (FY 21/22: £385m; FY 19/20: £191m), reflecting lower EBITDA* and one-off working capital outflow from completion of inventory rebuild programme
- **Net decrease in cash** of £555m (FY 21/22: £237m), largely reflecting lower free cash flow, and £583m of outflows in relation to ordinary dividends and share buybacks
- **Net debt** up to £2,274m (31 January 2022: £1,572m), including £2,444m of lease liabilities under IFRS 16, reflecting the net decrease in cash. **Net debt to EBITDA** of 1.6x (31 January 2022: 1.0x)
- **Total dividend** per share proposed of 12.40p (FY 21/22: 12.40p)

Outlook for FY 23/24

- Current trading:
 - February 23/24 total sales +1.9% (LFL sales +0.5%)(5)
 - Underlying sales trends remain resilient, with ‘big-ticket’ sales broadly flat YoY
 - Expect some impact in March from adverse weather conditions and strong comparative in Poland
- Well positioned to navigate FY 23/24:
 - Targeting further market share growth
 - Sales impact of c.+1.5% from net space growth, largely from Screwfix and Castorama Poland

- Committed to active and responsive management of operating costs* to partially offset higher staff, technology and energy costs YoY
- Expect P&L investment of c.£40m in relation to our new businesses, including Screwfix France
- Based on the above, we are comfortable with the current consensus of sell-side analyst estimates for FY 23/24 adjusted pre-tax profit⁽⁶⁾
- Expect >£500m free cash flow for the year, supported by the unwind of working capital outflows in the prior year
- Intention to announce a new share buyback programme following completion of the existing programme this year; subject to our capital allocation framework and market conditions

Medium-term financial and capital allocation priorities

- Kingfisher operates in attractive markets, with new positive longer-term trends (such as more working from home and energy efficiency renovations) providing further support to market growth potential
- **Financial priorities:** Building on our industry's attractive growth profile, the Group's medium-term financial priorities are:
 - **Sales to grow ahead of our markets:**
 - LFL sales growth driven by our strategic focus areas including e-commerce and marketplace, OEB, trade penetration; and
 - Sales impact of c.+1.5% to +2.5% from annual net space growth over the medium term, primarily driven by Screwfix and Castorama Poland
 - **Adjusted pre-tax profit to grow faster than sales:**
 - Supported by scale benefits, higher margin initiatives, operating cost leverage, and multi-year operating cost reduction opportunities
 - **Strong cash generation to drive growth investment and shareholder returns:**
 - Free cash flow of c.£400m to £500m in FY 24/25, followed by >£500m per annum from FY 25/26, supported by profit growth and ongoing inventory self-help measures
- **Capital allocation:** Our capital allocation priorities are as follows:
 - Organic and 'bolt-on' inorganic growth opportunities that accelerate our strategy. Target gross capex of c.3.0-3.5% of total sales per annum, on average, focussed on delivering against attractive organic growth opportunities
 - Maintain an efficient capital structure, with a more prudent position in times of macroeconomic uncertainty; maximum net leverage (net debt to EBITDA) of 2.0x over medium term
 - Progressive, sustainable dividend policy, with target dividend cover* of 2.25-2.75x
 - Surplus capital to be returned via share buybacks or special dividends

Executing strongly against our strategic priorities

- **Grow by building on our different banners:**
 - Record 82 Screwfix store openings in the UK & Ireland for a total of 872 stores; up to 60 new stores planned in FY 23/24
 - First 5 Screwfix stores opened in France; up to 25 new stores planned in FY 23/24
 - 7 new Castorama stores opened in Poland; targeting up to 80 medium-box and compact store openings in Poland over the next 5 years
 - First two B&Q franchise stores in the Middle East have opened
- **Accelerate e-commerce through speed and choice:**
 - E-commerce sales penetration of 16.3%, twice the level of FY 19/20. Ambition of 25% sales penetration
 - 91% of all e-commerce orders picked in store
 - More options for click & collect (C&C) through roll-out of lockers in Poland; being tested at B&Q
 - Adopting more last-mile delivery options, including successful roll-out of one-hour delivery (Screwfix *Sprint*) and optimised carrier management (being tested at B&Q and in France)
 - Improved e-commerce order management through use of 'digital hub' stores and better visibility of available SKUs*
 - New e-commerce marketplace model successfully launched at B&Q, Spain and Portugal (reaching 24% marketplace participation* at B&Q in February 2023, after just 11 months); preparing roll-out of marketplaces in Poland and France

- **Build a data-led customer experience:**
 - Established 'Centre of Excellence' in data at Kingfisher with expertise in artificial intelligence (AI), machine learning, advanced analytics and data platform engineering
 - New Group-developed recommendation engine implemented at B&Q and Screwfix, driving higher click-through and add-to-basket rates as well as faster response times
 - Signed partnership with Google Cloud for infrastructure, platform services and AI solutions
 - Utilising data analytics and AI to develop tools to support better pricing decisions, better promotional and markdown effectiveness, and enhanced visibility of our end-to-end supply chain
 - Developing opportunities to quickly monetise our data capabilities through retail media, including advertising placed within our e-commerce platforms and apps
- **Differentiate and win through own exclusive brands (OEB):**
 - OEB continuing to drive affordability, product innovation and reduced environmental impact, and carrying a higher gross margin % on average than branded products
 - Total OEB product sales of £5.8bn, up 15.4% on a 3-year LFL basis and representing 45% of Group sales (FY 21/22: 45%)
 - Good performance in kitchen, bathroom & storage and EPHC (electricals, plumbing, heating & cooling) categories, all showing YoY growth. All categories up on a 3-year LFL basis
 - Completed roll-out of 32 new and redeveloped OEB brands to drive differentiation between retail banners and support extended ranges
- **Develop our trade business:**
 - Accelerated Screwfix openings in the UK & Ireland, and strong progress in developing the proposition in France
 - TradePoint (in B&Q) 3-year LFL sales growth of +31.5%, outperforming core B&Q and reaching 22% sales penetration (FY 21/22: 20%)
 - Opened 18 new TradePoint counters in the UK and first 8 counters in Ireland
 - Launched plan to grow trade customer penetration across all other banners, including new trade loyalty programmes in Poland and Iberia, and the introduction of new trade-focused services and OEB & branded product ranges
- **Roll out compact store formats:**
 - Accelerated compact store tests; opened 17 new compact stores in the UK, France and Poland
 - High street concept tests (*B&Q Local* in the UK, *Casto* in France and *Castorama Express* in Poland) continue to deliver encouraging learnings and results
 - Small retail park concepts also showing positive results
 - Entering final testing phase for Screwfix ultra-compact 'XSR' store format
 - Planning to launch first test of a new Brico Dépôt France 1,000 sqm format in FY 23/24
- **Lead the industry in Responsible Business and energy efficiency:**
 - Brought forward pay awards and support for colleagues to help manage higher costs of living
 - Exceeded target for 1.5°C aligned science-based scope 1 and 2 carbon reduction, reducing emissions by 52.7% against a FY 16/17 base year
 - Announced new net-zero emissions target for our operations (scope 1 and 2) by the end of 2040
 - Sustainable Home Products (SHP) sales of £6.2bn, representing 47% of Group sales (FY 21/22: 44%). Raised target for growth of SHP to 60% by FY 25/26
 - 11% of Group sales from energy and water-saving products
 - Developed innovative end-to-end solutions at B&Q, Castorama France and Brico Dépôt France to help customers create personalised energy efficiency action plans for their homes, including access to relevant products and services
- **Human, agile and lean:**
 - Embedding 'test and learn' culture across the Group, alongside key leadership behaviours to support delivery of our strategy
 - Strengthened talent and capability in key areas, including technology, data and trade
 - Multi-year cost reduction programmes continue to help offset inflationary pressures
 - Four further store rightsizings completed in the UK, with improved sales densities at all locations
 - Increase in net inventory YoY driven by inflation; inventory in units (volume) down
 - Stock provisioning and de-listed stock rates remain below pre-pandemic levels
 - Actions underway to further optimise supply chain, inventory management and sourcing footprint

Footnotes

⁽¹⁾ The Board has proposed a final dividend per share of 8.60p (FY 21/22 final dividend: 8.60p), resulting in a proposed total dividend per share of 12.40p in respect of FY 22/23 (FY 21/22: 12.40p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 27 June 2023.

⁽²⁾ Net debt includes £2,444m lease liabilities under IFRS 16 in FY 22/23 (FY 21/22: £2,376m).

⁽³⁾ Represents the compound annual growth rate (CAGR) of total sales for the UK, France and Poland between FY 19/20 and FY 22/23 (in constant currency).

⁽⁴⁾ Market growth (in constant currency) for the UK, France and Poland based on a Kingfisher internal analysis covering 2,225 retailers (on a calendar year basis).

⁽⁵⁾ February 23/24 total and LFL sales represents the calendar month February 2023 compared against February 2022, in constant currency. The figures are provisional.

⁽⁶⁾ Guidance assumes current exchange rates. According to Company-compiled consensus estimates as of 14 March 2023, the current consensus of sell-side analyst expectations for FY 23/24 adjusted pre-tax profit is £633m.

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 final results included in part 2 of this announcement. Management believes that these non-GAAP measures (or ‘Alternative Performance Measures’), including adjusted profit measures, constant currency and like-for-like (LFL) sales growth, are useful and necessary to assist the understanding of the Group’s results. Where required, a reconciliation to statutory amounts is set out in the Financial Review (Section 5).

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Final results announcement and data tables

This announcement and data tables for FY 22/23 can be downloaded from the Investors section of our website at www.kingfisher.com/investors. You can follow us on LinkedIn and Twitter (@kingfisherplc) with the results tag #KingfisherResults.

Results presentation

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

For enquiries, please email investorenquiries@kingfisher.com.

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

Q1 23/24 trading update	24 May 2023
Annual General Meeting	27 June 2023*
Half year results	19 September 2023*
Q3 23/24 trading update	22 November 2023*

American Depositary Receipts

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

The remainder of this release consists of seven main sections:

- 1) FY 2022/23 Financial performance summary and current trading
- 2) Group update (including 'Powered by Kingfisher' strategic plan)
- 3) Trading review by division
- 4) FY 2023/24 Technical guidance
- 5) FY 2022/23 Financial review and, in part 2 of this announcement, the condensed financial statements
- 6) Glossary
- 7) Forward-looking statements

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

Income statement summary

£m			% Total Change	% Total Change	% LFL Change
	2022/23	2021/22	Reported	Constant currency	Constant currency
Sales	13,059	13,183	(0.9)%	(0.7)%	(2.1)%
Gross profit	4,795	4,935	(2.8)%	(2.6)%	
<u>Retail profit:</u>					
UK & Ireland	603	794	(24.0)%	(24.0)%	
France	195	221	(11.9)%	(12.0)%	
Poland	148	135	+9.4%	+12.4%	
Iberia	9	12	(27.9)%	(28.0)%	
Romania ⁽¹⁾	(10)	(11)	+7.3%	+7.4%	
Other [±]	(30)	(10)	n/a	n/a	
Turkey (50% joint venture)	8	7	+19.8%	n/a	
Other International*	125	133	(6.6)%	(1.8)%	
Retail profit	923	1,148	(19.7)%	(19.2)%	
Central costs*	(49)	(60)	(18.6)%		
Share of JV interest and tax	(4)	(2)	n/a		
Operating profit (before adjusting items*)	870	1,086	(19.9)%		
Net finance costs	(112)	(137)	(18.4)%		
Adjusted pre-tax profit	758	949	(20.2)%		
Adjusting items	(147)	58	n/a		
Statutory pre-tax profit	611	1,007	(39.3)%		

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

LFL sales by quarter

Quarterly sales	% LFL Change				
	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	FY 22/23
UK & Ireland	(15.8)%	(7.1)%	(2.3)%	+0.2%	(6.9)%
- B&Q	(18.3)%	(7.4)%	(3.5)%	(3.0)%	(8.8)%
- Screwfix	(10.9)%	(6.4)%	(0.5)%	+4.9%	(3.4)%
France	(3.7)%	(2.3)%	+0.5%	+0.4%	(1.4)%
- Castorama	-	(1.0)%	+0.8%	+0.5%	-
- Brico Dépôt	(7.5)%	(3.7)%	+0.2%	+0.2%	(2.9)%
Other International	+37.1%	+8.1%	+6.7%	(1.0)%	+11.2%
- Poland	+54.5%	+8.9%	+7.6%	(2.8)%	+13.8%
- Iberia	(0.3)%	+4.4%	+3.4%	(0.7)%	+1.9%
- Romania ⁽²⁾	+13.9%	+5.3%	+4.2%	+10.7%	+7.8%
Group LFL⁽³⁾	(5.4)%	(2.8)%	+0.2%	-	(2.1)%
Total e-commerce sales⁽⁴⁾	(26.1)%	(10.4)%	+2.0%	+5.4%	(9.1)%

3-year LFL sales by quarter

Quarterly sales	% 3-year LFL Change				
	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	FY 22/23
UK & Ireland	+16.7%	+15.3%	+12.9%	+16.2%	+15.3%
- B&Q	+16.3%	+17.1%	+13.1%	+16.6%	+15.8%
- Screwfix	+18.0%	+11.0%	+12.4%	+15.3%	+14.2%
France	+13.7%	+13.8%	+14.6%	+10.9%	+13.2%
- Castorama	+13.9%	+13.5%	+16.6%	+12.6%	+13.9%
- Brico Dépôt	+13.5%	+14.1%	+12.7%	+9.3%	+12.5%
Other International	+22.2%	+25.7%	+23.1%	+12.7%	+21.5%
- Poland	+22.8%	+25.2%	+21.3%	+9.4%	+19.8%
- Iberia	+11.8%	+18.8%	+19.8%	+16.2%	+16.7%
- Romania ⁽²⁾	+32.8%	+46.7%	+34.6%	+29.6%	+38.0%
Group LFL⁽³⁾	+16.2%	+16.7%	+15.3%	+13.7%	+15.6%
Total e-commerce sales⁽⁴⁾	+163.9%	+149.9%	+137.2%	+135.2%	+146.1%

Trading in Q4 22/23

LFL sales were flat in Q4 and up 13.7% on a 3-year basis, broadly consistent with the sales trends seen in Q3. E-commerce sales were up by 5.4% in Q4, supported by the continued strong growth momentum from B&Q's e-commerce marketplace. Sales remained resilient across our regions and customer segments (DIY* and DIFM*/trade), with double-digit 3-year LFL growth in the UK & Ireland, France and Other International. This resulted in trading in line with our expectations, supported by our focus on execution and market share gains.

In the UK, Screwfix saw a strong improvement in its 1-year and 3-year LFL trends from Q3 to Q4, supported by strong demand from trade customers. In France, 1-year LFL trends were similar from Q3 to Q4, with 3-year growth remaining in the double-digits. As expected, France's 3-year LFL slowed in Q4 (relative to Q3) due to a significantly stronger 3-year comparative in Q4 19/20 relative to the first nine months of FY 19/20. France LFL sales in Q4 19/20 were over eight percentage points higher than the first nine months of FY 19/20.

Castorama Poland grew slightly faster than the market in Q4, though the market itself was impacted by macroeconomic challenges and significantly adverse weather conditions, especially in the latter part of the quarter. Iberia's sales trend was lower in Q4 due a very strong comparative quarter, while Romania saw strong growth on a 1-year basis and continued strength in its 3-year trends, driven by strengthening competitive positions and effective trading activities.

Current trading in Q1 23/24

February 23/24 total sales were up 1.9%, with LFL sales up 0.5%⁽⁵⁾. The main driver was a good performance in the UK & Ireland, with LFL sales growth at both B&Q and Screwfix. In France, Castorama delivered flat LFL sales YoY, while Brico Dépôt's LFL sales were down due to the timing of promotional campaigns. Both banners were also impacted by the national pension reform strikes. Castorama Poland's LFL sales were down, against a strong prior year comparative (its LFL sales were +11.4% in February 2022, driven by a successful promotional campaign).

We have seen resilient sales trends in our 'big-ticket' categories (i.e., kitchen, bathroom & storage), along with our surfaces & décor and tools & hardware categories. E-commerce sales continue to progress well, supported by the continued strong growth of B&Q's e-commerce marketplace (which reached a marketplace participation of 24% in February – i.e., B&Q's marketplace gross sales* divided by B&Q's total e-commerce sales).

We expect some impact in March from adverse weather conditions and a strong comparative in Poland.

Footnotes

⁽¹⁾ Kingfisher's subsidiary in Romania historically prepared its financial statements to 31 December. In the prior year (FY 21/22), Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January). Its retail loss presented in FY 21/22 therefore included one additional month of results (January 2022) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Reported and constant currency variances for Romania's retail loss are for February 2022 to January 2023 (compared against January 2021 to January 2022).

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

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

⁽⁴⁾ Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. Please refer to the glossary in Section 6 for definitions. References to digital or e-commerce sales growth relates to growth in constant currency and covers the total Group. 3-year total e-commerce sales growth excludes Russia.

⁽⁵⁾ February 23/24 total and LFL sales represents the calendar month February 2023 compared against February 2022, in constant currency. The figures are provisional.

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

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

In June 2020, we announced our strategic plan – '**Powered by Kingfisher**'. This plan aims to maximise the benefits of combining our **distinct retail banners** (which serve a range of different customer needs) with the **scale, strength and expertise of the Kingfisher Group**. We believe this combination, effected through a balanced local-Group operating model, enables us to deliver on our purpose of helping to make better homes accessible for everyone, while addressing the many profitable growth opportunities we see in the home improvement market.

The differentiation of our retail banners across trade (Screwfix, TradePoint), discounters (Brico Dépôt France, Brico Dépôt Iberia), and more general DIY needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş) is a unique strength for us; more so in a more volatile and uncertain world.

Equally, Kingfisher's scale and resources are a critical source of competitive advantage for our banners, providing Group-wide OEB product development and supply, leading-edge technology platforms and digital capabilities, international sourcing and buying scale, data-driven tools, products & services, shared services and best practices, and cost and inventory management support.

We are pleased with the progress we have made over the last three years. The business has executed strongly against its core strategic priorities in order to power its retail banners, leading to stronger propositions for our customers and market share growth. Sales growth in the UK, France and Poland, which together represent c.95% of Kingfisher's sales, has outperformed the growth of the home improvement industry, with a 3-year total sales CAGR of 5.9% compared to a market CAGR of 4.9%.

This has been achieved against the backdrop of an extraordinary operating environment, which has presented challenges as well as opportunities for our business. Reflecting the fast-moving world in which we live, we've adapted our strategic focus areas to ensure data, trade, culture and agility are given increased prominence and focus, and to better align to our investments for growth in multiple areas of the business.

The following section covers the progress made to date against our key strategic focus areas under the refreshed pillars of '**Powered by Kingfisher**':

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

a) **Grow by building on our different banners**

Our retail banners occupy number one or two positions in all our key markets. These banners address a diverse range of customer needs, each operating different models tailored to these needs, with clear positionings and plans. Our goal is to grow by building on our different formats in existing and new markets, leveraging the power of Kingfisher.

With the business in a strong position, our banners are investing for growth.

B&Q (UK & Ireland) and Castorama (France) continue to build world-class omni-channel propositions for DIY, DIFM and trade customers alike, with stores at the heart of their strategies. For B&Q in the UK, we believe there are around 50 catchments or geographic 'white spaces' where B&Q is currently under-represented. Please refer to '*Roll out compact store formats*' below for further details of B&Q and Castorama France's evolving store footprint.

B&Q's trade-focused banner, TradePoint, is the Group's fastest growing banner over the last three years with a 3-year LFL of +31.5%, reaching 22% sales penetration within B&Q. The business aims to extend its presence within B&Q's existing stores in the UK, having opened 30 new trade counters over the last three years and launching in Ireland in all B&Q stores in FY 22/23. Please refer to '*Develop our trade business*' below for further details of TradePoint's progress and plans.

Further increasing engagement with trade customers is a key driver of Kingfisher's growth ambitions. Screwfix, the UK's number one trade retailer, continues to expand through its capital-light and high-return small format outlets. In FY 22/23 the business opened 82 stores, including 72 in the UK and 10 in Ireland, bringing the total number of stores to 872 in both countries as of 31 January 2023. Ultra-convenience remains a key differentiator for Screwfix, and the business plans to open up to 60 more stores in the UK and Ireland in FY 23/24, keeping it on track to reach its medium-term goal of more than 1,000 stores.

As part of its international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Following encouraging results and learnings over an 18-month period, including customer NPS scores on a par with Screwfix UK, the business opened its first store in France in October 2022 and ended the financial year with five stores in operation. During the year, the business successfully implemented a tailored IT operating system, opened its first French distribution centre, onboarded a strong selection of local and national vendors, and accelerated its marketing efforts. In FY 23/24 the business plans to open up to 25 further stores, with the pace of these openings being determined by the trading environment, the strength of brand awareness, and the speed at which customers are embracing Screwfix's innovative business model. The business is well positioned to start taking share from the large trade segment in France, which has an estimated total market size of over €29bn. We are pleased with the first few months of operations and, assuming the success of the format is confirmed, we see the potential for more than 600 stores in France over the longer term.

Brico Dépôt France is one of the global home improvement industry's best hard discounters. With its 123 stores in France, strong sales densities, and agile & lean operating model, the business is well positioned to penetrate more of the geographic 'white space' that exists in France. In FY 23/24, Brico Dépôt France will test its first ever compact store – a 1,000 sqm format.

In Poland, Castorama is the market leader and the most trusted and reputable home improvement brand. During the year, the business strengthened its position through investments in new OEB-driven product ranges, new services for customers, and the rapid development of its e-commerce proposition. In FY 22/23, it opened seven new stores, bringing its total to 97 stores. The business has a proven track record of expansion, delivering attractive returns on invested capital. It plans to address the significant 'white space' that exists in Poland through 80 medium-box and compact store openings over the next five years.

In Turkey, Kingfisher's 50% joint venture, Koçtaş, opened 129 mostly compact stores in their financial year to 31 December 2022, bringing its total store count to 355. The growth opportunity for the home improvement industry in Turkey is significant, and in FY 23/24 the business plans to open over 80 new stores, supported by Koçtaş' innovative '*Fix*' compact store format.

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

Longer term, we also believe new markets, franchise and wholesale models could be an attractive source of growth. In FY 22/23 we opened our first two franchise stores under the B&Q banner in the Middle East, now supported by an e-commerce platform that was launched in February 2023. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group (<https://www.alfuttaim.com/>).

b) Accelerate e-commerce through speed and choice

We plan to accelerate our e-commerce sales, with the ambition of reaching 25% e-commerce sales penetration. We will do this by building on our progress over the last three years to further enhance speed, choice and convenience for our customers, supported by our e-commerce marketplace and data-led propositions. Furthermore, as we facilitate the development of more customer-centric digital tools and services, this will drive the growth of our digitally-enabled sales.*

E-commerce sales remain significantly ahead of pre-pandemic trends, driven by improvements to our e-commerce proposition that offer our customers more convenience, broader product choice and faster fulfilment of orders, powered by our store assets. We are now pivoting towards the next phase of our e-commerce journey with a stronger focus on acquiring and retaining digital customers, further improving e-commerce channel economics, scaling our e-commerce marketplace offering, and accelerating the development of data-driven products and solutions (please refer to '*Build a data-led customer experience*' below for further details).

Total e-commerce sales, which includes gross sales from third-party e-commerce marketplace transactions, as well as first-party e-commerce sales*, were £2.1bn in FY 22/23. This represents an increase of 146% on a 3-year basis, and a decline of 9% YoY (in constant currency). Overall **e-commerce sales penetration** was 16.3% (FY 21/22: 17.9%; FY 19/20: 7.9%).

Sales from C&C, our most popular online fulfilment channel, were down 12% YoY reflecting very strong prior year comparatives, although remain ahead of pre-pandemic levels with growth of 180% on a 3-year basis. C&C accounted for 87% of total e-commerce orders (FY 21/22: 87%) and 71% of total e-commerce sales (FY 21/22: 73%). The popularity of this fulfilment channel has been supported by significant enhancements to the options available to customers to collect their orders, including car park collection capabilities in France, as well as contactless 'drive-thru' collections in both France and Poland for all our medium-box and larger stores. During the year we completed the roll-out of C&C lockers to all Castorama Poland stores and continued testing C&C lockers at some B&Q stores. Our new store format trials are also increasing C&C options for customers, in particular through our high street compact stores which allow us to expand into city centres.

Home delivery sales were down by just 2% YoY, and up by 91% on a 3-year basis reflecting the development of our e-commerce marketplace and same-day delivery propositions. Faster fulfilment is a key competitive advantage for our banners, in particular over 'pure-play' online peers, so we have increased our focus on next-day and same-day home delivery. In August 2021, Screwfix launched Screwfix *Sprint*, offering delivery direct to home or site within one hour. *Sprint* is currently available from over 300 stores, covering c.45% of UK postcodes. The average number of products in a *Sprint* order is approximately 50% higher than a C&C order, and feedback from our customers has been strong. Our focus in FY 23/24 is to drive higher customer awareness and adoption of *Sprint* from a wider trade customer base. In H2, B&Q and our banners in France began testing an optimised carrier management service, with the potential to provide greater efficiency and convenience for customers (for example, by improving the order cut-off for next-day home delivery orders by two hours).

Moving to store-based picking and fulfilment has been critical in enabling us to serve our customers more efficiently. This also gives us the ability to flex up or down in response to short term changes in demand, without being exposed to high fixed costs. In FY 22/23, we picked 91% of the Group's e-commerce orders in store (excluding Screwfix: 89%). We also continue to leverage our stores to improve the speed and cost of home deliveries, introducing a new order management tool in the UK during the year which utilises B&Q's hub stores to cast a wider net for the availability of products ordered online, thereby lowering the rate of abandonment of online baskets. At present, 53 B&Q stores are being used as 'digital hubs' for fulfilling home deliveries, serving nearly 100% of UK postcodes. These hub stores are selected based on their catchment and the depth of their in-store range. Similar models have been introduced at Castorama France and Castorama Poland.

Expanding customer choice is a key driver of our e-commerce ambitions. Using scalable technology built by Kingfisher alongside *Mirakl*, the leading marketplace platform provider, we launched our first e-commerce marketplace on B&Q's *diy.com* in March 2022. There are now approximately 400 carefully selected third-party sellers on *diy.com*, with products across 18 home improvement categories, enabling B&Q to offer over 340,000 additional home improvement SKUs, compared to its previous offer of c.40,000

products. B&Q's marketplace has grown quickly since its launch, reaching a marketplace participation of 24% in February 2023 (i.e., B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). In November, we launched e-commerce marketplaces in Brico Dépôt Spain and Portugal. Over the medium term, further rapid expansion of the number of SKUs is planned, and in addition we are preparing for the roll-out of marketplaces in Poland and France.

Across all our banners, we continue to optimise the website and mobile user experience through Group-driven technology and capabilities, resulting in faster page-loading times, enhanced 'search, shop and pay' features, and new mobile tools and features. During the year, Brico Dépôt France implemented *Fasterize*, a software-as-a-service solution, resulting in a 30% improvement of its website's speed and page-load times. We also continued to test different payment options online, with 'Buy Now, Pay Later' and 'Pay in Instalments' options now available via *PayPal* in the UK and France. Following the successful launch of *ApplePay* and *GooglePay* on *diy.com*, our UK trade customers can now also use these features on *tradepoint.co.uk*.

Mobile remains our largest and fastest growing channel (versus desktop and tablet) and has performed strongly compared to pre-pandemic levels, up 260% on a 3-year basis. Sales through the mobile channel declined in FY 22/23 by 10%, with a decline of 19% in H1 followed by a 1% increase in H2. Mobile sales accounted for 54% of our first-party e-commerce sales (FY 21/22: 51%), representing an increase of 18 percentage points versus FY 19/20.

Our retail banners are providing customers with unique, app-first experiences such as Screwfix *Sprint*, together with features that enable greater customer convenience and self-service within our stores. Since its launch in February 2021, the new Screwfix app has been downloaded more than 2.8m times, accounting for 23% of its e-commerce sales (compared to the previous version of the app which accounted for 4% of e-commerce sales). In H1, Brico Dépôt Iberia successfully launched its trade customer loyalty app, and trialled an extension for non-trade customers in H2 with positive early results.

More broadly, Kingfisher's **digitally-enabled sales** were 24% in the year (FY 21/22: 26%; FY 19/20: 20%), highlighting that nearly a quarter of Group sales are from e-commerce channels and online orders placed in-store, delivered through pick-up in store or direct to customer homes. We expect digitally-enabled sales to continue to grow over time, in line with the continued evolution of both customer behaviours and our in-store technologies and solutions.

An example is our now app-integrated 'Scan & Go' service in B&Q, Brico Dépôt France and Brico Dépôt Iberia, which allows customers to scan their purchases as they shop and transact quickly upon checkout. We are also testing different approaches to make our fuller/extended range of products visible to customers even when not immediately available in-store. Screwfix has now completed the roll-out of their digital catalogue across the entire UK estate. Furthermore, B&Q and Castorama France continue to optimise and improve their in-store digital ordering terminals, with B&Q trialling QR codes in some smaller format stores to bridge from the 'convenience range' on-shelf to the fuller/extended range available for delivery or next-day C&C.

Finally, NeedHelp, our home improvement services marketplace, is now operational in the UK, France, Poland, Switzerland, the Netherlands and Belgium. In FY 22/23, we saw good growth of the platform, with a 22% increase of the gross merchandise value of completed jobs. During the year, *Lapeyre* and *Alinea* launched partnerships with NeedHelp in France and tests were launched with *Darty* and *Conforama* stores.

c) **Build a data-led customer experience**

We are increasingly embedding data within Kingfisher. Our banners are leveraging data to build customer-centric tools and solutions, support better commercial decision-making, and unlock significant new sources of revenue and profit for the Group.

Data powering growth

Since early 2021 we have been focused on developing new data capabilities for our banners. This has involved building new human and technical foundations to allow us to drive growth, efficiencies and improved customer experiences using data.

We have established a 'Centre of Excellence' in data – specifically in artificial intelligence (AI) and machine learning, advanced analytics and data platform engineering. This expertise is being leveraged across Kingfisher to address commercial opportunities within our banners and Group functions.

In 2021 and 2022 we focused our efforts on customer data and personalisation in order to drive customer loyalty, and retain customers acquired during the pandemic. We continue to see new customer growth above 2019 levels, with strong revenue retention of customers acquired in 2021 (103% of revenue retained after 12 months). To support these efforts, we have put new technology and data foundations in place. These included rolling out a new customer data platform at Castorama France to support their omni-channel marketing, deploying new data science and marketing automation tools at Screwfix, and developing new customer segmentations and algorithmic recommendation services to improve customer journeys and drive sales at B&Q. As an example of this, during the year B&Q implemented a new product substitution algorithm to help minimise lost online sales, and has expanded its range of customer contact points via in-app notifications and tailored in-store couponing.

During the year Kingfisher developed its first in-house recommendation engine, employing state-of-the-art machine learning and AI technology, to provide a more personalised shopping experience for our customers. The technology has been implemented at B&Q and Screwfix, with further roll-out in other banners planned this year. Although in its early stages, the new recommendation engine is already outperforming the existing solution on *diy.com* (+11% click-through rate, +4% add-to-basket rate and 3.5x faster response times), while also providing an opportunity to improve the speed and security of our websites by removing reliance on third-party providers. In addition, the new recommendation engine has been designed to scale and support our e-commerce marketplace products.

Finally, in addition to new in-house capabilities, we have established several strategic partnerships to accelerate our progress in data. These include a partnership with *Braze* to support us in developing more personalised customer communications; with *ContentSquare* to help us build seamless customer journeys with enhanced digital analytics; and with *Google* on cloud data and AI-based technologies.

Data powering profit

Through our investments in data capabilities, learning more about our customers, and c.1 billion customer visits across our e-commerce touchpoints, we're now pivoting our data strategy to create new sources of growth and profit.

We're leveraging our capabilities to create a data-driven tool that will support more efficient pricing decisions for better margin realisation, and increase the effectiveness of promotional, markdown and clearance campaigns. Development work has commenced on this product, with implementation in our banners expected this year.

We are also developing a supply chain visibility tool to provide our banners with real-time and end-to-end visibility of products from factory to store. The transparency over our supply chain networks will enable our banners to optimise inventory levels and replenishment cycles, resulting in higher availability, reduced inventory days, shorter product lead-times, higher profitability and, over time, improved demand forecasting. Additionally, Kingfisher is exploring the monetisation of our visibility tool by providing suppliers with real-time access to stock level data for their products, allowing them to better forecast demand and manage production times.

We are also developing opportunities to generate new sources of revenue for the Group by monetising through retail media – i.e., advertising placed within our e-commerce platforms and apps. Over the next

three years, the global retail media market is estimated to grow at a c.16% CAGR to c.\$190bn. Many large retailers are already monetising their existing e-commerce channels through selling advertising space for brands to purchase. With c.1 billion customer visits across our e-commerce touchpoints, Kingfisher is very well placed to benefit from this retail mega-trend. Along with our significant online traffic, many of our suppliers – including leading national and international home improvement brands – could become advertisers. Retail media is attractive for advertisers because it enables more precise targeting of advertising to customers during their buying journey (e.g., advertising during the product search stage, basket-build stage, or at the point of sale) to build brand awareness and drive product sales. In February 2023, through a technological partnership with *CitrusAd*, Castorama France commenced online advertising for product display and sponsored search, which is the first of many developments to follow in this area. Over time, we see the potential for retail media revenues to reach up to 3% of the Group's total e-commerce sales.

These initiatives are all underpinned by a pan-Kingfisher roll-out of a common data platform, using cloud-based technology. We are convinced that our ongoing investment in this area will drive faster, simpler and more efficient decision-making. The same capability will enable the simple use and re-use of data for business intelligence and analytics, as well as the direct deployment of AI-based technologies to power services for customers.

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

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

The performance of our OEB ranges in FY 22/23 was resilient against very strong prior year comparatives, with LFL sales down 3.2%. LFL sales for OEB were up 15.4% on a 3-year basis, performing in-line the growth of non-OEB ranges. Total OEB product sales were £5.8bn, representing 45% of Group sales (FY 21/22: 45%). This is particularly impressive when considering our retail banners' renewed focus on offering more choice to customers through a wider range of local and international branded products. Kingfisher's top five OEBs, based on their breadth of differentiated ranges, innovation and growth potential, are *GoodHome*, *Verve*, *Erbauer*, *Magnusson* and *Cooke & Lewis*. These contributed 20.2% of total Group sales (FY 21/22: 19.5%; FY 19/20: 14.3%).

During the year, we redefined our OEB strategy around three core pillars: **innovation**, **affordability** and **sustainability**. Moving forward, all new product launches and range reviews will stringently address each of these three pillars.

With many households in our markets impacted by the rising cost of living, this has strengthened our resolve to deliver **affordable** prices to our customers by leveraging our OEBs. Our OEB products are, on average, 15-30% cheaper than branded products (for example, our *Erbauer* brand compared to its branded power tool competitors, and our *Titan* pressure washers compared to its main branded competitor). We achieve this by maintaining strong range management practices across the OEB offer, strengthening the offer in the lowest selling price quartile, and developing the 'permanent' OEB range with banners to form the core of their offer, which is complemented by additional banner-specific ranges.

We also remain focused on designing **innovative** products to make home improvement projects easier, by developing a much deeper understanding of customer needs at every step of the home improvement journey. We are developing disruptive and uniquely designed OEB products to simplify choice and give our customers more confidence to complete projects. An example of such innovation is our new mounting plate system for our range of door handles and knobs, designed to fit any existing door and removing the need to drill new screw holes. We also have plans to launch new flooring ranges in FY 23/24 with an easier-to-install 'click and drop' solution.

We are leveraging our OEB capabilities to provide differentiated and specialised products for our general home improvement, trade and discounter banners. Over the last two years, we have created an overall portfolio of 32 new and redeveloped OEBs, enabling our banners to differentiate both between themselves and also from branded products within their customer proposition. The roll-out of these OEBs

was completed in H2, and we are now working towards further extending the new OEB pipeline. Examples include our *Flomasta* trade-focused radiators, launched initially in Screwfix, and the *Turbo* high-performance screw range marketed to Screwfix trade customers. *Evalux*, a high-performance discount paint range sold only at Brico Dépôt France, has performed strongly since its launch in early 2022. During H1 we relaunched *GoodHome* paint in all our general home improvement banners to create an unrivalled paint offering with a curated range of ready-mixed colours, alongside our tinting offer which increased choice to 2.2 million colours. The relaunch also included our first bio-based paint, *Naturéa*. At B&Q and Screwfix, respectively, we have launched new featured ranges for *MacAllister* and *Titan* power tools incorporating a better battery platform, whilst keeping our selling prices low, helping to make home improvement projects easier and more cost-efficient. One of our key focus areas in FY 23/24 is to drive higher customer awareness and adoption of these new brands.

Our OEB kitchen ranges continue to receive strong customer feedback on design, innovation and value for money. It remains one of our top-performing new ranges for the Group and has been a key contributor to our banners' market share growth. Supported by market-leading price positioning, installation services and an enhanced in-store sales journey, the Group LFL sales performance of the OEB kitchen ranges was positive in FY 22/23, and up by over 50% on a 3-year LFL basis. The performance of our OEB kitchen ranges at Castorama Poland has demonstrated our ability to create a new market opportunity having the right combination of offer, price and service, delivering LFL sales growth of over 40% in FY 22/23.

We are also continuing to embed **sustainability** considerations at the core of the OEB proposition, all the way from the product design and development phase, through to the procurement and manufacturing phase. Sustainable Home Products (SHPs) aim to either help our customers reduce their environmental impact (such as solar panels, water-saving taps or loft insulation) or are intended to have a reduced impact on the environment because of their input materials or how they are manufactured (for example, FSC timber, peat-free compost or recycled plastic). In FY 22/23, 56% of OEB product sales were SHPs (FY 21/22: 55%). Please also refer to '*Lead the industry in Responsible Business and energy efficiency*' below for further details on how we are using OEB to drive further SHP growth.

e) Develop our trade business

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

Screwfix, the UK's number one trade retailer, continues to expand through its capital-light and high-return small format outlets. The business now operates 872 stores in the UK and Ireland, and five stores in France where it launched in April 2021 (with its first store opening in October 2022). Please refer to '*Grow by building on our different banners*' above for further details. Screwfix is a well-established, large and proven business that has significant penetration of trade customers in the UK, with approximately 75% of Screwfix's sales coming from tradespeople. It leverages Kingfisher for trade-focused own exclusive brands, technology, sourcing, shared services and best practices.

Another blueprint for our ambitions in trade is B&Q's trade-focused banner, TradePoint, which continues to build strong foundations for growth. TradePoint's LFL sales outperformed the rest of B&Q (and Screwfix) in FY 22/23, down just 1.2% for the year and with growth in H2. TradePoint's 3-year LFL sales were up 31.5% in FY 22/23, bringing the business to £833m of sales, representing 22% of B&Q's total sales (FY 21/22: 20%). Looking forward, we have put together a strong plan to drive TradePoint's annual sales to more than £1bn in the medium term, centred around growing its customer base and increasing its share of trade customer spend through a greater focus on project-related spend. Work is underway to develop and grow TradePoint's loyalty programme, to implement new trading approaches, update and expand TradePoint's store counters, implement new trade-specific ranges and services, and enhance the business' digital and online experience.

More broadly, we believe there is a significant opportunity to increase trade customer penetration across all other retail banners, benefitting from our expertise in Screwfix and through TradePoint's successful relaunch. Over time, we expect increased trade customer penetration to contribute to higher sales and

profit growth. During the year we launched a 'Centre of Excellence' in trade at Kingfisher, bringing together experts from across our banners and Group functions to share knowledge, insights and feedback from customers. We also aligned our trade strategy across six key pillars: **store formats, people, services, product range, pricing and loyalty** and **digital**.

Within **store formats** we have opened 30 new TradePoint counters over the last three years in the UK, for a total of 181 counters currently in operation. These include small format counters that have been implemented in smaller B&Q stores unable to cater for the fuller TradePoint proposition. We are also continuing to make progress updating our legacy TradePoint counters, with 29 stores refreshed during the year. In addition, we successfully launched TradePoint in Ireland in FY 22/23, in all eight B&Q stores. We continue to explore the potential for dedicated trade counters in our banners in France, Poland and Iberia. Castorama Poland is also taking learnings from France to test more efficient builders' yards. In Romania we have plans to adapt our in-store B2B desks to extend support to smaller trade customers.

In **people**, we are reorganising our team structures and colleague roles at TradePoint to drive higher engagement through building more direct and personalised relationships with trade customers. In Brico Dépôt France we are trialling the placement of trade project advisers in-store to provide dedicated support to our trade customers – both in-person and remotely via direct-to-store 'pro hotlines'. In Iberia, trade project advisers also now provide dedicated support to trade customers, and we will be testing similar initiatives (both in-store and via our contact centres) across all banners in FY 23/24.

In **services**, our tool rental partnerships with *SpeedyHire* (at 33 B&Q stores) and *Loxam* (at 41 Castorama France stores) provide trade customers with heavy machinery and tooling, delivered both in-store and nationwide via our digital platforms. Payment facilities and cash flow are also key considerations for our trade customers to successfully operate their businesses. Our dedicated *TradeUK* proposition continues to provide credit facilities for use across both B&Q and Screwfix. Dedicated financial products for the trade are also being explored in France, Poland and Iberia. Fulfilment is also of crucial importance to the trade, with nationwide crane delivery rolled out by Brico Dépôt France during the year, and direct-to-site delivery, next-day delivery and 'timed delivery' slots all being tested and explored. Furthermore, our responsible waste services in partnership with *AnyJunk* and *LoveJunk* are delivering positive results in the UK, with plans to increase awareness and adoption in the coming year.

Within **product range**, we are leveraging our strength in OEBs to develop and roll out trade-focused products for our banners. As an example, during the year we launched our new OEB *Erbauer* 12V power tool range in Screwfix and Castorama France. The 12V ecosystem provides a more compact range to our 18V offer, bringing power tool capabilities to smaller areas, ideal for tradespeople working in confined spaces or on more intricate work where larger tools are inefficient. The new range of OEB *Flomasta* steel panel radiators has also been launched, designed with a deeper understanding of our plumbers and heating engineers' needs. Alongside positive customer feedback on installation and use, the range is driving higher sales and profitability compared to our previous offer. Our banners are also reviewing and extending the availability of key trade brands within their markets (for example, extended *Makita* and *Bosch* ranges in Brico Dépôt Iberia).

In **pricing and loyalty**, we are testing and rolling out dedicated trade loyalty programmes in Poland and Iberia to establish and maintain strong customer relationships, building on successes at TradePoint and Screwfix. Following positive results and adoption rates, these programmes will be further developed across both markets in FY 23/24. In addition, we are driving adoption of our existing loyalty scheme at Brico Dépôt France through our 'pro' targeted trials. Improvements to the TradePoint programme are also in development, to increase access to membership information for both customers and colleagues to maximise opportunities for higher customer spend. Several of our banners are also testing new pricing mechanisms to drive higher sales, while maintaining competitive trade pricing.

Finally in **digital**, Screwfix *Sprint* continues to deliver essential items to trade customers within one hour, available exclusively through the Screwfix app. In 2023, TradePoint will strengthen its digital proposition to make membership tracking and purchases easier to complete. Increased personalisation is a key area we are expanding, leveraging our expanding data and analytics expertise to bring more relevant offers and content to known trade customers.

f) Roll out compact store formats

Stores play a critical role in the home improvement market. They serve as a ‘one-stop shop’ for projects, enabling customers to be inspired, to visualise and ‘try before they buy’, and receive customised advice and services from in-store experts. Over the last three years they have also played an integral role in meeting elevated demand via e-commerce channels, whether through fast C&C or delivery to where the customer wants it. We believe that compact stores will play an increasingly crucial role in addressing the consumer need for both speed and convenience. Through compact store expansion, our ambition is to grow market share, optimise our overall store footprint, and to grow sales densities and store profitability.

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

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

To date we have made good progress in testing different concepts to unlock the compact store opportunity. During the year we added 17 additional compact stores, bringing the total to 41 in operation as of 31 January 2023. These stores span three markets and four retail banners (B&Q, Screwfix, Castorama France and Castorama Poland), located in high streets, small retail parks and within supermarkets (as concession outlets). Following an extensive review, in February 2023 we decided to end our B&Q ‘grocery concession’ format test with ASDA in eight stores to instead focus our resources on developing the blueprint for high street and small retail park stores.

Our high street concept tests (300-800 sqm) continue to deliver encouraging learnings and results. We now have 12 high street concept stores open in the UK, France and Poland, including eight within B&Q. We continue to learn from these tests with the aim of creating a scalable high street concept. The latest two B&Q compact stores (Palmer's Green and Camden, both in London) are the first to sit under the new *B&Q Local* sub-banner, offering an immediate ‘take-away’ convenience offer in prominent locations with high footfall. Similar concepts are being tested in Castorama France (three *Casto* stores, including two opened in Paris in February 2022) and Castorama Poland (one *Express* store, opened in August 2022).

Our small retail park store concept tests (800-2,000 sqm) are currently within B&Q (four stores) and in Poland (five stores, where they trade under the *Castorama Smart* sub-banner). During the year we opened one small retail park store in the UK and three in Poland. The concept allows us to bring our core offer into smaller footprints and catchments, while offering a stronger showroom inspiration and more complete project journey than is possible within high street stores. Overall, these stores continue to see positive results, especially those within the 1,500-2,000 sqm subset.

These stores, along with our high street formats, support the longer term roll-out strategies at B&Q, Castorama France and Castorama Poland, which is to increase penetration in small towns and cities.

We are also planning to launch the first test of a new Brico Dépôt France 1,000 sqm format in FY 23/24.

Screwfix continues to test its ultra-compact ‘XSR’ store format, which has been developed to take the core Screwfix range into spaces unable to cater for the full traditional trade counter offer. We now have 11 ‘XSR’ stores trading across various location types, including six such stores opened during the year, and are seeing promising results especially in small market towns. We are entering our final testing phase for these formats, ahead of potential integration into Screwfix’s store network plans in the UK.

g) Lead the industry in Responsible Business and energy efficiency

We are committed to leading our industry in responsible business practices. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business where we can maximise our positive impact on the lives of our customers, colleagues, communities and the planet. As the 'green homes' agenda accelerates, we see considerable potential for our Sustainable Home Products, in particular in the UK and France where the governments have made 'net zero' commitments. The ongoing energy crisis adds weight to the urgent need for governments to increase their support of greener homes and energy efficiency.

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

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

Colleagues: Becoming a more inclusive company

- Our 82,000 colleagues are at the heart of our business, helping our customers to make their home improvement plans a reality.
- To deliver the best possible service to our customers and ensure that each of our colleagues is engaged, fulfilled and able to realise their full potential, we are building a culture based on trust, agility, inclusion and curiosity, which we track through frequent colleague engagement surveys and listening forums. Our colleague satisfaction scores are currently within the top 5% of worldwide retailers. Please refer to 'Human, agile and lean' below for further details.
- With colleagues across Europe and Asia, we are proud of our cultural diversity which is a strength. We continue to focus on broader actions to promote stronger levels of inclusion and diversity across our entire organisation, thereby creating a more innovative and engaged workforce. We are continuously listening to our colleagues, including from our 16 Affinity Networks, and acting on their ideas about how we can build a more inclusive culture.
- In FY 22/23 we reached 25.8% women in our senior leadership team (FY 21/22: 25.2%) and 38.9% in management roles (FY 21/22: 37.9%). While we are making strong progress against our women in management target of 40% by FY 25/26, this year we will strengthen our actions to improve progress against our women in senior leadership target of 35% by FY 25/26.
- Throughout the year we actively monitored the rising cost of living across our markets, taking swift action to support colleagues in our stores and head offices. On colleague pay, for example, salary increases or one-off payments were awarded in the UK, France, Poland and Iberia, focused disproportionately on store colleagues. We also put additional measures in place to support colleagues facing potential financial hardship, such as our Colleague Support Fund in the UK (in partnership with the *Retail Trust*), and extended colleague discounts on energy-saving products to help reduce household bills in the UK, Iberia and Romania.
- We are investing in inspiring opportunities for colleagues to learn and grow with us. During the year, colleagues completed more than 2.6 million hours of 'skills for life' learning, bringing the total number of hours completed since FY 19/20 to 6.6 million learning hours – surpassing our skills for life target of 5 million learning hours more than two years ahead of schedule. A new target linked to apprenticeships and learning will be established in the coming months. Across the Group, we had over 4,600 apprentices in FY 22/23.
- We also continue to invest in talent and capability to support our growth ambitions. During the year, we recruited deep functional expertise in key areas, including technology, data, e-commerce and marketplace, and OEB. In addition, new and highly skilled teams have been built to develop Screwfix in France.
- Our attrition levels and the time it takes to hire new colleagues are either in line with, or better than, retail industry benchmark levels.

Planet: Becoming Forest Positive and helping to tackle climate change

- In July 2022, we announced a new target to reach net-zero for our operations (scope 1 and 2) by the end of 2040. Achieving this means we would reduce absolute emissions by at least 90% against a FY

16/17 base year, and neutralise our residual emissions, in line with the requirements of the Science Based Targets initiative (SBTi) *Corporate Net-Zero Standard*.

- Achieving our near-term 1.5°C aligned science-based scope 1 and 2 carbon reduction target (approved by the SBTi in 2021) is our first step towards achieving net-zero carbon by FY 40/41. The target is to reduce emissions by 37.8% by FY 25/26.
- In FY 22/23 we exceeded this target, reducing our carbon footprint for our own operations (scope 1 and 2 emissions) by 52.7%(FY 21/22: 24.5%; FY 19/20: 19.6%), against a FY 16/17 base year.
- During the year we accelerated our actions to achieve sustained emissions reductions, which has driven the majority of our rapid progress. We also implemented shorter-term tactical measures to reduce gas and electricity consumption in light of the global energy crisis. While these tactical measures will likely reverse, to an extent, in the near-term, the more strategic measures put in place mean we are confident of maintaining outperformance against our science-based targets out to FY 25/26.
- Our actions in FY 22/23 to deliver sustained emissions reductions included the extension of our programme to purchase electricity from zero carbon sources, supported by Renewable Energy Certificates in all our markets.
- Further actions included the continued roll-out of LED lighting in stores, installing or retrofitting air source heat pumps across our Screwfix stores in the UK, and the trialling and deployment of fuels with a lower environmental impact and electric vehicles across our delivery fleets. As of 31 January 2023, over 500 of Screwfix's 872 stores were heated with air source heat pumps, with further roll-out expected this year.
- Our 1.5°C aligned scope 3 target requires us to achieve a 40% reduction (per £'million turnover) from purchased goods and services and use of sold products by 2025, against a FY 17/18 base year. By the end of FY 21/22 we had reduced emissions from energy-using products by 1.4 million tonnes of CO₂e, versus FY 17/18. This takes account of a product's estimated lifetime carbon emissions from energy use. This has reduced the intensity of our emissions from the supply chain and customer use of products by 19.7%. We will report further progress against our scope 3 emissions reduction target in our FY 22/23 Responsible Business Report, to be published in Q2.
- We are a founding member of the [UN's Race to Zero Breakthroughs – Retail Campaign](#), a partnership aiming to inspire more of the world's retailers to take action on climate change.
- Kingfisher has a strong heritage in sustainable forestry and the responsible sourcing of wood and paper. In line with our commitment to be 'Forest Positive' by 2025:
 - 94% of the wood and paper used in our products is responsibly sourced (FY 21/22: 87%), including 100% of catalogue paper, putting us on track to achieve our target of 100% by FY 25/26.
 - B&Q, Screwfix, Castorama France, Brico Dépôt France and Castorama Poland have all established local partnerships to restore, create and protect native woodland and forests.

Customers: Helping to make greener, healthier homes affordable

- In FY 22/23, £6.2bn of sales, representing 47% of Group sales (FY 21/22: 44%), were from Sustainable Home Products (SHPs). This has more than doubled since we established the programme in FY 11/12.
- SHPs aim to either help our customers reduce their environmental impact (such as solar panels, water-saving taps or loft insulation) or are intended to have a reduced impact on the environment because of their input materials or how they are manufactured (for example, FSC timber, peat-free compost or recycled plastic).
- In July 2022, we announced a new ambitious target for SHP sales to reach 60% of Group sales by FY 25/26 (previous target 50% by FY 20/21). We are also targeting 70% of OEB product sales to be from SHPs by FY 25/26 (FY 22/23: 56%).
- Sustainability is a key pillar within the core design principles we apply in developing our OEB ranges, and we remain focused on improving sustainability performance through each change that we make. For example, we are fully phasing out peat at B&Q (Kingfisher's biggest seller of compost by volume), we have removed solvents from further paint lines (e.g., through the launch of *Naturéa*, Kingfisher's first ever bio-based paint), integrated recycled plastic into more products across several product categories, and increased the longevity and repairability of some of our product ranges.
- We also see considerable potential across all our markets as the 'green homes' agenda accelerates, in particular in the UK and France, where the governments have made 'net zero' commitments. We are developing opportunities to increase engagement with DIY and trade customers in this agenda:

- In FY 22/23, Kingfisher derived 11% of Group sales from energy and water-saving products. We are very well placed in energy efficiency categories such as loft insulation, LED lighting, underfloor heating and electric radiators, and are exploring other product solutions.
- Screwfix is selling photovoltaic (PV) panels and air-source heat pumps to the trade and is exploring further options in this market.
- During the year we expanded our range of energy-saving products and services to better support customers to improve energy efficiency at home, while also helping them to save money.
- In Q4 we launched energy-saving solutions in the UK and France, to help customers create personalised energy efficiency action plans for their homes, and then access the relevant products and services via B&Q, Castorama France and Brico Dépôt France and their partners to take action. We have seen a very positive take-up of these services in both markets, with high demand for expert advice on energy-saving products and encouraging conversion rates amongst those customers receiving a quote for work.
- Alongside energy-saving products sold directly by our banners, we have partnered with organisations to address the installation of more pervasive recommendations including boiler replacements, photovoltaic (solar) panels, and roof and interior/exterior wall insulation.
- In H2 Castorama France added solar panel installation to their existing offer of boilers, wall and roof insulation, windows, doors, ventilation and log-burner solutions. In the last month B&Q have also added solar and storage (battery) installation to their roster of partners within their energy-saving service.
- The customer experience in Castorama France has also been improved by launching an online simulator to simplify the process and help customers navigate the costs and expected rebates under the French government's *MaPrimeRénov* subsidy programme for energy efficiency projects in customers' homes. *MaPrimeRénov* has gained significant traction in France.

Communities: Fighting to fix bad housing

- In FY 22/23, we invested £5.4m in our communities, with our colleagues and customers raising an additional £2.8m. We reached over 470,000 people through our charitable partnerships and banner Foundations.
- This brings our total to 2.1 million people helped since FY 16/17, thereby achieving our target of 2 million people three years ahead of schedule. A new target will be set later this year.
- All our retail banners have established charitable Foundations. The Screwfix Foundation, which has been running since 2013, recently passed the significant milestone of £10m raised in aggregate, supporting over 2,200 organisations over this period.
- Our Foundations partner with national charities including *Shelter* and *Macmillan* in the UK, *Fondation Abbé Pierre* in France, and *Habitat for Humanity* in Poland and Romania.
- Kingfisher responded rapidly to the war in Ukraine, with all our retail banners actively fundraising and seeking donations across their markets. We donated c.£0.5m to help organisations such as the International Red Cross and the UNHCR with their relief efforts. This included matched funding for colleague donations to the Red Cross Ukraine Crisis Appeal amounting to £68k.
- In late August 2022, torrential rains flooded Pakistan, impacting 33 million people. We donated to the International Red Cross Red Crescent Movement to support their humanitarian efforts.
- To support the ongoing Turkey and Syria earthquake relief efforts, we have made donations to the *Disasters Emergency Committee*, with our banners sending supplies to help survivors who lost their homes. Castorama France and Castorama Poland worked with our sourcing office in Turkey to transport heaters to affected communities. Koçtaş, our joint venture in Turkey, has provided vital supplies including blankets, lamps, picnic stoves, electric heaters and sleeping bags, as well as training and equipping rescuers.

Governance and Reporting

Our Responsible Business Committee (RBC) of Kingfisher's Board supports the governance of Responsible Business and monitors performance against our priorities. The RBC is chaired by Sophie Gasperment, a non-executive director (NED) of the Board, and includes a further NED, our Group CEO, and other members of the Group Executive.

The Group Ethics and Compliance Committee (GECC), created in 2020, oversees the implementation of critical compliance initiatives, sensitive investigations and KPIs, supported by banner-level committees. The Group Committee is chaired by our Group CFO. In July 2022, we established a Group Climate

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

Responsible Business measures are integrated into our long-term incentive plan (known as the Kingfisher Performance Share Plan), which is granted to members of our senior leadership team. The performance conditions attached to the vesting of awards include 25% weighting on ESG measures. More information on this will be provided in our 2022/23 Annual Report and Accounts.

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

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

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

- **MSCI:** We rank as a 'Leader', having received the highest-possible 'AAA' score, which was achieved by only 5% of companies in the *Retail – Consumer Discretionary* sector.
- **CDP Climate Change:** We improved our performance to achieve a leadership score of 'A' (previously 'A-'). We are amongst fewer than 300 companies globally that achieved an 'A' grading in 2022 and we score higher than the average discretionary retail performance of 'C'.
- **Sustainalytics:** We continue to rank highly when compared against our sector peers – ranked second out of 43 in home improvement retail and fourth out of 487 in the wider retailing industry.
- **Workforce Disclosure Initiative:** We received a disclosure score of 81%, which is ahead of the average consumer discretionary sector score of 66% and average disclosure score (all companies) of 68%.
- **ISS ESG Corporate Rating:** We achieved a 'C+' rating. This is supported by our 'Prime' status, which is given to companies that are perceived to be sustainability leaders in their industry.
- **FTSE4Good:** Kingfisher is included in this index, with a rating of 4.6 out of 5 ('Strong' performance).

For further information on our Responsible Business strategy, performance and governance, please visit the Responsible Business section of our website at www.kingfisher.com, and our FY 22/23 Responsible Business Report (due to be published in Q2).

h) Human, agile and lean

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

Human and agile

To support an agile and inclusive culture, led by trust, we are continuing to listen to our colleagues and measure their engagement across the Group, through formal and informal mechanisms. We conducted our most recent Group-wide colleague engagement survey in June 2022. We heard from 83% of colleagues (up 4% versus last year), with colleagues sharing 317,000 comments (up 10%). Our Employee Net Promoter Score (eNPS) of 54 is significantly ahead of the global retail benchmark (+16 points above the median), placing us in the top 5% of worldwide retailers.

In FY 22/23, we launched our new 'Leadership Behaviours' framework, which encourages our senior leadership team to embody values including customer centricity, inclusivity, curiosity and agility.

Beginning with our leaders and cascading throughout our workforce, these behaviours capture the key aspects of our culture that will help deliver our strategy.

Strong progress has also been made on delivering our inclusion plans. In FY 22/23, we established a new 'Inclusion & Diversity Forum', chaired by the Screwfix CEO, bringing together senior leaders and representatives from our 16 Affinity Networks across the Group to share best practices and further develop our action plans. A UK data collection campaign was also launched during the year across B&Q, Screwfix and Kingfisher head office colleagues, helping us to analyse the inclusivity of our HR policies and systems and help identify where further action may be required to build a fair and equitable culture in the business.

Since the launch of 'Powered by Kingfisher' in September 2019, we have worked to embed our Group-banner operating model to ensure that our banner teams are empowered to deliver for their customers. There continues to be an ongoing focus to embed our 'done is better than perfect' culture of experimentation and pace, enabling an agile mindset and building trust between teams.

During the year we strengthened our Kingfisher 'Centres of Excellence' in supply chain, trade, compact stores, data, technology, and e-commerce & marketplace. These centres provide technologies, resources and industry-leading best practices to ensure our banners can move with speed and agility – for example, in launching our e-commerce marketplaces at B&Q and Brico Dépôt Iberia in FY 22/23.

We continue to focus on further strengthening our capability in key areas that will support the delivery of our strategy; for example, in-sourcing a greater proportion of software engineers and recruiting additional expertise in trade and data.

Lean – costs

Over the last three years we've implemented multiple programmes to reduce costs across Kingfisher over a multi-year period. The initiatives cover store productivity, goods not for resale (GNFR*), supply and logistics, overheads and property (including lease renegotiations and rightsizings). These programmes are robustly governed both at Group Executive and Board level.

While we are not disclosing the expected net savings from our multi-year cost reduction programmes, they are expected to partly offset the cost of inflation, expansion and space changes, and the investment requirements of our business over the medium term. They are also key to unlocking our targeted profitability improvements in France.

The following areas contributed to partially offsetting cost growth in FY 22/23:

- **Store productivity** – We increased colleague productivity through implementing new store operating procedures, and the use of technology such as self-checkout terminals, app-integrated 'Scan & Go', improved digital ordering terminals, and QR code enabled in-store ordering. Self-checkout terminals have now been rolled out across B&Q, Castorama France and Castorama Poland, with roll-out underway at Brico Dépôt France. Adoption in all banners is well ahead of expectations.
- **GNFR optimisation** – Together, our category managers with Group-wide responsibilities and local procurement teams continue to optimise a c.£2.7bn GNFR spend through over 220 cost reduction projects.
- **Supply and logistics** – Kingfisher's supply and logistics teams continue to work on distribution centre space and network optimisation, as well as operational efficiency in our logistics. Next to the significant distribution centre space reductions achieved in France (cumulative space reduction of c.27% versus three years ago), major improvements are also being realised in the UK – for example, through the automation of Screwfix's site in Trentham. In addition, work is underway to further optimise our supply and logistics network through the use of data-led solutions. Please refer to '*Lean – inventories*' below for further details.
- **Overheads** – Savings were realised across Group and banner head offices, including through the expanded use of our shared service centre in Krakow, Poland.
- **Property** – B&Q completed 28 lease renegotiations in FY 22/23, with an average net rent reduction of 10%, alongside improved lease terms. We also completed four rightsizings in FY 22/23 at B&Q, further to the five completed in FY 21/22 at B&Q and Castorama France. These rightsizings have resulted in an average space reduction of c.30%, which in general has been taken over by discount

retailers, thereby bringing incremental footfall to the vicinity of the stores. Since reopening, the stores have exceeded our performance expectations, with sales density improvements of up to 50%, improved profitability, and reductions in energy consumption of over 50%. As a reminder, last year we announced that we expect up to 40 'big-box' stores across B&Q and Castorama France to be rightsized over 10 years, including the reallocation of space to e-commerce operations and fulfilment hubs. This space reduction equates to a relatively small proportion of Kingfisher's store estate, and approximately 3% to 4% of the combined selling space of B&Q and Castorama France.

Lean – inventories

Our priority over the last three years has been to secure inventory and improve availability for our customers, amidst unprecedented global supply chain and logistics challenges, as well as to improve the quality of our inventory. The strength and expertise of our supply, sourcing and logistics teams has enabled us to manage our supply and logistics needs effectively.

As the impact of the COVID pandemic has significantly reduced and a more 'normalised' environment emerges, our immediate focus has been to optimise our ordering and reduce the additional 'buffer' stock acquired since 2021, whilst continuing to improve product availability. Product availability improved in every quarter of FY 22/23, and we see this trend continuing into FY 23/24.

As of 31 January 2023, inventory in units (volume) was down YoY. In constant currency, net inventory increased YoY by £240m to £3,070m (FY 21/22: £2,749m at reported rates). Over 100% of this increase was driven by higher product purchase prices, alongside increases related to higher levels of 'carry-over' seasonal items (which we decided to proactively purchase ahead of forecast cost price increases), and stock to support our store expansion programme. The increase was partially offset by lower purchases and our strategic actions to reduce inventory. Net stock days increased by 18% YoY in FY 22/23, up 4% versus FY 19/20.

Same-store net inventory* (in constant currency) increased by £215m (+8%). On a 3-year basis the increase in same-store inventory (in constant currency) was £498m (+20%), with net stock days +4% (5 days) higher than FY 19/20.

Stock provisioning and de-listed stock rates remain below pre-pandemic levels.

To drive longer term opportunities to unlock efficiencies in our supply chain and inventory management, all our banners are deploying actions to structurally reduce same-store inventory, including optimising our ranging and deployment (with a focus on removing slow-moving inventory) and optimising our replenishment systems (e.g., re-adjusting for shorter supplier lead-times and lower security stock parameters). As described in '*Build a data-led customer experience*' above, we are also developing a data-led solution to provide real-time visibility of our end-to-end supply chain, which will significantly strengthen our planning and stock management capabilities as well as offering monetisation opportunities.

Sourcing

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

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

We are also announcing today that Kingfisher's banners in France and Mr. Bricolage Group are working towards establishing a procurement joint venture. The joint venture, which could be in place by H2 this year ahead of commercial negotiations for FY 24/25, will aim to strengthen relationships with common national and international suppliers and deliver additional value and new business opportunities for these suppliers. Mr. Bricolage Group has over 970 stores through franchisees and affiliates, mainly in France,

with c.€2.4bn of gross sales under its different banners, and is the fourth largest player in the French home improvement market.

Medium-term financial and capital allocation priorities

Medium-term financial priorities

In addition to refreshing our 'Powered by Kingfisher' strategic focus areas, we are also updating our medium-term financial priorities. These priorities reflect our continued confidence in the growth and cash generation opportunity of Kingfisher.

We operate in attractive markets, with new positive longer-term trends (such as more working from home and energy efficiency renovations) providing further support to the growth potential of the home improvement industry.

Building on our industry's attractive growth profile, the Group's medium-term financial priorities are:

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

Capital allocation priorities

The Group's objectives in managing capital are to:

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

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

To maintain a solid investment grade credit rating, our maximum net debt to EBITDA on an IFRS 16 basis is 2.0 times over the medium term. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash, cash equivalents and committed debt facilities), which is currently set at a minimum of £800m. Total liquidity as of 31 January 2023 includes an undrawn revolving credit facility of £550m and cash of £270m (net of bank overdrafts).

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

If surplus capital remains after having achieved all the above objectives, the Board will return surplus capital to shareholders via a share buyback programme or special dividends.

Dividend for FY 22/23

The Board has proposed a final dividend per share of 8.60p. This results in a proposed total dividend per share of 12.40p in respect of FY 22/23, which is in line with the prior year (FY 21/22: 12.40p). The corresponding dividend cover of 2.40 times is in line with our target ordinary dividend cover range of 2.25 to 2.75 times.

The final dividend is subject to shareholder approval at the Annual General Meeting on 27 June 2023, and if approved will be paid on 3 July 2023 to shareholders on the register at close of business on 26 May 2023. The shares will go ex-dividend on 25 May 2023.

Share buyback programme

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

In line with our capital allocation policy described above, in May 2022 the Board determined that a further £300m of surplus capital was available to return to shareholders, via a share buyback programme. As of 31 January 2023, we had repurchased c.£193m worth of shares under this programme, with the balance expected to be repurchased in FY 23/24. Including shares bought back under the previous programme, we repurchased c.£337m worth of shares in FY 22/23.

Our intention is to announce a new share buyback programme following completion of the existing buyback programme this year. This will be subject to the Board's evaluation against our capital allocation framework, and prevailing macroeconomic conditions.

Section 3: Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
B&Q	3,835	4,178	(8.2)%	(8.2)%	(8.8)%	+15.8%
Screwfix	2,365	2,327	+1.6%	+1.6%	(3.4)%	+14.2%
Total sales	6,200	6,505	(4.7)%	(4.7)%	(6.9)%	+15.3%

Retail profit	603	794	(24.0)%	(24.0)%
Retail profit margin %	9.7%	12.2%	(250)bps	(250)bps

Kingfisher UK & Ireland sales decreased by 4.7% (LFL -6.9%) to £6,200m, against very strong prior year comparatives in H1. In H2, total sales increased by 1.5% (LFL -1.2%). 3-year LFL sales for the year were up 15.3%. The 3-year sales trend improved to +16.2% in Q4 (versus +12.9% in Q3) supported by resilient sales from DIFM/trade categories. Over the last three years, B&Q (including TradePoint) and Screwfix have increased their market shares in the UK, supported by strong engagement with new and existing customers and higher store and online NPS scores. Gross margin % decreased by 80 basis points, reflecting 'normalised' promotional activity in H1 versus the prior year and one-off logistics spend in H1 to secure and manage seasonal and 'buffer' stock, in addition to mix impacts. Mix impacts were the result of a lower YoY share (versus Screwfix) of B&Q's higher gross margin % revenues given very strong prior year sales; and unfavourable B&Q category mix between lower margin building & joinery and EPHC (electricals, plumbing, heating & cooling) and higher margin surfaces & décor categories.

Retail profit decreased by 24.0% to £603m (FY 21/22: £794m; FY 19/20: £499m; at reported rates), due to the exceptionally higher sales and gross margin % in H1 last year. In H2, retail profit increased 22.4% to £264m (H2 21/22: £215m at reported rates). Operating costs increased by 1.3%, driven by higher costs associated with 86 net new store openings in the year, higher technology spend, and operating cost inflation including increases in pay rates and significantly higher energy costs. Advertising, marketing and travel costs also normalised compared to one-off COVID-related savings in the prior year. Increases were substantially offset through flexing our staff costs and cost reductions achieved by our strategic cost reduction programme. Retail profit margin % decreased by 250 basis points to 9.7% (FY 21/22: 12.2%; FY 19/20: 9.8%).

B&Q total sales decreased by 8.2% (LFL -8.8%) to £3,835m against very strong prior year comparatives, especially in H1. Sales trends improved in H2 (LFL -3.2%) with positive LFL growth in the EPHC, building & joinery and bathroom & storage categories. 3-year LFL sales for the year were up 15.8%. The business achieved good growth across all categories on a 3-year basis, in particular building & joinery and outdoor. LFL sales of weather-related categories decreased by 16% (increase of 21% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, decreased by 6% (increase of 14% on a 3-year LFL basis). B&Q's total e-commerce sales (including marketplace gross sales) decreased by 7% YoY, which was a resilient performance against strong online trading in the first half of the prior year. In H2, total e-commerce sales increased by 9%, driven by the growth of B&Q's marketplace which has scaled rapidly since its launch in March 2022. Marketplace reached a penetration of 22% in January 2023 (i.e., B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). B&Q's total e-commerce sales were up 130% on a 3-year basis, with overall e-commerce sales penetration of 11% (FY 21/22: 11%; FY 19/20: 5%). B&Q opened five small format stores in FY 22/23, including its first two *B&Q Local* compact format stores, and closed one store. As of 31 January 2023, B&Q had a total of 316 stores in the UK and Ireland. In February 2023, B&Q announced that it is terminating its 'grocery concession' partnership with ASDA in eight stores.

B&Q's trade-focused banner, **TradePoint**, continued to perform ahead of expectations in FY 22/23, supported by resilient sales from trade customers. LFL sales for TradePoint outperformed the rest of B&Q, down just 1.2% YoY, with 3-year LFL sales up 31.5%. TradePoint's penetration of B&Q sales

increased to 22% (FY 21/22: 20%). Throughout the year, TradePoint continued to focus on customer engagement and loyalty through targeted campaigns, trade-only deals and events, and improvements to trade-specific product ranges and services. E-commerce sales increased by 14% in the year as TradePoint grew awareness of its digital offer. During the year, TradePoint opened 18 new counters in the UK within B&Q stores, and expanded into Ireland with its first eight counters. Further roll-out of the proposition will continue in FY 23/24.

Screwfix total sales increased by 1.6% (LFL -3.4%) to £2,365m, reflecting a robust performance against very strong prior year comparatives, especially in H1. In H2, total sales increased by 8.0% (LFL +2.1%), supported by good demand from trade customers. 3-year LFL sales for the year were up 14.2%, with the sales trend accelerating to +15.3% in Q4 versus +12.4% in Q3. Screwfix continued to grow its market share in FY 22/23, with strong gains in the year. Screwfix's e-commerce sales decreased by 9% YoY, again reflecting a resilient performance against strong online trading in the first half of the prior year. E-commerce sales were up 137% on a 3-year basis, with e-commerce sales penetration of 60% (FY 21/22: 67%; FY 19/20: 33%). The business continued to strengthen its digital proposition throughout the year through the introduction of digital tablets in all stores, the launch of its product recommendations feature in the new Screwfix app, and the continued roll-out of Screwfix Sprint.

Space growth contributed c.5% to total sales. In FY 22/23, Screwfix opened 82 new stores (including 10 in Ireland), bringing the total to 872 as of 31 January 2023. The business remains on track to reach its target of over 1,000 stores in the UK & Ireland in the medium term.

As part of its international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Following encouraging results and learnings over an 18-month period, including customer NPS scores on a par with Screwfix UK, the business opened its first store in France in October 2022 and ended the financial year with five stores in operation. During the year, the business successfully implemented a tailored IT operating system, opened its first French distribution centre, onboarded a strong selection of local and national vendors, and accelerated its marketing efforts. The results for **Screwfix International** are captured in '*Other International*' – see below for further information.

FRANCE

£m	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
Castorama	2,302	2,296	+0.3%	+0.1%	-	+13.9%
Brico Dépôt	2,150	2,202	(2.4)%	(2.5)%	(2.9)%	+12.5%
Total sales	4,452	4,498	(1.0)%	(1.2)%	(1.4)%	+13.2%

Retail profit	195	221	(11.9)%	(12.0)%
Retail profit margin %	4.4%	4.9%	(50)bps	(50)bps

Kingfisher France sales decreased by 1.2% (LFL -1.4%) to £4,452m, against strong prior year comparatives in H1. In H2, total sales increased by 0.5% (LFL +0.5%). A resilient sales performance in DIY categories was outpaced by sales from DIFM/trade categories. 3-year LFL sales for the year were up 13.2%. The 3-year sales trend slowed to +10.9% in Q4 (versus +14.6% in Q3) due to a significantly stronger 3-year comparative in Q4 19/20 relative to the first nine months of FY 19/20. France LFL sales in Q4 19/20 were over eight percentage points higher than the first nine months of FY 19/20. Castorama and Brico Dépôt continued to focus on strengthening their respective competitive positions in the market through improving their digital capabilities, product ranges and overall customer proposition, resulting in higher store and online NPS scores. Gross margin % decreased by 30 basis points, largely reflecting category mix impacts. In H2, we completed our work to optimise distribution centre space in France, resulting in a cumulative reduction of c.27% in square metres versus two years ago.

Retail profit decreased by 12.0% to £195m (FY 21/22: £221m; FY 19/20: £164m; at reported rates), with lower gross profit partially offset by lower operating costs. Operating costs decreased by 0.6% due to lower staff costs and cost reductions achieved by our strategic cost reduction programme, substantially offset by operating cost inflation including increases in pay rates and significantly higher energy costs. Retail profit margin % decreased by 50 basis points to 4.4% (FY 21/22: 4.9%; FY 19/20: 4.0%).

Castorama total sales increased by 0.1% (LFL flat) to £2,302m, reflecting resilient sales despite strong prior year comparatives in H1. Sales trends improved in H2 (LFL +0.7%) with positive LFL growth in the EPHC and building & joinery categories supported by energy efficiency and trade/renovation activity. 3-year LFL sales for the year were up 13.9%. The business achieved growth across all categories on a 3-year basis, with particularly strong performances in the outdoor and building & joinery categories, both up by c.30%. LFL sales of weather-related categories were broadly flat (increase of 24% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, were also flat (increase of 11% on a 3-year LFL basis). Castorama's e-commerce sales decreased by 19% YoY, largely reflecting strong online trading in the first half of the prior year. In H2, e-commerce sales increased by 27% YoY. Castorama's e-commerce sales were up 240% on a 3-year basis, with e-commerce sales penetration of 5% (FY 21/22: 6%; FY 19/20: 2%). Castorama opened two new stores in FY 22/23; its first high street compact store tests in Paris. As of 31 January 2023, Castorama had a total of 95 stores in France.

Brico Dépôt total sales decreased by 2.5% (LFL -2.9%) to £2,150m, again reflecting resilient sales levels against strong prior year comparatives in H1. Sales trends improved in H2 (LFL +0.2%) with positive LFL growth in the EPHC, building & joinery and kitchen. 3-year LFL sales for the year were up 12.5%. The business achieved strong growth across its outdoor, building & joinery and EPHC categories on a 3-year basis. Brico Dépôt continues to strengthen its discounter credentials through further differentiating its ranges and maintaining a strong price index relative to its home improvement peers. Brico Dépôt's e-commerce sales decreased by 20% YoY, again reflecting strong online trading in the prior year. In H2, e-commerce sales increased by 7% YoY. Brico Dépôt's e-commerce sales were up 133% on a 3-year basis, with e-commerce sales penetration of 4% (FY 21/22: 5%; FY 19/20: 2%). In FY 23/24, Brico Dépôt France will test its first ever compact store – a 1,000 sqm format.

OTHER INTERNATIONAL

	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
Sales (£m)						
Poland	1,734	1,525	+13.7%	+16.7%	+13.8%	+19.8%
Iberia	373	366	+2.0%	+1.9%	+1.9%	+16.7%
Romania [±]	285	279	+1.8%	+1.7%	+7.8%	+38.0%
Other ^{**}	15	10	n/a	n/a	n/a	n/a
Other International	2,407	2,180	+10.4%	+12.4%	+11.2%	+21.5%

Retail profit (£m)				
Poland	148	135	+9.4%	+12.4%
Iberia	9	12	(27.9)%	(28.0)%
Romania [±]	(10)	(11)	+7.3%	+7.4%
Other ^{**}	(30)	(10)	n/a	n/a
Turkey (50% JV)	8	7	+19.8%	+114.8%
Other International	125	133	(6.6)%	(1.8)%

Retail profit margin %				
Poland	8.5%	8.8%	(30)bps	(30)bps
Other International	5.2%	6.1%	(90)bps	(70)bps

[±] Kingfisher's subsidiary in Romania historically prepared its financial statements to 31 December. In the prior year (FY 21/22), Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January). Its sales and retail loss presented in FY 21/22 therefore included one additional month of results (January 2022) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Reported and constant currency variances for Romania's total sales and retail loss are for February 2022 to January 2023 (compared against January 2021 to January 2022), whilst LFL and 3-year LFL sales growth compares equivalent periods in the current and prior years.

^{**} 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise agreements.

Other International total sales increased by 12.4% (LFL +11.2%) to £2,407m, with 3-year LFL sales up 21.5%, driven by growth in all key geographies. Retail profit decreased by 1.8% to £125m (FY 21/22: £133m; FY 19/20: £123m; at reported rates), largely due to an increase in losses incurred in 'Other' operations, driven by investment in Screwfix France, and a lower retail profit in Iberia. This was

substantially offset by higher retail profit in Poland. The retail profit margin % decreased by 70 basis points to 5.2% (FY 21/22: 6.1%; FY 19/20: 5.3%).

Poland total sales increased by 16.7% (LFL +13.8%) to £1,734m, against a prior year comparative impacted in Q1 by the COVID-related temporary closure of all Castorama stores (between 27 March and 3 May 2021). Notwithstanding this, Castorama continued to attract new customers and achieved strong market share gains in FY 22/23 by leveraging its leading market position and competitive pricing, supported by robust sales of DIY and DIFM/trade categories. On a YoY basis, nearly all categories achieved double-digit LFL sales growth, with a standout performance in the kitchen category where its new OEB kitchen ranges delivered over 40% LFL sales growth. 3-year LFL sales for the year were up 19.8%. The business achieved good growth across all categories on a 3-year basis, in particular its building & joinery, outdoor, EPHC and kitchen categories. LFL sales of weather-related categories increased by 20% (increase of 34% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, increased by 13% (increase of 18% on a 3-year LFL basis). Castorama's e-commerce sales increased by 2% YoY, with growth of +11% in H2. Castorama's e-commerce sales were up 285% on a 3-year basis, with e-commerce sales penetration of 5% (FY 21/22: 5%; FY 19/20: 2%).

Gross margin % decreased by 30 basis points, largely reflecting 'normalised' promotional activity versus the prior year. Retail profit increased by 12.4% to £148m (FY 21/22: £135m; FY 19/20: £151m; at reported rates) with growth in gross profit partially offset by an increase in operating costs. Operating costs increased by 16.8%, reflecting staff and operating cost inflation including higher energy costs, space growth and new store opening costs, and higher marketing costs. The increase in operating costs was partially offset by cost reductions achieved by our strategic cost reduction programme. Retail profit margin % decreased by 30 basis points to 8.5% (FY 21/22: 8.8%; FY 19/20: 10.4%).

Space growth contributed c.3% to total sales. Castorama opened seven new stores in FY 22/23, including three big-boxes and four compact stores, bringing its total to 97 stores in Poland.

Iberia total sales increased by 1.9% (LFL +1.9%) to £373m, reflecting resilient sales against strong prior year comparatives. The business achieved good YoY growth in its EPHC, building & joinery and kitchen categories. 3-year LFL sales for the year were up 16.7%, with strong performances in building & joinery and outdoor, both up by c.30%. Retail profit decreased to £9m (FY 21/22: £12m; FY 19/20: £2m; at reported rates), reflecting a lower gross margin % and an increase in operating costs of 1.2%.

Romania total sales increased by 1.7% to £285m, despite the inclusion of one additional month of sales in the prior year comparative and the impact of COVID-related trading restrictions earlier in the year (lifted in March 2022). On an LFL basis sales growth was +7.8%, reflecting strong YoY performances in the outdoor, surfaces & décor and kitchen categories. 3-year LFL sales for the year were up 38.0%. Growth in gross profit was partially offset by an increase in operating costs of 7.1%, mainly driven by staff costs and operating cost inflation including higher energy costs. As a result, the business reduced its retail loss by 7.4% to £10m (FY 21/22: £11m reported retail loss; FY 19/20: £23m reported retail loss). On a comparable basis, excluding losses incurred in the month of January 2021, Romania's retail loss increased by 6.8% YoY.

In **Turkey**, Kingfisher's 50% joint venture, Koçtaş, continued to grow successfully against a challenging macroeconomic backdrop. The business contributed £8m of retail profit in the year (FY 21/22: £7m; FY 19/20 £9m; at reported rates). The business opened 129 mostly compact stores in their financial year to 31 December 2022, bringing its total store count to 355.

'**Other**' consists of the consolidated results of **Screwfix International**, **NeedHelp**, and **franchise** agreements. Due to these businesses being in their early investment phase, a combined retail loss of £30m (FY 21/22: £10m reported retail loss) was recorded, largely driven by Screwfix France as the business invested in the opening of its first distribution centre and stores. As noted in the *UK & Ireland* commentary above, **Screwfix** opened its first five stores in France following encouraging results as a pure-play only operator. During the year, we also opened two **franchise** stores under the B&Q banner in the Middle East. The stores and support office functions are fully operated and staffed by the AI-Futtaim Group.

RETAIL BANNER EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 Jan 2023	Store numbers at 31 Jan 2023	Sales area ⁽¹⁾ (000s m ²) at 31 Jan 2023
B&Q	16,413	316	2,203
Screwfix	9,380	872	55
UK & Ireland	25,793	1,188	2,258
Castorama	10,509	95	1,156
Brico Dépôt	8,238	123	872
France	18,747	218	2,028
Poland	12,136	97	817
Iberia	1,777	31	195
Romania	2,542	33	238
Other ⁽²⁾	143	5	-
Other International	16,598	166	1,250
Total	61,138	1,572	5,536

⁽¹⁾ Screwfix sales area relates to the front of counter area of an outlet.

⁽²⁾ 'Other' consists of Screwfix International, NeedHelp, and franchising.

Section 4: FY 2023/24 Technical guidance

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

Income statement

- Space
 - Sales impact of c.+1.5% from net space growth, largely from Screwfix and Castorama Poland
- New businesses
 - ‘Other’ retail losses of c.£40m (FY 22/23: £30m), with increase driven by additional investment in Screwfix France. ‘Other’ consists of the consolidated results of Screwfix International, NeedHelp, and franchise agreements, recorded within the ‘Other International’ division
- Central costs
 - Anticipate c.£60m, in line with FY 21/22 levels (FY 22/23: £49m; FY 21/22: £60m)
- Net finance costs
 - Decrease by c.£5m as a result of lower interest expense on lease liabilities (FY 22/23: £112m)
- Adjusted pre-tax profit
 - Comfortable with current consensus of sell-side analyst estimates for full year adjusted pre-tax profit⁽¹⁾
- Tax rate
 - Group adjusted effective tax rate* of c.25%⁽²⁾ (FY 22/23: 22%)

Cash flow

- Capital expenditure – targeting gross capex to be broadly flat (FY 22/23: £449m; c.3.4% of total sales)
- Free cash flow – >£500m for the year, supported by the unwind of working capital outflows in the prior year
- Share buybacks – c.£105m outflow for completion of current £300m share buyback programme
- Dividends – dividend policy target cover range of 2.25 to 2.75 times, based on adjusted basic earnings per share

⁽¹⁾ Guidance assumes current exchange rates. According to Company-compiled consensus estimates as of 14 March 2023, the current consensus of sell-side analyst expectations for FY 23/24 adjusted pre-tax profit is £633m.

⁽²⁾ Subject to the blend of profit within the Group’s various jurisdictions.

Section 5: FY 2022/23 Financial review

A summary of the reported financial results for the 12 months ended 31 January 2023 is set out below.

Financial summary	2022/23	2021/22	% Total Change	% Total Change	% LFL Change
			Reported	Constant currency	Constant currency
Sales	£13,059m	£13,183m	(0.9)%	(0.7)%	(2.1)%
Gross profit	£4,795m	£4,935m	(2.8)%	(2.6)%	
Gross margin %	36.7%	37.4%	(70)bps	(70)bps	
Operating profit	£723m	£1,144m	(36.7)%		
Statutory pre-tax profit	£611m	£1,007m	(39.3)%		
Statutory post-tax profit	£471m	£843m	(44.1)%		
Statutory basic EPS	23.8p	40.3p	(40.9)%		
Net decrease in cash ⁽¹⁾	£(555)m	£(237)m	n/a		
Total dividend ⁽²⁾	12.40p	12.40p	-		
Adjusted metrics					
Retail profit	£923m	£1,148m	(19.7)%	(19.2)%	
Retail profit margin %	7.1%	8.7%	(160)bps	(160)bps	
Adjusted pre-tax profit	£758m	£949m	(20.2)%		
Adjusted pre-tax profit margin %*	5.8%	7.2%	(140)bps		
Adjusted post-tax profit	£589m	£737m	(20.2)%		
Adjusted basic EPS	29.7p	35.2p	(15.6)%		
Free cash flow	£(40)m	£385m	n/a		
Net debt ⁽³⁾	£(2,274)m	£(1,572)m	n/a		

⁽¹⁾ Net decrease in cash and cash equivalents and bank overdrafts.

⁽²⁾ The Board has proposed a final dividend per share of 8.60p (FY 21/22 final dividend: 8.60p), resulting in a proposed total dividend per share of 12.40p in respect of FY 22/23 (FY 21/22: 12.40p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 27 June 2023.

⁽³⁾ Net debt includes £2,444m lease liabilities under IFRS 16 in FY 22/23 (FY 21/22: £2,376m).

Total **sales** decreased by 0.7% on a constant currency basis, to £13,059m, reflecting resilient sales across both retail and trade channels despite strong prior year comparatives. Sales were lower in the UK & Ireland and France, substantially offset by sales growth in Poland, Iberia and Romania. On a reported basis, which includes the impact of exchange rates, total sales decreased by 0.9%.

LFL sales decreased by 2.1%, which excludes the sales impact from a net increase in space of +1.4%, driven by store openings by Screwfix in the UK & Ireland, and Castorama in Poland. During the year, we opened 101 new stores (including 77 stores in the UK, 10 in Ireland, seven in France including five Screwfix stores, and seven in Poland) and closed one store in the UK and two in Romania.

Gross margin % decreased by 70 basis points on a constant currency basis, reflecting mix impacts, 'normalised' promotional activity in H1, and one-off logistics spend in H1 to secure/manage seasonal and 'buffer' stock. Mix impacts are the result of a lower YoY share (versus other banners) of B&Q's higher gross margin % revenues given very strong prior year sales, and unfavourable category mix between lower margin building & joinery and EPHC (electricals, plumbing, heating & cooling) and higher margin surfaces & décor categories. On a reported basis, gross margin % also decreased by 70 basis points. Group **gross profit** decreased by 2.6% in constant currency.

In constant currency, **retail profit** decreased by 19.2%, largely reflecting strong prior year comparatives in the UK & Ireland and France, and losses incurred in 'Other' operations. This was partially offset by retail profit growth in Poland. On a reported basis, retail profit decreased by 19.7%. **Operating costs** increased by 2.4% on a constant currency basis, largely reflecting higher costs associated with space growth and new store openings, higher technology spend, and operating cost inflation including increases in pay rates and significantly higher energy costs. Part of the YoY cost increase was also the result of the reversal of one-off

cost savings that were achieved in the first half of the prior year due to COVID-related restrictions in our markets (e.g., advertising, marketing and travel costs). The increase in operating costs was partially offset through flexing our staff costs and cost reductions achieved by our strategic cost reduction programme. The Group's **retail profit margin %** decreased by 160 basis points to 7.1% (FY 21/22: 8.7%; FY 19/20: 6.8%).

Adjusted pre-tax profit decreased by 20.2% to £758m (FY 21/22: £949m; FY 19/20: £544m), reflecting lower retail profit, partially offset by lower net finance costs. **Adjusted pre-tax profit margin %** decreased by 140 basis points to 5.8% (FY 21/22: 7.2%; FY 19/20: 4.7%).

Statutory pre-tax profit, which includes adjusting items, decreased by 39.3% to £611m. This reflects lower operating profit, including the impact of impairments (see below).

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

	2022/23 £m	2021/22 £m	Increase/ (decrease)
Retail profit (constant currency)	923	1,142	(19.2)%
Impact of exchange rates	-	6	n/a
Retail profit (reported)	923	1,148	(19.7)%
Central costs	(49)	(60)	n/a
Share of interest and tax of joint ventures & associates	(4)	(2)	n/a
Net finance costs	(112)	(137)	n/a
Adjusted pre-tax profit	758	949	(20.2)%
Adjusting items before tax	(147)	58	n/a
Statutory pre-tax profit	611	1,007	(39.3)%

Net finance costs of £112m (FY 21/22: £137m) consist principally of interest on IFRS 16 lease liabilities. The YoY decrease was due to lower interest on lease liabilities and higher interest income.

Adjusting items after tax were a total charge of £118m (FY 21/22: gain of £106m), as detailed below:

	2022/23 £m Gain/(charge)	2021/22 £m Gain/(charge)
Net store asset impairment (charges)/reversals	(139)	33
Romania goodwill impairment	(16)	-
Release of Castorama Russia disposal warranty liability	4	-
Release of France and other restructuring provisions	3	9
Property gains	1	3
Commercial operating model restructuring	-	4
Release of France uncertain operating tax position	-	9
Adjusting items before tax	(147)	58
Prior year and other adjusting tax items	29	48
Adjusting items after tax	(118)	106

In consideration of the significant increase in discount rates resulting from high levels of inflation and wider macroeconomic uncertainty, the Group has undertaken a full impairment review of its stores. The significant increase in discount rates, combined with revised financial projections, has resulted in the recognition of £139m of net store asset impairments in the year. These have been recorded principally in the UK and France.

An impairment charge of £16m has been recorded relating to the remaining goodwill in Romania, principally driven by the significant increase in discount rates and revised financial projections.

A £4m liability that was held in relation to warranties as part of the Castorama Russia disposal in 2020 was released in the year following the expiry of the warranty claims period.

Other adjusting items include a £3m gain arising due to savings on costs relating to legacy store closure programmes in France, as compared with the original restructuring provisions recognised. A gain of £1m was recorded on the exit of one property in the UK.

Taxation

The Group's adjusted effective tax rate (ETR) is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions. The adjusted ETR, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 22% (FY 21/22: 22%). The adjusted ETR is consistent with the prior year rate with small increases relating to the impact of increased losses in territories in which tax credits are not recognised, and a higher share of profits in France; offset by reductions for the fall in French corporate income tax rate.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these result in a statutory effective tax rate of 23%.

	Pre-tax profit £m	Tax £m	2022/23 %	Pre-tax profit £m	Tax £m	2021/22 %
Adjusted effective tax rate	758	(169)	22%	949	(212)	22%
Adjusting items	(147)	29		58	48	
Statutory effective tax rate	611	(140)	23%	1,007	(164)	16%

On 8 June 2022, the General Court of the European Union dismissed several of the appeals, including the UK Government's, to annul the European Commission's 2019 state aid decision concerning the UK's controlled foreign company tax rules. This decision has been appealed to the European Court of Justice.

In FY 21/22, Kingfisher paid £64m (including interest) to HM Revenue & Customs in relation to the state aid decision. The Group continues to recognise this amount as a non-current tax asset based on its assessment that its appeal will ultimately be successful. Refer to note 13 of the condensed financial statements.

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

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

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

Adjusted basic earnings per share decreased by 15.6% to 29.7p (FY 21/22: 35.2p), which excludes the impact of adjusting items. **Basic earnings per share** decreased by 40.9% to 23.8p (FY 21/22: 40.3p) as set out below:

	Earnings ⁽¹⁾ £m	2022/23 EPS pence	Earnings ⁽¹⁾ £m	2021/22 EPS pence
Adjusted basic earnings per share	589	29.7	737	35.2
Adjusting items before tax	(147)	(7.4)	58	2.8
Prior year and other adjusting tax items	29	1.5	48	2.3
Basic earnings per share	471	23.8	843	40.3

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

Dividends

The Board has proposed a final dividend per share of 8.60p (FY 21/22 final dividend: 8.60p). Taken alongside the interim dividend already paid of 3.80p (FY 21/22 interim dividend: 3.80p), this results in a proposed total dividend per share of 12.40p in respect of FY 22/23 (FY 21/22: 12.40p). The final dividend is subject to shareholder approval at the Annual General Meeting on 27 June 2023, and if approved will be paid on 3 July 2023 to shareholders on the register at close of business on 26 May 2023. The shares will go ex-dividend on 25 May 2023.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to reinvest their dividends in the Company's shares. The last date for receipt of DRIP elections is 12 June 2023.

For further details on our dividend policy please refer to '*Medium-term financial and capital allocation priorities*', within Section 2.

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities

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

Net debt to EBITDA

As of 31 January 2023, the Group had £2.3bn (FY 21/22: £1.6bn) of net debt on its balance sheet including £2.4bn (FY 21/22: £2.4bn) of total lease liabilities.

The ratio of the Group's net debt to EBITDA was 1.6 times as of 31 January 2023 (1.0 times as of 31 January 2022). At this level, the Group has financial flexibility whilst retaining an efficient cost of capital.

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

Net debt to EBITDA is set out below:

	2022/23 £m	2021/22 £m
Retail profit	923	1,148
Central costs	(49)	(60)
Depreciation and amortisation	582	555
EBITDA	1,456	1,643
Net debt	2,274	1,572
Net debt to EBITDA	1.6	1.0

Credit ratings

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

Revolving credit facility

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

Term loans

In FY 21/22, the Group repaid its €50m and £50m fixed term loans at maturity in September 2021 and December 2021 respectively. During FY 22/23, the Group entered into two new fixed term loans: £50m

maturing in December 2024 and £50m maturing in January 2025, with the latter linked to the Group's sustainability and community-based targets.

Covenants

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

Total liquidity

As of 31 January 2023, the Group had access to over £800m in total liquidity, including cash and cash equivalents of £270m and access to a £550m RCF. Further detail on Kingfisher's debt and facilities can be found at www.kingfisher.com.

Free cash flow

A reconciliation of free cash flow is set out below:

	2022/23 £m	2021/22 £m
Operating profit	723	1,144
Adjusting items	147	(58)
Operating profit (before adjusting items)	870	1,086
Other non-cash items ⁽¹⁾	612	595
Change in working capital	(469)	(215)
Pensions and provisions	(20)	(31)
Net rent paid	(454)	(480)
Operating cash flow	539	955
Net interest paid	-	(4)
Tax paid	(130)	(169)
Gross capital expenditure	(449)	(397)
Free cash flow	(40)	385
Ordinary dividends paid	(246)	(254)
Share buybacks	(337)	(157)
Share purchase for employee incentive schemes	(9)	(29)
Disposal of Castorama Russia	8	7
French tax authority payment ⁽²⁾	(34)	-
Other tax authority payment ⁽³⁾	-	(64)
Disposal of assets and other ⁽⁴⁾	4	(28)
Net cash flow*	(654)	(140)
Opening net debt	(1,572)	(1,394)
Movements in lease liabilities	(41)	7
Other movement including foreign exchange	(7)	(45)
Closing net debt	(2,274)	(1,572)

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

⁽²⁾ Payments made in relation to French tax authority settlement (refer to the Taxation section above for further details).

⁽³⁾ Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).

⁽⁴⁾ Includes proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets; partially offset by adjusting cash flow items (principally comprising restructuring costs).

Operating profit (before adjusting items) was £216m lower than last year, largely reflecting lower profits in the UK & Ireland and France.

The working capital outflow of £469m was partly driven by an increase in net inventory of £234m. Over 100% of this increase was driven by higher product purchase prices, alongside increases related to higher levels of 'carry-over' seasonal items (which we decided to proactively purchase ahead of forecast cost price increases), and stock to support our store expansion programme. The increase was partially offset by lower purchases and our strategic actions to reduce inventory. Payables decreased by £191m, largely

reflecting higher inventory purchases in the prior year to rebuild product availability, build seasonal and 'buffer' stock, and secure lower cost stock. Receivables increased by £44m.

Gross capital expenditure in the year was £449m, increasing by 13% (FY 21/22: £397m). Of this expenditure, 33% was invested in refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 13% on new stores, 39% on technology and digital development, 5% on range reviews and 10% on other areas including supply chain investment.

Overall, free cash flow for the year was £(40)m (FY 21/22: £385m).

Net debt (including IFRS 16 lease liabilities) as of 31 January 2023 was £2,274m (FY 21/22: £1,572m).

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

	2022/23 £m	2021/22 £m
Free cash flow	(40)	385
Ordinary dividends paid	(246)	(254)
Share buybacks	(337)	(157)
Share purchase for employee incentive schemes	(9)	(29)
Disposal of Castorama Russia	8	7
French tax authority payment ⁽¹⁾	(34)	-
Other tax authority payment ⁽²⁾	-	(64)
Disposal of assets and other ⁽³⁾	4	(28)
Net cash flow	(654)	(140)
Issue of fixed term debt	99	-
Repayment of bank loans	-	(2)
Repayment of fixed term debt	-	(95)
Net decrease in cash and cash equivalents and bank overdrafts	(555)	(237)

⁽¹⁾ Payments made in relation to French tax authority settlement (refer to the Taxation section above for further details).

⁽²⁾ Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).

⁽³⁾ Includes proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets; partially offset by adjusting cash flow items (principally comprising restructuring costs).

Return on capital employed (ROCE*)

In FY 22/23, Kingfisher's post-tax ROCE was 10.9% (FY 21/22: 14.6%). The decrease was mainly driven by lower profit in the UK & Ireland. Kingfisher's weighted average cost of capital (WACC) is 9.3% (FY 21/22: 7.6%).

ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital employed (CE) £bn	Proportion of Group CE	ROCE 2022/23	ROCE 2021/22
UK & Ireland	6.2	47.5%	3.0	47.8%	16.4%	22.6%
France	4.5	34.1%	1.7	27.3%	8.5%	9.7%
Other International	2.4	18.4%	1.3	20.8%	9.1%	9.3%
Central			0.2	4.1%		
Total	13.1		6.2		10.9%	14.6%

Property

Kingfisher owns a significant property portfolio, almost all of which is used for trading purposes. A formal valuation of the portfolio was undertaken by external professional valuers in October 2022, with the valuations then updated to 31 January 2023. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of the property portfolio is £2.8bn as of 31 January 2023 (FY 21/22: £2.8bn).

	2022/23 £bn	2022/23 Yields	2021/22 £bn	2021/22 Yields
France	1.4	8.1%	1.3	8.0%
UK	0.5	7.2%	0.6	6.2%
Poland	0.7	8.0%	0.7	7.6%
Other	0.2	n/a	0.2	n/a
Total	2.8		2.8	

This is compared to the net book value of £2.2bn (FY 21/22: £2.2bn) recorded in the financial statements (including investment property and property included within assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

Pensions

As of 31 January 2023, the Group had a net surplus of £137m (FY 21/22: £410m net surplus) in relation to defined benefit pension arrangements, of which a £251m surplus (FY 21/22: £540m surplus) was in relation to the UK scheme. The decrease in net surplus is mainly due to significant increases in yields on UK government and corporate bonds which has caused reductions of around a third in both scheme liabilities and assets; the latter reflecting the liability-matching investment strategy. Further actuarial losses arose due to updated membership data and demographic assumptions following the triennial funding valuation completed in the year. As part of the funding valuation exercise, the Trustee and Kingfisher have agreed to cease annual employer contributions during the period from August 2022 to July 2025. The accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. Refer to note 10 of the condensed financial statements.

Section 6: Glossary

Alternative Performance Measures (APMs)

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

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

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

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
E-commerce sales penetration % [±]	No direct equivalent	Refer to definition	E-commerce sales penetration % represent total e-commerce sales as a percentage of sales. For the purpose of this calculation only, sales are adjusted to replace marketplace net sales with marketplace gross sales. It is used to track the success of our e-commerce strategy.
First-party e-commerce sales [±]	No direct equivalent	Refer to definition	First-party e-commerce sales are total first-party sales (excluding VAT) derived from online transactions, including click & collect (C&C). This includes sales transacted on any device, however not sales through a call centre. Sales (and related commissions/fees) from products supplied by third-party e-commerce marketplace vendors are excluded. It is used to measure the performance of our first-party e-commerce business across the Group.
Total e-commerce sales [±]	No direct equivalent	Refer to definition	Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. References to digital or e-commerce sales growth relates to growth in constant currency. It is used to measure the performance of all e-commerce business (first-party and third-party) across the Group.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 5)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
Free cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of free cash flow is set out in the Financial Review (Section 5)	Free cash flow represents the cash generated from operations (excluding adjusting items) less the amount spent on interest, tax and capital expenditure during the year (excluding asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, YoY sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's performance on a comparable basis.
3-year LFL	Sales	Refer to definition	3-year LFL is calculated by compounding the current and prior two periods' LFL growth. For example, FY 22/23 LFL growth of 5%, FY 21/22

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			LFL growth of 4%, and FY 20/21 LFL growth of 3%, results in 3-year LFL growth of 12.5%. Russia (sale completed on 30 September 2020) is excluded from Group and Other International 3-year LFL calculations. It is a measure of the Group's performance on a comparable basis. In FY 23/24, 3-year LFL measures will no longer be reported.
Marketplace gross merchandise value (GMV) [±]	No direct equivalent	Refer to definition	Marketplace GMV is the total transaction value (including VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. It is used to measure the performance of our e-commerce marketplace, and is the basis on which our commissions from third-party vendors are determined.
Marketplace gross sales [±]	No direct equivalent	Refer to definition	Marketplace gross sales is the transaction value (excluding VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. Returned and cancelled orders are excluded. It is used to measure the performance of our e-commerce marketplace.
Marketplace net sales [±]	No direct equivalent	Refer to definition	Marketplace net sales are commissions (excluding VAT) earned on e-commerce marketplace transactions, together with other service fees. This is included within sales. Commissions are determined based on GMV. It is used to measure the performance of our e-commerce marketplace.
Marketplace participation % [±]	No direct equivalent	Refer to definition	Marketplace participation % represent B&Q's marketplace gross sales as a percentage of B&Q's total e-commerce sales. It is used to track the success of our marketplace strategy and performance.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 12 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 12 of the condensed financial statements	Net cash flow is a measure to reflect the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Operating costs	No direct equivalent	Not applicable	Operating costs represent gross profit less retail profit. This is the Group's operating cost measure used to report the performance of our retail businesses.
Own exclusive brands (OEB) sales [±]	No direct equivalent	Refer to definition	OEB refers to our portfolio of own exclusive brands across seven core categories – surfaces & décor, tools & hardware, bathroom & storage, kitchen, EPHC (electricals, plumbing, heating & cooling), building & joinery, and outdoor.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			OEB sales are sales of own exclusive brand products. It is used to measure the performance of OEB across the Group.
Retail profit	Profit before taxation	A reconciliation of Group retail profit to profit before taxation is set out in the Financial Review (Section 5) and note 3 of the condensed financial statements. There is no statutory equivalent to retail profit at a retail banner level	Retail profit is stated before central costs, adjusting items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the performance of our retail businesses.
Retail profit margin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately defined above. Retail profit margin % represents retail profit as a percentage of sales. It is a measure of operating performance.
ROCE	No direct equivalent	Refer to definition	ROCE (return on capital employed) is the post-tax retail profit less central costs, excluding adjusting items, divided by capital employed excluding historic goodwill, net debt and adjusting restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two-point average. The calculation excludes disposed businesses.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, YoY change in net inventory before the impact of store openings and closures. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's inventory management on a comparable basis.

* Indicates the inclusion of new APMs during FY 22/23. The new APMs in the table above have been introduced to track the performance of our own exclusive brands (OEB) and our e-commerce businesses and digital products and services.

Other Definitions

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

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



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

France consists of Castorama France and Brico Dépôt France.

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

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

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

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

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

Section 7: Forward-looking statements

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

This announcement has been prepared in relation to the financial results for the 12 months ended 31 January 2023. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the Group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended) (or, otherwise under any other law, regulation or exchange rules in any other applicable jurisdiction).

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

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