

Final results for the year ended 31 January 2022

Financial summary			% Total Change	% Total Change	% LFL* Change
	2021/22	2020/21	Reported	Constant currency*	Constant currency
Sales	£13,183m	£12,343m	+6.8%	+9.7%	+9.9%
Gross profit	£4,935m	£4,573m	+7.9%	+10.6%	
Gross margin %*	37.4%	37.1%	+30bps	+30bps	
Operating profit	£1,144m	£916m	+24.7%		
Statutory pre-tax profit	£1,007m	£756m	+33.1%		
Statutory post-tax profit	£843m	£592m	+42.3%		
Statutory basic EPS	40.3p	28.1p	+43.4%		
Net (decrease)/increase in cash [‡]	£(237)m	£881m	n/a		
Total dividend ⁽¹⁾	12.40p	8.25p	+50.3%		
Adjusted metrics					
Retail profit*	£1,148m	£1,003m	+14.5%	+16.7%	
Retail profit margin %*	8.7%	8.1%	+60bps	+50bps	
Adjusted pre-tax profit*	£949m	£786m	+20.9%		
Adjusted post-tax profit*	£737m	£604m	+22.0%		
Adjusted basic EPS*	35.2p	28.7p	+22.6%		
Free cash flow*	£385m	£938m	(59.0)%		
Net debt ⁽²⁾	£(1,572)m	£(1,394)m	(12.7)%		

* See page 3 for further details on non-GAAP measures and other terms; [‡] Net (decrease)/increase in cash and cash equivalents and bank overdrafts

Highlights

- A year of record revenue and profits
- Gaining market share in the UK and France
- Effective management of product availability, supply chain and inflation pressures
- Delivering against strategic priorities ahead of schedule
- Accelerating investments for growth – digital, trade proposition, Screwfix and Poland expansion
- Ambitious new target set for sales of sustainable home products
- Returning over £550m to shareholders, including dividends and ongoing £300m share buyback
- New trends in home improvement and continued strategy delivery support long-term growth

Thierry Garnier, Chief Executive Officer, said:

“Kingfisher has delivered a year of very strong financial performance. We saw growth in all banners and categories, with resilient demand from both DIY and DIFM/trade segments – each representing 50% of Group sales. We continue to leverage our stores assets and Group technology to drive forward our e-commerce proposition, with faster click & collect and home delivery, and broader product choices for our customers. 18% of our sales are now made online, which is ten percentage points higher than two years ago. B&Q had an outstanding year, with sales passing £4bn. It was also a record year of expansion for Screwfix, with 70 new stores opened in the UK and Ireland, and Screwfix France showing very promising early progress.

“For the year ahead, while the macroeconomic and geopolitical environment is uncertain, you can expect from us continued focus on top line delivery and market share growth, strong execution, effective management of our gross margin, and active and responsive management of our operating costs.

“We are now over two years into our new strategy and execution is ahead of schedule. With the business in a strong position, we are accelerating our investments for growth – through the launch of our scalable e-commerce marketplace, the expansion of Screwfix in the UK and France, new store openings in Poland, and our plans to increase our trade customer base. Looking forward, we are confident that these investments, supported by continued strong execution and the new demand-drivers we are seeing in our industry, will drive faster growth in sales, profit and free cash flow.”

FY 21/22 Group results

- **Sales** up 9.7% in constant currency, driven by strong demand across both retail and trade channels
- **LFL sales** up 9.9% and corresponding 2-year LFL* up 18.1%
 - Strong performances in the UK & Ireland*, France*, Iberia* and Romania; Poland impacted by COVID-related store closures in Q1 21/22
 - Transaction volume and average basket value both up on 1-year and 2-year basis
 - LFL sales up 13.7% in Q4 21/22 on a 2-year basis; 1-year LFL down 1.7% and better than Q3
- **E-commerce sales*** up 5.3% (2-year growth up 171%); omni-channel engagement remains high
 - E-commerce sales 18% of Group sales (FY 20/21 and FY 19/20: 18% and 8%, respectively)
- **Retail profit** up 16.7% in constant currency, driven by strong growth in UK & Ireland and France
- **Statutory pre-tax profit** up 33.1%, reflecting higher operating profit, and lower net finance costs and more favourable adjusting items* before tax
- **Adjusted pre-tax profit** up 20.9%, reflecting higher retail profit and lower net finance costs
- **Free cash flow** of £385m, down 59.0% (FY 20/21: £938m; FY 19/20: £191m), largely reflecting expected reversal of inventory-driven working capital inflow in prior year
- **Net decrease in cash** of £237m (FY 20/21: net increase in cash of £881m), largely reflecting lower free cash flow, and outflows in relation to ordinary dividends and share buybacks
- **Net debt to EBITDA*** of 1.0x as at year-end (31 January 2021: 0.9x)
- **Total dividend** per share proposed of 12.40p (up 50.3%; FY 20/21 total dividend: 8.25p)

Outlook for FY 22/23

- Encouraging start to Q1 22/23:
 - Q1 22/23 LFL sales (to 19 March 2022)⁽³⁾ down 8.1%, with 2-year LFL up 16.0%
 - Resilient demand across all markets supported by good stock availability
 - Strong 'big-ticket' demand, with current showroom order book for B&Q and Castorama France 72% higher YoY, and up 79% on a 2-year basis
- Mindful of heightened macroeconomic and geopolitical uncertainty that has emerged since the start of the year
- Expect continued strong execution:
 - Targeting further market share growth
 - Anticipate net space growth of c.+1.5%, largely from Screwfix and Poland
 - Committed to continued effective management of our gross margin in an inflationary environment, and active and responsive management of our operating costs*
 - Expect P&L investment of c.£25m in relation to our new businesses, including Screwfix France and B&Q's e-commerce marketplace
- Based on the above, we are comfortable with the current consensus of sell-side analyst estimates for FY 22/23 adjusted pre-tax profit⁽⁴⁾
- Target dividend cover* of 2.25 to 2.75 times; on track to complete remaining £75m share buyback by May 2022

Delivering against strategic priorities ahead of schedule

- Growth in all banners and categories, across both DIY* and DIFM*/trade channels
- Strong new customer growth and high revenue retention rates
- Strengthened competitive position in key markets, with improving trend of market share growth
- Foundations set for more profitable growth in France over medium term; fully on track to complete range repair and logistics optimisation in H2 22/23
- Making strong progress with core strategic priorities, including:
 - **E-commerce:** Accelerated use of store assets for faster click & collect (C&C) and last-mile delivery, including launching one-hour delivery with Screwfix Sprint; new scalable e-commerce marketplace model launched (at B&Q initially) to enhance choice for customers
 - **Own exclusive brands (OEB):** Strong performance in outdoor, building, tools and kitchens categories; innovating through developing specific OEB for different retail banners and extending ranges to support choice; 32 new and redeveloped OEB brands now being implemented
 - **Mobile-led and service innovations:** New mobile apps for Castorama France and Screwfix, self-checkout terminals rolled out to one third of B&Q estate, new 3D kitchen and bathroom design tool; roll-out of NeedHelp services marketplace in key markets

- **Compact stores and rightsizing:** Continuing to test new compact stores and partnership models; announcing 10-year rightsizing target of up to 40 stores in UK and France
- **Trade proposition:** Expansion of Screwfix in the UK & Ireland and launch of Screwfix in France; successful relaunch of TradePoint (in B&Q) with 2-year LFL sales growth of 33%, outperforming core B&Q; all banners have launched actions to grow trade customer penetration
- **Responsible Business:** On track to deliver new carbon reduction targets to FY 25/26 (consistent with a 1.5°C trajectory); ambitious new target for growth of sustainable home product sales
- **Costs and inventory:** Multi-year cost reduction programmes mitigating against inflation pressures; improved stock days and availability, ready for peak trading periods
- **Accelerating investments for growth:** Acceleration of digital investment into faster fulfilment and expanded product choice; Screwfix UK & Ireland and Castorama Poland store expansion; opening first Screwfix stores in France in H2 22/23; step-up in investments to increase trade penetration

Footnotes

⁽¹⁾ The Board has proposed a final dividend per share of 8.60p (FY 20/21 final dividend: 5.50p), resulting in a proposed total dividend per share of 12.40p in respect of FY 21/22 (FY 20/21: 8.25p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 22 June 2022.

⁽²⁾ Net debt includes c.£2.4bn lease liabilities under IFRS 16 in FY 21/22 (FY 20/21: c.£2.4bn).

⁽³⁾ 'Q1 22/23 LFL sales (to 19 March 2022)' represents the period from 30 January 2022 to 19 March 2022 (compared against the equivalent period in the prior year, from 31 January 2021 to 20 March 2021). The corresponding 2-year LFL represents the period from 30 January 2022 to 19 March 2022 compared against the equivalent period in FY 20/21 (i.e., from 2 February 2020 to 21 March 2020). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

⁽⁴⁾ Guidance assumes current exchange rates. According to Company-compiled consensus estimates as of 15 March 2022, the current consensus of sell-side analyst expectations for FY 22/23 adjusted profit before tax is £769m.

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 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

This announcement can be downloaded from the Investors section of our website at www.kingfisher.com.

Results presentation

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

'Teach-in' event

Kingfisher is planning a hybrid in-person and virtual capital market 'teach-in' event for analysts and investors on Tuesday, 5 July 2022. In-person attendance will be at a venue to be announced in London. The event will provide deeper insights into the e-commerce/technology and Responsible Business pillars of the 'Powered by Kingfisher' strategy. Please hold the date and further details will be made available in due course.

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

Q1 trading update	23 May 2022 [#]
Annual General Meeting	22 June 2022
'Teach-in' event	5 July 2022 [#]
Half year results	20 September 2022 [#]
Q3 trading update	24 November 2022 [#]

American Depository Receipts

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

The remainder of this release consists of seven main sections:

- 1) FY 2021/22 Financial performance summary, current trading and outlook
- 2) Group update (including '**Powered by Kingfisher**' strategic plan)
- 3) Trading review by division
- 4) FY 2022/23 Technical guidance
- 5) FY 2021/22 Financial review and, in part 2 of this announcement, the condensed financial statements
- 6) Glossary
- 7) Forward-looking statements

Section 1: FY 2021/22 Financial performance summary, current trading and outlook

Income statement summary

£m			% Total Change	% Total Change	% LFL Change
	2021/22	2020/21	Reported	Constant currency	Constant currency
Sales	13,183	12,343	+6.8%	+9.7%	+9.9%
Gross profit	4,935	4,573	+7.9%	+10.6%	
<u>Retail profit:</u>					
UK & Ireland	794	681	+16.6%	+16.7%	
France	221	181	+22.5%	+28.0%	
Poland	135	146	(7.7)%	(1.5)%	
Iberia	12	3	n/a	n/a	
Romania ⁽¹⁾	(11)	(14)	+21.3%	+16.4%	
Other [±]	(10)	-	n/a	n/a	
Russia ⁽²⁾	-	(3)	n/a	n/a	
Turkey (50% joint venture)	7	9	(22.3)%	+8.8%	
Other International*	133	141	(5.8)%	+2.1%	
Retail profit	1,148	1,003	+14.5%	+16.7%	
Central costs*	(60)	(54)	n/a		
Share of JV interest and tax	(2)	(3)	n/a		
Operating profit (pre-adjusting items)	1,086	946	+14.8%		
Net finance costs	(137)	(160)	n/a		
Adjusted pre-tax profit	949	786	+20.9%		
Adjusting items	58	(30)	n/a		
Statutory pre-tax profit	1,007	756	+33.1%		

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

LFL sales by quarter

Quarterly sales	% LFL Change				
	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	FY 21/22
UK & Ireland	+65.0%	+3.8%	(3.5)%	(2.9)%	+11.8%
- B&Q	+81.9%	(1.2)%	(5.6)%	(2.0)%	+12.3%
- Screwfix	+39.0%	+15.9%	+0.2%	(4.2)%	+10.9%
France	+101.7%	(8.4)%	(4.3)%	(4.2)%	+9.3%
- Castorama	+101.8%	(8.5)%	(6.1)%	(7.1)%	+7.2%
- Brico Dépôt	+101.7%	(8.2)%	(2.3)%	(0.9)%	+11.6%
Other International	+5.9%	+4.0%	+5.3%	+7.5%	+5.5%
- Poland	(12.0)%	-	+4.9%	+6.8%	+0.3%
- Iberia	+112.3%	+15.0%	(1.9)%	+13.8%	+23.2%
- Romania ⁽³⁾	+27.4%	+14.0%	+17.2%	+2.6%	+15.0%
Group LFL⁽⁴⁾	+64.2%	(0.8)%	(2.4)%	(1.7)%	+9.9%
E-commerce sales⁽⁵⁾	+62.9%	(6.5)%	(7.8)%	(12.1)%	+5.3%

2-year LFL sales by quarter

Quarterly sales	% 2-year LFL Change				
	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	FY 21/22
UK & Ireland	+38.6%	+24.1%	+15.7%	+16.0%	+23.8%
- B&Q	+42.3%	+26.5%	+17.1%	+20.2%	+26.9%
- Screwfix	+32.5%	+18.7%	+13.0%	+9.9%	+18.2%
France	+18.1%	+16.4%	+14.1%	+10.5%	+14.8%
- Castorama	+13.9%	+14.7%	+15.7%	+12.0%	+13.9%
- Brico Dépôt	+22.7%	+18.4%	+12.4%	+9.0%	+15.9%
Other International	(11.0)%	+16.3%	+15.3%	+13.8%	+9.2%
- Poland	(20.5)%	+15.0%	+12.7%	+12.5%	+5.3%
- Iberia	+12.1%	+13.8%	+15.9%	+17.0%	+14.6%
- Romania ⁽³⁾	+16.6%	+39.2%	+29.2%	+17.1%	+28.0%
Group LFL⁽⁴⁾	+22.5%	+20.0%	+15.0%	+13.7%	+18.1%
E-commerce sales⁽⁵⁾	+257.2%	+179.0%	+132.7%	+123.1%	+170.6%

Operational status summary

While all stores remain open across the Kingfisher Group, the operational status of our stores in FY 21/22 has evolved in line with the prevailing COVID-related restrictions and government advice within our markets. Kingfisher remains committed to meeting the needs of our customers safely, and ensuring colleague safety and wellness.

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

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

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

temporary closure of non-essential areas of stores (e.g., showrooms and certain areas of surfaces & décor). At all stores impacted, C&C, home delivery and virtual showroom planning services remained available for the public. On 19 May 2021, restrictions on retailers in France were lifted.

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

In **Iberia and Romania**, while all stores remained open for in-store browsing and purchasing throughout the year, restrictions were periodically imposed in several regions (including reduced opening hours, weekend closures, limits on the number of people allowed in stores, and limits on access to stores from out of the city or region). Furthermore, in **Romania**, national restrictions were imposed on 25 October 2021 to limit access to retail stores (except standalone food stores, pharmacies and petrol stations) to customers who can prove their double-vaccination status or recovery from the virus, via health certificates. These restrictions were lifted on 9 March 2022.

Trading in Q4 21/22

LFL sales were down by 1.7% in Q4 (compared to -2.4% in Q3), with the corresponding 2-year LFL up 13.7%. E-commerce sales were down by 12% in Q4 and up by 123% on a 2-year basis. 2-year LFL sales growth remained strong, supported by strong average basket value growth. The performance reflects continued strong execution, together with high levels of demand from both new and existing customers, across retail and trade channels.

As expected, 2-year growth slowed slightly in Q4 (relative to Q3), largely driven by France – albeit 2-year LFL sales growth remained strong for France, in the low double-digits. This is largely explained by a stronger 2-year comparative in Q4 19/20 relative to the first nine months of FY 19/20. Group LFL sales in Q4 19/20 were four percentage points higher than Q3 YTD 19/20 (with France LFL sales over eight percentage points higher than Q3 YTD 19/20).

Current trading in FY 22/23

In FY 21/22 we started to report **2-year LFLs**, which compounds current and prior year LFL sales growth. We did this to provide a more meaningful understanding of our underlying progress and performance on a comparable basis versus FY 19/20, given the considerable impact of the pandemic (both positive and negative) on our performance throughout 2020 and 2021. This year, we will report 2-year Group LFL only for this current trading period, as after that the 2-year comparison becomes less relevant due to COVID-related impacts on our trading since the second half of March 2020.

Q1 22/23 LFL sales (to 19 March 2022)⁽⁶⁾ are down by 8.1%, reflecting very strong comparatives in the prior year. The corresponding 2-year LFL is up 16.0%. This performance indicates, in these early weeks of FY 22/23, a very healthy retention of the demand and revenue uplift from the prior two years. Trading in all banners is encouraging, including in Poland and Romania which have traded strongly in the most recent weeks. In the UK and France, growth was impacted by storms in February. However, the week commencing 15 March 2020 was impacted by all stores in France closing following the start of the national lockdown. Taking all this together, we believe that underlying trading is more in line with our Q4 21/22 2-year LFL.

We have built a good inventory position ahead of peak trading periods over the upcoming warmer weather months. Furthermore, our 'big-ticket' ranges are in strong demand to date, with the current showroom order book for B&Q and Castorama France 72% higher versus the same point last year (up 79% on a 2-year basis).

Outlook for FY 22/23

As described above we have had an encouraging start to the first quarter, with resilient demand across all our markets. We are however very mindful of the heightened macroeconomic and geopolitical uncertainty that has emerged since the start of the year.

Looking ahead to this year, our priority remains top line growth, and strong and consistent execution. We are targeting further market share gains in our markets, and are accelerating our investments for growth

– through the launch of our scalable e-commerce marketplace, the expansion of Screwfix in the UK and France, new store openings in Poland, and our plans to increase trade customer penetration. We expect P&L investments of c.£25m in relation to our new businesses in FY 22/23, including Screwfix France and B&Q's e-commerce marketplace. New store openings, largely in Screwfix and Poland, are expected to contribute c.+1.5% to total sales growth.

We are committed to continue managing our gross margin effectively in an inflationary environment, as we did successfully in FY 21/22. Furthermore, we will remain active and responsive in our approach to managing our operating cost base. In addition to benefiting from ongoing cost reduction initiatives, our retail banners can rapidly flex their cost base in the face of changing demand, as evidenced during the COVID pandemic.

As a result of the above, we are comfortable with the current consensus of sell-side analyst estimates for FY 22/23 adjusted pre-tax profit⁽⁷⁾. Additional financial guidance for FY 22/23 is provided in Section 4.

The COVID crisis has established longer-term trends that are supportive for our industry – including the renewed importance of the home, more working from home, and the development of a new generation of 'DIY'ers'. We expect these broad trends to endure. With our strategic progress and accelerated investments for growth, we are well positioned to capitalise on these positive, long-term market trends and are confident of continued outperformance of our markets.

Footnotes

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

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

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

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

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

⁽⁶⁾ 'Q1 22/23 LFL sales (to 19 March 2022)' and 'Q1 22/23 (to date)' represent the period from 30 January 2022 to 19 March 2022 (compared against the equivalent period in the prior year, from 31 January 2021 to 20 March 2021). The corresponding 2-year LFL represents the period from 30 January 2022 to 19 March 2022 compared against the equivalent period in FY 20/21 (i.e., from 2 February 2020 to 21 March 2020). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

⁽⁷⁾ Guidance assumes current exchange rates. According to Company-compiled consensus estimates as of 15 March 2022 (as published on www.kingfisher.com), the current consensus of sell-side analyst expectations for FY 22/23 adjusted profit before tax is £769m.

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

In June 2020, we announced our strategic plan – '**Powered by Kingfisher**'. This plan aims to maximise the benefits of combining our **distinct retail banners** (which serve a range of different customer needs) with the **scale, strength and expertise of the Kingfisher Group**, so we can address the significant growth opportunities we see in the home improvement market. To serve our customers effectively, we need to be more focused on digital and on customer services, provide more choice and make the most of our strong store assets, to give customers a quick and convenient experience.

Overview

This section explains how we are managing the industry-wide challenges around product availability, supply chain and cost inflation. It also provides an update on the delivery of our 'Powered by Kingfisher' strategy, as well as industry growth drivers and our financial and capital allocation priorities. An update is also provided on our response to the crisis in Ukraine.

The update is organised into the following key topics:

- 1) Update on the Ukraine crisis
- 2) Effective management of product availability, supply chain and inflation pressures
- 3) France – final phase of 'fixes'
- 4) Delivering against 'Powered by Kingfisher' strategic priorities ahead of schedule
- 5) Industry trends offer us opportunities
- 6) Clear financial priorities and capital allocation framework

1. Update on the Ukraine crisis

Everyone at Kingfisher is shocked and deeply concerned by the events that have unfolded in Ukraine over the last month. Our thoughts are with the people in Ukraine and in Eastern Europe impacted by the conflict. Since the start of the crisis, we immediately offered our aid for Ukrainian refugees, with all retail banners across the Group working extensively with charities such as the International Red Cross and UNHCR, the UN refugee agency, who are supporting relief efforts. Brico Dépôt Romania is fundraising and donating essential items, while Castorama Poland has been fundraising and supporting colleagues from local stores to volunteer in helping refugees at the border. Kingfisher has also made donations on behalf of the Group, and we are matching further donations from colleagues. We are doing everything we can to support the victims, as part of an international effort, and we stand ready to help further.

With regards to business impact, we have no direct exposure. In September 2020 Kingfisher completed the sale of Castorama Russia to Maxidom, a Russian home improvement company. We have no more operations in the country, nor do we provide sourcing to Maxidom. We have not seen disruption to our supply chain to date.

On 1 March, we took the decision to stop selling the limited number of products directly sourced from Russian and Belarusian suppliers across the Group, and those products have been removed from our shelves. With regards to indirect supply, we are engaging with our suppliers to ensure materials or components are no longer sourced from Russia or Belarus.

2. Effective management of product availability, supply chain and inflation pressures

As highlighted since 2020, and in common with other companies, we have been faced with pressures on product supply and availability, shipping and logistics, and increases in cost price inflation ('CPI'). To date we have managed these challenges effectively, with our agile retail banners clearly benefitting from the Group's scale and expertise.

Supply, availability and logistics

We are pleased that, to date, we have been able to manage our supply and logistics needs effectively, which is testament to the strength and expertise of our supply, sourcing and logistics teams. We have achieved this by working closely with suppliers and logistics providers, improving our forecasting, and placing orders significantly ahead of peak trading periods and important global events, such as the

Chinese New Year (which was earlier than usual this year, at the end of January 2022). We have also benefited from our careful management of shipping container costs and availability, and our successful navigation through shortages of heavy goods vehicles (HGV) drivers.

The key product availability risks have been driven by polarised demand within some of our categories, in particular building materials and outdoor ranges. This has made it challenging for suppliers to keep up with high order levels, while managing extended lead times for their raw materials. More positively, the impact of COVID-related closures and worker absences on their production capacities has been relatively limited in FY 21/22.

We have focused with our suppliers on protecting our 'best seller' ranges. These have seen improved availability during FY 21/22. Overall product availability is still below 'normal', but we have built up inventory levels in all key categories to put us in a good position ahead of peak trading periods in H1 22/23.

High demand, port congestion and network disruptions have placed a considerable strain, industry-wide, on global supply chains. In particular, the cost and availability of shipping containers remains a constant challenge. While we are no longer at peak levels, we expect these pressures to continue throughout 2022.

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

Inflation

In line with the industry, we are seeing higher than normal CPI, caused by rising prices for some raw materials, energy, wage increases and higher freight costs (as discussed above).

In H1 21/22, the net impact of these inflationary pressures was limited, largely due to our timely engagement with our suppliers and partners, and the time lag between ordering products and their subsequent sale. As expected, CPI had a greater impact on us in H2 21/22, as we sold more higher-cost inventory. Our scale means we benefit from relatively favourable supplier prices and terms and better shipping container availability. Customers also have access to lower-price products via our own exclusive brand (OEB) ranges (representing 45% of Group sales). We are committed to remaining competitive on price across all our retail banners.

While some raw material prices are below their recent peaks, we expect inflationary pressures to persist in 2022 and we expect to continue to manage them effectively. Favourable movements in our YoY foreign exchange hedging positions will offset some of the increases. Around 20% of our cost of goods sold (COGS) is directly sourced in USD, and we maintain hedging contracts for periods up to 18 months, with over 90% of our forecast USD exposure in FY 22/23 already locked in.

Colleagues

We are thankful that, to date, we have not experienced any significant recruitment or retention issues or colleague absence, due to COVID. Our colleagues have been flexible and, where needed, have temporarily assisted neighbouring stores where they can. For more details on the welfare of our colleagues, please refer to '*Lead the industry in Responsible Business practices*' below.

3. France – final phase of 'fixes'

The Group's strategic progress over the last two years has benefited from some of the capabilities that were developed in the period before that. These include Group sourcing and buying, developing our own exclusive brands and our investment in a common SAP platform. However, we were also faced with many unresolved issues from previous years.

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

These actions have significantly improved our trading, both in store and online. They also allowed us to respond to the pandemic quickly and flexibly, while supporting the roll-out of our new strategy.

In the H1 21/22 results announcement, we included a detailed description of our progress and the 'fixes' we have completed since we launched the 'Powered by Kingfisher' strategy. This background has not been repeated here and can be found on pages 9 to 11 of Part 1 of the H1 21/22 results announcement.

Set out below is our progress with the France 'fixes' since the H1 21/22 results, and the further work required:

- We progressed the roll-out of Brico Dépôt's updated SAP platform without disruption, and expect to complete it before the end of FY 22/23.
- We continued the fundamental reorganisation of our logistics operations in France, with the aim of creating an optimised network for Castorama and Brico Dépôt. Work is ongoing to optimise distribution centre space and transform *cross-dock* sites, with significant progress in H2 21/22. We have now reduced distribution centre space by c.19% over the last 18 months. We expect to complete this programme in H2 22/23.
 - *Note: cross-docking is a practice in logistics of moving product from a manufacturer through a cross-dock facility to stores, with little or no storage in between.*
- This programme will significantly reduce the travel distance required to service our stores, leading to shorter lead-times, better customer service, lower inventory, and a reduction of greenhouse gas emissions. This has already started contributing to inventory efficiencies in France, having achieved a reduction in net stock days of 9% (13 days) in FY 21/22 vs FY 19/20.
- We are making good progress with extending and improving Castorama's ranges, by introducing more local and international brands, in particular higher price-point products, and by launching new OEBs. We added more than, 1,300 SKUs* over the last six months, bringing the total added over the last two years to more than 7,300. We expect to complete our work on Castorama's store range in six months' time.
- Brico Dépôt, one of our industry's leading discounter banners, is also moving forward with its range optimisation to increase its differentiation from Castorama and other general DIY peers. This is being done by improving the banner's already price-leading proposition, reducing some non-core ranges and introducing discount OEB brands (such as the Evalux paint discount brand) and more local trade brands. Optimising SKUs will give us more volume and pricing power for key products, reinforcing Brico Dépôt's 'discounter DNA'.
- Our price positioning is very competitive, with both banners in France improving their price index since February 2021. While we do not anticipate requiring any further significant investment in price in the year ahead, the DNA of a discounter like Brico Dépôt is to continuously reduce its cost to sales ratio, improve its sales density, and reinvest part of this efficiency into price positioning.
- We made key additional hires in France, including in supply chain, digital and technology.
- Following his success in leading Brico Dépôt's growth in France, Pascal Gil will become the new CEO of Castorama Poland from 4 April 2022. Laurent Vittoz has moved from leading our Group Sourcing team to replace Pascal as the Managing Director of Brico Dépôt France from 15 March, reporting to the CEO of France, Alain Rabec.

The actions described above have contributed significantly to the improved performance in France, with FY 21/22 LFL sales up 9.3%, and up 14.8% on a 2-year basis. France's retail profit margin improved 70 basis points to 4.9% (FY 20/21: 4.2%), with its retail profit increasing more than 20%.

Since we implemented the first 'fixes' in FY 20/21, customers have reacted positively to our renewed focus on customer propositions. As a result, the Net Promoter Scores (NPS) have improved in both French banners. The store NPS for both Castorama and Brico Dépôt France has improved over the past two years, with a total increase of +9 and +8 points respectively. Significant progress has also been made online, with castorama.fr showing a +6 point increase versus FY 19/20, and bricodepot.fr showing a +5 point improvement.

We are also seeing improvements in our competitive position, following years of underperformance. Based on *Banque de France** data, France's H2 21/22 LFL sales grew one percentage point ahead of the market YoY. Our priority is to continue taking market share.

4. Delivering against 'Powered by Kingfisher' strategic priorities ahead of schedule

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

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

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

We are pleased with our strong financial performance this year, which builds on our performance in the prior year and demonstrates solid delivery since we launched the new strategy. Our strategic progress to date has resulted in strong new customer growth and retention, particularly online, which is contributing to market share gains in our key markets. Having made strong progress with our strategic objectives this year, putting us ahead of schedule, we can now accelerate our investments for growth in many areas of the business.

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

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

a) **Grow e-commerce sales**

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

During the pandemic, we have seen rapid change in consumers' shopping habits and preferences. We have been equally quick to adapt to these changes, accelerating our planned e-commerce initiatives to offer our customers more convenience, broader product choice and faster fulfilment of orders, powered by our store assets.

E-commerce sales in constant currency were up 5.3%, and up 171% on a 2-year basis (excluding Screwfix: up 22.0% YoY, and up 192% on a 2-year basis). Our e-commerce sales grew to £2.4bn in FY 21/22, and we maintained a high e-commerce sales penetration of 18% (FY 20/21: 18%; FY 19/20: 8%). Excluding Screwfix, e-commerce sales penetration remained at 7% (FY 20/21: 7%; FY 19/20: 3%). A newly published KPI of ours, digitally-enabled sales* at c.26%, highlights that more than a quarter of Group sales is from e-commerce channels and online orders in store, delivered through C&C or to customer homes. This is flat YoY and up significantly from FY 19/20, and we expect the penetration to grow over time.

Sales from our most popular online fulfilment channel, click & collect, were down 2.4% YoY and grew by 217% on a 2-year basis. This was a strong performance considering the sharp rise in e-commerce sales following the onset of the pandemic in 2020. The preference for C&C has held up even as trading restrictions have lifted, accounting for 87% of Group e-commerce orders (FY 20/21: 90%) and 73% of Group e-commerce sales (FY 20/21: 78%). To offer customers more ways to collect their orders, we commenced the roll-out of C&C lockers to Castorama Poland stores in FY 21/22 and began testing C&C lockers at some B&Q stores. In addition, we have built car park collection capabilities in France, as well

as contactless 'Drive-thru' collections in both France and Poland, for all our medium and large stores. Our step-up in new store rollouts is also increasing C&C options for customers, in particular through our compact store formats, which allow us to expand into city centres.

Moving to store-based picking and fulfilment has been critical to efficiently meeting significant online volumes. In FY 21/22, 91% of the Group's e-commerce orders were picked in store (excluding Screwfix: 89%). We are also leveraging our stores to improve the speed and cost of home deliveries. At present, 54 B&Q stores are being used as 'digital hubs' for fulfilling home deliveries, serving nearly 100% of UK postcodes. We have introduced a similar model at Castorama France and Castorama Poland. We are also currently reorganising our distribution and fulfilment capacity in the UK, with one new site opened at Screwfix in December 2021, and two new B&Q sites opening in FY 22/23. This will enable us to restock stores more quickly, offer a wider product range for home deliveries, and make home deliveries more quickly.

We believe faster fulfilment is a key competitive advantage for our banners, in particular over online 'pure-play' 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' currently covers over one third of UK postcodes, with further rollout planned in FY 22/23. So far, the average delivery time is around 45 minutes, and our quickest delivery is just eight minutes. Feedback from customers, especially our most loyal trade customers, has been very positive, and we believe this will help us to continue growing our market share. 'Sprint' reinforces Screwfix's focus on speed and convenience for customers, alongside its industry-leading one-minute C&C proposition. We are sharing lessons from the roll-out with other retail banners that are testing same-day delivery, including B&Q.

We have added significant talent in 2021 in the key areas of digital, technology and data, further reinforcing our e-commerce capability and development plans. This is allowing us to better understand our customers and help them all the way through their home improvement journeys, from research and inspiration to installation and after-care. We are accelerating investment in customer data, as an integral part of our plan to identify and retain our most loyal customers and sell more to them. Data science and analytics also present many new opportunities to maximise customer retention and spend, including improving inventory availability and personalisation. Over the last two years, we have seen a significant increase in new and identifiable customers across our banners. In addition, these new customers continue to shop with us, with strong retention rates.

Finally, we believe we can add significant value for customers by offering them more product choice. Using scalable technology built by Kingfisher alongside Mirakl, the leading marketplace platform provider, we launched our first e-commerce marketplace on B&Q's www.diy.com on 10 March 2022. Initially, selected third-party sellers are offering new products in four home improvement categories – wallpaper, lighting, power tools and small domestic appliances, the latter being a new category for B&Q. For this first stage, an additional 100,000 home improvement SKUs will be available within the next six months on the marketplace, expanding B&Q's current offer of c.40,000 products. Further rapid expansion of the number of SKUs is anticipated after that.

Kingfisher is very well placed to benefit from the growing trend of shopping on e-commerce marketplaces. Our retail banners have top one or two market positions; they already have significant online traffic; they are trusted by millions of customers and have strong brands; they are able to leverage their store assets to offer more delivery, pick-up and return options for customers; and they have long-standing and trusted relationships with a growing global supplier base. For example, according to *Similarweb* data, in 2021 B&Q saw over 300m visits to its website, ranking it 13th out of all UK retail websites including pure-plays such as Amazon and eBay. The strong positions of our banners will result in a relatively low customer acquisition cost, which will help to make the platform highly profitable over time. We will also benefit from the platform's scalable technology, allowing us to deploy it into our other markets relatively quickly and at a lower cost. We look forward to providing further detail on our e-commerce marketplace progress and ambitions at our 'teach-in' for analysts and investors on 5 July 2022 (see page 3 for further details).

b) Differentiate and grow 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. OEB provides a strong point of differentiation for our retail banners in terms of design, functionality, sustainability and value for money, as well as carrying a higher gross margin (on average) than branded products. We aim to grow our OEB sales further, as we bring even more innovation to our ranges and differentiation to our banners.

The performance of our OEB ranges in FY 21/22 was strong, with LFL sales up 10.0%, and up 19.0% on a 2-year basis, slightly outperforming non-OEB ranges. Total OEB sales were £5.9bn, representing 45% of Group sales (FY 20/21: 45%). This is particularly impressive when considering our retail banners' renewed focus on offering more choice to customers, including through a wider range of local and international branded products. Kingfisher's top five OEB brands, based on their breadth of differentiated ranges, innovation, and growth potential, are *GoodHome*, *Verve*, *Erbauer*, *Magnusson* and *LAP*. These five OEB brands contribute 18% of total Group sales (FY 20/21: 16%; FY 19/20: 12%).

During the year we introduced several new OEB ranges across our markets. We have a strong pipeline of innovative products to launch over the next two years, with a portfolio of 32 new and redeveloped OEB brands. This new portfolio reflects our focus on leveraging our OEB capabilities to provide differentiated and specialised products for our general home improvement, trade and discounter banners. During the year we launched 16 of these new and redeveloped OEB brands, including *Evalux*, a specialist paint range at discount prices sold only at Brico Dépôt France. Some of our OEB ranges, such as *Magnusson* hand tools, *Erbauer* power tools and *Titan* pressure washers, are significantly outperforming sales volumes of major branded competitors, which is a testament to the quality of the Group's in-house product design and engineering.

In H1 21/22, we completed the final roll-out of our new OEB kitchen range, which is now available in all key markets and is our largest Group-wide range launch to date. The new kitchen range has received exceptionally strong customer feedback on design, innovation and value for money. In a short space of time, kitchens has become one of our top-performing categories for the Group and a large contributor to our banners' growing market share. The kitchens category achieved double-digit LFL growth for the Group in FY 21/22, despite some periods of COVID-related restrictions in-store. We expect current strong demand to support H1 22/23 LFL sales, with the current showroom order book for B&Q and Castorama France 72% higher versus the same point last year (up 79% on a 2-year basis).

We continue to simplify how we develop OEB, including improved engineering and prioritising reviews of our key ranges, which will enable us to bring new products to market more quickly. In addition, we are exploring ways to increase efficiencies and lower the cost of product development even further. As our franchising partnerships expand, we can generate further synergies by supplying franchise stores with our OEB products (see '*Test compact store concepts and adapt our store footprint*' further below).

OEB also gives us a platform to accelerate our Responsible Business goals, with sustainability being a key part of new product development and refreshes. In FY 21/22, 55% of OEB product sales were from sustainable home products. These are products that help our customers live more sustainably (e.g., water-saving taps or loft insulation) and products that are sustainable because of their input materials or how they are manufactured (e.g., FSC timber, peat-free compost, or recycled plastic). Please also refer to '*Lead the industry in Responsible Business practices*' below for more details on how we are using OEB to drive further sustainable home product growth, including more energy and water-efficient products. We are also looking at ways for our OEB products to play a bigger role in the 'circular economy'. For example, in February 2022 Screwfix launched 'Refurb by Screwfix', offering customers fully guaranteed and reconditioned OEB products. Castorama France is piloting a similar programme in partnership with *Back Market*, a leading online marketplace for refurbished products.

Our OEB ranges are designed to sit alongside local and international brands, offering customers differentiation and value for money and catering to the full scope of their home improvement needs. Looking forward, our plan is to continue delivering solutions for our customers to help simplify their home improvement projects, extend our ranges to offer more choice, and to continue designing OEB specifically to cater for general home improvement, trade or discounter banners. This is expected to support continued profitable sales growth over the longer term.

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

Our customers are using mobile more than ever, from research and inspiration, all the way through to purchase, delivery, building and installation. We believe that mobile will remain the most important way for customers to interact with us. We intend to make it easier for them to shop with us, by being mobile-first, data-led and focused on service. We also aim to provide customers with a more compelling and complete range of services, including visualisation tools and installation services.

Mobile is our largest and fastest growing channel, with sales up by 11.2% in FY 21/22, and by 301% on a 2-year basis, now accounting for 54% of our total e-commerce sales (FY 20/21: 51%).

Across our banners, we are making good progress with optimising the mobile user experience through Group-driven technology and capabilities, which is resulting in faster page loading, enhanced 'search, shop and pay' features, and new mobile tools and apps. In FY 21/22, we launched a new Castorama France app, improved the performance of our B&Q app and upgraded the Screwfix app. The new Screwfix app has around 2m downloads since its launch in February 2021, with strong feedback from its trade customers. Alongside better search capability, the new Screwfix app uses geolocation to speed up in-store pickups, enables targeted customer offers, and includes Screwfix's one-hour delivery proposition, Sprint.

Our app customers are visiting our brands more often, converting better and are more loyal than our desktop website customers. Our ambition for mobile apps is to build app-first or app-only features, investigate the opportunity for more trade-focused apps, and to evolve our apps to effectively become 'digital loyalty cards', enabling better data collection and high customer retention.

Following successful trials, Brico Dépôt Iberia rolled out mobile 'Scan & Go' technology for customers from late 2020, enabling a speedier self-service store checkout process. B&Q is also trialling this service, with the next step being to integrate it into the B&Q mobile app, which will allow the technology to be used in all stores. Similar trials will take place at Castorama France.

We are continuing to modernise the in-store experience and rolled out self-checkout terminals to 110 B&Q stores in FY 21/22. Up to half of in-store transactions in these stores are going through self-checkout terminals, resulting in meaningful efficiency gains. We are also in the early stages of implementing self-checkout terminals in France and Poland.

We aim to make home improvement easier from start to finish. To help our customers pre-purchase, we have made more in-store activities available virtually. For example, in Iberia we have made the expertise of our colleagues available online through 1-2-1 video calls, enabling informed discussions and products demonstrations. In H2 21/22, B&Q launched an online paint mixing service, enabling customers to choose and buy from over 2,000 colours. Following the successful introduction of our Group-developed 3D design tool for kitchens and bathrooms, we extended the technology to enable customers to create 3D designs of storage furniture online. This helps to inspire customers and make it easier for them to choose the right combination from hundreds of products in our *Atomia* range. In France, we are the first home improvement retailer to offer fully online key cutting via our 'Castocles' service, in partnership with *Securkeys*. These tools will contribute to our growing penetration of digitally-enabled sales.

In Poland, in-store consumer finance sales are now led by Castorama colleagues, for a more seamless experience. In France, energy efficiency renovations have become even easier and more popular, with Castorama launching dedicated finance products linked to the French government's *MaPrimeRénov* grant programme. Online purchases have also been made more affordable for customers by giving them the option to spread payment over several months, via PayPal in the UK and France. We have also made DIY projects easier to complete through immediate tool and equipment hire in 70 stores across B&Q (31) and Castorama France (39), through partnerships with Speedy Hire and LOXAM, respectively.

For customers looking for some extra help in completing their projects, our kitchen and bathroom installation service has been available throughout B&Q since March 2021 in the UK, and August 2021 in Ireland. The service is growing fast, with positive feedback from customers. Brico Dépôt France also rolled out a kitchen installation offer in partnership with NeedHelp, to provide a seamless handover from in-store quotes to installation, available within seven days. NeedHelp, which Kingfisher acquired in November 2020, is one of Europe's leading home improvement services marketplaces and it is now live

throughout the UK, France and Poland, with a 60% increase in completed jobs versus 2020. In 2022, we will trial an energy-saving service at B&Q to diagnose and fit energy efficiency solutions in customers' homes. This is an area of significant opportunity.

d) Test compact store concepts and adapt our store footprint

Stores are a critical part of the home improvement market. Customers want to be inspired, to be able to visualise what they buy, and to get advice and design services from in-store experts. Stores also serve as a 'one-stop shop' for projects and allow us to provide customised services. Our c. 1,470 stores will also play an integral role in meeting the increasing customer demand for convenience and speed, whether through fast C&C or home delivery.

We believe the demand for speed and convenience will continue to drive the shift online in our industry, as well as the need for a wider network of smaller and more localised stores. In response, we continue to increase our overall store count, while reducing the average size of our stores. We are achieving this through a combination of opening more 'compact stores' (less than 2,000 sqm), rebalancing our larger size 'new store' opening programme to mostly focus on 'medium-box' stores (2,000 to 8,000 sqm), and 'rightsizing' a relatively small proportion of our larger format 'big-box' stores (more than 8,000 sqm).

Store rightsizings have attracted a lot of stakeholder interest over the years. Following a rigorous review of our property portfolio and future space requirements, we have identified all 'big-box' stores across the Group where we may have surplus space over the longer term. This is based on our analysis of demand in the local area, store economics, proximity to other stores, and the number of 'digital hub' stores we need to achieve national coverage for home deliveries, as part our e-commerce strategy. We are confident that the UK and France are the only two regions where some of our stores are too large, specifically in B&Q and Castorama France. As a result, we expect that up to 40 'big-box' stores across these two estates combined will require rightsizing over the next 10 years, including the reallocation of space to e-commerce operations and 'dark stores'. 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. As a result, we expect to be able to carry these out as part of our medium-term capital expenditure guidance (c.3.0% to 3.5% of Group sales), and do not expect it to cause disruption to the store, teams and overall customer experience.

In FY 21/22, we completed three rightsizing trials at B&Q (Canterbury, Watford and Colchester), with a further two recently completed at Castorama France (Gonesse and La Rochelle) in January. The results from the B&Q rightsizings have been positive, with a range of c.15-30% space reductions taken over by discounter retailers, bringing incremental footfall to the vicinity of our stores. Since reopening, the stores have exceeded our performance expectations, with strong sales retention and improved profitability. We plan to complete further 'big-box' rightsizings in the year ahead, including four B&Q stores.

Compact stores are a key enabler for continued market share growth in urban areas. We have made good progress with testing different concepts to unlock this opportunity. In FY 21/22 and to date in FY 22/23, we have opened and trialled 19 new compact stores across the UK, France and Poland, bringing the Group total to 27 now in operation. These new compact stores are located in urban retail parks, high streets and within supermarkets.

Our high street concepts (300-800 sqm) are delivering positive early results, with five new stores opened at B&Q (three) and Castorama France (two). Our trials of B&Q 'grocery concessions' (200-250 sqm) have now been extended from two to eight ASDA stores in the UK, with our latest tests extending into regions outside of London.

In Poland, we are expanding with our urban retail park small-store concepts (800-2,000 sqm), under the 'Castorama Smart' banner. Poland opened two such formats in FY 21/22. This is part of a larger Polish store roll-out strategy, following seven overall new store openings in FY 21/22, and even more stores to follow in FY 22/23, which will reinforce Castorama's number one market position.

Screwfix has applied the key learnings from its London Victoria 'Collect' format store, to open further ultra-compact format stores called the 'XSR format'. The XSR format has been developed to take the core Screwfix range into spaces unable to cater for the full traditional trade offer. In H2 21/22 we opened

five XSR stores. In FY 22/23, we have plans to accelerate our compact store tests across the UK, France and Poland.

'Medium-box' stores in our banners tend to be well-located, have good sales densities and are highly profitable. In FY 21/22 we completed the trial conversion of two Castorama France stores into Brico Dépôt France 'medium-box' stores. Results are very encouraging so far with sales densities up significantly, and lower store operating costs. Poland also opened two new 'medium-box' stores this year. All four new stores are performing well, and we have plans to open more over the coming years.

We also believe partnerships can enable Kingfisher to attract new customers and generate incremental revenues. As discussed above, we are testing **store-in-store** B&Q concessions within ASDA supermarkets, and we have also extended our **concession** partnerships with Speedy Hire (tool hire) and Crystal Direct (made-to-measure doors and windows) inside B&Q stores. We are also excited to have opened our first **franchise** store under the B&Q banner in the Middle East in February 2022, with one further store due to open in Q2 22/23. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group (<https://www.alfuttaim.com/>).

We are pleased to update that our store programmes and enhanced focus on the estate has resulted in customers awarding us with a significant increase in store NPS in all banners for the second consecutive year.

e) Expand engagement with trade customers

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

Screwfix, the UK's number one light-trade retailer, continues to expand through its capital-light small format outlets. We are pleased to have opened a record number of stores in FY 21/22, with 70 new outlets (58 in the UK and 12 in Ireland) bringing the total to 790 as of 31 January 2022. In FY 22/23, we are determined to set another new record on store openings targeting over 80 new stores and we remain confident of reaching more than 1,000 stores in the medium term in the UK & Ireland.

As part of our international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Initial results are very encouraging, with very strong web traffic and customer NPS scores for home delivery already on a par with the UK business. We are making good progress with building a new supply chain and expect to open Screwfix's first stores in France in the second half of 2022, with a meaningful step-up in roll-out targeted in 2023. This will position us to start taking share from the large trade segment in France, which has an estimated total market size of over £20bn.

B&Q's trade-focused banner, TradePoint, has made excellent progress with its relaunch strategy. Its LFL sales outperformed the rest of B&Q and Screwfix, growing 20% in FY 21/22, with 2-year LFL sales up 33%. This brings the total size of the business to £834m of sales, representing 20% of B&Q's total sales (FY 20/21: 19%). The renewed focus on TradePoint's loyalty programme, trading approach, trade-specific ranges and enhanced online experience is resulting in increased engagement from existing customers and continued strong momentum for new customer sign-ups. Work is ongoing to further increase the penetration of TradePoint within B&Q and launch the TradePoint proposition in Ireland. Looking forward, we have built a strong plan to drive TradePoint's sales to over £1bn.

More broadly, we believe there is a significant opportunity to increase trade customer penetration across all our other retail banners, benefitting from lessons from Screwfix as well as TradePoint's successful relaunch. During the year, each of our banners has begun to execute on detailed plans to increase trade customer engagement. These include trialling new store layouts and concepts, creating more trade-focused OEB ranges, offering a more user-friendly and integrated digital experience (both app and web), increasing the speed and convenience of order pick-ups, providing relevant services to tradespeople, and developing our loyalty programmes. Over time, we expect increased trade customer penetration to contribute to higher sales and profit growth.

f) Source and buy better, reduce costs and same-store inventory

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

Costs

The pandemic has deepened our conviction about the opportunity to operate more effectively and efficiently. Early on in the pandemic, in 2020, we took a range of actions to reduce costs, especially during times of store closures and trading restrictions. This provided us with many lessons on how to significantly adjust the cost base during times of volatile sales. Following the progress made in FY 20/21, we have set multiple cost-reduction programmes in motion. 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 next few years.

As mentioned above, the lessons from the pandemic were invaluable. In scenarios where trading is less favourable than anticipated, we have plans in place to react quickly and adjust the cost base accordingly. Cost self-help and efficiency remain a priority for our retail banners and Group teams, with robust governance at Group Executive and Board level. The following areas have contributed to partially offsetting cost growth in FY 21/22:

- Realising benefits from reorganising our commercial operating model (fully implemented at a Group level and across all banners, with France completed in March 2021) and establishing a new banner-Group operating model for our Digital and Technology teams (completed in Q1 21/22).
- Rolling out self-checkout terminals to 110 B&Q stores, with strong take-up from customers. We are also trialling other store productivity initiatives, including 'Scan & Go' at B&Q. For further details please refer to '*Build a mobile-first and service orientated customer experience*' above.
- Optimising stock losses and shrinkage through implementation of targeted best practice measures across all banners.
- Reducing logistics costs in France through reduction of distribution centre space by c.19%, creating an optimised network for Castorama and Brico Dépôt and decreasing transport distances.
- Completing 34 additional B&Q lease renegotiations, with a combined net rent reduction of over 20%, alongside improved lease terms. One third of B&Q's leased store estate is coming up for renewal over the next five years, with a weighted average remaining lease term of seven years.
- Completing five 'big-box' rightsizings at B&Q and Castorama France. Following the completion of our first rightsizing trial in March 2021, B&Q Canterbury has achieved a YoY cost reduction of c.33%, with strong sales retention levels. Further rightsizings are planned at B&Q and Castorama France in FY 22/23. For further details, please refer to '*Test compact store concepts and adapt our store footprint*' above.
- Optimising IT costs, including areas such as IT hosting, telecoms, and other network costs, and preparing the decommissioning of legacy systems; while recognising that IT overall is an area of significant cost investment.
- Implementing ongoing GNFR procurement savings, further supported by sharing knowledge and best practices amongst all retail banners and facilitated by Group 'Centres of Excellence'.
- Expanding our shared services centre in Poland, adding more roles and enhancing Group-wide processes. We expect to be able to build on this capability over time.
- Lowering clearance and disruption levels by significantly reducing the historical level of range reviews, and prioritising critical ranges.

COVID-related costs (including costs of PPE, extra store security and additional bonuses to frontline store colleagues) were £18m in FY 21/22, in line with our expectations, and considerably lower than the prior year (FY 20/21: £45m). These are accounted for in retail profit and not as adjusting items. We expect to continue reducing these costs going forward.

Sourcing and inventory

In sourcing and buying, we continue to deliver cost efficiencies by leveraging our Group scale. Through the use of a value engineering approach, we continue to deliver sourcing benefits on our large OEB product base (45% of Group sales in FY 21/22), which helped to partly mitigate the impact of cost price inflation during the year. We accelerated our sourcing diversification plan by increasing our 'near-sourcing' footprint using dual sourcing. In addition, we are in the process of renewing strategic partnerships with several of our top international brands.

As described in the '*Supply, availability and logistics*' section above, 'best seller' product availability has gradually improved during the year and is currently above where it was at the start of FY 21/22. In addition, we are benefiting from an improvement in our inventory health YoY, due to lower delisted and slow-moving stock. Our initiatives to reduce same-store inventory include better ranging and deployment (with a focus on removing slow-moving inventory), better planning and forecasting, and continued strong levels of product demand. Completing our SAP roll-out and further implementing and optimising our Group digital technology stack will support these initiatives.

Net inventory at the end of FY 21/22 increased by £261m to £2,749m (FY 20/21: £2,488m), driven by the rebuilding of inventory levels (accelerated by an earlier Chinese New Year at the end of January 2022), the impact of inflation and store expansion. This was partially offset by the impact of exchange rate movements. We also had exceptionally low inventory in the prior year, caused by COVID-related delays and strong sales.

Same-store net inventory* (in constant currency) increased by £321m (13%). On a 2-year basis the increase in same-store inventory (in constant currency) was £276m (11%), with net stock days 9% (12 days) lower than FY 19/20 (excluding Russia), reflecting our improved inventory management initiatives. Net stock days increased by 1% YoY in FY 21/22, with store openings, inflation and earlier seasonal purchases due to Chinese New Year; partly offset by efficiencies achieved and clearance activity.

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

g) Lead the industry in Responsible Business practices

We are committed to leading our industry in responsible business practices. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business, where we can maximise our positive impact on the lives of our customers, colleagues, communities and the planet.

Colleagues

Investing in our people

At the heart of our business are our 82,000 colleagues. As a global business with colleagues in eight countries, we are proud of our cultural diversity and believe this is a strength.

We continue to invest in talent and capability to unlock further growth. As part of our focus on creating new customer propositions, we have recruited in key areas, in particular digital, technology and data. Our new Group operating model is now fully embedded, empowering our banners to address the diverse needs of their customers. We have continued to focus on productivity and head office efficiencies, ensuring we align our resources to our strategic priorities.

We had over 3,800 apprentices across the Group last year, giving opportunities to younger generations to build their skills and careers with us. We also continue to invest in learning and development across the Group, with colleagues investing over 2.2m hours into learning in FY 21/22.

Colleague wellbeing a top priority

As the pandemic has continued, our colleagues have inspired us with their dedication, flexibility, resilience and commitment to our customers. We have continued to ensure our stores, distribution

centres and offices are safe places to work and have enabled colleagues to isolate, shield or take time off as necessary, by continuing to pay salaries during COVID-related absences.

Colleague wellbeing is a top priority. We partner with organisations such as *The Retail Trust* in the UK and *Alterhego* in France, to provide colleagues and their families with emotional, legal, and financial support.

Making progress on inclusion and diversity, with more to go

Inclusion and diversity play an important part in delivering 'Powered by Kingfisher', as it reinforces our commitment to differentiate our offer to our diverse customer base through our unique banners. Building an inclusive culture is also a core pillar of our Responsible Business priorities (see below).

We have set ourselves stretching targets to increase diversity and this is part of our incentive plan for senior managers. We are on track to meet our goal of 40% women in all management roles by 2025 (currently at 38%), from a base of 35% in 2020. In 2021 we made several diverse appointments into senior leadership roles, although we have more to do. 16 Affinity Networks were launched for colleagues Group-wide, to spearhead our inclusion and diversity efforts, with plans for more activity in 2022.

Launching a new all-colleague share plan

Later this year we will launch a new 1+1 all-colleague share plan, building on the strong take-up of the 1+1 'Sharing In Our Future' plan that we launched in 2020. The plan will give colleagues the opportunity to continue sharing in the success of our growth strategy and promotes inclusivity at all levels. In the FY 20/21 plan, 75% of the nearly 9,000 colleagues who took part were store-based colleagues.

Strong engagement to attract and retain colleagues

To help us build a culture which is agile, trust-based, inclusive and responsive, we introduced a new engagement tool to listen to our people and measure their engagement across the Group. Over 63,500 colleagues (c.80%) took part in our annual colleague engagement survey in June 2021, with a score that positions us in the top quartile for retail.

We also now measure our Employee Net Promoter Score (eNPS), which shows how willing colleagues are to recommend their workplace to family or friends. Despite the challenges of the pandemic, we were pleased that our eNPS was significantly ahead of the benchmark, putting us in the top 10% of global retailers. Furthermore, we ran regular local surveys, which are an important tool to continue listening to our colleagues.

We invested to strengthen our employer brands, to ensure we can attract and retain colleagues in increasingly competitive labour markets, especially at store level. To recognise the contribution of our frontline teams, we invested in store colleague remuneration, including through awarding additional pay increases or bonuses.

Responsible Business priorities

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

Colleagues: Becoming a more inclusive company

- Each of our banners and Group functions has an 'Inclusivity Action Plan', with targets that are linked to incentive plans.
- We have established an Inclusion & Diversity Advisory Forum, to bring together colleague representatives and senior leaders.
- 37.7% of managers and 25.2% of senior leaders are women, an increase on the previous year.
- As detailed above, later this year we will launch a new all-colleague share plan, building on the strong take-up of the 1+1 'Sharing In Our Future' plan that we launched in 2020.

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

- In June 2021 we announced new carbon reduction targets to 2025, consistent with the reductions required to keep global warming to 1.5°C. These have been approved by the Science Based Targets Initiative (SBTi) and replace our previous targets.
- We became a founder member of the [UN's Race to Zero Breakthroughs – Retail Campaign](#) in July 2021, a partnership aiming to inspire more of the world's retailers to take action on climate change.

- In FY 21/22 we reduced our carbon footprint for our own operations (scope 1 and 2 emissions) by 24.5%, against a FY 16/17 base year. This shows a strong underlying improvement over the last two years (FY 19/20: 18.5%). The movement versus last year (FY 20/21: 27.5%) is largely due to the positive impact on our carbon footprint of the temporary store closures in FY 20/21 due to COVID. We remain on track to meet our 2025 target of a 37.8% reduction.
- Actions during the year included further roll-out of LED lighting, converting a further 102 stores in the UK to air source heat pumps, and installing PV panels and biomass boilers at selected locations.
- We are using 100% low-carbon electricity across the UK, France, Poland and Iberia.
- Our 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. We will report progress against our scope 3 emissions reduction target in our FY 21/22 Responsible Business Report (published in Q2 22/23).
- Kingfisher has a strong heritage in sustainable forestry and the responsible sourcing of wood. In line with our commitment to be 'forest positive' by 2025:
 - 87% of the wood and paper used in products is responsibly sourced (FY 20/21: 81%), including 100% of catalogue paper, putting us on track to achieve our target of 100% by FY 25/26.
 - As a founder member of the Rainforest Alliance's 'Forest Allies' initiative, we are supporting forest projects in Indonesia, Peru, Columbia, Guatemala and Cameroon, which will have a positive impact on tropical forests and their communities, including over 7,000 people and over 300,000 hectares of forest.

Customers: Helping to make greener, healthier homes affordable

- In FY 21/22, £5.8bn of sales, representing 44% of Group sales (FY 20/21: 42%), were from 'Sustainable Home Products'. This equates to a doubling of our penetration since the programme was established in FY 11/12.
- These are products that help our customers live more sustainably (e.g., water-saving taps or loft insulation) and products that are sustainable because of their input materials or how they are manufactured (e.g., FSC timber, peat-free compost, or recycled plastic).
- We have now set up an ambitious new target for Sustainable Home Product 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 Sustainable Home Products by FY 25/26 (FY 21/22: 55%).
- Sustainability is one of the five core design principles we use in developing our OEB ranges and we remain focused on improving sustainability performance. For example, we lead the market in moving towards 100% peat-free compost, we have removed solvents from further paint lines, integrated recycled plastic into more furniture and tools, and increased the longevity of some hand tool ranges.
- We also see considerable potential across all our markets as the 'green homes' agenda accelerates, in particular in the UK and France, where the governments have made 'net zero' commitments. Moreover, the ongoing energy crisis adds weight to the urgent need for governments to increase their support of greener homes and energy efficiency. We are exploring opportunities to further increase engagement with DIY and trade customers on this agenda. For example:
 - In FY 21/22, Kingfisher derived 10% of Group sales from energy and water-saving products. We are very well placed in energy efficiency categories such as loft insulation, LED lighting, underfloor heating and electric radiators, and are exploring other solutions.
 - Screwfix is now selling photovoltaic (PV) panels and air-source heat pumps to the trade and is exploring further options in this market.
 - This year, B&Q will test a new service to enable customers to improve the energy efficiency of their homes.
 - Following its launch in early 2021, Castorama France and Brico Dépôt France have supported the French government's 'MaPrimeRénov' grant scheme for energy-efficient projects in customers' homes. The programme has gained significant traction in France.

Communities: Fighting to fix bad housing

- In FY 21/22, we invested £4m in our communities, and our colleagues and customers raised an additional £2.8m. We reached over 800,000 people through our charitable partnerships and banner Foundations.
- This brings our total to over 1.5m people helped since FY 16/17, putting us on track to achieve our target to help over 2m people by FY 25/26.

- We have now established charitable Foundations in all our banners and extended our partnerships with the national charities, *Shelter* and *Macmillan* in the UK, *La Fondation Abbé Pierre* in France, and *Habitat for Humanity* in Romania and Poland.
- Our banners supported a range of local projects during FY 21/22, such as the *Bricobus* run by *Compagnon Bâtitseurs* in France, which reached 2,000 people in deprived rural regions with free DIY training and advice, and *Meta Pomoc* in Poland, supporting young people leaving the care system to improve their housing.

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.

From FY 22/23, we are integrating Responsible Business measures into our long-term incentive plan (known as the Kingfisher Performance Share Plan), which will be granted to members of our senior leadership team. More information on this will be provided in our 2021/22 Annual Report and Accounts.

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

Governance and Reporting

Our Responsible Business Committee (RBC) is a sub-committee of Kingfisher’s Board. It supports the governance of Responsible Business and monitors performance against our priorities, and met three times during 2021. 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.

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 2021/22 Annual Report and Accounts.

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

- **MSCI:** We rank as a ‘Leader’, having received the highest-possible ‘AAA’ score, which was achieved by only 3% of companies in the *Retail – Consumer Discretionary* sector.
- **CDP climate change:** We continue to achieve a leadership score of ‘A-’. We are amongst 25% of companies in our sector globally that reached ‘Leadership’ level and we score higher than the average discretionary retail performance of ‘B-’.
- **Sustainalytics:** We rank 1st out of 39 in home improvement retail and 2nd out of 453 in the wider retailing industry.
- **Workforce Disclosure Initiative:** We received a disclosure score of 71%, which is ahead of the average consumer discretionary sector and average disclosure score (all companies) of 68%.
- **ISS ESG Corporate Rating:** We achieved a ‘C+’ rating. This is supported by our ‘Prime’ status, which is given to companies that are perceived to be sustainability leaders in their industry.
- **FTSE4Good:** Listed in this index with a rating of 4.6 out of 5 (‘Strong’ performance).

For more information on our Responsible Business strategy, performance and governance, please visit the Responsible Business section of our website at www.kingfisher.com and our Responsible Business report to be published in Q2 22/23.

5. Industry trends offer us opportunities

While the overall home improvement industry is growing, there are also clear longer-term shifts within the market which provide us with further opportunities. Our 'Powered by Kingfisher' strategy is closely aligned with these trends, positioning our banners for growth.

Working from home – The COVID crisis has established longer-term trends that clearly support our industry, in particular the normalisation of flexible working. We expect that for most, a return to the work office for five days a week is unlikely. As a result, our customers are encouraged to invest in their homes and gardens, with more focus on improving their comfort and wellness. More working from home also results in more wear and tear, and the need to organise living space differently, creating further demand for home improvement. Flexible working has also allowed people to move further out of city centres, usually into larger homes, meaning they have more space to maintain and improve, and are generally closer to our larger stores. This has also driven up housing transaction volumes which, our data shows, generates significant incremental demand for the 12-18 months following a move.

Digital – Over the last two years, the shift towards online has rapidly accelerated for the whole industry. All our key markets have experienced significant e-commerce growth, with our e-commerce sales up 171% since FY 19/20. We are prioritising investment in digital, technology and data as we scale up for the next phase of e-commerce growth, led by our Group e-commerce marketplace technology. Further detail is included above within '*Grow e-commerce sales*'.

Speed & convenience – Customers' increased demand for speed and convenience, along with demographic trends, are driving a shift towards more localised compact stores and faster fulfilment. Our stores are at the centre of our e-commerce proposition, giving us an advantage by enabling us to fulfil orders fast, especially through C&C. We are also pushing boundaries in the non-food retail space through Screwfix's one-hour delivery service. While Screwfix is already addressing the compact store shift in the UK, the trend provides our other retail banners with the opportunity to widen their customer reach, especially in France and Poland where we have less of a presence in small formats. Further detail is included above within '*Test compact store concepts and adapt our store footprint*'.

Value – In more mature markets across Europe, discounter format stores are growing their businesses and expanding their home improvement ranges. This growth has been supported by consumers' rising focus on value for money and pricing transparency, which we can capture by offering competitively priced OEB products, which make up almost half of Group sales. Further detail is included within '*Differentiate and grow through own exclusive brands*'. In addition, we are well placed in this area of the market with our renowned Brico Dépôt discounter banners in France and Iberia. We are also mindful of rising consumer prices and the potential impact on customer demand. As a core consumer spending area, home improvement has grown steadily over time and proven to be robust even during periods of economic weakness. We are well positioned here too, thanks to our sharp focus on maintaining attractive price positioning across the Group, with a price index at 100 or below vs nearest competitors.

DIFM – Before the COVID crisis, we saw a very gradual shift in customer preference from DIY towards Do-It-For-Me ('DIFM'). According to research by USP Marketing Consultancy, DIFM share grew by less than one percentage point between 2015 and 2019. Over the last two years we have seen customers favour DIY, which is linked to it being more 'socially distanced' than DIFM, as well as being cheaper, a hobby, an activity that contributes to wellbeing, and customers having more flexibility, due to an increase in working from home. As a result, we expect the balance between DIY and DIFM to remain stable over the medium term. Kingfisher is well positioned to capture growth opportunities in both customer preferences, with DIFM and trade comprising half of Group sales, and we have plans to further increase engagement with trade customers. Further detail is included above within '*Build a mobile-first and service orientated customer experience*' and '*Expand engagement with trade customers*'.

Younger 'DIY'ers – During the COVID crisis, we saw the emergence of a younger generation of 'DIY'ers', whose interest, skills and enthusiasm for DIY have grown considerably. While this trend is still emerging, it is encouraging and enables us to capture a broader range of customers. Our investments in technology and data are positioning us to secure their interest earlier in their journey, as the purchasing or inspiration phase often starts online. We are also well placed to satisfy their demand for choice, speed and convenience, as detailed above.

‘Greener’ products – Being a responsible business is more important than ever. Customers are looking for easy ways to buy more sustainable products that have been responsibly sourced. As a sustainability leader with access to significant in-house product design capability, this provides us with significant growth opportunities. Moreover, we are well positioned to cater to the growing demand for energy-efficient products and solutions. Further detail is included above within *‘Lead the industry in Responsible Business practices’*.

In summary, structural market drivers together with the establishment of new and longer-term trends following the COVID crisis, clearly support our strategy.

6. Clear financial priorities and capital allocation framework

Group financial priorities

Our ‘Powered by Kingfisher’ strategic plan is delivering growth and creating shareholder value. We are also making progress against our financial priorities over the medium term. These are to:

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

Capital allocation

In 2021 we updated our capital allocation policy to reflect the investment requirements and ambition of ‘Powered by Kingfisher’, while maintaining a strong balance sheet. The Group’s objectives in managing capital are to:

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

We aim to allocate capital, subject to strict returns criteria, to compelling organic or strategic/bolt-on inorganic growth opportunities that strengthen and accelerate our strategy. Over the next two financial years, we expect to be at the upper end of the gross capex target range set out above, as we accelerate investments for growth.

To maintain a solid investment grade credit rating, our target is a maximum of c.2.0 times net debt to EBITDA on an IFRS 16 basis over the medium term. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash, cash equivalents and committed debt facilities), which is currently set at a minimum of £1bn. This £1bn buffer currently comprises an undrawn RCF of £550m and cash of £450m.

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

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

Dividend for FY 21/22

Following the very strong performance in FY 21/22, 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 21/22, which is 50% higher than the prior year (FY 20/21: 8.25p). The dividend cover of c.2.8 times is a little over the top end of our target cover range, in line with our previous guidance.

The final dividend is subject to shareholder approval at the Annual General Meeting on 22 June 2022, and will be paid on 27 June 2022 to shareholders on the register at close of business on 20 May 2022. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the Company's shares. The shares will go ex-dividend on 19 May 2022. For shareholders electing to participate in the DRIP, the last date for receipt of elections is 6 June 2022.

£300m share buyback programme

In September 2021, the Board announced the return of £300m of surplus capital via a share buyback programme. Up to and including 21 March 2022, we have repurchased £225m worth of shares (31 January 2022: £157m), with the final £75m tranche expected to complete by May 2022.

Section 3: Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
B&Q	4,178	3,707	+12.7%	+12.8%	+12.3%	+26.9%
Screwfix	2,327	2,036	+14.3%	+14.3%	+10.9%	+18.2%
Total sales	6,505	5,743	+13.3%	+13.4%	+11.8%	+23.8%

Retail profit	794	681	+16.6%	+16.7%
Retail profit margin %	12.2%	11.9%	+30bps	+30bps

Kingfisher UK & Ireland sales increased by 13.4% (LFL +11.8%) to £6,505m, with 2-year LFL sales up 23.8%, reflecting strong demand throughout the year from both retail and trade customers. Our banners significantly improved their competitive position in the UK home improvement market, and engagement with new and existing customers was strong, with both store and website NPS significantly improving YoY. Gross margin % decreased by 60 basis points, largely reflecting changes in category and channel mix, and one-off spend on securing availability. This was partially offset by our effective management of inflation.

Retail profit increased by 16.7% to £794m, with a strong performance from both B&Q and Screwfix. Operating costs increased by 9.6% largely due to higher costs associated with strong trading (including headcount increases and higher staff incentives), 79 net new store openings, operating cost inflation, digital investments, and the reversal of some COVID-related temporary cost reduction measures implemented in FY 20/21 (e.g., advertising and marketing). The increase in operating costs was partially offset by cost reductions achieved as part of our strategic cost reduction programme. Retail profit margin % improved 30 basis points to 12.2%.

B&Q total sales increased by 12.8% to £4,178m (LFL +12.3%), with 2-year LFL sales up 26.9% driven by double-digit growth across all categories. 'Big-ticket' items saw continued strong momentum, with showroom (kitchens and bathrooms) in the top-performing categories. Our current showroom order book is very strong, up 93% versus the equivalent point in the prior year, and up 98% on a 2-year basis. LFL sales of weather-related categories increased by 18% (increase of 43% on a 2-year LFL basis), while sales of non-weather-related categories, including showroom, increased by 10% (increase of 22% on a 2-year LFL basis). B&Q's e-commerce sales continued to grow strongly in FY 21/22, increasing by 13% YoY and 146% on a 2-year basis, and representing 11% of total sales (FY 20/21: 10%; FY 19/20: 5%).

B&Q's trade-focused banner, **TradePoint**, continues to perform ahead of expectations. The business continues to be a significant part of B&Q at 20% of its sales (FY 20/21: 19%). LFL sales for TradePoint outperformed the rest of B&Q, growing by 20% in FY 21/22, with 2-year LFL sales up 33%. TradePoint's higher weighting towards building materials and overall strong availability helped drive outperformance. Engagement with trade customers continues to be high, with the introduction of trade-only deals and campaigns in H2 21/22. Going forward, the loyalty scheme will be integrated into our digital platforms, giving customers the ability to better monitor current spend levels, and additional spend requirements to trigger higher discount bands (up to 10%).

B&Q opened 11 new stores in FY 21/22, including five compact stores and six further store-in-store concessions within ASDA supermarkets.

Screwfix total sales increased by 14.3% (LFL +10.9%) to £2,327m, with 2-year LFL sales up 18.2%, reflecting continued strong demand from trade customers. Space growth contributed c.3% to total sales. E-commerce sales decreased by 2% given exceptional 'digital only' trading periods in the prior year, with 2-year sales up 161%, representing 67% of total sales (FY 20/21: 78%; FY 19/20: 33%). The business continued to strengthen its digital proposition, launching its innovative new mobile app which has been

very well received by customers, with mobile remaining the dominant channel of ordering online. During the year we launched our Screwfix 'Sprint' service, with strong early results. 'Sprint' offers customers an industry-leading 60-minute home delivery service (average delivery time c.45 minutes), currently covering over one third of UK postcodes. We also launched Screwfix in France as an online-only proposition with the goal of opening stores in H2 22/23. Results so far have been very encouraging. The results for Screwfix International are captured in 'Other International' – see below for further information.

In FY 21/22, Screwfix opened 68 net new stores (including 12 in Ireland). The total number of stores as of 31 January 2022 is 790, including 24 in Ireland. The business has a medium term target of over 1,000 stores in the UK & Ireland.

FRANCE

£m	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
Castorama	2,296	2,265	+1.4%	+5.9%	+7.2%	+13.9%
Brico Dépôt	2,202	2,044	+7.7%	+12.5%	+11.6%	+15.9%
Total sales	4,498	4,309	+4.4%	+9.0%	+9.3%	+14.8%

Retail profit	221	181	+22.5%	+28.0%
Retail profit margin %	4.9%	4.2%	+70bps	+70bps

Kingfisher France sales increased by 9.0% (LFL +9.3%) to £4,498m, with 2-year LFL sales up 14.8%, reflecting strong demand in outdoor, kitchens and building & joinery categories. COVID-related restrictions in France led to some temporary store and non-essential range closures throughout the first quarter (and part of the second quarter), impacting total FY 21/22 LFL sales by c.-1%. These trading restrictions mostly impacted Castorama's larger stores, but contributed to Brico Dépôt's relative outperformance in H1 21/22 (Brico Dépôt's store estate consists of mainly medium-sized stores, which were not required to close). LFL sales growth also benefited from our decision to gradually open more stores on Sundays since Q3 20/21, to satisfy higher demand.

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

Gross margin % increased by 60 basis points, largely reflecting reductions in logistics and inventory holding costs, higher OEB weighting at Brico Dépôt, and our effective management of inflation. This was partially offset by an upweighting of special promotions (*arrivages*), more trading events, and category mix.

Retail profit increased by 28.0% to £221m, reflecting strong growth in gross profit, partially offset by an increase in operating costs of 8.5%. Operating costs increased due to strong trading and additional Sunday openings, leading to higher staff costs (headcount and staff incentives) and store-related costs (increased security and marshalling). The prior year benefitted from COVID-related temporary cost reduction measures (e.g., advertising and marketing) and furlough relief related to temporary store closures. The increase in operating costs was partially offset by cost reductions achieved as part of our strategic cost reduction programme, as well as the annualisation of cost benefits from the permanent closure of eight Castorama stores in FY 20/21. Retail profit margin % improved 70 basis points to 4.9%.

Castorama total sales increased by 5.9% (LFL +7.2%) to £2,296m, with 2-year LFL sales up 13.9% reflecting resilient demand against the backdrop of strong comparatives. LFL sales of weather-related categories increased by 12% (increase of 25% on a 2-year LFL basis), while LFL sales of non-weather-related categories, including showroom, increased by 6% (increase of 12% on a 2-year LFL basis).

The annualisation of a reduction in space following the permanent closure of eight Castorama stores in FY 20/21 impacted total sales by c.-1%. LFL sales growth was also supported by our decision to open more stores on Sundays. COVID-related restrictions in France led to some temporary store and non-essential range closures throughout the first quarter (and part of the second quarter), impacting FY 21/22

LFL sales by c.-1%. Castorama's e-commerce sales increased by 46% in FY 21/22 (up 318% on a 2-year basis), representing c.6% of total sales (FY 20/21: 5%; FY 19/20: 2%). Further commentary on the operational improvements made at Castorama France are detailed in 'France – final phase of 'fixes' within Section 2.

Brico Dépôt total sales increased by 12.5% (LFL +11.6%) to £2,202m, with 2-year LFL sales up 15.9%. This reflects a continued focus on Brico Dépôt's discounter credentials and differentiated ranges, with outdoor, building & joinery, kitchen and EPHC (electricity, plumbing, heating and cooling) all achieving double-digit LFL growth, YoY. The upweighting of special promotions (*arrivages*) contributed to increased customer engagement and improved price perception.

In H1 21/22 Brico Dépôt's performance benefitted from being able to keep most of its stores open during the period (except for four stores that were only open to trade customers and for C&C). LFL sales growth was also supported by our decision to open more stores on Sundays. Brico Dépôt's e-commerce sales increased by 8% in FY 21/22 (up 192% on a 2-year basis), representing c.5% of total sales (FY 20/21: 5%; FY 19/20: 2%). Brico Dépôt successfully opened two new 'medium-box' stores in FY 21/22 (both conversions of former Castorama stores).

OTHER INTERNATIONAL

	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
Sales (£m)						
Poland	1,525	1,550	(1.6)%	+5.0%	+0.3%	+5.3%
Iberia	366	310	+18.0%	+23.2%	+23.2%	+14.6%
Romania [±]	279	242	+15.6%	+22.8%	+15.0%	+28.0%
Other ^{**}	10	-	n/a	n/a	n/a	n/a
Other International (ex-Russia)	2,180	2,102	+3.7%	+10.3%	+5.5%	+9.2%
Russia	-	189	(100.0)%	(100.0)%	n/a	n/a
Other International	2,180	2,291	(4.8)%	+1.5%	+5.5%	+9.2%

Retail profit (£m)				
Poland	135	146	(7.7)%	(1.5)%
Iberia	12	3	n/a	n/a
Romania [±]	(11)	(14)	+21.3%	+16.4%
Other ^{**}	(10)	-	n/a	n/a
Turkey (50% JV)	7	9	(22.3)%	+8.8%
Other International (ex-Russia)	133	144	(6.8)%	+1.0%
Russia	-	(3)	(100.0)%	(100.0)%
Other International	133	141	(5.8)%	+2.1%

Retail profit margin %				
Poland	8.8%	9.4%	(60)bps	(60)bps
Other International (ex-Russia)	6.1%	6.8%	(70)bps	(60)bps
Other International	6.1%	6.2%	(10)bps	-

[±] Kingfisher's subsidiary in Romania has historically prepared its financial statements to 31 December. In FY 21/22, Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January 2022). Its sales and retail loss presented therefore include 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 sales and retail loss are for January 2021 to January 2022 (compared against January to December 2020), whilst LFL and 2-year LFL sales growth for Romania compares February 2021 to January 2022 to the equivalent periods in prior years. Romania's LFL sales growth in the month of January 2021 was 22.2%.

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

Other International (ex-Russia) total sales increased by 10.3% (LFL +5.5%) to £2,180m, with 2-year LFL sales up 9.2%, driven by growth in all key geographies. Retail profit increased by 1.0% to £133m, with improved performances in Iberia, Romania and Turkey offset by a lower retail profit in Poland and losses incurred in 'Other' operations. Including Russia's retail loss in FY 20/21 (disposal completed on 30 September 2020), **Other International** retail profit increased by 2.1% and the retail profit margin % was broadly flat at 6.1%.

Sales in **Poland** increased by 5.0% (LFL +0.3%) to £1,525m, with 2-year LFL sales up 5.3%. Space growth contributed c.5% to total sales. Most categories traded well on a 2-year basis, in particular kitchens (up 41%) with the new OEB kitchen range landing well. We saw a strong recovery in demand from Q2 21/22 onwards following the closure of all Castorama stores between 27 March and 3 May 2021. These temporary store closures had a net impact of c.-6% on FY 21/22 LFL sales. LFL sales of weather-related categories increased by 1% (increase of 11% on a 2-year LFL basis) while sales of non-weather-related categories, including showroom, were broadly flat (increase of 4% on a 2-year LFL basis). Poland's e-commerce sales continued to grow strongly in FY 21/22, increasing by 39% (up 276% on a 2-year basis), representing c.5% of total sales (FY 20/21: 4%; FY 19/20: 2%). Gross margin % increased by 50 basis points, largely reflecting our effective management of inflation. Retail profit decreased by 1.5% to £135m with growth in gross profit (impacted by temporary store closures in H1) more than offset by an increase in operating costs of 10.0%. Operating costs increased largely due to space growth and new store opening costs, staff costs (annualisation of COVID-related employment support received in the prior year), costs associated with the new Polish retail sales tax (effective from January 2021) and inflation. The increase in operating costs was partially offset by cost savings related to the period of temporary store closures and cost reductions achieved as part of our strategic cost reduction programme. A record of seven new stores were opened in the year, including three big-boxes, two medium-boxes and two compact format stores.

In **Iberia**, sales increased by 23.2% (LFL +23.2%) to £366m, with 2-year LFL sales up 14.6%. This reflects strong demand, with double-digit LFL sales growth in all categories. Retail profit increased to £12m from £3m, reflecting strong growth in gross profit, partially offset by an increase in operating costs of 19.6%.

Romania's total sales and retail loss include one additional month of results (January 2022) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Sales increased by 22.8% (LFL +15.0%) to £279m, with 2-year LFL sales up 28.0%, reflecting strong demand despite the impact of COVID-related trading restrictions, particularly in H2. Growth in gross profit was partially offset by higher operating costs, mainly driven by inflation, staff costs and higher costs associated with strong trading. As a result, the business reduced its retail loss by 16.4% to £11m (FY 20/21: £14m reported retail loss; FY 19/20: £23m reported retail loss). On a comparable basis, excluding losses incurred in the additional month of January 2022, the retail loss would have been £8m, a c.35% reduction from FY 20/21. Please refer to the '*Operational status summary*' within Section 1 for details of COVID-related restrictions imposed in Romania.

As previously announced, Kingfisher completed the sale of Castorama **Russia** on 30 September 2020. FY 21/22 Group sales were impacted by c.-1.5% from the YoY reduction in space related to Russia.

In **Turkey**, Kingfisher's 50% joint venture, Koçtaş, contributed £7m of retail profit (FY 20/21: £9m) despite a high inflation environment and temporary closure of all stores on weekends in H1 21/22 due to COVID-related restrictions.

'**Other**' consists of the consolidated results of **NeedHelp**, **Screwfix International**, and **franchise** agreements. Due to these businesses being in their early investment phase, a combined retail loss of £10m was incurred as they scale up for growth. In November 2020, Kingfisher acquired **NeedHelp**, one of Europe's leading home improvement services marketplaces. As part of its broader international expansion plans, **Screwfix** launched in France as a pure-play online retailer in April 2021, and expects to open its first stores in France in H2 22/23. Following the year-end, we opened our first **franchise** store under the B&Q banner in the Middle East in February 2022, with one further store due to open in Q2 22/23. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group.

RETAIL BANNER EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 Jan 2022	Store numbers at 31 Jan 2022	Sales area ⁽¹⁾ (000s m ²) at 31 Jan 2022
B&Q	18,167	312	2,210
Screwfix	9,788	790	50
UK & Ireland	27,955	1,102	2,260
Castorama	11,119	93	1,160
Brico Dépôt	8,294	123	862
France	19,413	216	2,022
Poland	12,080	90	781
Iberia	1,775	31	195
Romania	2,391	35	253
Other ⁽²⁾	65	-	-
Other International	16,311	156	1,229
Total	63,679	1,474	5,511

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

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

Section 4: FY 2022/23 Technical guidance

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

Income statement

- Space
 - Anticipate net space growth to impact total sales by c.+1.5%, largely from Screwfix and Poland
- New businesses
 - Anticipate 'Other' retail losses of c.£20m (FY 21/22: £10m). 'Other' consists of the consolidated results of NeedHelp, Screwfix International, and franchise agreements, and is recorded within the 'Other International' division
 - Anticipate retail loss of c.£5m in relation to B&Q's e-commerce marketplace, recorded within the results of B&Q in the 'UK & Ireland' division
- Central costs
 - Expected to be broadly flat year on year (FY 21/22: £60m)
- Net finance costs
 - Expected to decrease by c.£15m mainly as a result of lower lease liability interest rate (FY 21/22: £137m)
- 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* expected to be c.22%⁽²⁾ (FY 21/22: 22%)

Cash flow

- Capital expenditure – targeting gross capex of c.3.5% of total sales (FY 21/22: £397m)
- Tax – in February 2022, a payment of €40m was made to the French tax authorities with regards to a historic tax liability. The amount was fully provided for in prior periods
- Share buyback – c.£145m 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 15 March 2022, the current consensus of sell-side analyst expectations for FY 22/23 adjusted profit before tax is £769m.

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

Section 5: FY 2021/22 Financial review

A summary of the reported financial results for the year ended 31 January 2022 is set out below.

Financial summary	2021/22	2020/21	% Total Change	% Total Change	% LFL Change
			Reported	Constant currency	Constant currency
Sales	£13,183m	£12,343m	+6.8%	+9.7%	+9.9%
Gross profit	£4,935m	£4,573m	+7.9%	+10.6%	
Gross margin %	37.4%	37.1%	+30bps	+30bps	
Operating profit	£1,144m	£916m	+24.7%		
Statutory pre-tax profit	£1,007m	£756m	+33.1%		
Statutory post-tax profit	£843m	£592m	+42.3%		
Statutory basic EPS	40.3p	28.1p	+43.4%		
Net (decrease)/increase in cash ⁽¹⁾	£(237)m	£881m	n/a		
Total dividend	12.40p	8.25p	+50.3%		
Adjusted metrics					
Retail profit	£1,148m	£1,003m	+14.5%	+16.7%	
Retail profit margin %	8.7%	8.1%	+60bps	+50bps	
Adjusted pre-tax profit	£949m	£786m	+20.9%		
Adjusted pre-tax profit margin %	7.2%	6.4%	+80bps		
Adjusted post-tax profit	£737m	£604m	+22.0%		
Adjusted basic EPS	35.2p	28.7p	+22.6%		
Free cash flow	£385m	£938m	(59.0)%		
Net debt ⁽²⁾	£(1,572)m	£(1,394)m	(12.7)%		

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

⁽²⁾ Net debt includes c.£2.4bn lease liabilities under IFRS 16 in FY 21/22 (FY 20/21: c.£2.4bn).

Total **sales** increased by 9.7% on a constant currency basis, to £13,183m, largely driven by a strong sales performance in the UK and France. On a reported basis, which includes the impact of exchange rates, total sales increased by 6.8%.

LFL sales increased by 9.9%, which excludes the sales impact from a net reduction in space of -0.2%, with space growth in the UK and France offset by the space annualisation impact from the disposal of Russia in September 2020. During FY 21/22, we opened 90 new stores (including 69 stores in the UK, 12 in Ireland, seven in Poland and two in France) and closed two stores in the UK.

Gross margin % increased by 30 basis points on a constant currency basis, reflecting our effective management of inflation, logistics and inventory holding cost savings, and the disposal of Russia. This was partially offset by upweighting of promotions and trading events in France, and changes in category and channel mix. On a reported basis, gross margin % also increased by 30 basis points.

Reported **retail profit** increased by 14.5% including £19m of unfavourable foreign exchange movement on translating foreign currency results into sterling. £15m of this movement came in the second half of the year. In constant currency, retail profit increased by 16.7%, driven by a strong performance in all key markets. The Group's strong gross profit performance (an increase of 10.6% in constant currency) was partly offset by higher operating costs. **Operating costs** increased by 8.9% on a constant currency basis, largely reflecting higher costs associated with strong trading (including headcount increases and higher staff incentives), inflationary increases, new store openings, higher digital costs (including the impact of software accounting changes) and the reversal of some temporary cost measures implemented in FY 20/21 (e.g. advertising and marketing); partially offset by the delivery of strategic cost reduction initiatives, the annualisation of cost benefits from the disposal of Russia and the permanent closure of eight Castorama France stores, both in FY 20/21.

Statutory pre-tax profit, which includes adjusting items, increased by 33.1% to £1,007m. This reflects higher operating profit, and lower net finance costs and more favourable adjusting items before tax.

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

	2021/22 £m	2020/21 £m	Increase/ (decrease)
Retail profit (constant currency)	1,148	984	16.7%
Impact of exchange rates	-	19	n/a
Retail profit (reported)	1,148	1,003	14.5%
Central costs	(60)	(54)	n/a
Share of interest and tax of joint ventures & associates	(2)	(3)	n/a
Net finance costs	(137)	(160)	n/a
Adjusted pre-tax profit	949	786	20.9%
Adjusting items before tax	58	(30)	n/a
Statutory pre-tax profit	1,007	756	33.1%

Net finance costs of £137m (FY 20/21: £160m) consist principally of interest on IFRS 16 lease liabilities. Net finance costs decreased due to lower interest on lease liabilities and debt repayments.

Adjusting items after tax were a gain of £106m (FY 20/21: charge of £12m), as detailed below:

	2021/22 £m Gain/(charge)	2020/21 £m Gain/(charge)
Net store asset impairment reversals	33	42
Release of France and other restructuring provisions	9	-
Commercial operating model restructuring	4	(16)
Release of France uncertain operating tax position	9	-
Russia impairments & other exit costs	-	(27)
Property gains	3	13
Release of B&Q China disposal warranty liability	-	10
IT asset write-downs and related costs	-	(3)
Loss on disposal of Castorama Russia	-	(49)
Adjusting items before tax	58	(30)
Prior year and other adjusting tax items	48	18
Adjusting items after tax	106	(12)

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

Revised future store performance projections, reflecting continued strong trading, have resulted in net store asset impairment reversals of £33m. These are predominately reversals of impairment charges recorded in FY 19/20.

Current year adjusting items include a £9m credit principally arising due to savings on costs relating to legacy store closure programmes in France, as compared with the original restructuring provisions recognised. In the prior year, the Group commenced formal consultation with colleague representatives regarding its proposal to implement a new commercial operating model. A credit of £4m was recognised in the year due to cost savings as compared with the original restructuring provisions recognised.

A £9m liability that was held in relation to an uncertain operating tax position in France was released in the year. This formed part of a liability of £26m that had been recorded as an adjusting item in FY 19/20.

A profit of £3m has been recorded on the exit of two properties in the UK and one property in France.

Prior year and other adjusting tax items relate principally to the impact on deferred tax balances of the enacted future increase in the UK tax rate and a release of prior year provisions for uncertain tax positions. Refer to note 6 of the condensed financial statements.

Taxation

The Group's adjusted effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions. The adjusted effective tax rate, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 22% (FY 20/21: 23%). The reduction from the prior year is a combination of the sale of the loss-making Russian business and a reduction in the French tax rate.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these lower the rate from 22% to 16%. This mainly reflects the revaluation of UK deferred tax balances due to the enacted future UK tax rate increase, as well as the applicable tax treatment of adjusting items, and the release of prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired.

	Pre-tax profit £m	Tax £m	2021/22 %	Pre-tax profit £m	Tax £m	2020/21 %
Adjusted effective tax rate	949	(212)	22%	786	(182)	23%
Adjusting items	58	48		(30)	18	
Statutory effective tax rate	1,007	(164)	16%	756	(164)	22%

The Group has been impacted by the European Commission's state aid decision published in April 2019, concerning the UK's controlled foreign company rules. Along with the UK government and other UK-based international companies, Kingfisher has appealed the decision to the European courts. In FY 21/22 Kingfisher paid £64m (including interest) to HMRC in relation to the state aid decision. The full amount is being contested and is recorded as a receivable. Refer to note 13 of the condensed financial statements.

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

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

Adjusted basic earnings per share increased by 22.6% to 35.2p (FY 20/21: 28.7p), which excludes the impact of adjusting items. **Basic earnings per share** increased by 43.4% to 40.3p (FY 20/21: 28.1p) as set out below:

	Earnings ⁽¹⁾ £m	2021/22 EPS pence	Earnings ⁽¹⁾ £m	2020/21 EPS pence
Adjusted basic earnings per share	737	35.2	604	28.7
Adjusting items before tax	58	2.8	(30)	(1.4)
Prior year and other adjusting tax items	48	2.3	18	0.8
Basic earnings per share	843	40.3	592	28.1

⁽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 20/21 final dividend: 5.50p). Taken alongside the interim dividend already paid of 3.80p (FY 20/21 interim dividend: 2.75p), this results in a proposed total dividend per share of 12.40p in respect of FY 21/22, which is 50.3% higher than the prior year (FY 20/21: 8.25p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 22 June 2022, and will be paid on 27 June 2022 to shareholders on the register at close of business on 20 May 2022.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 19 May 2022. For those shareholders electing to receive the DRIP the last date for receipt of election is 6 June 2022.

For further details on our dividend policy, please refer to 'Capital allocation' within Section 2.

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities

Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the medium term, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows and/or unexpected impacts to cash inflows. 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 £1bn.

Net debt to EBITDA

As of 31 January 2022, the Group had £1.6bn (FY 20/21: £1.4bn) of net debt on its balance sheet including £2.4bn (FY 20/21: £2.4bn) of total lease liabilities.

The ratio of the Group's net debt to EBITDA was 1.0 times as of 31 January 2022 (0.9 times as of 31 January 2021). At this level, the Group has the necessary financial flexibility during this current period of heightened uncertainty, whilst retaining an efficient cost of capital.

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

Net debt to EBITDA is set out below:

	2021/22 £m	2020/21 £m
Retail profit	1,148	1,003
Central costs	(60)	(54)
Depreciation and amortisation	555	536
EBITDA	1,643	1,485
Net debt	1,572	1,394
Net debt to EBITDA	1.0	0.9

Credit ratings

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

Revolving credit facility

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

Other borrowings

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

Covenants

The terms of the committed RCF require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. As of 31 January 2022, Kingfisher's ratio was higher than this requirement.

Total liquidity

As of 31 January 2022, the Group had access to over £1.3bn in total liquidity, including cash and cash equivalents of over £800m 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:

	2021/22 £m	2020/21 £m
Operating profit	1,144	916
Adjusting items	(58)	30
Operating profit (before adjusting items)	1,086	946
Other non-cash items ⁽¹⁾	595	570
Change in working capital	(215)	376
Pensions and provisions	(31)	(29)
Net rent paid	(480)	(456)
Operating cash flow	955	1,407
Net interest paid	(4)	(22)
Tax paid	(169)	(166)
Gross capital expenditure	(397)	(281)
Free cash flow	385	938
Ordinary dividends paid	(254)	-
Share buybacks	(157)	-
Share purchase for employee incentive schemes	(29)	(14)
Disposal of Castorama Russia and acquisition of NeedHelp	7	19
Other tax authority payments ⁽²⁾	(64)	-
Disposal of assets and other ⁽³⁾	(28)	(1)
Net cash flow*	(140)	942
Opening net debt	(1,394)	(2,526)
Movements in lease liabilities	7	163
Other movement including foreign exchange	(45)	27
Closing net debt	(1,572)	(1,394)

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

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

⁽³⁾ Includes adjusting cash flow items, principally comprising restructuring costs and settlement of interest relating to legacy tax positions; offset by property disposals.

Operating profit (before adjusting items) was £140m higher than last year, largely reflecting higher profits in the UK & Ireland and France.

The working capital outflow of £215m was driven by an increase in net stock of £359m. This reflects the impact of inflation, store expansion, and the Group's focus in FY 21/22 on rebuilding inventory levels and placing orders significantly ahead of peak trading periods and important global events, such as the Chinese New Year (which was earlier this year, at the end of January 2022). The Group had exceptionally low inventory in the prior year, caused by COVID-related delays of orders, and strong sales. Partially offsetting this was a £144m increase in payables (net of receivables), largely reflecting the timing of inventory and GNFR purchases.

Gross capital expenditure in FY 21/22 was £397m, increasing by 41% (FY 20/21: £281m). Following the onset of the pandemic in FY 20/21, capital expenditure was largely limited to essential areas, and as a result approximately £70m was deferred to FY 21/22. Of the expenditure in FY 21/22, 34% was invested on refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 16% on new stores, 26% on technology and digital development, 9% on range reviews and 15% on other areas including supply chain investment.

Overall, free cash flow for FY 21/22 was £385m (FY 20/21: £938m).

Net debt (including IFRS 16 lease liabilities) as of 31 January 2022 was £1,572m (FY 20/21: £1,394m).

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

	2021/22 £m	2020/21 £m
Free cash flow	385	938
Ordinary dividends paid	(254)	-
Share buybacks	(157)	-
Share purchase for employee incentive schemes	(29)	(14)
Disposal of Castorama Russia and acquisition of NeedHelp	7	19
Other tax authority payments ⁽¹⁾	(64)	-
Disposal of assets and other ⁽²⁾	(28)	(1)
Net cash flow	(140)	942
Repayment of bank loans	(2)	(1)
Issue of fixed term debt	-	1,950
Repayment of fixed term debt	(95)	(2,011)
Receipt on financing derivatives	-	1
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	(237)	881

⁽¹⁾ Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).

⁽²⁾ Includes adjusting cash flow items, principally comprising restructuring costs and settlement of interest relating to legacy tax positions; offset by property disposals.

Return on capital employed (ROCE*)

In FY 21/22, Kingfisher's post-tax ROCE was 14.6% (FY 20/21: 12.7%). The increase was mainly driven by higher profit in the UK & Ireland and France, partially offset by the impact of higher working capital on capital employed. Kingfisher's weighted average cost of capital (WACC) is 7.6%.

ROCE by geographic division is analysed below (Russia is excluded from FY 20/21):

	Sales £bn	Proportion of Group sales	Capital employed (CE) £bn	Proportion of Group CE	ROCE 2021/22	ROCE 2020/21
UK & Ireland	6.5	49.3%	2.8	49.3%	22.6%	19.6%
France	4.5	34.1%	1.6	28.3%	9.7%	7.0%
Other International	2.2	16.6%	1.2	20.3%	9.3%	9.3%
Central			0.1	2.1%		
Total	13.2		5.7		14.6%	12.7%

Property

Kingfisher owns a significant property portfolio, almost all of which is used for trading purposes. A valuation was performed for internal purposes in October 2021 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £2.8bn as of 31 January 2022 (FY 20/21: £2.7bn).

	2021/22 £bn	2021/22 Yields	2020/21 £bn	2020/21 Yields
France	1.3	8.0%	1.4	8.3%
UK	0.6	6.2%	0.5	6.9%
Poland	0.7	7.6%	0.6	7.9%
Other	0.2	n/a	0.2	n/a
Total	2.8		2.7	

This is compared to the net book value of £2.2bn (FY 20/21: £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 2022, the Group had a net surplus of £410m (FY 20/21: £359m net surplus) in relation to defined benefit pension arrangements, of which a £540m surplus (£504m surplus as of 31 January 2021) was in relation to the UK scheme. The net surplus has increased, mainly due to a higher discount rate (net of inflation), reducing scheme liabilities, and employer contributions. This 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.

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

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.
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

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			debt to EBITDA, and is used to reflect the Group's leverage.
FFVR	No direct equivalent	Included within net finance costs in note 5 of the condensed financial statements	FFVR (financing fair value remeasurements) is included within adjusting items (see definition above) and represent fair value fluctuations from financial instruments.
Free cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of free cash flow is set out in the Financial Review (Section 5)	Free cash flow represents the cash generated from operations (excluding adjusting items) less the amount spent on interest, tax and capital expenditure during the year (excluding asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's performance on a comparable basis.
2-year LFL	Sales	Refer to definition	2-year LFL is calculated by compounding current and prior year LFL growth. For example, current year LFL growth of 10% and prior year LFL growth of 5% results in 2-year LFL growth of 15.5%. Prior year LFL growth excludes Russia for the purposes of the Group and Other International 2-year LFL calculations. It is a measure of the Group's performance on a comparable basis.
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.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Non-recurring net cost savings	No direct equivalent	Not applicable	Non-recurring net cost savings include discretionary cost savings such as advertising & marketing and government furlough programme support. This is net of one-off COVID-related costs, including supply & logistics costs, costs of PPE and social distancing, donations, new store layouts, additional store security, and additional bonuses to frontline store staff.
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.
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 is the post-tax retail profit less central costs, excluding adjusting items, divided by capital employed excluding historic goodwill, net cash and adjusting restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two-point average. The calculation excludes disposed businesses.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, year on year change in net inventory before the impact of store openings and closures. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's inventory management on a comparable basis.

Other Definitions

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

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

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

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).

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

France consists of Castorama France and Brico Dépôt France.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including media buying, mechanical handling equipment, printing & paper).

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, Russia, 'Other', and Turkey (Koçtaş JV). The sale of Russia was completed in FY 20/21 (on 30 September 2020). 'Other' consists of the consolidated results of NeedHelp (acquired in November 2020), Screwfix International (launched online in France in April 2021), and results from franchise agreements.

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 2022. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the Group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended) (or, otherwise under any other law, regulation or exchange rules in any other applicable jurisdiction).

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

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