Final results for year ended 31 January 2020

Financial summary	2019/20	2018/19[1]	% Total Change Reported	% Total Change Constant currency*	% LFL* Change Constant currency
Sales*	£11,513m	£11,685m	(1.5)%	(0.8)%	(1.5)%
Gross profit	£4,255m	£4,318m	(1.4)%	(0.8)%	
Gross margin %*	37.0%	37.0%	-	-	
Statutory pre-tax profit	£103m	£300m	(65.7)%		
Statutory post-tax profit	£8m	£193m	(95.9)%		
Statutory basic EPS	0.4p	9.1p	(95.6)%		
Interim dividend	3.33p	3.33p	-		
Final dividend	-	7.49p	n/a		
Adjusted metrics					
Retail profit*[2]	£786m	£824m	(4.6)%	(3.9)%	
Retail profit margin %*	6.8%	7.1%	(30)bps	(20)bps	
Adjusted pre-tax profit*	£544m	£574m	(5.2)%		
Adjusted effective tax rate*	26%	27%			
Adjusted post-tax profit*	£400m	£421m	(5.0)%		
Adjusted basic EPS*	19.1p	19.8p	(3.5)%		
ROCE*	8.6%	8.6%	-		
Free cash flow*	£191m	£372m	(48.7)%		
Net cash (excluding IFRS 16 lease liabilities)	£37m	£84m	n/a		
Net debt*[3]	£2,526m	£2,542m	n/a		

FY 19/20 Group results[4]

- **Sales** down 0.8% in constant currency
- **LFL sales** down 1.5% with growth at Screwfix, Poland and Romania offset by weaker sales at B&Q, France*, Russia and Iberia*
  - Improved LFL sales trend in all retail banners in Q4 19/20; LFL up 1.7%
- **Group gross margin %** after clearance flat, in line with guidance
  - Benefits from Group buying and sourcing largely offset by incremental clearance and logistics & stock inefficiencies in France
- **Underlying PBT** (adjusted PBT before transformation costs) no longer reported; transformation costs reallocated to retail profit and central costs*
- **Adjusted PBT** down 5.2%, in line with sales performance
- **Statutory PBT** down 65.7% after £441 million of exceptional items*, largely reflecting store and Russia impairments
- **Net debt to EBITDA*** of 2.0x as at year-end; at lower end of 2.0-2.5x medium term target range
- As previously announced, no FY 19/20 final dividend proposed given COVID-related uncertainty

FY 20/21 commentary

- Q1 20/21 Group LFL sales down 24.8%
  - Trading up to 14 March continued the positive trends seen in Q4 19/20
  - Balance of quarter saw significant impact from COVID-related disruption
- Q2 20/21 Group LFL sales up 21.8% (to 13 June 2020)
  - Strong e-commerce* growth (up to fourfold growth since mid-March),
  - Phased reopening of stores in the UK and France from mid-April, and
  - Improving relative sales trend (Group LFL sales moved from -74.0% in first week of April to more than +25% since second week of May)
- Financial impact being managed through significant cost and cash flow measures
- No specific guidance provided for FY 20/21 given the uncertainty around COVID-19

Strategy update

- Group executive team complete including eight new appointments
- Initial focus on: improving operations in France, implementing new trading approaches, recalibrating balance between Group and local activities, enabling efficient store picking for click & collect and home delivery, and pausing or stopping some initiatives to focus our resources
- Encouraged by Q4 19/20 and early FY 20/21 LFL sales performance
- **New 'Powered by Kingfisher' strategic plan:** distinct retail banners addressing diverse customer needs, 'powered' by the Group
- **Key strategic priorities:**
  1) 'Focus and fix' in 2020, as set out in first two bullets above, including managing the impact of COVID-19 on the business
  2) Move to a balanced, simpler local-group operating model with an agile culture
  3) Grow e-commerce sales
  4) Build a mobile-first, service orientated customer experience
  5) Differentiate and grow through own exclusive brands (OEB)
  6) Test new store concepts and adapt our store footprint
  7) Source and buy better, reduce our costs and our inventory
  8) Lead the industry in Responsible Business practices

Managing the impact of COVID-19

- Committed to supporting communities and governments, ensuring the health and safety of our colleagues, serving customers as a retailer of essential goods, and protecting our business for the long term
- Over £2.5 million of PPE donated to frontline health workers
- Took the decision initially to close in-store trading in UK and France while establishing stringent safety and social distancing protocols for colleagues and customers
- Quickly adapted our operating model to help meet customers' essential needs safely, initially through contactless click & collect and home delivery, and then through phased store reopenings
- Access to over £3 billion of cash resources as at 12 June 2020, including c.£2 billion of cash at bank, providing significant liquidity headroom

Thierry Garnier, Chief Executive Officer, said:

"Throughout the COVID-19 crisis, our priorities have been clear – to provide support to the communities in which we operate, to look after our colleagues as a responsible employer, to serve our customers as a retailer of essential goods, and to protect our business for the long term.

"At Kingfisher, we are both proud of, and inspired by, the way in which our teams responded to the immense challenges of the last few months. When the various lockdowns began, we rapidly transformed our operations to meet a sharp increase in e-commerce, while adapting our retail space and processes to ensure a safe reopening of stores. In doing so, the social distancing and other health & safety protocols we established have contributed to setting the standard in non-food retailing. We have donated over £2.5 million of PPE to frontline health workers, in line with our commitment to responsible business practices. We have also taken significant actions on costs and cash management that give us a strong financial footing through the crisis and beyond.

"On joining the business in late September 2019 my priorities were to build the executive team, stabilise our operational performance and prepare a new plan. We have a strong new team in place. We ended FY 19/20 in better shape, after a disappointing first nine months, by returning the Group to positive like-for-like sales growth in Q4 as well as for the start of FY 20/21.

"While the coronavirus crisis has obviously shifted our immediate priorities, we have continued to plan for the longer term and implement our new strategic plan. It would be a mistake not to. Kingfisher is well positioned within a home improvement market that is resilient and has attractive long term growth prospects. We have strong market positions and distinctly positioned retail banners that address diverse customer needs. These are major strengths in a world that is so volatile and uncertain.

“Our clear intent is to become a more digital and service orientated company, using our strong store assets as a platform. We will continue to develop our own exclusive brands as a differentiator, cater for diverse local customer needs, and each retail banner will have its own positioning and plan. We will ‘power’ these banners as a Group. This is our new strategic direction, ‘Powered by Kingfisher’.

“The coronavirus crisis has provided us with the most unexpected test of these plans, while really pushing our capabilities as a business. The results have reinforced our strategic direction, demonstrated how our operations and teams can be agile, and pushed us to be bolder. Together, we look to the future with confidence and are committed to returning Kingfisher to growth.”

The remainder of this release is broken down into seven main sections:
1) Group update (including new **‘Powered by Kingfisher’** strategic plan)
2) Managing the impact of COVID-19
3) Adoption of IFRS 16 and reallocation of costs
4) Trading review by division
5) FY 19/20 financial review and, in part 2 of this announcement, the condensed financial statements
6) Glossary
7) Forward-looking statements

Footnotes

(1) FY 18/19 comparatives have been restated for IFRS 16 ‘Leases’. Refer to note 13 of the full year condensed financial statements (in part 2 of this announcement) for detailed restatement tables and associated commentary
(2) FY 18/19 retail profit restated to reflect the reallocation of transformation P&L costs to country retail profits. There is no impact on operating profit. Refer to Section 3 of this announcement
(3) Net debt includes £2.6 billion lease liabilities under IFRS 16 in FY 19/20 (FY 18/19: £2.6 billion)
(4) Q4 19/20 sales, FY 19/20 sales and net debt figures as previously announced on 23 March 2020

** 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 believe that these non-GAAP measures (also known as alternative performance measures), including adjusted profit measures, constant currency and like-for-like sales growth, are useful and necessary to better understand 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
The announcement can be downloaded from www.kingfisher.com. We can be followed on Twitter @kingfisherplc with the full year results tag #KGFFY.

Results presentation
We will host an online results presentation and Q&A today, at 09.15 (UK time), for analysts and investors. A live audio webcast of the presentation and Q&A will be available via the Investors section of our website at www.kingfisher.com, and subsequently available on demand. To join via telephone please use the password already sent to you, or email investorenquiries@kingfisher.com. The presentation slides will be available on our website at 09.15 (UK time).

Financial calendar

Annual General Meeting	24 July 2020
Half year results	22 September 2020$^{\pm}$
Q3 results	19 November 2020$^{\pm}$

$^{\pm}$ *These dates are provisional and may be subject to change*

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

Kingfisher

Section 1: Group update (including new **'Powered by Kingfisher'** strategic plan)

Overview

Our markets are growing and changing
The home improvement market is attractive with consumers remaining passionate about improving their homes. Long-term market drivers are healthy due to population growth, urbanisation and an ageing housing stock, and we expect our core markets to grow. There are also clear shifts within the market which provide us with opportunities, some of which are rapid such as online growth, and some of which are gradual such as smaller format stores, discounters and the growth of DIFM ('do it for me'). Kingfisher's strategy must address these, including the acceleration of online shopping (but with stores at the centre) and a shift to smaller format stores. Customers also expect a seamless and convenient shopping experience, high quality products, excellent value for money, and expertise and services to help them realise their projects.

We have leading and distinct retail banners
Our retail banners occupy number one or two positions in our key home improvement markets of the UK, France and Poland, with over 90% brand awareness. Each banner is distinctly positioned and together they address diverse customer needs, and have distinct operating models. Some are focused on trade (Screwfix, TradePoint at B&Q), others address more general DIY needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş), while Brico Dépôt France and Brico Dépôt Iberia are positioned as discounters. This differentiation is a major strength, especially in a world that is volatile and uncertain.

We have operational strength and flexibility
Kingfisher has many strengths today, underpinned by experienced and skilled colleagues, a strong focus on responsible business practices and the financial scale of the combined Kingfisher Group. Kingfisher is a multiformat retailer with over 1,350 stores. Approximately 40% of our total store estate by space is freehold which provides operational and financial flexibility. In addition, our leased stores have relatively short lease lengths providing flexibility as we test new concepts and reshape our footprint to reflect the increasing customer need for convenience and immediacy.

Four years of established Group capabilities
Over the last four years Kingfisher has leveraged its collective buying and sourcing scale (c.£7 billion of COGS) to drive buying efficiencies and cost price reduction. Our price positioning has improved at Castorama France and B&Q. In addition, own exclusive brands (OEB) have been developed to differentiate us from our competitors and drive sales and gross margin growth, which has been evident in several categories. We have established a common SAP platform to support operational efficiency. The business has also achieved over £100 million of savings from Goods Not for Resale (GNFR*) and operating efficiency initiatives, and established a shared services centre in Poland.

We have become overly complex and lost customer focus and sales
However, our operating model had become overly complex. The Kingfisher Group took on too many responsibilities, the business became overly product-led instead of retail-led, and we tried to do too much with multiple large-scale initiatives running in parallel. Altogether, this resulted in a lack of agility in meeting customer needs (some of which are shared, some of which are very different across our retail banners) and caused disruption to sales. Much of the financial benefit from leveraging Kingfisher's collective scale has been offset by additional costs, clearance, and logistics and stock inefficiencies. While some of our banners have delivered growth over the last four years (notably Screwfix and Poland), in other markets such as France, our performance has been disappointing. Group sales and retail profit need to improve.

'Powered by Kingfisher' – Committed to returning the business to growth
Under our new strategic plan, 'Powered by Kingfisher', we will utilise our core strengths and commercial assets, and 'power' our distinct retail banners in order to address the significant growth opportunities that exist within the home improvement market, returning the business to growth. To serve customers effectively today, we also need to be digital and service orientated, while leveraging our strong store assets.

Our priorities under the new strategic plan: 'Powered by Kingfisher'

Our key strategic priorities under 'Powered by Kingfisher' are as follows:

1) 'Focus and fix' in 2020 (including managing the impact of COVID-19 on the business)
2) Move to a balanced, simpler local-group operating model with an agile culture
3) Grow e-commerce sales
4) Build a mobile-first, service orientated customer experience
5) Differentiate and grow through own exclusive brands (OEB)
6) Test new store concepts and adapt our store footprint
7) Source and buy better, reduce our costs and our inventory
8) Lead the industry in Responsible Business practices

Following the appointment of Thierry Garnier as CEO in late September 2019 the business identified a number of **immediate priorities** ('Focus and fix' in 2020) for the Group, starting with building the new Group Executive team. These priorities are detailed below and underpin the implementation of our new strategic plan.

Our **medium term priorities** under the new plan are also detailed below (numbers 2 to 8), centred around empowering our distinct retail banners and simplifying Kingfisher's operating model, embracing digital and own exclusive brands, and returning the business to growth. In 2020, the outbreak of COVID-19 rapidly became the most critical issue facing our business. Managing the impact on our business is therefore our top priority. As a result of this, we are continuing to keep the timing of investments under review in some of the medium term priorities detailed in numbers 2 to 8 below, based on the needs of the business.

1. <u>'Focus and fix' in 2020</u>

Managing the impact of COVID-19: We are committed to supporting communities and governments in managing the COVID-19 pandemic. Equally, we are focused on making sure that we can continue to serve our customers' essential needs safely and as effectively as possible, while fulfilling our obligations as a responsible employer to protect the safety of colleagues. From the start of the outbreak, we have taken measures to protect our colleagues and customers, to limit the impact on profitability and to preserve financial flexibility (see Section 2 below).

Build the new Group Executive team: Since the appointment of Thierry Garnier as CEO in late September 2019, we have rebuilt the Group Executive team including seven additional appointments. We now have an experienced team with a strong mix of functional expertise as well as experience from Kingfisher, other home improvement companies and the broader retail and service industries.

Kingfisher's Group Executive team

Thierry Garnier±	Chief Executive Officer
<u>Functional</u>	
Bernard Bot±	Chief Financial Officer
Martin Lee±	Chief Supply Chain Officer
Kate Seljeflot±	Chief People Officer
Henri Solère	Chief Offer and Sourcing Officer
Jean-Jacques Van Oosten±	Chief Customer and Digital Officer
John Wartig±	Chief Transformation and Development Officer
<u>Operating companies</u>	
Graham Bell	CEO B&Q UK and Ireland
Sebastien Krysiak	CEO Poland
John Mewett	CEO Screwfix
Alain Rabec±	CEO France
Adela Smeu±	CEO Romania

± *Recent appointments to the Group Executive*

Operational improvements in France: As outlined at H1 19/20 we have been working on initiatives both at Group and local level to improve Castorama France's IT platform, and the effectiveness of its operational processes and fulfilment function. We have paused the further rollout of the unified IT platform at Brico Dépôt to prioritise improvements at Castorama France. In addition the supply chain and logistics team in France has been reorganised, including the recruitment of several key new people within the team. The team now has more local autonomy to manage the business needs and requirements of the French banners. Whilst there is still much to do, not least our ongoing response to the coronavirus crisis as noted above, the overall performance of our supply chain and logistics operations in France is improving. In Q4 19/20 this resulted in better stock availability, a significant reduction in slow-moving stock, an improved customer experience and, according to *Banque de France** data, a narrowing of our sales performance versus the market (as compared to the margin of underperformance versus the market in the first nine months of FY 19/20). Alain Rabec, a highly experienced retailer, was appointed CEO of France in late September 2019, and is driving our initiatives to improve both operational performance and our long-term customer propositions for Castorama and Brico Dépôt.

Implement our new trading approach: We have established a commitment to address the diversity of our customers' needs, and offer consistently excellent value for money. In Q4 19/20 we trialled a series of promotion-based trading events in our major retail banners, and commenced targeted price investments at Screwfix. We were pleased with the customer response, helping to drive a better like-for-like sales performance in Q4 19/20 and re-engage with our customers. We will continue to give our banners freedom to engage with customers and drive sales. In addition, we recognise that expertise and services are important for some customers and are in the process of trialling or relaunching new service propositions in all our banners, including showroom installations at B&Q.

Rebalancing local vs Group responsibilities: We are establishing the right balance between Kingfisher Group and local levels, with the overall aim of enabling our retail banners to have flexibility and agility to address specific needs in local markets.

Enabling e-commerce from stores: In leading e-commerce markets, stores are back at the centre of the e-commerce proposition. Stores provide support for the significant proportion of retail online orders picked in stores and fulfilled through click & collect, in-person returns, and fast delivery. Kingfisher, with over 1,350 stores, is therefore very well positioned to address the clear e-commerce opportunity. This area of focus supports the broader e-commerce priority described in detail below and, through necessity, has been successfully accelerated by the onset of the coronavirus crisis.

Pause or stop some initiatives: To ensure greater customer focus, from October 2019 we started to pause or stop several Group-wide initiatives. For example, we significantly reduced the level of planned range change for FY 20/21, based on our prioritisation of customer needs. Subject to ongoing demand planning during the coronavirus crisis, we plan to continue rolling out our new kitchen ranges in due course, completing the implementation at B&Q and commencing in France and Poland. However, non-critical range changes have been stopped. Similarly, we have stopped non-critical IT projects, and paused certain elements of our global SAP rollout (for example, at Brico Dépôt France), while we prioritise Castorama France.

In November 2018, Kingfisher announced the decision to exit Russia and Iberia. In relation to Russia, whilst there has been some disruption to the exit process from the coronavirus crisis, we continue to make progress and discussions with several interested parties are ongoing. In relation to Iberia, whilst there has been interest in the business, we have reviewed the original decision to exit Iberia and believe we can build a profitable, sustainable business under the Brico Dépôt banner. In normal business conditions, the business is profitable and not a burden on group resources (capital or management).

Accelerate cost reduction: Due to the significant number of change initiatives over the last four years as well as our complex organisational structure, Kingfisher's overhead cost base has become too high, both in absolute terms and relative to Group sales. We believe that there are significant cost reduction opportunities across Kingfisher, many of which are noted in the medium-term priorities described below. The coronavirus crisis has underscored the need to accelerate our plans in this area and address the opportunity to become simpler, leaner and more agile.

2. Move to a balanced, simpler local-group operating model with an agile culture

We believe that striking the right balance between Group and local responsibilities sets the right conditions for our distinct retail banners to thrive. This will enable them to continue leveraging the Group's scale and expertise to meet customer needs that are similar across markets, whilst allowing them to focus on those needs that are different. This includes establishing stronger feedback loops for range-building, as well as individual trading plans. Initial steps have been taken to move towards this operating model, as evidenced within our Q4 19/20 results and in FY 20/21 to date. Moreover, the agility and rapid progress demonstrated by Kingfisher during the coronavirus crisis is testament to the move towards this approach, supported by a Group-wide culture of focus, intensity and '*done* is better than *perfect*'.

Our conviction is that each of our retail banners addresses the often different needs of customers. Each banner has a differentiated business model, and by respecting these differences we will maximise their potential. Each banner needs the right product range, its own commercial approach, and services that meet their customers' needs. The development of banner-specific plans is ongoing, including a strong focus on ensuring we maximise the growth opportunity at Screwfix and re-establish a strong customer proposition in Castorama France.

Kingfisher's scale, used intelligently, is an important source of competitive advantage. Kingfisher has well-established Group capabilities in own exclusive brand (OEB) development, buying and sourcing, technology, and shared services. However, as described above, Kingfisher's organisation is too complex. It needs to be simpler, leaner, more agile, open to partnerships, and even more customer-focused. We will continue to adapt the operating model so that Group functions are set up efficiently to 'power' growth in our retail banners, providing:

- **Differentiated own exclusive brands (OEB)**, which are innovative and provide a key source of differentiation
- **Sourcing & buying**, delivering lower cost prices across all products (OEB and brands)
- **Technology & partnerships**, providing all our banners with access to the best technologies and complementary partnerships
- **Shared services** and lower cost functions
- **Centres of excellence**, to set strategy and targets, to share knowledge and best practices, to support implementation, and to help steer progress. Centres of excellence include e-commerce, digital journey, data, store concepts, services and service platforms, and supply chain
- **Culture & values**, providing a framework for our core behaviours, values, and industry-leading responsible business practices

3. Grow e-commerce sales

Over the past five years, the home improvement industry has seen an acceleration of online shopping and consumption. However, this industry has more defences against online pure players than many other retail segments. Visualisation and inspiration, the need for advice, immediate access to product (especially for trade customers) and often complex and expensive delivery requirements mean that penetration varies by product category. As a result, there is a higher online propensity in categories such as tools, electricals, plumbing, heating and cooling, and garden/outdoors, but a lower propensity in categories such as kitchens, bathrooms, construction and paint.

As noted above, stores are back at the centre of the e-commerce proposition in many of the world's leading e-commerce markets. Stores provide support for the significant proportion of retail online orders picked in stores and fulfilled through click & collect, in-person returns, and fast delivery. Kingfisher, with over 1,350 stores, is therefore very well positioned to address the clear e-commerce opportunity. Through necessity, during the coronavirus crisis we rapidly transformed our operations to meet a material increase in online transactions through our click & collect service, with considerable success. Home delivery from some of our stores was also quickly introduced to meet our customers' needs.

In FY 19/20, e-commerce sales accounted for 8% of Group sales (FY 18/19: 6%), more than double the penetration level in FY 15/16. Click & collect is our largest and fastest growing channel at a Group level, growing by 24% in FY 19/20 and accounting for 62% of e-commerce sales (47% excluding Screwfix). Screwfix's industry-leading omnichannel capability has helped drive e-commerce sales penetration at this business to 33% in FY 19/20.

E-commerce sales penetration at our other banners was c.3% on average in FY 19/20, which is not commensurate with their brand recognition and scale of their physical footprint. In FY 19/20 we had over 900 million web visits across all our retail banners, with the highest conversion to transactions seen at Screwfix. However, our overall conversion rate was too low, and we have significant opportunities to increase conversion and e-commerce sales.

We will achieve this through a combination of:

- **Shifting to store-based picking and fulfilment as a priority**, redesigning the store operating model accordingly to enable a more efficient delivery and click & collect network, with specific categories delivered from fulfilment centres (FCs)
- **Developing efficient last-mile delivery from stores**, enabling faster fulfilment capability
- **Prioritising rollout of the Group's digital technology stack**, enabling more efficient and agile digital capabilities, supported by a more balanced local-Group operating model for IT
- **Exploring use of e-commerce marketplaces**, with common technology and vendor management, but tailored customer propositions by retail banner

Jean-Jacques Van Oosten, a highly experienced e-commerce retailer, was appointed Chief Customer and Digital Officer in January 2020, and is driving the development of our e-commerce strategy and overall ambition in this area.

4. <u>Build a mobile-first and service orientated customer experience</u>

We intend to make it easier for customers to shop with us by building a mobile-first, data-led and service orientated customer experience.

More than ever, mobile is at the centre of our customers' home improvement journeys and experiences, from the point at which their initial needs emerge, all the way through to purchase, delivery, building and installation. Mobile already accounts for 46% of Kingfisher's digital traffic, and we believe will remain the focal point of the end-to-end customer journey and experience. Through our mobile-first approach we will make it easier for customers to shop online and in-store.

We will leverage customer data and analytics to personalise content and offers, while considering partnerships.

We also aim to provide customers with a more compelling and complete services offer, including in-store services (e.g. paint mixing, timber cutting), visualisation tools, installation services and consumer credit. We are exploring the development of service platforms to provide a wide range of services for customer projects and the ability to link customers with trade professionals online. We will also explore strategic partnerships to accelerate development.

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

Over the last four years, Kingfisher has consolidated its offer development and product sourcing capability using its collective scale. Through product unification, rationalising the number of SKUs* and suppliers, Kingfisher has driven cost price reduction. The organisation has also developed its own exclusive brand (OEB) development and sourcing capability, which brings innovation to Kingfisher's customers across seven core categories – surfaces & décor, tools & hardware, bathroom & storage, kitchen, EPHC (electricals, plumbing, heating & cooling), building & joinery, outdoor.

In FY 19/20, 63% of product ranges (COGS) were unified, with the sales and gross margin % from unified ranges growing and outperforming non-unified ranges. OEB represents 39% of Group sales, with the balance including local, national and international brands as well as unbranded products. OEB provides a strong point of differentiation for Kingfisher in terms of design, functionality and value for money, as well as providing us with a higher gross margin opportunity. There have been some notable successes with categories such as bathroom furniture, hand tools and workwear delivering sales growth and improved margins across the Group.

We aim to grow our proportion of sales which are OEB, bringing innovation to our ranges. With the right operating model, our Offer & Sourcing organisation and OEB product development will be a significant source of value for our retail banners and their customers, working closely to provide product differentiation and cost price reduction. We aim in parallel to simplify our OEB development approach to bring new products to market more quickly, supporting profitable sales growth.

At the same time, international and local brands remain important for our customers. It is therefore critical that strong feedback loops are set up between local markets and the Group as ranges are built. In several cases, Group scale has been prioritised over local customer needs. We need to change the balance between Group and our banners and make sure that we introduce the brands that our customers are looking for in each of our markets.

6. Test new store concepts and adapt our store footprint

We firmly believe that the role of the store is integral to long-term success in retail. Our 1,350+ stores are key to delivering a seamless customer experience, whether goods are purchased in-store or via click & collect or, for home delivery. Customers use our stores for inspiration and visualisation, advice and design services, immediate access to product and in-person returns. Stores also enable customers shopping for projects (e.g. kitchen and bathroom) to purchase products across multiple categories.

However, we must adapt some of our stores to changing customer demands to make sure that they consistently provide a good customer experience, are an excellent source of advice and knowledge, are integrated with e-commerce, and allow for quick fulfilment where required. We will develop more compact stores, experiment with innovative stores formats, and explore partnerships including 'shop-in-shop', concessions and franchising.

Kingfisher is a multiformat retailer with over 600 mid and big-box stores (excluding Screwfix). Approximately 40% of our total store estate by space is freehold which provides operational and financial flexibility. For stores that are leased, our weighted average unexpired lease term (WAULT) for the Group of seven years is relatively short, again providing flexibility as we shape our footprint to reflect the increasing customer need for convenience and immediacy.

In FY 19/20 we generated cash proceeds of £188 million through a combination of sale and leasebacks and freehold sales. We will manage our existing store portfolio actively with a greater focus on achieving lower property costs and higher sales densities, while accelerating new store concept trials.

7. Source and buy better, reduce our costs and our inventory

Although the Group has achieved cost price reductions through collective sourcing arrangements over the past four years, we believe that we can extract further value from buying and sourcing through the intelligent use of our scale. This will be a continued area of focus for Kingfisher.

Due to the significant number of change initiatives over the last four years as well as our complex organisational structure, Kingfisher's costs and inventory levels have become too high, both in absolute terms and relative to Group sales.

As described above, we believe that there are significant cost reduction opportunities across Kingfisher – in areas such as goods not for resale (GNFR), store operating efficiencies, property costs (including lease renegotiations), supply and logistics, and central costs, all of which will benefit from reduced organisational complexity. Work is underway to validate and measure these opportunities, including the capital and one-off expenditure required to achieve these savings, balanced against cost inflation and the future investment requirements of our business.

Reducing inventory levels and improving inventory turn is also a major priority for the Group. Our net inventory (including amounts classified as held for sale, relating to our business in Russia) in constant currency has increased in value by £0.5 billion (or 23%) to £2.6 billion over the last four years, while Group total sales in constant currency over the same period has been flat at £11.5 billion. The increase of inventory largely reflects the change in Kingfisher's sourcing model, store expansion in Screwfix and Poland, and inefficiencies within our supply chain, notably in France. We have a plan in place to reduce 'same-store' inventories over the medium term through a combination of better planning and forecasting, alignment of display principles, and consolidation of slow-moving product.

8. Lead the industry in Responsible Business practices

Kingfisher has been taking the lead on responsible business for over two decades – from our first responsible timber sourcing policy over 25 years ago, to our leadership on the circular economy as founding partners of the Ellen MacArthur Foundation.

We are committed to doing everything we can to make a positive impact on society so that our customers' homes and wider communities can flourish. During 2020, this commitment has helped shape our response to the coronavirus crisis, which presents an unprecedented challenge to society, to businesses, and to all our colleagues, customers, suppliers and other stakeholders. We will continue to play our part in addressing the global challenge of climate change and supporting many of the people across Europe living in homes that are unfit – too small, too dark, too cold and too damp.

In Q4 19/20, we revisited our Responsible Business strategy and identified four key priorities, where we can use our experience, scale and influence to go even further in bringing about positive change:

- **We will be an inclusive company**, breaking down barriers to employment and progression, and by providing five million hours of learning by 2025 through our 'skills for life' programme. We will also have inclusivity action plans in place for all our businesses by the end of FY 20/21, and have targeted improved gender balance in management.
- **We help make greener, healthier homes affordable**. We are aiming for 50% of our total group sales in FY 20/21 to come from products that help our customers create greener, healthier homes.
- **Fight to fix bad housing**, by helping more than one million people whose housing needs are greatest by 2025.
- **We will help tackle climate change and create more forests than we use**, delivering 100% responsibly sourced wood and paper in all the products we sell by the end of FY 20/21, becoming 'forest-positive' by 2025 through supporting reforestation projects from 2021 and achieving our approved science-based carbon reduction targets as previously committed.

For the first time, in FY 20/21, an element of Kingfisher's employee bonus plan will be linked to performance against Responsible Business measures.

These four priority areas are underpinned by our Responsible Business fundamentals – the many issues and impacts that we need to measure and manage to ensure we continue to operate responsibly across our business – from ethical sourcing and human rights, to health and safety and waste and recycling.

We are improving our governance with a new Responsible Business Committee (RBC), reporting to Kingfisher's Board of Directors. The RBC is a committee of the Board, meeting at least twice a year, chaired by Sophie Gasperment, a non-executive director (NED) of the Board. The RBC also includes the Group CEO, one more NED, our Chief Offer & Sourcing Officer, and our Chief People Officer.

We also continue to feature prominently in key investor indices and score highly with ESG rating agencies including:

- A 'AAA' rating from the MSCI;
- ISS ESG Corporate Rating of B- ('Prime' status);
- Maintaining our 'A-' leadership position in CDP Climate Change; and
- A constituent of the Dow Jones Sustainability Index (DJSI)

Please visit www.kingfisher.com/sustainability for further details.

Brexit preparation

Kingfisher's internal Brexit steering committee, in place since the outcome of the UK referendum on EU membership in June 2016, continues to assess the progress and adequacy of the business' contingency planning. We are continuing with our planning throughout 2020 to meet the requirements of either a new trading relationship with the EU or, if no trade agreement is reached, the UK abiding by World Trade Organisation (WTO) rules. We have taken several measures to mitigate delays at the border as far as possible, such as increasing the number of ports used for deep-sea imports and securing access to simplified customs procedures. We will continue with our vendor engagement programme to ascertain their readiness to operate under a hard border with the UK, providing support where needed.

On tariffs, we note the publication of the UK's new Global Tariff (UKGT) in May 2020. In the event that no Free Trade Agreement is reached with the EU, and the UKGT is applied, we expect that EU and non-EU imports would attract an average tariff of c.2% on our products. This would be slightly lower than the current average duty rate for all direct imports into the UK. On people-related matters, there has been no significant impact on either retention or hiring following the referendum. Kingfisher has a low dependency on European Economic Area (EEA) nationals in its UK stores and distribution centres. We will continue to monitor the status of Brexit negotiations, and review and adjust our contingency planning accordingly.

Summary and outlook

FY 19/20 was a challenging year for Kingfisher and our financial results were disappointing. Thierry Garnier was appointed as CEO in late September 2019 and the Group Executive team has been rebuilt including seven additional appointments. The initial focus in Q4 19/20 was on improving our operations in France, implementing new trading approaches and recalibrating the balance between Group and local activities. We are encouraged that in Q4 19/20, and early FY 20/21, we delivered improved LFL sales trends.

However, since mid-March 2020 we have been operating in, and responding to, a rapidly changing environment as the COVID-19 outbreak spread and governments and businesses took action to contain its impact. Since the COVID-19 crisis started, our priorities have been clear – to provide support to the communities we serve, to fulfil our obligations to colleagues as a responsible employer, to our customers as a retailer of essential goods, and to protect our business for the long term.

Despite Kingfisher stores being classified as essential in most of our markets, we took the decision initially to close in-store browsing and purchasing in the UK and France. Following this, we quickly adapted our operating model to help meet customers' essential needs – initially through contactless e-commerce and then through phased store reopenings, whilst in parallel developing safety and social distancing protocols for colleagues and customers which are likely to remain with us for some time. As a result we have seen up to fourfold e-commerce growth since mid-March, and an improving relative sales trend with Group LFL sales moving from -74.0% in the first week of April to more than +25% since the second week of May.

We have also taken significant action to reduce costs and optimise our cash flow to minimise the impact of lower sales on our business and financial performance. We have also put in place c.£1.4 billion of additional liquidity arrangements in order to provide us with further security and headroom.

Overall, the operational and financial actions we have taken give us a sound footing in the current crisis and beyond. However given the continued impact and uncertainty of changes in the magnitude and duration of COVID-19, no specific financial guidance has been provided for FY 20/21.

Financial priorities
Our immediate financial priority is to manage the impact of the COVID-19 crisis on our business and financial performance (see Section 2 below).

Beyond the coronavirus crisis, our new 'Powered by Kingfisher' strategic plan will empower our distinct retail banners, simplify Kingfisher's operating model, embrace digital and own exclusive brands, and return the business to growth.
Through the implementation of this plan we are focused on growth and creating shareholder value, with the following financial priorities:

- Prioritise sales growth in all retail banners
- Drive benefits from buying, sourcing and product development
- Focus on operational efficiency, simplifying the organisation and reducing associated cost
- Focus on growing retail profit
- Reduce 'same-store' inventory

Medium term capital allocation
We aim to allocate capital, subject to strict returns criteria, to meet the strategic needs of the business. We aim to maintain an investment grade credit rating and, over the medium term, a target range of 2.0 to 2.5 times net debt to EBITDA (post-IFRS 16).

As announced on 23 March 2020, in light of the unprecedented uncertainty caused by COVID-19, the Board will not propose a final dividend in relation to FY 19/20. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of COVID-19 on the business.

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Section 2: Managing the impact of COVID-19

Risk management
Following the COVID-19 outbreak in Asia, Kingfisher formed central and retail business crisis committees in January 2020 to monitor and manage risks and impacts of COVID-19. These committees continue to monitor closely the impact on all areas of our business, as well as ensuring publicly available advice is followed and that appropriate safeguards are quickly implemented. From the start of the outbreak, Kingfisher has taken measures to protect its colleagues and customers, to support governments across its markets, to be a responsible employer, to limit the impact on profitability and to preserve financial flexibility.

Supporting our communities and governments
Kingfisher reaffirms its commitment to supporting communities and governments in managing the COVID-19 pandemic. As a responsible retailer we are focused on making sure that we can continue to serve our customers' essential needs as effectively as possible, while protecting the safety of all concerned.

As part of this commitment, in March we ringfenced all remaining stock of personal protective equipment (PPE) and donated it to frontline healthcare workers. Total committed donations to our communities and health authorities amount to over £2.5 million so far. Additional PPE continues to be ordered and as a priority is being donated to health authorities in the countries in which we operate as well as being used to equip our colleagues.

Social distancing and safety measures
Based on government advice, and learnings from internal best practices and major food retailers across Europe, all reopened Kingfisher stores operate under strict social distancing and safety measures to protect customers and colleagues. These include:

- The provision of gloves, visors and masks to colleagues
- Limiting the number of customers in store
- Safe queuing before entering the store
- Sanitiser stations throughout the store
- Floor navigational markers to help enforce social distancing
- Perspex screens at paint mixing and timber cutting stations, in showrooms and at checkouts
- Encouraging contactless or card payments (notwithstanding the legal obligation in some markets to accept cash as payment)

Similar measures are also in place at our distribution and fulfilment centres, and training has been provided to colleagues to help support and implement these changes to their work environment.

In most cases, the measures applied have gone beyond government recommendations in each market. Furthermore, we have set up formal and regular internal audits of the application of health, hygiene and safety rules. To date these measures have been met with strong approval by both customers and colleagues and we continue to both monitor and improve the effectiveness of these on a day-to-day basis.

Supply chain and availability
Kingfisher has global sourcing offices in China, other Asian countries and Europe. Approximately 75% of our total annual cost of goods sold (COGS) is directly sourced from Europe, with the balance sourced from other markets including Asia.

In China, all our vendors' factories have reopened, with capacity rebuilt. The vast majority of orders that were impacted with delays from the initial coronavirus crisis outbreak in China have been shipped and are now in our supply chain. In partnership with our vendors we continue to review and adjust our future order commitments, in line with our evolving demand and operating model.

In Europe, all our vendors have now reopened. The key risks to availability are now driven by exceptional and volatile demand within the paint, outdoor and building materials ranges, where vendors are challenged in keeping up with recent high demand levels. We continue to work closely with our key vendors to speed up production and accelerate our supply chain within these specific categories.

Operational status

Nearly all our 1,368 stores are open for in-store purchasing, under the strict social distancing and safety measures described above.

Following our previous update on 12 May 2020, updates to the operational status in each of our markets are highlighted below *in italics*:

- **United Kingdom:**
  - On 23 March the UK government ordered the closure of all shops selling 'non-essential' goods. Hardware shops were categorised as 'essential', and therefore B&Q and Screwfix were eligible to remain open.
  - Despite this, from 23 March, we took the decision to close all B&Q and Screwfix stores to customers for browsing and in-store purchasing while we established safe store operating protocols.
  - **B&Q:** To ensure the continued supply of essential goods, from 24 March we progressively introduced a contactless click & collect service for our B&Q customers, alongside a home delivery service. On 17 April we trialled the reopening of 14 B&Q stores, listening to feedback from our store colleagues and adapting our approach as a result. Following the success of this trial we progressively reopened further B&Q stores. *Currently, all 289 stores are open. From 22 May we commenced the reopening of kitchen and bathroom showrooms on a phased basis following positive trials in a small number of stores.*
  - **Screwfix:** For our Screwfix stores, we successfully offered a contactless click & collect service throughout the entire UK lockdown period. *In the second week of May we introduced new customer journeys and processes within Screwfix stores, in order to safely restart in-store browsing and purchasing. These were rolled out to most of our 682 Screwfix stores by the end of May.*

- **Republic of Ireland:**
  - From 28 March, all stores in Ireland (eight B&Q and five Screwfix) were closed following the Irish government's lockdown restrictions. Hardware shops were categorised as *'online only'*, and therefore not eligible to remain open.
  - *All stores reopened on 18 May, in line with the government's easing of lockdown restrictions as announced on 1 May. Strict social distancing and safety measures have been put in place for all Irish stores.*

- **France:**
  - On 14 March the French government ordered the closure of all shops selling 'non-essential' goods during the confinement period, which ended on 11 May.
  - Kingfisher's 219 stores in France were categorised as 'essential', and therefore were eligible to remain open during this period. Despite this, to establish safe store operating protocols, from 15 March all 98 Castorama stores and 121 Brico Dépôt stores were closed to customers for browsing and in-store purchasing.
  - A contactless click & collect service via 'drive-through' was gradually introduced from 23 March, alongside a home delivery service.
  - Home delivery from stores commenced during the third week of April.
  - Following consultation with trade union representatives in stores and head offices, from 24 April we started to reopen Castorama and Brico Dépôt stores in phases, initially with a 'self-service' range, and under the strict social distancing and safety measures described above.
  - By 11 May (the end of the French confinement period) all stores had reopened, under the same strict measures.

- **Poland:**
  - All 81 stores in Poland remain open, operating under strict social distancing and safety measures.
  - In addition to the existing Sunday trading ban, all stores in Poland were temporarily required to close on Saturdays during April. This restriction was lifted on 4 May.

- **Romania:**
  - All 35 stores in Romania remain open, operating under strict social distancing and safety measures.

- **Iberia:**
  - *In line with the Spanish government's plan to ease lockdown restrictions, as announced on 28 April, we started reopening our stores to tradespeople from 13 May and to the general public from 25 May, in phases.*
  - All 28 stores in Spain had previously been closed following the government's declaration of a state of emergency on 14 March. A home delivery service was made available in late March, and a contactless click & collect service for tradespeople was launched in late April.
  - Our three stores in Portugal remain open, operating under strict social distancing and safety measures.

- **Russia:**
  - *Of our 18 stores in Russia, 12 stores are open and six have partly reopened.*
  - A contactless click & collect service, and 'click & delivery', is available from all stores.

Trading since 1 February 2020

LFL sales by month[1]

Monthly sales	**% LFL[2] Change**			
	Feb 2020	**Mar 2020**	**Apr 2020**	**May 2020**
UK & Ireland*	+6.2%	(5.7)%	(43.0)%	+15.5%
France	+8.6%	(52.0)%	(69.0)%	+23.6%
Poland	+11.1%	(13.7)%	(20.4)%	+16.3%
Romania[3]	+16.4%	+15.9%	(15.0)%	(14.3)%
Group LFL[4] incl. leap year	**+7.6%**	**(24.6)%**	**(49.6)%**	**+14.3%**
Group LFL[4] excl. leap year	**+2.3%**			
E-commerce sales[5]	**+30.2%**	**+59.1%**	**+251.9%**	**+205.1%**

March to June LFL sales by week (to 13 June 2020)[1]

Sales: 4 weeks to 28 March 2020	**% LFL[2] Change March 2020**			
	week 1[6]	**week 2[6]**	**week 3[6]**	**week 4[6]**
UK & Ireland	+2.1%	+8.6%	+37.8%	(42.2)%
France	(0.2)%	+5.6%	(97.7)%	(93.3)%
Poland	+3.6%	+3.7%	(21.7)%	(23.7)%
Romania	+9.1%	(1.3)%	(4.8)%	(47.1)%
Group LFL[4]	**+1.5%**	**+6.4%**	**(22.9)%**	**(59.1)%**
E-commerce sales[5]	**+28.4%**	**+23.9%**	**+49.5%**	**+96.2%**

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Sales: 5 weeks to 2 May 2020	% LFL[2] Change April 2020				
	week 1[6]	week 2[6]	week 3[6]	week 4[6]	week 5[6]
UK & Ireland	(70.3)%	(56.1)%	(60.8)%	(23.9)%	(1.6)%
France	(86.8)%	(83.3)%	(77.0)%	(63.1)%	(35.2)%
Poland	(52.0)%	(38.9)%	(42.1)%	+14.5%	(8.8)%
Romania	(48.6)%	(28.4)%	(27.9)%	(5.3)%	+42.4%
Group LFL[4]	**(74.0)%**	**(64.8)%**	**(64.6)%**	**(35.6)%**	**(17.5)%**
E-commerce sales[5]	**+159.7%**	**+277.9%**	**+273.6%**	**+307.0%**	**+186.7%**

Sales: 4 weeks to 30 May 2020	% LFL[2] Change May 2020			
	week 1[6]	week 2[6]	week 3[6]	week 4[6]
UK & Ireland	+18.9%	+13.3%	+18.2%	+21.5%
France	(18.7)%	+53.7%	+58.1%	+44.2%
Poland	+35.8%	+30.8%	+34.4%	+11.0%
Romania	+16.0%	+27.8%	+37.6%	+34.9%
Group LFL[4]	**+2.7%**	**+25.5%**	**+30.6%**	**+26.7%**
E-commerce sales[5]	**+199.0%**	**+210.6%**	**+212.3%**	**+192.5%**

Sales: 2 weeks to 13 June 2020	% LFL[2] Change June 2020	
	week 1[6]	week 2[6]
UK & Ireland	+26.3%	+29.5%
France	+41.4%	+38.4%
Poland	+11.7%	+0.7%
Romania	+30.2%	+20.3%
Group LFL[4]	**+28.7%**	**+27.7%**
E-commerce sales[5]	**+207.4%**	**+211.3%**

(1) This information was not extracted from FY 19/20 financial statements and has not been subject to audit procedures.
(2) 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-19 are also included.
(3) Kingfisher's subsidiary in Romania prepares their financial statements to 31 December. Their monthly results presented are for January to April, i.e. one month in arrears. The weekly results presented have no corresponding delay.
(4) Group LFL includes total e-commerce sales. Group LFL also includes Iberia and Russia, and excludes Koçtaş (Kingfisher's 50% JV in Turkey).
(5) E-commerce sales are total sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre. E-commerce sales change includes UK & Ireland, France and Poland, and the benefit from the leap year in February 2020.
(6) March, April, May and June weekly sales figures are for Sunday-to-Saturday weeks from 1 March 2020 (compared against prior year Sunday-to-Saturday weeks from 3 March 2019). The figures are provisional, and exclude certain non-cash accounting adjustments relating to revenue recognition.

Up to 14 March (pre-coronavirus lockdown measures)

As previously announced, trading from 1 February up to 14 March (before any COVID-related store closures) continued the positive trends we saw in Q4 19/20, benefiting from operational improvements in France and a new trading approach across the Group, including local trading events.

In February 2020, Group LFL sales growth was +7.6%, or +2.3% excluding the leap year impact. In France, we performed slightly better than the 'market' in February ('market' based on *Banque de France* data for DIY retail sales (non-seasonally adjusted)).

In the first two weeks of March (up to and including 14 March) Group LFL sales continued to be positive, with growth across all businesses within our core markets, strongly supported by e-commerce sales.

Weekly trading 14 March to 25 April
In the third week of March, the UK continued to see positive LFL sales growth, France was severely impacted by the closure of all its stores and Poland experienced lower footfall and sales. The last week of March was impacted by UK store closures following the government's announcement on 23 March, together with lower footfall in Romania.

The first week of April reflected the first full week of store closures in both the UK and France, although we saw an increasing contribution from e-commerce sales in France. The trend improved in the second and third weeks of April as we rapidly transformed our operations to meet a sharp increase in e-commerce demand, with e-commerce sales increasing week-on-week in the UK and France. Furthermore, in France we started to reopen some of our stores' Building & Joinery external courtyards in the third week of April.

The fourth week of April reflected a significant improvement in the UK at both B&Q and Screwfix, largely due to increasing demand via contactless click & collect, and the reopening of some B&Q stores towards the end of the week. In addition, the trend in France improved as we opened more of our stores' Building & Joinery external courtyards. Poland experienced growth as lockdown measures started to be eased.

Weekly trading since 25 April
From the final week of April, the Group LFL sales trend continued to improve due to phased store reopenings in the UK and France (as noted in the *'Operational status'* above). Sales growth in the first week of May was largely driven by exceptional demand at B&Q and Castorama Poland. This continued throughout May and into June, where we also saw exceptional demand in France following the end of the confinement period on 11 May. In the last week of May, Poland LFL sales were adversely impacted by the Sunday trading ban. As a reminder, one further Sunday of trading each month was removed from January 2020 (there were three non-trading Sundays in 2019). In the second week of June, Poland and Romania LFL sales were both adversely impacted by a public holiday.

Financial impact
Given the continued impact and uncertainty of changes in the magnitude and duration of COVID-19, it is too early to quantify the impact of COVID-19 on our expectations for FY 20/21.

In particular there is uncertainty around the potential resurgence of the COVID-19 virus and its potential impact on household spending and the wider economies within the markets in which the Group operates. To assess the likely impact on cash flow and liquidity, we have modelled the financial impact from various scenarios of reduced sales. These scenarios include prolonged periods of disruption to the business from lockdown restrictions. Further details of the risk assessment and cash flow scenario modelling are provided in the directors' assessment of going concern (within note 2 of the full year condensed financial statements in part 2 of this announcement).

Whilst we do not consider the impact of COVID-19 to be a longer term viability risk, we view this disruption, if extended in scope and duration, as posing a risk, albeit remote, to short-term liquidity. As a result, we have taken significant and effective actions to reduce costs and optimise our cash flow and liquidity. Many of these actions are detailed below.

Actions to reduce costs and preserve cash
Kingfisher continues to monitor closely the financial impact of COVID-19 and take mitigating actions. It has implemented multiple actions to reduce costs and preserve cash, including the benefit from several government support measures:

- **Furloughing:** Kingfisher welcomed the announcement of the Coronavirus Job Retention Scheme (CJRS) in the UK, *'activité partielle'* relief measures in France, and similar schemes in Spain and

Romania. The Group is supportive of each of these government's measures and, since mid-March 2020, gradually announced furlough programmes to colleagues in the UK, France, Spain and Romania. This led to c.50% of our total Group colleagues being furloughed in April, although this figure reduced significantly to c.10% by the end of May as we reopened stores within the UK and France. With the exception of those who are vulnerable and/or at a higher risk of infection, all remaining colleagues in France and Romania returned from furlough on 1 June, with remaining colleagues in the UK and Spain expected back by 1 July. From this date we have decided to no longer claim under the furlough programmes in the UK and France.

- **UK business rates:** The UK government announced in March that retail premises in England will be granted a 'holiday' from paying business rates in the 2020/21 tax year, effective from April. Kingfisher's annual business rates bill for retail premises in England is c.£120 million. Similar measures (a combination of payment deferrals and 'holidays') have been announced by the local governments and assemblies of Scotland, Wales and Northern Ireland, where in aggregate our annual business rates bill for retail premises is c.£20 million.
- **Store operating efficiencies:** In conjunction with our furlough programmes and the operational requirements of our stores, other measures have been put in place to reduce store variable costs, including reducing non-essential store maintenance costs and optimising store opening hours.
- **Discretionary costs:** Discretionary P&L spend has been significantly reduced, including marketing, advertising, consumables and other GNFR spend, stopping all travel, and freezing all pay reviews and full-time staff recruitment.
- **Inventory purchases:** Beyond the corresponding reductions from lower sales, we have adjusted our purchasing plans in response to the significant changes in operational requirements across our Group. We continue to monitor trends in demand closely, working with suppliers to reduce product purchasing in certain categories, and increase stock in others.
- **Capital expenditure:** From mid-March all non-committed development capital expenditure (for example, IT and new stores) was paused, and repairs and maintenance capital expenditure reduced to essential items. Following the reopening of stores from mid-April onwards, all such expenditure plans are being evaluated on a case-by-case basis by the Group's investment committee. Obligatory contractual, legal or health and safety expenditures continue as normal.
- **Dividend:** As announced on 23 March 2020, in light of the unprecedented uncertainty caused by COVID-19, the Board will not propose a final dividend in relation to FY 19/20. The Board intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of COVID-19 on the business. The cash cost of last year's final dividend was £157 million.
- **Rental payments:** We remain in active discussions with landlords in all our markets and have seen a positive and constructive response. In the UK and France, we have moved a significant proportion of our quarterly-in-advance rental payments to monthly payments.
- **Deferral of indirect taxation (VAT) payments:** The UK government announced in March that all UK VAT-registered businesses have the option to defer any VAT payments due between 20 March 2020 and 30 June 2020. Payments must be made on or before 31 March 2021.
- **Payments to suppliers:** To help optimise working capital in the short term, mutual agreements were reached with certain larger suppliers to extend payment terms by 30 days or more. Notwithstanding this, we have maintained our policy to pay all suppliers in full and according to contractual payment terms.

Board and Group Executive team remuneration

In recognition of the impact of the above measures on Kingfisher's stakeholders and, at the request of the Board and Group Executive team, in March the Company's Remuneration Committee applied the following discretionary measures regarding executive remuneration:

- The entire Board and Group Executive team has voluntarily offered to temporarily forego 20% of their base salaries or Board fees.
- The Group CEO and Group CFO will receive no annual FY 19/20 bonus payment.

Cash position

As at 31 January 2020, Kingfisher had cash and cash equivalents of £195 million, including £6 million of cash held in Russia and included within assets held for sale on the balance sheet.

As announced on 12 May 2020, Kingfisher arranged a €600 million (c.£535 million) term facility with three French banks in support of its operations in France. The loan is guaranteed at 80% by the French State (*'Prêt garanti par l'État'*) and has a maturity of one year, extendable for up to five years. As required under the terms of the loan, the full amount was drawn down on 18 May 2020.

On 12 May 2020, Kingfisher also announced its eligibility to access funding under the Bank of England's Covid Corporate Financing Facility (CCFF). On 12 June, Kingfisher issued £600 million of 11-month commercial paper under the CCFF. While this additional liquidity is not currently needed, even under Kingfisher's worst case COVID-19 scenario as assessed by the Board of Directors, it could be required should the pandemic be significantly more prolonged or severe.

As at 12 June 2020, Kingfisher had cash and cash equivalents of c.£2 billion, including receipts from the *Prêt garanti par l'État* and CCFF.

Between 1 February and 12 June 2020, the Group's net cash inflow[±] was c.£730 million, benefiting in recent weeks from the reopening of stores in the UK and France as well as the cost and cash preservation actions detailed above.

The Group also has access to undrawn Revolving Credit Facilities (RCFs) of £250 million (due to expire in May 2021), £225 million (due to expire in March 2022) and £550 million (due to expire in August 2022), totalling £1,025 million.

Liquidity headroom

The Group has significant liquidity headroom with its current cash balance to cover a prolonged period of reduced sales. As at 12 June 2020, the Group had access to over £3 billion in total liquidity, including cash and cash equivalents and access to over £1 billion of funding under the RCFs.

± *Represents net change in cash at bank excluding physical cash in tills and cash in transit. Excludes receipts from the Prêt garanti par l'État and CCFF, and any repayments of debt.*

Section 3: Adoption of IFRS 16 and reallocation of costs

IFRS 16 'Leases'
The IFRS 16 'Leases' accounting standard applies to Kingfisher from 1 February 2019, replacing the previous accounting standard IAS 17. The Group has adopted the full retrospective transition option and therefore has restated comparatives.

Central support costs
In recent years the Group has developed its offer, sourcing and supply chain organisations. The services and benefits provided to each of Kingfisher's retail banners have evolved over time. Consequently, management has updated its assessment of how the Group's centrally-incurred costs are most appropriately allocated across the businesses. Although neutral at a Group retail profit level, this has resulted in a change to retail profit by geography for FY 19/20, with the principal effect of more costs being allocated to Poland and less to the UK & Ireland.

Transformation P&L costs
The Group no longer reports profits on an 'underlying' basis. The term 'underlying' referred to the relevant adjusted measure being reported before non-exceptional transformation P&L costs. Non-exceptional transformation P&L costs represented the additional costs that arose only as a result of the transformation plan launched in 2016/17 which, either because of their nature or the length of the period over which they were incurred, were not considered as exceptional items. With the launch of the Group's new strategy, 'Powered by Kingfisher', any further 'start-up' or incremental costs of change will not be separately disclosed in the future. The removal of the 'underlying' basis of reporting ensures consistency with that principle and ensures a simpler comparison of business performance.

As a result, FY 18/19 retail profit and central costs have been restated to include their respective share of costs previously reported as non-exceptional transformation P&L costs. Note that operating profit and adjusted performance measures are unaffected by this change.

Summary of impacts
An overview of the impact on FY 19/20 and FY 18/19 of the reallocation of central support costs and transformation P&L costs, is summarised on the following page. An overview of the impact on H1 19/20 and H1 18/19 of the reallocation of central support costs and transformation P&L costs is provided in the FY 19/20 data tables published on www.kingfisher.com.

An overview of the income statement impact on FY 18/19 of the adoption of IFRS 16 is also summarised on the following page. In addition, detailed restatement tables and associated commentary for the impact of IFRS 16 on FY 18/19 is provided in note 13 of the full year condensed financial statements (in part 2 of this announcement).

Summary of impacts (continued)

£m	2019/20 Pre-reallocations	Reallocation of costs Central support	Reallocation of costs Transformation P&L	2019/20 As reported
UK & Ireland	**501**	**14**	**(16)**	**499**
France	**168**	**3**	**(7)**	**164**
Poland	165	(13)	(1)	151
Romania	(15)	(3)	(5)	(23)
Iberia	3	(1)	-	2
Russia	(12)	-	-	(12)
Screwfix Germany	(4)	-	-	(4)
Turkey (50% joint venture)	9	-	-	9
Other International*	**146**	**(17)**	**(6)**	**123**
Retail profit	**815**	**-**	**(29)**	**786**
Central costs	(54)	-	(8)	(62)
Share of JV interest and tax	(7)	-	-	(7)
Transformation P&L costs	(37)	-	37	-
Operating profit (before exceptional items)	**717**	**-**	**-**	**717**
Net finance costs (before exceptional items)	(173)	-	-	(173)
Adjusted pre-tax profit	**544**	**-**	**-**	**544**
Exceptional items	(441)	-	-	(441)
Statutory pre-tax profit	**103**	**-**	**-**	**103**

£m	2018/19 IAS 17 basis	Impact of IFRS 16	2018/19 As previously reported	Reallocation of costs Central support	Reallocation of costs Transformation P&L	2018/19 Restated
UK & Ireland	**399**	**131**	**530**	**13**	**(45)**	**498**
France	**209**	**12**	**221**	**-**	**(38)**	**183**
Poland	181	4	185	(10)	(8)	167
Romania	(15)	6	(9)	(2)	(5)	(16)
Iberia	1	5	6	(1)	(3)	2
Russia	(12)	8	(4)	-	(1)	(5)
Screwfix Germany	(16)	2	(14)	-	-	(14)
Turkey (50% joint venture)	6	3	9	-	-	9
Other International	**145**	**28**	**173**	**(13)**	**(17)**	**143**
Retail profit	**753**	**171**	**924**	**-**	**(100)**	**824**
Central costs	(49)	-	(49)	-	(20)	(69)
Share of JV interest and tax	(4)	(1)	(5)	-	-	(5)
JV FX on lease liabilities	-	(3)	(3)	-	-	(3)
Transformation P&L costs	(120)	-	(120)	-	120	-
Operating profit (before exceptional items)	**580**	**167**	**747**	**-**	**-**	**747**
Net finance costs	(7)	(173)	(180)	-	-	(180)
Add back: FX on lease liabilities	-	7	7	-	-	7
Adjusted pre-tax profit	**573**	**1**	**574**	**-**	**-**	**574**
Exceptional items	(251)	(16)	(267)	-	-	(267)
FX on lease liabilities	-	(7)	(7)	-	-	(7)
Statutory pre-tax profit	**322**	**(22)**	**300**	**-**	**-**	**300**

Section 4: Trading review by division

Note: all commentary below is in constant currency, reported under IFRS 16 and reflects the reallocation of central support and transformation P&L costs as discussed in Section 3 above.

UK & IRELAND

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	5,112	5,061	+1.0%	+1.0%	(0.3)%

Retail profit	499	498	+0.3%	+0.3%
Retail profit margin %	9.8%	9.8%	-	(10)bps

Kingfisher UK & Ireland sales increased by 1.0% (-0.3% LFL) to £5,112 million within the context of a weak demand backdrop. Gross margin % was flat with sourcing benefits and the uplift from the discontinuation of installation services at B&Q offset by incremental clearance of surfaces & décor and kitchen ranges at B&Q, selective price investment at Screwfix and increased promotional activity at B&Q in Q4. Costs increased as a result of wage inflation, digital costs and new store opening costs at Screwfix which together outweighed a reduction in transformation costs. Retail profit increased by 0.3% to £499 million.

B&Q total sales decreased by 3.1% to £3,284 million. LFL sales decreased by 2.9%. The discontinuation of installation services impacted LFL by c.-1.5% and disruption on surfaces & décor and kitchens ranges impacted LFL by c.-2%. LFL sales of weather-related categories decreased by 1.4% while sales of non-weather-related categories, including kitchen and bathroom, were down 3.4%. B&Q's e-commerce sales continued to make good progress with growth of 17% (including click & collect up 27%), representing 6% of total B&Q sales.

Across the business, space remained broadly flat with two new store openings and two store closures.

Screwfix total sales increased by 9.4% (+5.0% LFL) to £1,828 million, driven by specialist trade desks exclusive to plumbers and electricians, strong e-commerce sales growth of 17% (including click & collect up 23%) and the continued rollout of new outlets. E-commerce sales represented 33% of total Screwfix sales.

During the year Screwfix opened 55 new outlets in the UK, with 39 openings in the second half. In December Screwfix opened its first outlet in the Republic of Ireland, with a total of four openings by 31 January 2020, to complement its fast-growing online business in the country. The early performance of these outlets, prior to the coronavirus crisis, was encouraging.

In total, as at 31 January 2020 Screwfix had 686 outlets in the UK & Ireland, with a total of 59 new outlets in the year and a space increase of c.9%.

FRANCE

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	4,082	4,272	(4.5)%	(3.2)%	(3.2)%

Retail profit	164	183	(10.8)%	(9.7)%
Retail profit margin %	4.0%	4.3%	(30)bps	(30)bps

Kingfisher France sales decreased by 3.2% (-3.2% LFL) to £4,082 million, although Q4 saw an improved performance compared to the first nine months of the year with sales up 3.1% (+3.3% LFL). Q4 sales were aided by better stock availability, the reintroduction of promotion-based trading events, and the reintroduction of some local ranges.

According to *Banque de France* data, sales for the home improvement market in France were up c.2% for the year (+4.7% in Q4). The improvement in sales in Q4 was in part due to prior year Q4 sales being impacted by c.-3% from national demonstrations (known as 'gilets jaunes'), although this was partly offset by nationwide strikes in France in December 2019 and January 2020.

Gross margin % increased by 40 basis points in the year, reflecting lower overall promotional activity at Brico Dépôt, partly offset by logistics & stock inefficiencies (mainly in Castorama France). Costs reduced, reflecting store closures and staff reduction at Castorama France in addition to lower transformation costs. Despite this retail profit decreased by 9.7% to £164 million, reflecting lower overall sales.

Castorama total sales decreased by 3.3% (-3.3% LFL) to £2,145 million, reflecting price repositioning (c.-1% impact on LFL sales) and the impact of transformation-related activity (c.-2% impact on LFL sales). LFL sales of weather-related categories were down 4.1% and sales of non-weather-related categories, including kitchen and bathroom, were down 3.2%.

Brico Dépôt total sales decreased by 3.1% (-3.1% LFL) to £1,937 million driven by an overall reduction in promotional activity, which impacted LFL sales by c.-3%. In constant currency, gross profit and gross margin % both increased year on year.

Across the two businesses, space remained broadly flat, with Castorama closing one store and Brico Dépôt closing two stores in FY 19/20.

OTHER INTERNATIONAL

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,319	2,352	(1.4)%	(0.2)%	(0.8)%
Poland	1,461	1,431	+2.1%	+4.0%	+1.6%
Romania	216	210	+2.6%	+6.1%	+8.8%
Other	642	711	(9.7)%	(10.3)%	(7.6)%
Retail profit	123	143	(13.5)%	(11.5)%	
Poland	151	167	(9.3)%	(7.7)%	
Romania	(23)	(16)	n/a	n/a	
Other	(5)	(8)	n/a	n/a	
Retail profit margin %	n/a	n/a	n/a	n/a	
Poland	10.4%	11.7%	(130)bps	(130)bps	

Other International total sales decreased by 0.2% (-0.8% LFL) to £2,319 million, with growth in Poland and Romania offset by declines in Russia and Iberia. Retail profit decreased by 11.5% to £123 million, reflecting a decline in Poland and an increase in combined retail losses in Romania and Russia. In Germany, all 19 Screwfix stores were closed during the first half of the year.

Sales in **Poland** increased by 4.0% (+1.6% LFL) to £1,461 million. Four new stores were opened during the year, representing a c.6% increase in space. The removal of one further Sunday of trading each month (three non-trading Sundays from January 2019; previously two) had an estimated adverse impact on LFL sales of c.1%. In addition, a softer market backdrop in H2 impacted annual LFL sales by c.-1%. LFL sales of weather-related categories were up 3.4% while sales of non-weather-related categories, including kitchen and bathroom, were up 0.8%. Gross margin % was down 100 basis points year on year reflecting higher clearance and increased promotional activity in response to a softer market. Retail profit decreased by 7.7% to £151 million reflecting sales growth offset by a decline in gross margin and higher costs. The increase in costs was largely driven by wage inflation, digital costs and pre-opening costs, partly offset by lower transformation costs.

In **Romania** sales increased by 6.1% (+8.8% LFL) to £216 million reflecting improved and expanding ranges. The business made a retail loss of £23 million for the year (FY 18/19: retail loss of £16 million), largely driven by losses in the former Praktiker stores. During the year, Romania completed the rebranding of all former Praktiker stores to Brico Dépôt, and integrated the business' product range, IT system and head offices. Romania plans to consolidate its two distribution centres later this year. Space decreased by c.7% in the year due to three store closures.

In **Iberia** sales decreased by 4.7% (-4.7% LFL) to £326 million and the business made a retail profit of £2 million (FY 18/19: retail profit of £2 million). In **Russia** sales decreased by 13.9% (-10.8% LFL) to £311 million. The business reported a retail loss of £12 million (FY 18/19: retail loss of £5 million) reflecting a challenging business environment and two store closures. As at the year-end, the Russian business was classified as 'held for sale' in the Group's balance sheet. In **Screwfix Germany**, all 19 stores were closed during the first half of the year and the business reported a retail loss of £4 million (FY 18/19: retail loss of £14 million).

In **Turkey,** Kingfisher's 50% JV, Koçtaş, contributed retail profit of £9 million (FY 18/19: retail profit contribution of £9 million).

EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 Jan 2020	Store numbers at 31 Jan 2020	Sales area[1] ($000s\ m^2$) at 31 Jan 2020
B&Q	15,812	296	2,200
Screwfix	8,804	686	44
UK & Ireland	**24,616**	**982**	**2,244**
Castorama	10,679	100	1,243
Brico Dépôt	7,430	121	847
France	**18,109**	**221**	**2,090**
Poland	11,518	80	690
Romania	2,309	35	253
Iberia	1,868	31	195
Russia	2,748	18	188
Other International	**18,443**	**164**	**1,326**
Total	**61,168**	**1,367**	**5,660**

[1] Screwfix sales area relates to the front of counter area of an outlet

Section 5: FY 19/20 Financial review

A summary of the reported financial results for the year ended 31 January 2020 is set out below.

Financial highlights

	2019/20	2018/19[1]	% Total change Reported	% Total change Constant currency	% LFL change Constant currency
Sales	**£11,513m**	£11,685m	(1.5)%	(0.8)%	(1.5)%
Gross profit	**£4,255m**	£4,318m	(1.4)%	(0.8)%	
Gross margin %	**37.0%**	37.0%	-	-	
Operating profit	**£283m**	£480m	(41.0)%		
Statutory pre-tax profit	**£103m**	£300m	(65.7)%		
Statutory post-tax profit	**£8m**	£193m	(95.9)%		
Statutory basic EPS	**0.4p**	9.1p	(95.6)%		
Interim dividend	**3.33p**	3.33p	-		
Final dividend	**-**	7.49p	n/a		
Adjusted metrics					
Retail profit[2]	**£786m**	£824m	(4.6)%	(3.9)%	
Retail profit margin %	**6.8%**	7.1%	(30)bps	(20)bps	
Adjusted pre-tax profit	**£544m**	£574m	(5.2)%		
Adjusted effective tax rate	**26%**	27%			
Net exceptional items	**£(400)m**	£(204)m	n/a		
Adjusted post-tax profit	**£400m**	£421m	(5.0)%		
Adjusted basic EPS	**19.1p**	19.8p	(3.5)%		
ROCE	**8.6%**	8.6%	-		
Free cash flow	**£191m**	£372m	(48.7)%		
Net cash (excluding IFRS 16 lease liabilities)	**£37m**	£84m	n/a		
Net debt[3]	**£2,526m**	£2,542m	n/a		

(1) FY 18/19 comparatives have been restated for IFRS 16 'Leases'. Refer to note 13 of the full year condensed financial statements (in part 2 of this announcement) for detailed restatement tables and associated commentary
(2) FY 18/19 retail profit restated to reflect the reallocation of transformation P&L costs to country retail profits. There is no impact on operating profit. Refer to Section 3 of this announcement
(3) Net debt includes £2.6 billion lease liabilities under IFRS 16 in FY 19/20 (FY 18/19: £2.6 billion)

Total **sales** decreased by 0.8% on a constant currency basis to £11.5 billion, with LFL sales down 1.5%. On a reported basis, which includes the impact of exchange rates, total sales decreased by 1.5%. During the year, total sales growth benefited from 36 net new stores, driven by 59 Screwfix outlet openings in the UK & Ireland, four new store openings in Poland and two new store openings in B&Q in the UK. All 19 Screwfix outlets were closed in Germany, three stores were closed in both France and Romania, and two stores were closed in both Russia and B&Q in the UK.

Gross margin % was flat as benefits from Group buying and sourcing, and price repositioning, were offset by incremental clearance, logistics & stock inefficiencies (largely in Castorama France), and higher promotional activity in Q4 2019/20.

Reported **retail profit** decreased by 4.6% including £6 million of adverse foreign exchange movement on translating foreign currency results into sterling. In constant currency, retail profit decreased by 3.9% with the impact of lower sales and higher operating costs outweighing a £71 million reduction in transformation costs.

Statutory pre-tax profit, which includes exceptional items, decreased by 65.7% to £103 million.

We continued to invest in the business and paid £227 million in cash dividends to shareholders while maintaining a strong balance sheet.

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

	2019/20 £m	2018/19 £m	Increase/ (decrease)
Retail profit	**786**	824	(4.6)%
Central costs	**(62)**	(69)	
Share of interest and tax of joint ventures & associates[(1)]	**(7)**	(5)	
Net finance costs[(1)]	**(173)**	(176)	
Adjusted pre-tax profit	**544**	574	(5.2)%
Exceptional items before tax	**(441)**	(267)	
Exchange differences on lease liabilities	**-**	(7)	
Statutory pre-tax profit	**103**	300	(65.7)%

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

Net finance costs (excluding lease FX)* of £173 million (2018/19: £176 million) consists principally of interest on IFRS 16 lease liabilities.

Exceptional items (post-tax) were £400 million (2018/19: £204 million), as detailed below:

	2019/20 £m Gain/(charge)	2018/19 £m Gain/(charge)
Transformation exceptional costs	**(8)**	(58)
Store closures	**(67)**	(124)
Russia impairments and exit costs	**(130)**	(15)
Store impairments	**(118)**	-
Romania impairments	**(39)**	-
FTA settlement and business tax	**(50)**	-
Property disposals	**15**	(30)
Other	**(44)**	(40)
Exceptional items before tax	**(441)**	(267)
Exceptional tax items	**41**	63
Net exceptional items	**(400)**	(204)

Transformation exceptional costs of £8 million relate to people-related restructuring in France. Store closure exceptional items of £67 million principally relate to redundancy costs. This followed formal consultations with employee representatives regarding the Group's plans to close 11 stores in France (of which three closed in H2 19/20) and 19 Screwfix Germany outlets (all closed in H1 19/20).

Exceptional costs of £130 million were recorded in FY 19/20 relating to our business in Russia, representing underlying store asset write-downs, additional impairments recorded on classification of the business as held for sale, and other exit costs.

As a result of our financial performance in FY 19/20, we revised the future projections for a number of stores across the Group's portfolio. This, combined with reduced freehold property valuations, resulted in the recognition of £118 million of asset write-downs in FY 19/20 (excluding Russia and Romania), principally relating to impairments of freehold and leasehold properties. These have been recorded principally in Castorama France, but also include B&Q in the UK and Iberia.

Impairments of £39 million have been recorded on goodwill and certain store assets relating to the Romania business. This has arisen due to a revision in future projections for the business, following continued trading losses in FY 19/20.

As announced in November 2019, we reached final settlement with the French Tax Authority (FTA) regarding the treatment of interest paid since FY 09/10. The total settlement was £75 million, of which £24 million was recorded as an exceptional charge (before tax), and £51 million was recorded as an exceptional tax item. A provision of £26 million has also been recognised in operating profit for an uncertain position in relation to a multi-year business tax in France.

A profit of £15 million was recorded on the disposal of properties in the UK and France. Other exceptional items of £44 million in FY 19/20 comprise principally impairments of IT intangible assets under development, reflecting modules of SAP and digital tools for which no further development is currently planned.

Taxation
Kingfisher'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 territories. The adjusted effective tax rate for the year, calculated on profit before exceptional items, prior year tax adjustments and the impact of future rate changes, reduced to 26% (2018/19: 27%).

The overall effective tax rate includes the impact of exceptional items and prior year adjustments. The impact of these increased the rate from 26% to 92%, largely reflecting the exceptional tax charge related to the settlement with the French Tax Authority, and the applicable tax treatment of exceptional profit and loss items. These were offset by a release of prior year tax 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**	**2019/20 %**	Pre-tax profit £m	Tax £m	2018/19 %
Adjusted effective tax rate	**544**	**(144)**	**26%**	567	(151)	27%
Exceptional items	**(441)**	**41**		(267)	63	
Prior year items	**-**	**8**		-	(19)	
Overall tax rate	**103**	**(95)**	**92%**	300	(107)	36%

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 2020/21	Statutory tax rate 2019/20
UK	**19%**	19%
France[(1)]	**32%**	34%
Poland	**19%**	19%

[(1)] The tax rate in France was originally expected to be 32% in 2019/20. However, the reduction was retrospectively reversed, and the pace of future rate reductions slowed

Adjusted basic earnings per share decreased by 3.5% to 19.1p, which excludes the impact of exceptional items and prior year tax items. **Basic earnings per share** decreased by 95.6% to 0.4p as set out below:

	Earnings £m	**2019/20 EPS pence**	Earnings £m	2018/19 EPS pence
Adjusted basic earnings per share	**400**	**19.1**	421	19.8
Net exceptional items	**(400)**	**(18.3)**	(204)	(9.6)
Prior year tax items	**8**	**(0.4)**	(19)	(0.9)
Net exchange differences on lease liabilities	**-**	**-**	(5)	(0.2)
Basic earnings per share	**8**	**0.4**	193	9.1

Dividends
In light of the unprecedented uncertainty caused by COVID-19, the Board will not propose a final dividend (2018/19: 7.49p) in relation to FY 19/20. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of COVID-19 on the business.

Return on capital employed (ROCE)
In FY 19/20 Kingfisher's post-tax ROCE was 8.6%, in line with the previous year. This compared to Kingfisher's weighted average cost of capital (WACC) of 7.2%. The impact of a decline in profit in all countries was offset by the impact on capital employed of property impairments undertaken in the year.

ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital Employed (CE) £bn	Proportion of Group CE	**ROCE 2019/20**	ROCE 2018/19
UK & Ireland	5.1	44.4%	3.0	48.2%	**13.6%**	13.0%
France	4.1	35.5%	1.8	28.8%	**6.0%**	6.4%
Other International	2.3	20.1%	1.4	22.4%	**6.7%**	7.6%
Central			-	0.6%		
Total	**11.5**		**6.2**		**8.6%**	8.6%

Free cash flow
A reconciliation of free cash flow is set out below:

	2019/20 £m	2018/19 £m
Operating profit	**283**	480
Exceptional items	**434**	267
Operating profit (before exceptional items)	**717**	747
Other non-cash items(1)	**566**	577
Change in working capital	**(127)**	28
Pensions and provisions	**(33)**	(45)
Net rent paid	**(469)**	(463)
Operating cash flow	**654**	844
Net interest paid	**(17)**	(8)
Tax paid	**(104)**	(132)
Gross capital expenditure	**(342)**	(332)
Free cash flow	**191**	372
Ordinary dividends paid	**(227)**	(231)
Share buyback	**-**	(140)
Share purchase for employee incentive schemes	**(10)**	-
Disposal of assets and other(2)	**49**	(30)
Net cash flow*	**3**	(29)
Opening net debt	**(2,542)**	(2,678)
Movement in lease liabilities	**40**	157
Other movement including foreign exchange	**(27)**	8
Closing net debt	**(2,526)**	(2,542)

(1) Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.
(2) Includes exceptional cash flow items, principally relating to store closures, transformation costs and French Tax Authority (FTA) settlement.

Net debt (post-IFRS 16) as at 31 January 2020 was £2,526 million (2018/19: £2,542 million).

Operating profit before exceptional items was £30 million lower than last year, largely reflecting lower profits in France and Poland.

The working capital outflow of £127 million is driven by a £70 million increase in stock, largely attributable to store expansion and movements in foreign exchange rates, and a decrease in payables of £114 million largely reflecting timing differences and stock reduction initiatives, offset by a decrease in receivables of £57 million due to lower rebates receivables.

Gross capital expenditure for the year was £342 million (2018/19: £332 million). Of this, 27% was invested on refreshing and maintaining existing stores, 11% on new stores (excluding Screwfix), 28% on IT, 19% on transformation activities and 15% on other areas including Screwfix expansion and supply chain investment.

This resulted in free cash flow of £191 million. Disposal of assets and other of £49 million include proceeds from the disposal of assets (principally related to sale & leaseback transactions), net of other cash outflows including store closures and the FTA settlement. £227 million was returned to shareholders by way of ordinary dividends (2018/19: £371 million, including £140 million of share buybacks).

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. With regards to the impact of the coronavirus crisis on cash and debt, refer to the directors' assessment of going concern (within note 2 of the full year condensed financial statements in part 2 of this announcement) for details of cash flow scenario modelling.

Net debt to EBITDA
The Group ended the period with £2.5 billion of net debt on its balance sheet including the recognition of £2.6 billion of total lease liabilities under IFRS 16. The ratio of the Group's net debt to EBITDA on a moving annual total basis was 2.0 times as at 31 January 2020 (2.0 times at 31 January 2019). At this level, the Group has financial flexibility whilst retaining an efficient cost of capital.

Net debt to EBITDA is set out below:

	2019/20 £m	2018/19 £m
Retail profit	**786**	824
Central costs	**(62)**	(69)
Depreciation and amortisation	**545**	535
EBITDA	**1,269**	1,290
Net debt	**2,526**	2,542
Net debt to EBITDA	**2.0**	2.0

Credit ratings
Kingfisher holds a BBB- credit rating with Fitch, (P) Baa2 rating with Moody's, and a BBB- rating with Standard and Poor's. Kingfisher aims to maintain its investment grade rating, whilst investing in the business where economic returns are attractive and (in normal circumstances) paying an annual dividend to shareholders.

Revolving credit facilities
At 31 January 2020, the Group had undrawn revolving credit facilities (RCFs) of £225 million due to expire in March 2022 and £550 million due to expire in August 2022.

In May 2020, Kingfisher entered into a new committed RCF with a syndicate of its relationship banks, comprising £250 million, due to expire in May 2021.

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

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

Covenants
The terms of the committed RCFs and the £50 million term loan require that the ratio of Group operating profit (excluding exceptional 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. At 31 January 2020, Kingfisher's ratio was higher than this requirement.

Prêt garanti par l'État
In May 2020, Kingfisher arranged a €600 million (c.£535 million) term facility with three French banks in support of its operations in France. The loan is guaranteed at 80% by the French State (*'Prêt garanti par l'État'*) and has a maturity of one year, extendable for up to five years. As required under the terms of the loan, the full amount was drawn down on 18 May 2020.

Euro Commercial Paper (ECP) programme and Covid Corporate Financing Facility (CCFF)
The Group has recently established a ECP programme which allows it to issue short term commercial paper for periods from one week up to 12 months into the market to provide liquidity. The establishment of this programme allows the Group to participate in the CCFF, as well as access funding through standard commercial paper issuance.

Following the UK Government's announcement on 17 March 2020, the Group applied for the Bank of England's CCFF, which has been made available to assist UK businesses to bridge COVID-19 related disruption to their cash flows. The Bank of England has confirmed that the CCFF will remain in place for at least 12 months and it will purchase short term GBP paper from eligible companies that make a material contribution to the UK economy.

On 12 May 2020, Kingfisher announced its eligibility to access funding under the CCFF. On 12 June, Kingfisher issued £600 million of 11-month commercial paper under the CCFF.

Total liquidity
As at 12 June 2020, the Group had access to over £3 billion in total liquidity, including cash and cash equivalents of c.£2 billion, and access to over £1 billion of funding under the RCFs.

Further details of Kingfisher's debt and facilities can be found at www.kingfisher.com.

Pensions
As at 31 January 2020, the Group had a net surplus of £277 million (2018/19: £205 million net surplus as at 31 January 2019) in relation to defined benefit pension arrangements, of which a £404 million surplus (£320 million surplus as at 31 January 2019) was in relation to the UK scheme. The favourable movement in the net surplus is driven by returns on the UK scheme assets more than offsetting the actuarial losses on the liabilities due to a lower discount rate assumption. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

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 2019 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 £2.9 billion as at 31 January 2020 (2018/19: £3.4 billion). The

decrease of £0.5 billion in property value largely reflects an underlying decline in property market value in France and the UK of £0.3 billion, and £0.2 billion from property disposals and adverse movements in foreign exchange rates.

	2019/20 £bn	**2019/20 Yields**	2018/19 £bn	2018/19 Yields
France	**1.4**	**8.1%**	1.8	7.4%
UK	**0.6**	**5.8%**	0.7	5.7%
Poland	**0.6**	**7.4%**	0.6	7.7%
Other	**0.3**	**-**	0.3	-
Total	**2.9**		3.4	

This is compared to the net book value of £2.2 billion (2018/19: £2.5 billion) 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.

IFRS 16 Leases

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

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

Lessee accounting

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

Lessor accounting

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

Impacts of adopting IFRS 16

- No impact on the Group's underlying economics, cash flows or ability to pay dividends.
- IFRS 16 impact is driven by the UK lease portfolio, given a much higher proportion of leased stores than other geographies.
- No impact on sales.
- Increase in retail profit across all banners driven by the elimination of IAS 17 rental expenses, only partially offset by the recognition of depreciation on IFRS 16 right-of-use assets.
- Recognition of interest charge on IFRS 16 lease liabilities results in a broadly neutral overall impact on adjusted pre-tax profit.
- Exceptional items have been impacted by right-of-use asset impairments under IFRS 16 replacing onerous lease rental provisions under IAS 17.
- Adjusted effective tax rate remains broadly unchanged.
- Adjusted EPS impacts are broadly neutral, reflecting similar impacts on adjusted earnings. Basic EPS is impacted by the change, after exceptional items, in statutory post-tax profits.
- No change to reported cash and cash equivalents and net movement in these.

- Presentational changes to the cash flow statement principally comprise the reclassification of rent paid from operating profit to separate rental payment lines.
- Net debt increases significantly with the inclusion of IFRS 16 lease liabilities, replacing IAS 17 finance lease liabilities. The ratio of net debt to EBITDA (‘lease adjusted net debt to EBITDAR’ under IAS 17) reduces due to lower lease liabilities than the previous 8x rent assumption.
- Restatement to IFRS 16 has removed the lease adjustments to both profit and capital employed, reflecting the newly capitalised leases. This has reduced ROCE; profit has been reduced as lease costs are no longer added back (partially offset by higher retail profit under the new standard) and capital employed has been reduced as the value of capitalised leases is less than the 8x multiplier previously assumed. As the profit impact is relatively more significant than the capital employed impact the net effect is a lower ROCE.

Refer to note 13 of the full year condensed financial statements (in part 2 of this announcement) for detailed restatement tables and associated commentary.

Kingfisher

Section 6: Glossary

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

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

The Group no longer reports profits on an underlying basis (refer to Section 3 of this announcement).

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 7 of the condensed financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of exceptional items, lease FX, FFVR, related tax items and tax on prior year items, divided by the weighted average number of shares in issue during the period. The exclusion of exceptional items, lease FX, FFVR, related tax items and tax on prior year items helps provide an indication of the Group's ongoing business performance.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the overall tax rate is set out in the Financial Review (Section 5)	Adjusted effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing tax rate.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review (Section 5) and the consolidated income statement of the condensed financial statements	Adjusted pre-tax profit is used to report the performance of the business at a Group level including both the benefits of our transformation programme and the associated costs. This is stated before exceptional items, lease FX and FFVR. The exclusion of exceptional items, lease FX and FFVR helps provide an indication of the Group's ongoing business performance.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted post-tax profit	Profit after tax	A reconciliation of adjusted post-tax profit is set out in the Financial Review (Section 5) and the consolidated income statement 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 exceptional items, lease FX, FFVR and tax on those items. This also excludes tax adjustments in respect of prior years and the impact of changes in tax rates on deferred tax. The exclusion of exceptional items, lease FX, FFVR and tax items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing after tax business performance.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before exceptional 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 % and retail profit reflect the year on year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuations on the reported results.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 5)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
Exceptional items	No direct equivalent	Not applicable	Exceptional items are certain types of income or cost that are excluded by virtue of their size and nature in order to reflect management's view of the ongoing performance of the Group. The principal exceptional items are: non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities; profits and losses on the disposal of properties and impairment losses on non-operational assets; and the costs of significant restructuring, including certain restructuring costs of the Group's previous transformation plan launched in

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			2016/17 ('transformation exceptional costs'), and incremental acquisition integration costs.
FFVR	No direct equivalent	Included within net finance costs in note 5 of the condensed financial statements	FFVR (financing fair value remeasurements) represent fair value fluctuations from financial instruments.
Free cash flow	No direct equivalent	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 exceptional items) less the amount spent on interest, tax and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
Lease FX	No direct equivalent	Included within share of interest and tax of joint ventures and associates and net finance costs in notes 3 and 5 of the condensed financial statements	Lease FX (exchange differences on lease liabilities) represents the income statement impact of translating lease liabilities denominated in non-functional currencies (e.g. a USD denominated lease in Russia).
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to COVID-19 are also included. It is a measure to reflect the Group's performance on a comparable basis.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 11 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	No direct equivalent	A reconciliation of net cash flow is set out in the Financial Review (Section 5)	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
Retail profit	Profit before taxation	A reconciliation to profit before taxation is set out in the Financial Review (Section 5) and note 3 of the condensed financial statements	Retail profit is stated before central costs, exceptional items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the performance of our retail businesses.
Retail profit margin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately defined. Retail 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 exceptional items, divided by capital employed excluding historic goodwill, net cash and exceptional 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 (e.g. China).

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

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

France consists of Castorama France and Brico Dépôt France.

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

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, Russia, Screwfix Germany and Turkey (Koçtaş JV).

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

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

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK & 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 full year ended 31 January 2020. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the Group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended).

Certain information contained in this announcement may constitute "forward-looking statements" (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as "may", "will", "would", "could", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target", "plan", "goal", "aim" or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations and those of our Officers, Directors and employees concerning, amongst other things, the Company's results of operations, financial condition, changes in global or regional trade conditions, changes in tax rates, liquidity, prospects, growth and strategies, acts of war or terrorism worldwide, work stoppages, slowdowns or strikes, public health crises, outbreaks of contagious disease or environmental disaster. By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties that could cause actual events or results or actual performance of the Company to differ materially from those reflected or contemplated in such forward-looking statements. For further information regarding risks to Kingfisher’s business, please consult the risk management section in the company’s Annual Report (as published). No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements.

The Company does not undertake any obligation to update or revise any forward-looking statement to reflect any new information or change in circumstances or in the Company's expectations.