



ONE Kingfisher

2018/19 summary annual review

financial highlights

Sales¹

£11,685m
+0.3%

2018/19 **£11,685m**

2017/18 **£11,655m**

Retail profit²

£753m
(11.4%)

2018/19 **£753m**

2017/18 **£849m**

Underlying pre-tax profit³

£693m
(13.0%)

2018/19 **£693m**

2017/18 **£797m**

Adjusted pre-tax profit³

£573m
(16.1%)

2018/19 **£573m**

2017/18 **£683m**

Lease-adjusted return on capital employed (ROCE)⁴

9.7%
(70)bps

2018/19 **9.7%**

2017/18 **10.4%**

Full year dividend⁵

10.8p

2018/19 **10.8p**

2017/18 **10.8p**

Statutory pre-tax profit⁵

£322m
(52.8%)

2018/19 **£322m**

2017/18 **£682m**

Statutory post-tax profit⁵

£218m
(55.1%)

2018/19 **£218m**

2017/18 **£485m**

Basic earnings per share⁵

10.3p
(53.4%)

2018/19 **10.3p**

2017/18 **22.1p**

1. Financial Key Performance Indicator (KPI) and Alternative Performance Measure (APM).

2. Percentage change reported on a constant currency basis.

3. Alternative Performance Measure (APM). Percentage change reported on a reported currency basis.

4. Alternative Performance Measure (APM).

5. Statutory measure. Percentage change reported on a reported currency basis.

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Kingfisher at a glance

Kingfisher plc is a home improvement company with over 1,300 stores in 10 countries across Europe.

We employ 77,300†* people and nearly six million customers shop in our stores and through our websites and apps every week.

Our ambition is to become the leading home improvement company. We believe everyone should have a home they feel good about, so our purpose is to make home improvement accessible for everyone.

1,331*
stores

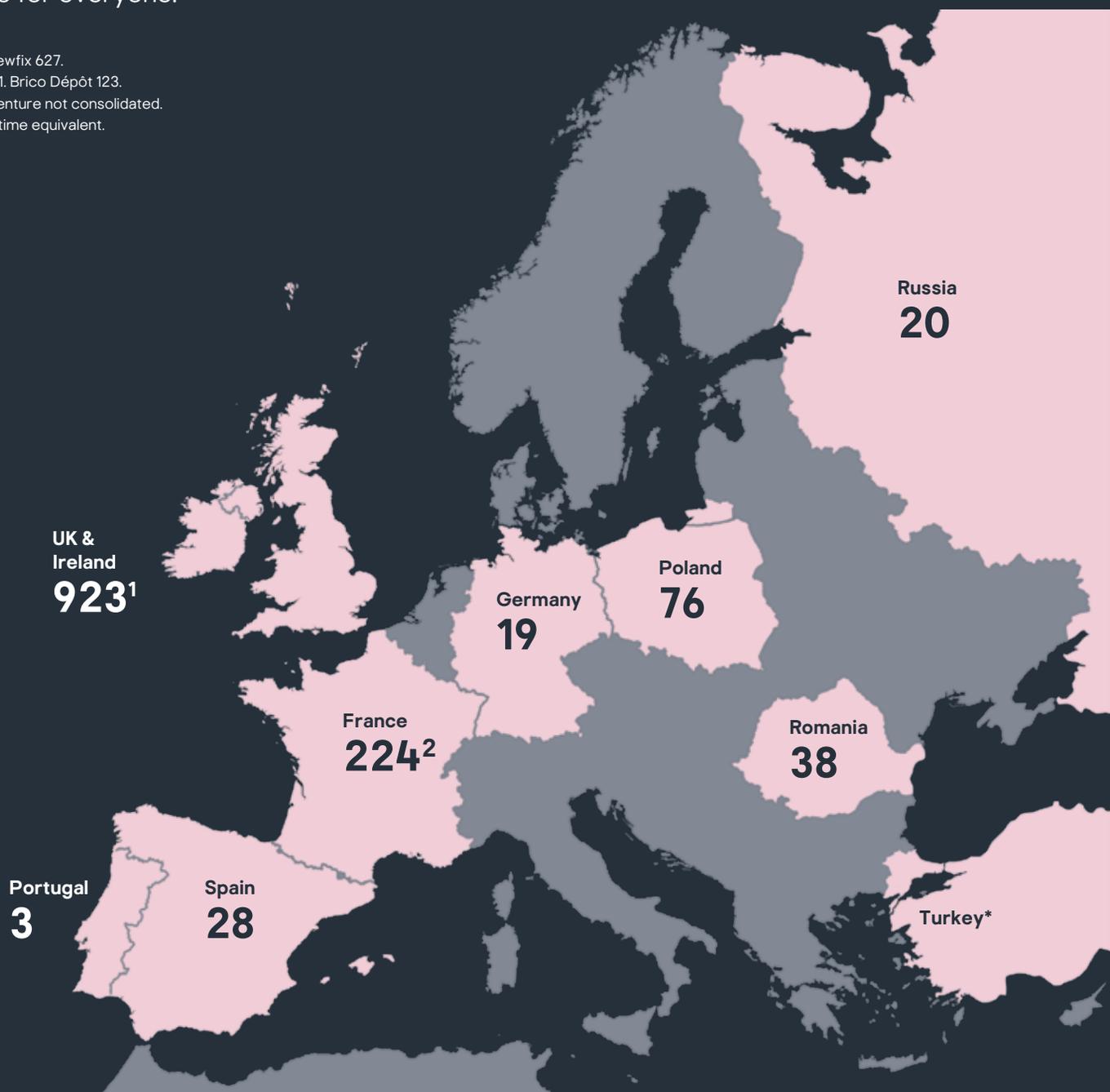
77,300†*
colleagues

1. B&Q 296. Screwfix 627.

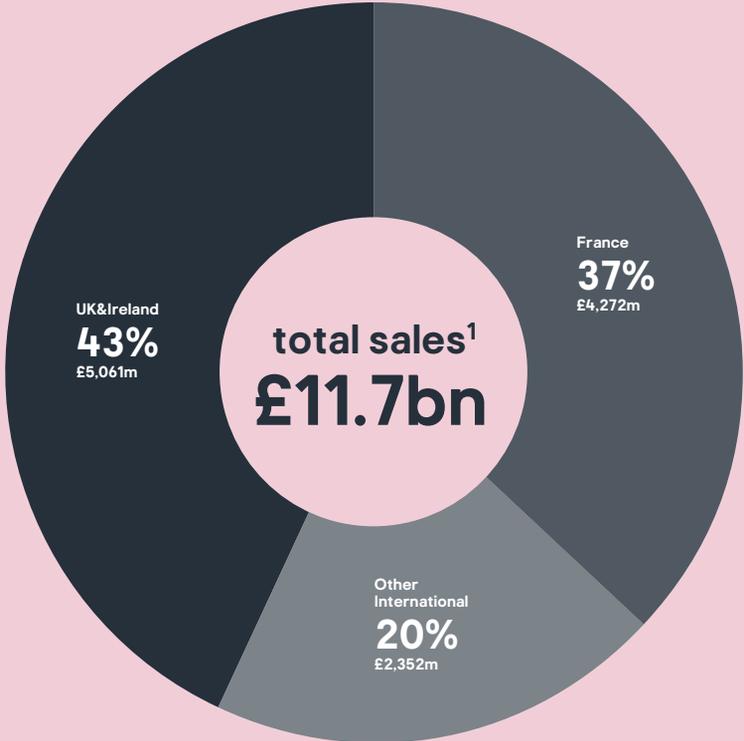
2. Castorama 101. Brico Dépôt 123.

* Turkey joint venture not consolidated.

† Total, not full-time equivalent.

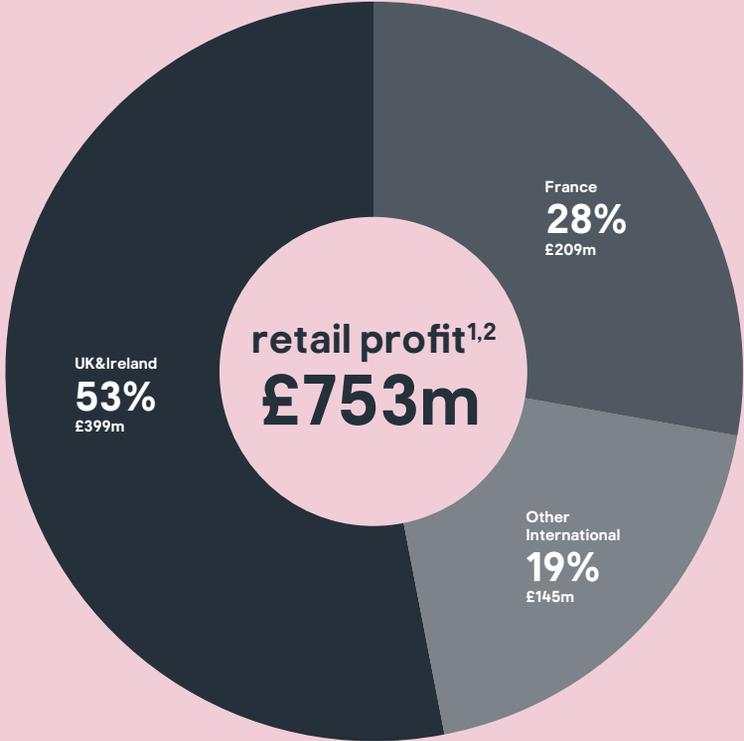


Total sales



1. Financial Key Performance Indicator (KPI). For prior year comparison, see inside front cover.

Retail profit



1. Financial Key Performance Indicator (KPI). For prior year comparison, see inside front cover.

2. Alternative Performance Measure (APM).



chief executive officer's statement

We are now three years into our ONE Kingfisher plan to make home improvement accessible for everyone. During this time, we have been building a powerful 'engine' that can drive sustainable and profitable growth for Kingfisher. As a result of the hard work and commitment of all Kingfisher colleagues, we have substantially delivered our strategic milestones for the third consecutive year.

As the Chairman has mentioned, the external environment has changed since we launched our plan in 2016. We are operating in an uncertain economic and political environment which has seen weaker GDP growth, commodity price inflation, wage inflation and most recently social unrest, for example in France. At the same time, retailing is undergoing its biggest shake-up since the Second World War. Consumer behaviour is changing and new competitors are disrupting the market, forcing all retailers to transform themselves in order to adapt to the new realities (see box on page 22). Transformation is not an option anymore, it is vital for the survival of any retail organisation.

As a result of the hard work and commitment of all Kingfisher colleagues, we have achieved our key strategic milestones for the third consecutive year.

We saw these changes coming three years ago and we are now fundamentally re-positioning Kingfisher for the long-term. This has required radical changes across the organisation, both structurally and in terms of ways of working. Not all the work we have done is yet visible to customers, but it has been essential plumbing work to create scale and momentum. For example, in the last three years we have moved from having nine different buying organisations across the business to a single Offer & Sourcing organisation, grounded in customer needs. Also, we conducted our business through locally tailored merchandising and pricing. Today, all our markets operate under an 'Every Day Low Price' strategy, in line with our purpose of making home improvement affordable for everyone, supported by consistent merchandising and in-store trading. We have substantially completed the implementation of a new IT platform across the business which is key to support a consistent seamless customer experience, whether in-store or online.

Transformation of that scale and at that pace is tough and we always knew it would not be an easy journey. We made some mistakes, we have learned from them and we are delivering against our plan.

In Offer, we now have unified over 40% of our sales, and sales and gross margins of our unified ranges continue to outperform our non-unified ranges.

In Digital, the implementation of our unified IT platform is substantially complete. Our e-commerce initiatives also continue to make good progress and digital sales account for 6% of the Group total.

We also delivered a further £42m of operational efficiency benefits in the year, of which £28m resulted from our unified Goods Not For Resale (GNFR) programme.

For the coming year, we have three very clear priorities for the business as we move into a new phase of our plan.

Our first priority is to finalise the initial phase of our transformation and to make everything we have done more visible to our customers. This will involve the introduction of more innovative unique products, the extension of improved digital services, new global marketing campaigns, while, at the same time, piloting new store formats. We will provide more details soon on these new activities.

Second, we will continue to expand Screwfix in the UK and open stores in the Republic of Ireland, on the back of an already successful online business. Elsewhere in Europe, we believe that there is opportunity for Screwfix to enter new markets with an online presence.

Finally, we will address the underperforming parts of our business, such as Castorama France, as well as some of our smaller markets and under-performing stores. In November, we announced plans to exit three of our smaller markets – Russia, Spain and Portugal in the coming financial year.

chief executive officer's statement continued

In March, we said we would be closing all 19 of our Screwfix Germany outlets, while retaining an online presence. While the majority of stores in our portfolio are delivering satisfactory returns on capital, certain stores are loss-making and achieving low returns. As a result, we are considering closing 15 stores across the business over the next two years, including 11 stores in France.

These changes will enable us to focus our transformation plan on our core markets of the UK, France, Poland and Romania.

At Kingfisher, our people are essential to the delivery of our strategic objectives. During the year, we started to roll-out our Home Improvement Academy, which trains our store colleagues to know everything about our exciting new offer. We also launched a careers portal and have fundamentally re-examined how we develop and sustain a diverse culture in which our colleagues can thrive. We continue to use the Colleague Experience Platform to get open and honest feedback from our teams. Kingfisher maintained an engagement score of 78 last year, above the retail average of 66.

65%

the proportion of Europeans who do a home improvement project each year

Last year, we launched our sustainable growth plan which sets out the next stage on our journey towards being a truly sustainable business, starting with what customers care about most; their families, their homes and their communities.

In summary, much of our focus over the last three years has been on building an engine to deliver a leading innovative customer proposition and the agility to succeed in the new retail environment. Our customers are already benefiting from it and we believe that this coming year will be another big step in making home improvement accessible for everyone and will bring Kingfisher closer to becoming the leading home improvement company.

Véronique Laury
CEO Kingfisher plc

Our market

The retail environment has been experiencing a revolution and the extent and pace of it is profound. In the UK alone more than 70,000 retail jobs were lost during 2018 and 3,000 stores closed in the year. The same thing is starting in France, and it is far from over.

The rapid growth of digital is bringing enormous change and accelerating customer behaviour changes. Today, customers are always connected and they are used to on-demand services, such as Uber or Spotify, that they can access when they want. Consumers have grown accustomed to almost unlimited choice that they can access online, from anywhere, at any time. And they expect a seamless experience, that is joined up between physical stores, online, or phone, and where they can switch between channels easily.

This has re-written the rules of traditional retailing. A retailer's success no longer depends on its ability to provide a huge number of products. It no longer depends on offering promotions. And the number of stores is less relevant now, unless you're developing a convenience offer. It is difficult for all retailers to adapt to this new paradigm and we can see the consequences being reported almost daily in the media. The only way to embrace these changes is to challenge our old beliefs.

The rules of traditional retailing are being completely rewritten

In the home improvement sector, the customer experience hasn't changed very much for the last 20 years. And yet we know the potential is there. People love their homes and will always spend money on them. The European home improvement market is worth £240bn, houses are old and therefore in need of improvement, and around two thirds of people did some sort of home improvement project last year. In addition, our research shows that customer needs are more similar than different. The potential is huge.

With our ONE Kingfisher plan we recognised these changes early and started fundamentally repositioning our business three years ago, so that it is equipped to deliver long-term sustainable growth. For us, this means accelerating our journey in order to become the leading home improvement company.

Véronique Laury
CEO Kingfisher plc

our transformation

In January 2016 we set out the financial targets of our transformation plan, with the intention for the transformation to deliver a sustainable annual profit uplift of £500m by the end of FY 20/21, over and above what the business would have delivered without the plan. The total expected cash cost of the transformation was £800m (P&L, exceptional and capex).

Three years into the five-year plan, we have significantly reorganised our business including establishing a single buying organisation, which is leveraging the scale of the Group, and implementing a unified IT infrastructure. For the third year in a row we have substantially delivered our

totalled £490m, and we anticipate the total cash cost of the transformation over the five-year period will be less than the £800m guidance.

'External' challenges have included weaker than expected economic growth in the UK, significant cost price inflation (commodity prices and FX) and higher wage inflation in the UK and Poland. 'Internal' factors, include transformation-related disruption and the underperformance of Castorama France. We have clear priorities for FY 19/20 and beyond, on which we provide more detail on pages 29-30 of the 2018/19 Annual Report.



strategic milestones, against the backdrop of profound changes in the retail landscape and an uncertain macroeconomic environment. We have unified 44% of our products (COGS) (exiting FY 18/19 at 50%) with the sales and margin from unified & unique ranges continuing to grow and outperforming our non-unified ranges. Our unified IT platform implementation is substantially complete and our digital sales continue to grow, now reaching 6% of the Group. And finally, our operational efficiency initiatives have delivered £100m of savings to date.

The transformation plan is delivering. After the first three years, the benefits from the transformation are in line with our initial plan. However, this has been outweighed by weakness in our base business, or 'business as usual' (BAU), due to a combination of 'internal' factors and 'external' challenges. Over the same time, a significant proportion of the costs to deliver the transformation has already been incurred, meaning that much of the 'heavy lifting' has been completed. We are now well positioned to benefit from future sales growth and will progressively start to see the benefits of operational leverage. To date, transformation costs (P&L, exceptional and capex) have

We continue to believe in the significant opportunity the transformation provides to grow sales, margin and returns. However, it is increasingly evident that separating transformation benefits (£500m profit uplift in FY 20/21) from the rest of the business (BAU) no longer reflects how we manage the business. Having established a single buying organisation, unified half of our offer, and substantially implemented our unified IT platform, transformation and business as usual are increasingly indistinguishable.

We are therefore targeting the following financial outcomes for the Group over the medium term, which combine market dynamics with our initiatives to drive profitable growth:

- Growth in ongoing Group sales
- Higher gross margin
- Higher retail profit
- Higher ROCE

See chart below

Medium term targets

FY 15/16 to FY 18/19	FY 19/20	FY 20/21 – FY 21/22	Medium term
Achieved critical mass of transformation	Complete the building of the engine	Continue to drive Offer and Digital benefits	Sales ¹ ▲
	Ongoing operational efficiency benefits		Gross margin % ▲
			Retail profit ▲
			ROCE ▲

1. Ongoing group sales.

our ambition and our purpose

People want to cherish where they live and are willing to spend time making their homes better. But the home improvement journey can be a nightmare for people, with many barriers – ideas, cost, time, skills, or just everyday life – getting in the way.

We have visited thousands of homes across Europe, watching how people live and listening to our customers. We were excited by what we learnt. People's home improvement needs are more similar than different. People are brave and resourceful. They are willing to try, to learn and to do more in the home.

There is so much untapped potential. If we can simplify home improvement, make it more accessible and harness the knowledge and passion of our people, then we can play an important part in challenging the status quo and make a real difference to our customers.

ONE Kingfisher – with One ambition and One purpose

We chose to change. We chose to line up our collective strengths behind one clear purpose: to create good homes by making home improvement accessible for everyone. Being accessible means delivering the right solutions at the right time with great quality and consistently fair and affordable prices. We know that even the smallest project can make a big difference. If we can create affordable, well-designed products and share our knowledge with our customers, then we can help people make a house a home. Help them turn the place they live into the place they love. We can only do this with our 77,300 colleagues, working together towards one ambition: to become the leading home improvement company.

Pursuing our ambition means operating in a totally different way

ONE Kingfisher means we collaborate and do things together once. By working together and bringing together all our talents, we can make millions of people happier in their homes. Our customers are everyone wanting to improve their home. And those who help them – friends, family, expert home improvers and professionals. From inspiration to installation. From building to maintenance. We know how to remove hurdles, how to simplify things for customers and help them find the solutions they need. By doing this, we make home improvement accessible to millions of people.

We're one team with a common passion for home improvement. Just as we want our customers to love where they live, we want our people to love where they work. So, we've made a promise to our colleagues. We want our colleagues to develop, grow and thrive with us. We want to be an employer that allows colleagues to get more out than they put in, that helps them build skills for life and enables them to be themselves.

We use technology to create a seamless customer experience. Making it easy for customers to move from online to store. Or store to online. Making it easy for us to share our expertise with one click or one visit. From ideas and advice to planning and installation, when our customers get stuck or lost, we'll be there to answer their questions. And we'll complement our improved digital capability with stores that offer inspiration and support for customers, as well as ultimate convenience.

We have already unified over 40% of our ranges – making these products available to our customers at everyday prices that they can trust. By doing this we're developing deeper collaborations with fewer suppliers, in a simpler supply chain.

We are more than just a retailer selling other people's products. We're designing and developing our own innovative product ranges. We excite customers with these new ranges that are unique to us.

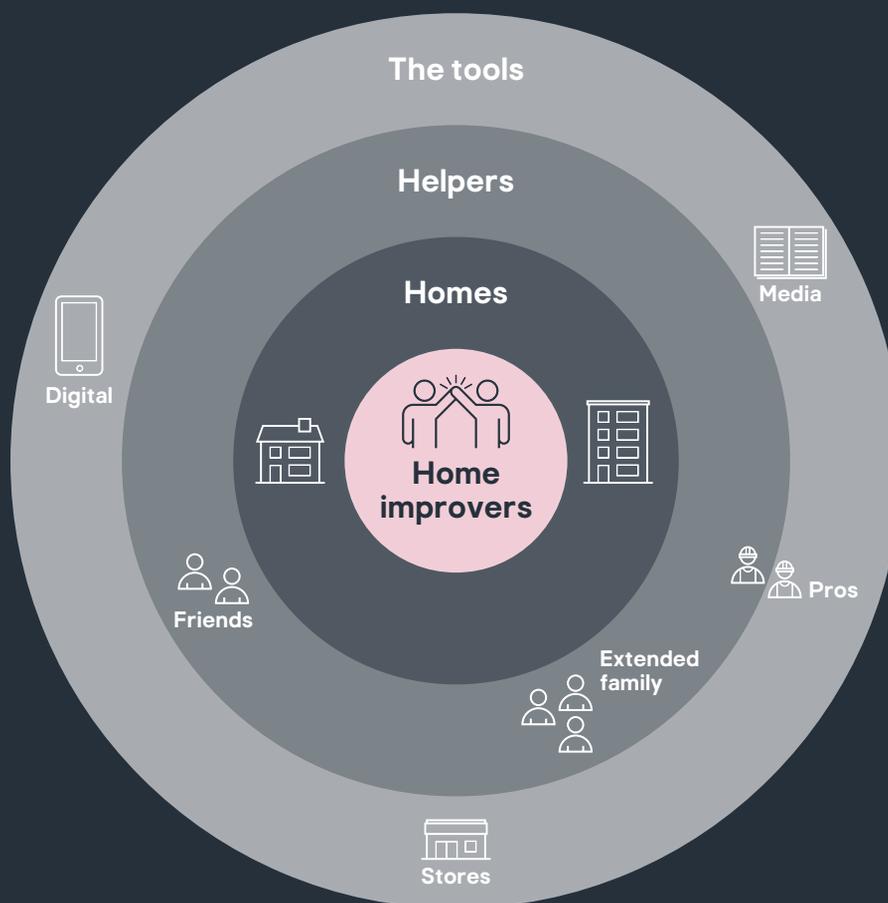
And we build in sustainability everywhere. We start with what matters most to our customers, our colleagues and our communities. We help people save money by saving energy and water. To live smarter by getting more from less, by re-using or using longer.

We are a purpose-driven organisation, meaning we are becoming a better employer for our colleagues; a better partner for our suppliers and communities; providing a better experience and more relevant offer for our customers; and by being a more valuable investment proposition for our investors.

We are aiming to create a leading, innovative home improvement company. One that is people-driven, international and standard-setting. A company that helps create good homes by making home improvement accessible for everyone.

our home improvement ecosystem

Our market is a large ecosystem, rather than traditional, separate segments.



Home improvers

Our customers are the millions of home improvers who want to improve their homes; whether they be an owner or a renter, whether they live in a flat or a house, whether they have a garden or not. Some of them have home improvement skills, some don't. Some of them have money, some less so.

Homes

At the heart of our customers' lives are their homes. It is where they raise their families, see their friends and express themselves through design and decoration.

Helpers

Outside help is often needed to get things done right, especially for bigger jobs or where people lack skills or confidence. This is when they call on their helpers. This could be the family member or neighbour who is willing to get involved, or a professional tradesperson.

The tools

A home improvement project invariably starts with digital inspiration, such as finding ideas online, watching 'how to' videos, comparing prices and using planning tools, to touching and testing products and seeking advice and support from colleagues in stores.

progress against our strategic milestones in year 3

We have substantially delivered our strategic milestones for the third year in a row

Unified & Unique offer

- Unify 40% of product (cost of goods sold (COGS))
- Deliver growth in unified & unique sales and gross margin

Unified & Unique offer

We are unifying our offer, with the same products, available to all our customers. This is delivering customer benefits (newer products, higher quality, better sustainability, lower prices, simpler ranges, clearer merchandising and better packaging) alongside business benefits (higher sales, fewer SKUs, fewer suppliers, cost price reduction (CPR) and improved processes).

Unifying ranges means rationalising the number of global SKUs and suppliers whilst improving the quality and functionality for our customers and leveraging our scale. This generates cost price reduction and better prices for customers. Products are unified across the whole range; from selling the same product in all our markets to having some customer driven market adaptations where needed. Unified includes our own exclusive brands alongside international and national brands.

Unique ranges are those which we have developed ourselves to provide differentiation for customers. These ranges are not available elsewhere and are always sold under our own exclusive brands. Instead of buying products off the shelf from suppliers, we are designing the ranges ourselves based on our deep customer insights.

Our 2018/19 strategic milestones were to:

- Deliver growth in unified and unique sales and gross margin
- Unify 40% of product (cost of goods sold (COGS))

In 2018/19, we achieved unification of 44% of products (COGS), ending the year at the rate of 50% unified. We have significantly reduced our number of global suppliers and SKUs on ranges that have been unified to date, while still offering customers similar breadth of choice.

In 2018/19 we continued to implement new ranges including additional outdoor products, doors, indoor and outdoor lights, nails, bolts and screws and glues. Sales of our unified & unique ranges continue to outperform non-unified ranges. Sales of unified & unique ranges including clearance, were up 1.3%¹ compared to last year and sales of non-unified ranges were down 1.8%¹.

Digital

- Deliver final year of unified IT platform roll out alongside better e-commerce
- Complete e-commerce roll out in France and Poland
- Market launch of first home improvement services in UK and France

Operational efficiency

- Deliver a further £30 million of benefits from unified GNFR programme
- Implement finance shared services in at least two Operating Companies

Retail operations

- Maintain higher than average retail sector colleague engagement scores

During the year, for unified & unique ranges, we achieved growth in four of the seven key categories and gross profit uplift in all seven (five at H1 2018/19). Growth in unique ranges, such as the new bathroom furniture and shower ranges, is ahead of unified ranges, however the mix of ranges implemented to date is weighted towards unified. For example, sales of unified & unique bathroom and storage increased by 5.0% whereas total sales for this category were up 1.1%.

Since the start of the plan, cumulative gross margin for unified & unique has increased by 230bps, after cost price inflation and price investment (before clearance and the impact of logistics and stock inefficiencies).

In 2018/19, gross margin for unified & unique ranges increased by 120bps year on year. This uplift was on the 44% of COGS that have been unified, contributing 50bps to the Group gross margin movement in 2018/19. Clearance costs were flat year on year.

1. In constant currency including clearance, excluding Praktiker Romania, Screwfix Germany, Brico Dépôt Portugal and services.

Giving customers the best prices, everyday

As part of Kingfisher's purpose to make home improvement accessible for everyone, we have rolled out an "Every Day Low Price" campaign. In their 50th anniversary year, B&Q in the UK and Castorama in France, have simplified their prices to make them transparent. This means reducing the use of short term pricing deals and discounts. The stable, low prices have been made possible by Kingfisher's unified buying programme, which enables the business to buy product ranges at better prices from suppliers and pass those benefits on to customers.

B&Q invested over £100m in lowering more than 3,000 prices. This meant an average saving of 15% on these products. In France, Castorama invested €70m in lower

prices in October last year, as part of a promise to offer stable low prices, and make home improvement more affordable.

Christian Mazauric, Kingfisher CEO of France said: "Our customers need reliable benchmarks. When they go to a home improvement store, they have few price comparisons. Promotions blur things and consumers are lost. That is why we are committed to offering them quality products at a stable low price throughout the year, to enable them to carry out all their projects."



Last year we launched Every Day Low Price campaigns to make home improvement more affordable for customers, every day.



our progress continued

Digital

Implementation of a new unified IT system is a key enabler of our transformation plan. It is providing the foundation to deliver a seamless and stronger digital offer for our customers, and to increase sales and digital penetration.

Our 2018/19 strategic milestones were to:

- Complete the final year of the unified IT platform rollout
- Complete e-commerce rollout in France & Poland
- Market launch of first home improvement services in UK & France

This involves continuing to invest in our core e-commerce platforms, enabled by the new unified IT infrastructure, and leveraging our Screwfix best-in-class capability. This includes upweighted digital marketing, improved site search, new checkout and launching new mobile sites.

Our unified IT platform rollout is substantially complete and our e-commerce initiatives continue to make good progress. Digital sales grew by 17% and now account for 6% of the Group sales, double the level at the start of the

transformation plan. Click & Collect sales at B&Q grew by 42% year on year, mainly driven by the rollout of the one-hour Click & Collect service which went live in the second half of 2017/18.

We continued to invest in our core e-commerce platforms, enabled by the new unified IT infrastructure. This included in B&Q, the first phase of the 'next generation' e-commerce platform, improved site search, new checkout, as well as launching new mobile sites and upweighted digital marketing. In France, we launched a new castorama.fr website in January 2018. We are encouraged by the increase in conversion seen to date and continue to work on further content development to enhance the overall customer proposition.

We also continued to develop our digital home improvement services tools including the bathroom planner tool, which is integrated into the B&Q website. Since launch it has attracted 255,000 unique users. The bathroom planner tool was also launched in France and is now integrated into the castorama.fr website.

Screwfix – going from strength to strength



Screwfix opened its 600th store in September 2018, as the business continued its highly successful growth and further enhanced its reputation as one of the fastest-growing retail businesses in the UK. The new store, in Hertfordshire, means that Screwfix has expanded its network of stores from 138 to 627 over the last 10 years. Sales have trebled in that period, from £492 million in 2008/9 to £1.7 billion during the year.

This growth has been based on Screwfix's relentless focus on its customers and making everything as convenient for them as possible. The aim is to help busy tradespeople, such as builders and plumbers, to get the job done, quickly and affordably, with great choice and value. Screwfix has opened 50 stores a year on average for the past eight years, meaning that 97% of the UK population are within a 30-minute drive from their nearest store. Its store network is visited by 8.5 million customers a year.

In addition to its stores, Screwfix's digital offer is one of its biggest strengths. Its easy-to-use website has 5 million unique visitors each week and its Click & Collect service is one of the fastest around, with customers able to pick up their orders in as little as one minute. This service has already received more than 27 million orders. Click & Collect orders have grown by 23% year-on-year and 90% of orders placed on a mobile device are for Click & Collect. Screwfix's best-in-class digital capabilities are also a valuable source of expertise for Kingfisher as the business develops its e-commerce platforms in its stores and back-office systems in its major markets.

In March 2019, Kingfisher announced the next phase of growth for Screwfix. These include plans to increase the target number of UK stores from 700 to 800. Screwfix will also look to enter new markets, starting with the Republic of Ireland.

Operational efficiency

We are delivering operational efficiency benefits through several initiatives, including unifying our annual spend on GNFR. This programme is a combination of cost savings together with an opportunity to work in a simpler and more effective way across the business.

Our 2018/19 strategic milestones were to:

- Implement finance shared services in at least two Operating Companies
- Deliver £30 million of benefits (from the unified GNFR programme and other efficiencies)

In 2018/19 we delivered a further £42 million of operational efficiency benefits, of which £28 million resulted from our GNFR programme including categories such as building services, professional services and energy consumption. The remaining £14 million of benefits arose from restructuring activity at B&Q and France. We implemented finance shared services in three Operating Companies (B&Q, Castorama France and Brico Dépôt France) using our shared services centre in Krakow, Poland.

Cumulatively, we have delivered benefits of £100 million, of which £86 million resulted from our GNFR programme.

Clear priorities for 2019/20 and beyond

1. Complete the building of the 'engine'

We will continue to implement our transformation plan in 2019/20 to complete the building of our 'engine'.

Having achieved a critical mass of unified products, we are placing much greater emphasis on developing more unique product in order to drive sales growth which, in conjunction with the delivery of cost price reduction on unified COGS, should drive gross margin uplift.

In 2019/20 we will complete a further rollout of our unified IT platform, which will unlock additional operational efficiencies. Enabled by the new IT infrastructure, we are planning to launch 'next generation' e-commerce capability in all remaining markets, as well as developing further digital services to support customers' home improvement projects.

Having successfully established finance shared services in Krakow, Poland, we plan to implement these services for further Operating Companies in 2019/20.

2. Make our innovation more visible to customers

Our aim is to differentiate ourselves from competitors by leveraging our in-depth knowledge of our customers' lives, homes, improvement projects and style preference. We are focused on applying this knowledge to help customers realise their entire home improvement projects.

To enable this, in 2019/20 we will:

- Accelerate the design and development of our own unique and differentiated product;
- Deliver a series of global and coordinated marketing campaigns;
- Reinforce our everyday low price proposition;
- Launch new digital planning and design tools;
- Upskill our store colleagues;
- Trial innovative new store concepts; and
- Develop new in-store services.

Investing in our people gives them the expertise to fully understand the needs of our customers and their home improvement projects. Our Home Improvement Academy provides relevant product training and project knowledge, through seminars, practical sessions, and situational role plays, both in person and through digital channels, to help our store colleagues become range ambassadors and take information and ideas back to their stores. In the future, we aim to provide similar resources to customers both in-store and through our digital channels.

During the year we will be testing innovative new store concepts. Initially, these will focus on France and the UK.

our progress continued

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

In France, whilst Brico Dépôt's sales and gross margin improved, with clear benefits from the transformation plan, Castorama's performance has been weak, due to lower footfall, price repositioning and transformation-related activity (including logistics and stock inefficiencies). While there is no quick fix, the new management team has implemented a recovery plan that we expect to deliver a sustainably improved performance:

- In the second half of FY 18/19 Castorama accelerated its move to an everyday low price (EDLP) strategy. Price positioning has improved over the year and is now only slightly higher than the market;
- Progress was made in reducing Castorama's stock position which is helping to address logistics & stock inefficiencies;
- Variable cost reduction initiatives were implemented including a 5% reduction in employees (FTE) (FY 18/19);
- The rollout of our unified IT platform is substantially complete;
- In 2019 Castorama will benefit from new unique ranges, increased customer marketing and an improved digital experience.

These actions are ongoing and the benefit is still to be realised. Encouragingly, customer perception has improved at Castorama, with net promoter score (NPS) showing a clear increase in the second half of FY18/19.

Closing underperforming stores across the business:

Whilst the majority of stores in our portfolio are delivering satisfactory returns on capital, certain stores are loss making and achieving low returns. As a result, we are considering closing 15 stores across the business over the next two years. These stores are a combination of owned and leased properties and the estimated cash costs of exit are expected to be covered by sale proceeds from the owned stores.

Focusing on markets where we are, or can be, leading:

At Q3 we announced the strategic decision to exit Russia and Iberia to focus on markets where we have, or can reach, a market leading position. Those exit processes are ongoing. Further, we have taken the decision to close all 19 of our Screwfix Germany outlets, while retaining an online presence. These outlets are expected to close in FY 19/20.

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

Screwfix has achieved very strong growth over the last five years with compound annual sales growth of 20%. Its success is rooted in its customer focus, digital capability and convenience proposition. At the end of FY 18/19 Screwfix UK had 627 outlets (nearly double the number five years ago).

In FY 19/20, Screwfix will strengthen its overall customer proposition and extend its store plan in the UK. We are now targeting approximately 800 outlets in the UK, having previously targeted 700.

We also remain confident that the Screwfix model will work in markets outside of the UK. In 2019 Screwfix plans to open outlets in the Republic of Ireland. The choice of entering this market is a result of Screwfix's strong existing online presence and similarities in customer behaviour with the UK.

Screwfix's experience in Germany highlighted the importance of staying true to its core model and of extensive testing. We are embedding this experience into our plans and conducting extensive validation for market entry opportunities in France and Poland, initially via an online presence. These are both markets where the Group has existing scale, infrastructure and in-depth market knowledge.

Strategic milestones for the year ahead

Offer

- Deliver growth in unified & unique sales and gross margin
- Demonstrate improvement of our customer proposition

Digital

- Deliver digital sales growth
- Complete common digital platform implementation in all Operating Companies

Operational efficiency

- Deliver further benefits from operational efficiencies

Retail operations

- Trial new concept stores
- Maintain higher colleague engagement scores than retail sector

Summary and outlook

The building of Kingfisher's 'engine' is now nearing completion. We have now reached a critical mass of both unified product and the rollout of our unified IT platform, whilst unlocking significant operational efficiency benefits. We have also fulfilled our commitment to return £600 million via share buyback over the first three years of the transformation plan, in addition to ordinary dividends of £692 million over the same period.

During 2018/19, our financial performance was mixed due to a combination of internal challenges and the external macroeconomic environment. The UK, Poland and Brico Dépôt France performed well, leveraging the benefits of our transformation, and at a Group level we delivered solid gross margin progression in the second half of the year. However, the performance of Castorama France has been disappointing and we are in the process of implementing a clear plan to sustainably improve its results.

In Q3 we took the decision to exit Russia and Iberia to focus on markets where we are, or can be leading. We are also considering the closure of 15 underperforming stores across our business over the next two years and have taken the decision to close all 19 of our Screwfix Germany outlets, while retaining an online presence. Screwfix's leading omnichannel proposition has consistently delivered strong growth in recent years and we have identified additional expansion opportunities in both the UK and in new markets, initially in the Republic of Ireland.

Our customers are starting to benefit from differentiated product, in store and online, at everyday low prices. Over the next year we will be strengthening our customer proposition by accelerating our unique product launch and development activity and testing new store concepts in order to make our innovation more visible to customers. As we enter 2019/20, the outlook by country is mixed. The UK market remains uncertain and we are mindful of softer housing market activity in France. In Poland the market remains supportive. Longer-term, we are positive about the outlook for the home improvement sector and are focused on delivering growth in sales, margin and returns over the medium-term.

our people

a workplace we can call home

Our people strategy is at the heart of what we do. We want to ensure all our colleagues get back more than they put in and gain skills for life in a place where they can be themselves and be at their best.

Just as our customers' ways of shopping are evolving, our colleagues' expectations are also changing. We have been focusing on the moments that matter for colleagues, as they join us, as they contribute in their daily roles, as they grow and develop and even as they contemplate moving on.

Key developments in the year are as follows:

Sharing and attracting talent

We rightly spend a lot of time thinking about customers. We also spend as much time thinking about colleagues. We recognise that our colleagues are what will make the difference as we work towards our ambition of becoming the leading home improvement company. We want to be an employer that provides a place where you can be yourself, builds skills for life, asks you to give a lot, but gives you even more back. We have launched a careers portal where colleagues and candidates can access all our opportunities across Kingfisher in one place. We have also fundamentally re-examined how we develop and sustain a culture in which our colleagues can thrive.

Alongside this, in line with our transformation we have continued to work on unifying our people policies, processes and reward policies to ensure equality and fairness, consistency and effectiveness across the board, and to achieve efficiencies where we know that working together makes more sense than working separately.

Giving colleagues skills for life

We have the ability to make a difference for colleagues, customers and the community because everyone deserves to have a home they feel good about. So last year we launched our Home Improvement Academy that will enable us to give customers and colleagues skills for life. It's more than just about going to work. It's about coming to learn and coming to grow, to grasp opportunity and to develop.



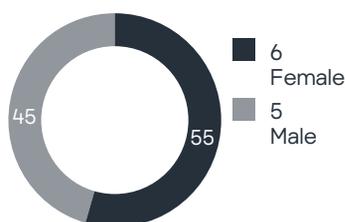
Through digital and physical learning experiences we are equipping store colleagues with the confidence and expertise they need. Colleagues are being trained to understand why customers are coming to us, how they plan on tackling their projects and what they need to help them succeed. To support this, we have created a new online space which will have everything colleagues need to know about customer needs, projects, products and services. This went live at the end of February 2019 alongside the launch of our Home Improvement Academy events that are attended by colleagues from all around our organisation.

We have also continued to grow our partnership with London Business School to secure first class support in developing our leadership development initiatives in support of us delivering our talent goals.

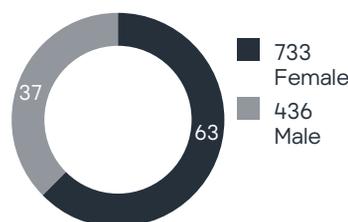
To help colleagues build their careers, we have continued to offer a range of programmes to support them in stores and head offices. Some of these programmes in 2018/19 included:

- Castorama and Brico Dépôt France work in partnership with universities and business schools to recruit apprentices for store-based undergraduate and Master's degree placements. In 2018/19, 632 apprentices were recruited across both businesses.
- B&Q's apprenticeship programmes offer eight standards to over 800 colleagues, providing in-role development that will stretch, challenge and develop them helping our colleagues to be the very best they can be. The retail team leader Level 3 has 368 colleagues going through the scheme. They

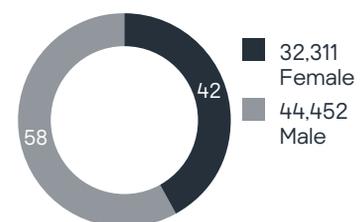
Total Board (%)



Total Senior Management (%)



Total Workforce (%)





are currently in an enrolment period for three new programmes for store colleagues and have over 400 colleagues currently approved to enrol. This number also includes head office apprenticeships in HR and Finance.

- Screwfix supports over 800 colleagues annually to enable them to progress within the business. In 2018 Screwfix introduced its first apprenticeship programmes and now has 300 colleagues on its 'Trade Up' programmes completing Level 3 and Level 4 Retail apprenticeships.
- Castorama Poland's 'Leaders' School' prepares colleagues for Store Director or Administration and Logistics Director roles with eight participants being promoted since October 2018. Its 'Captain's School' is aimed at preparing colleagues for Department Manager roles. In January 2019, 86 colleagues enrolled in the second group.
- In addition to the schemes above, Kingfisher has offered leaders from across the business the opportunity to join two experiential and highly transformative programmes: The Advanced Leadership Development Programme and Leadership Development Programme. To support leaders and colleagues through complex change, a series of learning workshops and a one-day programme have been designed and delivered to over 200 participants.

A place where you can be yourself.

Our customers are all different and that's one reason why we recruit people from over 130 countries with a variety of backgrounds, skills and experiences. We see diversity as a strength and that is why we are committed to being a fair and diverse employer. We have trialled a number of initiatives including changing how we write job adverts; reviewing parental benefits and making more senior jobs open to flexible working and reduced hours. We have invested in helping leaders understand the importance and benefits of building inclusive teams and understand the concept of unconscious bias. In 2018, we developed a Group Wellness Framework with the aim of supporting colleagues to thrive at work. We will further develop this across the company this year.

Our second gender pay report was published in February 2019 (see www.kingfisher.com/genderpayreport2018). We have also reviewed the gender pay gap using a simplified methodology across all our geographies, and this data will be used across the business when reviewing pay to ensure our reward is fair for all colleagues (i.e. not just those covered by the reporting regulation in the UK). We are members of the 30% Club and are committed to its principles of better gender balance at all levels of companies.

Bringing colleagues on the journey with us

Ensuring colleagues remain engaged as we continue our transformation plan is very important to us. It is vital that colleagues get a say in what the future of Kingfisher looks like and so ONE Future workshops were held, across all market stores and head offices, to gain insight into what our colleagues felt the store of the future should look like, the colleague's role and the customer experience. This was the first campaign of its type and gathered 520 ideas with 3,500 votes from colleagues who voted for their favourite idea.

We also continue to use the colleague experience platform we launched last year to enable the business to get open and honest feedback from colleagues. Despite challenging trading conditions and internal restructuring, Kingfisher maintained an engagement score of 78 last year, remaining above the retail average of 66.

new careers website and portal launched:



1. Internal careers portal

All market and global function vacancies can be accessed through one portal at any time through any device. Over 1000 colleagues a week are searching for opportunities across the group.

2. Careers website

Kingfisher's first standalone careers website was launched, showcasing the reasons to come to work at Kingfisher and featuring all of the market and global function careers opportunities in one place. Since launching the new careers website, traffic has increased by over 50%, with two thirds of visitors being new each month.

<https://careers.kingfisher.com>

helping make homes more sustainable

Our Sustainable Growth Plan focuses on the sustainability issues that are most material to our business and our customers. We have set 12 targets and we monitor our progress using a range of key performance indicators. These are supported by a set of sustainability policies. Together, they enable us to reduce any negative impacts and to make progress towards our long-term goal to be a net positive business.

How we performed in 2018/19

Our sustainable home products help customers create good homes while having a positive or much lower impact on people and the environment.

We use our Sustainable Home Product Guidelines, developed with experts Bioregional, to help us improve the performance of our ranges. Our target is for 50% of sales to come from products that help create a more sustainable home by 2020. We use our guidelines to help us achieve this. We fully updated the Guidelines in 2018, to make them easier to use and we published them on our website too. <http://www.kingfisher.com/shpguidelines>

Progress towards our four big Sustainable Growth plan Goals:

1: Save money by saving energy and water

We're helping customers enjoy efficient and comfortable homes through products that save energy and water.

By 2025 we will enable customers to achieve a 50% reduction in energy and water use in their homes through our energy and water saving products. Our most recent data shows an estimated reduction of over 30% in home energy use, enabled by our current energy saving products, and an improvement of over 40% in home water efficiency, enabled by our current water saving products.

We have set an ambitious target to reduce carbon emissions in our business, products and supply chain in line with the Paris Climate Agreement. This has been approved by the independent Science Based Targets initiative. It will see us reduce Scope 1 and 2 emissions from property and transport by 22% in absolute terms by 2025, compared to 2016; and reduce Scope 3 emissions from the supply chain and customer use of products by 40% per £million turnover by 2025, compared to 2017. This builds on our progress to date in achieving a 15% cut in our absolute carbon footprint since 2016/17.

Information about our approach to climate change risks and our carbon footprint data is on page 102-103 of the 2018/19 Annual Report.

2: Live smarter by getting more from less, re-using or using longer

By 2025 we have a target to create 20 product ranges or services that help customers and our business get more from less, reuse or use longer. We now have a total of five product ranges or services that achieve this target. In addition to easyGrow bedding plants, pro-Grow compost and the Green Pallets scheme, this year we also



have Métisse insulation made from recycled textiles and our Safe By Nature plant food range. In our business we also aim to achieve zero waste to landfill by 2020 and to recycle 90% of our waste by 2025, and we are working hard across all our markets to achieve this.

We have a target to ensure the sustainable management and efficient use of key resources by 2025 including 100% responsibly sourced wood and paper by 2020. We continue to work to ensure that all wood and paper in our products and goods not for resale complies with the responsible sourcing criteria in our Wood and Paper Policy. We are also developing roadmaps to reduce impacts associated with other key materials in our supply chain, such as cement and plastic.

3: Create a healthier home and connect with nature

In 2018/19, 6% of sales came from products that enable customers to create safer, healthier homes and connect with nature. Our target is 20% by 2025. To meet this, we're expanding our ranges that help our customers to enjoy healthy, toxin-free homes.

Within our business we have identified high priority chemicals that we will phase out and we are working with suppliers to progressively remove them from our supply chain processes, materials and products. For example, we have committed to phase out phthalates, PFCs and halogenated flame retardants from own-branded products by 2025.

4: Be part of a community that helps millions more people improve their home

For people in difficult circumstances, such as those living in poverty or who are isolated or vulnerable, having a good home can seem impossible.

In January 2018 we began implementing a market-wide community strategy to ensure all our activities focus on home improvement, in line with our community policy which will enable us to reach our goal. Additionally, we are working to implement partnerships with local charities and engaging with a broad range of community groups at the heart of our communities.

During the year we have launched major strategic partnerships in our core markets including Fondation Abbé Pierre in France, and have continued working with Shelter in the UK to help improve housing for those in need. In Poland we have been working with Piękne Anioły, providing materials to help renovate the homes of single mothers.

To date, our community contribution towards projects relating to home improvement was worth £2.3 million in 2018/19. Over 60,000 people have directly benefited from our community contributions.

Human rights

We respect human rights and aim to positively promote and support the human rights of our colleagues, workers in our supply chain and others affected by our business activities.

Our Human Rights Policy sets out our commitment to regularly review human rights' risks and to implement controls to mitigate them. Our Modern Slavery Working Group meets three times a year, to oversee due diligence and disclosure on human rights and modern slavery. It has agreed an action plan including internal training, supplier training, supplier ethical risk assessment and audit.

Our key focus is on human rights in our supply chain where we are building closer relationships with a smaller number of suppliers who share our values and ethical standards. Our target is to ensure suppliers meet our ethical and environmental standards by 2020. We assess progress through a programme of ethical audits. Nearly 1,000 production sites that supply us with finished goods have had an ethical audit in the past two years. We are involved in initiatives promoting responsible sourcing in the wider supply chain, such as the TFT Responsible Stone programme.

For further details and performance data, see our Modern Slavery Act Transparency Statement (www.kingfisher.com/Modern-Slavery).

The information set out on page 65 of the 2018/19 Annual Report provides a summary of how the Board has engaged with stakeholders, in accordance with their duties under section 172 of the Companies Act 2006.

Governance of sustainability and non-financial risks

Our Group Sustainability Committee (GSC) leads and oversees delivery of our sustainability strategy and reviews risks and opportunities. It monitors performance against our targets and takes action to address any gaps. The GSC includes senior executives from our functions and Operating Companies. It meets at least twice a year. The Board receives regular updates about our performance and sustainability risks.

We also have an advisory panel with two external experts who provide our senior leaders with challenge, advice, and guidance on sustainability.

Further information will be available in our Sustainability Report, published later in 2019.

cutting water use in the bathroom

As we launch our new unified ranges, we're building in sustainability – so our customers can make sustainable choices without having to think about it.

Our new bathroom ranges are one example. Almost all bathroom taps now have a maximum flow of 8 litres per minute, compared with up to 12 litres in previous ranges. By reducing water use, they help customers save money on their energy and water bills. We've redesigned our toilets too so they're all water-efficient and include a dual flush feature.



Kingfisher plc

3 Sheldon Square
Paddington
London W2 6PX
+44 (0)20 7372 8008
www.kingfisher.com



castorama -



SCREWFIX

