This announcement contains inside information

Wednesday 20 November 2019: Q3 trading update to 31 October 2019
Sales of £3.0 billion, down 3.2% in constant currency; LFL[1] down 3.7%

Financial highlights

	Sales 2019/20 £m	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
UK & Ireland	**1,297**	**+0.4%**	**+0.4%**	**(1.0)%**
- B&Q UK & Ireland	820	(3.5)%	(3.5)%	(3.4)%
- Screwfix	477	+7.9%	+7.9%	+3.7%
France	**1,041**	**(6.0)%**	**(6.2)%**	**(6.1)%**
- Castorama	541	(5.7)%	(6.0)%	(6.0)%
- Brico Dépôt	500	(6.2)%	(6.4)%	(6.1)%
Other International	**617**	**(4.9)%**	**(5.4)%**	**(5.2)%**
- Poland	382	(1.4)%	(0.8)%	(3.2)%
- Romania	68	(2.3)%	(0.6)%	+6.1%
- Iberia[2]	80	(7.9)%	(8.2)%	(8.2)%
- Russia	87	(14.7)%	(20.0)%	(14.2)%
Total Group	**2,955**	**(3.1)%**	**(3.2)%**	**(3.7)%**

Summary

- Q3 total sales down 3.2% in constant currency.
- LFL down 3.7% reflecting continuing disruption from new range implementations, lower promotional activity and ongoing operational challenges in France, and softer market conditions in our main markets.
- As highlighted at half year results, initiatives to improve performance sustainably at Castorama France underway with key focus on IT effectiveness and supply chain efficiency.
- Continue to expect full year Group gross margin % after clearance to be flat[3].

Thierry Garnier, Chief Executive Officer, said:

“In my first eight weeks at Kingfisher I have immersed myself in our operations, listened to colleagues, visited stores and met with our customers and suppliers. I am proud to be leading a Group with strong assets, excellent market positions, differentiated business models and strong brands. I have also been encouraged by the commitment of our colleagues, and by proof of product innovation.

“However, it is clear that there is much to do to improve our performance. Kingfisher’s trading during Q3 was disappointing. My early assessment is that we have not found the right balance between getting the benefits of Group scale and staying close to local markets. We are suffering from organisational complexity, and we are trying to do too much at once with multiple large-scale initiatives running in parallel. Altogether, this has brought disruption to sales and has distracted the business from focusing on customers. In addition, we faced softer market conditions in our main markets during the period.

"I am pleased to have strengthened my executive team with the appointment of three outstanding leaders: Bernard Bot, a seasoned CFO with a strong background in supply chain and digital, Alain Rabec, a highly experienced retailer as our new CEO of France, and John Wartig, formerly our interim CFO, as our Chief Transformation and Development Officer. Further appointments are in progress.

"As a team, our priority is to fix our operational issues – particularly in IT and supply chain in France – and refocus our efforts. This includes stopping or pausing a number of initiatives to concentrate on stabilising performance and trading. The effect of these changes will not be immediate.

"In parallel, we are building a longer term plan to refocus on our customers, simplify our model, embrace digital and return our business to growth. I look forward to providing an update on the business and our strategic priorities in March, within our full year results."

Q3 trading highlights by division (in constant currencies):

UK & IRELAND
Total sales +0.4% (LFL -1.0%).

- **B&Q UK & Ireland** sales -3.5%. LFL -3.4% against a softer market backdrop and c.-1.5% impact from the discontinuation of showroom installation services. Sales continue to be impacted by the implementation of the new surfaces & décor and kitchens ranges. LFL sales of weather-related categories up 1.0%. LFL sales of non-weather-related categories, including showroom, down 4.5%.
- **Screwfix** sales +7.9%. LFL +3.7% with seven new outlets opened during Q3. The business continued to strengthen its overall customer proposition, including ongoing price investment. On track to open first Screwfix outlet in the Republic of Ireland in Q4.

FRANCE
Total sales -6.2% (LFL -6.1%).

- **Castorama** sales -6.0%. LFL -6.0% reflecting lower promotional activity and the impact of transformation-related activity. LFL sales of weather-related categories down 10.2%, with milder weather impacting heating sales. LFL sales of non-weather-related categories, including showroom, down 5.2%.
- **Brico Dépôt** sales -6.4%. LFL -6.1% driven by c.-3% impact from reduction in promotional activity (*"arrivages"*), and milder weather.

OTHER INTERNATIONAL

- Total sales in **Poland** -0.8%. LFL -3.2% impacted by the implementation of new ranges and the removal of one further Sunday of trading each month[(4)]. In addition, a softer market backdrop during the period impacted LFL sales by c.2%. LFL sales of weather-related categories down 2.3%. LFL sales of non-weather-related categories, including showroom, down 3.6%.
- Total sales in **Romania** -0.6%. LFL +6.1% driven by good sales performance of Brico Dépôt stores. Total sales impacted by annualisation of clearance impacts at former Praktiker stores.

FY 19/20 technical guidance

- Sales outlook:
  - **UK** – expect continuation of softer market backdrop and range disruption
  - **France** – expect Castorama to continue to underperform the home improvement market; ongoing impact from reduction in promotional activity at Brico Dépôt
  - **Poland** – continued impact from Sunday trading restrictions (three non-trading Sundays from January 2019, previously two; four non-trading Sundays from January 2020); softer overall market outlook

- Continue to expect full year Group gross margin % after clearance to be flat[3]
- Transformation P&L costs in FY 19/20 expected to be c.£40-45m (previously £50-60m)
- Transformation exceptional costs in FY 19/20 expected to be minimal (previously up to c.£40m)
- Tax: Kingfisher has concluded a final settlement with the French Tax Authority (FTA) regarding the treatment of interest paid since FY 09/10. A contingent liability for €101m (£92m) was disclosed in Kingfisher's FY 19/20 interim condensed financial statements with respect to this matter related to the periods FY 09/10 to FY 11/12. At the end of Q3 19/20, Kingfisher was given the opportunity by the FTA to settle for all periods under review (FY 09/10 to FY 18/19). Subsequently, discussions have been held with the FTA to reach a comprehensive settlement. The P&L and cash impacts of the settlement are c.€90m (c.£80m) and will be paid, and recorded as an exceptional charge, in FY 19/20

Footnotes

(1) Like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year.
(2) Brico Depôt Spain & Portugal.
(3) Gross margin % movement excluding Russia and Iberia.
(4) Removal of one further Sunday of trading each month had an estimated adverse impact on Poland LFL sales in Q3 of c.1%.

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This announcement and data tables for Q3 sales FY 19/20 can be downloaded from www.kingfisher.com. We can be followed on Twitter @kingfisherplc with the Q3 results tag #KGFQ3.

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

Our next announcement will be our full year results on 24 March 2020.

Forward-looking statements

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