

EMBARGOED UNTIL 0700 HOURS – Tuesday 26 March 2013

Kingfisher reports full year adjusted pre-tax profits down 11% to £715 million.  
‘Creating the Leader’ self-help programme on track, full year dividend up 7%.

### Group Financial Summary

	2012/13 <sup>(1)</sup>	2011/12	% Total Change Reported	% Total Change Constant currency 52 week basis	% LFL Change Constant currency
Sales <sup>(1) (2)</sup>	£10,573m	£10,831m	(2.4)%	+0.5%	(2.9)%
Retail profit <sup>(3)</sup>	£781m	£882m	(11.4)%	(7.3)%	
Adjusted pre-tax profit <sup>(4)</sup>	£715m	£807m	(11.4)%		
Adjusted basic EPS <sup>(4)</sup>	22.3p	25.1p	(11.2)%		
Interim dividend	3.09p	2.47p	+25.1%		
Final dividend	6.37p	6.37p	Flat		
Full year dividend	9.46p	8.84p	+7.0%		
Net cash/ (financial net debt)	£38m	£(88)m	n/a		

<sup>(1)</sup>In the UK & Ireland Kingfisher reports each financial year up to the nearest Saturday to 31 January. This year this has resulted in a 53 week year. Outside the UK & Ireland, figures are on a calendar month basis.

<sup>(2)</sup>Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated.

<sup>(3)</sup>Retail profit is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates.

<sup>(4)</sup>Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items. A reconciliation to statutory amounts is set out in the Financial Review (Section 4).

### Highlights:

- Results significantly impacted by:
  - Weaker consumer confidence resulting in declining LFL markets in our three key territories
  - £39 million adverse foreign exchange movements when translating euro and zloty overseas profits into sterling for reporting purposes
  - Around £25 million less profit from record wet weather in the UK, significantly impacting footfall and sales of seasonal product (down 9%)
- ‘Creating the Leader’ programme well underway, on-going self-help initiatives helped limit the overall profit decline
- Strong free cash flow generation, ending the year with £38 million net cash
- Positive Economic Profit (KEP) despite the tough year
- Full year dividend up 7%, dividend cover reduced to 2.4 times in line with new policy to target dividend cover of around 2.5 times

<u>Statutory reporting</u>	2012/13	2011/12	Reported Change
Profit before taxation	£691m	£797m	(13.3)%
Profit for the year	£564m	£639m	(11.7)%
Basic EPS	24.1p	27.5p	(12.4)%

Note: A reconciliation to adjusted measures above is set out in the Financial Review (Section 4).



**Ian Cheshire, Group Chief Executive, said:**

“We have had a tough year, impacted by unfavourable foreign exchange, record adverse weather in the UK and declining underlying markets in each of our three key territories. Whilst we have been unable to fully offset these headwinds, the hard work of our teams and our firm focus on our established programme of self-help initiatives means we ended the year in good shape with net cash on the balance sheet, higher market share and having generated economic return for our shareholders.

“During the course of the year, we have developed our wider management team, mostly through internal promotions, and we have made excellent progress with the first year of our self-help plan, ‘Creating the Leader’, a plan supporting both the short term whilst building the business for the longer term.

“Looking ahead, although we expect market conditions to remain challenging, we will continue to actively manage the business, optimising the generation and use of cash and driving longer term success through our own actions. I remain very confident in our prospects, with clear initiatives underway to make it easier for our customers to have better and more sustainable homes.”

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Further copies of this announcement can be downloaded from [www.kingfisher.com](http://www.kingfisher.com) or viewed on the Kingfisher IR iPad App available for free at the Apple App store. Video interviews with Ian Cheshire (Group Chief Executive) and Karen Witts (Group Finance Director) are also available on the website. We can also be followed on twitter @kingfisherplc.

**Company Profile:**

**Kingfisher plc** is Europe’s leading home improvement retail group and the third largest in the world, with 1,025 stores in eight countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also operates the Koçtaş brand, a 50% joint venture in Turkey with the Koç Group, and has a 21% interest in Hornbach, Germany’s leading large format DIY retailer.

The remainder of this release is broken down into four main sections:

- 1) ‘Creating the Leader’ update
- 2) Trading review by major geography
- 3) 2012/13 Summary data by geography
- 4) Financial Review and, in part 2 of this release, the preliminary Financial Statements

## Section 1 'CREATING THE LEADER' UPDATE

Our unique contribution as a business to our customers is that we can harness our home improvement experience, our heritage as a leader in sustainability and our international scale to bring new, more sustainable and more affordable products to market. By also providing our customers with project advice and new shopping channels to complement our stores we will make it easier for them to adapt their homes to their evolving lifestyles. Our shorthand for describing this purpose is "*Better Homes, Better Lives*".

### 'Creating the Leader' 2012/13 progress and milestones for 2013/14

In March 2012, we set out four areas (Easier, Common, Expand and One Team) with eight specific steps that make up 'Creating the Leader' along with their associated key success measures and short term annual milestones. Today we update on the progress we have made towards each of the 2012/13 milestones and set the milestones for 2013/14:

#### EASIER

2012/13 progress:

- Launching an omnichannel platform in Screwfix & B&Q's 'TradePoint'
- Developed B&Q's on-line offer in readiness for 2014 full upgrade launch
- Completed UK roll out of DIY training classes & launched B&Q YouTube channel with over 100 'how to' DIY videos
- Trialling new 'easier' store formats (e.g. higher in-store availability, more self-service, more in-store learning aids/demonstrations) in the UK, France, Turkey & Russia
- Preparing for the UK's 'Green Deal' including trialling 4 'Eco Shops' in B&Q UK stores & providing home efficiency assessments
- Launched Screwfix mobile 'click, pay & collect' offer, now accounting for 55% of total mobile sales

2013/14 milestones:

*Emphasise our affordability credentials*

- Launch 'handy prices' marketing campaign in B&Q
- Roll out Brico Dépôt 'back to basics' marketing campaign
- Extend Brico Dépôt France & Spain programme of 'arrivages' (one off special buys) to Turkey & Poland
- Launch UK Enterprise Finance Guarantee scheme for tradesmen

*Extend our omnichannel offer*

- Launch upgraded B&Q on-line offer (www.diy.com), including 20,000 extra products for home delivery (using Screwfix omnichannel infrastructure)
- Extend TradePoint website to main shop floor categories e.g. kitchens
- Launch upgraded websites in Poland, Turkey, China, Brico Dépôt France & Spain
- Trial 'click & collect' in Castorama France (carried over from 2012/13) & Turkey

## COMMON

### 2012/13 progress

- Exceeded targets to grow the proportion of sales of direct sourced (19% versus 18% target) & common<sup>(1)</sup> products (8% versus 7% target)
- Direct sourcing in our developing markets up 63% (Poland, Russia, Turkey & China)
- Opened new direct sourcing office in Turkey
- Extended 'Trade' common own brands in Screwfix & Brico Dépôt
  - Mid-range 'Titan' hand power tools launched in 2010 and extended to other products e.g. vacuums & pressure washers
  - Developed new 'Site' work wear brand, now launched in Screwfix & trialled in Brico Dépôt
  - Launched Brico Dépôt's 'Energer' own brand of opening price point power tools into Screwfix
- Launched new tiling range in B&Q UK & Ireland
  - 100% takeaway, no special order
  - Higher commonality with Castorama France & higher direct sourcing
  - Grown market share<sup>(2)</sup>, positive LFL in a weak market<sup>(2)</sup> since H1
- Developed a stock forecasting and replenishment IT solution, successfully rolled out in:
  - B&Q UK & Ireland, improving availability
  - Poland to support ramping up of direct sourced shipments
- Driven Group-wide cost efficiencies
  - GNFR (goods not for resale) savings secured from European-wide supply negotiations including marketing catalogue printing, store fixture & fittings costs
  - SAP contract re-negotiated on a Group-wide basis & extended

<sup>(1)</sup>As a % of Group sales.

Common means two or more operating companies selling the same product or a similar product but from the same supplier where the same product is not possible due to market / legal reasons e.g. electrical extension cable which is the same supplier but with different electrical sockets

<sup>(2)</sup>as per GfK data

### 2013/14 milestones

#### Product:

- Launch new energy-efficiency 'iQE' Group brand
- Paint (c.9% of Group sales)
  - Roll out 'Colours' Group own-brand paint into Russia & Spain
  - Roll out new coloured emulsion paint range – 2/3 common B&Q UK & Castorama France
  - Launch exclusive Valspar paint mixing desk into B&Q UK & Ireland & China
- Full launch of Screwfix's 'Site' work wear products into Brico Dépôt
- Launch inaugural European product show, to be attended by 6,000 store & buying colleagues teams from the UK & France

#### Efficiency:

- Upweighted distribution and cross docking capability in Poland, Spain & Turkey
- SG&A (selling, general & administrative expenses) optimisation from media buying programmes across the UK & France
- Extend Brico Dépôt shelf ready packaging from 20% to 30%

- Roll out France & Spain all staff bonus programmes to Poland (linked to individual store sales & profit growth)
- IT process mapping analysis at Castorama France in readiness for Group SAP implementation

## EXPAND

### 2012/13 progress

- Opened 70 net new stores - UK 61 (60 Screwfix outlets & 1 B&Q), France 2, Poland 3, Russia 1, Turkey 1, Spain 3 & 1 less in China)
- Revamped & extended five Castorama France stores, 70% of stores now in modern format
- Successfully integrated 28 Focus DIY stores in the UK, contributing c.2% to B&Q total sales growth, pay back slightly ahead of expectations
- Launching a 4,000m<sup>2</sup> standalone B&Q Design Centre trial store in China, targeting the Do-it-For-Me apartment design market
  - Based on the productive existing Design Centre area of the much larger (c.10,000m<sup>2</sup>) 'Big Box' stores
  - Incorporating higher levels of service in store, better displays, more exclusive Group own brand product, improved omnichannel offer & stock held centrally for home delivery
- B&Q UK store rightsizing
  - 1 B&Q UK freehold store deal completed with a supermarket group
    - Store reduced in size by 50%; sales density improvement so far of 88%; planning permission took 12 months
    - Generated capital value increase following change of use
  - Further opportunities being investigated
    - 4 further agreements already in place
    - Now awaiting planning permission (c.6-18 months)
  - 5 store package represents c.£30m lower lease adjusted debt
  - KEP (Kingfisher Economic Profit) attractive

### 2013/14 milestones

- Open 68 net new stores (UK 50 Screwfix outlets, France 5, Poland 2, Russia 1, Turkey 4 & Spain 6), representing 3% space growth
- Revamp and extend four Castorama stores
- Evaluate Screwfix international opportunities

## ONE TEAM

### 2012/13 progress

- Broadened Group Executive Team with 2 new internal appointments (Guy Colleau as CEO for Group Sourcing & Offer; Steve Willett as CEO for Group Productivity & Development)
- Launched the Kingfisher Academy
  - Top 250 managers attended change management & finance training (including a deeper understanding of Economic Profit)
- Launched our new sustainability plan, becoming 'Net Positive', and associated dashboard
  - Establishes our aim to give back more than we take: to seek to make a positive contribution to the world's future by having a net positive impact as a business
  - Four priorities areas (timber, energy, innovation, communities)
  - Launched microsite at [www.kingfisher.com/netpositive](http://www.kingfisher.com/netpositive)



- Targets set and agreed with all operating companies

2013/14 milestones

- Continue to extend the Kingfisher Academy
- Net Positive dashboard to be updated annually

**Section 2**  
**TRADING REVIEW BY MAJOR GEOGRAPHY**

**FRANCE**

<b>Sales £m</b>	<b>2012/13</b>	<b>2011/12</b>	<b>% Reported Change</b>	<b>% Constant Change</b>	<b>% LFL Change</b>
France	4,194	4,470	(6.2)%	0.3%	(1.6)%

<b>Retail profit £m</b>	<b>2012/13</b>	<b>2011/12</b>	<b>% Reported Change</b>	<b>% Constant Change</b>
France	397	423	(6.3)%	0.2%

*France includes Castorama and Brico Dépôt*  
*All trading commentary below is in constant currencies*

**Kingfisher France**

Kingfisher France sales grew by 0.3% to £4.2 billion (-1.6% LFL) in slower markets. Two net new stores were opened and five were revamped, adding around 2% new space.

Retail profit grew by 0.2%, broadly in line with sales growth. Gross margins were up 10 basis points reflecting on-going self-help initiatives offsetting some investment in pricing. Costs were tightly controlled and also reflect lower levels of variable pay during the year.

**Castorama** total sales grew by 2.0% to £2.3 billion (-0.5% LFL). According to Banque de France data, sales for the home improvement market were down 0.8%. Castorama outperformed the market benefiting from its innovative 'Do-it-Smart' approach aimed at making home improvement projects easier for customers.

**Brico Dépôt**, which more specifically targets trade professionals and heavy DIYers, was impacted by a slower house building market, with new housing starts and planning consent data<sup>(1)</sup> down around 18% and 9% respectively. Total sales declined by 1.7% to £1.9 billion (-2.8% LFL). Self-help initiatives progressed well, including new ranges introduced last year (e.g. heating and joinery ranges) and more 'arrivages' promotions (rolling programmes of one-off special buys), reinforcing Brico Dépôt's value credentials.

<sup>(1)</sup>Ministry of Housing February 2012 – January 2013

## UK & IRELAND

Sales £m	2012/13	2011/12	% Reported Change	% Constant Currency Change 52 week basis <sup>(1)</sup>	% LFL Change
UK & Ireland	4,316	4,338	(0.5)%	(2.0)%	(5.2%)

Retail profit £m	2012/13	2011/12	% Reported Change	% Constant Change
UK & Ireland	234	271	(13.7)%	(13.8)%

UK & Ireland includes B&Q in the UK & Ireland and Screwfix in the UK

<sup>(1)</sup>In the UK & Ireland Kingfisher reports each financial year up to the nearest Saturday to 31 January. This year this has resulted in a 53 week year.

All trading commentary below is in constant currencies and % movements on a 52 week basis.

### Kingfisher UK & Ireland

Kingfisher UK & Ireland total sales were down 2.0% to £4.3 billion (-5.2% LFL) in a declining market impacted by weak consumer confidence and record adverse summer weather. Retail profit declined by 13.8% to £234 million.

**B&Q UK & Ireland's** total sales were down 3.6% (-5.6% LFL) to £3.7 billion reflecting the difficult UK backdrop and a particularly challenging environment in Ireland, where our nine stores incurred losses of £7 million and are now subject to an Examinership process.

The market <sup>(1)</sup> for the UK's leading home improvement retailers was down around 3%, including seasonal ranges down 9%. On a comparable basis, B&Q outperformed the market, with sales down around 2%.

Sales of outdoor seasonal products were down around 9% with average footfall down 20% in the severely weather-affected weeks. Sales of building products were also impacted by the adverse weather. Sales of indoor decorative products fared better as customers switched some of their home improvement activities indoors. Cash sales <sup>(2)</sup> of showroom (kitchens, bathrooms and bedrooms) products were slightly higher year on year, showing that the new Every Day Low Prices (EDLP) trading strategy in this category is starting to gain traction with customers in a challenging market.

Retail profit declined by 20.8% to £187 million. Gross margins were down 20 basis points, with the benefits from on-going self-help initiatives offset by some additional promotional activity, the decision to accelerate clearance ahead of the national rollout of new ranges of tiling and décor products, and a higher mix of 'TradePoint' sales.

TradePoint continues to progress well. Sales to TradePoint customers were up around 20% and now account for nearly 20% of total store sales. Over 1.2 million customers have now registered as TradePoint customers, with around a third having shopped in the last month.

A strong focus on operating cost efficiencies continued. Costs also reflect lower levels of variable pay this year and the benefit of a settlement of a one-off construction related claim for around £5 million.



**Screwfix** grew total sales by 9.8% to £577 million, despite the challenging smaller tradesman market <sup>(3)</sup>, benefiting from the continued rollout of new outlets, the success of 'click, pay & collect' and a redesigned catalogue. Sixty new outlets were opened, taking the total to 275.

Retail profit was up 33.9% to £47 million, reflecting the strong sales growth, gross margins benefiting from on-going self-help initiatives and continued tight cost control.

### **UK reporting**

B&Q and Screwfix are increasingly operating together, sharing a distribution network, jointly developing several major initiatives including omnichannel, the provision of energy efficiency products and services and adopting a complementary strategy for UK growth. As a result, from next year (2013/14) reporting in the UK will mirror our current practice in France and provide one overall profit figure along with a commentary on the sales performance of each major business.

<sup>(1)</sup> Kingfisher estimate for the UK RMI (Repairs, Maintenance & Improvement) market – incorporates GfK data, which includes new space but which excludes B&Q Ireland and private retailers e.g. IKEA and other smaller independents. It is on a cash sales basis and is adjusted for discounts

<sup>(2)</sup> Cash sales are recognised as sales when the products are delivered to the customer

<sup>(3)</sup> Based on the Builders' Merchants Federation lightside data Jan-Dec 2012 and includes new space, down 0.4%

## OTHER INTERNATIONAL

Sales £m	2012/13	2011/12	% Reported Change	% Constant Change	% LFL Change
Other International	2,063	2,023	2.0%	6.6%	(0.7)%

Retail profit £m	2012/13	2011/12	% Reported Change	% Constant Change
Other International	150	188	(19.8)%	(14.3)%

*Other International includes Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany.*

*Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated.*

**All trading commentary below is in constant currencies**

**Other International** total sales increased by 6.6% to £2.1 billion (-0.7% LFL) supported by new store openings and strong growth in Russia, now the second largest business in the division. However, with the exception of Russia, economic uncertainty in Europe impacted LFL sales and profitability. Retail profit declined by 14.3% to £150 million.

During the year seven net new stores were opened adding around 3% new space. Three stores were opened in both Poland and Spain, one in both Russia and Turkey and one store rationalisation in China.

In **Poland** and **Spain** sales grew reflecting new store space, however both markets were impacted by weak consumer confidence. Sales in **Poland** were up 0.6% (-5.1% LFL) to £1,029 million. Gross margins were down 110 basis points, with self-help initiatives offset by some investment in pricing. Tight cost control more than offset cost inflation resulting in a 15.3% decline in retail profit to £107 million. Sales in **Spain** grew by 3.0% (-6.8% LFL) to £234 million. Retail profit was £1 million, down from £7 million reported last year, reflecting the difficult market and higher pre-opening costs after the resumption of new store openings.

In **Russia** sales grew by 38.3% in a strong market to £426 million (+17.9% LFL) benefiting from new store openings. Retail profit was £16 million, compared to £2 million reported in 2011/12.

In **Turkey**, Kingfisher's 50% JV, Koçtaş, grew sales by 4.1% (-4.1% LFL) reflecting one new store opening offset by a slower economic environment and the impact of poor weather early in the year. Retail profit contribution was £9 million, down 28.2% year on year.

**Hornbach**, in which Kingfisher has a 21% economic interest, contributed £26 million to retail profit, down 15.2% on last year reflecting a £5 million loss in Q1 and a weaker market in Q4.

B&Q **China** sales declined by 0.8% (+0.1% LFL) to £374 million reflecting one less store compared to last year. The retail loss was £9 million (2011/12: £3 million reported loss) after reflecting around £3 million of costs relating to work on the new format store trial.

### Section 3 SUMMARY 2012/13 DATA BY GEOGRAPHY

As at 2 February 2013

	Store numbers	Selling space (000s m2)	Employees (FTE)
Castorama	103	1,085	11,139
Brico Dépôt	104	576	6,819
<b>France</b>	<b>207</b>	<b>1,661</b>	<b>17,958</b>
B&Q UK & Ireland	358	2,561	21,473
Screwfix	275	20	3,804
<b>UK &amp; Ireland</b>	<b>633</b>	<b>2,581</b>	<b>25,277</b>
Poland	70	513	10,937
China	39	326	4,449
Spain	20	116	992
Russia	19	170	2,483
Turkey JV	37	194	3,240
<b>Other International</b>	<b>185</b>	<b>1,319</b>	<b>22,101</b>
<b>Total Group</b>	<b>1,025</b>	<b>5,561</b>	<b>65,336</b>

	Sales £m 2012/13 <sup>(1)</sup>	% Total Change Reported	% Total Change Constant currency 52 week basis <sup>(1)</sup>	% LFL Change Constant currency
Castorama	2,307	(4.6)%	2.0%	(0.5)%
Brico Dépôt	1,887	(8.0)%	(1.7)%	(2.8)%
<b>France</b>	<b>4,194</b>	<b>(6.2)%</b>	<b>0.3%</b>	<b>(1.6)%</b>
B&Q UK & Ireland	3,739	(2.2)%	(3.6)%	(5.6)%
Screwfix	577	12.1%	9.8%	(2.0)%
<b>UK &amp; Ireland</b>	<b>4,316</b>	<b>(0.5)%</b>	<b>(2.0)%</b>	<b>(5.2)%</b>
Poland	1,029	(5.9)%	0.6%	(5.1)%
China	374	2.1%	(0.8)%	0.1%
Russia	426	32.7%	38.3%	17.9%
Spain	234	(3.6)%	3.0%	(6.8)%
<b>Other International</b>	<b>2,063</b>	<b>2.0%</b>	<b>6.6%</b>	<b>(0.7)%</b>
<b>Total Group</b>	<b>10,573</b>	<b>(2.4)%</b>	<b>0.5%</b>	<b>(2.9)%</b>

<sup>(1)</sup>In the UK & Ireland Kingfisher reports each financial year up to the nearest Saturday to 31 January. This year this has resulted in a 53 week year. Outside the UK & Ireland, figures are on a calendar month basis. Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated.

	Retail Profit	% Total Change	% Total Change	Operating Margin	Operating Margin
	£m	Reported	Constant	% 2012/13	% 2011/12
	2012/13		currency		
<b>France</b>	<b>397</b>	<b>(6.3)%</b>	<b>0.2%</b>	<b>9.5%</b>	<b>9.5%</b>
B&Q UK & Ireland	187	(20.8)%	(20.8)%	5.0%	6.2%
Screwfix	47	33.9%	33.9%	8.1%	6.8%
<b>UK &amp; Ireland</b>	<b>234</b>	<b>(13.7)%</b>	<b>(13.8)%</b>	<b>5.4%</b>	<b>6.2%</b>
Poland	107	(20.7)%	(15.3)%	10.4%	12.3%
China	(9)	(236.5)%	(226.7)%	(2.4)%	(0.8)%
Spain	1	(89.2)%	(88.4)%	0.4%	2.9%
Russia	16	814.5%	853.1%	3.8%	0.6%
Turkey JV	9	(31.5)%	(28.2)%	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Hornbach	26	(20.7)%	(15.2)%	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
<b>Other International</b>	<b>150</b>	<b>(19.8)%</b>	<b>(14.3)%</b>	<b>7.3%</b>	<b>9.3%</b>
<b>Total Group</b>	<b>781</b>	<b>(11.4)%</b>	<b>(7.3)%</b>	<b>7.4%</b>	<b>8.1%</b>

<sup>(1)</sup> Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated therefore not applicable.

#### Yearly average FX rates vs £ Sterling

	2012/13	2011/12
Euro	1.23	1.15
Polish Zloty	5.13	4.80
Chinese Renminbi	10.01	10.31
Russian Rouble	49.17	47.18
Turkish Lira	2.85	2.72

## Section 4 FINANCIAL REVIEW

A summary of the reported financial results for the year ended 2 February 2013 is set out below:

	2012/13 £m	2011/12 £m	(Decrease) /Increase
Sales	10,573	10,831	(2.4)%
Adjusted pre-tax profit	715	807	(11.4)%
Profit before taxation after exceptional items	691	797	(13.3)%
Adjusted basic earnings per share	22.3p	25.1p	(11.2)%
Dividends	9.46p	8.84p	7.0%

A reconciliation of statutory profit to adjusted profit is set out below:

	2012/13 £m	2011/12 £m	(Decrease)/ Increase
<b>Profit before taxation</b>	<b>691</b>	797	(13.3)%
Exceptional items	26	12	116.7%
Profit before exceptional items and taxation	717	809	(11.4)%
Financing fair value remeasurements	(2)	(2)	-
<b>Adjusted pre-tax profit</b>	<b>715</b>	807	(11.4)%

Profit and EPS including all exceptional items for the year ended 2 February 2013 are set out below:

	2012/13	2011/12	Decrease
Profit after tax	564	639	(11.7)%
Basic EPS	24.1p	27.5p	(12.4)%

### Overview

The Group's financial reporting year ends on the nearest Saturday to 31 January. The current year is for the 53 weeks ended 2 February 2013 with the comparative financial year being for the 52 weeks ended 28 January 2012. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis as a result of local requirements. The effect of the 53<sup>rd</sup> week on the results of the Group is the inclusion of an additional £72 million sales and an immaterial benefit to retail profit.

Total sales grew by 0.5% on a constant currency 52 week basis and declined by 2.4% to £10.6 billion (2011/12: £10.8 billion) on a reported rate basis. On a like-for-like basis, Group sales were down 2.9% (2011/12: +1.3%). During the year, a net additional 69 new stores were opened, including 60 Screwfix outlets, taking the store network to 988 stores (excluding 37 Turkey JV stores).

**Retail profit** before exceptional items declined by £101 million to £781 million (2011/12: £882 million), including a £39 million adverse foreign exchange movement representing a 7.3% decline on a constant currency basis. This decline was as a result of challenging

trading conditions and unfavourable weather patterns. Including exceptional items, retail profit declined by 13.2% to £755 million (2011/12: £870 million).

The net **interest** charge for the year was £4 million, down £6 million on the prior period. A breakdown of this is shown below.

**Profit before tax** declined by 13.3% to £691 million. After removing the impact of exceptional items and fair value remeasurements, **adjusted pre-tax profit** declined by 11.4% to £715 million.

**Profit after tax** for the period was £564 million (2011/12: £639 million). This resulted in the Group recording a **basic EPS** of 24.1p in the year (2011/12: 27.5p).

Net **interest** has decreased by £6 million in the year. The breakdown is as follows:

	2012/13 £m	2011/12 £m
Underlying net interest	(6)	(12)
Financing fair value remeasurements (FFVR) <sup>(1)</sup>	2	2
<b>Statutory net interest</b>	<b>(4)</b>	<b>(10)</b>

<sup>(1)</sup> FFVR represents changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying value of borrowings and other hedged items under fair value hedge relationships.

Underlying net interest has fallen by £6 million driven by a fall in interest on net debt as a result of the repayment of €200 million (£162 million) EMTN <sup>(2)</sup> in November 2012 and from a full year's benefit of buying back debt in 2011/12. This was offset by an increase in the net pensions interest cost, principally due to a reduction in the asset return assumption.

<sup>(2)</sup> Euro Medium Term Note

## Taxation

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The adjusted effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 27% (2011/12: 28%). This is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions and because no future benefit is assumed for losses incurred in overseas jurisdictions such as China and Ireland. The overall tax rate for the year is 18% (2011/12: 20%) reflecting the impact on deferred tax of the further 2% fall in the UK rate, release of prior year provisions either reassessed or time expired and a claim for the use of prior year losses of £33 million.

Effective tax rate calculation	Profit £m	Tax £m	2012/13 %	2011/12 %
Profit before tax and tax thereon	691	127	18	20
Add exceptional loss and tax thereon	26	1	-	-
Less prior year items	-	66	-	-
<b>Total - adjusted</b>	<b>717</b>	<b>194</b>	<b>27</b>	<b>28</b>

The effective rate of tax is lower than in 2011/12 as a result of tax rate changes in some of the countries in which we operate. The most significant changes were the UK statutory tax

rate falling from 26% to 24% offset by increased levels of costs for which no tax relief is available in France.

The tax rates for this financial year and the expected rates for next year are as follows:

Jurisdiction	Statutory tax rate	Statutory tax rate
	2013/14	2012/13
UK	23%	24%
France	34.4% - 36.1%	34.4% - 36.1%
Poland	19%	19%
Rest of Europe	0% - 34%	0% - 34%
Asia	16.5% - 25%	16.5% - 25%

### Tax contribution

Kingfisher makes a major contribution to the economies of each country in which it operates including the taxes that it both pays to and collects for Governments. The Group has borne cash taxes on its profits, properties, in employing its workforce, in environmental levies, in customs and fuel duties as well as bearing other local taxes. The most significant of the taxes collected are sales taxes charged to customers (VAT) on their purchases and employee payroll taxes. Taxes paid and taxes collected together represent Kingfisher's total tax contribution which is shown below:

Total taxes paid as a result of Group operations	2012/13	2011/12
	£bn	£bn
Taxes borne	0.70	0.69
Taxes collected	0.90	0.89
<b>Total tax contribution</b>	<b>1.60</b>	<b>1.58</b>

According to the 2012 Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors, Kingfisher is ranked 32<sup>nd</sup> for its Total Tax Contribution in the UK. In 2012, 95 companies contributed to the survey.

### Exceptional items

	2012/13	2011/12
	£m	£m
	(Charge)/gain	(Charge)/gain
Ireland restructuring	(21)	-
UK restructuring	(16)	2
Net pension gain	11	-
UK ex-Focus stores acquisition integration	-	(11)
Loss on disposal of properties	-	(3)
	(26)	(12)
Tax on exceptional items	1	7
<b>Net exceptional items</b>	<b>(25)</b>	<b>(5)</b>

In the year the Group booked a net post-tax exceptional charge of £25 million (2011/12: £5 million charge).

Following a sustained decline in trading at B&Q Ireland, the Group undertook a detailed review of its Irish operations and as a result B&Q Ireland entered into an Examinership process in January 2013. The £21 million restructuring charge represents provisions

recorded for the impairment of properties and estimated costs of exiting leases and other closure activities. Around £13 million of this cost will result in a cash outflow, of which around £11 million will be in 2013/14.

The UK restructuring net charge of £16 million principally reflects the streamlining of B&Q UK & Ireland's store support office and its kitchen, bathroom and bedroom business as well as IT services. It also includes a £4 million release (2011/12: £2 million) of an onerous property contract provision for idle stores either sublet or exited in the period, which had previously been included as part of the B&Q UK store closure and downsizing programme in 2005/06.

Netted against these charges is a net pensions accounting credit of £11 million (2011/12: £nil), see the pensions section below for details.

Tax on exceptional items amounts to a credit of £1 million (2011/12: £7 million credit).

### Earnings per share

Basic earnings per share (EPS) have decreased by 12.4% to 24.1p (2011/12: 27.5p). On a more comparable basis, removing the impact of exceptional items, financing fair value remeasurements and the effect of prior year tax adjustments, adjusted basic earnings per share decreased by 11.2% to 22.3p (2011/12: 25.1p).

	2012/13	2011/12
Basic earnings per share	<b>24.1p</b>	27.5p
Exceptional items	<b>1.1p</b>	0.5p
Financing fair value remeasurements (net of tax)	<b>(0.1)p</b>	(0.1)p
Impact of prior year items and exceptional items on income tax	<b>(2.8)p</b>	(2.8)p
<b>Adjusted earnings per share</b>	<b>22.3p</b>	25.1p

### Dividends

The Board has proposed a final dividend of 6.37p which results in a full year dividend of 9.46p, an increase of 7.0% (2011/12: 8.84p). The final dividend reduces full year dividend cover on adjusted earnings to 2.4 times (2011/12: 2.8 times).

Going forward the Group will aim to move towards a medium term annual dividend cover of around 2.5 times. At this level, the Board believes the dividend will continue to be prudently covered by earnings and free cash flow and remain consistent with the capital needs of the business.

From 2013/14 the Group will also move away from the mechanistic calculation of the interim dividend as 35 per cent of the previous year's total dividends and instead set both the interim and final dividend by reference to the current year's earnings.

The full year dividend will continue to be proposed each year as part of the full year preliminary announcement in March.

The final dividend for the year ended 2 February 2013 will be paid on 17 June 2013 to shareholders on the register at close of business on 10 May 2013, subject to approval of



shareholders at the Annual General Meeting, to be held on 13 June 2013. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 8 May 2013. For those shareholders electing to receive the DRIP the last date for receipt of electing is 24 May 2013.

## Economic returns

Management are focused on Kingfisher Economic Profit (KEP) as our main measure of return on capital. KEP is derived from the concept of Economic Value Added and is used to ensure capital is being used productively and decisions made which will create value for shareholders. KEP takes into account a charge for the capital employed in the business. In doing this the calculation treats leases as though they were owned assets within capital employed, capitalising them using the long-term yield methodology. For the purposes of the calculation, adjusted post-tax profit is used, but interest and property lease costs are added back. A charge for the cost of capital employed is then deducted by applying the Group's lease adjusted weighted average cost of capital (WACC) to its lease and pension adjusted capital employed.

	<b>2012/13</b>	2011/12	(Decrease)
	<b>£m</b>	£m	£m
<b>Kingfisher Economic Profit (KEP)</b>	<b>44</b>	131	(87)

## Geographic divisional return

Kingfisher's underlying KEP by geographic division is set out below. The divisional invested capital excludes central goodwill of £2.4 billion.

	Sales £bn	Proportion of Group sales %	Invested Capital (IC) £bn	Proportion of Group IC %	Returns £m KEP	
					<b>2012/13</b>	2011/12
UK	4.3	41%	6.0	48%	<b>(5)</b>	32
France	4.2	39%	2.2	18%	<b>150</b>	166
Other International	2.1	20%	1.4	12%	<b>37</b>	59
Goodwill & Central	n/a	n/a	2.4	22%	<b>(138)</b>	(126)
<b>Total</b>	10.6		12.0		<b>44</b>	131

## Free cash flow

A reconciliation of free cash flow and cash flow movement in net debt/cash is set out below:

	2012/13 £m	2011/12 £m
<b>Operating profit (before exceptional items)</b>	<b>721</b>	819
Other non-cash items <sup>(1)</sup>	<b>261</b>	274
Change in working capital	<b>(178)</b>	(187)
Pensions and provisions (before exceptional items)	<b>(42)</b>	(54)
Operating cash flow	<b>762</b>	852
Net interest paid	<b>(4)</b>	(8)
Tax paid	<b>(129)</b>	(148)
Gross capital expenditure (before strategic investments)	<b>(316)</b>	(338)
Disposal of assets	<b>17</b>	9
<b>Free cash flow</b>	<b>330</b>	367
Dividends paid	<b>(221)</b>	(178)
Share purchase for employee incentive schemes	-	(117)
Strategic capex investments <sup>(2)</sup>		
- Freehold interests	-	(73)
- Ex-Focus DIY stores	-	(39)
Other <sup>(3)</sup>	<b>(10)</b>	(17)
<b>Cash flow movement in net cash/(debt)</b>	<b>99</b>	(57)
Opening net (debt)/cash	<b>(88)</b>	14
Other movement including foreign exchange	<b>27</b>	(45)
<b>Closing net cash/(debt)</b>	<b>38</b>	(88)

<sup>(1)</sup> Includes depreciation and amortisation, impairment losses, share-based compensation charge, share of post-tax results of JVs and associates, pension service cost and profit/loss on retail disposals.

<sup>(2)</sup> Investments of a one-off nature, such as bolt on acquisitions and buy outs of freeholds in existing leased stores.

<sup>(3)</sup> Includes dividends received from JVs and associates, business acquisitions, issue of shares and exceptional items (excluding property disposals).

Net cash at the end of the year was £38 million (2011/12: £88 million net debt).

Free cash flow of £330 million was generated in the year, a decline of £37 million year on year primarily due to the reduced profit generation offset by lower capital expenditure.

During the year free cash flow generated was utilised to improve shareholder returns with the dividend being increased to £221 million.

In the prior year we invested additional funds outside of our normal 'free cash flow' with £112 million allocated to strategic capex investments and £117 million on acquiring our own shares to match employee incentive schemes. The strategic capex spend included £73 million in the UK where we had actively decided to purchase freeholds already occupied and £39 million on the acquisition of 29 Focus stores.

The Group will maintain a high focus on free cash flow generation going forward to maintain its solid investment grade balance sheet, fund investment where economic returns are attractive and pay healthy dividends to shareholders.

## Capital expenditure

Gross capital expenditure for the year was £316 million (2011/12: £450 million). A total of £17 million of proceeds from disposals were received during the year (2011/12: £9 million).

As detailed last year the Group has a rigorous approach to capital allocation and authorisation. The process includes:

- An annual strategic planning process based on detailed medium term plans for all businesses for the next four years. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board;
- A capital approval process through a capital expenditure committee, attended by the Group Chief Executive, Group Finance Director, CEO Group Productivity and Development, Group Property Director and Group General Counsel. The committee is delegated to review all projects above £0.75 million and to sign-off the projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments);
- Projects above £15.0 million are required to be approved by the Board although all projects above £0.75 million are also notified to the Board;
- Clear investment criteria including KEP and NPV (Net Present Value) and challenging hurdle rates for IRR (Internal Rate of Return) and DPB (Discounted PayBack);
- An annual post-investment review process to undertake a full assessment of all projects above £0.75 million which were completed in the last 2 to 4 years. The findings of this exercise are considered by both the capital expenditure committee and the Board and used to inform the assumptions for similar project proposals going forward.
- An annual review of KEP by store is performed which drives plans to improve the returns of weaker stores.

## Management of balance sheet and liquidity risk and financing

The Group finished the year with £38 million of net cash on the balance sheet. However, the Group's overall leverage is more significant when including capitalised lease debt that in accordance with the accounting regulations does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to adjusted EBITDAR is 2.4 times as at the year end. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

A reconciliation of lease adjusted net debt to EBITDAR is set out below:

		2012/13 £m
EBITDA <sup>(1)</sup>	987	
Property operating lease rentals	435	
<b>EBITDAR</b>		<b>1,422</b>
Financial (net cash)	(38)	
Pension position	-	
Property operating lease rentals (8x) <sup>(2)</sup>	3,480	
<b>Lease adjusted net debt</b>		<b>3,442</b>
<b>Lease adjusted net debt to EBITDAR</b>		<b>2.4x</b>

<sup>(1)</sup> Calculated as Retail profit less central costs and before depreciation and amortisation

<sup>(2)</sup> Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets

Kingfisher aims to maintain its solid investment grade credit rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking into account the economic and trading outlook any surplus capital would be returned to shareholders.

Where appropriate Kingfisher may purchase current leasehold assets used by the Group. This may increase financial debt but should have no material impact on lease adjusted net debt.

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 next three years, 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.

The Group derives around half its profit from the eurozone, and as such is exposed to economic conditions in the member states. The Group continues to monitor potential exposures and risks, and develop effective risk management solutions.

Kingfisher has a £200 million committed bank facility maturing in August 2016, which remained undrawn at the year end.

Kingfisher deposits surplus cash with a number of banks with the strongest short-term credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each bank or fund is agreed by the Board covering the full value of deposits and a proportion of the value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At the year end, the Group had a total of around £400 million of cash deposited with banks and in money market funds. The highest single cash investment was a £32 million money market fund investment.

The maturity profile of Kingfisher's debt is illustrated at:

[www.kingfisher.com/index.asp?pageid=76](http://www.kingfisher.com/index.asp?pageid=76)

The terms of the US Private Placement note agreement and the committed bank facility require only that the ratio of Group operating profit, excluding exceptional items, to net

interest payable must be no less than 3:1 for the preceding 12 months at half year and full year ends. At the year end the Group's ratio was significantly higher than this requirement.

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its bonds and US Private Placement notes to a floating rate of interest. The floating interest rates paid by the Group under its financing arrangements are based on LIBOR and EURIBOR plus a margin. The margins were not changed during the year.

## **Property**

The Group owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in November 2012 with over one-third of the portfolio valued by external professional valuers where the key assumption is the estimated yields. Based on this exercise the value of this property is £3.6 billion at year end (2011/12: £3.5 billion). This is compared to the net book value of £2.9 billion (2011/12: £2.8 billion) recorded in the financial statements.

## **Pensions**

The approach used to prepare the pension valuation is in line with current market practice and international accounting standards, and has been applied consistently. This accounting valuation is very sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. To aid understanding of the impact that changes to the assumptions could have on the reported UK pension surplus, we have included sensitivity analysis as part of the pension disclosure in note 9 of the preliminary Financial Statements. Further details of key assumptions are also contained within the note.

At the year end, the Group had a net position of £nil (2011/12: £15 million deficit) in relation to defined benefit pension arrangements of which a £71 million surplus (2011/12: £25 million surplus) is in relation to its UK Scheme.

The decrease in the net deficit was predominantly due to strong asset returns, more than offsetting a lower real discount rate used to value the UK pension obligation.

During the year, and following consultation with the active members, the UK final salary pension scheme was closed to future benefit accrual with effect from 30 June 2012. The scheme had been closed to new entrants in 2004. A net exceptional pensions accounting credit of £11 million has been recognised. This includes a £27 million non-cash curtailment gain, representing the one-off reduction in accounting liabilities as benefits are no longer linked to future salary increases other than in line with inflation. It is offset by a £16 million charge for transitional payments to the active members. From July 2012 an enhanced defined contribution scheme has been offered to all UK employees with the reduction in cash contributions to the final salary scheme offset by higher contributions to the defined contribution scheme. Auto-enrolment will commence in the current year.



## **Forward-looking statements**

This press release contains certain statements that are forward-looking and which should be considered, amongst other statutory provisions, in light of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. Such statements are, therefore, subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations around the Company's programme known as 'Creating the Leader' and its associated eight steps.

Forward-looking statements can be identified by the use of relevant terminology including the words: "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. We urge you to read our annual report and other company reports, including the risk factors contained therein, for a more detailed discussion of the factors that could affect our future performance and the industry in which we operate. Reliance should not be placed on any forward-looking statement. Our forward looking statements speak only as of the date of this press release and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this press release should be construed as a profit forecast.