Kingfisher

Thursday 30 May 2013

Kingfisher reports Q1 total sales down 0.4% (-4.2% LFL) and retail profit of £114 million. Sales improved at the end of the quarter following a return to more normal weather patterns

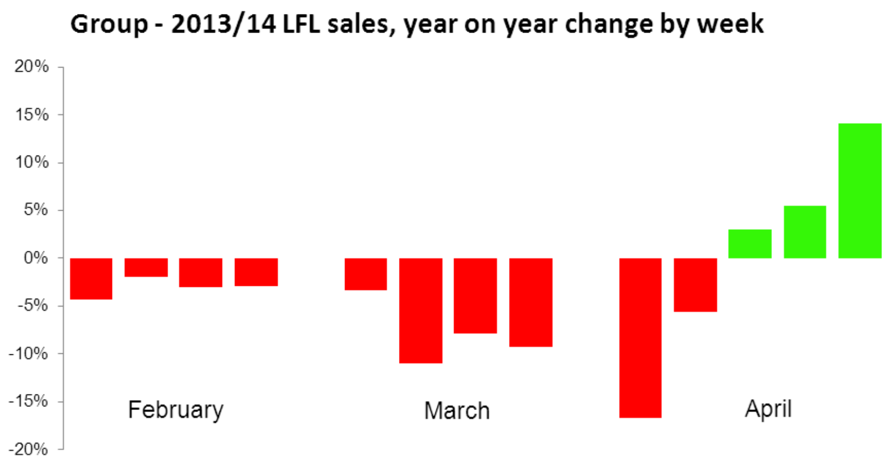
Group Financial Summary (13 weeks ended 4 May 2013)

	Sales	% Total	% Total	% Like-for-likes	Retail Profit	% Total	% Total
	2013/14 £m	Change (Reported)	Change (Constant currency)	Change (Constant currency)	2013/14 £m	Change (Reported)	Change (Constant currency)
France	1,079	(0.9)%	(3.8)%	(5.6)%	66	(14.4)%	(16.9)%
UK & Ireland	1,068	(3.4)%	(3.4)%	(4.7)%	50	(32.1)%[(1)]	(32.0)%[(1)]
Other International	476	8.6%	5.6%	0.7%	(2)	n/a	n/a
Total Group	**2,623**	**(0.4)%**	**(2.1)%**	**(4.2)%**	**114**	**(28.0)%**	**(29.2)%**

Note: Joint Venture (Koçtaş) and Associate (Hornbach) sales are not consolidated. 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.
[(1)]2012/13 comparatives restated by £1m to reflect reclassification of pension administrative expenses from finance costs to operating profit, as per the amended IAS 19.

Highlights in constant currencies:

- Sales and profit impacted by:
    - On-going weak consumer confidence in our three major markets
    - Unfavourable cold weather through March and early April which impacted footfall, with sales of outdoor products down 10%. The chart below highlights the Group's sales volatility during the quarter:



    - Re-investment of self-help margin and cost benefits in affordability continued in Q1. This re-investment rate is expected to ease for the balance of the year
- Progress continued with 'Creating the Leader' including the acquisition in the quarter of 15 stores in Romania, due to complete in Q2
- Net cash was £264 million (28 April 2012: reported net cash of £165 million)

Ian Cheshire, Group Chief Executive, said:

"Market conditions have remained challenging in the first quarter compounded by the effects of an early Easter and unseasonably cold weather across Europe. As a result, general footfall was down and demand for outdoor maintenance, gardening and leisure products was adversely affected for a second year running. These impacts were particularly acute in March which resulted in that month accounting for the vast majority of the quarter's profit decline. However, our performance towards the end of the quarter was encouraging following a return to more normal weather patterns.

"Looking ahead, we still have our key summer season to come and we are ready to capitalise on any improvement in conditions during this peak trading period. We will continue to focus hard on our margin and cost initiatives helping us to reinforce our value credentials with customers during these challenging times.

"Our self-help plan, 'Creating the Leader', is progressing well, improving our customer offer whilst optimising the generation and use of cash to deliver shareholder value."

COMPANY PROFILE

Kingfisher plc is Europe's leading home improvement retail group and the third largest in the world, with over 1,030 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.

Q1 TRADING REVIEW BY MAJOR GEOGRAPHY

FRANCE

Sales £m	2013/14	2012/13	% Change (Reported)	% Change (Constant)	% LFL Change
France	1,079	1,089	(0.9)%	(3.8)%	(5.6)%

Retail profit £m	2013/14	2012/13	% Change (Reported)	% Change (Constant)
France	66	78	(14.4)%	(16.9)%

France comprises Castorama and Brico Dépôt

All trading commentary below is in constant currencies

Kingfisher France

Kingfisher France sales declined by 3.8% to £1,079 million (-5.6% LFL) in slower markets including a negative calendar impact of around 1.5% reflecting fewer trading days compared to Q1 last year [(1)]. Two net new stores were opened during Q1, adding around 3% new space compared to Q1 last year.

Gross margins were up 10 basis points benefiting from on-going self-help initiatives, which coupled with continued tight cost control including lower levels of variable pay, resulted in retail profit of £66 million (2012/13: £78 million reported retail profit).

Castorama total sales declined by 2.3% to £597 million (-4.1% LFL). According to provisional Banque de France data, sales for the home improvement market were down around 7%. Castorama outperformed the market benefiting from its innovative 'Do-it-Smart' approach aimed at making home improvement projects easier for customers. Sales of outdoor seasonal products were down around 11% reflecting unseasonably cooler weather. Sales of indoor products were down around 3%.

Brico Dépôt, which more specifically targets trade professionals and heavy DIYers, was impacted by a slow house building market and tough comparatives (Q1 2012/13: +2.4%). Total sales declined by 5.7% to £482 million (-7.3% LFL). Self-help initiatives continued to progress well, including new ranges introduced last year (e.g. joinery and tiling ranges) and more 'arrivages' (rolling programmes of one-off special buys), reinforcing Brico Dépôt's value credentials.

[(1)] Outside the UK & Ireland, figures are reported on a calendar month basis. In the UK & Ireland, figures are reported on a 13 week basis. There was one less trading day at Castorama and two less trading days at Brico Dépôt compared to last year.

UK & IRELAND

Sales £m	2013/14	2012/13	% Change (Reported)	% Change (Constant)	% LFL Change
UK & Ireland	1,068	1,105	(3.4)%	(3.4)%	(4.7)%

Retail profit £m	2013/14	2012/13	% Change (Reported)	% Change (Constant)
UK & Ireland	50	74	(32.1)%	(32.0)%

UK & Ireland comprises B&Q in the UK & Ireland and Screwfix
2012/13 comparatives restated by £1m to reflect reclassification of pension administrative expenses from finance costs to operating profit, as per the amended IAS 19.

All trading commentary below is in constant currencies

Kingfisher UK & Ireland

Total sales declined by 3.4% to £1,068 million (-4.7% LFL) in a slow market impacted by weak consumer confidence and an early Easter coupled with record cold weather, through March and early April.

Reflecting the weaker sales, Kingfisher UK & Ireland reported retail profit of £50 million (2012/13: £74 million reported retail profit including the benefit of a one-off construction related claim for around £5 million). Gross margins were broadly flat, with the benefits from on-going self-help initiatives offset by investment in pricing. A strong focus on operating cost efficiencies continued across both businesses.

B&Q UK & Ireland's total sales declined by 5.7% to £913 million (-5.6% LFL) in line with lower footfall driven by the colder temperatures. Sales of outdoor seasonal products, which can represent up to 30% of total Q1 sales, were down over 10%. Sales of building products were also impacted by the cold weather. In the showroom category, bathroom sales were down, in a weak, price-aggressive market. However kitchen sales delivered a solid performance. Sales of indoor decorative products fared better as customers switched some of their home improvement activities indoors.

In Ireland, following the conclusion of the Examinership process, one store has now closed and significant rent reductions will be achieved across the remaining stores.

Screwfix grew total sales by 12.6% (+1.7% LFL) to £155 million, in an improving smaller tradesman market [1], benefiting from new ranges (e.g. paint and power tool accessories), the continued roll out of new outlets and the successful introduction of a mobile 'click, pay & collect' offer last year. Eight outlets were opened during Q1, taking the total to 283.

[1] *Based on the Builders' Merchants Federation lightside trade data Jan-Mar 2013*

OTHER INTERNATIONAL

Sales £m	2013/14	2012/13	% Change (Reported)	% Change (Constant)	% LFL Change
Other International	476	438	8.6%	5.6%	0.7%

Retail profit £m	2013/14	2012/13	% Change (Reported)	% Change (Constant)
Other International	(2)	7	n/a	n/a

Other International comprises Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany. Joint Venture (Koçtaş) and Associate (Hornbach) sales are not consolidated

All trading commentary below is in constant currencies

Other International total sales increased by 5.6% to £476 million (+0.7% LFL) driven by LFL growth in Russia and China and new store openings. Three net new stores opened, two in Poland and one in Spain, adding around 5% new space compared to Q1 last year. However, economic uncertainty in Europe (with the exception of Russia and Turkey) and record cold weather in Poland impacted performance.

Q1 is by far the smallest quarter for this division reflecting slower demand in Eastern Europe (winter) and in China (New Year) but with a largely fixed cost base. The division reported a retail loss of £2 million for Q1 (2012/13: £7 million reported retail profit) with the biggest movement coming from Poland.

Sales in **Poland** were down 1.3% (-4.2% LFL) to £240 million benefiting from new store space but adversely impacted by the extreme cold March weather. Sales patterns were unusually volatile (February -0.8% LFL; March -16.7% LFL; April +5.1% LFL). Gross margins were down 170 basis points, with self-help initiatives more than offset by an on-going investment in pricing which annualises during Q2. Tight cost control, after around £1 million higher pre-opening costs, largely offset cost inflation resulting in a 35.3% profit decline to £14 million.

In **Russia,** sales grew by 17.4% to £91 million (+13.0% LFL) benefiting from a strong market and new store space. Retail loss was £4 million (2012/13: £5 million reported loss). In **Turkey**, Kingfisher's 50% JV, Koçtaş, delivered a breakeven result, flat year on year, with sales up 4.3% (+2.9% LFL). Sales in **Spain** grew by 14.2% (-6.1% LFL) to £68 million reflecting new store openings offset by a difficult market, also resulting in a breakeven result (2012/13: £1 million reported profit). **Hornbach,** in which Kingfisher has a 21% economic interest, contributed a retail loss of £5 million (2012/13: £5 million reported loss).

B&Q China sales grew by 9.1% to £77 million (+9.5% LFL) driven by additional promotional activity and an improving property market. Retail loss was £7 million (2012/13: £5 million reported loss) reflecting £1 million of costs relating to work on the new format store trial, ahead of its opening in March this year and £1 million lower sublet rental income on vacant store space.

SUMMARY Q1 2013/14 DATA BY GEOGRAPHY

As at 4 May 2013	Store numbers	Selling space (000s m2)	Employees (FTE)
Castorama	104	1,103	11,947
Brico Dépôt	105	583	6,901
France	**209**	**1,686**	**18,848**
B&Q UK & Ireland	356	2,565	21,793
Screwfix	283	20	3,893
UK & Ireland	**639**	**2,585**	**25,686**
Poland	72	529	10,764
China	39	322	4,156
Spain	21	123	1,073
Russia	19	170	2,344
Turkey JV	37	194	3,270
Other International	**188**	**1,338**	**21,607**
Total Group	**1,036**	**5,609**	**66,141**

	Sales £m 2013/14	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Castorama	597	0.7%	(2.3)%	(4.1)%
Brico Dépôt	482	(2.8)%	(5.7)%	(7.3)%
France	**1,079**	**(0.9)%**	**(3.8)%**	**(5.6)%**
B&Q UK & Ireland	913	(5.6)%	(5.7)%	(5.6)%
Screwfix	155	12.6%	12.6%	1.7%
UK & Ireland	**1,068**	**(3.4)%**	**(3.4)%**	**(4.7)%**
Poland	240	2.0%	(1.3)%	(4.2)%
China	77	14.8%	9.1%	9.5%
Russia	91	16.8%	17.4%	13.0%
Spain	68	17.6%	14.2%	(6.1)%
Other International	**476**	**8.6%**	**5.6%**	**0.7%**
Total Group	**2,623**	**(0.4)%**	**(2.1)%**	**(4.2)%**

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

	Retail Profit £m 2013/14	% Total Change Reported	% Total Change Constant currency	Operating Margin % 2013/14	Operating Margin % 2012/13
France	**66**	**(14.4)%**	**(16.9)%**	**6.1%**	**7.2%**
UK & Ireland[1]	**50**	**(32.1)%**	**(32.0)%**	**4.7%**	**6.7%**
Poland	14	(33.1)%	(35.3)%	5.8%	8.9%
China	(7)	(41.4)%	(34.3)%	(9.1)%	(7.5)%
Spain	-	(46.3)%	(47.9)%	-	1.7%
Russia	(4)	24.9%	24.5%	(4.4)%	(6.5)%
Turkey JV	-	n/a	n/a	n/a[2]	n/a[2]
Hornbach	(5)	(24.7)%	(21.0)%	n/a[2]	n/a[2]
Other International	**(2)**	**n/a**	**n/a**	**(0.4)%**	**1.6%**
Total Group	**114**	**(28.0)%**	**(29.2)%**	**4.3%**	**6.0%**

[1] 2012/13 comparatives restated by £1m to reflect reclassification of pension administrative expenses from finance costs to operating profit, as per the amended IAS 19
[2] Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated therefore not applicable

Average FX rates vs £ Sterling

	2013/14	2012/13
Euro	1.17	1.20
Polish Zloty	4.85	5.01
Chinese Renminbi	9.50	10.00
Russian Rouble	47.14	46.90
Turkish Lira	2.75	2.82

CREATING THE LEADER

Progress continued with the next phase of our medium term development under the following eight steps:

EASIER
1. Making it easier for our customers to improve their home
2. Giving our customers more ways to shop

COMMON
3. Building innovative common brands
4. Driving efficiency and effectiveness everywhere

EXPAND
5. Growing our presence in existing markets
6. Expanding in new and developing markets

ONE TEAM
7. Developing leaders and connecting people
8. Sustainability: becoming 'Net Positive'

Further details on progress will be given with the interim results for the half year ended 3 August 2013.

Kingfisher

FINANCIAL POSITION

No material events or transactions impacting the Group's strong financial position have taken place since the previously announced unaudited balance sheet as at 2 February 2013.

ENQUIRIES:

Ian Harding, Group Communications Director	020 7644 1029
Sarah Levy, Head of Investor Relations	020 7644 1032
Nigel Cope, Head of Media Relations	020 7644 1030
Matt Duffy, Investor Relations Manager	020 7644 1082
Clare Haines, Media Relations Manager	020 7644 1286
Brunswick	020 7404 5959

Further copies of this announcement can be downloaded from www.kingfisher.com or viewed on the Kingfisher IR iPad App available for free at the Apple App store.
We can also be followed on twitter @kingfisherplc.

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements, 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. 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 update any forward-looking statement publicly, whether as a result of new information, future events or otherwise. Nothing in this press release should be construed as a profit forecast.

Please refer to page 116 of the Annual Report and Accounts 2012/13 for further details and definitions concerning forward-looking statements and how they should be considered.