

Kingfisher – at a glance

Europe's leading home improvement retail group and the third largest in the world, with nearly 900 stores in eight countries in Europe and Asia.



Our market

Home improvement is an attractive segment of retailing, benefiting from natural long-term demand characteristics fuelled by demand for more new housing and more frequent home renewal. The market also benefits from many products being common across international markets, giving rise to global sourcing and economies of scale.

Our business

Kingfisher is a geographically diverse home improvement retailer, operating nearly 900 stores in eight countries in Europe and Asia and generating sales of £10.4 billion. Over six million customers are served in-store every week, from everyday DIYers to trade professionals.

Our 80,000 employees share an enthusiasm and passion for helping customers improve their homes and gardens, and adding value through sharing knowledge, experience and customer insight between our established and younger businesses.

Our aim

To be the world's leading local home improvement retailer.

How?

By making it easier for people to have better and more sustainable homes. This means offering the best choice of the latest, high quality products and services in a way most convenient to our local customers.

We will embrace our local cultures but also leverage together our unique assets, international diversity and global buying scale, to innovate faster and keep prices low for our local customers.

We will be a force for good in our local communities and minimise the impact of our business on the world.

Why?

When local customers and their communities see us as their first choice for home improvement we will profitably grow our business, providing our shareholders with a very attractive return on their investment and our people with rewarding careers.

Our senior management team (from left to right)

Kevin O'Byrne

Group Finance Director

Joined in October 2008 from DSG International, the electrical retailing group where he had been Group Finance Director since 2004.

Euan Sutherland

Chief Executive, Kingfisher UK & Ireland

Joined in June 2008 from AS Watson UK, owner of Superdrug and Savers, where he was Chief Executive. Has 18 years' experience at companies such as Boots, Mars, Coca-Cola, Matalan and Dixons Retail.

Philippe Tible

Chief Executive, France

Appointed to the role in March 2008 after five years as CEO of Castorama France. Previously held senior roles at DIY retailer Leroy Merlin and furniture retailer Conforama.

Ian Cheshire

Group Chief Executive

Appointed Group Chief Executive in January 2008 after 10 years at Kingfisher. Previously ran B&Q UK and Kingfisher's international operations.

Peter Hogsted

Chief Executive, International

Joined in September 2008 after 13 years at IKEA. He was Chief Executive of IKEA UK and Chairman of its operations in Poland, the Czech Republic, Slovakia, Ireland and Hungary.



Our key priorities

Kingfisher launched its seven-point 'Delivering Value' plan in 2008 with the aim of improving returns to shareholders. Our progress to date (Feb 2008 to Jan 2011) and milestones for 2011/12 are detailed below.

Progress to date

1 Driving up B&Q UK & Ireland's profit

Self-help measures have rebuilt B&Q's retail margin to 5.6% (from 3.2% in 2007/08) despite weak markets throughout this period. B&Q is on track to achieve a sustainable 7% operating margin.

Stores

- 41 large and 25 medium store revamps (60% of estate now in modern format)
- 140 'showroom only' revamps (kitchen, bathroom and bedroom areas)

Product and Service

- More stringent store operating standards introduced ('Martini' programme), 93% remain compliant
- Self-service checkout rolled out nationally
- 21,000 staff achieved retail NVQs or City & Guilds qualifications, covering over 60% of store staff headcount
- 'Reserve and Collect' rolled out nationally and 12,000 products for next day home delivery launched on diy.com
- Launched and established Cooke & Lewis as a leading kitchen and bathroom range
- New or expanded product categories trialled, successful ranges rolled out nationally (car care and workshop ranges)

Margin and Costs

- Margin improvement of 300bps supported by distribution efficiencies, shrinkage reduction and more direct sourcing (shipments up 30%)
- Reduced moving annual average stock by 9 days boosted by removal of 'top stocks' ⁽¹⁾
- Costs (SG&A⁽²⁾) percentage to sales held broadly flat despite underlying cost inflation, 3% net new space and slower sales

⁽¹⁾ Stocks at the top of in-store shelving

⁽²⁾ SG&A

2011/12 milestones

Stores

- Revamp 9 large and 28 medium stores, open one new store
- 7 'showroom only' revamps (kitchen, bathroom and bedroom areas)

Product and Service

- Roll out new storage range nationally
- Establish 'You can do it' DIY centres in 15 large stores
- Provide DIY skills training to over 2 million children through schools and local communities
- Create over 200 'how to' videos available in-store and on diy.com
- Extend NVQ or City & Guilds qualification training programme to a further 4,000 staff

Margin and Costs

- Direct sourcing shipments to rise by around 15%
- Open new distribution centre in Swindon (as part of the supply chain efficiency project previously announced)

2 Exploiting our UK Trade opportunity

Sales to the trade were £828 million in 2010/11, up from around £700 million in 2007/08. Over 415,000 trade professionals are now registered with 'TradePoint' and 2.4 million registered with Screwfix.

- Maximising synergies with Screwfix, a new trade offer ('TradePoint') was successfully added to 124 B&Q stores. A further 194 B&Q stores offer a 'TradePoint' 'order & collect' service based on next day delivery
- Completed major review of all B&Q in-store building ranges to support the 'TradePoint' roll out
- Opened 69 new Screwfix outlets (taking the total to 162)
- Added specialist trade counters exclusive to plumbers and electricians within 110 Screwfix outlets
- Launched 'Plumbfix' and 'Electricfix', specialist mail order catalogues

- Add new services for trade professionals including:
 - an improved third-party credit and insurance offer that can be used across all Kingfisher UK formats
 - a smart phone transactional application to allow easier online shopping
 - bulky goods delivery to further extend the 'TradePoint' and Screwfix offer
 - development of a 'click, pay and collect in 15 minutes' offer for all Screwfix trade counters
- Open 20 further Screwfix outlets
- Launch a consumer facing directory website (jobsorted.com) to help trade professionals find work
- Launch specialist websites for both 'Plumbfix' and Electricfix'

3 Expanding our total French business

10% net new space added and profits up 18% in constant currencies since 2007/08, supported by buying optimisation and more direct sourcing.

- Opened 16 net new stores, undertaken 3 relocations and 21 revamps, adding 10% net new space
- Castorama modernisation accelerated:
 - 63% of stores now in modern format, up from 42% in 2007/08
 - innovative 'Do-it-Smart' advertising and products introduced as part of its drive to make home improvement projects quicker and easier
- Margin improvement of 260bps supported by buying optimisation benefits (covering common suppliers to Castorama and Brico Dépôt), shrinkage reduction and doubling direct sourcing shipments

- Open 2 net new stores, 4 relocations and 2 revamps, adding around 2% new space
- Continued up-weighted new product launches across both businesses
- Re-launch of the Brico Dépôt 'Le Book' pocket-sized catalogue
- Extend buying optimisation programme, to include Brico Dépôt Spain
- Roll out common incentive schemes to all store staff across both businesses incorporating new operational measures (e.g. ATV⁽³⁾ growth)

⁽³⁾ Average transaction values

Our key priorities

Progress to date

2011/12 milestones

4 Rolling out in Eastern Europe

59% space added, profit up 43% in constant currencies since 2007/08.

- Opened 41 net new stores, 17 in Poland, 15 in Turkey and 9 in Russia with total sales up 52%⁽⁴⁾ to £1.6 billion (including 100% of the sales of the Koçtaş JV)
- Opened new central distribution facilities in Poland and Turkey to unlock future direct sourcing and distribution benefits

⁽⁴⁾ In constant currencies

- Open a further 16 new stores, 6 in Poland, 6 in Turkey and 4 in Russia, adding around 17% new space
- Direct sourcing shipments in Poland and Turkey to increase by over 50%
- Open smaller 'city store' format in Moscow (housing 90% of current product ranges in 65% of the space)

5 Turning around B&Q China

Repositioning plan on track. Annual losses of £62 million⁽⁴⁾ at peak in 2008/09 have been reduced to £8 million with the business now positioned for potential break-even in 2011/12.

⁽⁴⁾ In constant currencies

- Appointed a new, highly experienced management team
- Store portfolio rationalised from 63 to 41 of which 16 stores were downsized. All resulting space successfully sub-let
- Central costs reduced by around 30% including one regional office closure
- 16 of the remaining stores have been retro-fitted to offer customers an improved shopping experience and to broaden the appeal to existing home owners as well as new home buyers
- 30% of ranges have been re-engineered from the previous 'supplier led' model to a more European 'customer led' retail model with encouraging results
- Introduced direct sourced group own brands

- Continue the new format trial
- Continue the work on re-engineering ranges including more direct sourced group own brands
- Overall break-even target, subject to a stable Chinese home improvement market

6 Growing Group sourcing

Direct sourcing shipments through the Kingfisher Sourcing Organisation (KSO) is now at US\$1.3 billion per annum, up over 60% since 2007/08.

- Extended the sourcing network to Brazil, Israel, Turkey and Vietnam taking the total network to 10 locations sourcing from 32 countries (25% of direct sourced suppliers being located outside of China)
- Created core range catalogues to facilitate more cross-Group common sourcing
- Established 10 'superbrands' to replace 150+ local own brands. This is a critical first step in enabling the development and roll out of group-wide common ranges in multi-lingual packaging

- Create a new group commercial organisation aligning our sourcing, own brand and innovation capabilities more closely
- Finalise common range planning and range review alignment between B&Q UK and Castorama France
- Commence roll-out of group-wide common ranges under the Blooma, Blyss and Verve 'superbrands'
- Invest in an innovation and design team to increase product creation capability
- Increase volume of direct sourced shipments by almost 15% to US\$1.5 billion

7 Reducing working capital

Net working capital reduced by over £500 million⁽⁵⁾ since 2007/08 excluding around £180 million negative impact of French LME⁽⁶⁾

⁽⁵⁾ At reported rates

⁽⁶⁾ Legislative changes shortening French payment terms, implemented over the 3 years to 2012

- Reduced moving annual average stock by 11 days
- Average payment terms on direct sourced product extended by 51 days (to 85 days)

- 'Like-for-like' working capital to remain constant. Overall balance will increase due to further negative effects in the final year of implementation of French LME⁽⁶⁾ and investment required for new stores
- Further extend average payment terms on direct sourced product by another 5 days (to 90 days)

⁽⁶⁾ Legislative changes shortening French payment terms, implemented over the 3 years to 2012

Delivering More Value - Creating the leader

In March 2011 we launched the second phase of our Delivering Value strategy with the aim of delivering faster growth and higher returns by being the world's expert at making home improvement easier. This strategy focuses on three key themes:

1. EASIER

We believe we can stimulate the overall market, grow our like-for-like sales and our market share by becoming the world's expert at making home improvement easier for our customers.

2. COMMON

By having a 50% core common range across all our businesses we will use our scale to accelerate innovation, stimulating overall market demand and growing our like-for-like sales and our market share. Our scale will also make home improvement more affordable for our customers whilst boosting our margins.

3. EXPAND

By becoming the best at making home improvement easier and developing a core common range we will be able to accelerate and improve our expansion, thereby growing total sales and market share.

Organisational development

Successful delivery of the next phase will require us to complete the journey from our origins as a retail conglomerate to a single, unified retailer. Much progress has been made in recent years and the organisation is now ready to complete the final steps in our journey, thereby unlocking the full potential of our unique international talent and scale.

Completing our journey

Conglomerate

Federation

Single integrated leader



2010/11



20% commonality
80% local flex

80% commonality
20% local flex



Our business and our markets – a snapshot





FRANCE

| Contribution to Group sales | Retail profit | Country | Households (m) | Market size (£bn) | Market position | % Market share | GDP growth 2011 estimated (%)† | Market brands | Store numbers‡ | Selling space (000s sq m) | Employees full time* |
|--|---|---------|----------------|-------------------|-----------------|----------------|--------------------------------|---------------|----------------|---------------------------|----------------------|
|  |  | FRANCE | 27 | 20 | 1 | 21 | 2.3 | castorama | 102 | 1,042 | 12,287 |
| | | | | | | | | BRICO DEPOT | 102 | 565 | 6,865 |
| 40% | 46% | | | | | | | | | | |
| £4.2bn | £348m | | | | | | | | | | |

UK & IRELAND

| Contribution to Group sales | Retail profit | Country | Households (m) | Market size (£bn) | Market position | % Market share | GDP growth 2011 estimated (%)† | Market brands | Store numbers‡ | Selling space (000s sq m) | Employees full time* |
|--|---|---------|----------------|-------------------|-----------------|----------------|--------------------------------|---------------|----------------|---------------------------|----------------------|
|  |  | UK | 27 | 31 | 1 | 14 | 2.3 | B&Q | 330§ | 2,480§ | 23,503§ |
| | | | | | | | | SCREWFIX | 175 | 14 | 3,087 |
| | | IRELAND | 1.5 | 2 | - | 5 | 1 | B&Q | | | |
| 42% | 32% | | | | | | | | | | |
| £4.3bn | £243m | | | | | | | | | | |

OTHER INTERNATIONAL

| Contribution to Group sales | Retail profit | Country | Households (m) | Market size (£bn) | Market position | % Market share | GDP growth 2011 estimated (%)† | Market brands | Store numbers‡ | Selling space (000s sq m) | Employees full time* |
|--|---|---------|----------------|-------------------|-----------------|----------------|--------------------------------|---------------|----------------|---------------------------|----------------------|
|  |  | POLAND | 15 | 10 | 1 | 11 | 4 | castorama | 61 | 455 | 9,919 |
| | | CHINA | 425 | 36 | 1 | 1 | 9.2 | B&Q | 40 | 333 | 5,307 |
| | | SPAIN | 16 | 5 | 2 | 4 | 1.2 | BRICO DEPOT | 17 | 100 | 981 |
| | | RUSSIA | 53 | 13 | 3 | 2 | 4.7 | castorama | 16 | 142 | 2,635 |
| | | TURKEY | 18 | 6 | 1 | 5 | 4.8 | BRICO DEPOT | 32 | 169 | 3,250 |
| 18% | 22% | | | | | | | | | | |
| £1.9bn** | £171m | | | | | | | | | | |

TOTAL

| | | | | | | | | | | | |
|---------|-------|--|--|--|--|--|--|--|-----|-------|--------|
| £10.4bn | £762m | | | | | | | | 875 | 5,300 | 67,834 |
|---------|-------|--|--|--|--|--|--|--|-----|-------|--------|

* Includes Corporate Centre capital allocation

** JV sales not consolidated

† Source: Credit Suisse estimates

‡ Store numbers correct as at 30 July 2011

§ UK & Ireland

|| Excluding 29 recently acquired ex-focus DIY stores

HORNBACH
HOLDING AG

Strategic alliance. Kingfisher has a 21% interest in Hornbach, Germany's leading large format DIY retailer.