Kingfisher plc
Prelims and strategy update

Year ended 31 January 2015

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Véronique Laury

Chief Executive Officer

Karen Witts

Chief Financial Officer

Financial summary

	2014/15	2013/14	% YOY
Sales (£m) (1)	10,966	10,660	+2.9%
Adjusted PBT (£m) (2)	675	730	(7.5)%
Effective tax rate (3)	27%	26%	n/a
Adjusted basic EPS (p) (2)	20.9	22.8	(8.3)%
Statutory post-tax profit (£m)	573	710	(19.3)%
Free cash flow (£m)	450	559	(19.5)%
Reported net cash (£m)	329	238	n/a
KEP (£m)	34	74	(54.1)%
Full year ordinary dividend (p)	10.0	9.9	+1.0%

(1) In constant currencies
(2) Before exceptional items, Hornbach contribution, IAS39, amortisation of acquisition intangibles, related tax items and tax on prior year items
(3) Before exceptional items and prior year tax adjustments

Kingfisher

Exceptional items

£m gain / (charge)	2014/15	2013/14
Transaction costs	(15)	(5)
UK and Ireland restructuring	(17)	7
Property	(3)	2
Net impairment of investment in Hornbach	-	(14)
Kesa demerger French tax case – repayment supplement	-	27
Exceptional items before tax	**(35)**	**17**
Exceptional tax items	106	114
Net exceptional items	**71**	**131**

France – resilient performance in soft markets

Castorama performing slightly ahead of market

Brico Dépôt impacted by tough house building market

- Gross margin reflects self-help, offset by more promotional activity
- ‘Click, Pay & Collect’ rolling out well
- Added 2% new space YOY

castorama	Sales	(1.7)%
	LFL	(1.4)%
BRICO DEPÔT	Sales	(0.1)%
	LFL	(3.2)%
Total France	Sales	(1.0)%
	LFL	(2.3)%
	GM	(10)bps
	Retail Profit	(6.5)%

All in constant currencies

UK & Ireland – good profit growth

Benefited from better weather, stronger economic backdrop and more buoyant housing construction

B&Q

- Good progress with transformation plan
  - Re-energising initiatives delivering good results
  - Productivity efficiencies on track
  - ‘Click, Pay & Collect’ launched with upgrade of diy.com
  - Completed property analysis; now announcing c.60 store closures
- Gross margins impacted by deep showroom promotions

Screwfix

- Another 60 net new outlets
- Convenience & new ranges drive sales and cash margin

B&Q

Sales	+1.9%
LFL	+1.4%

SCREWFIX

Sales	+25.5%
LFL	+13.4%

Total UK & Ireland

Sales	+5.5%
LFL	+3.2%
GM	(60)bps
Retail Profit	+16.1%

All in constant currencies

Other International – established operations

Poland

- Sales and profits grew slightly
- Gross margins up 50 basis points from better buying

Russia profits hit by FX on the cost base

Added 6% new space YOY

			Retail profit		
	Sales %	LFL %	£m 2014/15	£m 2013/14	YOY %
Poland	+0.7	+0.4	118	123	+1.7
Russia	+19.0	+14.9	10	15	(14.6)
Spain	+14.2	(5.5)	2	1	+18.5
Turkey JV (1)	+13.1	+4.2	9	11	(0.8)
Total (1) (established)	**+6.7**	**+2.5**	**139**	**150**	**+0.3**

All % movements in constant currencies

(1) Turkey joint venture sales are not consolidated

Other International – new country development & China (asset held for sale)

New country development £22m FY charge reflecting:

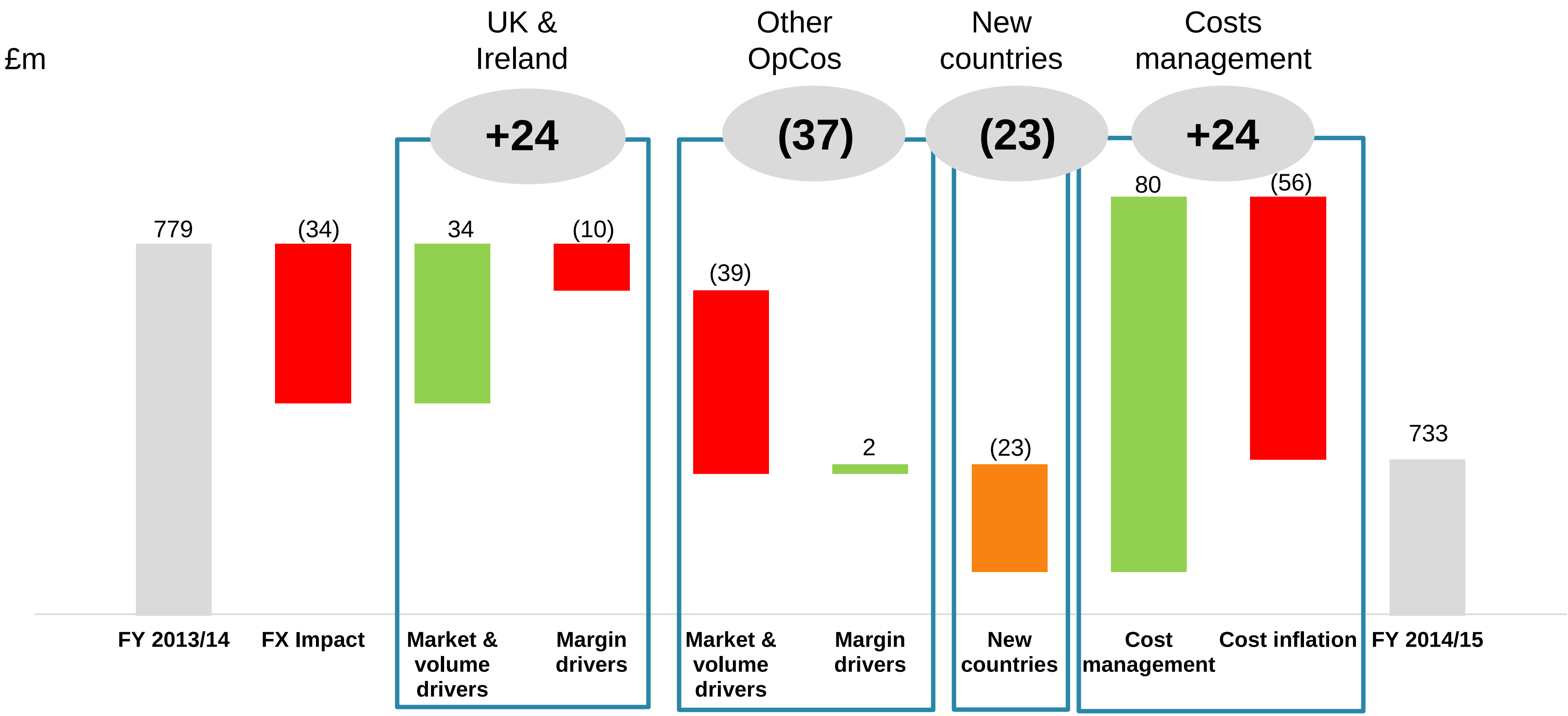
- Accelerated store conversions in Romania
- Launch of Brico Dépôt in Portugal
- Launch of Screwfix in Germany

China

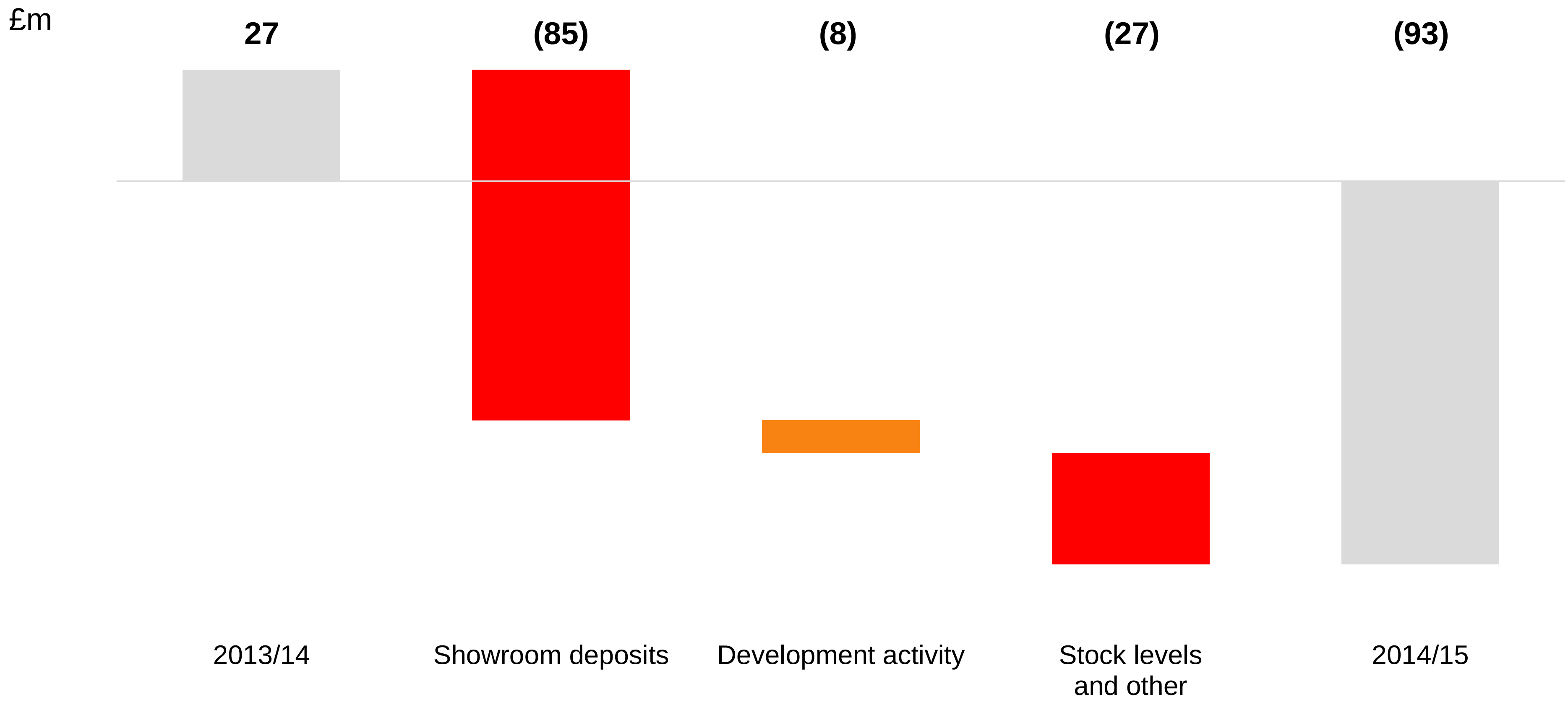
- Retail loss of £9m impacted by slowing property market (down 11%)
- Transaction awaiting MOFCOM[1] approval and expected to complete during H1 2015/16

(1) Chinese Ministry of Commerce

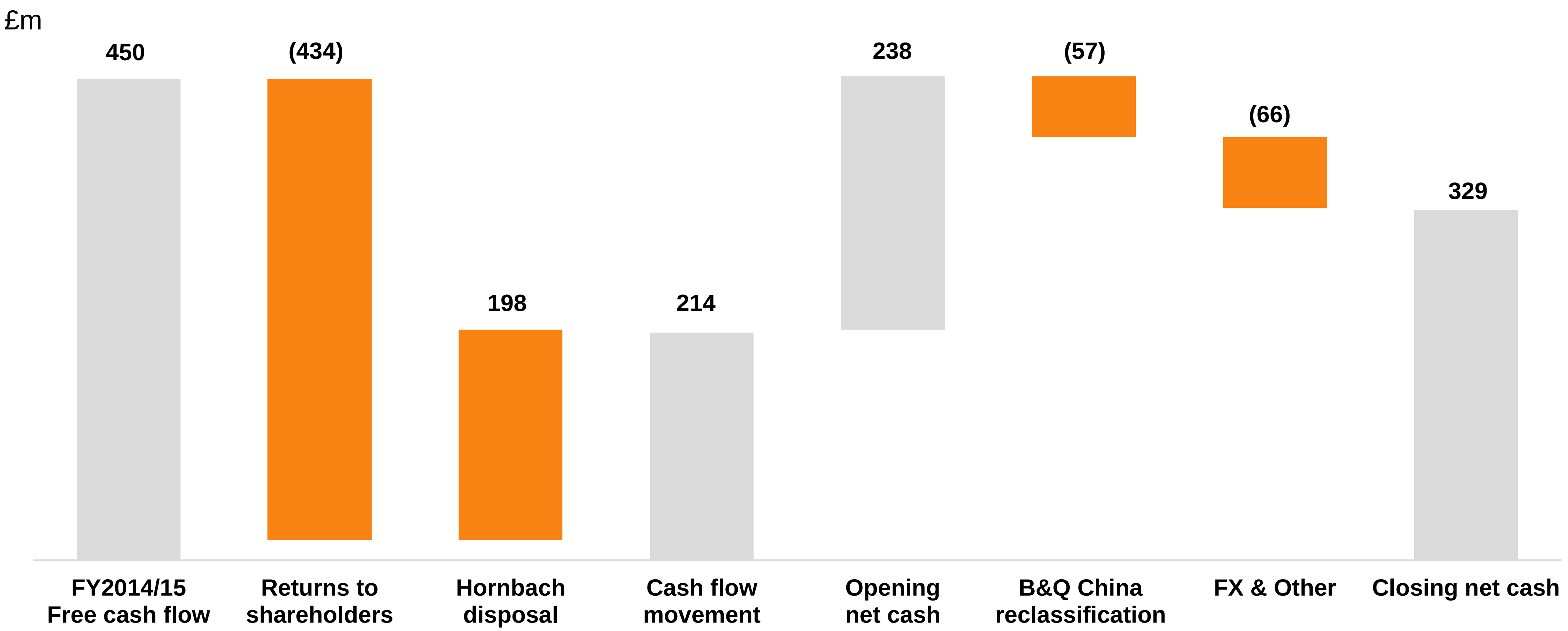
Retail profit drivers across the year



Change in working capital driven by lower showroom deposits YOY



Uses of free cash flow



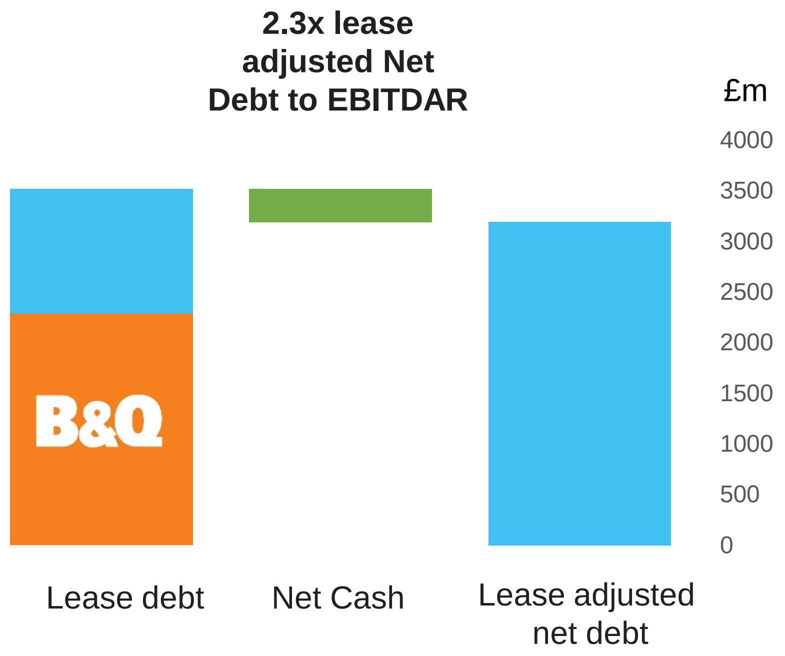
Capital discipline – maintaining a strong balance sheet

Financial flexibility

- Retain a solid investment grade credit rating
- Maintain BBB flat metrics
- Target 2.0-2.5x lease adjusted net debt/EBITDAR [(1)]

Optimise debt position

- Sale of non-operational space
- Measures to reduce total capitalised lease adjusted debt



(1) See Net debt/EBITDAR reconciliation in appendix for definitions

Capital discipline – measures to optimise lease adjusted debt

65% of total lease adjusted debt is in B&Q

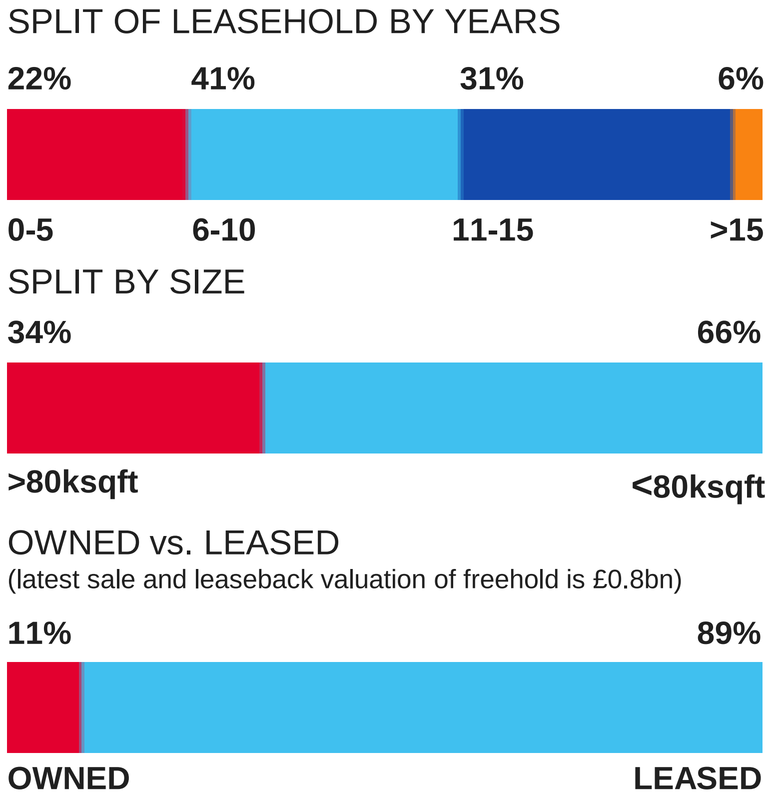
Rent negotiations ongoing on retained space

- Achieved average rental reductions of around 15% in FY 2014/15
- New leases on improved terms

Closing c.15% space covering:

- c.60 surplus stores over the next two years
  - Exceptional charge of around £350m (principally lease provisions)
  - Looking to sub-let or sell, already in discussions with retailers
- 6 right-sizes in FY 2015/16
  - From original agreements with supermarket groups & other ongoing negotiations

B&Q



Capital discipline – uses of cash

Reinvesting in the business to grow and drive returns

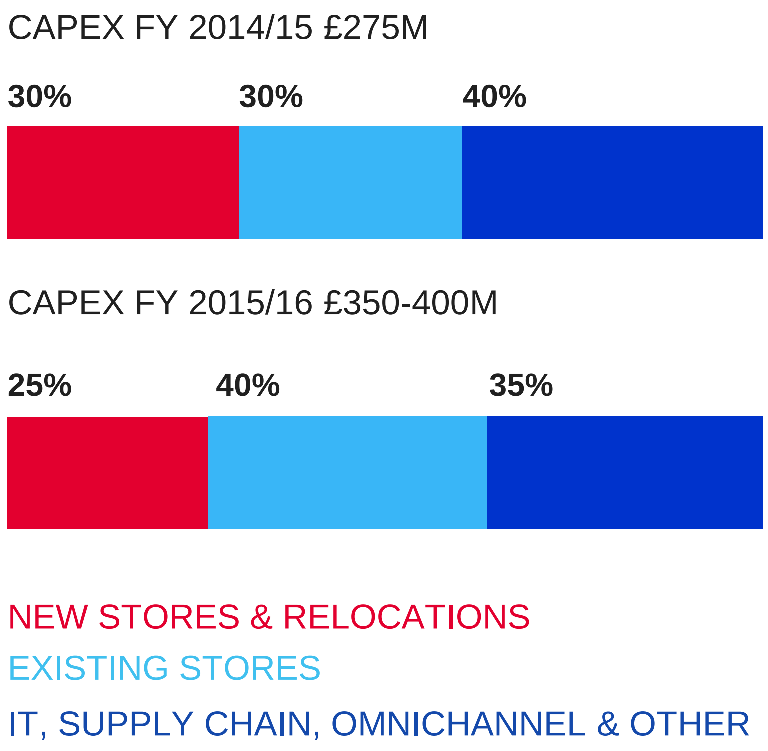
- 2015/16 increase driven by the UK, France & Poland

Annual dividend

- £234m cash in FY2014/15
- Proposed full year dividend up 1%
- Comfortable with dividend cover 2.0-2.5x

Multi-year capital returns to shareholders

- £200m during FY 2014/15
- Announcing further £200m during FY 2015/16
  - Expected to be via share buyback
  - Already started – c.£30m to date



Financial summary

Adjusted pre-tax profit supported by self-help, although impacted by:

- Slow market in France since summer 2014
- Adverse foreign exchange translation
- New country development activity

Balance sheet remains strong

- Optimising our lease adjusted debt position
- Continuing to invest for growth
- Returning cash to shareholders

Outlook

- Encouraged by the improving economic backdrop in the UK
- Remain cautious on the outlook for France

Véronique Laury

Chief Executive Officer

BETTER HOMES, BETTER LIVES

Agenda

Key questions we wanted to answer

We can create ‘ONE’ Kingfisher

Organisational change is necessary

First ‘sharp’ decisions

Key questions we wanted to answer…

1 Are we right to focus on the home improvement market?

2 Are we right to focus on Europe+?

3 Can we achieve significant benefits from developing a more common, unique and effective offer?

4 Is there a winning format or channel today?

5 Can we achieve significant benefits from unifying activities and standardising processes?

…so in answer to those questions

1. Yes - home improvement is a great market with huge potential

Top customer spending priority

- **58%** of Europeans did a home improvement project last year

Resilient

Universal megatrends supporting sustainable growth

Universal megatrends - similar across markets

Convergence of customer needs

Changing demographics

Urbanisation

More home technology

Energy costs

Rising regulatory requirements

Communities/ sharing economy

2. Yes - we are right to focus on Europe+

Big

Fragmented where we have

- **5%** market share
- Market leading positions in **3** countries

3. Yes - we can achieve significant benefits from developing a more common, unique and effective offer

The reality is that

- Customer needs are already more **similar** than not
- Few known **manufacturer** brands

And we already have strong assets

- Serving **1m** customers a day
- Big untapped buying scale **£7.4bn**
  - 393k[1] skus in total of which only 7k[1] are shared
- **30%**[1] of sales are established own brands
- Well established **global** sourcing network

(1) Based on Top 5 operating companies

4. There is no one clear winning format or channel today so multi-format is an advantage

Clarity, focus and excellence are a must

Given there is no clear winning format or channel, being multi-format is an advantage

- Big Box
- Medium Box
- Omnichannel

Being truly omnichannel however is a given

5. Yes - we can achieve significant benefits from unifying activities and standardising processes

Few shared processes

Little shared infrastructure

No standardised store operating model

So I do have the confidence that we can create 'ONE' Kingfisher

BETTER HOMES, BETTER LIVES

We now have a clear set of guiding principles

1 Customer **needs** come first

2 Create a **unique** and **leading** offer

3 **Same** products across Europe presented in the **same** way

4 **Limited** number of formats & **omnichannel** everywhere

5 **Low** cost always

6 **ONE** company culture

To unlock the real potential of 'ONE' Kingfisher driving more shareholder value

HIGHER SALES

+

MAINTAINED GROSS MARGIN RATE

+

LOWER COSTS

+

CAPITAL DISCIPLINE

→

Improved financial metrics

With clear and simple non-financial KPIs to measure our success across the company

To do this we need to organise ourselves very differently

KINGFISHER

CUSTOMER	OpCo
OFFER	OpCo
FORMATS / CHANNELS	OpCo
INFRASTRUCTURE & PROCESSES	OpCo
PEOPLE	OpCo

Kingfisher

CUSTOMER	Unified & OpCo
OFFER	Unified & OpCo
FORMATS / CHANNELS	Unified
INFRASTRUCTURE & PROCESSES	Unified
PEOPLE	Unified & Opco

…and it has worked successfully at country level before

Old castorama

CUSTOMER	**Regional**
OFFER	**Regional**
FORMATS / CHANNELS	**Regional**
INFRASTRUCTURE & PROCESSES	**Regional**
PEOPLE	**Regional**

New castorama

CUSTOMER	**Unified & Regional**
OFFER	**Unified & Regional**
FORMATS / CHANNELS	**Unified**
INFRASTRUCTURE & PROCESSES	**Unified**
PEOPLE	**Unified & Regional**

- Introduced national ranging and more own brand
- Significantly reduced the number of SKUs
- Halved number of suppliers
- Integrated supply chain
- Higher sales densities
- Higher retail profit margins

We are getting on with it at real pace: First 'sharp' decisions

CUSTOMER	▪ Develop unified garden and bathroom businesses across Europe
OFFER	▪ Develop plan to cut existing product tail
FORMATS / CHANNELS	▪ Close c.15% surplus space at B&Q ▪ Close our few loss making stores in Europe ▪ Start Big Box revitalisation programme across Europe ▪ Extend omnichannel trial in Germany
INFRASTRUCTURE & PROCESSES	▪ Pilot unified IT platform, then look to accelerate ▪ Unify £1.2bn goods not for resale (GNFR) process
PEOPLE	▪ Finalise new leadership team and wider organisation structure

…with a new international leadership team - more focused cross company roles and deeper competence

Chief Executive Officer
Véronique Laury

Chief Financial Officer
Karen Witts

Chief Offer & Supply Chain Officer
Arja Taaveniku

Chief Digital & IT Officer
Steve Willett

tba

Chief People Officer

3 Operations Directors by format

Big Box - Guy Colleau

Medium Box - Alain Souillard

Omnichannel - Steve Willett

So in summary

1 European home improvement is a great market with huge potential

2 We now have a clear set of principles which will unlock the real potential of 'ONE' Kingfisher

3 We are organising ourselves very differently

4 We are getting on with it at real pace

5 We will update you as the year progresses

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Questions

Appendices

2015/16 Technical guidance (1/2)

Space:

- Total Group space expected to decline by 2.2%(1)

Income statement:

- Retail losses from new country development activity - around half that of FY 2014/15 of £22m
- Group interest charge - around £10m
- China will be treated as an investment, hence its operating results will not be consolidated within Group retail profit
- Corporation tax rate is expected to be broadly flat at 26-27% subject to profit mix
- IFRIC 21 will impact phasing of certain French levies resulting in a year on year reduction in operating costs in Q1 to Q3 of around £9m per quarter and an increase in Q4 of around £27m
- B&Q closures:
  - Income statement impact expected to be broadly neutral assuming on average that up to a third of sales transfer
  - Exceptional charge of around £350m over two years

(1) See results announcement section 4 for data by operating company

2015/16 Technical guidance (2/2)

Cash flow:

- Capital expenditure - £350-400m
- Dividend to be covered 2.0-2.5x by adjusted earnings
- Capital return of £200m expected to be via share buyback
- No material incremental cash outflow resulting from the exceptional item, as principally relates to onerous lease provision

Statutory financial reconciliation

	2014/15 £m	2013/14 £m
Adjusted pre-tax profit	675	730
Share of Hornbach post-tax results	-	14
Financing fair value remeasurements	4	(2)
Exceptional items before tax	(35)	17
Statutory pre-tax profit	**644**	**759**

Net debt/EBITDAR reconciliation

		2014/15 £m		2013/14 [2] £m
EBITDA[1]	955		998	
Property operating lease rentals	440		440	
EBITDAR		**1,395**		**1,438**
Financial net cash	(329)		(238)	
Pension deficit	-		100	
Property operating lease rentals (8x)[3]	3,520		3,520	
Lease adjusted net debt		**3,191**		**3,382**
Lease adjusted net debt to EBITDAR		**2.3x**		**2.4x**

(1) Calculated as retail profit less central costs and before depreciation and amortisation
(2) Restated to exclude contribution from Hornbach following its disposal in March 2014
(3) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets

ADR programme

Kingfisher ADRs trade on OTCQX – the premier tier of the U.S. over-the-counter market under the following information:

Symbol	KGFHY
CUSIP	495724403
Ratio	1 ADR : 2
Country	United Kingdom
Effective Date	Jan 01, 1986
Underlying SEDOL	3319521
Underlying ISIN	GB0033195
Depositary	BNY Mellon

For questions about creating Kingfisher ADRs, please contact BNY Mellon:

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Benefits of ADRs to U.S. investors:

- Clear and settle according to normal U.S. standards
- Offer the convenience of stock quotes and dividend payments in U.S. dollars
- Can be purchased/sold in the same way as other U.S. stocks via a U.S. broker
- Provide a cost-effective means of international portfolio diversification

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