
KINGFISHER

Preliminary results 2005/06

Slides will be available at
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Gerry Murphy

Group Chief Executive



2005/06 - a challenging year

- Sharp downturn in UK consumer market
 - +4% to -4% YoY growth in ONS Household goods market
 - LFL cost inflation 4%
 - B&Q market share growth but sales and profit hit
 - New management responding with
 - Price, promotion and cost action
 - Range and service development
 - Format and capacity evolution
- Strong growth in International



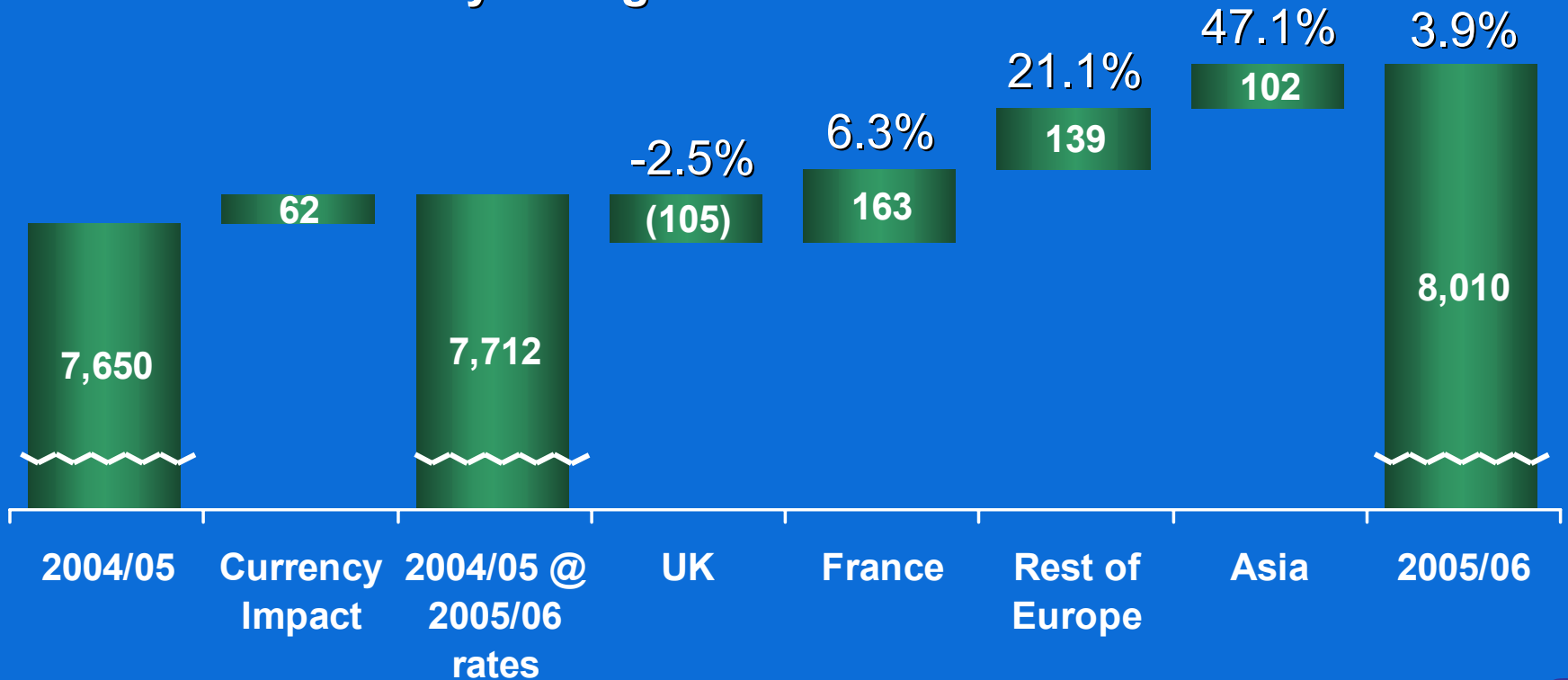
Duncan Tatton-Brown

Group Finance Director



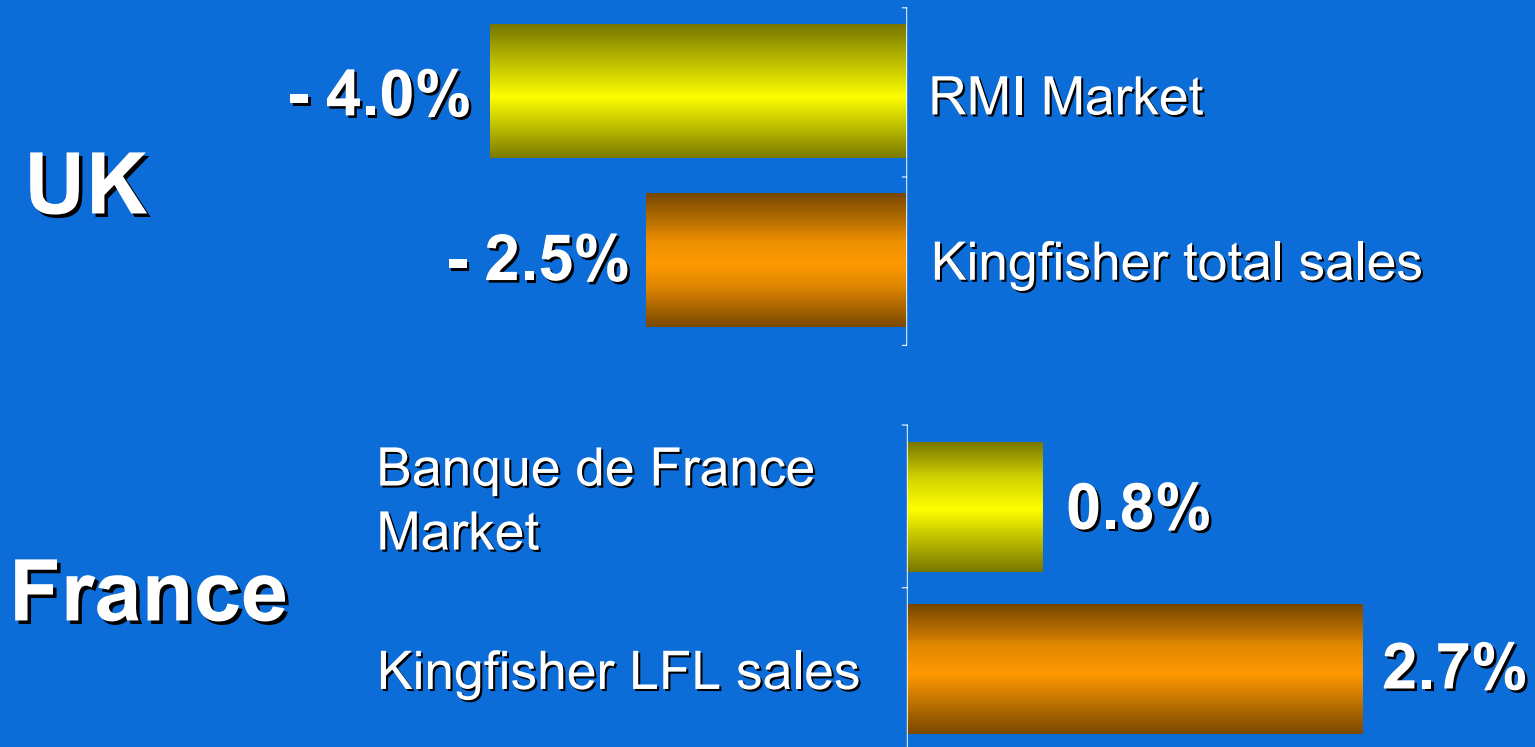
Group sales up 4%

Retail Sales, £m
Constant Currency YOY growth



Market share gains across the group

Growth for 12 months to end January 2006



Adjusted profit before tax down 32.6%

	£m	£m
2004/05 adjusted pre-tax profit*		661
Exchange	7	
2004/05 at 2005/06 rates		668
UK retail profit	(223)	
France retail profit	17	
Rest of Europe and Asia retail profit		
Development costs/OBI/Hornbach	(21)	
Other	12	
Central costs/ Interest/ JV Interest and Tax	(7)	
		(222)
2005/06 adjusted pre-tax profit*		446

*Before exceptionals, financing fair value remeasurements and amortisation of acquisition intangibles



B&Q profits impacted by lower sales, stock clearance, price discounting and cost inflation



Earnings impacted by profit decline in UK and exceptional costs

	2005/06	2004/05	% Change
Retail Profit	£533.0m	£740.2m	-28.0%
Adjusted PBT*	£445.7m	£661.4m	-32.6%
Exceptionals	£(215.4)m	£(13.7)m	nm
Profit before tax	£231.8m	£647.7m	-64.2%
Underlying tax rate	34.4%	32.8%	+1.6%pts
Adjusted EPS*	12.3p	19.7p	-37.6%
Dividends	10.65p	10.65p	-

*Before exceptionals, financing fair value remeasurements and amortisation of acquisition intangibles



Exceptionals

	2005/6
B&Q Action Programme	(205.3)
- closure 21 stores, downsize 17	
- head office streamlining, 400 fewer roles	
Termination of B&Q's consumer financial services agreement	(19.0)
Integration of OBI China	(10.0)
Profit on disposal of properties & investments	18.9
Total	(215.4)



Cashflow

	2005/06	2004/05
Operating profit pre exceptionals	485	690
Non-cash*	211	157
Change in working capital	(108)	(144)
Retail Capex	(319)	(257)
Underlying free cashflow	269	446
Exceptionals (B&Q, OBI)	(20)	0
Property capex	(188)	(156)
Disposals	115	21
Business acquisitions	(163)	(4)
Free cashflow	13	307

* Includes depreciation, share based compensation charge, amortisation of intangibles, share of post tax results of JVs and associates, and non-exceptional loss/profit on disposal



Net debt

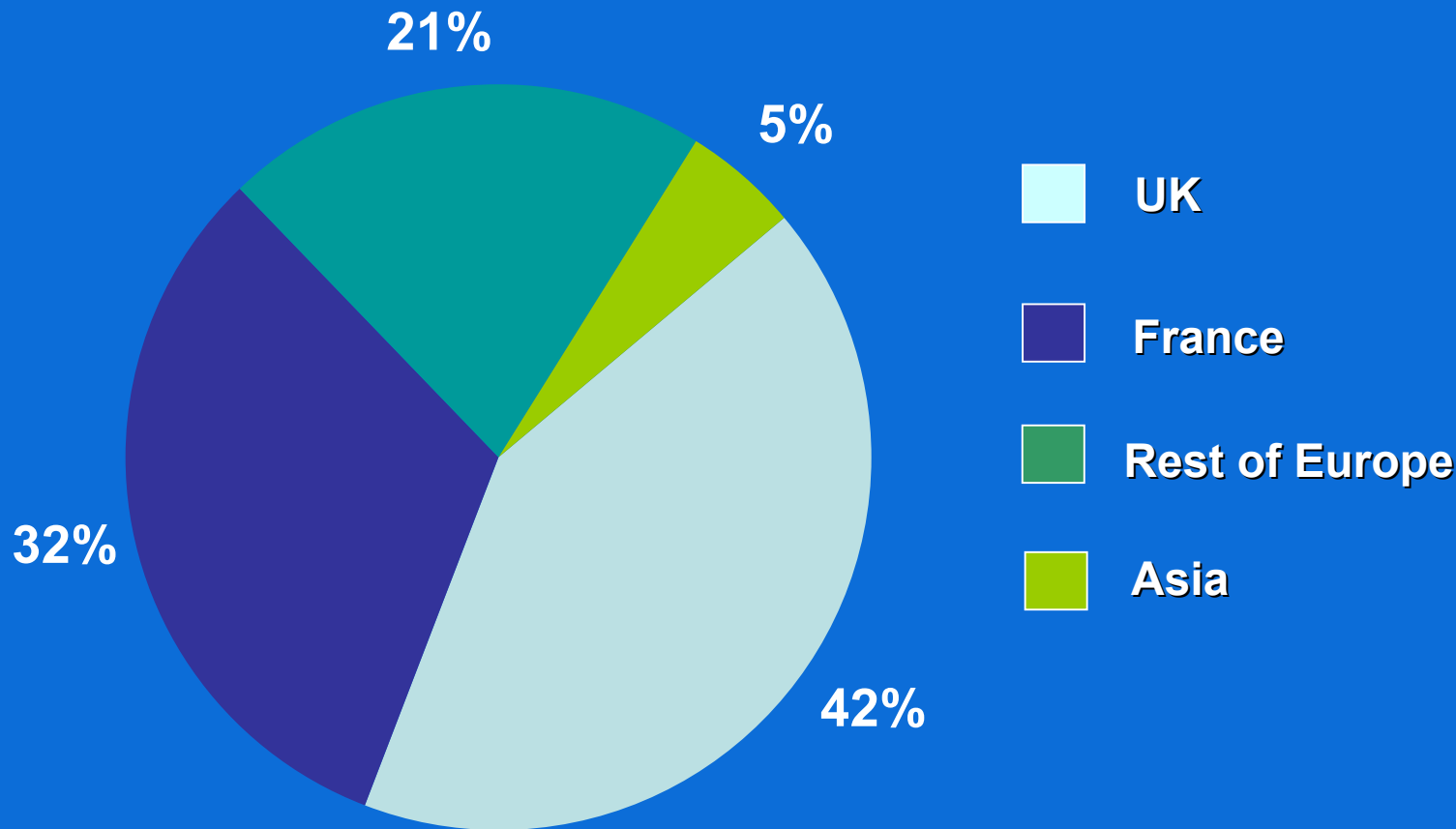
	2005/06	2004/05
Free cashflow	13	307
Pension provision movement	(135)	(4)
Interest	(44)	(18)
Corporation tax	(120)	(167)
Dividends	(247)	(205)
Other	18	125
Movement in net debt	(515)	38
Opening net debt	(841)	(891)
Translation on net debt*	1	12
Closing net debt	(1,355)	(841)

*including non-cash financing fair value remeasurements



Market value of property up 12%

Total market value £3.0 billion



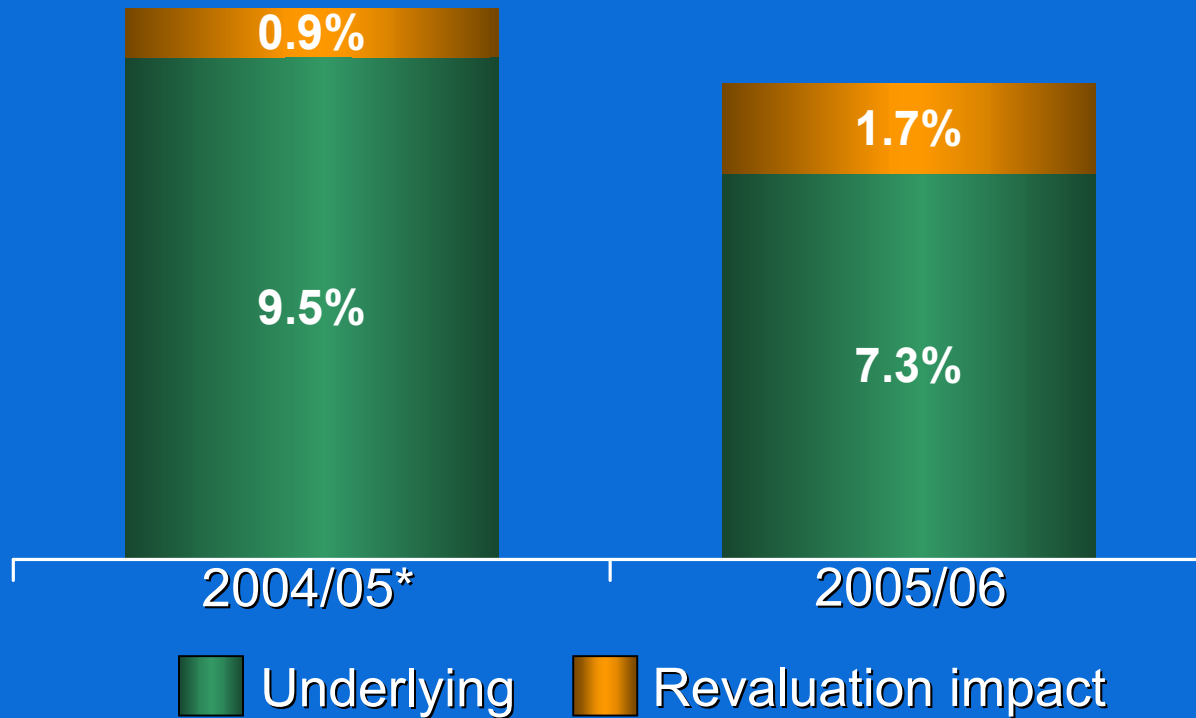
Property value by location as at 28 January 2006

Note: Book value of properties £2.4bn. Balance sheet values were frozen at 1 February 2004 on transition to IFRS



Returns on invested capital

Post goodwill



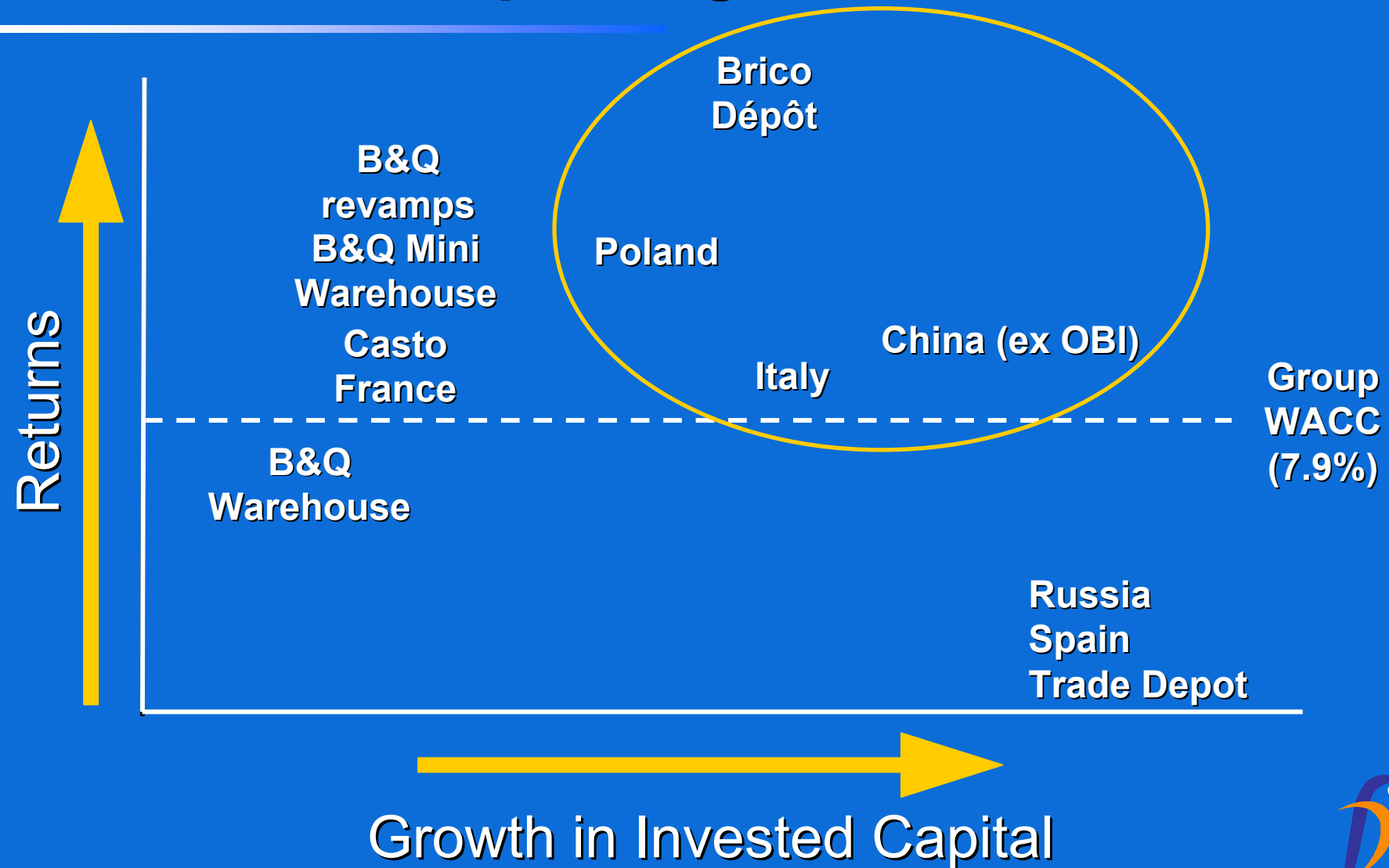
• Restated under IFRS



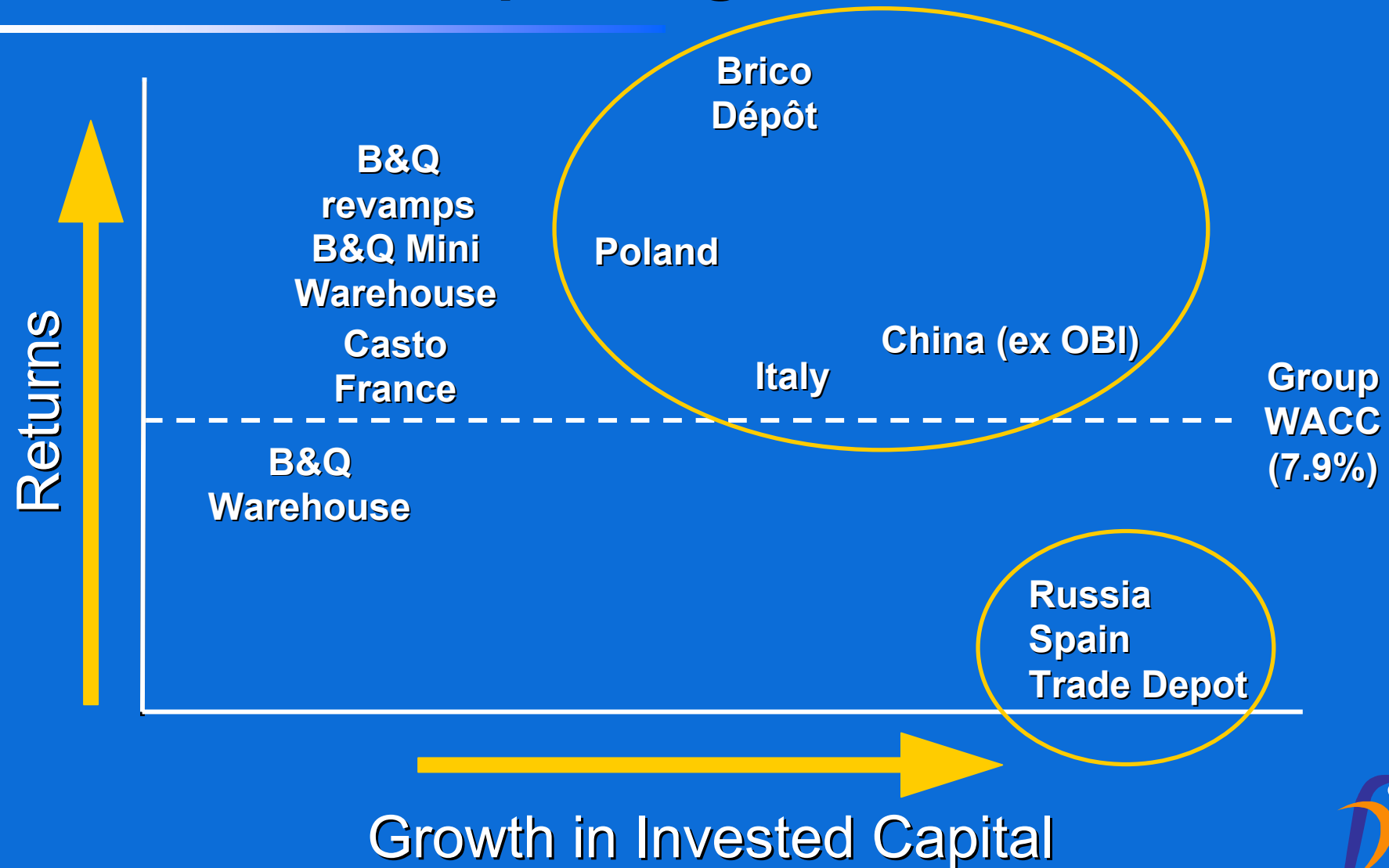
Focused capital allocation on high return and improving return formats



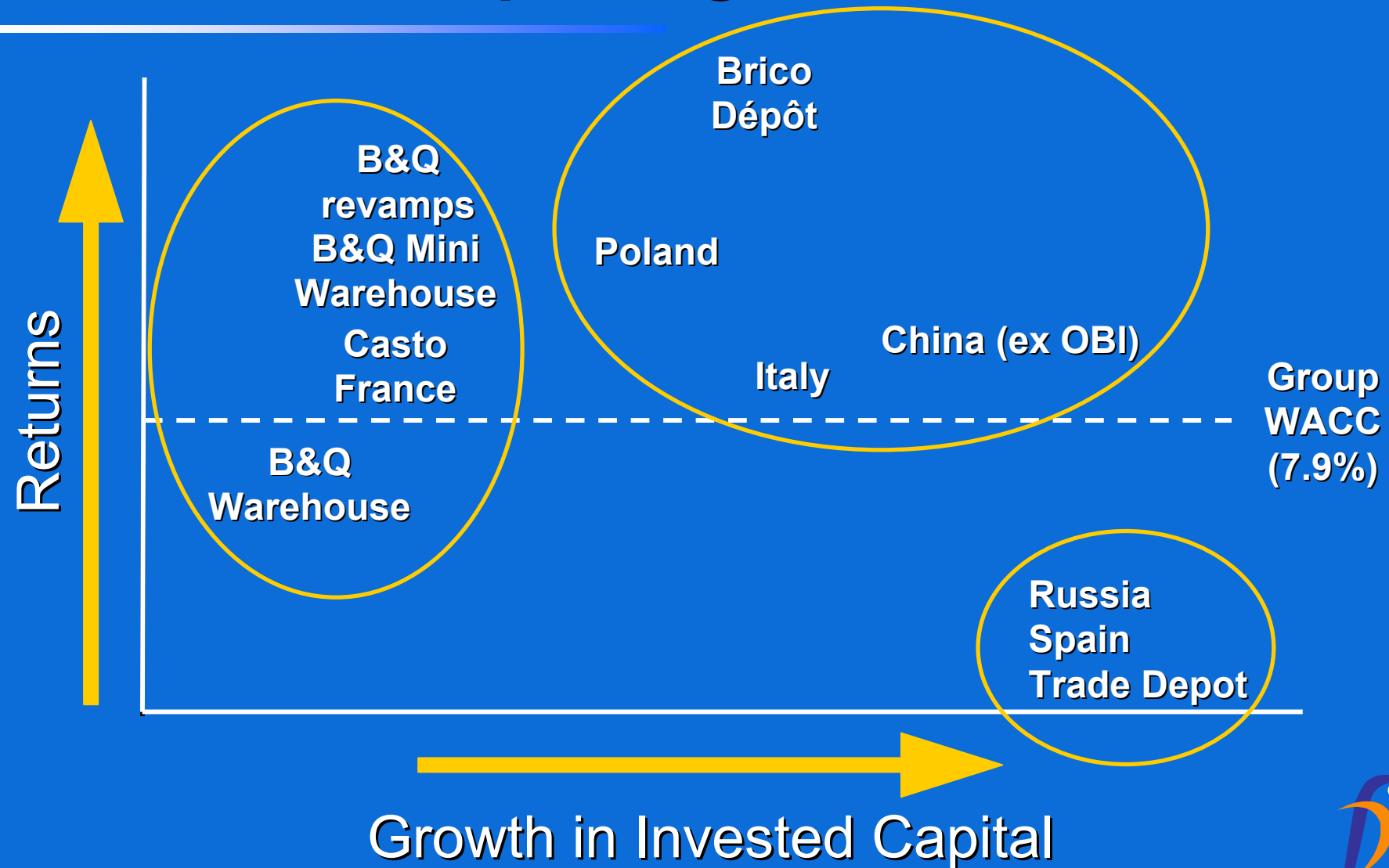
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Focused capital allocation on high return and improving return formats



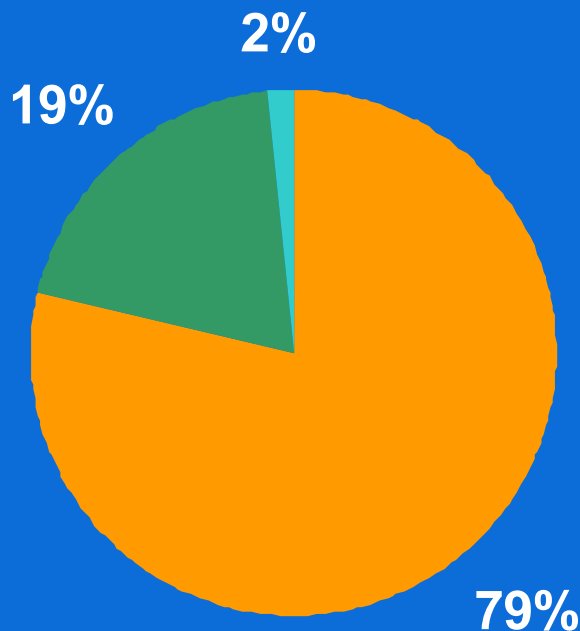
Focused capital allocation on high return and improving return formats



Investing for future growth

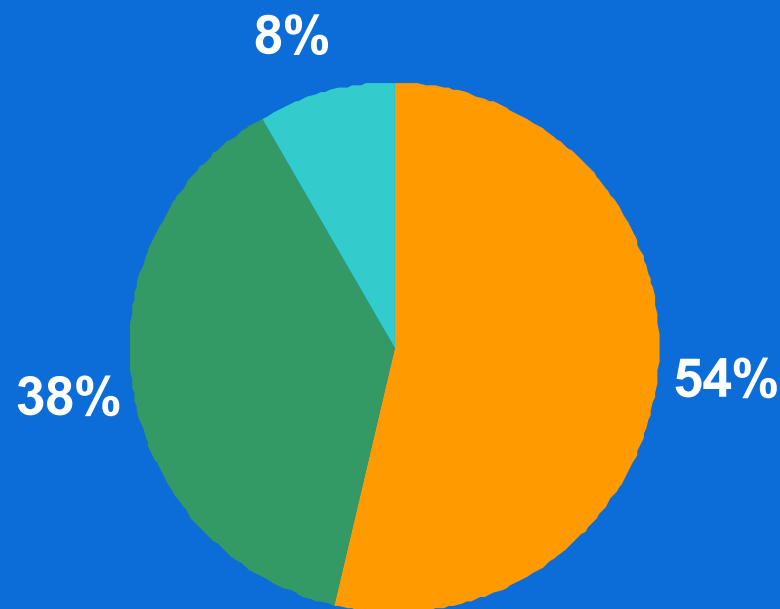
2004/5

Gross retail capex £257m
(Total gross capex £413m)



2006/7e

Gross retail capex £250-300m
(Total gross capex £500-550m)



 B&Q, Casto France

 Brico Dépôt, Poland, Italy, China, Screwfix

 Korea, Spain, Russia, Trade Depot



Duncan Tatton-Brown

Group Finance Director



Gerry Murphy

Group Chief Executive



Consistent strategy...

- **Strengthen** in developed markets
 - UK and France
- **Expand** in developing markets
 - Poland, Italy, China and Taiwan
- **Establish** in high growth markets
 - UK Trade, Spain, Russia, Korea, Turkey
- **Harness** scale and international diversity



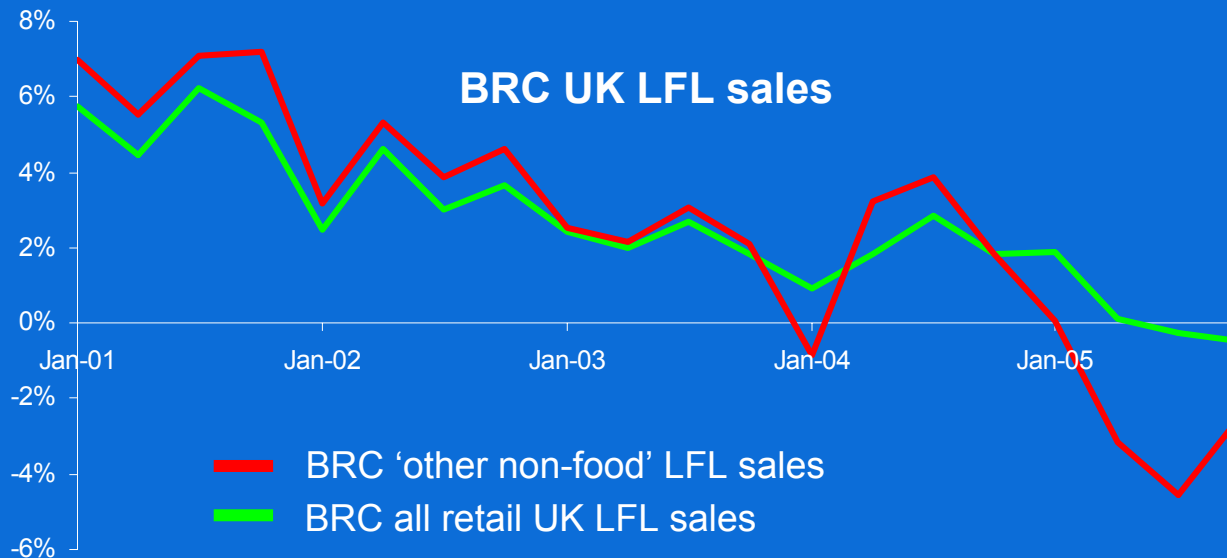
UK retail demand slowing...

2002

- Low interest rates post 9/11
- Buoyant housing market
- Borrowing-led consumption

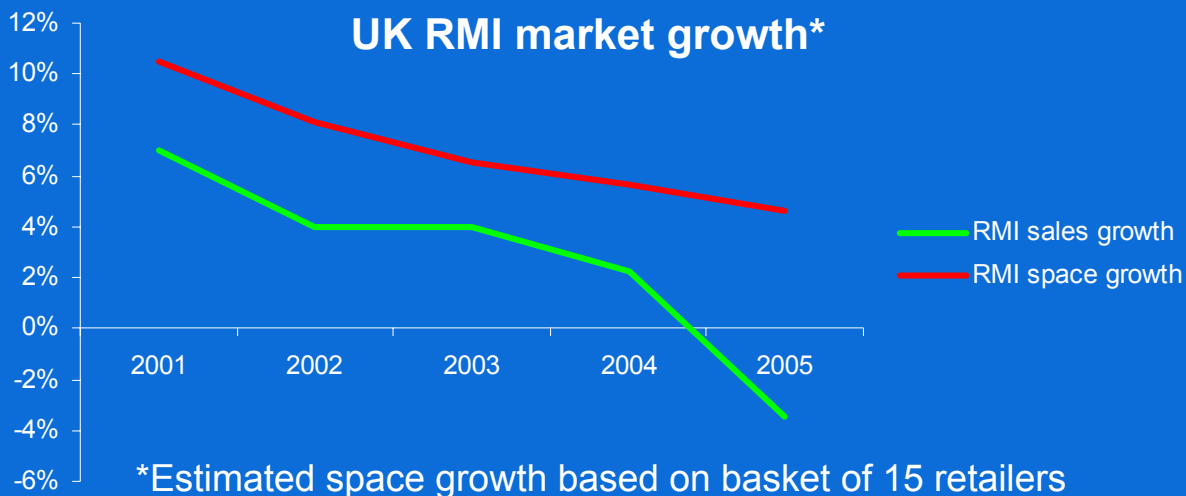
2005

- Higher interest rates
- Weak housing market
- Slowdown in borrowing
- Higher taxes, pension contributions, energy bills



UK retail capacity imbalance, cost inflation...

- RMI retail space growing faster than sales
- Space growth, market decline = LFL squeeze
- Space growth continues even as market declines
 - 3 to 6 years planning delay for large stores
 - Closing leased stores very expensive
- “Upward only” rent, rates inflation >>LFL sales growth



UK home improvement market evolving...

- Changing consumer needs
 - Most projects initiated by women
 - More women doing DIY
 - More Do-it-for-Me
 - More home delivery/installation
- More consumer choice
 - DIY sheds +
 - Specialists
 - General merchants
 - Hypermarkets
 - On-line



B&Q's response...

- **Better Prices**
- **More Choice**
- **More Service**
- **Modern Stores**
- **Lower Costs**



B&Q – Better Prices...

- **Number 1 on price**
 - Every day low prices (EDLP)
 - Events
 - Big project promotions

“The Real Deal”

- **Supported by**
 - Kingfisher SSM, Direct Sourcing
 - New stores system



B&Q – More Choice...

- Over 3000 new products
- More SKU's per store
 - +30% in mini-warehouses vs. Supercentres
- Warehouse stores to have
 - room set displays
 - extended ranges e.g.
 - free-standing bedroom



B&Q - More Service...

- Better on-shelf availability
- Easier store navigation
- Service Squads
- Major project sales assistance
 - more specialist training for kitchens, bathrooms, bedrooms staff
 - designers in store at weekends
 - dedicated manager for sales consultants
- Swansea trial



Double digit ATV uplift



B&Q – Modern stores: Mini Warehouse format...

- Mini Warehouse launched 2003/4
 - Modern format, densely merchandised
 - More choice for customers
 - Better economics for shareholders
 - More options for development
- End 2005/06: 25 new/relocated, 63 converted stores



Double digit LFL uplift on conversion

- 120 remaining older Supercentres



B&Q – Modern stores: Warehouse format..

- New Warehouse format
 - Gloucester/Milton Keynes trial
 - Room set displays
 - Broader home improvement ranges
 - More Shop Within A Shop



Double digit ATV uplift

- Final trial store opens in June
 - Wednesbury revamp



B&Q – Modern stores: new space...

- Targeting c2% new space each year
 - down from 5-7%
 - Focus on new Mini Warehouses



B&Q – modern stores: profile...

	2002/3	2005/6	2010/11e
Warehouse	80	114	110
New mini-Warehouse	0	25	80
Converted mini-Warehouse	0	63	150
Remaining supercentres	234	120	0
Modern format space	0%	22%	100%



B&Q – Lower costs...

- Store Support Office streamlined
 - £20m annualised savings
- Old stores closed
 - £40m store cost savings
- Rental inflation
 - New fixed uplift (vs open market) leases
- Continuing focus on costs in 2006/07



B&Q - Clear market leader...

- UK's favourite home improvement retailer*
- Nearly double the size of nearest competitor
- Only national big box player
- Taking just 20% of customers' home spend



Huge Opportunity

* Verdict 2006 Customer Satisfaction Index



B&Q – summary...

- Strong new management team
- Action programme launched to deliver
 - More for customers
 - Better Prices
 - More Choice
 - More Service
 - Modern Stores
 - More for shareholders
 - Growth > cycle
 - Improving ROIC



Castorama – revitalisation working...

- Now rated 1st* for overall customer perception!
- Improved kitchen, bathroom, deco ranges
- More ranges in 2006
 - Kitchens, window décor, tiles
 - In/outdoor kitchen and garden furniture



* Inforco Study: Autumn 2005



Castorama – revitalisation working...

- Price competitiveness re-established
 - 3rd best price perception, from 9th in 2004
 - highest ranked DIY retailer for quality at best price
- Own brand participation at 15%



Castorama – revitalisation working...

- Stores
 - 1/4 of space in new format, 1/3rd by end 2006
 - Revamps and relocations performing strongly
 - New/relocated stores: 15% uplift in sales density
 - Revamped stores: high single digit sales uplift



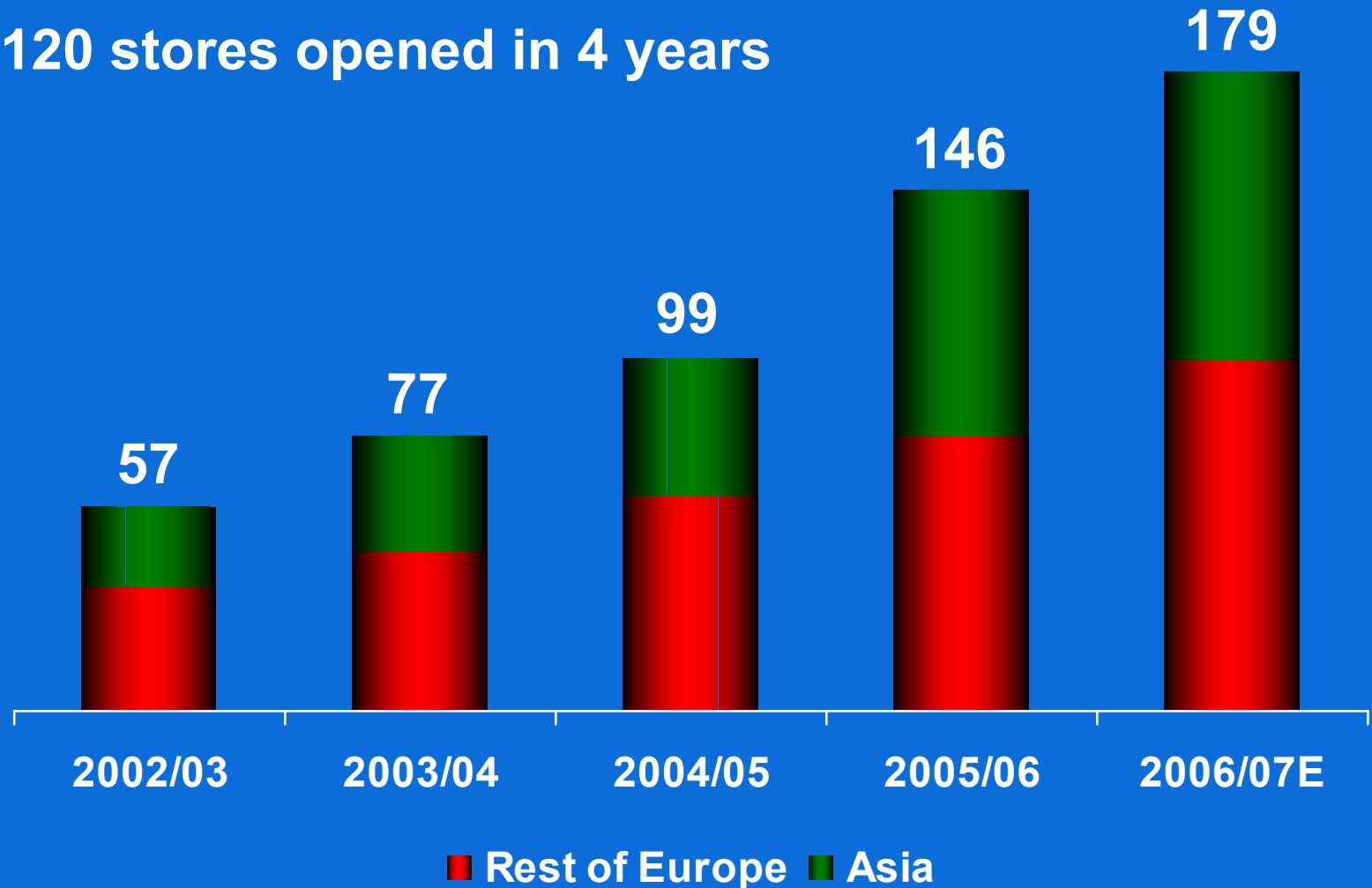
Brico Dépôt – continuing growth...

- Highest ROIC in the Group
- 73 stores now
- Accelerated expansion in 2006
 - 7 new stores
 - 6 Castorama transfers
- Store target 120+ (up from 100)
- Investing for continued growth
 - New IT system (SAP)
 - New distribution centre



Rest of Europe and Asia – continued expansion...

>120 stores opened in 4 years



Poland – expanding profitably...

- No 1 rank by sales, space and brand
- 3 year CAGR sales and profits over 20%
- Harnessing Kingfisher's scale
 - Own brand 3% of sales
 - Direct imports: +300% YOY
- Castorama developing with the market
 - Stronger soft offer
 - More service (credit/installation)
 - Brico Dépôt trial format 2006
- Double the stores in 5 years



Italy – expanding profitably...

- Number 1 ranked brand
- Strong growth
 - Sales +20% 3 year CAGR
 - Profit +40% 3 year CAGR
- Harnessing Kingfisher's scale
 - Own brand penetration over 5%
 - Direct sourcing up 200% YoY
- New 'Top Evolution' warehouse format
 - 30% of ranges renewed
 - Better in-store navigation and display
 - Double-digit ATV uplifts
- 'Castorama Market' trial
 - Medium box for smaller markets



China – expanding profitably...

- Clear No 1 in the world's 4th largest economy
- 2005
 - 27 stores added, 48 in total
 - 5 new cities
 - Boosted by OBI acquisition
- 2006
 - Complete OBI integration
 - 10 new stores
- Targeting 100+ stores by 2010
- Underlying business profitable



New markets – UK Trade...

- **Screwfix**
 - Direct growing strongly
 - 7 Trade counters performing well
 - 15 more in 2006
- **Trade Depot**
 - 2 trial stores started well
 - 3 more planned for 2006



New markets – Europe, Asia...

- **Spain**
 - 7 Brico Dépôt stores
 - 5 planned for 2006
 - 4th Warehouse operator by sales
- **Russia**
 - First store opened in February
 - Three more in 2006
- **South Korea**
 - Second store trial in 2006



Kingfisher - summary

- **Outlook**
 - UK consumer market remains weak into 2006
 - Some encouragement from mortgage and housing trends
 - Continuing progress in other markets
- **Clear long-term plan for growth and returns**
 - **Strengthen** developed businesses
 - Decisive action to evolve B&Q
 - Twin-track strategy in France
 - **Expand** developing businesses
 - **Establish** new markets
 - **Harness** scale and diversity



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Appendices



Headline ROIC is calculated as follows...

	2004/05	2005/06
Group operating profit ¹	703	495
Add		
Property adjustments ²	541	740
Less		
Tax ³	(343)	(328)
NOPLAT	901	907
Average Invested Capital	2614	3207
Capitalised leases ⁴	3639	4359
Goodwill	2455	2512
Total Average invested capital	8707	10,078
ROIC	10.4%	9.0%

1. Excluding goodwill and exceptionals
2. Property lease costs and depreciation and increase in market value
3. Effective tax rate applied to taxable profits
4. Capitalised at long term yields



Underlying ROIC assumes value neutral property market growth

	2004/5	2005/6
Group operating profit ¹	703	495
Add		
Property adjustments ²	425	485
Less		
Tax ³	(308)	(251)
NOPLAT	820	729
Average Invested Capital	2573	3118
Capitalised leases ⁴	3639	4359
Goodwill	2455	2512
Total Average invested capital	8667	9,998
ROIC	9.5%	7.3%

1. Excluding goodwill and exceptionals

2. Property lease costs and depreciation and assumes value neutral growth

3. Effective tax rate applied to taxable profits

4. Capitalised at long term yields



Underlying ROIC pre goodwill

	2004/5	2005/6
Group operating profit ¹	703	495
Add		
Property adjustments ²	425	485
Less		
Tax ³	(308)	(251)
NOPLAT	820	729
Average Invested Capital	2573	3118
Capitalised leases ⁴	3639	4359
Total Average invested capital	6212	7476
ROIC	13.2%	9.8%

1. Excluding goodwill and exceptionals

2. Property lease costs and depreciation and assumes value neutral growth

3. Effective tax rate applied to taxable profits

4. Capitalised at long term yields



Financial timetable 2006/7

	Period	Reporting date	Detail	Communication
Q1	13 weeks to 29 April	24 May	Sales and retail profit	Conference call
H1 pre-close		27 July	Pre-close guidance	Press release
Interim results	26 weeks to 29 July	14 September	Full interim results	Presentation
Q3	13 weeks to 28 October	30 November	Sales and retail profit	Conference call
Q4	14 weeks to 3 Feb	22 February	Sales	Conference call
Prelims	53 weeks to 3 February	March	Full year results	Presentation