FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Ian Cheshire
Kingfisher plc - Group Chief Executive

Kevin O'Byrne
Kingfisher plc - Group Finance Director

Euan Sutherland
Kingfisher plc - CEO UK

Peter Hogsted
Kingfisher plc - Head of International Division

Philippe Tible
Kingfisher plc - CEO France

CONFERENCE CALL PARTICIPANTS

Caroline Gulliver
Espirito Santo - Analyst

Andrew Hughes
UBS - Analyst

Simon Irwin
Liberum Capital - Analyst

John Baillie
Societe Generale - Analyst

Karen Allan
Barclays Capital - Analyst

PRESENTATION

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

We'll make a start. I'm conscious we're going to have a bit of traffic from the smaller [cap] of a general retailer that's doing something today. Anyway, we'll try and make sure we cover this at some speed.

Just to introduce the program for today. This is that you can't believe anything we say, followed by the program.

I'm going to do just a few words of introduction; Kevin's going to run through the financial review. We obviously have quite a lengthy RNS today, because we're covering the other elements of delivering value and the next phase of our self-help program.

We're trying to bring that to life a bit more with the presentation, and I'm very conscious, however, of two things. Firstly, we've got quite a lot of material to cover, and there will be I think some things that maybe take two or three times to get maybe the clear message.

So today, it's the start of a communication program that we'll go through, both in the half-year, and obviously in March next year, when some of the things we talk about as themes today we will publish much more specific KPIs and milestones.

So we're trying to introduce this gradually, not least because delivering value has got another year to run and we want to focus on making sure we finish that, but also because there's a lot of work going on to make sure the detailed plans behind this are worked through to further levels of detail.

So we will start 2012 basically with full KPIs, full milestones, but today is a chance to talk about strategic themes. And it's deliberately kept at quite a high level, and very happy to answer questions on it, but I think there's a limit to how much we can do in the hour or so that we've got today. We were tempted to give you the four-hour version, and decided against it.

So in terms of introduction, if I could just say the summary for 2010/'11, firstly, I think the broad message is that self-help has driven this result. And we have seen delivering value being self-help, if you like, mark one. The theme of self-help will continue into the strategic developments beyond 2012.

Sales broadly flat, profit well up, and return on capital significantly improved, up 130 basis points. And I think we'll talk in more detail about this, but we've also taken the decision to increase the dividend ahead of the earnings, and we'll talk about our cover plans going forward. But I think it's an expression of confidence in the business and its ability to fund its own investment program, and make sure that shareholders share in the returns that we've achieved.

Delivering value remains on track; we'll come to talk about that in more detail. Fundamentally, I think we are now a stronger business than we were when we started this process three years ago.

At the same time, we're laying the groundwork now for life beyond it, and a five-year to 10-year vision of our future, which I think is really exciting, and which we'll develop and share with you.

And I think the point to mention about 2011 that we're coming into is that it's a very busy year in terms of as we step up a gear, we're finishing off the process of delivering value, and there's a lot of work, a lot of the teams very focused on making sure we get there; but we're starting to think about the next phase of self-help, delivering more value, and the phrase we're using internally very much is creating the leader. And that's not just simply about being bigger than people, it's qualitatively breaking away from the pack, being better, and in particular setting an ambition for growth, and setting an ambition to create and lead the market rather than simply bob up and down with the tide.

So we'll talk about the detail of that, but we'll start to work on it this year, and really start the program and all the KPIs and the milestones that we'll lay out in early next year.

So with that, I'd like to hand over to Kevin to do the exciting part.

Kevin O'Byrne - *Kingfisher plc - Group Finance Director*

Thanks very much, Ian. Good morning, everybody. Welcome. I just want to take you briefly through the good set of financial results for the year to January '11.

2010/'11 was another year -- strong year of delivering value for Kingfisher. In the year, we grew adjusted pre-tax profits to GBP670 million, an increase of 22.5%. This was underpinned by strong growth in all three regions.

We continued our focus on cash, generating free cash flow of GBP407 million, and this enabled the Group to end the year with net cash of GBP14 million. And this is in stark contrast to the net debt figure we had in February 2008, of GBP1.6 billion, and the GBP250 million we started the year with.

I'm also pleased that we increased our return on capital to 9.6%, comfortably above our cost of capital.

And due to the strong performance in 2010/'11 and the Board's confidence in the future prospects, we announced this morning, as Ian's just said, our full-year dividend will increase to 7.07p, an increase of almost 29%.

Kingfisher benefits from being a broad based business operating in eight markets. As you know, we organize ourselves in three operating divisions, and our sales of GBP10.45 billion are split roughly 40% in both France and the UK, with the other -- the balance in Other International.

In the year, sales grew 2.9% in France, with like-for-like sales up 1.6%, driven in particular by a strong Castorama performance, although both Castorama and Brico outperformed their markets.

UK and Ireland sales were down 2.4% over the year, down 3% on a like-for-like basis. B&Q sales were down 2.8%, with Screwfix sales up 1.6%.

We noted earlier in the year that we had taken the decision to reduce the number of general store-wide promotions in B&Q, and this is one of the factors behind the weaker sales performance, but the focus on profitable sales paid dividends as we grew gross margins year on year.

Sales in Other International grew 1.7%, with like for like down 1.2%, due largely to a tougher year in Poland. And as you know, Poland is the largest market in that region, and had a strong second half with positive like for likes in quarter 4.

Our retail profit grew 16.3% in the year to GBP762 million, with growth across all divisions, supported by increased gross margins. Again, we can see the benefit of having a broad-based diversified Group.

At constant currency, profits in Kingfisher France were up 12%, driven by sales growth and increased margins.

Kingfisher UK profits were up 11.8% as margins were increased and costs tightly managed, despite rolling out TradePoint across the business.

Screwfix had a particularly good year with profits up 25%.

Profits in our Other International businesses were up 34.3% on a constant currency basis. Castorama Poland had another strong year, with profits up 3.1%, despite the tough market conditions. Profits increased strongly in both Spain and Turkey also.

In China, losses of GBP8 million were down almost 80% on the year -- on the prior year. And Hornbach, where we have a 21% economic interest, delivered GBP31 million contribution.

Adjusted basic earnings per share were, therefore, up 25%, after adjusting for exceptional charges and prior-year tax adjustments. This year, we had a reported post-tax exceptional charge of GBP3 million, which is the net cost of restructuring the UK distribution network, offset by property profits.

The effective tax rate, which excludes adjustments in respect of prior years and exceptional items, has reduced to 29%, 1% lower than the prior year. And total profits for the year, after tax, including exceptionals, was GBP491 million, up 27.5% from the prior year.

It won't surprise you to hear the Kingfisher management team is very focused on increasing cash returns. The Group generated free cash flow of GBP407 million in the year, while increasing our CapEx expenditure, and being required to pay creditors earlier to the tune of GBP65 million, due to the change in law in France.

In the year, we benefited from reduced interest costs due to the phasing of lower interest rates and the material reduction in debt. Gross CapEx increased GBP54 million in the year to GBP310 million, as we invested more in new stores, in freeholds, and in IT systems to support our growth aspirations.

Proceeds from property disposals were higher in the year, primarily due to the disposal of a site in Croydon in the UK, which we decided not to develop, as we could not achieve the required returns.

The net result is that we finished the year in an excellent cash position, ahead of our original three-year plan.

The Group paid dividends of GBP129 million in the year, which is well funded by free cash flow.

You will recall that last year our cash flow benefited from a tax refund of GBP148 million which related to the Kesa demerger. As explained in previous announcements, the French tax authorities are appealing this decision, and since litigation processes are inherently unpredictable, we don't propose to recognize this in our P&L until the outcome of the appeal is certain.

Given the strong performance in 2010/'11, and the confidence in the future prospects provided by self-help initiatives, the Board believes it's now appropriate to start lowering the amount the dividend is covered by adjusted earnings from 3 times to 2.7 times over the medium term. At the reduced level, the Board believes the dividend will continue to be prudently covered by earnings and free cash flow, and remains consistent with the capital needs of the business.

Accordingly, the Board has proposed a final dividend of 5.145p, resulting in an increase of some 29% in the full-year dividend to 7.07p. And at this level, the dividend is covered 2.9 times. And as you know, our interim dividend is set at 35% of the prior-year full dividend, hence the interim dividend for 2011/'12 will be 2.47p.

The Group started 2008/'09 with gross financial debt of GBP1.8 billion, and if we retranslated that in today's foreign exchange rates, that would be GBP2 billion today. With the inclusion of lease debt, the Group was over-leveraged at the time, and had sub investment financial metrics.

With strong cash generation, we've been able to repay GBP1.4 billion of long-term debt, GBP700 million of which was repaid in the year to January 2011, leaving gross debt, including debt in China and finance leases at the year end of GBP622 million. The breakdown of these long-term debt instruments is in your slide pack. The Group also has a GBP500 million facility which matures in August 2012, which is undrawn.

Kingfisher now has a solid capital structure, with no net financial debt, improving credit metrics, with a stronger balance sheet, supported by our property portfolio. However, we have leverage of some 50% due to the high level of capitalized lease debt that does not yet appear in our balance sheet.

For internal purposes, we capitalize leases using a consistent long-term property yield of about 7%, which gives a value of some GBP5.7 billion. This is more prudent than the view taken by the rating agencies, as it ignores lease lengths, and assumes that we will occupy the stores over the medium term.

Our aim is to maintain financial flexibility, while ensuring we have an efficient cost of capital. We are, therefore, currently targeting to have low financial debt in the business, and to maintain a solid investment credit rating going forward.

In the past, Kingfisher has annually spent gross CapEx of between GBP400 million and GBP500 million. As part of the delivering value plans and the introduction of new CapEx disciplines, annual spend was reduced.

In 2010/'11, we spent GBP310 million. In 2011/'12, we plan to increase our CapEx to around GBP400 million as we invest behind our growth plans. The increased expenditure in 2011/'12 is focused primarily on supply chain, IT systems, and new stores to support our sales growth and productivity plans. Included in this CapEx is expenditure on freehold properties, which strengthens our balance sheet further.

In 2010/'11, approximately one-third of our CapEx was spent on freeholds. This is increasing to approximately 40%, or around GBP160 million in 2011/'12. It's probably worth noting in 2011/'12, we'll spend GBP50 million on non-store freeholds, including our new [DC] in the UK.

It's important that you know how we decide to invest capital in your business. We've created a culture of capital discipline at Kingfisher. We have very rigorous pre-investment reviews, with strict investment hurdles. All material capital expenditure is signed off by the Group executive.

Once the capital has been spent, we focus on and measure the returns generated, to ensure we learn and improve future decisions. We have a very robust post-investment review process, looking at all projects completed in the last four years. We measure return on capital by store, which results in plans to improve the performance of the weaker stores.

And finally, we are just introducing the concept of economic profit. This is a returns measure, which takes into account the annual cost of capital the business has invested to generate earnings. It is designed to ensure management grow return of capital at the same time as growing earnings, and do not over-invest to achieve growth.

We will now reward our senior management on both earnings and the new returns measure, economic profit. As a business, we're very serious about increasing our returns. The result of this focus can be seen in our return on capital, which has increased from 5.8% in 2008/'09 to 9.6% in the year to January '11.

This fiscal discipline is an essential foundation for our growth ambitions for the business. In the year to January '12, we expect to open 20 Screwfix trade counters and 19 larger format stores, with the emphasis on Eastern Europe, where returns are highest.

You'll note on this slide that we've no planned openings in Spain next year, despite our confidence in that business. We stopped new openings a few years ago in Spain, and this year, we signed off a number of new sites, and you'll start to see those coming through from 2012 onwards. In the longer-term, we're confident that we can have over 1,100 stores in our existing markets.

So in summary, 2010/'11 has been another strong year of delivering value in all our divisions. Focus on self-help measures has driven an increase of 25% in the adjusted EPS.

Our culture of fiscal discipline has resulted in another year of excellent free cash flow generation and improved returns. This performance allows us to increase our dividend 29%, and increase our CapEx to support our future growth ambitions.

I'd now like to hand you back to Ian to tell you more about those growth ambitions.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Great. Thanks very much. And I think what I'd like to do is really describe where we see our future. I think it really is a great future now that we can begin to describe. And if I do that, I need to start with a basis. What we've earned, I think, the right to start thinking about our future by delivering value in the last two to three years.

So a quick recap on what we've been doing, because we still have, as I will keep boring people, another year of this to go and we need to make sure we do it.

But that delivering value has really been about the first level of potential in the business. Second level of potential in the business comes from the fact of the markets, the type of markets we operate in, and I think they are fundamentally still attractive markets. They're slightly different in different places, but we think we can do a lot more with these markets, and that gives us confidence that we've got something to shoot for.

The final element is that we need to set out a new ambition, and it's a positive ambition to create the leader in our sector, and it's to really recognize that delivering value, I think, has brought us back into the pack. We're doing well, but we're not yet pulling ahead from that pack or creating real distance between us and them.

I think if you set that ambition and you set it as a positive challenge to the business and the way we challenge them with delivering value, there is a lot more to come from the teams in the business. So I'm very excited about our opportunities, and we're working very, very hard on those as we go through this year.

So if I just start with the recap on delivering value and really the base that that's given us for growth. In 2008, we set out a new approach. I can't really decide whether this feels like three minutes or 30 years ago, but it is -- 2008 is when we started. And we talked about management, capital and returns; management, that we were going to run the Group differently; capital, as Kevin's described that we were going to be ruthless about the use of capital and really focus on cash; and finally, that we had a plan for improving returns, because we recognized that Kingfisher had this potential but hadn't yet demonstrated.

And I would just say on management, we created a new team, and I'm really pleased that we've got the entire gang of five here today. So difficult questions can be directed to Euan, Philippe and Peter; and, obviously, the really difficult ones go to Kevin. But what that's created, I think, is a concept of managing the business as a team, as a collective ownership, and that is not just the five of us. It's also the top 200 and the full 80,000 across the entire business.

If you have the right set of people on the right questions, and you set the incentives correctly, I think there's virtually no limit to what you can achieve. I think we are beginning to demonstrate it, but really delivering value was around [one], and we think we can go further and create that leader.

I won't go through the scorecard on delivering value really, except to make maybe two points. One, actually all elements of delivering value have been doing well. It's not just a single magic bullet that we got maybe lucky on one thing. And I think it's a real testament to the teams across the business that we've seen consistent performance, and we've seen some really quite big movements of the dial.

I think the other thing to say is that we have got more to go for, but in some of these areas, we probably have -- to take, say, working capital, we have actually possibly done what we thought would take three years in two years. So we're looking again at them and saying, okay, well, what more could we do? Maybe could we challenge ourselves more.

But I'm very encouraged by the progress that we've made. And as we've delivered in the business, I think we can say we are delivering; we have got the one more year to go, but we are delivering for shareholders.

So financial debt down; EPS up 93%. Return on capital, I think a really crucial step forward. And total shareholder return over the period of this time, up 88%.

I think that message of self-help is a great message to take on to the next challenge of self-help, but we are very focused on making sure that it isn't just a program, it's a program that delivers results.

And what I think it's given us is a much stronger business. We always had, and I think Ian Harding's probably been presenting this for 10 years, the international scale and diversity and the leading retail brands. But I think what we've added to that now is some real depth, and I think we have got a much stronger financial basis, and I think Kevin and the team have done a terrific job around the business of getting us into much, much better shape.

We're also, I think, fundamentally a better management team than we were three years ago. We've strengthened it with some great external hires; obviously most visibly Euan and Peter and Philippe, but also all the way through the organization. But we've also built on our homegrown talent, and we think that's a key source of growth and opportunity for us as we go forward.

We've also materially improved our sourcing capability, and I know there are many skeptics, including the recently-arrived Rod Whitehead, who have been hearing this for a while and saying, well, is this different; is it different? And the principle may have been talked about before, but the reality is different.

It's my new favorite quote which says in theory, there is no difference between theory and practice, but in practice there is. What we've seen is, I think, the move from theory to practice, and I think we are beginning to demonstrate, and we don't expect to get the full credit for a lot of this stuff yet, but we will keep demonstrating that we can actually do it if we get the right quality of people in the right setup with the right goals. And I think we have made significantly better progress on that.

And the final thing which is still possibly a bit earlier, and not as developed as our sourcing capability, is our focus on innovation. And we've put together now plans for a Group innovation team, again, partly because, as we'll talk in a minute, we're not seeing much innovation in the market, we're not seeing the equivalent of a Sony or an Apple in our area helping drive the product cycle, so we think we're going to have to put a lot more effort behind it.

And we're going to invest in the order of GBP15 million this year in a team initially of probably around 30 people, really focused on how can we drive innovation, which we can then spread over our GBP10.5 billion of sales, and actually competitively drive a better result. But I think as a result, Kingfisher is in a better place.

So if we turn to the second element, attractive markets. What can we do with them? Can we actually generally create more growth? Because our ambition over five to 10 years must be self-help, but it must be self-help at the top line as well as margin and the cost.

And I think it's fair to say that people tend to think, partly because it's [prism of] maybe of the UK and the market hasn't grown really at all since maybe 2005/'06 if you look at the totality of the numbers that, well, is this really attractive market. Actually, it's a very big market. It's over 500 million homes, GBP120 billion of spend, and we believe around the world, it is absolutely growing.

We think it also creates a scale advantage. There's no doubt that consumer tastes are converging. They're not identical, and we're not trying to impose a one size fits all. But increasingly, we're living in a world where consumer tastes across countries, driven by media, are becoming more homogenous rather than less, and what tends to sell well, really well in one country will probably sell pretty well in others, with the odd exception of some very strange French products, which [we're] not allowed into the UK.

What we would say, however, is that that creates for us the opportunity to really talk about international common range in our sector for the first time, and fundamentally, that's about driving our own label operation and creating value for us.

The final element is that we think these things are -- these are markets that are more defensible, say, than other retail markets. Now the reason for mentioning that is there is a lot of concern about the penetration of the Internet, the penetration of grocers who are adding floor space in the UK and other parts of the world at great speed.

What we see is that customers basically demand range and they demand advice. This is not an easy area. We'll talk about how we think we can make it easier for customers later. But, as a result, we're not saying that we won't have any form of penetration because people will try and take bits of our market, but we feel fundamentally we [have] more defensible products. Certainly, it is significantly harder to digitize a power tool than a CD.

We believe at the flipside of that, there are opportunities for us to much more aggressively grow our multi-channel operation and really drive a significantly better experience for our customers from the point they think about a project to when they research it, to when they go and test, and then they buy, and then after-sales. And that whole process I think is something we can do much more laterally and with a lot more richness than we're able to do today.

Now we also have an issue in the market, which is we have seen very little true innovation. This point about we haven't had the iPad, we haven't had some of the innovations, say, in a fast fashion. We haven't really seen much change if we're honest as an industry since someone came up with the bright idea of a power washing, or possibly decking.

As a result, this is not a very dynamic market, partly because there are very few large-scale manufacturers, if you go outside AksoNobel, very few who have got the scale to invest in R&D and really drive it. So I think it is increasingly up to us to have that innovation deficit dealt with; and we think we can, therefore, change that market more aggressively.

And it's one of the aspects, if you're going to create the leader, the leader must be driving innovation, must be driving newness, and it should be willing to grow the total market because it will benefit, frankly, disproportionately in terms of share from that growth.

And I think it's worth adding two points on the types of markets we have. We have, as Kevin's described, a UK/French market and Other International, and broadly speaking, we have developed and we have emerging market opportunities, and they are qualitatively different. But I think there are growth opportunities in both, and if you take developed markets, I think there are some quite strong trends going on, which actually allow us to think about differential growth in those sectors.

So the three we picked out here, one's flexible living. People's average houses in Western Europe are getting smaller, they are using them more intensively than ever, and occupation is going on longer as children stay at home longer, people live longer, and people want to stay in their home for as long as possible. So you're having to use what was maybe a spare room becomes a study; you're having to refit it. Your kitchen is getting more intensively used; and your bathroom is no longer just a place to get clean, it's actually a spa and a relaxation point.

And as a result, you're going to see much more intensive use of that space, much more frequent replacement, and possibly using things like the wall divider on the lower picture here, which Casto sell, to create more spaces quite flexibly and reuse the space. So we think there's a lot more intensity of reshaping space that that flexible living trend will give us.

The second very big trend for us is sustainability, and despite the predictions of many about the green issues will go away in the face of recession, our sales of sustainable products rose last year, and we are seeing well over 11%/12% of our sales coming through environmental products.

Yes, most -- big lumps in insulation and light bulbs, but also in some of the more experimental products, and also in areas where customers want to do something tangible. So grow your own remains a very strong theme, and we think there are other things we can do to help people do things with their hands.

So we can see this as a key theme, and it will absolutely form part of Kingfisher's core opportunity going forward, both to the customers and also in the way we run our business.

And finally, fashion, because we are seeing a continued trend, as people explore how they can make their homes more individual, how they can make them different. And if you can make that fashion, like [a Zara], quicker and easier to change and cheaper, you'll find there's more demand for that fashion and more interest in it.

And that's again where we have to innovate and find new designs and take from, if you like, the cat walk to the high street quicker in home improvement that we've done in the past.

But the other motor of growth is our emerging markets -- sorry, finish one point. We'll come on to a big piece on making it easier for our customer. What we do think in the developed markets is there is an unlock still to come.

In the UK, two-thirds of our customers have quite a long list. This is a list based on some research we did of things that people need to get round to doing.

A lot of this pent-up demand, or effectively unspent money is not coming into our market, not because people can't afford to buy, say, the shelving, but they can't have the confidence at this point or maybe the skill set or possibly the time to really do the projects. And what we think is there is an opportunity, if we can make it easier for people to do it, through a whole set of measures which we'll come on to, that there is unmet demand and we can grow this market. And if we can fundamentally be the best person at making it easier for our customers, we think there is more, much more to come out of the developed market.

The emerging markets are a much more straightforward, almost mechanical process of saying, people are getting wealthier; their priority is about their home. If you talk to customers in Poland, it's so clearly the number one priority for them to have their own home, a better home, a bigger home, the next home. It's above anything else including eating out or foreign holidays at this point.

And that mechanic of more and more people becoming into the property owing or property aspiring middle class, I think will grow in places like Poland and Turkey and Russia and China. The question then for us is how can we make money out of it, but in the markets where we have the model, it's very clear that we have a big opportunity.

So if those are the markets, how do we position ourselves on this five-year to 10-year journey to really go beyond just benefiting from a bit of growth and actually drive the growth, be the leader and actually break away from that pack?

What we're saying today is this is an ambition. It's a 10-year ambition, and it's important to stress the 10-year part. We're publishing today some three-year targets and incentive schemes, which I'll come back to. But the idea about the strategic picture is to create a sense of direction and a sense of ambition, and to challenge our businesses to say, it's okay to be okay, but that's not what we want to settle for. We can be better, and we can do more and we can deliver more.

So how do we do that? We think we're going to aim for faster growth and higher returns, and the two are important. And we are saying it is now about growth, and growth was not explicitly a part of delivering value, it is part of our future, by working together, because we think there's a lot more to come from knitting together Kingfisher from its past as a conglomerate through to its future as an integrated retailer and fundamentally become the world's expert at making home improvement easier for our customers.

And it's about genuinely making it easier, so you can't just say the words, you actually have to have the products, the advice, the multi-channel offer, the staff that really help people do it. Because if people start to trust you that you can genuinely make this easier, they will give you the money.

The people that were the first people to buy the iPhone or the iPad didn't know what they wanted. When they saw it and it made their life easier and simpler, they bought it. And I'm absolutely convinced we're going to see maybe not quite such a dramatic unlock as the early days of the iPad, but we are going to see a trend there where we can actually attack a much, much bigger opportunity.

So we talk about the themes for this. We've distilled this into three main stories, and then one element about how we're going to execute it, how we're going to run the business. And this by nature is what I said earlier on is something of a top line thematic story, really just because there's quite a lot to get through here in terms of all the detail.

But this represents really the thinking we've done at the Group exec level and with our top 250. And we're convinced this is the key to the future growth.

So the first element is about easier. How do we make it easier for our customers to really do more, and do more themselves? And the first point I'd make is it starts with products, because we are a product business, we sell products.

Yes, we're very focused on our customer, but if all we can say to our customer is we'd like to make it easier for you but we don't quite know how, then we're just drifting around in marketing speak and not actually doing something. So we have to have, above all, innovation in our products.

We'll come on to some examples of this, because I think we're already doing it. But I think there is a huge opportunity to really drive innovation across the home improvement sector.

Secondly, we absolutely have to drive and use our sourcing scale, direct and common sourcing, to make our products significantly more affordable, because that will drive volume, and that will drive usage. And we know for a large part of our customers in Western Europe, they are living on not massive incomes. The outlook for customers in Western Europe is not terrific for the next three or four years. So if you can save people money, fundamentally, that enables them to do something they couldn't do before, and that really is one of the key planks of making it easier.

One -- the second key plank I'd bring out is the multi-channel dimension. We're starting probably in our most advanced market is the UK, closely followed by France, where we think we can make the whole end to end process of DIY much, much better, and much easier for our customers.

And that's quite a complex set of initiatives, and a big investment. And this year, we've already announced a GBP35 million investment in B&Q, which is really to get the plumbing and the fundamentals of the business correct and wired up before we do the flashier front end or the vanity apps that various other people have tried. But we have to get it to work for the customer, and that involves a big, serious investment.

And I think it's one of the advantages we have of our scale, because if we can do it in the UK, we can re-purpose it then into other markets at much better economics than some of our competitors.

And the final bit is advice. We think there is an opportunity here in-store. We've had over 2,500 people through the you can do it classes in the UK, which starts as a test, and will go to national coverage by the end of this year, not in every store, but within drive time of all the UK population. It's over booked, it's extremely successful, and people are coming back for more once they've done the first project.

We also think digital is a key part of that allowing customers to talk to other customers, how did you do it, what did you do, what was the opportunity. And also then the specific opportunity and advice around eco, because there's a complex big market coming in green refurbs of houses, mostly led by the government regulation in various countries.

And actually, explaining to people how that works is not straightforward, and we need to invest I think significantly into an advice and installation type capability, which will allow us to go to customers and actually deliver a solution. And if we do that, we think there is again a big unlock.

But all of that is about making it easier, and what that will be driving is LFL sales growth, and we will be driving market share. And we are putting up a challenge on LFL, not saying we're setting out a number, or that every single quarter everything will be perfect, but fundamentally challenging the business to say a leader grows, and a leader actually really grows its market.

So let's start with a mindset of a leader and we can start growing. If we do that, I think we will generate momentum and we will find answers that maybe aren't there today.

Now this isn't all a pipedream because we're actually doing a lot of this already. And Philippe and the team in France with Guy Colleau and [Casto] in particular have really led the charge with the products. And they're not just again vanity products. The clip system tile, much simpler than -- you can basically put together a tiling project without having to worry about grout or any of the complexities there. That and the slimfit tiles, which allow you to quickly put down on top of existing tiles a new floor, already over 10% of our tiling category in the French market. So this is not something that we don't think we've got signs for.

And the other example from the UK, well, two; making it easier for customers. Firstly, the wallpaper itself; most people struggle to actually do wallpaper because you just get it pasted up, you then put it up, and it either falls on top of you, doesn't go up correctly, and it's a real struggle, and people are put off by it. The Paste the Wall, so you paste the wall and then put the paper up, is significantly easier. And people, once they've tried it, get it very quickly.

The other point to make it easier there is you'll see a QR code on the ad, which you scan it with your phone, it'll pop up a how to and product information video to help you coach you through it. So that is not only the product making it easier, but the way we present it is making it easier.

And then we recognize a lot of the UK do not have large cars, and increasingly in big city centers probably are getting away from cars completely doing things like Streetcar. So if you can hire a van, because a lot of the stuff is bulky, that makes a lot of sense. And again, you don't have to own the car, we can just make it available for you. That's been very successful.

Going on to the aspects around how do we do this in international terms, and also multi-channel. We've got a set of examples. I'll just pick out maybe a couple.

Weekends of -- weekend [cashdosh], basically make it easier in France. And there are weekend projects there which are if you've got a couple of hours, if you've got half a day, if you've got the whole weekend, and the whole project is packaged up for you on the website with very simple toolkits, very simple to dos; but it's really designed from the customer first, what are the problems you've got with this, how much time have you got, and then here you go.

And this whole idea of make it easier probably in France has been in, what, two years ago first developed, and gradually developed. And we've converged on a similar idea from the UK, also in China. And we just generally think that the learning we've got out of this is something we can transfer in different places.

And you'll see an application in the B&Q ad in a minute of how we've used that, but also the apps, the 3D design, you can do it classes we've talked about, very successful

And Screwfix probably our best company in the Group in terms of its understanding and the use of social media; it's got probably one -- certainly the top commercial DIY YouTube channel, and a great use of Forum, Twitter and Facebook.

So we're increasingly seeing ways in which customers are finding these media and direct advice to really make it much easier to do projects. And it's removing the barrier which removes the barrier from spending.

I'm going to show you the French commercial first, because they're really probably two years ahead.

(Video playing).

So make it easier, innovative product. Create a fence panel like that, just very quickly to do, not very complicated and have to dig big holes for concrete posting. And if you notice carefully, it's a Blooma product. That's one of our super brands around the Group. It's already on sale; we're already doing it. So it's a consistent theme.

Now with B&Q, we're starting the process a little bit behind, and I think it's fair to say you're going to see an ad which airs tonight, which is the start of the B&Q journey towards making it easier.

The start of that journey, we've been talking about making it easier for a little while if you've seen on the strap line of the ads. And I think what we've learnt over the last six months is that customers go, yes, okay, that sounds easy, but actually, you haven't really done anything for me; and you haven't really confronted the fact that I'm starting from a position where we think 53% of people are scared of doing DIY; they're just very uncomfortable doing it.

And if we don't confront that reality, start there, say, look, we know it's scary, we know it's not easy but we can help you do it, and we can do it together, and then start showing them projects; so the ad we're about to show you is very much a shock wakeup call, and hopefully, it will get people talking. Hopefully, at least somebody in the room won't like it because then it'll get talked about a bit more. And it's designed to be viral, it's designed to get into YouTube and be sent around.

And I think what it does is start to unlock the consumer reality of make it easier. What we'll then be doing is showing over the next three weeks a number of real projects that people can do, including pimping up your shed, sorting out your spare room, doing a bit of decorating, but in a really practical ways that are a bit more interesting and a bit more you can do it in a human sense.

So if we show you this, and I hope you enjoy it. I certainly did when I saw it. Right, can we roll the video?

(Video playing).

Very different there, and it's also about having the confidence of being a market leader that says, look, we know about this stuff guys, and only really we can do it because we've got the staff, we've got the size of stores, we've got the range.

But let's reconnect with the customer, and really understand how we make it easier for them. And I think this will be a beginning of I think a really strong journey. And it is this five-year to 10 year journey as we build the proposition. But make it easier is the call.

If we make it easier, it means we'll have best products, best ideas, best proposition. What we then need to do is build on a bigger common platform. And what we're aiming to do here is really focus around two big themes. One is product, and we're converging the B&Q and Casto product ranges to see what level of commonality we can achieve between what are currently two different businesses.

And broadly in the Group at the moment, depending on how you define it, there's less than 5% common product. We think, based on the people leading the charge, notably Veronique and Christophe, who have looked at the market and buy, buy, buy category by category, that we can imagine a future where we can get up to 50% common range. And that means taking the best of the Group from around the Group, the best sellers here, the best sellers there, working out what's common; not 100% common, because we want to protect local flexibility and those local tunings. So we will not become IKEA, 100% the same, but we will use our scale to drive a common platform that we just simply don't have today.

And I don't think that is 10 years to get there, but it's not something we can do overnight, so it is the journey that we need to go on.

And I think the other point to mention on that common core is it will be mostly own brand. And again,3 we are still at the beginning of this journey.

We've made great progress with direct sourcing. We will carry on doing direct sourcing. But this is about moving to common sourcing, common range. And the unlock in terms of LFL, because if it's the best products everywhere, we'll drive sales and much better volumes per line will be massive.

Now in terms of the other element, it's productivity, because if we have a common platform, we can think about common processes, we think about supply chain, we can think about systems in a way that when you don't have a common proposition, it's very difficult to knit together behind the scenes, or even the operating systems and processes to really make the most of it. So we think there's a lot more to come from that.

And what that will grow is a mixture. It will grow LFL, but it will be key in continuing our improvement in margin, and continuing to drive cost efficiencies out. We will need all three; sales, margin and cost to really drive our long term targets.

So we're again doing this already, and there's a set of products here. The Verve product I think you've seen outside; there's Cooke & Lewis, and [Colors] and Blooma wall lights. This is multi-lingual packaging. We have talked about it before, it is actually here.

And again, practice and theory, I think we're moving into practice now, and we can increasingly see these are going to be on sale in all the major markets, and will be a more dominant part of our business going forward than we are today.

One last word on common -- on productivity is we recognize that the businesses have done a fantastic job. If I look at the cost performance in the stores led by Martin Phillips over the last few years in the UK, it's been really remarkable on labor costs, on shrinkage and general attention to detail. We now have to challenge ourselves to find the next layer of opportunity by thinking differently. And I think if we've, again, got the right people on it, and we've got best practice from around the world that we can compare, we really have got a great deal more opportunity to go for.

In particular, building and on Martin and Guy's work in France, we're now going to have basically a combination of Philippe and Kevin working on the productivity -- that's the way of making sure you do it by announcing it on stage -- that we're going to get further gains out of that as we go through the next few years.

So that's the sum-up on common, but what that should then give us is we've got the best, most expert home improvement retailer, best at making it easier, we've got a common platform that fundamentally brings the business together. That means we should be able to go and expand, and basically go faster and further.

Now that means three things; quickly, proven territories. We can go faster and deeper into places we already are, like a Poland or a Turkey if we're bringing these advantages to bear, because we'll drive better own label penetration. This is the first year of own label penetration in Poland really from our direct sourcing. We've just set up the [DC]. It's all gone very well, but we're at ground zero there. There's a lot more to come in terms of opportunity.

We've got the early phase China and Russia. We know there's demand, the question is our model. How fast can we go there will depend on the proving of the model.

And the final bit is we will over a five-year to 10-year period be looking at new markets. We need to identify those in order of attractiveness, and we need to be thinking about when to enter, because if we're going to create probably growth in years five to ten, we need to do some things starting today. But that will drive total sales, and also build basically market share.

Now in terms of thinking internationally, there's broadly a heat map of where's the consumer expansion going to grow, and what's the competitive position for DIY; and broadly speaking, the darker the market, the more interesting it gets. So you get markets like India, Indonesia, obviously Brazil.

We have still got two of the big markets ourselves to think about, so Russia and China are our first priorities. But we were doing a piece of work that will think about where do you go here, and there's logic in terms of places like Eastern Europe and other elements of the emerging markets where, particularly if we have got a slowing Western European consumer dynamic, we have further opportunities we can go after.

But very important to say that we'll be doing this very, very carefully. This is not something we're going to go for a flag planting exercise, we'll have strict entry criteria. Unless we know we can get to leadership, which in my book means one or two, a sustainable profitable business, unless we know we've got the management available both locally and from our own home grown network, and unless we've got really developed our Kingfisher toolbox, our systems, our processes, then what do we really bring. So we've got to be clear that we can add that value to it.

And finally, I think what that should give us is the ability to make a quicker payback on an investment, either organic or through a small acquisition of some type, which will basically allow us to get a faster payback really because we can add more to that particular operation.

So we will be looking at it, but it will be subject to the same sort of discipline that Kevin's been talking about.

So the final bit of this just to talk about is what does that mean for how we're organizing it, because really, to unlock that point about easier, common and expand, we've got to fundamentally complete our journey, which is from the old conglomerate when we're in multi-sectors, or only capable of running a financially driven operation, to where we've got to now, which I've described as sort of a federation. We've brought it together, but we're fundamentally 80% local.

We're now going to move to an integrated model over time which will be an 80/20 model. It will be 80% common but 20% local flex. And 80% common is about the proposition, so you'll have power tools, you'll have that thing. 50% will be identical products. And that's the current thinking. We'll put more flesh on the bones for next year.

But that implies a very different way of working, and we're not getting into this centralized versus de-centralized, i.e., bringing everything together, creating one huge central buying team, or you're just letting everyone get on with it. What we're trying to do now is think differently and think more effectively, think more cheaply, while basically creating an intelligent network where people work in their day jobs, but they also have a Kingfisher hat, 10% to 20% of their time, where they are coming together to decide it.

So rather than me sit down and say what's the common range, it's much better if Veronique and Christophe sit down with their teams and they put together the common range, and we then decide how we take it forward; not least because they're much better at doing that, but also they're closer to it and they have the ownership.

So let's not create that structure. And to give you some sense of this, we're now running the commercial operation of the Group. Instead of relying on one single Group commercial person to try and persuade everyone else, we've brought together the network, so Veronique, Christophe, and now David [Hayden], who represents the international businesses, so we've got effectively the three divisions. Tim, who's here today on value chain; James who's supporting it and who is our UK Finance Director supports this; [Siriol] is working on own brands. We've got Gilles leading up our innovation. And then Anthony Sutcliffe has been running our sourcing network.

But the point about that is we haven't created a new set of titles. We've just brought together and networked those people. And if they believed in the goals, and there is a genuine sense of one team, I think we can move more effectively. And it's about basically this constant challenge of we have scale and we have talent, but we also want to have diversity, and we want to keep that balance right. We're not going to become a single monolith. But what it should allow us to do is by running it differently is get faster innovation and get faster to the market.

So to recap on this, I think what is fair to say here is that we do not have, if you like, a single magic bullet again. It is again self-help, and it's a broadly based self-help. And I think what we are setting out is an ambition to create a new breakaway leader that can be qualitatively better than the rest, can generally generate growth, and also demonstrate that we can keep on driving our markets.

And I think that challenge about great retailers grow their markets is something that we're going to engage with. And if that means we need to set ourselves goals, they need to be challenging goals. So we've announced today the -- basically the management incentive scheme, which initially is for the top 50. There's then a mirror scheme for the next 150, and then we will roll out further share programs. We've got over 800 store managers with share ownership, and 8,000 employees with some form of share save.

The scheme, as Kevin's alluded to, has got two halves to it. One is EPS. The other half is an economic profit measure to make sure we don't simply throw money at the business to generate a bottom line, so the returns have to improve. And what that is also very clear is that EPS is our EPS. It's not a relative TSR, which frankly is a reward rather than an incentive. This way, people know what their target is, and we can push it down the line to individual divisions and individual businesses.

So in order to max out, and this is maxing out, we would have to grow compound annual -- at a compound annual rate of 15% our bottom line EPS, and effectively the economic profit will sort of tie to the same plans. If you apply the same set of multiples the lowly rating that we seem to be on today, we would end up with a market capital of about GBP9 billion. Obviously, I'd hope that if Ian Harding was really doing his job, we would get the rating up a bit.

However, what it does [set] is a stretch, and we have also made it clear that the start to earn requires -- for this plan requires 8% compound annual growth, so it's not a walk in the park. And you only get 15% of the award if you get there. So this is a very stretched target base, and it's something we will be discussing with the teams how can we add more into our plans, really stretch for this target, because this isn't easy, but it's eminently doable, and particularly if we've created leaders we can do it.

So the final bit to say is we're stepping up now. We're finishing off delivering value; we're mobilizing to create the leader. And if we create a leader, what we'll -- I'm sorry, if we do delivering value, there's next year's to-do list, basically. And I don't want to pick out anything particular, but one I would just touch on, group sourcing, shipments grew near 60% last year. We're going to carry on growing our direct sourcings, and we're well on track to see even bigger growth as we spread that volume around.

So there's a big to-do list, but the thing I wanted to also touch on is we're already working on the creating the leader. So make it easier, we're already working on multi-channel; and again, the talent academy is something about creating the best experts around the Group, and making sure we harness their talents.

Again, I won't go through it, and we'll be talking about this more in September and March.

And if we do all that, we will create a very much bigger business. You can make your own projections, but it is a much bigger business than today, but be more broadly based; probably one-third/one-third/one-third between France, UK and emerging. Because France and the UK have growth. They're not mature. We have opportunities. It will be multi channel everywhere, and we will be growing into new territories.

But more importantly, it's probably what it feels like, and we're setting an ambition that says we will be a leader. And we will lead for our customers; certainly, the make it easier theme. We'll be a leader for our colleagues. We'll be a leader for our communities in which we operate, and our sustainability strategy will be central to that. And finally, if we do all that, we'll deliver for our shareholders.

So 50% [core] common range is what we're shooting for; really unique, affordable, high quality products. They've got to do all of that. Be innovative for the industry, and I think that's a really big ambition to set ourselves and something we can really drive. Be expert at global sourcing, so when we get innovation, we can do something with it.

I want to be envied for our people. I really want, so then challenge to the headhunter community. I want them all over us and no one to leave basically, because we've got the best people. And I think that is possible based on the people I've seen around the business.

A sustainable business selling sustainable products. We have to be on a 10-year view a truly sustainable business, and we're already leading in some areas; I think we can do more.

Finally, we have to drive sales densities. That remains a key, and we have opportunities to improve. We have some world leaders in the shape of Brico, particularly in France, but we can do more.

And finally, we'll generate higher growth, or faster growth and higher returns.

So I think this is a great picture. I think it's a picture that I'm committed to, committed to stay and deliver. I think we've got the team to do it, and increasingly, we're generating momentum to do it, because I absolutely believe this starts with a mindset. If you set the ambition to be a leader, you can set things in motion.

We've always had potential. I think we've demonstrated for the last two/three years, we've unlocked one level of potential. The next level of potential is even more exciting.

Thanks very much.

Right, questions.

We've got, sorry, hand-held mics, and because we've got Euan and basically Philippe and Peter, we'd like to obviously give them a hard time and make sure they answer some questions. So if you could think of some questions for them, that would be much appreciated.

Rod.

QUESTIONS AND ANSWERS

Unidentified Audience Member

A couple of questions, really focused initially on the UK. B&Q margin 5.6%; still some way below the 7% that's being targeted. I wondered if Euan maybe could give views on how we're doing towards that and maybe timescale.

And then secondly on the sustainable. My understanding is you have been doing trials in a few of your stores with regard to government initiatives in carbon emission reduction, etc., including potential links with financial institutions for loans, etc. I just wondered if you could update on where you are on that in the general process.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Okay. Can I do the fun one? And I'll leave you with the first one, Euan, if that's all right with you, if you get a chance to think about an answer.

We've done a series of trials, notably in Sutton with a pay as you serve scheme, and we're very actively involved in the whole green deal concept to help customers refurbish their homes through a mechanism whereby it effectively gets -- the upfront cost is brought back through the savings on the energy bill.

The early evidence from Sutton, I think, was that actually there is an interesting level of uptake. There's quite a lot of detail to be worked through, particularly on the financing mechanisms, rather technical things like default rates and levels of savings. So we've helped put together a little green deal network which includes ourselves, British Gas; it includes Lloyds and the National Trust, WWF, and Birmingham City Council, and understand how can we really make this work, because the Government clearly wants to make it work. I think if we get it right, if we make it attractive for the consumer, this is a multi billion pound market for us and a great and critical way of reducing our emissions.

So I think it's very interesting, very, very complicated, and we are right in the middle of working on it. But it's something that I expect over a five-year period to be pretty fundamental to us.

And the interesting thing is there are pretty similar, at least in direction terms, opportunities in France and in the future, not today, in Poland.

On B&Q, do you want to, Euan, just say a few words on the ambition on returns? And you probably need to --

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Euan Sutherland - *Kingfisher plc - CEO UK*

Yes. I think the timetable's fairly clear. It's been the timetable since we started this phase from 2008. We've moved it relatively from 2.8% to 5.6%, so we are moving in the right direction. I think that it's a tough economic environment, but it's absolutely about self-help. It's the same strategy. So it's the final year of that three-year plan.

And I think if you look at all the hard work that the teams, and some of them are here today, put into 2010, it was going to be a very tough year. If you set off in 2008 saying they were going to drive our penetration of direct sourcing, for example, up by the amount that we've done right now, then that requires a high degree of change at the front end which we've gone through last year.

So we've taken that in our stride, we've landed TradePoint, and we're still growing our profits. So we're still on the same schedule; we're still on the same plan. 7% we can still see, and it's about that sustainable 7% as we go forward. So I think there's no change to that plan.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Okay. I think, to be fair, Rod was the second hand up, and then we'll come up to the front after that.

Unidentified Audience Member

It turns out I have actually got one for each of your three regional heads there. The first one on International. You're making over 12% margins in Turkey and Poland, so that's going great, but to actually double the International division, which is the ambition you've given there, China and Russia clearly would need to work. So I was wondering whether Peter could give us a bit of an update on his thoughts of those two businesses; whether Russia will break even this year as well as China, etc.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Okay, I'll maybe start by telling the assembled room that the winner of the China break-even punt that the bet that was placed is the famous Mr. Whitehead, who correctly predicted the point of break even and has collected the money. So well done, Rod.

And I think you're, in broad terms you're right. I'll ask Peter to add a few words.

China and Russia are such big markets that they move the dial so significantly that we want to be fairly certain that we've got the model right because of the amount of capital that that implies, and it's not something we want to do lightly. But I have to say, we've seen some pretty encouraging developments on both markets, and I think we've got a stronger sense of the possibilities. We just don't want to overdo it.

But, Peter, do you just want to just say a few words on both markets, just in terms of your perception?

Peter Hogsted - *Kingfisher plc - Head of International Division*

Well, both Russia and China is very interesting market from a demand point of view. I think we need to prove that the model is working, our current model is working to roll out faster than we do today. I think we have said that we'll have that answer in a year's time.

I still think in both Poland and Turkey there is massive opportunities. We have 56 stores in Poland today and a 40 million population compared to UK with 320 B&Q stores and a 60 million population. So when Poland is growing, there is still massive space for us to build more stores and roll out in Poland. And likewise in Turkey 30 stores today in a massive growing country.

So I think just in the two proven countries as Poland and Turkey, massive growth opportunities. And I'm sure that we will find the right model for China and Russia, and then speed up that development as well.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Okay, do you have the other two questions [Rod], just so --?

Unidentified Audience Participant

On the UK, certainly very keen that you'll make DIY easier, but in terms of looking ahead for the current year, product and price are clearly -- and the promotional stance will continue being very important. Homebase continuing to do lots of blanket discounts. I'm just wondering what your strategy is going to be, particularly on the promotional side this year.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

I'll just give a chance for Euan to maybe say a word, but fundamentally what we've done in the last six months in particular is throttle back on major discounts really because we weren't convinced they were generating the net bottom line. And so if you saw the papers for the last two weeks, you will have seen we didn't anniversary a super 3G double weekend event we did last year. We're now coming through that, so in anniversary terms we should be on a cleaner comparison.

But I think the whole point about the campaign you're going to see is that it's not that it won't feature price, because it will feature here products, and we will be very clear about the value credentials of B&Q, and that's incredible important, but that we need to do more work on this broader offer and really drive a bigger engagement.

So I think we will be shifting gear somewhat, but we're now virtually through that process of moving away from the blanket discounts. And if other people are doing them, I think the key thing is it's sort of sales is vanity and profit is sanity; it's does it make any money.

Euan, do you want to add --?

Euan Sutherland - *Kingfisher plc - CEO UK*

Yes, can do. I think this strategy is data driven. It's based on consumer insight; what customers are telling us. We can move the market share around at a lower rate of profit by doing 15% off, or 10% off.

The longer term view on that doesn't mean that it just devalues the market both in sales value and in margin terms. The absolute point is to grow the market, and by doing that we have to make it easier, more accessible. Price is a very important part of that so it has to be value.

And our big drive, and the other part of my job around the Group sourcing and product innovation pieces, we've got to support that with just better, more innovative, easier products. So the Casto ad there was a great example of product that we'll bring into the UK and will develop for the whole of the Kingfisher market.

So it will be a tough year I think in terms of lots of retailers, not just in our sector, but across all retails throwing a lot of money at price and promotion. We will still be very keen on price and drive promotions, but those are relative promotions for the category, because we're a very general store. And we will be really driving against a big consumer insight, which is make it easier, grow the total market. So -- and I think that's where we've been really for the last year on that insight. Today marks a big step-up in how we put that in front of the customer and how we engage them in the conversation.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Okay, last question?

Unidentified Audience Participant

And on France, the plan in -- the seven point plan was expanding the business, and you've got a long term target; 240 stores against 203 at the moment. But you're only opening one store in the year ahead net, so I'm just wondering when, if ever, we'll see an increase in the new stores in France. Particularly, you've talked in the past about a small store opportunity for Brico Depot.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Well, let me answer, make a few comments. I will force Philippe to speak because he can't get away with it without doing it.

I think there are two things to say about the French market, one of which is that it has remained more buoyant. We were nervous going through recession. It seems to be that we've just done a bit of work recently, and with the consumers, 71% of French consumers plan to do some form of DIY in the next 12 months versus 53% in the UK.

So we're in danger of losing our European head DIY-ers title to France. And I think that is combined with a more robust personal balance sheet for customers. So I think, actually, we saw growth in France last year versus a flat to slightly declining market in the UK. We still think France will be a better market so we can start to plan for more openings and more additions.

We think Brico is now at a point where we're much more comfortable with its format and we've got it back to basics, and Philippe and Alan Alain Souillard, who took over as the CEO of Brico, and his team have done a terrific job of getting the business onto the front foot, and particularly in terms of some of the commercial ranges coming through with John Declerck now.

So I think we're now ready to go back on to the front foot, and Brico's a lot easier is to open, and I'll ask Philippe to tell you how difficult it is to open stores in France, because that's what he keeps telling me.

Philippe Tible - *Kingfisher plc - CEO France*

Now maybe you remember two years ago we launched in France for Brico Depot a new concept for medium cities, and we can say right now it's absolutely successful. So it's a new part of the strategy on Brico; it's to open medium stores in medium city in France. It's probably the main weakness of the Brico portfolio. So we could have a strong development for Brico mainly into medium cities.

For Casto, we have many projects in the pipe, but as you know in France, it's long. Between the decision and between the opening it's in average six years. So we will have two main openings in Marseille and Bordeaux for the next two years, and probably some more opportunity later.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

I should just add to that that one of the points about expanding our total market opportunity is by stopping Brico opening up in catchment areas where it fundamentally hits Casto. We've probably taken at least a percentage point of LFL cannibalization out of the market.

So the strategy I think has absolutely worked in that sense, now we can go onto the front foot with a little bit more confidence.

Can we come to the front here?

Caroline Gulliver - *Espirito Santo - Analyst*

I had a follow-up question for Peter, please, on the expansion plans you've set out for Poland and Turkey. The first question is basically how fast do you think you can double and triple stores there? I think you've set out six stores each for next year. Do you think you can actually go faster than that, or is six stores a year about a reasonable run rate?

The second question on a similar subject is, is there any risk of sales cannibalization between stores as you open more stores, or do you think the market growth will support like for likes and new space?

And finally, is there any downside risk to profit margins in those two countries, or is it all upside risk from joint sourcing as they join with Casto and B&Q?

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Got those?

Peter Hogsted - *Kingfisher plc - Head of International Division*

Well, there's many, many, many questions. I think there still is levers in both Turkey and Poland. I'm quite comfortable that even with the high profit level, that we will not see that property will reduce materially in the years to come. I think there still is levers in the common range. I think in both countries we are building a better supply chain, a better distribution channel to take more import. The penetration of import in Poland today is on 2.4%, so one-tenth of the UK, so I think there are still levers on the margin piece in Poland.

On store openings, if you say six a year and we have 30, then calculating then it will take five years to double.

Can we go faster? Yes, I think we can go faster from a site availability in Turkey. The eastern part of Turkey is not as developed as the western part of Turkey, so I think they're probably the big country, they're probably three to four to five years behind the development in the western part of Turkey, the Istanbul, Ankara, Izmir area.

But I think the tricky point is actually the human capital. And I think that the -- opening lots of stores too fast without having the people and the leadership is actually the danger as well. I think we should be patient and knowing that we can actually operate. So we are investing a lot in the people pipeline in both the countries.

Caroline Gulliver - *Espirito Santo - Analyst*

(Inaudible - microphone inaccessible).

The one thing you will cannibalize when you -- today we are seven stores in Istanbul; we have plans to take another 10 in Istanbul; of course, you will start to cannibalize. But what is important is that we take the market share and we get the returns on the investments that we are placing in places like Istanbul, Warsaw, etc.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

That was great. Kevin was waiting for the returns word to come up there. It's like you would have been shot in the back if you hadn't done that.

But I think what I would just stress on that expansion is we are still in places like Poland and Turkey, very much bearing in mind Peter's gone on about the quality of the opening, if you start setting people fixed opening targets you tend to get openings rather than decent stores. And we want to make sure we're getting the quality of opening. We are still in a position where we are adding in both Poland and Turkey more space than the competition, so we're not losing share in that sense.

And I think if we felt we wanted to go faster and we had the base, then we have the -- obviously the capital flexibility to do that. It's all about the quality of execution.

Kevin O'Byrne - *Kingfisher plc - Group Finance Director*

Just one comment on the Polish P&L. It is our highest return business; it clearly benefits from having freehold property in the mix there. But the model there is very high sales densities, low gross margin, tight cost control and then freehold property. Probably over time, sales densities will decrease naturally as there's more competition in the market, but the low gross margins are our opportunity as we put more sourcing in there to balance that.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Andy at the back.

Andrew Hughes - *UBS - Analyst*

I've got three questions on the common sourcing side. Number one is the old chestnut of the definition. I'm a bit surprised that you're saying the current figure is sub 5%. Are you really saying that's the case if you add in all the branded lines that one would think are already in more than one of the OpCos? First question.

Second question, are we far enough into the process to actually work out what's working and what isn't? Have there been any learnings so far?

And the third one, I know you don't want to give us any numbers on what you might get if you get to your 50%, but looking at your 31.2p target, what are you assuming within that in terms of how much of the benefit is -- sticks to the gross margin and how much you actually put back into price.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

I'll go in reverse order on that one. I really don't want to give you any numbers today. I'm not trying to be difficult, but just because I think there is quite a lot of complexity going from a top line modeling which we've done, to a proper category by category action plan which has got some sort of depth to it.

We would clearly be counting -- in order to get 31.2p, we have to deliver sales margin and cost. We have to do the whole lot. A key component will be common sourcing, driving both sales through better product and better value products. So some of that will go back to customer, yes, but we fundamentally need to improve our margin, gross margin in cash terms as well. So we are working that through, and you're seeing quite different results in -- frankly in different product categories.

In terms of what's working. We've traditionally started with things that are easier to change at the same time. So why you're seeing things like Blooma and garden furniture is because spring happens at the same time so the range change happens at roughly the same time as opposed to some other categories where the range calendar is just -- Casto did it last year; you don't want to re-do all your range review again in another year. So we've got to harmonize the product ranges.

So we're still at very early days, and I'd like to give Euan a chance as the Group exec member responsible for the program a chance just to add to this. But the final point on definition is it's still quite a tight definition in terms of absolute identical SKU. So even on a product like MacAllister, which is in a lot of places, actually, the total amount of sales -- because we've got 17 categories and 45,000 products, we've got some hero products, we've got, obviously, more direct souring -- it's still 13% direct sourcing -- but actual identical common product is still very, very low. And there are some definitional haggles over if it has a different plug is it a different SKU? No. So you can play around.

But why we said it's well under 5% is I think 5% would be a very optimistic assessment of commonality, which I think is a great opportunity, because it's the early days.

But, Euan, do you want to add some flavor to that one?

Euan Sutherland - *Kingfisher plc - CEO UK*

Yes, can do. I think the major focus of the last three years has been on direct sourcing, so we've moved that significantly forward, as you've seen in these latest results. That continues to be a platform for us, but we've broadened that out in a different approach, in a kind of intelligent network, as Ian's talked about, to four key levers now.

First is common ranging, secondly, is own brand development, thirdly is direct sourcing, and the final part of that is innovation. So there are four strands to this plan right now.

Certainly in my experience of working in different retail consumer sectors, there is less dominance of the branded players in DIY home improvement than there would be in consumer electronics, or any of the other sectors. So it's a big opportunity for us to not only own the brand, but the innovation and the sourcing model too. So that's the plan now.

We've got a very different Group sourcing platform, and we're taking the two biggest markets of B&Q and Castorama and driving that together, not to just to get the average of both, but we're creating the best range out of both of those.

That then hooks under 10 own brands, so there's one opening price point brand and then 10 -- nine across all of our different categories, and that drives benefit at each of those four levels. So it's a more sophisticated plan based on a very strong direct sourcing growth over the last three years.

That gives you a bit more flavor to it.

Simon Irwin - *Liberum Capital - Analyst*

Three questions for you. The first is on franchises and new markets. Have you considered franchising? How far has your thinking evolved? And how does that compare with direct entry into new markets, particularly in countries where you might have to offer brown envelopes full of cash?

Secondly, could you talk a little bit more about your ambitions online? You've finally announced that you are going to be sourcing out the website, etc. But how is that going to operate within the infrastructure? Because I think that's one of your constraints at the moment is your inability to deliver that much on a next-day basis.

And third is for Kevin on capitalized leases. It sounds a bit techie, but clearly it affects your own view of your own balance sheet, and it's clearly going to be a part of the economic profit. So what is the capitalized lease number; particularly how do you work it out for France and China and places like that? And also, do you think you're going to have to put that on the balance sheet in the future?

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

I think we should start with that one, because that's particularly gripping.

Kevin O'Byrne - *Kingfisher plc - Group Finance Director*

Yes, Simon, I think because you arrived in from the next meeting, I've just -- I covered that in the presentation. But we effectively try to put the assets on the balance sheet as if we own the store. So we take a long-term property yield number, it was about 7%; we capitalize the rent we're paying; it puts GBP5.7 billion on the balance sheet. That is a bit more prudent than the rating agencies which [use] about GBP3.5 billion, because they assume in simple terms that you've got a lease length of, say, seven or eight years. We assume we're keeping the store beyond that. And we consistently use the same yield every year, property yield, so it's a consistent measure.

And that's what we'll do when we're calculating our economic profit. We'll use a consistent yield and a consistent WACC for the next three years to make -- so there's no variation from that.

And I think as far as what will happen when it goes on the balance sheet, that's really not certain at the moment. We're working closely with the accounting bodies. I think it will cause confusion to [re-do] the accounts and we'll all re-state our numbers back to something that we all recognize. But that's still up in the air.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

And just to add, I think one of the concerns we've got is that there's going to be a very different basis for calculating between retailers what that capitalization bit is. And I think it is very uncertain. So we've deliberately been disclosing a number which we think is most prudent so that people get that. And it is a consistent approach in terms of methodology in the various countries.

Just going back to the online; I also mentioned briefly that you're right to say the infrastructure issue is the source starting point when you have a brand the size of Casto or B&Q because, fundamentally, you have to have the systems base and the home delivery base. It's actually effectively a process we're going through at the moment of reinventing all our ordering systems and basically re-plumbing the entire back-end of B&Q, in order to be able to actually then show one transparent view to customer, which is we could put up an app tomorrow, but it wouldn't actually be connected to anything. So that's step one.

It is important to underline that multi-channel for us isn't about so much home delivery. And we've had home delivery; we've got quite a lot of products that are home delivered. Click & Collect immediately became bigger for us than home delivery, and Screwfix are just launching Click, Pay & Collect, which is the first, we think, retailer in the UK to do it. So as opposed to just technically reserving it, you've actually paid for it over your phone before you get there, and I think that's going to drive another wave of opportunity for us.

But I think the whole point about online is you think about the totality of the experience from first thoughts, research, talk to friends and other communities, look at the product, understand how to use it, use it, talk about it. It's actually, for us, less of a transactionally-driven idea, more of a total approach; about making it easier for the customer using multi-channel.

That will involve some sales directly, but actually, a lot of this is about saying if you made my trip to the store incredibly useful, incredibly efficient, you've got it in stock, I know I've already bought it, and you've then done something for me as a result of showing me this thing better, actually, that's a better experience. So we're not purely on, if you like, the transactional bit.

Last word on franchise; we are looking at franchise as an opportunity. We couldn't really look at that until we had our known core aims. So the KSOs have now got 3,000 products which are available as core range for around the world. We're working with Veronique and Christophe on the B&Q and Casto conversion. Increasingly, as we have an own label core, we can then go to places and actually add some value. We really have to do that in that order.

And the final point is, we would tend to use franchise as a model for places where we weren't convinced about the -- if you like, the capital and the scale of the individual country or region. I think we would prioritize -- for strategic countries, we would prioritize our own entry.

So it's one of the options. And it's particularly valuable in terms of trying to drive up our return on capital. If we can have a low investment in capital, that would be great.

Okay, next. Can we give someone a new --? Sorry, I thought it was Andy again there. Just over here then and then behind.

John Baillie - *Societe Generale - Analyst*

Can you talk a little bit about the cost outlook? There's a lot of investment going into the business now. You've -- numbers have been turning out such as GBP35 million on multi-channel, or GBP15 million on the R&D side. It sounds as if there's -- there is going to be a step-up in costs, which is going to be a reversal of the trend since 2008.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

No. We are investing, though we're also investing in productivity. As I mentioned, if you look at just the exceptional items for the year, there's a significant investment in supply chain which we think will deliver multi-year benefits in the UK. And the continuing work on store productivity that has -- I referred to has got some more legs on it.

I think we're going to challenge ourselves very heavily on productivity because we're not expecting top line growth, so all our cost estimates are based on pretty conservative volume assumptions. And at the moment, I wouldn't say that we are seeing significant cost pressures coming through in, say, particularly the wages area.

And maybe the final point to say is the one area where we have had exposure, maybe more 2000 to 2005, is on property costs, where we saw a significant ratchet up. In the last few years, we've had no substantial rent increase on any of our big stores. So the supply and demand balance on one of our biggest elements is actually looking pretty solid, and we haven't got cotton price inflation either.

So I think we're not in a bad place. We've got a lot of work to do, but we're certainly not going to assume costs go up.

Okay, can we go towards the back there?

Karen Allan - *Barclays Capital - Analyst*

I was wondering if you could give an update on the timing of getting to the 50% of common products. Is this a four-year time horizon, 10-year time horizon?

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Yes. As I said, we will do a proper KPI milestone effort next March, so I would expect to have greater clarity on that. Broadly speaking, I think if it took us 10 years, I'd probably get fired. If it's -- it's not going to happen in one year, so it's -- answer's somewhere in the middle.

Karen Allan - *Barclays Capital - Analyst*

That's quite a range, okay.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Yes.

Karen Allan - *Barclays Capital - Analyst*

Then I was wondering if you could also give an update on the Hornbach relationship. It looked like some of the markets that they have stores in were shaded on that heat map that you had. Is that -- where do you see that relationship going? Do you have an opportunity to benefit from the size and scale you have with them, open up your own stores there?

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

There's two points to make about Hornbach. One is it's an excellent company and it's done very well over the last two years, and we have a very good relationship with it which has been very amicable. The second thing to say is that it is family controlled, so it's not really our gift to decide what happens.

Clearly, the map is a desktop exercise of saying, well, where are the countries before you start worrying about, well, what would you do.

I think it's fair to say that Hornbach are very well positioned outside Germany. They've got a series of interesting businesses. But really, that's the sort of relationship that we need to keep going at and keeping working with.

There's no particular reason to -- we've had suggestions from -- I'm sure there's certain bankers in the room who'd come round saying, why don't you sell it, and it's like, well, for the sake of tidiness, it's not really -- it doesn't make a great deal of value sense to me.

I think the only interesting bit for us is we are now building a commercial function at Group level which is very strong, very busy, and actually, one of the questions we're having to say is, well, actually, we're a bit busy on this; and some of the sourcing we've done with Hornbach we've now got to do with Poland and other places. So it is probably less of a priority relationship than it was maybe a few years ago.

And there was -- sorry.

Karen Allan - *Barclays Capital - Analyst*

I was just wondering if you could just say if that GBP400 million of CapEx that you're expecting for this year, is that a reasonable run rate going forward? Because I know it's been quite volatile.

Kevin O'Byrne - *Kingfisher plc - Group Finance Director*

I think GBP400 million to GBP450 million is probably about right. It may flex a little bit, depending on the freehold mix in there, but it's really, largely around our ability to spend it properly.

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

Last question, I'm afraid, because we're having to wrap up this one.

Unidentified Audience Member

Okay, I'll make it fairly mundane. In terms of France, you've obviously made very good progress growing the EBIT margin over the past two years. Do you think north of 9% is a realistic aspiration for your mix of assets and freehold/leasehold moving forward.

Secondly, in terms of the UK, given what's happened to industry sales densities over the past five years, and also, clearly, you've got 25 million square feet to begin with, do you really need another 20 stores to address the UK opportunity?

Ian Cheshire - *Kingfisher plc - Group Chief Executive*

If I do the second question first. We believe that there is just a chunk of the market, which is not addressed by that 24 million square feet. The 24 million square feet makes money and is, therefore, doesn't make sense to hand that back. We are looking with things like TradePoint to absolutely drive the densities. In a market that's going slightly going backwards, that's obviously harder work than before. But that really remains the challenge in the next phase.

In terms of France, I think we believe what we need to do is probably not so much -- there may be further opportunities to improve the net margin. It's really about trying to drive the total business and drive the total cash at the bottom line rather than probably expand the percentage margin that much. But it will depend slightly on the mix, opening mix and things like freeholds and Brico.

What we do think is there are still a lot more opportunities to drive results out of France, and the work that Philippe and the team have done on synergies in France is by no means finished, he says, commencing next year's budget negotiation.

Right, I think we're going to have to wrap it up there, I'm afraid, guys. Thank you very much for coming along and see you in September.
