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PRESENTATION

Sarah Levy *- Kingfisher plc - Group IR Director*

Welcome to the Kingfisher half-year results. I'm going to pass over to Vero to start off with the introduction and run through the agenda, and will be back for questions later on.

Veronique Laury *- Kingfisher plc - CEO*

Good morning, everyone. It has been six months, and I just have some friends who remember me, the catastrophe I made last time when I was saying August has been a disaster. I'm not going to do the same mistake again; I'm learning. I don't know for you but for me those six month have gone like crazy; I think we will share that with you, a lot has gone into the business.

So let's start with the agenda of today, I'm not going to talk a lot. I'm going to hand over to Karen to go with you through the numbers and the financial, as well as operational efficiency.

The biggest chunk of the presentation today is going to be about the offer and Arja is going to update you on what we've done. And, of course, we are going to update you on digital with Steve. So this is the plan for this morning.

Just a quick introduction about -- you remember that slide, is a slide that we looked -- we created for the Capital Market Day, and since we're starting the ONE Kingfisher plan, this is the way we are looking at our business with you guys.

It's the way to give you visibility about things are going on what we call the business as usual. Actually, I'm calling it the business is what we do right now and the numbers and the result. And of course, it's the way for us to update you about our transformation plan, what is going on and how we deliver against that plan.

The three things that I'm always going to remind us, not only you but us, is the first that it's action, not work. This is what I said last time when we presented the year-end result. We are doing this guys and you will see evidence of it today.

The second thing is about the fact that it is different. I will always remember your comment about why is it different this time. It is different because, first, we start from the customer and you will see that whatever is in the offer or in digital, we are building a deep knowledge about customer and their home improvement project and this is a starting point of everything we do.

This is not a synergy plan at all. This is a plan to create long-term sustainable growth for this business. It's based on an ambition to become the leading home improvement company. And a big part of this plan is about culture. It's about shifting the culture of the Company and again, this is something that we work on every day and that you will see coming through as we walk along.

And the third thing that I will always remember, but I don't think I need, is that it will create huge value for our shareholders, as well as our customer.

This presentation is going to be let's say about 80% to 90% about the transformation, and you should expect to have probably a little bit more about the result in such a presentation. I think this is a choice we've made because we think it's very important for you to understand where we are in terms of transformation. But anyway, even if we are not going to spend an awful lot of time about the business and the result, I would like to highlight a few things about it.

First, we had an amazing growth in two of our big businesses, Screwfix UK and Castorama Poland have got for this first half an outstanding performance, and this is very important to us.

The second thing is the fact that we have our new incubator businesses that are not doing well, not yet. I think it's too early to say that, but better, and especially Romania as an example. But I think it's a good sign as well for a big business like us because we need to incubate new things as it's important for us to follow around that.

And then we have, of course, our three big mature businesses; B&Q in the UK; Brico in France; and Castorama in France that have performed in line with the market I will say. And of course, we will cover more of that. But I think we are a really decent performance in an environment that has been tough for different reasons. UK more uncertainty because of the Brexit; and France we will see a volatile environment really.

And it is really good to say that and to have delivered that set of numbers alongside of really starting the real transformation, because then I will come back on that and you will see in the different presentations we've really started; we are really at the heart on the transformation now, much more than where we were six months ago.

So to manage to deliver that set of result of business as usual, as well as really entering into that phase of transformation I think is a good result.

And the last things I want to share, then of course Karen is going to cover that, is our cash position. We are a strong cash generator. We have the means to invest in our business; we've been investing in our businesses; we open as many Screwfix as we can. We are investing on other parts of the business as well, and we are starting to invest our transformation, even though it's really, really early days.

But you know, we can do everything, and as you know, we are getting cash back to shareholders as well. So we have definitely the means of achieving the transformation, the plan that we started right now.

Talking about the transformation, I will come back to that in the conclusion, but really two messages from me today, guys.

First, it has started really; it's a really complex transformation that we starting right now, and Arja will give you more detail. But when I'm looking overall about what we do in IT digital on one hand, and then what does that mean to go to this 20% unified and unique offer next year, is just a lot of work.

If you think, and I'm very confident as you know, if you think that the number of square meters that we are going to impact in store is more than 20%. If you look at the number of SKU that we are going to touch, if you want to deliver 20%, you have to work on 30% of the sales and we are going to touch 50% of the SKUs. We are going to rent some logistics place in order to bring those goods into the businesses. We'll need some labor costs to be able to implement those new products in store. So it is going to be a lot of work. So first message.

And second message, we are only six months in the five-year plan. So I listen to the call this morning and people say are you changing your guidance. We are not changing anything, guys. Because when you are six months in a five-year plan, we know what we know, we've made some assumptions and we stick to those assumptions.

So in two words, I am confident and aware.

Now I hand over to Karen.

Karen Witts - *Kingfisher plc - CFO*

Thank you, Vero. I've got a very important prop with me today, which is my glass of water; I'll apologize in advance if I cough and splutter my way through.

But good morning, everyone, and thanks for joining us today. As usual, I'm going to take you through our financial highlights for the first half of 2016/2017, along with the key developments in each of our major geographies, and then move to an update on the balance sheet and on uses of cash.

But if we start with the financial summary and focus on the highlights during the first half of the year. On a constant currency basis, Group sales grew by nearly 3%, to GBP5.7 billion, with like-for-like sales up just over 3%.

Retail profit of GBP464 million grew by 9%, driven by good performances in the UK and Poland. And we also delivered on our goods not for resale initiative a bit earlier than planned, with a GBP12 million benefit coming through the first half of the year. And I'll cover this in the ONE Kingfisher update later in the presentation.

Just by way of reminder, all underlying metrics are before transformation costs. So underlying profit before tax is before GBP18 million of transformation costs, and was up 13.5% to GBP436 million. This included the GBP17 million of favorable currency impact.

Our underlying earnings per share of 14.2p was up 15%.

There was an overall GBP9 million exceptional gain in the first half of the year which mostly related to the B&Q store closure plan, and I'll cover that later.

We generated GBP533 million of free cash flow, after investing GBP141 million in the business. There was a GBP200 million working capital inflow, most of which was down to timing. Our first half net cash position, after around GBP76 million of favorable currency movement, was GBP898 million.

And I'm also pleased to report that the Board is declaring an interim dividend of 3.25p; that's an increase of 2.2%.

We now have a quick look at the results by division. Retail profit in the UK and Ireland was up 8.8% to GBP211 million; with France up 1.6% to GBP187 million.

Profits in our established other international businesses grew by 24% to GBP77 million, and that was driven by the strong performance in Poland. And our new development countries of Romania, Portugal and Screwfix Europe, incurred losses of GBP11 million in the first half of the year, and that was in line with our expectations.

So now let's move onto the divisions in a bit more detail, starting with the UK and Ireland.

In the UK and Ireland, we had a good half-year, with a continued strong contribution from Screwfix, supported by a decent UK backdrop. The half-year results included just over a month of trading following the outcome of EU referendum, but we saw no clear impact on the demand on our businesses in that time.

Total sales of GBP2.6 billion were up 3%, and like-for-like sales were up nearly 7%. Retail profit was up 8.8%. Our cash gross margins were slightly up, although the gross margin rate was down by 100 basis points. And that reflected the continued mix effect from strong growth at Screwfix, some clearance related to the B&Q store closures, and increased fulfillment costs driven by higher digital sales at B&Q.

If we look at the performance of our two businesses. In B&Q, total sales were down around 2%, to GBP2 billion, reflecting store closures, while like-for-like sales were up 4.6%. Sales of outdoor seasonal products were up nearly 2%, whilst non-seasonal sales, including showroom, were up 6%.

As anticipated, sales transference from the B&Q store closures contributed around 2% to the first half like-for-like sales, and that's a level which continued to support the business case.

Click & Collect is now available on over 18,000 products in B&Q, and our online digital sales grew by 39%, albeit from a relatively low base; they now represent just over 3% of sales. And Steve will talk later about what's driven this growth.

Finally, Screwfix had another strong half, with total sales up 24%. Like-for-like sales were up nearly 15%. And this was driven by strong growth from the specialist trade desks, also strong digital growth, and new and extended ranges.

We opened 20 new outlets in the UK, taking the total to 477, and we'll now open around 60 this year, which is an increase of 10 on our previous guidance. Screwfix Click & Collect sales were up about 60% and now represent around 14% of sales, which is up from about 12% in the last full year.

In France, we added 1% new space, with one net new store and four revamps. Our total sales in France were flat at GBP2.2 billion, with like-for-like sales down by just under 2%. This was slightly weaker than the Banque de France home improvement sales data, which reported a broadly flat position.

There were some unusual factors during the first half; there was widespread industrial action in France; exceptionally wet weather, and those created a more challenging external environment in the second quarter than we'd seen in the first quarter.

Private housing starts were up 2.5%, and building permits were up 1.5% during the half. This is an encouraging development, but we've yet to see a benefit to the home improvement market and to our businesses.

Retail profit in France increased by 1.6% to GBP187 million, as gross margins improved by 70 basis points, reflecting less promotional activity and good cost control.

Looking specifically at the performance of the two businesses. In Castorama, total sales declined by 1% to GBP1.2 billion, with like-for-like sales down 2%. Like-for-like sales of outdoor seasonal products were down 6%, whilst the sale of indoor and building products was down 1%.

In Brico Depot, our total sales of GBP987 million were up 2%, reflecting the timing of store openings last year, whilst like-for-like sales were down 1%.

Now on to our other international businesses, starting with a look at our more established businesses of Poland, Russia and Spain, which together grew sales to GBP907 million (sic - see press release, "GBP965 million"), up by nearly 8%, whilst the like-for-like sales grew by 6%. And that was driven by Poland. Combined retail profit was up 24%.

Poland had a strong half, with sales increasing to GBP587 million, and like-for-like sales up 9%, benefiting from new ranges and a generally supportive market, which included the impact of new family benefits for all families with two children or more.

However, it should be noted that a new retail sales tax has been introduced effective since September 1, although we're currently hearing that it is subject to EU challenge. And although it's hard to quantify, there's probably been some pull forward of sales in the first half.

Gross margins in Poland were up 140 basis points driven by strong trading and better buying. And retail profit grew by 33% to GBP73 million, reflecting the sales growth and the higher gross margins.

In Russia, sales were down around 0.5% to GBP157 million, with like-for-like sales up by just over 1%. Profit declined to break even, reflecting a challenging environment and including also the impact of adverse currency movements on the cost base.

Performance in Spain improved on prior periods, with sales up 3% and like-for-like sales up 1%. And retail profit of GBP3 million was GBP1 million ahead of last year.

Now on to our newer development business in Romania, Portugal, and Screwfix Europe.

Sales were GBP58 million with losses of GBP11 million, in line with our expectations. We opened a further three Screwfix outlets in Germany and we remain on track to open six more in the second half of the year, which would take the total to 18 by the year end. We're continuing to forecast a loss of around GBP20 million for new country development and this is largely driven by investment in Screwfix Europe expansion whilst we're halving the losses for Romania and Portugal. And that's consistent with the first half performance improvement.

Now let's take a look at the cash flow and what we did with our cash. Well we generated GBP741 million of operating cash flow, including a GBP200 million working capital inflow which was largely down to timing, and which will, therefore, tend to reverse out in the second half. After capital expenditure of GBP141 million, the Group generated GBP533 million of free cash flow.

We returned GBP283 million to shareholders during the period via an ordinary dividend of GBP157 million, and GBP126 million of share buyback. We also received net proceeds of GBP63 million from the sale of our residual 30% stake in B&Q China. So at the end of the first half, our net cash position, after phasing and after favorable currency movements of around GBP76 million, was GBP898 million.

Our GBP12 million moving average lease-adjusted net debt to EBITDAR ratio was 1.7 times, versus our year-end's position of 2 times. This is lower than our target range of 2 to 2.5 times, but reflects working capital phasing and CapEx phasing.

Now let's turn to the capital expenditure. So if we look at the inner circle of the chart on the slide, you can see that of the GBP141 million of CapEx in the half, 34% was invested in IT as we rolled out our unified IT platform. 30% was invested in refreshing and maintaining our existing stores; and 14% on new stores and relocations; with 14% on other areas, mostly ongoing investment in our supply chain. 4% of our spend related to our transformation projects, principally reflecting the timing of digital CapEx.

Our guidance for the full year remains unchanged at up to GBP450 million. This guidance now, however, includes the purchase of the freehold of our highest turnover B&Q store. The proportion of transformation CapEx in the overall spend has reduced since our guidance in March as we've refined our digital plan, and Steve will talk about this in the digital update later in the presentation.

So to summarize, we've delivered good business as usual performance, whilst managing the start of a complex transformation plan. Screwfix and Poland were strong growth contributors to our half-year results. And we've continued to focus on cost control, including good early delivery on our goods not for resale plan, which I'll cover later.

Our balance sheet remains strong. And we've now returned GBP317 million of capital to shareholders year to date in the form of last year's final dividend and from our share buyback program.

Finally, whilst we've seen no clear evidence of an impact on demand in our businesses following the outcome of the EU referendum, it's clear that the outlook for the UK remains uncertain. And we remain cautious on France.

We're now going to move to our ONE Kingfisher update. We will remind you about this year's strategic milestones. Arja will update on unified and unique offer. Steve will update on digital. And I'll update on operational efficiency. So I'd now like to hand over to Arja.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Thank you, Karen. So I am here to update you on where we are at in the transformation of the unified and unique offer.

And as a reminder from the Capital Markets Day we are creating a unified and unique offer. And this is based on where everything starts with the customer needs. Because we do know that customer needs are similar, no matter if you live in Nottingham, or in London, or in Warsaw, in Krakow, in Paris, or in Bucharest. We know that customer needs are similar across our markets.

We have started doing our sourcing in a very different way compared with what Kingfisher used to do, as we are basing everything now on our Group volumes. We are reorganizing as one. And we have been implementing from early this year the new ranges in our stores, and are continuing the rest of the year.

We are gearing up for next year. And I am today confident in the plans we have to deliver on the sustainable profit uplift of GBP350 million on year five. Having that said, I will also introduce you and tell you about the challenges that we are facing, especially for next year and the year after, because we have challenges coming up.

This is a five-year journey. And we are six months into this five-year journey. We have the target of reaching 4% of unified cost of goods sold this year. To reach that we are, as a matter of fact, working on 7%. So it's 7% that went through our internal processes. And those 7% will then affect the full year next year in terms of benefits. Ranges have started to land in the stores, but it is early days still because the launches are heavily H2 weighted.

It's likely -- the forecast that I see today, it's likely that we will end up on somewhere between 3% and 4% by the year end on the unified offers. It's H2 weighted because I think you remember that we started this project in May last year. I have worked with product development for many, many, years and the timelines have been very short. So this -- why it's H2 weighted is because we have done a lot of delisting of suppliers. And we have also been managing the clearing of all the stock.

The sales and the cost of change are to date in line with expectations. And the cost of change, as a reminder, these are mainly about clearance. It's about transformation and it's about CapEx.

The results from these ranges that we have been working on in the first wave is that we are going from 28,000 SKUs on Group level down to 7,000. We are going from 842 suppliers down to 131. And it goes without saying that those 131 suppliers are of course given much better conditions to put up highly efficient production.

This plan will deliver significant customer benefits, which is the main thing with our plan. This is not a cost price reduction exercise entirely. The main thing is that it will deliver much better ranges for our customers.

These photos show lightbulbs out in the stores, the new unified lightbulbs. And these photos are from our best practice -- the four big boxes that are best practice, and Vero will come back and talk a bit more about those best practice stores later.

Well, we have -- the sales so far, it's not the season for bulbs yet. I got the question, are bulbs really seasonal? And I understand that some of you are coming home so late every evening so you always put on the lights in your homes. But as a matter of fact, it is seasonal because there are parts of the year when we are selling more bulbs, and it's in the darker parts of the year. So the sales is picking up.

We are also clearing some old stock. If you go into B&Q stores, you will see that we are clearing some old stock. But so far, the sales is up in Poland and it's good in the UK. It's just implemented in the UK.

These ranges are easier to shop for our customers in terms of how we have displayed the merchandising and how we have created the packaging. But also how we have created the range composition; what we are really offering to the customers.

It's newer products. As an example, two-thirds of these bulbs will now be LED and sold under our own brand Diall, where we have really secured a good quality at a very low price. And I could recommend that you go to a B&Q store and look for yourselves because it's out in the stores. You will see it there.

We talked earlier this year when we met, about prices, and I said at that time that we don't have a big need of investing in prices. You see on this picture air treatment, that is also unified ranges that we have been selling this year. And we sold it through in many operating companies, to be fair.

We did later, in certain operating companies, also lower the retail prices. We could do this with the retail margins because of the cost price reductions we achieved. These ones, we have been able to put on the market at a higher quality, and we have received very good customer feedback. For example, on our web pages, it's easy to see how customers are rating us; it's direct feedback from customers, and it has been very good on these ranges.

As a side note, we also updated you on the Capital Market Day about the unique bathroom that we are developing right now. The development is on track. This will come to the stores in early 2017, depending on operating company and the conditions we have in different stores.

This new bathroom range is a new core range program that addresses the number one customer needs that we have in all markets, and that's the lack of storage and the limited space that people have. Even if you don't have limited space, you always have a lack of storage because you have a tendency of always filling up what spaces you have.

We will be able to show you in the finals next year where we are at, and maybe bring some -- even show you some of the photos of the new ranges or even some real products.

Alongside those customer benefits, of course, the unified ranges are giving business benefits to Kingfisher. These are pictures on the unified sinks that are out in the stores. This is pictures from Poland and Romania. We have got higher sales as a result from it.

When doing this unification -- we have been able to do this unification but still continuing to address the local needs because there are some. As an example, in Poland and Romania, and I would say Russia as well, there is still a need of having light colored sinks, meaning beige sinks. We can add that into the unified range; we are not removing that.

In the UK, you probably know about the Belfast sinks. We are still having that in the range, so we're adding that as a local need. We have also been able to add new goods functions to markets that didn't have it. An example is scratch-resistant linen-finish sinks into the UK. We didn't used to have it here and we've been able to add that.

Those local ranges, they are still benefiting from the cost price reductions that we are achieving on the unified ranges. In many of them, we can use the same supplier base. The Belfast sink is a porcelain sink and we're using the same supplier base as for the unified ranges.

We have also been able to negotiate with local suppliers where it's not the common supply. That means that also the local ranges are benefiting and we will gain also on the local ranges.

On the sinks, we'll it's fewer SKUs. You see on the screen, we're going from a Group SKU of 516 to 113. And it's now 13 suppliers as compared with 36 before. Going back to this, they can now benefit themselves from having much higher volume in production.

I do remain confident in delivering on the net 5% cost price reduction that we told about in the Capital Market Day. And as a reminder, this is net 5%. This is after sales price reductions. This is after the cost of change. And I know that you will ask again about 5%; you see on sinks it's 15% cost price reduction.

We told also in the Capital Market Day that we have started with the easier categories, the ones that are more straightforward to unify. We also told about some favorable market conditions right now. The commodities are on a very low level. There has also been some technology development, for example, in the bulbs that are helping us. So we still think that 5% is the right ambition in our five-year plan.

We showed you this on the Capital Market Day; that we will radically reorganize. The first ranges that we have been talking about, they have been delivered by temporary project teams that we assigned up from late last year. This reorganization is a strategic key milestone. And we have now a new organization in Kingfisher called Offer & Supply Chain, OSC, which I have the big honor of heading up in Kingfisher.

How are we doing with this reorganization? Well, it's well underway. We have reorganized the activities around the ranging, sourcing, and a lot of the commercial activities. I told you also in January that as a step two, we will look at the whole supply and logistics, and that's what we are currently planning. So that's not done yet.

My own leadership team is in place. I have a leadership team with great, wide experience. Most of them are internally recruited in Kingfisher. There are also some external, but most of them are internally recruited.

We have, during this time since we met, designed this ONE Offer operating model, we have done a reorganization where we have been affecting almost 2,000 people. We have designed new ways of working, where we have put in new reporting lines. We have designed job descriptions. It's been a rather big piece of work the past six months.

We have done consultations with the work councils and with our colleagues. And we have been able to offer new roles to our people. The new roles are permanently in place as from June this year. I can honestly tell you that we have really good people in Kingfisher. We have been able to fit almost everyone into the new roles.

This has the -- not only from a competence point of view, but it also has the side effect that exceptional costs are lower than we originally anticipated, and Karen will come back to that later, because it didn't cost us much to do this first part of the reorganization.

We are still in transition; I have to say that. We are still bridging from the old into the new Kingfisher. We are managing business as usual at the same time as we are moving into the new organization.

Overall, we have a stable headcount. We have also started to recruit new competences in functions where we simply had too few of, and I can mention functions like merchandising specialists, engineers, designers and, as an example, we are setting up a new design hub in London. Our new design director started just a few weeks ago.

And you could wonder why we are doing that, recruiting those new competences, while we used to do -- we come from a culture of just buying the product from suppliers but we are moving into a world of Kingfisher where we are also designing our own products and owning our own IP rights, and we will do business directly with the factories.

So for example, one part of that cost that suppliers used to have baked into their cost, the R&D, much of that we would carry ourselves. And that's why we need to also have those new competences in Kingfisher.

So really, the new Kingfisher, it's built on the best from the old but added with the new that we are now bringing.

So how does it work? Well, I showed you part of this in the Capital Market Day and I thought I would symbolize that with how it works with a product. I brought one product. I'm not revealing any secrets here because this you will find is a rather generic product. It is -- are you excited? I hope you're as excited about taps as I am.

Take this tap. In the new organization who would do what with this tap? If we start with our operating companies today, what they will do or are doing, because it's effective, it's live, it's there, they are doing the trading. They are making sure that we are selling as much as possible of this in all the different channels; in the stores, online.

They are, of course, securing the range implementation in stores in terms of both how it looks like, but also making sure that our store colleagues are understanding everything about this tap, knowing what it's good for.

They are still doing the final making sure that this tap is really retailed at a price that is competitive for their operating company. They have also earlier in the process been giving us, in Offer & Supply Chain, the relevant market and customer input about it. And this goes on in an interaction with -- in a firm process together with Offer & Supply Chain.

Then in the new organization, Offer & Supply Chain, the hub of that are the range teams. We are working through seven range categories, i.e., have recruited seven range category directors. They're all internal recruitments.

And there, we have range teams and we have the product leads that are starting every project with looking at, first of all, of course, what are we selling today, what are the successes in the different operating companies today. But they are looking at what are the customer needs. And they will then review what are the customer needs when you're developing a tap, when you're buying a tap and when you are using it.

They will base that whole range offer on those customer needs. They will also look, in the range composition, how many taps do we need to offer for you, when you want to have a relevant offer as a customer. And they will also look at what price targets should we put at on those products.

Supported by there you have -- in that range support, you will then have specialist functions like designers. If we decide that we will go on our own design, we will do a lot of that design ourselves. And I'm saying if, because one partner is evaluated as well, it's dependency on international brands. And when you really start with customer needs, we have realized that we are much less dependent on international brands than we have previously thought.

You will have designers, you will have engineers that are constructing part of it. I can mention that taps, for example, are now quality secured from Kingfisher because we have then constructed a cartridge that is on the inside to make sure that you have all this great quality on the tap you buy from Kingfisher.

You will have also people here in the range support function that works with packaging and the brand deployment, meaning that this white box, what they do, it will not be white when it comes out in the stores. They will decide what of the Kingfisher brands that we put on it, how does it fit and what information do we put on the packaging. They will also do instruction because in here you will also have instruction manuals telling how to install it. So these are also supporting on that one.

There are also quality specification people here telling -- saying that this is the quality requirement we have to set on this and this is the requirements we are setting our suppliers.

In the sourcing part, you will then have experts -- you are having. I'm saying will but we are already, since six months, having buying experts here. They are handling -- managing the whole tender process. So they are the ones who are putting out to suppliers and asking who wants to be part of this tender process. They are managing all the supplier relations, and also deciding who is the supplier going to be that will supply this tap.

In the commercial part, we have other support functions, for example, people that are deciding the merchandising solutions in the stores; how will it be displayed in the stores.

You will have people that are product data experts and we are already, as from now, doing one set of product data for the unified ranges that feeds all the Kingfisher operating companies and all the channels. It's one set of sales data. And that goes along with product communication. And we are now, for example, developing range catalogs for bathroom and outdoor and doing it once at Kingfisher and not in all different operating companies.

There are more functions in there such as people also reviewing pricing and managing the coordination of different sales activities.

In the supply and logistics, we have currently project people working on deciding on what are the routes to market on this one. How do we supply it? Does it go direct to the stores; does it go through distribution centers; or how do we supply it. They are also managing the forecast, trying to estimate how much we're going to sell of it.

So this is the core function of how Offer & Supply Chain is working as from now because it's already in place.

These are areas which -- you could wonder why we have done this. Well, we have done this because we are really building specialist and expertise in all these areas in our operating companies and in Offer & Supply Chain. This is about building specialist and expertise.

We have moved from nine operating companies into one Offer & Supply Chain and we've maintained retail expertise in our operating companies.

Our range teams are today placed in the UK and in France. For example, the kitchen team operates from UK; our bath team operates from France; building and joinery we have a split; heavy building is in UK, joinery sits in France. This has meant that we have less physical moves of people and we have had a much better internal recruitment phase, and having that also going forward.

I think the main thing here is that we are really rapidly moving to the culture of ONE Kingfisher. By doing this reorganization, there is no way back into the old Kingfisher. This is the culture of the new ONE Kingfisher where we do things based on customer needs.

Now, less from me. Let's hear from some of the members of Offer & Supply chain.

[VIDEO]

Unidentified Company Representative

I work for Arja and have a team of 21. These are experts that we've taken from Brico Depot, France, and B&Q in the UK; so one-third of my team are based in France and two-thirds are based in the UK.

That works really well because each team has their own product segment. We have teleconferences every week; we meet once a month and we travel Europe to the operating companies and our manufacturers together.

Unidentified Company Representative

We have a team of OSC with many talent, different like merchandizing, supply chain, purchasing; the product link for development, engineers, designers, and we all work together for each project to make it develop. And of course, the team is also with all the OpCos because we need their knowledge and their market knowledge.

Unidentified Company Representative

So as the range team, our role's to create and define the product range that's right for our customers. In my previous role, I was a lead buyer for B&Q. I'd have been responsible for our talking to suppliers, negotiating the price, and also then working on the range.

I guess the new role is all about the products. We've got loads more time to focus on what's right for the customer, how that range is right for them, what their real needs are, before then bringing it through to market.

Unidentified Company Representative

Well, what's clear is we're going to need to work as one team. As we developed the overall Offer & Supply Chain team, my team need to work with newly-formed functions to deliver this offer, like supply chain and quality assurance. But also, we still need to work with the market teams to understand how we implement the offer, but also make sure that we've got any local requirements still covered.

Unidentified Company Representative

So the way we're now working is everything starts from the customer need. We're absolutely set up to be specialists in the area we're working in around what the customer needs. I've spent more time with customers in the last three months than I have in the last five years of working in a similar area.

Unidentified Company Representative

As we really go from the customer needs first, we visit homes, we visit bathrooms, we count their products, we try to understand what are their needs, and really to adapt to that and develop a new range that is really reaching what they are looking for.

Unidentified Company Representative

We do see differences across the markets. For instance, in Poland, we see that the customers buy a lot more light-colored sinks. Not surprising, that means we also sell a lot more light-colored taps.

It doesn't, though, affect the sourcing benefit because what we can do is use exactly the same tap we're selling over the rest of Europe, from the same vendor, in a different color way. So it is a local range to cover off a local need. It absolutely doesn't remove from the sourcing benefit.

Unidentified Company Representative

We're going to unify over 35,000 products in building and joinery. We've got nine programs already in place that just passed their range validation where we looked at the range, we've edited it, we're protecting choice for customers; we've made it much simpler. On average, we've edited those range by over 50%.

It's going to be tough, of course it is, across nine markets, but the engagement's really there, and I'm really looking forward to 2017 when some of these programs start to land in our stores and we can really show customers what Kingfisher's going to be all about.

[VIDEO ENDS]

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

We have hundreds of those kind of people. My job is not very difficult.

We are already well progressed for next year, for 2017. I can say that we have now moved into the new world and this is how we work now. This is now the business as usual for us.

Offer & Supply chain, the OSC, we are covering all the arranging and the sourcing decisions. That's not done in the operating companies any more. We are covering all of that in Kingfisher.

We are well progressed for next year, for 2017, and we have also already started the plan for 2018. And we know that for 2017 to deliver on that 20%, we have to actively work on the 30% of cost of goods sold. And in addition to that, we are also going to work on the 18 ranges and that starts now.

Having that said, we do know that we have big challenges ahead. This is not a straightforward, easy journey we are into. We are aware of the challenges. In that way, ONE which, of course, is covering, we'd almost say, a small part. It's not 3% to 4% of COGS is not a lot, even if we have worked on 7%.

But we have learned. It has been great experience because we know that the benefits are coming through, but we have also had that as a learning case on things where we have to become better. And we are aware of the challenges in terms of clearing of old ranges, the cost of remerchandising in our stores. And we can also foresee the new and different amounts on our existing supply chain networks.

And Vero briefly mentioned this in her startup, that this year we are touching roughly 3% of the store space. Next year, we will be touching 22% of the store space, so we have big challenges next year. However, having that said, it's worth it. It's really worth it.

Let me take you through some of the ranges that we are working on to bridge from this 4% to 20%.

The first one being stick timber. Stick timber, it stands for one-third of the total Company-wide timber sales, and we are big in timber in Kingfisher. It has four main product types, and this is a category that used to be seen as very difficult to unify. People were saying that that's impossible to unify.

Well, as a matter of fact, we have discovered now, in this process of re-looking on customer needs and really analyzing the business, out of those four product types we can do a unification on three of them. Three of four can be unified, because the customer needs are very similar in terms of stick timber.

The core SKUs are already similar across the different operating companies. The difference is that they have really been bought by different buyers in the OpCos. We will be able to, on Group level, from 1,360 SKUs to 720, and that's then covering the local needs in the different operating companies.

One of those four which are more difficult to unify, that's very much based on local regulations, not on customer needs. Specific regulations on colors, for example, on construction timber in the UK and in France; in France it has to be yellow; in the UK it has to be a different color and it has to have a specific treatment.

But what we have learned from this case is that the unification really can happen in different parts of the value chain. It can be either on that really final product, but unification can also happen earlier in the value chain. Because what we can do is, for example, unify species, lengths and, of course, having that from the same source.

This is also a good brick to work on because the cost of change is not particularly big here. We have a high stock turn in these products, and the merchandising is already very similar across our operating companies.

We are in the development phase of this one and we are just putting this out to suppliers, so I can't inform you about the cost price reduction on it, but I have very good hopes that we have some good savings on this category.

The other one that I want to show you are the taps and kitchen taps. The commonalities on kitchen taps are really the type, brand, color and the finish. And on product commonalities, because the product as such, well, you have the body and the spout on the tap that are product commonalities. And as a matter of fact, 94% of our sales come from three body types, only three body types.

The customer needs are of course to secure quality, because quality is the main thing in taps. And durability, and we also see that water saving is coming up as a big demand from customers.

There are some local needs. I told you about the beige or light colored, as Richard was saying on the film, light-colored sinks. That of course, comes with beige taps as well. So there are some lot of needs that we will be able to cover.

New trends that are coming up. Well, industrial taps are of course, a very big new trend. We can also see that it's coming more demands on colors, other colors than only stainless steel. We have been able to reduce the number of Group SKUs, with 84% on this brick.

And again, as been said earlier, on those local SKUs, we will be able to benefit on the cost price reductions, because we use the same supply base.

So as a summary, back to my opening remarks. We are creating a complete unified, unique and leading offer, and it's happening now.

We are sourcing in a very different way. We have done a big part of a reorganization, and we are continuing in that transition journey, because it is a journey. We are not done yet.

And we are implementing the year one unified ranges. Our milestones are on the track, and we are gearing up for next year. Everything so far validates the GBP350 million sustainable profit uplift that we said in the Capital Markets Day that we will have on year five. But I want to emphasize that we do have big challenges for next year, and the year after.

I would like then to hand over to Steve.

Steve Willett - *Kingfisher plc - CEO Group Productivity & Development*

Thanks very much, Arja.

I'd just like to take a few minutes to talk about the two milestones, strategic milestones that's in this year for digital, which is the unified IT platform and the brilliant basics for digital.

Firstly, just on the unified IT platform. So what this chart's showing you basically, is that effectively we haven't changed the plan, so this is what we previously communicated, apart from one thing which is, we've actually added the systems requirements for the Offer & Supply Chain organization into the overall plan. So effectively, we're still working to the plan that we've communicated.

The next six months is particularly busy, because we've basically got to finalize the rollout of B&Q; and we'll complete most of the rollout of Castorama France.

Where we're then going is the back end of 2017, is the implementations that we're talking about as cluster two, which is effectively four countries. So it's Castorama Poland, Castorama Russia, and then Iberia and Romania. So they're actually in two groups at the back end of that year, and we're ramping up the implementation for that, and basically have already started.

The plan is very tight, (inaudible) in implementation across the scale that we're talking for IT across all the OpCos, but again, I'll reiterate what I've already said before; we will not sacrifice quality for speed. So if we need to stop, or we need to slow down, then we will.

In fact actually, below this level of plan, we have been moving milestones about in both the B&Q and the Castorama rollout to manage risk. But actually, the result of that is we're still confident that we think this plan is achievable, so that's what we're aiming for.

A bit more detail on the B&Q and the Castorama one. So on B&Q rollout, basically the momentum and the progress is good. Though, so far we've implemented, in the notes it says back office, but we've implemented all the core HR and finance. We completed the store rollout ahead of plan, and from an accounting point of view, the onrunning accounts and the half-year accounts were prepared in the new system.

We're currently in progress with the in-store customer ordering functionality, and enhanced Click & Collect functionality, which is currently rolling out as speak to the B&Q stores.

The next big phase is actually converting all the supply chain and F&R functionalities over, and we're on target in B&Q to do that for the beginning of Q4.

What we are seeing from the rollout in B&Q is the system is enabling the colleagues to spend more time with the customers, and serving the customers, because we're making the tasks more efficient.

What we've also done is we've step-changed the amount of information available to the colleagues in the aisles to serve the customers, with near real-time stock data, but also enhanced product data that we're flushing out from the DIY.com.

On the B&Q plan, we're confident, at the moment, that we'll complete it by the end of the year in line with the original plan.

If we talk a bit about Castorama France, we're well into the Castorama France rollout, and we've actually made the changes to the systems from a legal and financial point of view to make it run in France.

We will be starting the Castorama store pilot. In fact, it actually started this morning, in a store near Lille. So that's actually progressing according to plan.

Just moving a bit onto digital. So when we were at the Capital Markets Day, we effectively said that our priorities on digital were in two areas.

One was Brilliant Basics, which I'm going to talk a bit more about in detail, in a minute, but that was effectively about how can we become as good as the best in core e-commerce across the Group. We've got pockets of it, but we haven't got it across the Group. And our benchmark internally for that would be Screwfix, but actually we're taking benchmarks from across the world in different industry sectors.

Customer journeys are a bit more difficult, because basically we said what we wanted to work on was end-to-end customer journeys. It's in the ambition, which is we want to help customers all the way through their journey on doing a project. So what do we mean by that? So if you take a bathroom project, effectively it goes over about seven months going from inspiration, all the way through to delivery.

So we've started work on customer journeys. In that, we see it as a massive opportunity to step-change our customer experience. We also see it as very commercially sensitive. So we're deliberately not talking about it in any detail until probably when we get into next year.

At this point, I promised Karen that I'd hit myself with a stick over the back for not hitting the guidance on CapEx that we gave you in the beginning of the year. So if we just talk about that for a minute.

We're not changing any of the overall numbers, we're basically just saying that it's a phasing change. And actually, there's two different stories linked to this, behind it.

On Brilliant Basics, as we've got into the more detailed plans, and we've looked at how to take down the amount of short-term tactical work and how to make the programs more efficient, that we have to phase it out with the unified IT program. That's the most efficient way of doing it, which is move some of the things from this year into next year.

On the customer journeys one, effectively this was new ground for us. We're actually cutting new ground for the industry, we believe, and actually, we took advice and we got some high level estimates from external partners that we initially gave of guidance.

As we've been building the teams, and we've been starting going through concepts into prototypes, we've actually now started to understand in much more detail what it actually takes to do this, and the timing. We've actually re-phased parts of that.

Overall, we're not changing the numbers, we've just moved some of the phasing in the five years.

If I then talk in a bit more detail about where we are on Brilliant Basics. These are the headline things that we said was under that strategic milestone.

On digital marketing, we've been running some upweight tests in B&Q; basically we've been moving up the volume of digital marketing for very positive results. We've got similar tests going on as we currently speak in France. And off the back of that what we'll do, and we'll take those results and then we'll look at what is the appropriate mix for offline/online marketing going forward.

In search, so if you take our best practice in search, which would be Screwfix, we know that good online search and good natural search out on the Internet drives both traffic and conversion. In fact, some of that best practice has been applied to the early part of the year in B&Q, which is why we're starting to see some of those numbers.

In the new search tool that we're implementing, we are going to implement a new search tool into the unified IT program, technically that's underway. Actually, we'll be going for an implementation in B&Q in Q4, and then Castorama France in Q1, and then the rest of the Group will get it as we roll out the Group IT program.

On mobile, again, we're currently in build on a series of mobile apps and new mobile websites. Basically, I think it's fair to say our experience as a Group at the moment is not great, so we're going to move it to leading class. That's currently in build for implementation in the first half of 2017.

Then digital analytics. Digital analytics is very important to us because actually, if we can't analyze how people use our sites and shop our sites, we can't improve properly. Actually, in digital analytics, the Group to be fair was a bit of a mess. We've virtually had every digital analytics tool on the markets deployed somewhere. We've completely rationalized all the tools; we've come up with this common set of KPIs for the Group and a common way of implementing it, and we've now got a common digital dashboard that's actually across the Group. We're moving forward on that.

Then last but not least checkout. We implemented a much simpler one-page checkout into Screwfix at the beginning of the year. We've actually seen that increase conversion by about 6%, which is fairly large in the scheme of things. The similar checkout to that we are now, in fact we're in build for B&Q, and we're just starting the build for Castorama, and we'll be putting that checkout into the Group IT platform.

In terms of Brilliant Basics, we're moving forward and we're on plan.

That's it from me, and I'd like to pass over to Karen to do operational efficiency.

Karen Witts - *Kingfisher plc - CFO*

Thank you, Steve. You've not done my reputation any good, have you?

There are two milestones that I'm going to update on, the first being where we are in terms of the progress against closing our 15% of surplus space at B&Q; and the second one on where we are in terms of delivering benefits from the unified Wave 1 of our goods not for resale program.

If we start with the space rationalization program, well it's well advanced. Just as a reminder, 15% of space equated to 65 stores to be closed. That program is now 80% complete; we've got 52 stores closed to date. We did 30 last year, and they were mostly back-end loaded, and we've done 22 closures in the first half of this year. That leaves us 13 stores to close in the remainder of the year.

We've got 50 exits secured to date, so that's different from the closures, that's actually terminating our lease liability one way or another. At the end of last year, we had completed 40 exits, we've now increased that by 10.

You may remember that in quarter 1, we announced that we were actually outsourcing the remainder of this activity to a specialist provider, and of the 10 exits that were secured in the first half of this year, they worked on six of them.

The reason that we've done this is that actually our business isn't closing stores and exiting leases, and we want to focus on the ongoing business, so we've outsourced this.

Then important here is to say that the sales transference that I referred to earlier, 2%, is supporting the business case assumptions. That 2% of sales transference supports the one-third assumptions that we said we would need to make the business case for store closures work.

We're not changing our view of the GBP350 million exceptional provision that relates to our store closure program for two reasons. One is that we still have 13 closures and 15 lease exits to deal with. The second thing is that, whilst we've announced two closures in France, and we have closed one store in Russia, there's still a couple more that we're looking at in the rest of Europe.

If we have a look at the goods not for resale program, and that is one of the pieces of news from this morning where we said that this program is delivering earlier than planned.

The program, just to remind you, was to look at our GBP1.2 billion cost of goods and services that we consume ourselves, and to find benefits, both from cost price reductions by working in a more unified way across the Group, and also by improving the way that we actually use the goods and services inside the Group, so efficiency and effectiveness; cost efficiency and operational effectiveness are what this program is all about.

The program is a major part of, but not all of, our GBP100 million operational efficiency pillar.

Because the GBP1.2 billion of cost is spread into many, many categories of spend, actually for our own ease rather than anyone else's, we put that into that we were calling three waves, so that the teams could focus on a certain set of categories at any one time.

Whilst our objective for this year, our milestone, is to get to the implementation phase of Wave 1, that doesn't mean that we're not working on Wave 2, in particular, and even a little bit on Wave 3.

As a result of this, we've got GBP12 million of benefit in our half-year results, and we're now guiding up to say that in the full year, we expect GBP25 million from our GNFR initiative, rather than the GBP20 million that we guided at the full-year results.

If I just maybe put a little bit of color around this to show what we have been doing in the half-year. When I last spoke to you, I was talking about forklift trucks and print and paper, and I won't go through those examples again. But if I give you another couple of examples to try to bring this to life, and it also shows that we don't necessarily have to do everything across all geographies in this space, we're looking for efficiency and effectiveness.

We've re-looked at all of our cleaning contracts across the Group, and we've found some particular areas of opportunity in France. The cleaning contracts were distributed on a very, very fragmented basis, and basically we've looked at what we believe is better practice in our Group, and we've actually zoned the cleaning activity.

As a result of the zoning, we've actually gone down from having 13 suppliers to three in France.

We're doing something quite similar actually in maintenance where we're now gathering together the requests for maintenance from the stores, so that lets us see actually where our activity needs to be focused. And we are looking for preferred suppliers who can work often on a national basis. And an example of that would be that we've found one supplier across France we can actually deal with repair and maintenance on automated doors.

So this stuff isn't rocket science, but clearly, we weren't doing it before and the benefits are now coming through.

I'm just now going to summarize before I hand over to Vero. Okay, so this slide shows the bridge that takes us from underlying PBT to statutory PBT. You've seen the format before. This is the first time that we've actually had real numbers in this.

You can see we reported underlying PBT of GBP436 million, and within that GBP436 million, we've had GBP12 million of GNFR benefit; that's where we said we would show the GNFR benefit.

We get to GBP418 million of adjusted PBT after GBP18 million of transformation cost, and those transformation costs to date have come from the digital setup costs and also implement range implementation activity in our Offer & Supply Chain.

And then our statutory PBT of GBP427 million is after a net exceptional gain of GBP9 million, and I've deliberately divided the exceptional into two parts because they're both very different.

So if I start with the GBP1 million charge which relates to our transformation program, as Arja commented on, at the moment we're spending less on exceptional costs than we had originally planned to do at this stage. But I think you can understand that we have just started the transformation and there are likely to be other costs that will come in as we go through the rest of the year.

The GBP10 million exceptional gain actually relates to the estate transformation program. Now we said we would close 65 stores and in fact we are going to close 65 stores but there have been two relatively small changes.

One is that we have decided not to close one of the stores that we'd originally intended to close. We've re-looked, as we always do at the economics and the potential for sales transference and we've decided not to close that store. Conversely, there's another store that we hadn't been intending closing, which the landlord has decided he doesn't want to renew the lease for because the site is going to be redeveloped.

Now if we take a look at that same format and what this means for the full year in 2016/2017, this is where you can see that we're changing some of the guidance around our overall transformation cost. So our underlying profit before tax will now have around GBP25 million of benefit from our GNFR program, rather than the GBP20 million that we said before, so guiding up by GBP5 million there.

Our transformation costs are there and thereabouts. We said to you up to GBP70 million; we're now saying around GBP60 million for the full year, but this may be about GBP10 million change in there.

And a change to the exceptional charge that we expect to see for this year; we're only going to expect to see around GBP10 million of transformation exceptional costs and we'd said before we would see up to GBP50 million. Now, I wouldn't get too hung up on the other exceptional gain, I've just frozen that at GBP10 million. That still just represents the decision not to close the store that I referred to.

And then the summary of the summaries I guess. In the first half of this year, our overall transformation costs, whether they are transformation through the P&L, exceptional or transformational capital expenditure, are GBP25 million and you can see the breakdown; GBP18 million through the P&L; GBP1 million of exceptional; and GBP6 million of transformational CapEx.

In the full year, our original guidance was GBP190 million and that's come down quite significantly to GBP100 million, but that's what I've just described. So the P&L transformation costs GBP60 million rather than GBP70 million; the exceptional charge around GBP10 million rather than GBP50 million; and the CapEx, which Steve has explained, thank you, around GBP30 million rather than GBP70 million.

We're not going to change our overall guidance. Our GBP800 million of total transformation cost is still pretty much what we think the total cost of achieving a GBP500 million sustainable uplift in EBIT will be.

And I'll now pass over to Vero.

Veronique Laury - *Kingfisher plc - CEO*

We are now going into the end of the presentation. You will remember that slide as well, the one we show you at the Capital Markets Day.

As you can notice, if you have the old one, it hasn't changed. We have a very clear and ambitious plan over five years. As we used to say, actually they are telling me more than I am telling them, it's a marathon, not a sprint. And that's why there is a lot of pace in the business right now, as I hope you've seen it today; a lot is happening, but at the same time, we always had that long-term perspective. And as Steve said, of course we are moving at pace, but if anything is happening, we won't sacrifice quality for time, and this is very important.

We'll update you on those -- on the third three pillars; unified and unique offer; digital; operational efficiency. There is one that we haven't been talking that much since we started, and I just want to highlight the fact that Jean-Paul Constant has joined us for really two weeks; he has done some store inductions over summer, but he has really started two weeks ago so we are going to talk more about retail operation.

But meanwhile, I just wanted to update you about one. If you remember the first time we met each other it was what we call the first "sharp" initiative. There was one "sharp" initiative about the four Big Box stores, and we haven't updated you since then because we wanted them to be open to be able to say something.

So those four stores have opened. I visited three of them. The only one that I haven't visited yet is Elektrostal in Russia because it has opened last week and we are going to be there in two weeks from now.

What I can tell you is those stores are open, they are really good stores. We've been working -- this is not the store of the future. We've been working on best practices, we've taken the best of what we are able to do in the Group and we've put the best of our knowledge in those stores and it looks very good. The customers' feedback so far is very good. It's too early to give you any numbers about from a sales perspective because the latest one has been open for two months.

I can encourage you to actually see Cribbs Causweay, which is in the UK. I think before having any question about a big revamp program or whatever, this is kind of business as usual for any good retailer to work on a store, on a store proposition and to improve constantly its store. And this is what we do. This is nothing more than that.

So here we are. I think -- I hope it was very clear. We have a good set of results in terms of business as usual, solid, where we want to be.

I think we -- and this is very important, we remain cautious from an outlook perspective. Karen has been talking a lot about France. We remain cautious on France. UK no sign so far post Brexit but you know, we don't know what is going to happen so we are not going to talk, but we remain cautious.

I think, I hope, that after having had those presentations from both Arja and Steve that you will be with me in the fact that we've made good progress in terms of transformation. And as I said as an intro, it's really not words; it's really action. The Company has moved, really.

And as I said, we are very confident with the plan. This is absolutely what this business has needed, but we are very aware of the challenges ahead of us. And to be fair, the acceleration starts now, guys.

Hope for your questions.

QUESTIONS AND ANSWERS

Jamie Merriman - *Bernstein - Analyst*

Jamie Merriman, Bernstein. Two questions for me. The first is at the last set of results and also a little bit today, Arja, you gave us a little bit of a peek at what some of the cost price reductions were on the unified products that you have done. Can you give us a sense of how much of that is getting realized in terms of have you reinvested that back in the price of those new ranges?

Then the second one is, as you think about touching more than 20% of floor space next year, how do you mitigate the risk? Is it the speed of the rollout? Is it doing it regionally? What are the things that you're thinking about in terms of mitigating risk to the business?

Sarah Levy - *Kingfisher plc - Group IR Director*

Arja, the first question and the second question as well, just to make some early comments on.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Thank you for the question. We have realized one thing with these events is that we have many, many different groups that are listening to us. It's not only you. We have realized that we have a lot of interest from competitors on the market and from suppliers. There are things that we are not telling from commercial sensitivity.

On the price, I knew that question was going to come. I can just reconfirm that when we're saying the 5% net savings on the cost price reduction, it is after price reductions. That's the only way we will comment at.

Then in terms of implementing for next year, we have started with Group leadership on this one. It's different than we have done before in Kingfisher, where we are looking on different work streams to be able to manage that implementation. And with the focus on those challenges that we have mentioned, for example, the clearance of stock, that we do that in a proper way, but also how we will physically do in the stores with that change.

And I said, again, this 22% of the store space, it's early days but we have a targeted focus group on it with the best competences in the Company to do those work streams.

Anne Critchlow - *Societe Generale - Analyst*

Anne Critchlow, Societe Generale. It's another question on price, I'm afraid. On page 28, I can see that you've given responsibility to the OpCos for pricing and market positioning. I'm wondering how the Offer & Supply Chain organization is going to work with the OpCos; and does that mean there's any risk for the 5% CPR gains that you hope to make?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

This is how it works. The Offer & Supply Chain, what we do is already from the start. When starting a project, we decide what is the price we want to put it on the market at. Then we design that product meaning that we take -- we look on all the different cost components.

For the taps, for example, that I showed you, we'll look on all the different product components, but we'll also look on distribution costs for example and other costs. In the development phase, we remove everything that is unnecessary that doesn't add value to it. And trust me, we have a lot to remove in that phase.

So when we are delivering that product to an operating company, they have a recommended retail price where we have done that exercise. Then, we have still the mechanism that every retail company will still secure that this is the best price. So it's the final confirmation that we are retailing it at the best price that the operating companies will do.

Again, we are looking at this [theory] mechanism. And for the follow up mechanism, I would say we are in the same boat. The operating companies have the same -- they want the same as we want. We all want to retail it at the best price whilst maintaining margin. So I'm not concerned about that part, I'm not.

Anne Critchlow - *Societe Generale - Analyst*

Does the operating company talk to you before you start designing the product to talk about price?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Yes, of course. It's a collaboration process. We haven't filled an organization, first of all, with the internal rules. These people that work now in Offer & Supply Chain, they used to work in the operating companies eight weeks ago. So it's not like -- they haven't forgotten everything in eight weeks.

Then we have really built collaboration processes. We are not building headquarters somewhere where we don't speak with anybody. It's built on input/output. It's built on collaboration, the whole structure we are putting in place.

Geoff Ruddell - *Morgan Stanley - Analyst*

Geoff Ruddell, Morgan Stanley. I think maybe another one for you, Arja, I'm afraid. Do you think it's still going to be possible to get the GBP350 million profit uplift if the UK leaves the single market?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

If the UK leaves the single market, that's, first of all, if. Yes, I do think so. I think there are other -- again, on the Wave 1 that we have started to implement this year, as we speak in September now, we are doing a lot of the sourcing validations for the almost 50 categories that we're working on for next year. In those, there is nothing that says that we will not be able to deliver that GBP350 million, even if UK decides to leave the single market.

Geoff Ruddell - *Morgan Stanley - Analyst*

But does that not mean that you would -- I obviously don't know very much about it, but if you suddenly find yourself with a 10% tariff on all the products coming into the UK and no tariff into, say, France or vice versa, does that not change how you would source and wouldn't you still want to source the same contract from the same supplier?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

If that would happen, which, again, that's a big if, first of all, every retailer in the UK will be exposed to the same, which means that you will have a different, probably, price picture on the market. I would say that we are in a better position than any other retailer, just because of the work we are doing with the unification.

We are negotiating -- I mean, all these numbers that we have given you that we are working on, we're saying that we're delivering 20%; we are working on 30% when we're adding on the 18 ranges. By the end of next year, we have negotiated two-thirds of the Group spends. We are in that business case validation stage. We are also evaluating, for example, the currency risks. We will also put in if there come in tariffs into it.

So I would say that we are probably in a better position than many other retailers in terms if all of this happens. But I still have a very firm belief in that the GBP350 million we can offset those things with other things.

Geoff Ruddell - *Morgan Stanley - Analyst*

Great. Thank you.

Simon Irwin - *Credit Suisse - Analyst*

Simon Irwin, Credit Suisse. Some questions for Karen about inventory. If you could just give us a bit more color on where are we on cut the tail. How much of the working capital change through the first half was underlying in terms of, say, inventory days?

And generally, what the response is going to be over the next, say, 12 months or so to inventory. Are you going to run inventory down in categories that are being changed in order to minimize the risk? And is there a concern that availability might be impacted as you go into that cost or risk mitigation exercise?

Karen Witts - *Kingfisher plc - CFO*

That's a lot of questions there. Let me start with where we are on cut the tail, which was taking out the delisted SKUs. And I didn't talk about it just because we've had so many other things to talk about.

So when we updated on that at the end of last year, we said that we intended to do this in a managed fashion over the next three years. And that in the year that's just gone, we've taken the delisted SKUs down from about GBP80 million to GBP50 million.

As we were doing that, we started to change the processes in the businesses; so processes around range management and rules around clearance of delisted stock. And, therefore, the activities have continued. And in the first half of this year, there is a further benefit that's come through from taking out delisted SKUs.

And this time, in this first half of the year, we've actually focused on the oldest ones. So we were looking at it generally last year. We're now focusing on the oldest ones.

This does become, and we'll update on this at the full-year results, it does start to get a little bit murky because, as we are bringing in new ranges, we are naturally delisting products. And that's why I'm emphasizing the rules. Because what we had to have in place was a system, a process, to actually manage this on an efficient basis. So that long answer was to say, yes, the progress is continuing.

Now your question around the working capital. And in the overall net cash position at the end of the half-year, we've got a GBP200 million inflow of working capital. I am expecting a significant part of that to reverse in the second half of the year.

Now there are lots of reasons why we have the inflow and why it will reverse. But actually, we are changing the way that we do a lot of things in the business. And it actually changes the timing somewhat. And that's really what we're seeing coming through. But I've gone through that working capital in a lot of detail. And I think a significant portion of that will reverse.

With the amount of activity that's underway, we're bringing in the next lot of unified range. And certainly, that gives us some challenges on managing inventories and working capital. And that is actually why we've set up the implementation team that we've set up so that we can manage it in the most efficient and effective way.

And to the question on whether or not we were working in silos or together on unifying our ranges, actually, the teams work together on preparing business cases. And part of that business case will be to take a case-by-case assessment on whether it's better to run down your stocks gradually, or whether it might be better to clear faster. But it's very much case by case.

Simon Irwin - *Credit Suisse - Analyst*

The overall inventory levels, so let's say at a Group level at year end, aren't going to be wildly different to the message at the end of that?

Karen Witts - *Kingfisher plc - CFO*

At the end of this year I shouldn't think so.

Simon Irwin - *Credit Suisse - Analyst*

Thank you.

Andy Hughes - *UBS - Analyst*

Andy Hughes, UBS. I've got three different questions. First, on cost price reduction where you have reinvested some of that to give your net gain. Have you seen any volume uplift yet in any categories?

Secondly, any way you can quantify the benefit of Homebase closures, given you've had 2% from your own closures?

And third, just in terms of Screwfix European expansion. Where are we with possible rollout in France and Poland? Might that keep the European losses from Screwfix higher for longer?

Sarah Levy - *Kingfisher plc - Group IR Director*

Okay. So we'll do the first question for Arja, a similar question. Second one for Karen. And then Steve for the last question.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Yes, we have seen volume uplift on those where we have invested in price.

Andy Hughes - *UBS - Analyst*

Big ones?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

We have seen volume uplift in accordance to what we're going to deliver on the 5%. I'm sorry. I wish we could reveal everything for you, but there's a lot of people listening to us.

Veronique Laury - *Kingfisher plc - CEO*

And as well it's early days.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

It's early days as well.

Veronique Laury - *Kingfisher plc - CEO*

The range has been -- the most eldest range has been landing in store by the end of March. And most of them have been landing for a month. It's like the Big Box store.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

And we are still clearing some old ranges. So it's early days. And I'm not sure we will give you a lot of numbers on it also going forward because we have a lot of people listening.

Andy Hughes - *UBS - Analyst*

Would that volume gain -- where does that come in the GBP500 million? Or is it on top of the GBP500 million planned benefit?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Again, we are staying with what we have guided on. It's the GBP350 million uplift on year five. That's what we are staying on.

Sarah Levy - *Kingfisher plc - Group IR Director*

I think, Andy, what we said was we talked at the Capital Markets Day to CPR, just CPR. And we weren't giving out targets for sales volumes. We thought that was a more cautious message. So intrinsically, yes, it is in addition. But at the moment, it's the CPR is the message that we're going with. Karen?

Karen Witts - *Kingfisher plc - CFO*

Have I -- can I quantify the benefit of Homebase closures? In fact, they've stopped their closure plan. So there was a bit of an impact last year which was enough for us to quantify. There's nothing to quantify there now.

Andy Hughes - *UBS - Analyst*

No, I was thinking you'd have had the last 12 months' benefit from closures that took place over the last 12 months.

Karen Witts - *Kingfisher plc - CFO*

There'll be a little bit in there. But the main drivers of the B&Q sales growth where the sales transference was an uplift from the increase in digital sales. And then the remainder was really core range. I guess it would be in that core range. But the two big drivers were the sales transference and digital uplift.

Steve Willett - *Kingfisher plc - CEO Group Productivity & Development*

On Screwfix Europe, we're still working on the plans for France and Poland. We haven't made the decision on timing and phasing yet. In fact, we've got that discussion to have.

Andy Hughes - *UBS - Analyst*

Okay, thanks.

Claire Huff - *RBC Capital Markets - Analyst*

Claire Huff, RBC. Three questions, please. Firstly, just leading on from Andy's question about the UK competitive landscape. Just wondering whether, aside from the store closures, whether you're seeing any disruption from the Bunnings' takeover of Homebase, and any change that you've seen there.

The second question, just slightly broader actually about the trading environment in France. I'm just wondering if you could maybe give a bit of color on what you think explains the underperformance of the DIY category, and if there's anything that you can see at the moment that might reverse this trend.

And then the third one, maybe one for you, Vero, just on the best practice stores, the Big Box stores, just why they're different. What changes have been made to those? And whether there's plans to roll that out across the wider estate?

Sarah Levy - *Kingfisher plc - Group IR Director*

Okay, Vero. I think all questions are for you.

Veronique Laury - *Kingfisher plc - CEO*

So on Bunnings, I think nothing that is noticeable right now on our current performance. On Bunnings, I stick to where I've been since the beginning. I think they are very valid competitors and we are really looking at what they do. We value what they've done in Australia but the context is very different. As you may notice, they've already slowed down a little bit their plan about their investment, how many stores they are going to open, and all of that.

And I think what is important is that we are not fighting against Bunnings. Of course, we have those competitors, but we are sticking to our plans. And we are in a much better position, having new competitors in the UK with the plan that we have, because by definition, the ONE Kingfisher plan is going to renew the offer in the B&Q stores and the customer proposition as well. And when I'm talking about the customer proposition I'm talking about it includes digital as an example.

So nothing that we can see. They've done a little bit of price activity over the summer on certain lines, but again, I think the starting point was that they were -- Homebase were 15% more expensive than B&Q. So even with what they've done, we are still much cheaper than what they are. So this is for the first one.

Sarah Levy - *Kingfisher plc - Group IR Director*

France is the second one.

Veronique Laury - *Kingfisher plc - CEO*

So France, my favorite topic. As you know, I think why we remain cautious on France, it's just because -- about the volatility that we've seen in the numbers which shows us that (inaudible) Q1 was much better than -- not we thought but it was almost good. Q2 we had the strike, so there are lots of things happening.

We had the terrorist attack, then we had the strike. I'm not even talking about the weather, that was exceptional, but (inaudible) it's not going to come again. But I think there is too much uncertainty. We have the election coming in April next year and we all know that in the first -- in the months before an election, customer confidence is sometimes very low and this is happening right now in France.

So I think we have two indicators that might be more positive which is about how many permits have been delivered, and it's a growth of 1%, as well as the new start housing, it's around 3%, but we always know that we have a lagging effect and that it impacts our results almost six months after.

And you know what? It is more positive but this is not double-digit numbers. So I think we are going to be present.

THOMSON REUTERS

On the four Big Box stores, what is different? I think we have looked at the customer -- it depends what is your starting point, it depends when you start. For B&Q, there are differences that are not the same. It depends what is the starting point in each country.

But what I will say are the big elements, that from a customer point of view are better; I think we have a customer pathway which is much better, we have a flow so we don't have those kinds of double entrance. So you have really flow that when you enter as a customer you discover the overall proposition.

From a category perspective, I think we've improved a lot all the decorations and showroom from a merchandising point of view. I think the offer -- the merchandising allows you to have a much clearer view of the range. I think we've improved as well from what we call a self-service point of view, that as a customer you can navigate the offer and the range in an easier way on yourself. I think this is basically what it is.

Sarah Levy - *Kingfisher plc - Group IR Director*

Any more questions?

Tony Shiret - *Haitong Securities - Analyst*

Tony Shiret, Haitong. On the question of -- on the subject of B&Q, bearing in mind that if you do decide to run with this new format, it's probably going to take quite a long time to push it into the store base in total.

I just wondered whether you felt any need to make any more tactical interventions in B&Q, because it just strikes me, looking around B&Q, it's not very good at the moment and the performance -- I see you agree. The sales growth is coming from the things you mentioned, but it looks like you're missing a bit of a trick in B&Q and you could be doing quite a lot better. Store standards don't look that great. I wondered if you could comment on that.

And the second area; you mentioned in the presentation at various times about international brands and putting on some central cost to support own-brand development. I just wondered if the own-brand percentage of what you're planning to do in the unified offer has actually increased compared with where you started. Could you comment on that as well?

Sarah Levy - *Kingfisher plc - Group IR Director*

Vero, if you want to answer the question about B&Q; then Arja on the international brand.

Veronique Laury - *Kingfisher plc - CEO*

Just as a general comment, Tony, it can already be better. I think this is the principle wherever we are. I think our aim is always to improve.

I think the performance on B&Q, I will be less harsh than what you are on the performance of B&Q. I think the performance of B&Q is okay, actually, and I think to have so many quarters of positive like for like, it's not what happened in the past. Anyway, having said that, we are conscious that we need to improve our customer proposition in our B&Q store.

I think part of that; I was talking about the fact that next year we are going to touch 22% of the footages across the Group. It will be true as well for B&Q.

So I think there is two ways to improve. I think the offer that is going to arrive in the B&Q store, to be specific about that, is going to be much better than what we had in the past. So this is one way, and I'm sure that the customer will notice it. As we are going to implement those new entities, we are going to improve the merchandising as well that is associated to those ranges. So effectively one-fifth of the B&Q stores are going to revamped next year.

In addition of that, as we have done in all our other geographies, whether it's France or Poland, we are going to continue to revitalize stores. As you said, there are many stores so it will take time but again, I started the revitalization program in France 10 years ago; it's not finished yet. But I don't think that's an issue. I think it's an ongoing thing and you are going to revamp the store.

So I think we are going to be in a much better place than what we've been in the past.

Tony Shiret - *Haitong Securities - Analyst*

Where do you think the sales density of B&Q should be compared with where it is now?

Veronique Laury - *Kingfisher plc - CEO*

I think, overall, this is part of what we did. When we started that strategy, we looked at what we called the fact base and we all knew that not only in B&Q but across the Group, we haven't had the sale advantages that we should have compared to other benchmarks. So I think it's not only about B&Q.

I think B&Q can at least be at the same level than the best in the Group, but I think our overall goal is to improve our sales density across the piece. This is why we do all of that.

Sarah Levy - *Kingfisher plc - Group IR Director*

Arja?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

In terms of the own-brand, it's slightly more than 20% of our sales today that is own-brand on all the different product brands that we have in the operating companies, and they are quite many.

And going forward, as a matter of fact we haven't put a goal on it and that's because I'm a fan of fact-based decisions. And we take now every range brick that we are working with and we are doing that firm analysis on other customer needs for international brands.

I can tell you that I have many suppliers that are trying to come in because my brand is the most known in the market and every customer knows this and there's a real need of it. This is not true. There are a lot of brands that are not known by customers. And I do -- I'm absolutely sure that the customers will trust also the retail brands that we operate under as equally to the international brands.

We will still have international brands. We will, absolutely. There are parts of the development that we don't want to do ourselves that we want to buy but we are doing that firm analysis on each category.

Will it be bigger than 20%? Yes, it will. Much bigger. But I don't think we will be in a position where we go 100% own brands. No, I don't think so.

Tony Shiret - *Haitong Securities - Analyst*

The question was whether your expectation had actually increased for own brands since you started the program.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Yes, it has.

Tony Shiret - *Haitong Securities - Analyst*

Thank you.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Or we have a -- not expectation; I think we have validated through those range validations we are doing now that we can have a much bigger share of own brands, yes.

Sarah Levy - *Kingfisher plc - Group IR Director*

Okay, we'll need to wrap up there, so thank you very much for coming and we will see you next time.