

Speakers:

- Maj Nazir, Group Investor Relations Director
 - Andy Cosslett, Chairman
 - Véronique Laury, Chief Executive Officer
 - Henri Solère, Chief Offer and Sourcing Officer
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Maj Nazir, Group IR Director

Good morning everyone. I'm Maj Nazir, Kingfisher's Investor Relations Director. A warm welcome to our Innovation Day and thanks very much for joining us.

Let me briefly take you through the format and logistics for today.

Before I do that, I'm sure you will have seen our first quarter trading update that we issued earlier this morning. While we are not covering these in the presentations today, Christian, Georgios and myself are available as usual throughout the day here, and on the phone afterwards. If you have any further questions, we'd be delighted to answer them.

Now, in terms of how today will run:

I'll shortly hand you over to our Chairman, Andy Cosslett, who will say a few words of introduction.

As you were walking in this morning you will have seen the linkage between happiness and a good home, as well as the day-to-day nightmares that accompany home improvement projects. Véronique Laury, our Chief Executive Officer, will introduce our approach to making home improvement simpler and more accessible.

She will be followed by Henri Solère, our Chief Offer and Sourcing Officer, who will talk in more detail about our approach to innovation and how this sits at the centre of our offer.

At about 10.15, we'll pause for a short coffee break.

At 10.30, we'll really get this show on the road with some short presentations from the product pods you see around us. The people presenting here are the heartbeat of Kingfisher – designers, product experts and category directors. I hope that you enjoy these presentations – they really do bring to life how highly differentiated our offer is becoming, in terms of price, quality, design and sustainability.

Shortly after midday, we'll stop for a short lunch before reconvening at about 12.45 for a customer experience tour. This will include an exciting first look, for most of you, at how we are addressing the fast-changing way in which consumers are shopping and buying home improvement products and projects. We'll also explain how we're continuing to improve our best-in-class Screwfix proposition, aimed at the pro market.

Following a coffee break, we'll then reconvene in this area at about 2.15 for Véronique's concluding remarks and a Q&A with our Group Executive, all of whom are here today.

3pm will be the end of the formal side of the day but you are free to stay and revisit any of the areas on show.

Finally, a couple of housekeeping points. Please can you ensure that your mobile devices are either muted or switched off during the presentations. And a quick word on safety – I've been asked to point out that there are no planned fire drills today, so if the alarm sounds, staff will immediately be on hand to guide you to the nearest fire exits, all of which are signposted.

I hope that you enjoy today's presentations and tours. And with that I'll now pass you over to Andy.

Andy Cosslett, Chairman

Thanks Maj and good morning everyone. A warm welcome to Olympia and thanks very much for joining us today.

My name is Andy Cosslett. I'm the Chairman of Kingfisher, and I would like to say a few words before handing over to Vero and the team for what I hope you'll find a really productive session.

I wanted to touch firstly, on Kingfisher's strategy.

As you'll understand well, the retail industry is in a period of unprecedented change driven by technology, new entrants and shifting consumer requirements. Against this backdrop, Kingfisher's single biggest competitive advantage is its scale. We believe using that scale for the benefit of our customers is, to a large extent, a no-brainer.

This is an advantage we have not succeeded in leveraging in the past, despite well intentioned efforts – but is now starting to be leveraged under Vero's leadership.

We believe, and the evidence is growing, that customers' needs in the home improvement sector and across our markets are more common than they are not. Not in every situation, but for the most part.

This key insight is increasingly allowing us to operate the business as ONE.

So we are now buying more intelligently, with over half of our products now unified.

We are also in the final stages of bringing together our IT systems which enables operational improvement and lays the foundation for further growth in our digital business.

And a group-wide focus on procurement and shared services are delivering significant savings and efficiencies.

Putting this engine together has taken time and in truth it is still in the process of being tuned up, but the build is nearly complete.

The Board and I are in no doubt that operating at scale, as a strategy, is in the best interests of both our customers – because it provides them with better products at lower prices, and as a result, our shareholders as well.

This high level strategy still provides plenty of room for manoeuvre for Vero's successor, who will have the freedom to review and develop the execution of the strategy, organisational design and portfolio composition. But the key will be to use our scale as effectively as possible.

And that is a good segue into today, which is all about what this strategy is capable of delivering.

Leveraging our scale will only deliver success if it benefits our customers. What you will see today are some tangible outputs from our engine which customers will start to experience over the next few months.

In particular, you'll see how our offer is changing with more unique and differentiated products being sold at more affordable prices.

And you'll see formats and digital capabilities that reflect how people shop now and will shop in the future. I'm sure you'll find this interesting.

Finally, I also wanted to briefly touch on executive management.

At the full year results, I said that John Wartig would be joining us as interim CFO. I'm delighted to say that John has now been in post for a few weeks and he is rapidly getting to grips with his new role. He's here today (stand up John) and I hope you'll all get the opportunity to meet him. As I mentioned before, the process for filling the position permanently has been put on hold until we are deeper into the CEO succession process, so that the incoming CEO can participate in the selection. In the meantime, John is in the chair and operating in every way as the CFO of the group.

John joins a team with deep management strength, all of whom are here today. These people understand our business intimately. They have been fully involved in the development of the engine and they form the team who are now driving forward with a renewed focus on the customer.

And to close on CEO succession planning.

You'll appreciate that we're still less than 8 weeks into this process, but I am pleased to say that we have made good progress. I've been delighted by both the level of interest in the role and the calibre of people who are applying. I am not going to go the detail on all the core competencies we are looking for but suffice to say leadership skills and deep operational experience are key. Vero will be a hard act to follow, but I am confident that we will be able to find the right person to take over the reins. And with that let me pass over to Vero. Vero, the floor is yours.

Véronique Laury, CEO opening remarks

The Vision

Thank you, Andy. Good morning everybody.

It is no secret that I have been carrying a vision for our company for many years, long before I was appointed CEO.

In 2015, together with the team, we translated that vision into a plan with the purpose of making home improvement accessible for everyone.

Today, the vision is becoming a reality, and you will see it in just a few minutes.

Customer Focus Strategy – Customers' Needs, Happiness Report and Nightmare

Customers' Needs

At the heart of our strategy are our customers: everybody who needs or wants to improve the home. People with different needs and projects, all wanting to create a good home.

Since we started, three years ago, we have undertaken in-depth research to gain knowledge on home improvement, on customers' needs and on their homes.

We started by visiting thousands of people in their homes across Europe. Spending time with them. Talking to them. Seeing how they live. Understanding why and how they improve their home.

By doing this we found out that people are improving their homes with the same purpose – they want a home that is good to live in.

We also found out that customer functional needs are more similar than different across geographies. For example, the average age of housing and average size of each room are the same, as well as the way people live in their home and what they need from it.

These studies were the starting point of our strategy. We use them in everything we do, and we do more of them each year, always getting into more details and extending our home improvement knowledge.

We have also worked with architects to strengthen our knowledge on home architecture. We have analysed housing data in detail and come up with main types and features of homes by country and region, construction period, design, etc. We did so because we want our innovative offer to work well with the most frequent home type. With our products, we want to help customer to respect their home type, whether they want to keep it as is or modernise it.

Happiness Report

More recently, we've worked with the Happiness Research Institute to explore the emotional connection people have with their homes, and what makes their homes special to them.

We learned that if you're happy with your home, then you're far more likely to be happy in life. 73% of people who are happy with their home are also happy in general.

The most important factors are not where you live, how big your house is, or whether you rent or own.

What matters most is having a home that gives you a feeling of safety, comfort, identity, control and pride.

What matters is putting your stamp on your home, whether that be changing one room, or doing up an entire house.

We also found that having a home we feel proud of is the single most important thing when it comes to feeling happy at home, but for many people that feels out of reach. And the more time people spend on home improvement, the prouder they become of their homes.

In fact, 74% of people who have an interest in and spend time doing home improvement are proud of their homes.

The Nightmare

However, these studies also revealed that most home improvement projects are abandoned either before they begin or before they are finished.

In fact, each year, four out of five home improvers cancel at least one intended project.

It might be lack of inspiration. Too much complexity. Not enough skills, time or money.

Whatever the problem is, there are often too many barriers to create a good home.

Our customers tell us, you have heard me say many times: home improvement can be a nightmare.

The heart of our purpose - everything that we have been doing for the last three years and will continue to do - is about fixing this nightmare.

Home Improvement Market and Potential

And we know there is a huge opportunity behind this purpose.

We believe there is significant potential to grow our market share and unlock value.

Because first, the European home improvement market is huge and has been stable for the past 20 years. If anything, it is slightly growing. There is a £90bn home improvement market just in the UK, France and Poland which are our three main geographies.

Let me take a few minutes to describe this market.

To represent it, we have what we call the home improvement ecosystem.

We are very clear that our customers are both the millions of home improvers, who sit at the heart of it, and their helpers with whom they realise home improvement projects.

For most home improvers, deciding to do the job themselves is an economic choice, but like I said earlier, it also brings pride and happiness once done.

And despite the barriers that exist at the moment, people are still willing to do a lot by themselves. In fact, in our markets, 50% of home improvers who did a kitchen project in the last 12 months did it exclusively by themselves without the help of a pro.

However, we also know that outside help is often needed, mostly when the project is highly complex and requires specific skills. That is where the helpers enter the game: family, friends and pros.

The second reason why we see a huge potential is that the market has not really evolved in the past 20 years to adapt to customers' new ways of shopping. Current market players offer home improvers and their helpers a limited number of formats and a multichannel shopping experience.

The biggest change has been the arrival of new players like Amazon and ManoMano.

They started disrupting the market by offering a very large number of products, but they have limited services to help customer dealing with their project.

On the rest of the market, you find traditional retailers offering big box stores full of stock and products coming from local suppliers, classified by categories, offering few services from delivery to installation but with no seamless experience.

So far, no market player is offering an end to end seamless home improvement experience. No one has solved the nightmare.

And this is our potential: Customers want to improve their homes, but they need more help getting there.

To help them, we build our business – offer, website, stores and experience – around the way they actually think. We can unlock demand from all the abandoned projects. We can drive and grow sales. We can take market share and unlock value.

How We Solve the Nightmare

The Engine

We saw this opportunity three years ago. That is why we went back to the drawing board and rethought every part of how we operate. We started to build the engine that would enable us to go after the market potential. All of what we have done over the past three years, including building new organisations, unifying 50% of our ranges, and implementing new common IT & Digital platform were done to enhance the scale of the group and create the conditions for a new innovative customer experience.

I have already talked a lot about the engine, how we built it and what it is bringing to the business, so I won't get into much more detail on it.

Today we will share with you how we are going to use the engine to deliver benefits to our customers. We will share what we are creating to simplify home improvement and making it affordable.

Today we will show you what we are doing to solve the nightmare and what will make us become an innovative company in home improvement.

Today you will see lots of things. Some of them are real and are or will be in stores in the next few months, other are currently being designed and will be trial soon. But it is the overall story that I would like you to understand. Here it is:

We offer solutions: an innovative offer and sales ecosystem

To win, we are taking a brand-new approach.

We are no longer just a retailer of home improvement.

We provide seamless solutions to help people achieve their projects whether they are big or small. We approach home improvement through a project lens rather than a product lens. What do we mean by that?

The home improvement sector is organised in categories of products: Kitchen, Flooring, Electricity, Plumbing. These categories are worked separately and classified as such whether you go to a store or on the web. The reality of home improvement is much different. Home improvement does not work by category.

When you are renovating a bathroom, you don't think in terms of categories, you think in terms of what you need to complete the room – from bathroom furniture, to tiles, to taps, to flooring.

Thinking in project terms is a radical shift and organises everything around the customer's need not the manufacturer's. That's what we mean when we say that we approach home improvement through a project lens.

We have identified 11 projects being undertaken by customers that cover 90% of our total group sales. To complete these 11 projects, customers have to do smaller tasks like repairing a crack before painting a wall. We call them home improvement missions and have identified 400 of them.

Everything new that we design whether it is our offer, our stores or our web will be created to answer all the needs of a specific project and related missions.

Everything we do will be to help customers complete these projects.

Offer

From an offer point of view, we believe that in 10 years from now, there will be 2 main types of businesses. On one side you will have the market places, which gather as many products as possible, with different brands and level of prices but no differentiation from a design point of view.

On another side, you will find design led companies, fulfilling customer needs with as little SKUs as possible, to be able to invest in design and offer high quality and affordable prices that you can't find anywhere else. That's the approach we have taken.

I personally believe that everything in between will slowly start to disappear.

We focus on developing an edited design-led offer that will be truly affordable for our customers, thanks to low-cost design principles, from conception to delivery.

You might wonder how we can create unique products in home improvement.

The truth is, there has been very little innovation within the sector as the retailers' suppliers base was mainly formed of small and medium suppliers who did not have the resources to invest in research and development.

Thanks to our group scale and to our engine, we have now built the capability to invest in innovation.

Henri will go into more detail in just a moment and you will have the opportunity today to see lots of example of new innovative products.

Sales ecosystem

Secondly, to support our customers throughout their projects, we designed what we call our sales ecosystem. This provides solutions to help customers access the offer and complete their projects: the web, digital services and store formats. We want customers to be able to choose how they want to shop with us at every step of their home improvement journey.

The digital experience will be everywhere, in-store and on-line through services to help customers to plan their project, to get inspiration, to learn the know how or to buy on-line.

We have started to build this digital experience, some of it is implemented, some will be soon. We are testing it, improving it, learning from Screwfix as well so we can offer a world class digital experience.

For our stores format, we have, based on our customer understanding, completely rethought the role of our stores. We believe we will be able to offer a seamless customer experience through the combination of 3 distinct store formats on top of a world class digital experience:

an engaging experience store that we call “The Place”, a convenience store that we call the “Express”, and Screwfix.

You will see this sales ecosystem materialise later on but let me explain in a few words what these 3 formats are and how they work together.

The Place

First, our Place format.

Customers told us that they find existing home improvement stores difficult to shop, that they are complex, that they lack inspiration and advice.

Today, customers wanting to renovate their kitchen have to drive to a store, navigate a lot of different areas of the store to find furniture here, sink there, pipes here, paint there. They have to find their way, asking for help from various advisors, loading heavy products on their trolley, while some products are available, some are not. Customers told us that big DIY stores are horrible and that they want to spend as little time there as possible.

Our place format is the answer to that.

We are creating a store where customers will find everything they need for the 11 projects in 11 areas inside the store that we call “Pavilions”.

Indeed, coming back to what I said earlier, we are going to design our stores using a project approach.

For example, customers who will come to our Place store with the project of renovating their kitchen will find an inspiration area where they can get ideas and browse the offer physically.

They will also find a “design” area where they will be able to get the help of a colleague to plan their project end to end.

They will be able to see and touch all the products they need for their projects, from furniture to sink to paint.

Finally, if they lack the know-how, we will offer them services to learn how to do the job themselves, or we will put them in contact with a pro if this is what they need.

We will start trialling this format this year using the approach for our new Kitchen range. In September, we will implement our Kitchen Pavilions into our existing stores.

The Place is one of our store concepts for the future and is the vision we have for our current big box stores. We are finalising the design of it and will pilot our first Place next year, where our 11 customer projects and 400 missions will be under one roof.

The Express

Secondly, our Express format.

Customers' ways of shopping are changing. Customers want convenience, access to an almost unlimited range of products and services, however and whenever they want them, and they expect a seamless experience, always.

Our Express store is an everyday convenience format for home improvers and pros, offering solutions for the 120 most frequent home improvement missions.

As such, it offers a new, simpler experience, where customers can find help for projects, big and small, with around 6,000 products available in store, as well as 20 thousand products for click and collect or home delivery, making it easy for customers whether they need to pop in quick or to get advice to help plan.

Our first trial store opened in South London 2 weeks ago, with more to follow.

We are also planning to test the format in other markets, starting with France later this year.

Screwfix

The third element of our sales ecosystem will be our Screwfix stores.

Screwfix has built a strong, leading, seamless customer proposition for pro customers. Screwfix is convenient, straightforward and affordably-priced, helping its pro customers get the job done quickly and affordably.

Screwfix focuses on a specific set of home improvement missions, with more product choices to fulfil these missions. It is for example, especially strong on some of the mission customers often don't do themselves, like plumbing and electricity.

It offers pros products for them, such as clothing and tools, for their van, such as job's essentials and consumables and for their jobs, such as anchor and completer products for specific projects.

Screwfix has already 631 stores in the UK and has an expansion plan to grow in the UK and Republic of Ireland this year, and in France and Poland in the coming years.

We believe, with the combination of our Place, Express and Screwfix formats, that we will address all the needs of the home improvement ecosystem, leaving no customers behind.

Colleagues

But we think that the solution won't just be digital and stores.

In a technological world, human relationships and interactions have never been more important.

That is why, we believe that our colleagues will be the one making the difference.

To simplify home improvement, all of our colleagues will be home improvement enthusiasts. That's not just about practical expertise. It's about thinking and working in ways that simplifies every step of every process.

To support them, we have created the GoodHome Academy. This is our new training program for all colleagues across the group, which helps them to master skills and break down the know-how barrier. It gives them the conditions to be at their best to support customers through their projects.

Finally, we also want our colleagues to have a workplace they can call home, somewhere that's fair, fun and friendly. Where they enjoy working with a wide variety of people and welcome different points of view. This is the type of culture we want for the company and I hope you will see some of it today.

GoodHome

This year, we will put a name on everything we are doing: our new innovative offer, our new store formats, and our new charity foundation: This name is GoodHome

~ Film ~

GoodHome is a business idea, is not just a dream or a vision.

We are building it now, and this is what you will see today.

GoodHome is our new international home improvement customer proposition.

It is more than a brand, it is a seal, the signature of all our changes.

Finally, it sums up the reason we exist.

Our commitment to society. A brand not just for those who can afford it...but also for those who struggle to access a good home.

GoodHome is for everyone.

GoodHome is simplifying home improvement. Always.

Now I hand over to Henri, who will go into detail on how we are creating our new innovative offer.
I hope you will enjoy the day.
Thank you.

Henri Solère, Chief Offer and Sourcing Officer

Good morning.

I am Henri, I have been leading the offer and sourcing organisation since last September, succeeding to Arja.

Today, I am here to share with you how we are simplifying home improvement and making it affordable through our GoodHome offer.

As Véronique just explained, we believe that, in 10 years from now, the retail industry will be split into two very different types of players.

On one side the marketplaces. On the other side, the design-led companies.

Our vision for GoodHome is to be part of the second type.

This approach is very different from where we have been in the past.

It will be unique to the home improvement industry.

Let me share a bit our journey.

3 years ago we unified our ranges.

It was a necessary step to enhance our scale and enable us to invest in design.

Today, almost half of our offer is unified across the group.

This is how we started to drive efficiency across the business, offering customers products of better quality at affordable price but with few innovation.

We have also built a new international offer and sourcing organisation with new capabilities such as designers or engineers.

These new capabilities enable us to create innovation.

Let me explain how through our offer construction approach.

The starting point was to create knowledge about home.

The Home as a building where quality is defined by space, organisation, structure, materials and character.

We also learn about consumer trends. Year by year. Country by country. To detect and anticipate what are the macro changes, the macro evolutions on the economics, habits and usages.

Finally, and most importantly, we learn about our customers. How they live at home and how they do home improvement project.

The major insight was when we realised how it is complex for them to do the project and that no one is helping them. That is our main growth potential.

And from that, we are building our offer with a project approach rather than a product one. It is a massive change.

We are focusing on 11 customer projects representing 90% of our total sales.

We are going to support customers by providing them the GoodHome offer and “how to” solutions to achieve these projects.

We know that there are four main steps in each home improvement journey: prep, do, finish and maintain.

I am not going to detail each of them today, but it is important to understand that everything we are building - digital, stores, offer - is done to support the customers through these steps.

This approach, by project, is unique in the home improvement market.

Let me explain it.

We see each of the 11 customer projects as an addition of two types of products: the visible products and the enabler products.

The visible products are products where design make a difference, for example the bathroom shower, the kitchen cabinets, the outdoor furniture.

Overall, we estimate that 60% of our sales across the 11 projects are on products where design makes a difference.

This is on these products that we are going to invest in design – this is our territory for innovation.

The enablers are the generic and consumables products – the sealant used when installing the shower, or the grout for the tiles or the compost for the plants.

They are the “invisible ones” where we are editing the range and using our scale. These products are significant traffic drivers.

The addition of the visible products and their enablers constitute the GoodHome offer.

They both have the same importance to complete the project.

By 2021/22, our objective is to deliver innovation on 50% of visible products.

To help customers with their projects, our ambition is to create simplicity and affordability through our GoodHome Offer.

To create simplicity, we are building our offer around a strict range management from the start.

Because of our deep understanding of customer needs, we design the right product, without duplicate and with the right accuracy. It generates ranges offering the right number of products.

At the end of the transformation, we will have roughly 40,000 common products in each operating company, including 10% of local range which will cover local customer needs.

This range management will bring simplicity making it easier for customers to navigate whether in store or on-line.

It will also provide us efficiency by generating volume per product, better buying costs, and less costs from stock.

How we create the affordability?

It comes first from using the scale of the group to get bigger volumes and better cost prices we make customers benefit from.

It also comes from the design capabilities we have built.

I mean by optimising the usage of the materials, fitting better with the production tool, avoiding waste or also improving the supply chain.

The relationship with the suppliers is changing. We are leading the manufacturing topic and this is new.

To illustrate everything I have just said, I am now going to take you through a concrete example.

I decided to speak about the tools to do the project 'renovate an interior wall or a ceiling'.

I could have chosen many other projects, but I wanted to insist and illustrate our journey with an offer that is key when doing home improvement. This project is done by millions of people every year, and I am sure most of you have been through it one day.

We will implement this new range beginning of 2020.

This range is a perfect illustration of the simplicity and affordability we are building.

We started working on the decorating tools range by unifying it two years ago.

We reduced the number of SKUs by 30%, focusing on getting efficiency while getting a better coverage of customer needs across the group.

We created a range with better quality, affordable price, reducing by 13% the cost of the products. But not really innovative from a product design point of view.

This was the first step.

The second step is to create innovation and improve even more the simplicity and affordability.

First by reducing even more the SKU number while increasing the coverage of the customer needs.

To achieve that we learn about the four stages of the project and understand what kind of tools is used or not. What is having an impact on the end result. What are the pain points. What do customers hate doing.

As an example, we know the preparation is key to provide a good end result, but we also know people hate it. They find it boring and don't know which tools they need for each specific task.

For the Do stage, the quality of the brush or the roller is key and can't be compromised.

We also know that people often put their projects on hold for several days.

This is our learning. It means that we have to develop new solutions that don't exist today.

We have to reinforce the features of the tools.

Both are key as they have a direct impact on the result.

Let me illustrate it with the brush.

What did we improve ?

We improved the bristles by changing the material. These new premium bristles improved paint pick up, hold and controlled release. Last but not least, we saved 13% on this component.

We created a new system to fix the bristles to ensure no loss while painting.

We designed the handle to provide comfort and accuracy while saving an additional 10% on cost.

Finally, we created a lip to lift paint brush off surface when not in use.

We are capable of doing this thanks to the knowledge we have built on materials, design and customers need.

This shows that we are now able to improve the features of the products, create new functionalities and at the same time to decrease the cost.

This is our new approach to build our GoodHome offer.

Now let me share a video which sum up what I just said about the range tools.

~ Film ~

You will now have the opportunity to visit each of the eight pods to see how we are developing GoodHome.

Always simplifying.

Véronique Laury, CEO closing remarks

Thanks

I hope you have enjoyed the day and that you can now feel what GoodHome is about.

You have met some of our talented colleagues from across the organisation, and I'd like to thank them for their passion and commitment to our purpose.

Introduce GoodHome foundation video

As I mentioned at the beginning of the day, research show that if you are happy with your home, you are usually happy in life.

But our purpose is also a commitment to support our community, and this is why we have launched the GoodHome charity foundation.

We set it up because millions of people are living in houses and flats that feel nothing like home.

We have therefore decided to try change this and will use our time, skills and resources to make home improvement accessible for those who need it most - because we believe everyone should have a home they feel proud of.

~ Film ~

Conclusion

By simplifying home improvement, we are playing our part in helping to make people's homes that little bit happier.

That's why I believe it is worth putting all the energy and passion into trying to help people improve their homes. And that's why I have worked all my life in this sector.

It's worthwhile because it makes a difference. Today, all the foundational elements are in place. With GoodHome, we will make home improvement accessible for everyone.

We will always simplify it. This is why we will succeed.

This is what we are doing.

And this is just the beginning.

Thank you.

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