Final results for the year ended 31 January 2016
Sales up 3.8% and retail profit up 7.4%, in constant currencies
Adjusted pre-tax profit of £686m, up 0.3%
Good early progress on the journey to 'ONE' Kingfisher

Financial overview and highlights:

	2015/16	2014/15	% Total Change Reported	% Total Change Constant currency	% LFL* Change Constant currency
Adjusted sales*	£10,331m	£10,605m	(2.6)%	+3.8%	+2.3%
Retail profit*	£746m	£742m	+0.7%	+7.4%	
Adjusted* pre-tax profit	£686m	£684m	+0.3%		
Adjusted basic EPS	22.0p	21.3p	+3.3%		
Full year dividend	10.1p	10.0p	+1.0%		
Lease adjusted ROCE*	12.3%	11.9%	+40bps		
Net cash*	£546m	£329m	n/a		

**Throughout this release '*' indicates first instance of a term defined in the Glossary (section 5)*

- Total **adjusted sales** in constant currencies up 3.8% (France +1.2%; UK & Ireland +5.6%; Other International +4.8%)
- **Retail profit** in constant currencies up 7.4% (France (1.6)%; UK & Ireland +18.0%; Other International +6.4%)
- **Adjusted pre-tax profit** of £686m driven by strong UK profit growth, impacted by £46m adverse foreign exchange movements on the translation of non-sterling retail profits
- Returned £432m of **cash** to shareholders (£232m dividend; £200m buyback)

ONE Kingfisher highlights:

- Delivered solid progress on our **first 'sharp' decisions** e.g.
    - o First wave of unifying our 'core essential' ranges to land in stores for customers from March 2016
    - o On track to close c.15% B&Q surplus space by end of FY 2016/17 (65 stores) in over-spaced catchments; exit of leases secured on 40 of the stores
    - o Unified IT platform accelerated after successful Ireland pilot
    - o Goods Not for Resale (GNFR*): first wave of unified spend (£350m) progressing well. On track to land FY 2016/17
    - o Established new leadership team
- Developed detailed **5 year transformation** plan focusing on 3 key pillars:
    1. Unified & unique offer
    2. Digital
    3. Operational efficiency
- Set ambitious **5 year financial targets**
    - o Expected to deliver £500m sustainable annual profit uplift by end of year 5 over and above 'business as usual'
    - o Total expected cash cost of £800m (split between capex & P&L)
    - o Intend to return c.£600m of capital to shareholders over the next 3 years (£50m returned since year end), in addition to the annual ordinary dividend
- Set operational milestones for FY 2016/17

Véronique Laury, Chief Executive Officer, said:

“This has been a very productive and important year. We have delivered a good ‘business as usual’ result with both sales and profit growth in constant currencies, driven by our performance in Poland and the UK, driven largely by Screwfix, and a stable performance in France.

“We have also delivered solid progress on the first sharp decisions announced last year. I am really pleased with the focus and the energy that the team has demonstrated during the year.

“In addition, in January we revealed our ambition and our five year plan. By putting customer needs first we will, by the end of that period, deliver a £500 million sustainable annual profit uplift, over and above ‘business as usual’. It is an ambitious plan. However based on the solid progress so far, and the competence and enthusiasm of our colleagues, we feel very confident in our ability to deliver.”

Karen Witts, Chief Financial Officer, said:

“We have set ambitious and clear five year financial targets, which will drive a considerable increase in the value of our business for shareholders. We are tracking our progress against our financial and operational milestones, and we will update as we progress.

“Our balance sheet remains strong, enabling us to continue to invest in the business and in the transformation, whilst also returning surplus capital to shareholders, in addition to the ordinary annual dividend.

“In the short term, the fundamentals of the UK economic backdrop remain positive, although we remain cautious on the outlook for France. The outlook for the wider global economy remains uncertain, and the impact of the outcome of the UK EU referendum is unknown.”

Statutory reporting:	**2015/16**	**2014/15**	**% Change Reported**
Statutory sales*	£10,441m	£10,966m	(4.8)%
Statutory pre-tax profit	£512m	£644m	(20.5)%
Statutory post-tax profit	£412m	£573m	(28.1)%
Basic EPS	17.8p	24.3p	(26.7)%

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This announcement can be downloaded from www.kingfisher.com or viewed on the Kingfisher IR iPad App. We can be followed on Twitter @kingfisherplc with the full year results tag #KGFFY. Kingfisher American Depository Receipts are traded in the US on the OTCQX platform: (OTCQX: KGFHY) http://www.otcmarkets.com/stock/KGFHY/quote

Our next announcement will be the Q1 trading update for the period ended 30 April 2016 on 24 May 2016. Reflecting the long term nature of ONE Kingfisher, quarterly trading updates will continue to provide detail on sales performance but not retail profit.

The remainder of this release is broken down into six main sections:

1) ONE Kingfisher strategic update
2) Trading review by division
3) FY 2016/17 Technical guidance
4) FY 2015/16 Financial Review and, in part 2 of this announcement, the full year Financial Statements
5) Glossary
6) Forward-looking statements

Section 1: ONE Kingfisher strategic update

Following an in depth review of Kingfisher's businesses alongside in depth studies of our customers' home improvement needs, the leadership team announced the ONE Kingfisher plan. This plan will leverage the scale of the business by creating a unified company, where customer needs always come first.

On 31 March 2015 we announced a set of first 'sharp' decisions, against which solid progress has been made. In addition, the detail of the new ONE Kingfisher strategy was developed, with the focus over the next five years based on three key pillars - creating a unified, unique and leading home improvement offer; driving our digital capability; and optimising our operational efficiency.

On 25 January 2016, we explained the detail of this five year transformation plan and gave clear long term financial targets, and operational milestones for the first year (FY 2016/17). This five year transformation plan is over and above 'business as usual'. By this we mean that without the transformation we would expect performance to be broadly in line with the macroeconomic backdrop in our respective markets. Until we have unified our customer offer, we will have limited expansion, the focus of which, in the medium-term, will be Screwfix UK & Europe*.

Key financials

- Expected to deliver £500m sustainable annual profit uplift by end of year 5
- Pre-exceptional reported profit expected to be impacted, net of operational efficiency benefits, by c.£(50)m in year 1 and £(70)-(100)m in year 2
- Total expected cash cost of £800m (£310m transformation capital expenditure + £220m transformation P&L costs + £270m P&L exceptional costs)
- Will deliver improved ROCE
- Intend to return c.£600m of capital to shareholders over the next three years (expected to be via share buyback), in addition to the annual ordinary dividend

The following section provides more detail on each of the three key pillars; their key financials; an update on the first sharp decisions; and the operational milestones for next year:

1. <u>Unified, unique and leading offer</u>

Background:

We know that our customer needs are already more similar than different across all our markets, and that often those needs are not being met. We also know that today, our range is predominantly 'local'. Of a total 393,000[(1)] SKUs* sold across the company in FY 2014/15, only 7,000[(1)] were sold in at least two operating companies. Our nine buying teams, in our nine operating companies, independently source their own ranges which they merchandise in their own way. Supplier agreements sit with each operating company alongside separately managed logistics networks. As a result, our offer is largely steered by a large number of suppliers, in relatively small volumes, and is similar to other retailers. Our £7 billion of buying scale remains therefore largely untapped.

(1) Across top 5 operating companies Castorama France, Brico Dépôt France, B&Q, Screwfix UK & Poland

From now on, we are moving to a unified offer, with the same products, presented everywhere in the same way. The unified offer will consist of Unique (quality and design owned by Kingfisher), Core Essential (home improvement basics and consumables e.g. batteries and light bulbs) and Complementary ranges (needed to complete a project).

We have identified six leading ranges where we want to be the first choice in customers' minds. These include bathroom and outdoor ranges.

To unlock our potential, we need to change. We will radically reorganise to operate as ONE company, moving to ONE offer and supply chain organisation, with unified global functions for the first time. This new organisational structure will enable us to roll out our unified and unique offer over the next five years, a timeframe which will mitigate risk. We have started already by unifying the first 20 categories within our 'core essentials'. The benefits to customers will include newer products, simpler ranges, better packaging, higher quality, better sustainability and affordable prices.

Key financials:

- Expected to generate £350m sustainable annual profit uplift by end of year 5; total cash cost £480m (£160m P&L exceptional; £170m P&L transformation; £150m capex)
- Uplift broadly equates to 5% reduction in cost of goods sold; assumes that over the next 5 years higher sales from price reinvestment and a more unique & leading offer will be offset by range clearance and implementation costs (gross margins are expected to rise towards the end of the 5 year transformation)

First sharp decisions set last year and progress made:

1. Develop unified, unique garden and bathroom ranges

We have undertaken in-depth studies of customer needs in these two categories. For example, we know that bathroom journeys are very complex and that 39% of customers in France (similar to our other markets) give up on their projects prior to completion.

This is because bathroom journeys today take too long, are too complex to manage, are too expensive with a lack of functionality, differentiation or design. We are now developing Kingfisher bathrooms that address these needs and will therefore enable us to be relevant to many more customers. We will update further on these ranges, including garden, as we progress.

2. Develop unified core essential offer

Core essential ranges represent around a third of total company buying scale. We have started with the first 20 categories (representing c.£0.6 billion of buying scale out of £7bn) and the early results are encouraging, supporting the business case. Progress to date indicates that c.90% will be unified and c.10% will be locally adapted.

For example, the number of kitchen sinks across the company will fall from 516 SKUs to 113 and the number of suppliers will fall from 36 to 13, with a cost price reduction of 15%. The number of air treatment SKUs will fall from 189 to 31 and the number of suppliers will fall from 42 to 10, with a cost price reduction of 6%.

Although the total number of core essential SKUs across the company will reduce, the choice on offer to customers in each country will not change significantly. These new unified core essential ranges will start to land in stores from March 2016.

3. Develop plan to cut existing product tail*

Of the 393,000 SKUs sold across the company in FY 2014/15, 193,000 related to non-ranged (delisted and ex-promotional) products, which do not form part of existing retail planograms*. At the FY 2014/15 year end, there were 165,000 non-ranged SKUs representing £130 million of stock value.

Dedicated teams were set up in each operating company to draw up detailed plans to clear this tail over a three year period. To date, around 50% of the tail in volume terms and around 40% in value terms, has been cleared with no significant impact on gross margin.

Operational milestones for FY 2016/17:

1. Deliver new ONE Offer & Supply Chain Organisation
2. Achieve 4% unified COGS (cost of goods sold)

2. <u>Driving our digital capability</u>

Background:

We believe there is a significant opportunity to grow digital engagement with our customers and substantially increase sales with a seamless and stronger omnichannel* offer. The home improvement industry today lags behind other sectors in digital sales penetration, with best in class retail today only achieving around 5% online sales*. This reflects the complexity of home improvement projects and generally low levels of both customer knowledge and frequency of purchase. However, for the companies that have invested in digital capability, sales and digital penetration are growing quickly.

This pillar comprises two programmes:

- Investing in our core e-commerce platforms, leveraging our Screwfix best in class capability ('Brilliant Basics')
- Building capability to enable us to unlock more of our customers' complex home improvement journeys

Key financials:

- Growing from c.2% to c.6% online sales expected to generate £50m sustainable annual profit uplift by end of year 5
- Total cash cost £210m (£50m P&L transformation; £160m capex)

First sharp decision set last year and progress made:

1. Pilot unified IT platform, then accelerate

The unified IT system is a key enabler of our ONE Kingfisher plan, providing a step change for customers and colleagues. Following the successful pilot in B&Q Ireland, the decision was taken to accelerate the roll out. This will now be complete by the end of FY 2018/19, over one year earlier than our original plan.

Operational milestones for FY 2016/17:

1. Complete unified IT platform roll out in B&Q and start Castorama France roll out
2. Build Digital ‘Brilliant Basics’ platform for B&Q

Enabled by the new unified IT platform, this involves implementing core e-commerce functionality (including new search, checkout and mobile interfaces) and click and collect ‘same day’ fulfilled from store (currently ‘next day’ fulfilled from the national logistics network).

3. <u>Optimising our operational efficiency</u>

Background:

Over the next five years, the main driver of Kingfisher’s operational efficiency will come from unifying c.90% of the £1.2bn annual spend on GNFR. These are all the goods and services that we need to run our business, that are not sold to our customers; such as paper for catalogues, or the fork lift trucks that are used in our stores. This programme is a combination of cost savings, and also an opportunity to work in a simpler, more effective and more standardised way across the business.

Our GNFR spend has been broken down into three ‘waves’ which will be implemented over the next three years.

Key financials:

- Overall, optimising our operational efficiency is expected to generate £100m sustainable annual profit uplift by end of year 5
- Total cash cost £110m (all P&L exceptional)

First sharp decisions set last year and progress made:

1. Space rationalisation:
    a. Close c.15% surplus space at B&Q
    b. Close our few loss making stores in Europe

As previously announced, we intended to close c.15% surplus space (65 stores) at B&Q by the end of the FY 2016/17. We know that in the UK & Ireland we can adequately meet local customer needs from fewer stores, so the closures are prioritised by the most over-spaced catchments, in order to retain customers and sales.

The first 30 B&Q closures took place during the year as planned, mostly in Q4. Of the 65 stores, exits of 40 leases have been secured through a combination of transfers to national retailers and lease expiries. Discussions are ongoing on the remaining stores. Sales transference to date supports the one third required in the business case for the closures. Closures in FY 2016/17 are expected to be more evenly phased across the year.

We also announced the closure, to date, of two loss making stores in Castorama France and one in Russia.

As previously announced, this will give rise to a total exceptional charge of around £350 million relating principally to onerous lease provisions, £305 million of which has been recognised this year.

2. Unify £1.2bn GNFR process

Wave 1 covers nine categories (including media buying, mechanical handling equipment, printing and paper), £350 million of spend and is progressing well. The benefits of this wave will start to be delivered in FY 2016/17. Analysis has started on the £400 million of spend in Wave 2. This also covers nine categories including point of sale material, financial services and shop-fitting.

Operational milestones for FY 2016/17:

1. Complete closure of c.15% surplus space at B&Q
2. Deliver benefits from unified Wave 1 of GNFR programme

Other first sharp decisions announced on 31 March 2015 related to retail operations and people.

Retail operations

First sharp decisions set last year and progress made:

1. Pilot Big Box best practice across Europe

Our goal is to present the same products to customers across Europe in the same way under a simplified model. This will drive operational efficiencies whilst recognising that customer needs are evolving quickly so we need to adapt to this fast changing retail environment.

Our first step to achieving this goal is to leverage the Big Box best practice we have across our markets, drawing on our latest, most developed formats. Work is on track to launch one pilot Big Box store in each of the UK, France, Poland and Russia during FY 2016/17.

2. Extend Screwfix trial in Germany

Screwfix UK's leading omnichannel offer continues to deliver strong growth. We continue to review the scale of the UK market opportunity and now believe that there is potential for around 600 outlets versus the 457 today, providing even greater convenience for customers.

Our Screwfix Germany trial remains on track and we have opened another five outlets this year, as planned, taking the total to nine. Although it is still early days, we are encouraged by the performance. The concept has been well received and we are seeing encouraging signs of repeat business from a growing number of customers, both in store and online. Consequently, we intend to continue our roll out by opening a further nine outlets in Germany during FY 2016/17, alongside wider development activity in Screwfix Europe.

People

First sharp decision set last year and progress made:

1. Finalise new leadership team and wider organisation structure

To drive through these changes we have established a new leadership team. We need a wider reorganisation in order to unlock the real potential of ONE Kingfisher. Across the company we will have more international and diverse teams with deeper competence, experience, leadership, and passion for home improvement, operating with English as the common working language.

The leadership team, alongside Véronique Laury (CEO) and Karen Witts (CFO), has developed over the course of the past year and now comprises:

- Arja Taaveniku, Chief Offer & Supply Chain Officer, who joined in May 2015 from the IKEA Group
- Steve Willett, Chief Digital & IT Officer, ex-Screwfix and B&Q
- Emily Lawson, Chief People Officer, who joined in October 2015. Previously Morrisons Supermarkets PLC and McKinsey & Co
- Pierre Woreczek, Chief Customer Officer, who joined in March 2016 from McDonald's
- Jean-Paul Constant, Chief Sales and Retail Operations Officer, who will join in late summer 2016 from Decathlon. He will lead our Big Box (Castorama, B&Q) and Medium Box (Brico Dépôt) formats

Given the scale of change across the company we have set up a 'Transformation function' to monitor progress across the strategic tasks. Understanding the interdependencies of the different elements of the ONE Kingfisher plan is key to managing change efficiently and minimising execution risk.

Summary

We are pleased with the good early progress that we have made on the journey to ONE Kingfisher and on the first sharp decisions that we announced last year.

We also now have the detail of the new ONE Kingfisher strategy with a detailed roadmap in place, alongside clear long term targets.

We are tracking our progress against our financial and operational milestones, and we will update as we progress.

Section 2: Trading review by division

FRANCE*

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	3,786	4,132	(8.4)%	+1.2%	(0.4)%
Retail profit	311	349	(10.9)%	(1.6)%	

Kingfisher France sales increased by +1.2% (-0.4% LFL) to £3,786 million in a broadly flat market, impacted by ongoing weak consumer confidence and subdued housing and construction activity.

Across the two businesses, three net new stores were opened and six were revamped, adding around 1% new space. 'Click, pay & collect' omnichannel capability has now been rolled out to 161 stores, up from 34 last year.

Gross margins were up 10 basis points. Continued focus on cost control helped limit cost inflation. Retail profit of £311 million was down 1.6%.

Castorama total sales increased slightly by +0.1% (-0.2% LFL) to £2,076 million. According to Banque de France data*, sales for the home improvement market were broadly flat. LFL sales of outdoor seasonal products were up 1.1% and sales of indoor and building products were down 0.5%.

Brico Dépôt total sales increased by 2.5% (-0.5% LFL) to £1,710 million. This reflects store openings and a subdued house building market* which for the first time in four years improved slightly, with new housing starts up 2% and planning permits up around 4%.

UK & IRELAND*

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	4,853	4,600	+5.5%	+5.6%	+4.4%
Retail profit	326	276	+18.0%	+18.0%	

Kingfisher UK & Ireland sales were up 5.6% (+4.4% LFL) to £4,853 million benefiting from a stronger UK economy and a more buoyant housing construction market. Retail profit grew by 18.0% to £326 million. Gross margins were down 50 basis points reflecting mix effects from strong growth in Screwfix, some clearance related to the B&Q store closures and higher omnichannel sales. Tight cost control continued, driven by ongoing productivity initiatives at B&Q.

B&Q total sales increased by 1.1% (+1.9% LFL) to £3,799 million. Sales of outdoor seasonal products were down 0.3% while sales of indoor products, excluding showroom, were up 3.1%. Sales of showroom products were up 0.9%. The decision to reduce promotional activity and instead offer customers 'Every Day Great Value' in kitchens, has gained momentum across the year. LFL sales have also benefited by 0.4% from sales transference associated with the planned store closures.

B&Q continued to see productivity benefits from various initiatives such as 'store friendly deliveries' (making it quicker and easier for store staff to replenish) and roller checkouts (improving customer experience as well as scanning and database accuracy). These projects were completed during the summer.

B&Q's 'Click, Pay & Collect' is now available on over 16,700 products. Total transacted online sales, including home delivery, continued to make good progress with sales growing by 29%.

Screwfix grew total sales by 26.3% (+15.3% LFL) to £1,054 million, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital and mobile growth (e.g. mobile +100%; click & collect +52%); new and extended ranges; and the continued roll out of new outlets. 62 net new outlets were opened, taking the total to 457.

OTHER INTERNATIONAL*

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	1,692	1,873	(9.7)%	+4.8%	+2.5%

Retail profit				
Other International (established)	126	139	(8.6)%	+3.0%
New Country Development*	(17)	(22)	n/a	n/a
Total	109	117	(5.8)%	+6.4%

Other International total sales increased by 4.8% (+2.5% LFL) to £1,692 million driven by LFL growth in Poland and Russia. Retail profit increased by 6.4% to £109 million driven by Poland.

During the year seven net new stores were opened, one in Poland, one in Spain and five in Screwfix Germany, adding 1.9% more space compared to last year.

Other International (established):

Sales in **Poland** were up 3.3% (+3.6% LFL) to £987 million benefiting from new ranges. LFL sales of outdoor seasonal products were up 5.6% with sales of indoor and building products up 3.3%. Gross margins were up 10 basis points. Retail profit grew by 6.0% to £113 million supported by the sales growth, slightly higher gross margins and good cost control.

In **Russia** sales grew by 12.9% (+7.2% LFL) to £325 million reflecting strong consumer spending on durable goods early in the year in an uncertain market. Retail profit decreased to £6 million (2014/15: £10 million reported retail profit) reflecting adverse foreign currency exchange movements on the cost base. In **Turkey,** Kingfisher's 50% JV, Koçtaş, contributed retail profit of £7 million (2014/15: £9 million reported retail profit). In **Spain** sales declined by 3.2% (-5.0% LFL) to £269 million, delivering a breakeven result (2014/15: £2 million reported retail profit).

New Country Development:

New Country Development includes operations in Romania, Portugal and Germany. Sales were £111 million with losses of £17 million (2014/15: £22 million reported retail loss), reflecting a more challenging environment for Brico Dépôt Romania (£9 million loss) and five new outlets as planned in Screwfix Germany (£7 million loss).

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Section 3: FY 2016/17 Technical guidance

- Employee, new stores and space growth:

	Employees (FTE) at 31 Jan 2016	Store Numbers at 31 Jan 2016	Sales area [1] (000s m^2) at 31 Jan 2016	Net new stores FY 2016/17	Space % change FY 2016/17
Castorama	11,426	102	1,240	-	+0.7%
Brico Dépôt	7,131	118	825	1	+0.9%
France	**18,557**	**220**	**2,065**	**1**	**+0.7%**
B&Q UK & Ireland	19,468	330	2,414	(35)	(8.8)%
Screwfix	6,161	457	28 [2]	50	+8.0%
UK & Ireland	**25,629**	**787**	**2,442**	**15**	**(8.7)%**
Poland	10,689	73	621	1	+1.7%
Portugal	101	2	12	1	n/a
Romania	811	15	114	-	-
Russia	3,073	21	206	-	+2.3%[3]
Spain	1,529	29	182	-	-
Screwfix Germany	105	9	1 [2]	9	n/a
Other International	**16,308**	**149**	**1,136**	**11**	**+2.1%**
Total	**60,494**	**1,156**	**5,643**	**27**	**(3.0)%**

[1] As part of ONE Kingfisher a review of sales area reporting has been undertaken to ensure consistency across our operating companies. Restatements of Kingfisher's quarterly space for the previous 3 years are available in data tables at: www.kingfisher.com/index.asp?pageid=59

[2] Screwfix sales area relates to the front of counter area of an outlet

[3] Includes one closure and one opening

- Income statement:
  - Underlying profit expected to include up to c.£20 million operational efficiency benefits
  - Transformation P&L costs of £220 million over next five years to be mostly incurred in first three years (FY 2016/17 expected to be up to c.£70 million)
  - Transformation exceptional costs of £270 million over next five years to be mostly incurred in first three years (FY 2016/17 expected to be up to c.£50 million)
  - Retail losses from new country development activity expected to be c.£20 million driven by Screwfix Europe
  - Group interest charge expected to be c.£10 million (excluding FFVR*)
  - Corporation tax rate expected to be around 26%, subject to the blend of profit within the companies' various jurisdictions
  - B&Q closures – income statement impact expected to be broadly neutral assuming on average that up to a third of sales transfer

- Cash flow:
  - Investing up to c.£450 million total capex for FY 2016/17 (includes BAU and transformation); c.£500 million for FY 2017/18 and FY 2018/19
  - Capital return of c.£600 million over next three years expected to be via share buyback (£50 million of shares repurchased since year end)

Section 4: FY 2015/16 Financial Review

A summary of the reported financial results for the year ended 31 January 2016 is set out below:

	2015/16	2014/15	% Reported Change	% Constant Currency Change
Adjusted sales	**£10,331m**	£10,605m	(2.6)%	+3.8%
Statutory sales [(1)]	**£10,441m**	£10,966m	(4.8)%	+1.0%
Retail profit	**£746m**	£742m	+0.7%	+7.4%
Adjusted pre-tax profit	**£686m**	£684m	+0.3%	
Statutory pre-tax profit [(1)]	**£512m**	£644m	(20.5)%	
Exceptional items (post-tax)	**£(99)m**	£71m	n/a	
Adjusted basic earnings per share	**22.0p**	21.3p	+3.3%	
Basic earnings per share	**17.8p**	24.3p	(26.7)%	
Dividends – Ordinary	**10.1p**	10.0p	+1.0%	
– Special	**-**	4.2p	n/a	
Effective tax rate	**26%**	27%	+1%	
Lease adjusted return on capital employed	**12.3%**	11.9%	+40bps	
Net cash	**£546m**	£329m		
Lease adjusted net debt to EBITDAR*	**2.0**	2.2		
Capital Return				
- Share buyback	**£200m**	£100m		
- Special dividend	**-**	£100m		
Total Capital Return	**£200m**	£200m		

(1) Statutory results include B&Q China up to the date of disposal (30 April 2015)

Reported retail profit grew by 0.7% including £46 million adverse foreign exchange movement on translating foreign currency results into sterling. Excluding foreign exchange impacts, retail profit grew by 7.4%, reflecting a mixed picture across our major markets with the Poland and UK markets improving, together with a particularly strong performance from Screwfix, offset by soft market conditions in France. Our ongoing focus on cash and tight capital discipline meant we were able to continue to invest in the business, and also return a further £200 million to shareholders (via share buybacks) in addition to the annual ordinary dividend.

Total adjusted sales grew by 3.8%, on a constant currency basis, to £10.3 billion, with LFL sales up 2.3%. On a reported rate basis, which includes the impact of exchange rates, sales declined by 2.6%. During the year, sales growth benefited from 42 net new stores, driven by 62 Screwfix outlet openings in the UK, offset by some impact from the previously announced B&Q store closures (65 planned over two years; the first 30 closed in FY 2015/16).

On a constant currency basis retail profit of £746 million increased by 7.4% including £17 million of new country net development losses relating to Brico Dépôt Romania, Brico Dépôt Portugal and Screwfix Germany.

As previously announced, Kingfisher disposed of a controlling 70% stake in B&Q China on 30 April 2015. Since then, B&Q China has been accounted for as an investment and its

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results no longer consolidated in retail profit or adjusted pre-tax profit. This led to FY 2014/15 comparatives being restated, increasing both retail profit and adjusted pre-tax profit by £9 million.

IFRIC 21 'Levies' adjustments in the year relate to quarterly phasing of operating levies in France to reflect a new IFRS accounting requirement. However they have no impact on a full year basis. Quarterly restatement data tables for FY 2014/15 have been published at: www.kingfisher.com/index.asp?pageid=59

Adjusted pre-tax profit, which excludes the impact of exceptional items, increased by 0.3% to £686 million, broadly in line with retail profit, and reflecting £46 million adverse foreign exchange movements.

Statutory pre-tax profit, which includes the impact of exceptional items before tax decreased by 20.5% to £512 million. A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2015/16 £m	2014/15 £m	Increase/ (decrease)
Adjusted pre-tax profit	**686**	684	+0.3%
B&Q China operating loss	**(4)** [(1)]	(9)	
Financing fair value remeasurements (FFVR)	**(4)**	4	
Profit before exceptional items and tax	**678**	679	(0.1)%
Exceptional items before tax	**(166)**	(35)	
Statutory pre-tax profit	**512**	644	(20.5)%

(1) Up to the date of disposal (30 April 2015)

Exceptional items (post tax) were a charge of £99 million (2014/15: £71 million gain) as detailed below:

	2015/16 £m Gain/(charge)	2014/15 £m Gain/(charge)
UK & Ireland and Europe restructuring	**(305)**	(17)
Profit on disposal of B&Q China	**143**	-
Impairment of Brico Dépôt Romania	**(18)**	-
Property and other disposals[(1)]	**14**	(3)
Transaction costs	**-**	(15)
Exceptional items before tax	**(166)**	(35)
Exceptional tax items	**67**	106
Net exceptional items	**(99)**	71

(1) Disposal of properties includes the disposal of a property company which held 3 non-operational properties

As previously announced, B&Q will close around 15% of space by the end of FY 2016/17. There will also be a small number of closures of loss making stores across Europe. During the year, 30 B&Q stores were closed and we remain on track to close the remaining 35 stores in FY 2016/17. We also announced the closure of two loss making Castorama stores in France and one in Russia. This is expected to give rise to an exceptional charge of around £350 million, relating principally to onerous lease provisions. An exceptional charge for £305 million was reported in FY 2015/16.

The disposal of a controlling 70% stake in B&Q China for a gross cash consideration of £140 million resulted in a gain of £143 million.

An impairment charge, primarily relating to goodwill recognised on our acquisition in Romania, was also recorded, reflecting the loss making performance of the business.

Adjusted basic earnings per share grew by 3.3% to 22.0p (2014/15: 21.3p), which excludes the impact of B&Q China operating losses, exceptional items, financing fair value remeasurements and the effect of prior year tax items. Including these items **basic earnings per share** decreased by 26.7% to 17.8p (2014/15: 24.3p) as set out below:

	Earnings £m	**2015/16 EPS pence**	Earnings £m	2014/15 EPS pence
Adjusted basic earnings per share	**509**	**22.0**	502	21.3
B&Q China operating loss	**(4)**	**(0.2)**	(9)	(0.4)
Net exceptional items	**(99)**	**(4.3)**	71	3.1
Prior year tax items	**9**	**0.4**	6	0.2
FFVR (net of tax)	**(3)**	**(0.1)**	3	0.1
Basic earnings per share	**412**	**17.8**	573	24.3

Dividends and capital returns

The Board has proposed a final dividend of 6.92p which results in a full year dividend of 10.1p, an increase of 1.0% (2014/15: 10.0p). The full year dividend is covered 2.2 times by adjusted earnings (2014/15: 2.1 times). We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times, a level the Board believes is prudent and consistent with the capital needs of the business.

The final dividend will be paid on 20 June 2016 to shareholders on the register at close of business on 6 May 2016. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 5 May 2016. For those shareholders electing to receive the DRIP the last date for receipt of election is 27 May 2016.

In addition to the annual ordinary dividend, Kingfisher returned £200 million (56.0 million shares) of surplus capital to shareholders via share buyback during FY 2015/16. On 25 January 2016 Kingfisher announced its intention to return around a further £600 million of surplus capital to shareholders over the next three years. This is expected to be via share buyback and since year end, the first £50 million of shares (15.5 million shares) have been repurchased.

Taxation

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The adjusted effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes was 26% (2014/15: 27%). This effective rate of tax is lower than in FY 2014/15 reflecting changes in corporate tax rates (primarily the UK) and a shift in the profit mix from France to the UK as a result of foreign exchange movements and expansion of the Screwfix business.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The impact of such items reduced the rate from 26% to 20% reflecting tax relief on exceptional items as well as the release of prior year provisions which have either been agreed with tax authorities, reassessed, or time expired.

Effective tax rate calculation	**Profit £m**	**Tax £m**	**2015/16 %**	2014/15 %
Profit before tax and exceptional items	**678**	**(176)**	**26**	27
Exceptional items	**(166)**	**67**		
Prior year items		**9**		
Total – overall	**512**	**(100)**	**20**	11

The tax rates for this financial year and the expected rates for next year in our main jurisdictions are as follows:

Jurisdiction	Statutory tax rate 2016/17	Statutory tax rate 2015/16
UK	20%	20%
France	34%	34% - 38%(1)
Poland	19%	19%

(1) The surcharge to the French tax rate for businesses with turnover over €250m has not been extended beyond the 2015/16 accounting period

Lease adjusted return on capital employed (ROCE)

Previously management used Kingfisher Economic Profit* (KEP) as the main measure of return on capital. Following a recent review, the decision was taken to move to the more widely recognised and understood measure of ROCE, now used in the capital investment process as a key indicator of efficiency and profitability, to assess performance and drive returns in strategic plans. Information on the calculation of lease adjusted ROCE is included in the glossary.

In FY 2015/16 post-tax lease adjusted ROCE was 12.3%, up from 11.9% in the previous year (compared to Kingfisher's lease adjusted weighted average cost of capital (WACC) of 7.4%). This was primarily driven by UK performance and a reduction of capital employed following store closures and disposal of non-operational assets. ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales %	Capital Employed (CE) £bn	Proportion of Group CE %	**ROCE 2015/16**	ROCE 2014/15
France	3.8	37%	1.6	25%	**14.1%**	14.4%
UK & Ireland	4.9	47%	3.9	58%	**13.1%**	12.1%
Other International	1.7	16%	1.1	16%	**10.2%**	9.7%
Central			0.1	1%		
Total	**10.3**		**6.7**		**12.3%**	11.9%

Free cash flow*

A reconciliation of free cash flow is set out below:

	2015/16 £m	2014/15 £m
Operating profit (before exceptional items)	**692**	687
Other non-cash items[(1)]	**265**	275
Change in working capital	**31**	(93)
Pensions and provisions	**(42)**	(40)
Operating cash flow	**946**	829
Net interest paid	**(12)**	(8)
Tax paid	**(118)**	(146)
Gross capital expenditure	**(333)**	(275)
Free cash flow	**483**	400
Ordinary dividends paid	**(232)**	(234)
Special dividend paid	**-**	(100)
Share buyback	**(200)**	(100)
Share purchase for employee incentive schemes	**(16)**	(17)
Disposal of B&Q China (net of disposal costs)	**134**	-
Disposal of Hornbach	**-**	198
Disposal of assets[(2)]	**43**	50
Other[(3)]	**(5)**	4
Net cash flow	**207**	201
Opening net cash	**329**	238
Reclassification of cash in B&Q China to assets held for sale	**-**	(57)
Other movement including foreign exchange	**10**	(53)
Closing net cash	**546**	329

[(1)] Other non-cash items includes depreciation and amortisation, share-based compensation charge, share of post-tax results of JVs and associates, pension operating cost and profit/loss on non-property disposals
[(2)] Disposal of assets includes the disposal of an overseas property company in FY 2015/16
[(3)] Includes dividends received from JVs and associates, issue of shares and exceptional items (excluding property disposals)

Net cash at the end of the year was £546 million (2014/15: £329 million net cash).

Free cash flow of £483 million was generated in the year, an increase of £83 million against the prior year, due primarily to favourable movements in working capital, partly offset by higher capital expenditure.

Of free cash flow, £432 million was returned to shareholders in the form of the ordinary dividend and share buybacks.

Gross capital expenditure for the year was £333 million (2014/15: £275 million). Of this around 24% was invested in new stores and relocations, 40% on refreshing and maintaining existing stores and 36% on IT, supply chain and omnichannel development.

The Group has a rigorous approach to capital allocation and authorisation, including an annual strategic planning and capital allocation process, an annual budget process, a project by project capital approval process and a bi-annual post-investment review process.

Management of balance sheet and liquidity risk and financing

The Group finished the year with £546 million of net cash on the balance sheet. However the Group's overall leverage is more significant when including capitalised lease debt that in accordance with accounting standards does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to EBITDAR on a moving annual total basis is 2.0 times as at 31 January 2016. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

A reconciliation of lease adjusted net debt to EBITDAR is set out below:

	2015/16 £m	2014/15[1] £m
EBITDA*	**941**	953
Property operating lease rentals	**402**	415
EBITDAR	**1,343**	1,368
Financial net cash	**(546)**	(329)
Property operating lease rentals (8x)[2]	**3,216**	3,320
Lease adjusted net debt	**2,670**	2,991
Lease adjusted net debt to EBITDAR	**2.0**	2.2

(1) Restated to exclude contribution from China following its disposal in April 2015
(2) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets

Kingfisher holds a BBB credit rating with all three rating agencies. Kingfisher aims to maintain its solid investment grade credit rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking into account the economic and trading outlook, any surplus capital would be returned to shareholders.

Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next five years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

The Group has a £225 million committed facility that expires in 2021 and was undrawn at 31 January 2016. The next significant debt maturity is in May 2016 when the Group is required to repay US Private Placement debt with a notional value of $68 million.

The maturity profile of Kingfisher's debt is illustrated at:
www.kingfisher.com/index.asp?pageid=74

Disposals

On 22 December 2014, Kingfisher announced a binding agreement with Wumei Holdings Inc. ("Wumei") for Wumei to acquire a controlling 70% stake in its B&Q China business. Gross cash proceeds of £140 million were received in April 2015 following MOFCOM (Chinese Ministry of Commerce) approval. Kingfisher has, with the agreement of Wumei, exercised its option to dispose of the remaining 30% economic interest for a fixed price of the Sterling equivalent of RMB 582 million (£62 million at 31 January 2016). This option was exercised on 23 March 2016. The transaction is subject to regulatory approval and, if approved, is expected to close later this year.

During the year Kingfisher completed the sale of an overseas property company (that owned three freehold properties) for proceeds of £18 million.

Pensions

At the year end, the Group had a net surplus of £159 million (2014/15: £112 million net surplus) in relation to defined benefit pension arrangements, of which a £246 million surplus (2014/15: £194 million surplus) was in relation to the UK scheme. The favourable movement is driven by the higher discount rate applied to the scheme liabilities, only partially offset by the fall in asset values over the year, that includes the impact of the purchase of the annuity described below. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

During the year the UK pension scheme purchased a medically underwritten annuity for £228 million from a major insurance company. The annuity targeted the top layer of the scheme's pensioner liabilities removing the longevity risk associated with these members, and using medical profiling to achieve the most favourable outcome. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, the transaction generated a modest funding improvement as well as a significant reduction in funding risk.

Property

Kingfisher owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in October 2015 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £2.9 billion at year end (2014/15: £2.8 billion (excluding China following disposal)).

	2015/16 £bn	**2015/16 Yields**	2014/15 £bn	2014/15 Yields
France	**1.4**	**7.7%**	1.3	8.0%
UK	**0.8**	**6.1%**	0.8	6.5%
Poland	**0.5**	**7.8%**	0.5	8.1%
Other	**0.2**	**-**	0.2	-
Total	**2.9**		2.8	

This is compared to the net book value of £2.4 billion (2014/15: £2.4 billion) recorded in the financial statements (including investment property and property assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

As part of ONE Kingfisher, a review of sales area reporting was completed to ensure consistency across our operating companies. This resulted in a restatement of sales areas, giving rise to a 7% increase across Kingfisher, details of which are below:

At 31 January 2016	Restated sales area (000s m²)	Previous sales area (000s m²)	Change (000s m²)
Castorama	1,240	1,121	119
Brico Dépôt	825	664	161
France	**2,065**	**1,785**	**280**
B&Q UK & Ireland	2,414	2,414	-
Screwfix	28	28	-
UK & Ireland	**2,442**	**2,442**	**-**
Poland	621	540	81
Portugal	12	12	-
Romania	114	114	-
Russia	206	206	-
Spain	182	182	-
Screwfix Germany	1	1	-
Other International	**1,136**	**1,055**	**81**
Total Group	**5,643**	**5,282**	**361**

Restatements of Kingfisher's quarterly space for the previous three years are available in data tables at: www.kingfisher.com/index.asp?pageid=59

Retail profit on a fully rented basis

The Group currently operates out of a mix of freehold and leasehold property, with the mix varying significantly between our geographic markets. In order to more easily compare divisional performance, a summary of the retail profit margins on a fully rented basis are set out below:

	France	UK & Ireland	Poland
Retail Profit %	8.2%	6.7%	11.5%
Adjustment to Leasehold Basis	(2.5)%	(0.8)%	(3.5)%
Retail Profit % on Leasehold Basis	5.7%	5.9%	8.0%

Sustainability and integrated reporting

Kingfisher is committed to being a truly sustainable company, one which has a positive impact on people and the environment. To achieve this, we are working to integrate sustainability at every stage of the value chain – from the way we design and source our customer offer, to the way we run our operations and work with suppliers. This includes integrating sustainability considerations into our capital expenditure processes.

Section 5: Glossary (terms are listed in alphabetical order)

Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax. Full year 2014/15 comparatives have been restated to exclude B&Q China's results. A reconciliation to statutory amounts is set out in the Financial Review (Section 4).

Adjusted sales excludes B&Q China sales.

Banque de France data includes relocated and extended stores. http://webstat.banque-france.fr/en/browse.do?node=5384326

Cut existing product tail - plan to reduce the number of delisted and ex-promotional ranges which do not form part of existing retail planograms.

EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation.

EBITDAR (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) is calculated as retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

France consists of Castorama France and Brico Dépôt France.

Free cash flow represents cash generated from operations less the amount spent on tax, interest and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review (Section 4).

French house building market - new housing starts and planning consent data for the 12 months to January 2016 according to the Ministry of Housing. http://www.statistiques.developpement-durable.gouv.fr/logement-construction/s/construction-logements.html

FFVR (financing fair value remeasurements) represents changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying value of borrowings and other hedged items under fair value hedge relationships.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer needs (including e.g. media buying, mechanical handling equipment, printing & paper).

KEP (Kingfisher Economic Profit) represents earnings after a charge for the annual cost of capital employed in the business and is derived from the concept of Economic Value Added.

Lease adjusted ROCE - Post-tax retail profit less central costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. Capital employed is adjusted to include capitalised property leases. Kingfisher believes 8x property operating lease rent is a reasonable industry standard for estimating the economic value of its leased assets. Capital employed except for capitalised leases, is calculated as a two point average. The calculation excludes disposed businesses e.g. China.

LFL stands for like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year.

Net cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short term deposits. It excludes balances classified as held for sale.

New Country Development consists of Screwfix Europe, Brico Dépôt Portugal and Brico Dépôt Romania.

Omnichannel - allowing customers to shop with us in any way they prefer.

Online sales are sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre.

Other International consists of Germany, Poland, Portugal, Romania, Russia, Spain and Turkey (Koçtaş JV).

Planogram - a diagram that shows how and where specific retail products should be placed on retail shelves or displays.

Retail profit is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates. Full year 2014/15 comparatives have been restated to exclude B&Q China's operating loss.

Screwfix Europe - Screwfix outside of UK in continental Europe.

Statutory sales - Group sales exclude Joint Venture (Koçtaş JV) sales.

SKU (Stock Keeping Unit) - the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging, and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK.

Section 6: Forward-looking statements

You are not to construe the content of this announcement as investment, legal or tax advice and you should make you own evaluation of the Company and the market. If you are in any doubt about the contents of this announcement or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction).

This announcement has been prepared in relation to the financial results for the full year ended 31 January 2016. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended).
Certain information contained in this announcement may constitute “forward-looking statements” (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as “may”, “will”, “would”, “could”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue,” “target”, “plan”, “goal”, “aim” or “believe” (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, changes in tax rates, liquidity, prospects, growth and strategies. By their nature, forward-looking statements involve risks, assumptions and uncertainties that could cause actual events or results or actual performance of the Company to differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements.

The Company does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in the Company’s expectations.