

CREATING THE LEADER

OUR PURPOSE IS TO MAKE IT EASIER FOR
CUSTOMERS TO HAVE BETTER AND MORE
SUSTAINABLE HOMES

Our markets

We currently operate in eight countries, spanning over 500 million households. Our research shows that spending on home improvement is a key priority for householders, making this an attractive sector for retailers. It's also attractive

because of the relatively small number of well-known manufacturer brands. This means a specialist home improvement retailer provides a vital role for the consumer by offering a wide product choice and expert

advice. They can offer a high proportion of 'own brand' product, achieve economies of scale and have a more defensible position against online or generalist operators when compared with other retail segments.

Strategy

Our unique contribution as a business to our customers is that we can harness our home improvement experience, our heritage as a leader in sustainability and our international scale and sourcing capability to bring new, more sustainable and more affordable products to market.

By also providing our customers with project advice and new shopping channels to complement our stores, we will make it easier for them to adapt their homes to their evolving needs. Our shorthand for describing this purpose is 'Better Homes, Better Lives'.

The current phase of our development towards this vision – Creating the Leader – builds on the success of 'Delivering Value', our previous four-year growth plan, which has repositioned Kingfisher as a stronger business in the attractive home improvement market.

Creating the Leader: self-help initiatives

Four themes	Eight steps	Success measures
EASIER	<ol style="list-style-type: none"> 1. Making it easier for customers to improve their home 2. Giving our customers more ways to shop <p>For more information see page 09.</p>	<ul style="list-style-type: none"> • Like-for-like sales growth (LFL) • Unique web users
COMMON	<ol style="list-style-type: none"> 3. Building innovative common brands 4. Driving efficiency and effectiveness everywhere <p>For more information see page 11.</p>	<ul style="list-style-type: none"> • 35% of Group sales direct sourced • 50% of all product sales to be common • Retail profit margin
EXPAND	<ol style="list-style-type: none"> 5. Growing our presence in existing markets 6. Expanding in new and developing markets <p>For more information see page 13.</p>	<ul style="list-style-type: none"> • Kingfisher Economic Profit (KEP)* <p>* For definition of KEP see page 21.</p>
ONE TEAM	<ol style="list-style-type: none"> 7. Developing leaders and connecting people 8. Sustainability: becoming Net Positive <p>For more information see page 15.</p>	<ul style="list-style-type: none"> • Group employee engagement scores • Net Positive dashboard

Financial benefits

Predicting future potential retail profit benefits from this strategy, when we don't know the economic conditions or competitive landscape we will face in the future is very difficult. However, whatever the conditions, we believe our efforts will drive higher LFL sales, higher gross margin and more cost efficiencies than would have been delivered without this strategy.

In 2011/12 we estimated that this would create an additional £300 million of annualised retail profit in the fifth year, net of price reinvestment and based on the size of the business and market conditions at that time.

For more information on how our strategy is linked to Risk reporting and Remuneration see pages 25 and 45 respectively.

CREATING
THE
LEADER
EASIER

INSPIRATION
 RANGE
 CONFIDENCE
 AFFORDABLE
 OMNICHANNEL
 CHOICE
 EDUCATION
 A
 D
 V
 I
 D
 I
 T
 Y
 TECHNOLOGY
 HELPFUL
 IDEAS
 EFFICIENCY
 AVAILABILITY
 ACCESSIBLE
 SIMPLICITY
 CONVENIENT
 RESEARCH

Key steps

1. Making it easier for customers to improve their home
2. Giving our customers more ways to shop

Milestones

PROGRESS DURING 2012/13

- Completed UK roll out of DIY training classes
- Launched B&Q YouTube channel
- Trialling new formats in France, UK, Turkey, Russia & China
- Preparing for the UK's 'Green Deal'
- Launched Screwfix mobile 'click, pay & collect' offer
- Developed a Group omnichannel platform, implemented first in 'TradePoint'
- Upgrading B&Q's online offer

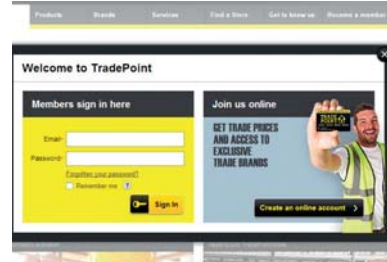
TARGETS DURING 2013/14

Emphasise our affordability credentials

- Launch 'Handy Prices' marketing campaign in B&Q
- Roll out Brico Dépôt 'back to basics' marketing campaign
- Extend Brico Dépôt France & Spain programme of 'arrivages' (one off special buys) to Turkey & Poland
- Launch UK Enterprise Finance Guarantee scheme for tradesmen

Extend our omnichannel offer:

- Launch upgraded B&Q online offer (www.diy.com)
- Extend TradePoint website to main shop floor categories
- Launch upgraded websites in Poland, Turkey, China, Brico Dépôt France & Spain
- Trial 'click & collect' in Castorama France & Turkey



TradePoint launches new transactional website (driven by Screwfix know-how)



Over 1 million hits for B&Q's 'You Can Do It' YouTube channel



For the case studies, go to <http://annualreport.kingfisher.com/2012-13>

Measures

Like-for-like sales
12/13

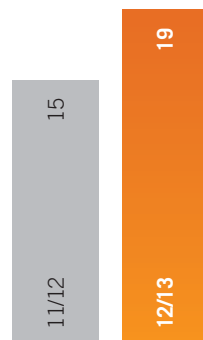
-2.9%

11/12

+1.3%

Unique web users (m)
Monthly Moving Annual Average

+23%



CREATING
THE
LEADER
COMMON

INNOVATION

WORLD'S BEST
PRODUCTS

EFFICIENCY

EXCLUSIVE BRANDS

LOCAL MARKETS

UNIQUE CUSTOMER

SCALE CHOICE

SOCIAL

DIVERSE

INTERNATIONAL

EXCLUSIVE

DIRECT

SOURCING

SCALE
SOCIETY
SATA
E

PRODUCTIVITY

STRONGER
TOGETHER

Key steps

- 3. Building innovative common brands
- 4. Driving efficiency and effectiveness everywhere

Milestones

PROGRESS DURING 2012/13

- 19% of sales direct sourced
- 8% of sales common
- Direct sourcing in our developing markets up 63% (Poland, Russia, Turkey & China)
- Opened new direct sourcing office in Turkey
- Extended 'Trade' common own brands in Screwfix & Brico Dépôt
- Launched new tiling range in B&Q UK & Ireland
- Developed a stock forecasting & replenishment IT solution, successfully rolled out in B&Q UK & Ireland and Poland
- Driven Group-wide cost efficiencies through GNFR (Goods not for resale) savings from European-wide supply negotiations & SAP contract renegotiated on a Group-wide basis

TARGETS DURING 2013/14

- Product:*
- Launch energy-efficiency 'iQE' Group brand
 - Roll out 'Colours' Group own-brand paint into Russia & Spain
 - Roll out new coloured emulsion paint range in B&Q UK & Castorama France
 - Launch exclusive Valspar mixing desk paint into B&Q UK & Ireland & China
 - Full launch of 'Site' workwear into Brico Dépôt
 - First UK & France product show
- Efficiency:*
- Upweighted distribution centre capability in Poland, Spain & Turkey
 - Roll out France & Spain staff bonus programmes to Poland (linked to individual store sales & profit growth)



Brico Dépôt's 'Energer' hand & power tool range launched in Screwfix



New tiling range launched in B&Q UK & Ireland (higher commonality with Castorama France)



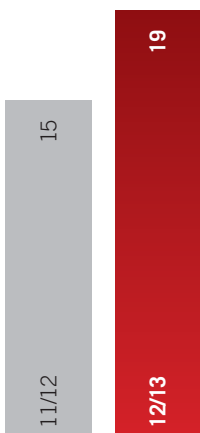
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Measures

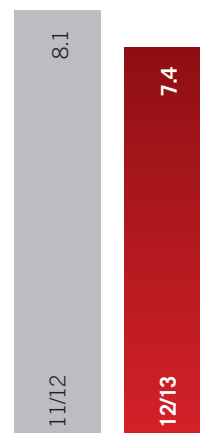
Common product sales
% of total sales



Products direct sourced
% of total sales



Retail profit margin (%)



CREATING
THE
LEADER
EXPAND

CONSUMER REACH

GROWTH

KINGFISHER ECONOMIC PROFIT

HIGHER

RETURNS

SMALL BOX

INFILL

FLEXIBILITY

T

OMNICHANNEL

BIG BOX

R

INTERNATIONAL

CAPABILITY

NEW

D

TERRITORIES

LOCAL

AMBITION

E

EXPERTISE

Key steps

- 5. Growing our presence in existing markets
- 6. Expanding in new and developing markets

Milestones

PROGRESS DURING 2012/13

- Opened 70 net new stores (UK 61⁽¹⁾, France 2, Poland 3, Russia 1, Turkey 1, Spain 3 & China 1 closure)
- Revamped & extended 5 Castorama France stores
- Successfully integrated 28 Focus DIY stores in the UK
- Launching a 4,000m2 standalone B&Q Design Centre trial store in China
- B&Q UK store rightsizing; 1 B&Q UK store reduced in size by 50% in deal completed with a supermarket group

(1) 60 Screwfix outlets & 1 B&Q.

TARGETS DURING 2013/14

- Open 68 net new stores (UK 50 Screwfix outlets, France 5, Poland 2, Russia 1, Turkey 4 & Spain 6, representing 3% space growth)
- Revamp & extend four Castorama France stores
- Evaluate Screwfix international opportunities



Screwfix accelerates store opening programme with 60 new stores



New format stores opened in France. C'est Castoche!



Kingfisher's 1,000th home improvement store opened, in Lublin, Poland

Measures

Kingfisher Economic Profit (KEP)* (£m)



* For definition of KEP see page 21.



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CREATING
THE
LEADER
ONE TEAM

ACADEMY
DEVELOPING
LEADERS

RECRUITMENT
CONNECTING
PEOPLE
HARNESS
COLLABORATION
NET
POSITIVE
DIVERSITY

T
A
L
E
N
T

ENGAGEMENT
AMBITION
RETENTION
FORCE
FOR GOOD
SKILLS
MOBILITY
POSITIVE
IMPACT

Key steps

- 7. Developing leaders and connecting people
- 8. Sustainability: becoming Net Positive

Milestones

PROGRESS DURING 2012/13

- Broadened the Group Executive Team with two internal appointments (Guy Colleau as CEO, Group Sourcing & Offer; Steve Willett as CEO, Group Productivity & Development)
- Launched the Kingfisher 'One Academy' (a virtual academy for the top 250 managers)
- Launched our new sustainability plan, Net Positive, and associated dashboard
 - Our aim is to give back more than we take in the course of our operations
 - Our four priority areas are Timber, Energy, Innovation and Communities (see page 16)

TARGETS DURING 2013/14

- Continue to extend the Kingfisher 'One Academy'
- Net Positive dashboard to be updated annually



The Kingfisher 'One Academy' launched for top 250 managers



Kingfisher launches new ambition to become Net Positive (kids' DIY classes launched in Poland)



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Measures

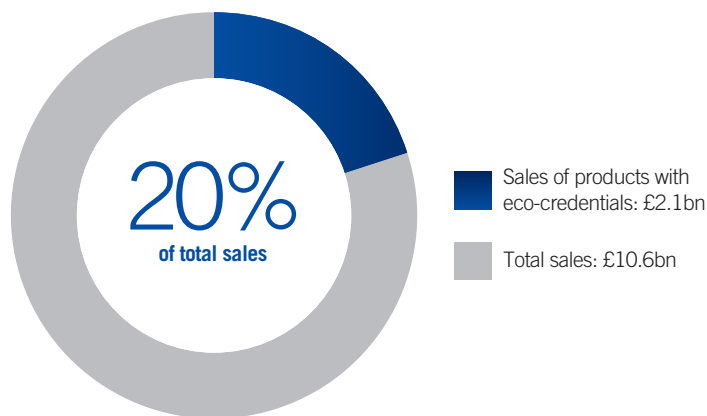
Engagement scores

Gallup Q12 survey (out of 5)*



Sales of products with eco-credentials

(% of total sales)**



* A GrandMean score above 4 out of 5 is 'best in class'.

** For our Group performance summary go to www.kingfisher.com/netpositive.