

Final results for year ended 31 January 2018 (Year 2 of our 5 year transformation)

Financial highlights			% Total	% Total	% LFL*
	2017/18	2016/17	Change	Change	Change
			Reported	Constant	Constant
				currency*	currency
Sales*	£11,655m	£11,225m	+3.8%	(0.3)%	(0.7)%
Gross margin	36.9%	37.2%	(30)bps	(20)bps	
Retail profit*	£849m	£847m	+0.3%	(3.6)%	
Underlying* pre-tax profit	£797m	£787m	+1.3%		
Adjusted* pre-tax profit	£683m	£743m	(8.1)%		
Underlying basic EPS ⁽¹⁾	25.5p	25.9p	(1.5)%		
Adjusted basic EPS ⁽¹⁾	21.8p	24.4p	(10.7)%		
Lease adjusted ROCE ⁽¹⁾	10.4%	12.5%	(210)bps		
Full year dividend	10.8p	10.4p	+4.0%		
Net cash*	£68m	£641m	n/a		

(1) Includes c.£20m corporate tax surcharge in France

FY 17/18: 5 year transformation continues at pace

- Delivered key strategic milestones for the second year in a row
 - Unified & unique offer: unified 23% of product (cost of goods sold). Sales outperforming non-unified ranges, gross margins up 180 basis points (pre-clearance)
 - Digital: now over 50% of Group sales operating on new unified IT platform, Group digital sales* now at 6% (4% last year)
 - Operational efficiency: delivered £28m of benefits from Goods Not for Resale* (GNFR) programme (£58m to date), further efficiencies starting to be unlocked
- FY group results reflect
 - continued good growth at Screwfix and Poland, and self-help initiatives, including GNFR benefits, offset by:
 - c.1.5% LFL impact from business disruption, continued weaker and volatile sales in France and softer Q4 sales in the UK reflecting weaker demand for big ticket items
- Delivered step up in level of transformation activity
- Acting on root causes of business disruption, adapting our approach as we progress
- Balance sheet remains strong
 - Returned £491m of cash to shareholders
 - £231m via ordinary dividend; £260m via share buyback
 - Lower net cash reflects higher levels of stock driven by changes to our operating model and to improve product availability

FY 18/19 and beyond

- FY 18/19 another big year of implementation, aware of challenges ahead
 - Unified & unique offer: unify 40% of product (cost of goods sold) and deliver sales growth; Group gross margin to grow (post clearance)
 - Digital: complete final year of unified IT roll out
 - Operational efficiency: deliver £30m of benefits (GNFR and other efficiencies)
- Remain confident in ability to deliver FY 20/21 transformation plan benefits

Additional statutory reporting	2017/18	2016/17	% Change
Statutory pre-tax profit	£682m	£759m	(10.1)%
Statutory post-tax profit	£485m	£610m	(20.5)%
Basic EPS	22.1p	27.1p	(18.5)%

**Throughout this release “*” indicates first instance of a term defined and explained in the Glossary (section 5). Not all of the figures and ratios used are readily available from the unaudited final results included in part 2 of the announcement. These non-GAAP measures (also known as alternative performance measures), including constant currency and like-for-like sales growth, underlying and adjusted profit measures, management believes are both useful and necessary to better understand the Group’s results. Where required, a reconciliation to statutory amounts is set out in the Financial Review (Section 4).*

Véronique Laury, Chief Executive Officer, said:

“We have made good progress in this second year of our ambitious five-year transformation after a significant step up in the level of activity. For the second year in a row, all our key strategic milestones have been met and I am really pleased to say that we are starting to see tangible delivery of our plan. The changes are now visible across our stores and online. Over a third of our ranges have now been unified and they are being well received by customers. We are buying as ONE and are starting to see the customer and financial benefits coming through, both in sales and gross margins. Our digital initiatives are gaining momentum as we enter the final year of roll out of our unified IT platform. I am also pleased to see that our operational efficiency initiatives, focusing initially on goods not for resale, continue to deliver and are now gathering pace as we start to unlock further opportunities.

“Our performance this year has been mixed, however, with solid growth at Screwfix and Poland, offset by continued weaker sales in France and some business disruption, principally reflecting product availability and clearance. We are acting on the causes of this disruption, however next year will be another big year in our transformation plan. The pace of change is quick and impactful but necessary as we build the new ONE Kingfisher engine to support our ambition to be the leading home improvement company, based on putting customer needs first. The outlook for our main markets is also mixed. The UK is more uncertain, France is encouraging yet volatile, whilst the market in Poland remains supportive.

“Given our good progress so far, and supported by our highly engaged teams, I remain confident in our ability to deliver our plan and in the customer and financial benefits it will generate.”

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This announcement can be downloaded from www.kingfisher.com. We can be followed on Twitter @kingfisherplc with the full year results tag #KGFFY. At 08.00 (UK time) on 21 March, a webcast covering the full year results will be available at www.kingfisher.com. At 09.30 (UK time), Kingfisher will host a Q&A conference call for analysts and investors only. To join the call please use the password already sent to you or email investorenquiries@kingfisher.com.

Kingfisher American Depository Receipts are traded in the US on the OTCQX platform: (OTCQX: KGFHY) <http://www.otcm Markets.com/stock/KGFHY/quote>

Our next announcement will be the Q1 trading update for the period ended 30 April 2018 on 24 May 2018.

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

- 1) ONE Kingfisher update
- 2) Trading review by division
- 3) FY 18/19 Technical guidance
- 4) FY 17/18 Financial review and, in part 2 of this announcement, the full year Financial Statements
- 5) Glossary
- 6) Forward-looking statements

Section 1: ONE Kingfisher update

The ONE Kingfisher five-year plan, which started in FY 16/17, is starting to leverage the scale of the business by creating a unified company, where customer needs always come first.

Our intention is that this five-year transformation plan will deliver a £500m sustainable annual profit uplift by the end of FY 20/21, over and above what the business would have delivered without the plan. Until we have unified our customer offer, we will have limited store expansion, the focus of which will be Screwfix UK in the medium-term. The total expected cash cost of the transformation is £800m (P&L, exceptional and capex).

The focus of the transformation plan is on three key strategic pillars:

1. creating a unified, unique and leading home improvement offer;
2. driving our digital capability; and
3. optimising our operational efficiency.

Progress against our three key strategic pillars

1. Unified & unique offer

We are unifying our offer, with the same products, available everywhere. This will deliver significant customer benefits (newer products, higher quality, better sustainability, lower prices, simpler ranges, clearer merchandising and better packaging) alongside significant business benefits (higher sales, fewer SKUs*, fewer suppliers, cost price reduction (CPR) and improved processes).

Unifying ranges means rationalising the number of global SKUs and suppliers whilst improving the quality and functionality for our customers and leveraging our scale. This generates cost price reduction and better prices for customers. Products are unified across the whole range; from selling the same product in all our markets to having some customer driven market adaptations where needed. Unified extends to our own exclusive brands alongside international and national brands.

Unique ranges relate to the development of our own product ranges that excite customers. These ranges are not available elsewhere and are always sold under our own exclusive brands. Instead of buying products off the shelf from suppliers, we are designing the ranges ourselves based on our deep customer insights.

FY 17/18 strategic milestone:

- *Unify 20% of product (cost of goods sold (COGS))*

23% of product have now been unified (COGS), ending the year with an exit rate of 35%. We have significantly reduced the number of global suppliers and SKUs, by around 80% to date, but are still offering customers similar breadth of choice. We also launched our first unique ranges in outdoor and bathroom & storage.

Sales of our unified and unique ranges are outperforming non-unified ranges despite transformation-related disruption during the year. Sales of unified and unique ranges excluding clearance, were up 1% compared to last year, with the second half growing by 3%. Including clearance, unified and unique sales were broadly flat compared to last year, slightly ahead of total group sales in constant currency, which were down 0.3%.

Growth in unique ranges, such as the new bathroom furniture and shower ranges, is ahead of unified ranges, however the mix of ranges implemented to date is weighted towards unified. For example, sales of unified and unique bathroom & storage increased by 11% whereas total sales were broadly flat (excluding clearance). The bathroom ranges have sold well across all our

markets (e.g. France up 8%, Other International up 18%) receiving positive feedback from both customers and colleagues.

Cost of change (including clearance) are in-line with expectations and we remain confident in our target to deliver £350m annual profit uplift by FY 20/21, which broadly equates to a 5% reduction in cost of goods sold.

Gross margin for unified and unique ranges were up 180 basis points before clearance of old ranges.

2. Digital

Implementation of a unified IT system is a key enabler of our ONE Kingfisher plan. It also provides a significant opportunity, with a seamless and stronger digital offer for our customers, to substantially increase sales and digital penetration. This is expected to generate £50m annual profit uplift by FY 20/21.

FY 17/18 strategic milestone:

- *Deliver Year 2 of 3 year unified IT platform roll out alongside better ecommerce*

This involves investing in our core ecommerce platforms, enabled by the new unified IT infrastructure, and leveraging our Screwfix best-in-class capability. This includes upweighted digital marketing, improved site search, new checkout and launching new mobile sites.

During FY 17/18 we implemented all Castorama France stores with back office and supply chain to be completed in Q1 2018, meaning that by the end of FY 17/18 over 50% of Group sales were operating on the new platform. We have also now started implementation at Brico Dépôt France and Castorama Poland.

Our ecommerce initiatives are gaining momentum. We have built a new group mobile platform and launched a new B&Q mobile app in September. The app has received very positive customer feedback and is delivering improved average transaction values. One hour click & collect is now available in all B&Q stores. In France, we relaunched the new castorama.fr website in January with the new mobile site soon to follow. Total group digital sales are now at 6%, up from 4% last year.

We have also launched the first of our digital home improvement services tools including a bathroom planner tool, which is integrated into the B&Q website.

3. Operational efficiency

The main driver will come from unifying the c.£1bn annual spend on GNFR. This programme is a combination of cost savings, and an opportunity to work in a simpler and more effective way across the business, and is expected to generate £100m annual profit uplift by FY 20/21.

FY 17/18 strategic milestone:

- *Deliver a further £20m benefits from unified GNFR programme*

In FY 17/18 we delivered a further £28m of benefits, exceeding our initial target for the year, taking the cumulative benefit to £58m. This included categories such as media buying, where we have moved to a global supplier for the first time; standardising the way we operate (e.g. security); and several local retenders consolidating the number of suppliers.

Adapting our transformation approach as we progress

Given the significant increase in the level of transformation activity in FY 17/18, we have continued to adapt our approach as our transformation progresses.

During the year we experienced some business disruption principally reflecting product availability issues and the clearance of old ranges. We estimate a c.1.5% LFL impact during the year. Availability of unified and unique ranges has progressively improved.

The root causes of this disruption relate to the combined impact of:

- Clearing of old ranges and remerchandising of new ranges as we physically impacted 25% of our total store space this year
- Systems and data - the roll out of our unified IT platform remains on track, however the implementation process places pressure on some of the business functions
- New processes - transitioning to new ways of working takes time e.g. our new Offer and Supply Chain organisation went live in June 2016, working as ONE team with unified global functions with new processes and accountabilities for the first time

We have acted on the root causes of business disruption and are adapting our approach as we progress. Given the increased level of change, we appointed Steve Willett as Chief Transformation Officer. We are also prioritising the multiple transformation workstreams with a new phased approach e.g.

- having reviewed the phasing of our plans to roll out our unified product ranges (COGS), we announced our decision at our half year results to smooth and de-risk the profile for FY 18/19 and FY 19/20, moving from 55% to 40% and from 80% to 65% respectively. The 90% target for FY 20/21 remains unchanged.

Strategic milestones for FY 18/19:

After two years of successful delivery of our key strategic milestones we have set out our milestones for FY 18/19:

Unified & unique offer

- *Deliver growth in unified & unique sales and gross margin*
- *Unify 40% of product (COGS)*

Digital

- *Complete final year of unified IT platform roll out to OpCos*
- *Complete ecommerce roll out in France & Poland*
- *Market launch of first home improvement services in UK & France*

Operational efficiency

- *Implement finance shared services in at least two OpCos*
- *Deliver £30m benefits (from unified GNFR programme and other efficiencies)*

Retail operations

- *Maintain higher colleague engagement scores than retail sector*

Sustainability: Creating Good Homes for Everyone

This year, we launched our sustainable growth plan which sets out the next stage on our journey towards being a net positive business. The plan is at the core of our ONE Kingfisher plan which is unifying the business behind one clear ambition and purpose: to create good homes by making home improvement accessible for everyone.

Grounded in our understanding of the customer, we have established four big goals which challenge our own operations and make it easier for customers to live more sustainably. The goals are: save money by saving water and energy; live smarter by getting more from less, re-using or using longer; create a healthier home and connect with nature; and be part of a community that helps millions more people improve their home.

This is the next stage of our journey towards being a truly sustainable business, starting with what customers care about; their families, their homes and their communities.

www.kingfisher.com/sustainability

Summary & outlook

For the second year in a row we have achieved our key strategic milestones and our FY 20/21 targets remain unchanged. However, we have experienced some business disruption reflecting the significant increase in transformation activity. We have acted on the root causes, continuing to have a flexible approach, adapting as necessary as our transformation progresses.

FY 18/19 represents another year of significant implementation hence we expect some ongoing business disruption. Negotiations are well progressed to unify 40% unified and unique product (COGS). We expect unique ranges will continue to drive sales growth and that as more CPR is delivered, we expect an uplift in Group gross margin including clearance. As we roll out our unified IT platform, we are also starting to unlock further efficiencies beyond GNFR. During the year we established a shared services centre in Krakow, Poland. In FY 18/19 the combination of GNFR savings and net savings from operational efficiencies are expected to be around £30 million.

We are building the ONE Kingfisher 'engine' to provide the platform for growth. As we are now entering the third year of our transformation, we are starting to develop plans to take that new engine, and combine it with the best of physical and digital. This will provide our customers with a great offer incorporating engaging experiences alongside ultimate convenience, and will involve not only leveraging our big box estate but also our Screwfix best in class convenience model.

The outlook by country as we enter FY 18/19 is a mixed picture. In the UK it is more uncertain, and in Q4 both B&Q and Screwfix experienced softer sales. In France, we are encouraged by the market backdrop although it is volatile, whilst in Poland the market remains supportive.

Overall, we are aware of the challenges ahead but remain confident in our ability to deliver the FY 20/21 plan benefits.

Section 2: Trading review by division

Note: all commentary below is in constant currencies

UK & IRELAND*

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	5,003	4,979	+0.5%	+0.4%	+0.6%
Retail profit	375	358	+5.1%	+5.0%	

Kingfisher UK & Ireland sales were up 0.4% (+0.6% LFL) to £5,003 million reflecting the continued strong Screwfix performance and modest price inflation, offset by the impact of B&Q store closures last year and transformation business disruption. During Q4 however, our businesses experienced softer sales patterns (B&Q -5.1% LFL; Screwfix +7.1% LFL) reflecting softer demand for big ticket categories (e.g. kitchens). Gross margins were down 30 basis points and focus on cost control continued. Retail profit grew by 5.0% to £375 million.

B&Q total sales declined by 5.3% to £3,488 million reflecting annualisation of the completed store closure programme. LFL sales declined by 2.8% after a 0.7% benefit from sales transference associated with the store closures. LFL sales of seasonal products were down 2.8% while sales of non-seasonal products, including showroom, were also down 2.8%.

B&Q's click & collect is now available on over 33,000 products of which over 29,000 are available for 1 hour click & collect. Total digital sales, including home delivery, continued to make good progress with sales growing by 11% and now representing 4% of total sales.

Screwfix total sales increased by 16.7% (+10.1% LFL) to £1,515 million driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital growth (e.g. mobile +86%; click & collect +38%); and the continued roll out of new outlets. 60 net new outlets were opened, taking the total to 577. Our overall target is to have around 700 outlets in the UK.

FRANCE*

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	4,387	4,254	+3.1%	(3.0)%	(3.5)%
Retail profit	320	353	(9.5)%	(14.8)%	

Kingfisher France sales decreased by 3.0% (-3.5% LFL) to £4,387 million reflecting continuing weaker performance versus the market and the impact of transformation business disruption. According to Banque de France data*, sales for the home improvement market were up 0.7% however were volatile across the year.

Castorama total sales declined by 1.9% (-2.4% LFL) to £2,406 million. LFL sales of seasonal products were down 4.7% and sales of non-seasonal products, including showroom, were down 2.0%. **Brico Dépôt** total sales declined by 4.2% (-4.8% LFL) to £1,981 million. Across the two businesses, two net new stores opened and one store was revamped, adding 1% new space.

By the end of FY 18/19, our ONE Kingfisher plan will have renewed our customer proposition as over half of France's offer will be unified and unique. During FY 17/18, we have seen good customer feedback to our first unique ranges e.g. unique bathroom furniture ranges sales up 50% helping to drive 8% growth (excluding clearance) of unified and unique sales for the total bathroom and storage category in France. Some of the CPR benefits are being reinvested in price, supporting our goal of making home improvement more affordable for customers. Customer price positioning has improved compared to last year. In addition, we remain on track to complete the roll out of the unified IT platform in Castorama France in 2018. In January 2018 Castorama relaunched its website which will be followed shortly by the new mobile platform.

Retail profit decreased by 14.8% to £320 million, reflecting the weaker sales, broadly flat gross margins after price investment (-10 basis points) partly offset by continued focus on cost control.

OTHER INTERNATIONAL*

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,265	1,992	+13.7%	+3.5%	+2.0%

Retail profit				
Other International (established)	171	152	+12.2%	+3.3%
New Country Development*	(17)	(16)	n/a	n/a
Total	154	136	+13.1%	+3.9%

Other International total sales increased by 3.5% (+2.0% LFL) to £2,265 million. Retail profit increased by 3.9% to £154 million driven by Poland.

During the year, in Poland one new store was opened and one was relocated, and in Russia one store was closed. In November 2017 Kingfisher acquired 26 Praktiker Romania stores.

Other International (established):

Sales in **Poland** were up 6.3% (+5.3% LFL) to £1,384 million benefiting from a supportive market and strong performance from new ranges. LFL sales of seasonal products were up 0.7% with sales of non-seasonal products, including showroom up 6.0%. Gross margins were slightly up (+10 basis points). Retail profit grew by 8.0% to £170 million reflecting the sales growth and slightly higher gross margins.

In **Russia** sales decreased by 3.7% (-5.8% LFL) to £391 million. The business incurred an £8 million retail loss (2016/17: £1 million reported retail profit) reflecting a challenging environment. In **Spain** sales decreased by 4.8% (-3.2% LFL) to £316 million delivering a £2 million retail profit (2016/17: £2 million reported retail profit). In **Turkey**, Kingfisher's 50% JV, Koçtaş, contributed retail profit of £7 million (2016/17: £5 million reported retail profit).

New Country Development:

New Country Development comprises our operations in Romania, Portugal and Germany. Sales were £174 million with a retail loss of £17 million (2016/17: £16 million reported retail loss). Romania delivered a £3 million retail profit (2016/17: break even reported result) and Screwfix Germany made an £18 million retail loss (2016/17: £14 million reported retail loss) largely reflecting the annualisation of stores opened in the previous year. Further roll out of Screwfix Germany is on hold this year pending completion of the unified IT platform roll out.

Section 3: FY 18/19 Technical guidance

Employees, new stores and space growth:

	Employees (FTE) at 31 Jan 2018	Store Numbers at 31 Jan 2018	Sales area ⁽¹⁾ (000s m ²) at 31 Jan 2018	Net new stores FY 18/19	Space % change FY 18/19
B&Q UK & Ireland	17,099	296	2,210	-	-
Screwfix	7,857	577	37	50	+9%
UK & Ireland	24,956	873	2,247	50	-
Castorama	11,502	102	1,259	(1)	(1)%
Brico Dépôt	7,442	121	838	2	+2%
France	18,944	223	2,097	1	-
Poland	11,145	76	650	4	+5%
Portugal	176	3	20	-	-
Romania	2,532	38 ⁽²⁾	273 ⁽²⁾	-	-
Russia	3,061	20	201	2	+14%
Spain	1,578	28	175	-	-
Screwfix Germany	184	19	1	-	-
Other International	18,676	184	1,320	6	+5%
Total	62,576	1,280	5,664	57	+1%

⁽¹⁾ Screwfix sales area relates to the front of counter area of an outlet

⁽²⁾ Excludes 3 Praktiker Romania stores that will be closed

Income statement:

- Group gross margin to grow driven by unified & unique Offer CPR benefits net of some price reinvestment and clearance
- Underlying profit expected to include up to a further c.£30m operational efficiency benefits
- Total 5 year transformation costs £800m over 5 years to FY 20/21
 - Transformation P&L costs of c.£310m. FY 18/19 expected to be c.£130m
 - Transformation exceptional costs of c.£170m. FY 18/19 expected to be c.£50m
- Screwfix Germany retail losses expected to be c.£15m
- Central costs expected to be c.£50m
- Effective tax rate expected to be around 27%, subject to the blend of profit within the companies' various jurisdictions

Cash flow:

- Capital return of c.£600m by the end of FY 18/19 via share buyback (£460m completed to date)
- Total capex including transformation of up to £425m

Section 4: FY 17/18 Financial review

A summary of the reported financial results for the year ended 31 January 2018 is set out below:

	2017/18	2016/17	% Reported Change	% Constant Currency Change
Sales	£11,655m	£11,225m	+3.8%	(0.3)%
Gross margin	36.9%	37.2%	(30)bps	(20)bps
Retail profit	£849m	£847m	+0.3%	(3.6)%
Underlying pre-tax profit	£797m	£787m	+1.3%	
Transformation P&L costs ⁽¹⁾	£(114)m	£(44)m	n/a	
Adjusted pre-tax profit	£683m	£743m	(8.1)%	
Statutory pre-tax profit	£682m	£759m	(10.1)%	
Exceptional items (post-tax) ⁽¹⁾	-	£11m	n/a	
Effective tax rate	30%	26%	n/a	
Underlying basic earnings per share	25.5p	25.9p	(1.5)%	
Adjusted basic earnings per share	21.8p	24.4p	(10.7)%	
Basic earnings per share	22.1p	27.1p	(18.5)%	
Full year ordinary dividend	10.8p	10.4p	+4.0%	
Net cash	£68m	£641m		
Capital return - share buyback	£260m	£200m		

⁽¹⁾ Kingfisher separately reports exceptional items and transformation costs in order to calculate adjusted and underlying results, as it believes these measures provide additional useful information on underlying performance and trends

Total **sales** declined by 0.3% on a constant currency basis to £11.7 billion, with LFL sales down 0.7%. On a reported rate basis, which includes the impact of exchange rates, sales increased by 3.8%. During the year, sales growth benefited from 63 net new stores (excluding 26 Praktiker Romania stores that were acquired in November 2017), driven by 60 Screwfix outlet openings in the UK, offset by the annualisation impact of the completed B&Q store closure programme.

Gross margin was broadly flat as the benefits of CPR from unified and unique product were offset by clearance and some price investment.

Reported **retail profit** grew by 0.3% including £34 million of favourable foreign exchange movement on translating foreign currency results into sterling. In constant currencies retail profit declined by 3.6%, reflecting a decrease in profit in France, partly offset by an increase in profit in the UK and Poland and including £17 million of New Country Development losses. We continued to invest in the business and the transformation, we paid £231 million in cash dividends and repurchased a further £260 million of shares while maintaining a strong balance sheet.

Underlying pre-tax profit, which excludes the impact of transformation P&L costs, exceptional items and FFVR*, increased by 1.3%, to £797 million, slightly ahead of reported retail profit growth.

Adjusted pre-tax profit, which excludes the impact of exceptional items and FFVR, decreased by 8.1% to £683 million, reflecting £114 million of transformation P&L costs.

Statutory pre-tax profit, which includes the impact of transformation costs, exceptional items and FFVR, declined by 10.1% to £682 million.

A reconciliation from the underlying basis to the statutory basis for pre-tax profit is set out below:

	2017/18 £m	2016/17 £m	Increase
Retail profit	849	847	+0.3%
Central costs	(46)	(48)	
Share of interest and tax of joint ventures & associates	(4)	(5)	
Finance costs before exceptional items & financing fair value remeasurements (FFVR)	(2)	(7)	
Underlying pre-tax profit	797	787	+1.3%
Transformation P&L costs	(114)	(44)	
Adjusted pre-tax profit	683	743	(8.1)%
FFVR	(1)	(1)	
Profit before exceptional items and tax	682	742	(8.1)%
Exceptional items before tax	-	17	
Statutory pre-tax profit	682	759	(10.1)%

Transformation P&L costs of £114 million principally relate to the unified and unique offer range implementation and the digital strategic pillar. Range implementation activities principally comprise remerchandising work associated with introducing the unified and unique offer and incremental in-store labour costs and point of sale change. Digital transformation costs represent the initial revenue expenditure of investing in our core ecommerce platforms and in developing wider digital services to support customers' home improvement projects.

Exceptional items (post tax) resulted in a net nil impact (2016/17: £11 million gain) as transformation exceptional costs of £15m were offset by other exceptional gains of £15 million as detailed below:

	2017/18 £m Gain/(charge)	2016/17 £m Gain/(charge)
Transformation exceptional costs	(15)	(5)
UK & Ireland and Europe restructuring	12	15
Brico Dépôt Romania impairment reversal	2	-
Profit on disposal of B&Q China	-	3
Property disposals	1	4
Exceptional items before tax	-	17
Exceptional tax items	-	(6)
Net exceptional items	-	11

Transformation exceptional costs of £15m have been recorded in the year driven by people changes associated with restructuring in the UK and other costs relating to the Group's five-year transformation plan. These include the move of transactional processing activity from the UK to a shared service centre in Poland.

UK & Ireland and Europe restructuring - as previously announced, the total store rationalisation programme was originally expected to give rise to an exceptional charge of around £350 million, relating principally to onerous lease provisions. This was to cover the closure of 65 B&Q stores, which is now complete, and the closure of around 10 European loss-making stores, which remains ongoing. In Q1 2016/17, B&Q entered into a lease liability transaction with a third party to dispose of any remaining leases, the success of which is expected to result in a lower total net exceptional charge of around £300 million, having so far recognised £278 million.

In 2017/18 UK & Ireland and Europe restructuring was a £12m gain (2016/17: £15m net gain) principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

Taxation

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax territories. The effective tax rate (ETR), calculated on profit before exceptional items, prior year tax adjustments and the impact of future rate changes, was 30% (2016/17: 26%). The effective rate of tax is higher than the prior year mainly due to a one off 30% French tax surcharge, legislated to apply retrospectively for Kingfisher France in December 2017. This had the effect of increasing the French tax rate by 10% for the current year, equivalent to c.£20 million. At a Group level this surcharge increased the ETR by c.3%.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The effect of such items reduced the rate from 30% to 29%. This predominately reflects enacted rate reductions in France, due to have progressive effect from FY 2019/20, which have resulted in deferred tax credits in the year, partially offset by a net increase in prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired.

Effective tax rate calculation	Profit £m	Tax £m	2017/18 %	Profit £m	Tax £m	2016/17 %
Profit before tax and exceptional items	682	(204)	30%	742	(192)	26%
Exceptional items	-	-		17	(6)	
Prior year items	-	7		-	49	
Total – overall	682	(197)	29%	759	(149)	20%

During the year, and following an assessment by the French Tax Authority, the Group entered into a bank guarantee for €49 million in respect of a contingent tax liability, which we believe is unlikely to materialise. The Group is also monitoring developments in relation to a European Commission state aid investigation opened in October 2017, which concerns the UK's controlled foreign company rules. Further details are provided in note 13 of the full year condensed financial statements (part 2 of this announcement).

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

	Statutory tax rate 2018/19	Statutory tax rate 2017/18
UK	19%	19%
France	34%	44%
Poland	19%	19%

All earnings per share numbers below include the adverse impact of c.£20 million (0.9p per share) corporate tax surcharge in France, which is not expected to recur.

Underlying basic earnings per share decreased by 1.5% to 25.5p, which excludes the impact of transformation costs, exceptional items, FFVR and the effect of prior year tax items. **Adjusted basic earnings per share** decreased by 10.7% to 21.8p, which excludes the impact of exceptional items, FFVR and prior year tax items. **Basic earnings per share** decreased by 18.5% to 22.1p as set out below:

	2017/18		2016/17	
	Earnings £m	EPS pence	Earnings £m	EPS pence
Underlying basic earnings per share	558	25.5	584	25.9
Transformation P&L costs (net of tax)	(79)	(3.7)	(33)	(1.5)
Adjusted basic earnings per share	479	21.8	551	24.4
Net exceptional items	-	-	11	0.6
Prior year tax items	7	0.3	49	2.2
FFVR (net of tax)	(1)	-	(1)	(0.1)
Basic earnings per share	485	22.1	610	27.1

During 2017/18 82 million shares were returned to shareholders via share buyback, following a buyback of 58 million shares in the prior year.

Dividends and capital returns

The Board has proposed a final dividend of 7.49p which results in a full year dividend of 10.82p, an increase of 4% (2016/17: 10.4p). The full year dividend is covered 2.0 times by adjusted earnings (2016/17: 2.3 times). Excluding the impact of the £20 million corporate tax surcharge in France, which is not expected to recur, full year dividend cover is 2.1 times. We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times based on adjusted basic earnings per share, a level the Board believes is consistent with the capital needs of the business.

The final dividend will be paid on 18 June 2018 to shareholders on the register at close of business on 4 May 2018. 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 3 May 2018. For those shareholders electing to receive the DRIP the last date for receipt of election is 25 May 2018.

In January 2016 Kingfisher announced its intention to return around a further £600 million of surplus capital to shareholders during 2016/17 and the following two years. During 2017/18 £260 million (82 million shares) was returned to shareholders via share buyback in addition to the £200 million share buyback in 2016/17 (cumulatively £460 million).

Lease adjusted return on capital employed (ROCE)

Our key returns metric, leased adjusted ROCE declined by 210 basis points from 12.5% to 10.4% this year, reflecting our profit performance including the significant increase in transformation costs, the increase in the tax rate driven by a one-off tax surcharge in France and higher working capital. ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital Employed (CE) £bn	Proportion of Group CE %	ROCE 2017/18	ROCE 2016/17
UK & Ireland	5.0	43%	3.8	51%	13.5%	13.3%
France	4.4	38%	2.1	29%	10.1%	14.8%
Other International	2.3	19%	1.5	20%	10.4%	11.1%
Total	11.7		7.4		10.4%	12.5%

Free cash flow*

A reconciliation of free cash flow is set out below:

	2017/18 £m	2016/17 £m
Operating profit	685	773
Exceptional items	-	(23)
Operating profit (before exceptional items)	685	750
Other non-cash items ⁽¹⁾	285	295
Change in working capital	(372)	17
Pensions and provisions	(41)	(46)
Operating cash flow	557	1,016
Net interest paid	(1)	(7)
Tax paid	(182)	(144)
Gross capital expenditure	(368)	(406)
Free cash flow	6	459
Ordinary dividends paid	(231)	(230)
Share buyback	(260)	(200)
Share purchase for employee incentive schemes	(13)	(6)
Acquisition of Praktiker Romania (including net debt acquired)	(19)	-
Disposal of B&Q China (net of disposal costs)	-	63
Disposal of assets and other ⁽²⁾	(68)	(67)
Net cash flow	(585)	19
Opening net cash	641	546
Other movement including foreign exchange	12	76
Closing net cash	68	641

⁽¹⁾ Other non-cash items include 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⁾ Includes exceptional cash flow items (excluding property disposals), principally relating to B&Q closures

Net cash at the end of the period was £68 million (2016/17: £641 million).

Operating profit after exceptional items was £88 million lower than last year reflecting higher transformation costs.

The working capital outflow of £372 million was driven by higher stock levels. This reflects growth in new stores; changes to our operating model (as we start to control more of our end to end supply chain); the impact of foreign exchange movements; new unified and unique ranges including first time buy quantities and; new non-unified mitigation stock aimed at improving product availability for customers. Stock reduction plans are in place for FY 18/19 to reduce this mitigation stock.

Gross capital expenditure for the year was £368 million (2016/17: £406 million). Of this around 30% was invested on refreshing and maintaining existing stores, 21% on new stores, 23% on IT, 18% on the transformation and 8% on other areas including supply chain investment.

This resulted in free cash flow of £6 million. £491 million was returned to shareholders in the form of the ordinary dividend and share buybacks, an increase of £61 million on last year.

On 1 August 2017, the Group signed an agreement to purchase 100% of the shares in Praktiker Romania S.A., a Romanian home improvement company. Following regulatory approval, the transaction completed on 30 November 2017 for net consideration (including net debt) of £19 million.

Management of balance sheet and liquidity risk and financing

The Group finished the year with £68 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* is 2.4 times as at 31 January 2018 (1.8x at 31 January 2017). 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:

	2017/18 £m	2016/17 £m
Retail Profit	849	847
Central costs	(46)	(48)
Transformation P&L costs	(114)	(44)
Depreciation and Amortisation	254	253
EBITDA*	943	1,008
Property operating lease rentals	408	399
EBITDAR	1,351	1,407
Net cash	(68)	(641)
Property operating lease rentals (8x) ⁽¹⁾	3,264	3,192
Lease adjusted net debt	3,196	2,551
Lease adjusted net debt to EBITDAR	2.4	1.8

⁽¹⁾ 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 the economic and trading outlook into account, 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 medium term, 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 two committed facilities: £400 million that expires in November 2019 and £225 million that expires in March 2022. Both were undrawn at 31 January 2018. The next significant debt maturity is in May 2018 when the Group is required to repay US Private Placement debt with a notional value of \$179 million.

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

Pensions

At the year end, the Group had a net surplus of £99 million (2016/17: £131 million net surplus) in relation to defined benefit pension arrangements, of which a £214 million surplus (2016/17: £239 million surplus) was in relation to the UK scheme. The adverse movement is driven by actuarial losses on liabilities, due principally to a reduced discount rate used to measure the UK scheme liabilities. This accounting valuation is sensitive to various assumptions and market rates which are likely to fluctuate in the future.

During the year, the UK pension scheme purchased a second annuity for £209 million from a major insurance company. A similar transaction was undertaken in 2015/16 that targeted the top layer of

the scheme's pensioner liabilities. The second annuity targeted the next layer of the scheme's pensioner liabilities removing the longevity risk associated with these members. 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 2017 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 £3.5 billion at year end (2016/17: £3.4 billion).

	2017/18 £bn	2017/18 Yields	2016/17 £bn	2016/17 Yields
France	1.8	7.4%	1.7	7.6%
UK	0.8	6.1%	0.8	5.9%
Poland	0.6	7.7%	0.6	7.7%
Other	0.3	-	0.3	-
Total	3.5		3.4	

This is compared to the net book value of £2.8 billion (2016/17: £2.7 billion) recorded in the financial statements. Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

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:

	UK & Ireland	France	Poland
Retail Profit %	7.5%	7.3%	12.3%
Adjustment to Leasehold Basis	(0.9)%	(2.9)%	(3.2)%
Retail Profit % on Leasehold Basis	6.6%	4.4%	9.1%

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

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also termed non-GAAP measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. Included in the glossary below are the definitions and references to reconciliations to the IFRS measures of the various APMs used by the Group. Alternative performance measures are denoted by the symbol †.

Adjusted † measures are before exceptional items, FFVR, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax.

Adjusted pre-tax profit † is used to report the performance of the business at a Group level including both the benefits of our transformation programme and the associated costs. This is stated before exceptional items and FFVR. The exclusion of exceptional items and FFVR helps provide an indication of the Group's ongoing business performance. A reconciliation to statutory pre-tax profit is set out in the Financial Review (Section 4).

Banque de France data includes relocated and extended stores.

<http://webstat.banque-france.fr/en/browse.do?node=5384326>

Constant currency † changes in total sales, LFL sales and retail profit reflect the year on year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuation on the reported results.

CPR (cost price reduction) refers to the savings made on cost of goods sold.

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

EBITDA † (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central and transformation P&L 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 and transformation P&L costs, before depreciation and amortisation and property operating lease rentals. This measure is used in calculating the ratio of lease adjusted net debt to EBITDAR, to reflect the Group's leverage including capitalised leases which in accordance with current accounting standards do not appear on the balance sheet. A reconciliation from retail profit is set out in the Financial Review (Section 4).

Effective tax rate † is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing rate of tax. A reconciliation to the overall tax rate is set out in the Financial Review (Section 4).

Exceptional items † - the principal items which are included are: non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities;

profits and losses on the disposal of properties and impairment losses on non-operational assets; and the costs of significant restructuring, including certain restructuring costs of the Group's five-year transformation plan launched in 2016/17, and incremental acquisition integration costs.

FFVR † (financing fair value remeasurements) represents fair value fluctuations from financial instruments.

France consists of Castorama France and Brico Dépôt France.

Free cash flow † represents cash generated from operations (excluding exceptional items) less the amount spent on interest, tax and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes. A reconciliation from operating profit is set out in the Financial Review (Section 4).

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

Lease adjusted ROCE † - Post-tax retail profit less central costs and transformation costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business including capitalised leases. 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. This measure is used widely in the retail industry as an indicator of sales performance on a comparable basis.

Net cash † comprises cash and cash equivalents and short term deposits, less borrowings and financing derivatives (excluding accrued interest). A reconciliation to balance sheet amounts is provided in note 11 of the condensed financial statements (part 2 of this announcement).

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

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

Retail profit † is stated before central costs, transformation costs, exceptional items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the underlying performance of our retail businesses including the sustainable benefits of our transformation plan. A reconciliation to operating profit is provided in note 3 of the condensed financial statements (part 2 of this announcement).

Sales refer to Group sales excluding Joint Venture (Koçtaş JV) sales.

SKU (Stock Keeping Unit) is defined as 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.

Transformation costs † represent the additional costs of the ONE Kingfisher transformation programme launched in 2016/17. They comprise 'transformation exceptional costs', 'transformation P&L costs' (i.e. non-exceptional items) and 'transformation capex' (capital expenditure).

Transformation P&L † costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative.

Underlying pre-tax profit † is stated before transformation P&L costs, exceptional items and FFVR. The exclusion of transformation P&L costs (in addition to exceptional items and FFVR) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan. A reconciliation to statutory pre-tax profit is set out in the Financial Review (Section 4).

Unifying ranges means rationalising the number of global SKUs and suppliers whilst improving the quality and functionality for our customers and leveraging our scale. This generates cost price reduction and better prices for customers. Products are unified across the whole range; from selling the same product in all our markets to having some customer driven market adaptations where needed. Unified extends to our own exclusive brands alongside international and national brands.

Unique ranges relate to the development of our own product ranges that excite customers. These ranges are not available elsewhere and are always sold under our own exclusive brands. Instead of buying products off the shelf from suppliers, we are designing the ranges ourselves based on our deep customer insights.

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 your 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 2018. 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.

Consolidated income statement

Year ended 31 January 2018

£ millions	Notes	2017/18			2016/17		
		Before exceptional items	Exceptional items (note 4)	Total	Before exceptional items	Exceptional items (note 4)	Total
Sales	3	11,655	–	11,655	11,225	–	11,225
Cost of sales		(7,352)	–	(7,352)	(7,050)	–	(7,050)
Gross profit		4,303	–	4,303	4,175	–	4,175
Selling and distribution expenses		(2,863)	14	(2,849)	(2,758)	21	(2,737)
Administrative expenses		(782)	(15)	(797)	(687)	(5)	(692)
Other income		24	1	25	19	7	26
Share of post-tax results of joint ventures and associates		3	–	3	1	–	1
Operating profit		685	–	685	750	23	773
Finance costs		(19)	–	(19)	(21)	(6)	(27)
Finance income		16	–	16	13	–	13
Net finance costs	5	(3)	–	(3)	(8)	(6)	(14)
Profit before taxation		682	–	682	742	17	759
Income tax expense	6	(197)	–	(197)	(143)	(6)	(149)
Profit for the year		485	–	485	599	11	610

Earnings per share

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Basic	22.1p	27.1p
Diluted	22.0p	27.0p
Adjusted basic	21.8p	24.4p
Adjusted diluted	21.7p	24.3p
Underlying basic	25.5p	25.9p
Underlying diluted	25.4p	25.8p

Reconciliation of non-GAAP underlying and adjusted pre-tax profit:

Underlying pre-tax profit	797	787
Transformation costs before exceptional items	(114)	(44)
Adjusted pre-tax profit	683	743
Financing fair value remeasurements	(1)	(1)
Exceptional items	–	17
Profit before taxation	682	759

The proposed final dividend for the year ended 31 January 2018, subject to approval by shareholders at the Annual General Meeting, is 7.49p per share.

Consolidated statement of comprehensive income

Year ended 31 January 2018

£ millions	Notes	2017/18	2016/17
Profit for the year		485	610
Actuarial losses on post-employment benefits	9	(58)	(50)
Tax on items that will not be reclassified		16	11
Total items that will not be reclassified subsequently to profit or loss		(42)	(39)
Currency translation differences			
Group		84	390
Joint ventures and associates		(1)	(1)
Cash flow hedges			
Fair value (losses)/gains		(93)	52
Losses/(gains) transferred to inventories		20	(60)
Available-for-sale financial assets			
Fair value gains		-	5
Transferred to income statement		-	(7)
Tax on items that may be reclassified		12	2
Total items that may be reclassified subsequently to profit or loss		22	381
Other comprehensive (loss)/income for the year		(20)	342
Total comprehensive income for the year		465	952

Consolidated statement of changes in equity

Year ended 31 January 2018

Attributable to equity shareholders of the Company

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	Total equity
At 1 February 2017		352	2,221	(23)	3,837	22	362	6,771
Profit for the year		–	–	–	485	–	–	485
Other comprehensive (loss)/ income for the year		–	–	–	(42)	–	22	(20)
Total comprehensive income for the year		–	–	–	443	–	22	465
Share-based compensation		–	–	–	8	–	–	8
New shares issued under share schemes		1	7	–	–	–	–	8
Own shares issued under share schemes		–	–	7	(7)	–	–	–
Purchase of own shares for cancellation		(13)	–	–	(260)	13	–	(260)
Purchase of own shares for ESOP trust		–	–	(13)	–	–	–	(13)
Dividends	8	–	–	–	(231)	–	–	(231)
At 31 January 2018		340	2,228	(29)	3,790	35	384	6,748
At 1 February 2016		361	2,218	(24)	3,637	13	(19)	6,186
Profit for the year		–	–	–	610	–	–	610
Other comprehensive (loss)/ income for the year		–	–	–	(39)	–	381	342
Total comprehensive income for the year		–	–	–	571	–	381	952
Share-based compensation		–	–	–	15	–	–	15
New shares issued under share schemes		–	3	–	–	–	–	3
Own shares issued under share schemes		–	–	7	(6)	–	–	1
Purchase of own shares for cancellation		(9)	–	–	(150)	9	–	(150)
Purchase of own shares for ESOP trust		–	–	(6)	–	–	–	(6)
Dividends	8	–	–	–	(230)	–	–	(230)
At 31 January 2017		352	2,221	(23)	3,837	22	362	6,771

Consolidated balance sheet

At 31 January 2018

£ millions	Notes	2017/18	2016/17
Non-current assets			
Goodwill		2,437	2,399
Other intangible assets		355	308
Property, plant and equipment		3,736	3,589
Investment property		20	24
Investments in joint ventures and associates		25	23
Post-employment benefits	9	214	239
Deferred tax assets		30	28
Derivative assets		–	54
Other receivables		8	8
		6,825	6,672
Current assets			
Inventories		2,701	2,173
Trade and other receivables		550	551
Derivative assets		41	36
Current tax assets		–	6
Cash and cash equivalents		230	795
		3,522	3,561
Total assets		10,347	10,233
Current liabilities			
Trade and other payables		(2,666)	(2,495)
Borrowings		(140)	(14)
Derivative liabilities		(79)	(26)
Current tax liabilities		(140)	(141)
Provisions		(25)	(63)
		(3,050)	(2,739)
Non-current liabilities			
Other payables		(61)	(50)
Borrowings		(36)	(184)
Deferred tax liabilities		(264)	(282)
Provisions		(73)	(99)
Post-employment benefits	9	(115)	(108)
		(549)	(723)
Total liabilities		(3,599)	(3,462)
Net assets		6,748	6,771
Equity			
Share capital		340	352
Share premium		2,228	2,221
Own shares held in ESOP trust		(29)	(23)
Retained earnings		3,790	3,837
Capital redemption reserve		35	22
Other reserves		384	362
Total equity		6,748	6,771

The financial statements were approved by the Board of Directors on 20 March 2018 and signed on its behalf by:

Véronique Laury
 Chief Executive Officer

Karen Witts
 Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2018

£ millions	Notes	2017/18	2016/17
Operating activities			
Cash generated by operations	10	475	925
Income tax paid		(182)	(144)
Net cash flows from operating activities		293	781
Investing activities			
Purchase of property, plant and equipment and intangible assets		(368)	(406)
Purchase of businesses, net of cash acquired	12	(12)	–
Disposal of property, plant and equipment, investment property and intangible assets		6	20
Disposal of B&Q China		–	63
Decrease in short-term deposits		–	70
Interest received		11	5
Net cash flows used in investing activities		(363)	(248)
Financing activities			
Interest paid		(10)	(10)
Interest element of finance lease rental payments		(2)	(2)
Repayment of bank loans		(7)	(2)
Repayment of fixed term debt		–	(47)
Receipt on financing derivatives		–	10
Capital element of finance lease rental payments		(11)	(12)
New shares issued under share schemes		8	3
Own shares issued under share schemes		–	1
Purchase of own shares for ESOP trust		(13)	(6)
Purchase of own shares for cancellation		(260)	(200)
Ordinary dividends paid to equity shareholders of the Company		(231)	(230)
Net cash flows from financing activities		(526)	(495)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts			
		(596)	38
Cash and cash equivalents and bank overdrafts at beginning of year		795	654
Exchange differences		31	103
Cash and cash equivalents and bank overdrafts at end of year	11	230	795

Notes

1 General information

Kingfisher plc ('the Company'), its subsidiaries, joint ventures and associates (together 'the Group') supply home improvement products and services through a network of retail stores and other channels, located mainly in the United Kingdom and continental Europe.

The Company is incorporated in England, United Kingdom, and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

2 Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January. The current financial year is the calendar year ended 31 January 2018 ('the year' or '2017/18'). The comparative financial year is the calendar year ended 31 January 2017 ('the prior year' or '2016/17').

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 January 2018.

The condensed financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute statutory financial statements for the year ended 31 January 2018, but are derived from those statements. Statutory financial statements for 2016/17 have been filed with the Registrar of Companies and those for 2017/18 will be filed in due course. The Group's auditors have reported on both years' accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed financial information has been abridged from the 2017/18 statutory financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented. The condensed financial information has been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2017, as described in note 2 of those financial statements.

Principal rates of exchange against Sterling

	2017/18		2016/17	
	Average rate	Year end rate	Average rate	Year end rate
Euro	1.14	1.14	1.21	1.16
US Dollar	1.30	1.42	1.34	1.26
Polish Zloty	4.83	4.75	5.28	5.03
Russian Rouble	75.53	79.74	87.98	75.72

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, underlying pre-tax profit, adjusted pre-tax profit, effective tax rate, underlying earnings per share and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net cash, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'transformation costs', 'underlying', 'adjusted', 'effective tax rate' and 'net cash' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group's share of interest and tax of joint ventures and associates, transformation costs and exceptional items. It includes the sustainable benefits of the transformation plan. Central costs principally comprise the costs of the Group's head office before transformation costs.

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's ongoing business performance. The principal items which are included as exceptional items are:

- non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities;
- profits and losses on the disposal of properties and impairment losses on non-operational assets; and
- the costs of significant restructuring, including certain restructuring costs of the Group's five-year transformation plan launched in 2016/17, and incremental acquisition integration costs.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

The term 'underlying' refers to the relevant adjusted measure being reported before non-exceptional transformation costs. Non-exceptional transformation costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they are incurred are not considered as exceptional items. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative. The separate reporting of such costs (in addition to exceptional items) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.

The effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing rate of tax.

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

3 Segmental analysis

Income statement

	2017/18				
£ millions	UK & Ireland	France	Other International		Total
			Poland	Other	
Sales	5,003	4,387	1,384	881	11,655
Retail profit	375	320	170	(16)	849
Central costs					(46)
Share of interest and tax of joint ventures and associates					(4)
Transformation costs before exceptional items					(114)
Operating profit					685
Net finance costs					(3)
Profit before taxation					682

	2016/17				
£ millions	UK & Ireland	France	Other International		Total
			Poland	Other	
Sales	4,979	4,254	1,191	801	11,225
Retail profit	358	353	144	(8)	847
Central costs					(48)
Share of interest and tax of joint ventures and associates					(5)
Transformation costs before exceptional items					(44)
Exceptional items					23
Operating profit					773
Net finance costs					(14)
Profit before taxation					759

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive, representing the geographical areas in which the Group operates. The Group only has one business segment being the supply of home improvement products and services.

The 'Other International' segment consists of Poland, Spain, Portugal, Germany, Russia, Romania and the joint venture Koçtaş in Turkey. Poland has been shown separately due to its significance.

Central costs principally comprise the costs of the Group's head office before transformation costs.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic pillar, with £42m (2016/17: £19m) included within selling and distribution expenses and £72m (2016/17: £25m) included within administrative expenses.

4 Exceptional items

£ millions	2017/18	2016/17
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	12	21
Brico Dépôt Romania impairment reversal	2	–
	14	21
Included within administrative expenses		
Transformation exceptional costs	(15)	(5)
	(15)	(5)
Included within other income		
Profit on disposal of properties	1	4
Profit on disposal of B&Q China	–	3
	1	7
Included within net finance costs		
UK & Ireland and continental Europe restructuring	–	(6)
	–	(6)
Exceptional items before tax	–	17
Tax on exceptional items	–	(6)
Exceptional items	–	11

Current year exceptional items include a £12m credit principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

In the prior year, a net credit of £21m was recognised relating principally to savings on B&Q store exit costs, offset by store asset impairments relating to the closure of loss-making stores in continental Europe. In addition, a £6m exceptional interest charge relating to the reduction in discount rate used to measure the overall UK restructuring provision was recognised.

A £2m impairment reversal has been recognised in the current year relating to the reversal of store impairments (previously charged to exceptional items in 2015/16) in the Brico Dépôt Romania business, as a result of a sustained improvement in the performance of those stores.

Transformation exceptional costs of £15m have been recorded in the year driven by people changes associated with restructuring in the UK and other costs relating to the Group's five-year transformation plan. These include the move of transactional processing activity from the UK to a shared service centre in Poland.

In the prior year, a profit of £3m was recognised on disposal of the Group's remaining 30% stake in B&Q China.

5 Net finance costs

£ millions	2017/18	2016/17
Bank overdrafts and bank loans	(10)	(10)
Fixed term debt	(2)	(2)
Finance leases	(2)	(2)
Financing fair value remeasurements	(1)	(1)
Unwinding of discount on provisions	(1)	(7)
Capitalised interest	2	-
Other interest payable	(5)	(5)
Finance costs	(19)	(27)
Cash and cash equivalents and short term deposits	8	6
Net interest income on defined benefit pension schemes	5	7
Other interest income	3	-
Finance income	16	13
Net finance costs	(3)	(14)

In the prior year, the £7m charge relating to the unwinding of discount on provisions included a £6m exceptional finance charge relating to the reduction in discount rate used to measure the overall UK restructuring provision.

6 Income tax expense

£ millions	2017/18	2016/17
UK corporation tax		
Current tax on profits for the year	(32)	(66)
Adjustments in respect of prior years	(8)	10
	(40)	(56)
Overseas tax		
Current tax on profits for the year	(152)	(155)
Adjustments in respect of prior years	(2)	(11)
	(154)	(166)
Deferred tax		
Current year	(20)	22
Adjustments in respect of prior years	1	16
Adjustments in respect of changes in tax rates	16	35
	(3)	73
Income tax expense	(197)	(149)

The effective tax rate on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 30% (2016/17: 26%). The increase in the effective tax rate is largely due to a one off French tax surcharge in 2017/18. Tax on exceptional items for the year amount to a charge of £nil. In 2016/17, tax on exceptional items amounted to a charge of £6m, including a credit of £1m relating to prior year items.

7 Earnings per share

	2017/18			2016/17		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share Pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
Basic earnings per share	485	2,192	22.1	610	2,256	27.1
Effect of dilutive share options	–	9	(0.1)	–	7	(0.1)
Diluted earnings per share	485	2,201	22.0	610	2,263	27.0
Basic earnings per share	485	2,192	22.1	610	2,256	27.1
Exceptional items before tax	–		–	(17)		(0.8)
Tax on exceptional and prior year items	(7)		(0.3)	(43)		(2.0)
Financing fair value remeasurements	1		–	1		0.1
Adjusted basic earnings per share	479	2,192	21.8	551	2,256	24.4
Transformation costs before exceptional items	114		5.2	44		2.0
Tax on transformation costs before exceptional items	(35)		(1.5)	(11)		(0.5)
Underlying basic earnings per share	558	2,192	25.5	584	2,256	25.9
Diluted earnings per share	485	2,201	22.0	610	2,263	27.0
Exceptional items before tax	–		–	(17)		(0.8)
Tax on exceptional and prior year items	(7)		(0.3)	(43)		(2.0)
Financing fair value remeasurements	1		–	1		0.1
Adjusted diluted earnings per share	479	2,201	21.7	551	2,263	24.3
Transformation costs before exceptional items	114		5.2	44		2.0
Tax on transformation costs before exceptional items	(35)		(1.5)	(11)		(0.5)
Underlying diluted earnings per share	558	2,201	25.4	584	2,263	25.8

Basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders of the Company by the weighted average number of shares in issue during the year, excluding those held in the Employee Share Ownership Plan Trust ('ESOP') which for the purpose of this calculation are treated as cancelled.

For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where both the exercise price is less than the average market price of the Company's shares during the year and any related performance conditions have been met.

8 Dividends

£ millions	2017/18	2016/17
Dividends to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2018 of 3.33p per share (year ended 31 January 2017: 3.25p per share)	72	73
Ordinary final dividend for the year ended 31 January 2017 of 7.15p per share (year ended 31 January 2016: 6.92p per share)	159	157
	231	230

The proposed final dividend for the year ended 31 January 2018 of 7.49p per ordinary share (amounting to £162m, based on the issued share capital at year end) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

9 Post-employment benefits

£ millions	2017/18			2016/17		
	UK	Overseas	Total	UK	Overseas	Total
Net surplus/(deficit) in schemes at beginning of year	239	(108)	131	246	(87)	159
Current service cost	(2)	(9)	(11)	(2)	(7)	(9)
Administration costs	(4)	–	(4)	(4)	–	(4)
Net interest income/(expense)	7	(2)	5	9	(2)	7
Net actuarial (losses)/gains	(62)	4	(58)	(46)	(4)	(50)
Contributions paid by employer	36	2	38	36	2	38
Exchange differences	–	(2)	(2)	–	(10)	(10)
Net surplus/(deficit) in schemes at end of year	214	(115)	99	239	(108)	131
Present value of defined benefit obligations	(3,002)	(134)	(3,136)	(2,999)	(126)	(3,125)
Fair value of scheme assets	3,216	19	3,235	3,238	18	3,256
Net surplus/(deficit) in schemes	214	(115)	99	239	(108)	131

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis.

A key assumption in valuing the pension obligations is the discount rate. Accounting standards require this to be set based on market yields on high quality corporate bonds at the balance sheet date. The UK scheme discount rate is derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality Sterling corporate bonds with the same duration as that of the scheme liabilities.

The principal financial assumptions for the UK scheme are as follows:

Annual % rate	2017/18	2016/17
Discount rate	2.5	2.7
Price inflation	3.4	3.6

For the UK scheme, the mortality assumptions used have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The assumptions for life expectancy of UK scheme members are as follows:

Years	2017/18	2016/17
Age to which current pensioners are expected to live (60 now)		
- Male	87.2	87.1
- Female	88.9	88.8
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	88.4	88.3
- Female	90.8	90.7

The following sensitivity analysis for the UK scheme shows the estimated impact on the obligation resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £333m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £266m
Mortality	Increase in life expectancy by one year	Increase by £99m

10 Cash generated by operations

£ millions	2017/18	2016/17
Operating profit	685	773
Share of post-tax results of joint ventures and associates	(3)	(1)
Depreciation and amortisation	254	253
Net impairment losses	1	14
Loss on disposal of property, plant and equipment and investment property	2	4
Profit on disposal of B&Q China	–	(3)
Share-based compensation charge	8	15
Increase in inventories	(473)	(46)
Decrease in trade and other receivables	12	62
Increase in trade and other payables	87	4
Movement in provisions	(75)	(125)
Movement in post-employment benefits	(23)	(25)
Cash generated by operations	475	925

11 Net cash

£ millions	2017/18	2016/17
Cash and cash equivalents	230	795
Bank loans	(6)	(9)
Fixed term debt	(125)	(147)
Financing derivatives	14	44
Finance leases	(45)	(42)
Net cash	68	641

£ millions	2017/18	2016/17
Net cash at beginning of year	641	546
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	(596)	38
Decrease in short term deposits	–	(70)
Repayment of bank loans	7	2
Repayment of fixed term debt	–	47
Receipt on financing derivatives	–	(10)
Capital element of finance lease rental payments	11	12
Cash flow movement in net cash	(578)	19
Borrowings acquired	(7)	–
Exchange differences and other non-cash movements	12	76
Net cash at end of year	68	641

12 Acquisitions

On 30 November 2017, the Group obtained control of Praktiker Romania S.A. ("Praktiker") by acquiring 100% of its share capital for a consideration of £14m, all of which comprised cash. Praktiker is a home improvement retailer operating 26 stores across Romania and was acquired to strengthen the Group's position in Romania.

Goodwill of £36m has been recognised on provisional net liabilities acquired of £22m, representing a strategic premium to strengthen the Group's position in Romania and anticipated synergies that will arise from the acquisition. None of this goodwill is expected to be deductible for income tax purposes.

£ millions	
Provisional fair value amounts recognised of identifiable assets acquired and liabilities assumed	
Other intangible assets	1
Property, plant and equipment	9
Inventories	31
Trade and other receivables	6
Cash and cash equivalents	2
Trade and other payables	(56)
Borrowings	(7)
Provisions	(8)
Total identifiable net liabilities acquired	(22)
Goodwill	36
Total consideration	14

The acquisition amounts recorded in the consolidated cash flow statement for the year are:

£ millions	
Cash consideration	(14)
Cash acquired	2
Purchase of businesses, net of cash acquired	(12)

Immediately following the acquisition, Kingfisher settled Praktiker's bank loans of £4m (included within "Repayment of bank loans" in the consolidated cash flow statement).

Owing to local conditions, Praktiker prepares its financial statements to 31 December. In the period from 30 November 2017 to 31 December 2017, it contributed sales of £8m and a retail loss of £1m. If the acquisition had occurred at the start of the financial year, the Group's sales would have been £11,760m and Group's operating profit, after exceptional items, would have been £676m for the year ended 31 January 2018.

13 Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £43m (2016/17: £1m) could crystallise due to possible future events not wholly within the Group's control.

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

The Group files tax returns in many jurisdictions around the world and at any one time, is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

Included within these audits is a dispute with the French Tax Authority regarding the treatment of interest paid since the 2010 year end, where additional French tax of €49m (£43m) has been assessed and for which a bank guarantee is now in place. At the balance sheet date, interest and penalties of €49m (£43m) would be due on this assessment if not challenged successfully. Having taken external professional advice, the Group disagrees with the assessment and intends to defend its position through the courts. The Group does not consider it necessary to make provision for the amounts assessed at the current time, nor for any potential further amounts which may be assessed for subsequent years.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. Along with many other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. The Group does not currently consider any provision is required in relation to EU State Aid.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the final outcome of these contingent liabilities to have a material effect on the Group's financial position.

14 Events after the balance sheet date

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group's transformation plan. This is expected to result in an exceptional cost of around £35m.