EMBARGOED UNTIL 0700 HOURS
Wednesday 4 June 2008

Kingfisher plc
Q1 trading update for the 13 weeks ended 3 May 2008

Group Financial Summary

	Retail Sales *(1)* 2008/09 £m	% Total Change (Reported)	% Total Change (Constant currency)	% LFL Change	Retail Profit *(2)* 2008/09 £m	% Total Change (Reported)	% Total Change (Constant currency)
UK *(3)*	1,131	(3.0)%	(3.0)%	(7.9)%	33	(8.5)%	(8.5)%
France *(4)*	897	17.3%	2.7%	(1.5)%	43	9.4%	(4.2)%
Other International *(5)*	462	27.4%	9.2%	1.2%	20	52.8%	11.8%
Total Group	**2,490**	**8.6%**	**1.1%**	**(4.1)%**	**96**	**8.9%**	**(2.8)%**

(1) Joint Venture (JV) and Associate sales are not consolidated.
(2) Retail profit is stated before central costs, exceptional items, acquisition intangibles amortisation and share of joint venture and associate interest and tax.
(3) B&Q, Screwfix and Trade Depot.
(4) Castorama and Brico Dépôt.
(5) Poland, China, Italy, Spain, Ireland, Russia, Turkey JV and Hornbach. South Korea and Taiwan JV included in comparatives only.
All trading commentary below is in constant currencies.

- Outdoor seasonal product sales were sharply down on last year across most of Europe due to an early Easter and poor weather, contrasting with last year's boost from a warm spring;
- In the UK, B&Q's revamped stores and new products performed well and a further six large stores were revamped. Although sales were weak, gross margin was up nearly 300 basis points, around half of which reflected lower mark downs with the remainder being timing benefits which are expected to reverse across the year. The successful Screwfix trade counter roll-out continued;
- In France, Kingfisher grew sales and improved gross margin although retail profit was marginally down reflecting slower seasonal sales;
- In Eastern Europe, our businesses in Poland and Russia continued to grow strongly;
- B&Q China's management team has been strengthened and a turnaround plan instigated to return the business to profitability next year;
- As at 3 May 2008 net debt was £1.5 billion (2 February 2008: £1.6 billion) and net assets were £4.9 billion (2 February 2008: £4.7 billion);
- Under the new Group Chief Executive new targets and incentives are in place and new operational priorities established to unlock the Group's full potential value for shareholders.

Ian Cheshire, Group Chief Executive, said:

"As anticipated, trading remained very tough, especially in the UK, and the poor weather was unhelpful for sales of outdoor products. Sales of indoor products, including higher ticket, project related categories, held up well despite the unfavourable consumer backdrop. Against this backdrop, we have taken vigorous action to improve margins and control costs.

“In a busy first quarter, we have reworked our 2008 budgets to reduce our reliance on sales growth in what could be a challenging year, and put in place an overall plan with a clear target for the next three years. Some elements, notably at B&Q and on working capital, are already underway. We will have a full team and completed all plans in detail in time for the interim results in September, but today we can share the key seven steps, as well as some specific targets and actions which are already underway. Our focus will remain on delivering a step-change in shareholder value.”

Future Direction – update on progress in Q1

Following the appointment of Ian Cheshire as Group Chief Executive at the end of the last financial year, the new management team has been taking the necessary actions to unlock the true potential for shareholders from the Group’s assets. The pace of change under the new leadership team has been fast and good progress has been made with the three themes announced at the preliminary results as follows:

Management

The historical decentralised management structure has been replaced with a new Retail Board with collective responsibility for overall Group success. This board, which comprises the Group CEO, CFO, the three retail divisional heads and key functional heads (eg Group Commercial), meets monthly to monitor business performance and agree actions to achieve delivery of financial and operational objectives.

Leaders have now been appointed for two of the three newly created retail divisions (Philippe Tible for France and Euan Sutherland for the UK) with the third position (Other International) expected to be announced shortly. Within France, Guy Colleau and Philippe Blanc have been appointed to lead Castorama France and Brico Dépôt France respectively.

New elements to the share-based long-term incentive plan have been introduced consistent with the aim of delivering a step-change in shareholder value. The plan awards shares for achievement of exceptional Total Shareholder Returns (TSR) and earnings growth for the Group over the next three and four years respectively.

Capital

New spending limits and a more rigorous approval process have been introduced. This year’s gross level of capital investment will be around £400 million (on a constant currency basis), 20% lower than last year. Investment return hurdle rates needed to secure new capital have been increased and a new requirement to achieve +20% return on new investment by year three is now in place to prioritise higher and faster returning projects. The Group Chief Executive chairs the Capital Investment Committee. A full review is underway of existing capital, including opportunities for improving returns on the £3.6 billion property portfolio.

A new target for flat net debt in 2008/09 (at last year end’s exchange rates) has also been introduced as the lead financial target for senior management bonuses this year.

Returns

Starting with 2008/09, the Retail Board has reviewed and reworked the Group's internal annual budget. Whilst targets for earnings, ROCE and net debt remain unchanged, anticipated sales growth has been reduced and targets for improved gross margin percentage and cost savings introduced.

Simplified weekly and monthly management information has been developed to enable the Retail Board to monitor and challenge business performance across the Group and a standard financial and operational KPI scorecard is under development.

A similar review process has been completed for the 2009 to 2012 period to ensure significant earnings and ROCE growth targets are underpinned by actual operational 'bottom up' plans.

'Delivering Value'

This review has enabled the leadership team to define the seven major steps which we have internally branded 'Delivering Value', which will drive the step-change in shareholder value. These are:

1. Driving up B&Q's profit
2. Exploiting our UK Trade opportunity
3. Expanding our total French business
4. Rolling out in Eastern Europe
5. Turning around B&Q China
6. Growing Group sourcing
7. Reducing working capital

1. Driving up B&Q's profit

Profit recovery in the UK will be the largest single driver of improving shareholder value. In 2007/08 B&Q's operating margin was 3.3% on sales and management plan to grow this to 7% through a combination of sales density improvements, improved gross margins and lower operating cost ratios.

The renewal of B&Q is already well underway and the roll out of new products, better service and an improved store environment are working. Around 20 large store revamps are currently planned in 2008/09, two new large stores, one new medium store, 18 medium store revamps and relocations and one large store downsize. Overall space growth is expected to be around 1%. Around 30% of the Group's annual capital investment will be allocated to B&Q in the UK in 2008/09.

In addition to the continuing renewal programme, which will primarily drive the sales line, detailed category plans are in place to improve gross margins and targets established to minimise cost growth.

2. Exploiting our UK Trade opportunity

Kingfisher currently operates three brands in the UK trade market – B&Q, Screwfix and Trade Depot. Our trade business is growing and makes healthy profits and returns but our share of this fragmented market remains low. One of Euan Sutherland's first priorities on joining later this month will be to develop a co-ordinated approach to accelerate our profitable growth in this market segment.

3. Expanding our total French business

In France Kingfisher has two strong businesses that in aggregate have consistently been taking market share for the last five years. Philippe Tible, previously CEO of Castorama France, has taken up his new role as CEO Kingfisher France and we have also appointed two strong operational retailers to run the individual brands. Phillippe is currently examining the potential benefits from more co-ordination of the two brands, including greater joint French sourcing and tactical store expansion.

In 2008/09 a further four Castorama store revamps, two store relocations and one new store are planned. Nine new Brico Dépôts will also open. In total, space in France will increase by 5% in 2008/09 and around 30% of the Group's annual capital investment will be allocated to France.

4. Rolling out in Eastern Europe

Kingfisher currently has three key market positions in Eastern Europe, a large and profitable business in Poland and two smaller but fast-developing businesses in Russia and Turkey (50% JV with Koç Group in Turkey). Each are capitalising on faster growing markets than Western Europe and store expansion in these markets will continue at pace. Kingfisher currently operates 65 stores across Eastern Europe delivering £84 million Group profit in 2007/08. Kingfisher is now targeting to open around 80 stores in these three countries over the next four years, more than doubling current store space, starting with nine in Poland, three in Russia and eight in Turkey in 2008/09. Around 20% of annual capital investment will be allocated to Eastern Europe. Entry into other markets in Eastern Europe will be kept under review.

5. Turning around B&Q China

China remains an important market opportunity for Kingfisher and we have built a leading position, but without delivering the consistent returns we need. The disappointing performance last year was largely due to short-term market factors, principally new supplier and property transaction regulations.

However, following a review of the business, we have concluded that after several years of rapid growth B&Q China now needs a period of consolidation to strengthen the business and the customer offer before resuming expansion. Some stores in the smaller, non-core cities are making significant losses and need to be closed or downsized. Furthermore, the economic returns from a number of other stores would benefit from downsizing to increase sales densities and eliminate cost.

Accordingly, five stores, which in total lost £5 million in 2007/08, will close and three stores will be downsized this year. Further store downsizes are planned over the following years. As previously announced, the total cost of this programme over the next four years is expected to be £33 million in total, (around 10% of the total capital investment in China) with a cash cost this year of £9 million.

The local management has been strengthened to ensure the business achieves its profit turnaround and growth potential. Matt Tyson, 24 years at Kingfisher and most recently Stores Director at B&Q will become CEO of B&Q Asia this autumn. He will work closely with Mariusz Gliwinski who became B&Q China CEO last year after three years as CEO B&Q Taiwan.

In addition, Joe Riordon, 10 years at Kingfisher including format development at B&Q and Castorama in France, has been appointed to lead the format development programme with immediate effect, supported on a short-term basis by a small team drawn from across the Group. Gavin Keane, 13 years at Kingfisher and most recently General Manager of Kingfisher's Shanghai sourcing office, has been appointed as Commercial Director from July. A new local CFO, Thurston Tzeng, has also been appointed.

The immediate target for China is to return to annual profit in 2009/10.

6. Growing Group sourcing

Group sourcing currently provides a source of new, exclusive products and purchasing savings. Momentum behind this valuable Group activity will benefit from the new, more collective way of working and new, more stretching targets. Effort will be spread across fewer categories and prioritised where cash margin gains are highest and most achievable in practice. For example, joint sourcing between B&Q UK and Castorama France, where there is the greatest overlap in product range, will be a key priority, as will direct sourcing. This is now targeted to double over the next four years to $1.6 billion at cost, with certain ranges being prioritised including bathrooms and flooring.

7. Reducing working capital

A centrally-led project team has started to develop a detailed working capital reduction plan across the Group, with the objective of a £100 million reduction from current 2008 plans. To achieve this we will be looking at all aspects of inventory, debtor and creditor management. Over the three year plan we will be targeting clear improvements across all operating units, especially where growth plans are absorbing significant net working capital.

UK

Retail sales £m	2008/09	2007/08	Reported % Change	% LFL Change
UK	1,131	1,166	(3.0)%	(7.9)%

Retail profit £m	2008/09	2007/08	Reported % Change
UK	33	35	(8.5)%

UK includes B&Q in the UK, Screwfix and Trade Depot.

B&Q aims to grow its share of home improvement expenditure by strengthening its appeal to both the Do-It-Yourself (DIY) and Do-it-For-Me (DFM) customer. During Q1 B&Q progressed with its renewal programme, which includes updating product ranges and improving its store environment and in-store service.

Total sales declined 5.8% to £997 million (-8.1% LFL) primarily reflecting unfavourable spring weather that impacted sales of outdoor products, down almost 40%. This was in contrast to the first quarter last year (2007/08: +5.9% LFL) which was boosted by warm weather and a later Easter. Sales of indoor products, including higher ticket project areas were up, (+1.7% LFL) despite the weak consumer backdrop.

Last year's updated ranges of wall and window coverings, kitchens and bedrooms performed particularly well, as did more recently updated indoor lighting ranges. A trade discount card, initially trialled successfully in Scotland last year, was rolled out nationwide during April, entitling cardholders to product and volume-based rebates.

Retail profit was £29 million (2007/08: £33 million). Reported gross margins were up nearly 300 basis points. Around half of the increase reflects the lower mark down activity and sales of higher margin products, which started in Q3 last year. The remainder is due to the mix effect of weaker sales of lower margin outdoor seasonal products and the timing of supplier rebates, both of which are expected to reverse across the year.

Results from the new format large stores continued to be encouraging, with 45 now trading. Six large store revamps were completed in Q1 with one new store opening, and the next phase of eight revamps will start at the end of Q2. In addition, five medium stores were revamped. B&Q now has 118 large stores (45 in the modern format) and 205 medium stores (of which 157 have been modernised). Around 60 large stores are expected to be trading in the new format by the year end.

Screwfix total sales grew 23.6% to £127 million, driven by the continued roll out of trade counters with a further 24 outlets opening taking the total to 117. Trade counters now represent over half of total sales. A further 21 are planned for the rest of the year. Retail profit increased 17.1%, driven by the increased sales and fulfilment efficiency gains offset by an accelerated trade counter opening programme.

Trade Depot, which targets the general builder and specialist trade customer, opened two stores, taking the total trading to eight.

FRANCE

Retail sales £m	2008/09	2007/08	% Change (Reported)	% Change (Constant)	% LFL Change
France	897	765	17.3%	2.7%	(1.5)%

Retail profit £m	2008/09	2007/08	% Change (Reported)	% Change (Constant)
France	43	40	9.4%	(4.2)%

France includes Castorama and Brico Dépôt.
2008/09 £1 = 1.2932 euro (2007/08 £1 = 1.4775 euro)
All trading commentary below is in constant currencies.

In France, Kingfisher's total sales grew 2.7% to £897 million (-1.5% LFL). Banque de France data shows that comparable DIY store sales* declined by around 2.4%, and on this same basis Kingfisher's businesses outperformed the market by delivering a comparable sales decline of 0.4% (on the same basis as Banque de France), despite disruption from store revamps. Across the two businesses, 5% of new space is expected to be added by the year end. Excluding seasonal categories; like for like sales growth would have been slightly up year on year.

Retail profit of £43 million was marginally down compared to the same period last year reflecting the weaker sales environment. Gross margins were slightly up due to higher own-brand sales penetration and an improved sales mix across both businesses.

**Banque de France data including relocated and extended stores*

Castorama total reported sales grew by 2.4% to £489 million (+1.1% LFL, +2.2% on a comparable store basis) with bathroom, tiling and flooring ranges performing well, supported by two new catalogues. Stores trading in the new format, representing 46% of total selling space, continue to outperform.

One new generation store opened during Q1, in the central Parisian business district, La Défense, focussing on a more decorative offer. Two revamps and one relocation were also completed during Q1, with a further two revamps and one relocation planned for the balance of year.

Brico Dépôt sales grew 3.0% to £408 million (-4.7% LFL) reflecting growth in store numbers, offset by internal cannibalisation of just over 1% resulting from the decision to open new stores in catchments where existing stores were trading at full capacity, and a weakening in trade demand. Trade has been impacted by a slowdown in housing starts (down 10%) and planning consents (down 16%). The store opening programme continued with two new store openings during Q1, with a further seven expected for the full year. Two stores were also revamped.

OTHER INTERNATIONAL

Retail sales £m	2008/09	2007/08	% Change (Reported)	% Change (Constant)	% LFL Change
Other International	462	363	27.4%	9.2%	1.2%

Retail profit £m	2008/09	2007/08	% Change (Reported)	% Change (Constant)
Other International	20	14	52.8%	11.8%

Other International includes Poland, China, Italy, Spain, Ireland, Russia, Turkey JV and Hornbach in Germany. South Korea and Taiwan JV included in comparatives only.
Joint Venture and Associate sales are not consolidated.
All trading commentary below is in constant currencies.

Other International total sales increased 9.2% to £462 million (+1.2% LFL). Twenty-two more stores (excluding Turkey JV and discontinued operations) were trading compared to the same quarter last year. Retail profit was up 11.8% to £20 million, reflecting continued strong growth in Poland and Turkey offset by weak performances from Castorama Italy and Hornbach (21% economic interest) both of which are operating in difficult markets.

During Q1, eight stores opened comprising two in Poland (one Brico Dépôt), two in China, and one each in Ireland, Italy, Spain and Turkey. A further 26 stores are planned for the rest of the year, including seven in Poland, three in China, two in Italy, four in Spain, seven in Turkey and three in Russia.

In **Eastern Europe** sales for Castorama and Brico Dépôt in Poland were up 22.3% to £225 million (+13.6% LFL despite a tough comparative of 39.6%) and retail profits up 14.1% to £27 million, boosted by strong consumer spending in a buoyant construction market and supported by the launch of new bathroom and garden catalogues. Russia continued to be encouraging and Koçtaş in Turkey, a 50% joint venture, continued to perform well.

Castorama **Italy** sales declined 5.0% to £81 million (-7.1% LFL), with broadly flat retail profit of £5 million (2007/08: £6 million) in a retail market that continues to be generally weak.

B&Q China sales declined 10.5% (-15.3% LFL) with losses of £8 million (2007/08: £8 million). Sales were impacted by B&Q's strategy to reduce deep discounting and special promotions, which had previously driven sales but not profits. Sales also continued to be impacted by the continuing slow down of new apartment sales in the major Chinese markets, declining by up to 70% compared to the same period last year.

Despite the headline of a significant drop in like-for-like sales, B&Q was able to maintain flat losses year on year through improved gross margin, reduced promotional costs and lower pre-opening costs. The effect of the property market and a continued reduction in promotional activity is likely to mean that headline sales will not improve in the near future.

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Further copies of this announcement can be downloaded from www.kingfisher.com or by application to: The Company Secretary, Kingfisher plc, 3 Sheldon Square, London, W2 6PX.

Company Profile

Kingfisher plc is Europe's leading home improvement retail group and the third largest in the world, with over 800 stores in nine countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also has a 21% interest in, and strategic alliance with Hornbach, Germany's leading large format DIY retailer, with over 120 stores in nine European countries.

DATA BY COUNTRY as at 3 May 2008

	Store numbers	**Selling space (000s sq.m.)**	**Employees (FTE)**
B&Q	323	2,382	25,701
UK Trade	125	31	3,003
Total UK	**448**	**2,413**	**28,704**
Castorama	99	989	13,066
Brico Dépôt	91	492	6,222
Total France	**190**	**1,481**	**19,288**
Poland	44	345	7,924
China	64	604	10,312
Italy	29	180	2,177
Ireland	9	56	624
Spain	12	70	824
Russia	5	44	1,597
Turkey JV	16	83	1,682
Total Other International	**179**	**1,382**	**25,140**
Total	**817**	**5,276**	**73,132**