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Thursday 29 March 2007

Kingfisher plc
Preliminary results for the year ended 3 February 2007

Group Financial Summary

	2006/07 *(1)*	2005/06	Reported Change	Constant Currency Change (52 weeks)	Like-for-like (LFL) change
Retail sales	£8,676m	£8,010m	+8.3%	+7.4%	+0.9%
Retail profit *(2)*	£503.7m	£533.1m	(5.5)%	(5.3)%	
Adjusted pre-tax profit *(3)*	£396.6m	£445.7m	(11.0)%		
Adjusted post-tax profit *(3)*	£277.0m	£285.1m	(2.8)%		
Adjusted basic EPS *(3)*	11.9p	12.3p	(3.3)%		
Full year dividend	10.65p	10.65p	-		
Net debt	£1,293.8m	£1,355.2m	(4.5)%		

(1) For UK businesses, reported results are for the 53 weeks ended 3 February 2007. Outside the UK, results are reported on a calendar month basis.
(2) Retail profit is stated before central costs, exceptional items, amortisation of acquisition intangibles and share of joint venture and associate interest and tax.
(3) Adjusted measures are before exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles. A reconciliation to statutory amounts is set out in the Financial Review.

Financial highlights

- Retail sales up 7.4% on a 52 week basis, +0.9% LFL.
- Adjusted pre-tax profit down 11% but up 13% in the second half.
- Group tax rate 32% (2005/06: 34%).
- Net debt lower than last year following working capital improvements and £252 million of property disposals.
- Dividend maintained for the full year.
- Property market values up 9% in constant currencies to £3.2 billion.
- UK pension scheme deficit down to £28 million (2005/06: deficit £211 million).

Operating highlights

- The UK market stabilised during the year. B&Q delivered sales and profit growth in the second half with good progress in its development programme.
- In France, Kingfisher sales grew 9%, ahead of the market. Retail profit was lower reflecting accelerated development and continuing price pressure.
- Elsewhere in Europe and Asia, sales grew by 30% and retail profit by 37%.

Statutory reporting

	2006/07	2005/06	Reported Change
Pre-tax profit	£450.5m	£231.8m	+94.3%
Post-tax profit attributable to equity shareholders	£336.8m	£139.5m	+141.4%
Basic EPS	14.4p	6.0p	+140.0%

Gerry Murphy, Group Chief Executive, said:

"The UK home improvement market stabilised during the year and B&Q delivered sales and profit growth in the second half. B&Q's development programme is encouraging and the pace of activity is accelerating in 2007/08. I remain convinced that these initiatives will make B&Q more attractive to its customers and more valuable for shareholders.

"In France, Castorama made good progress in developing its stores and ranges and Brico Dépôt expanded further and strengthened its infrastructure. Elsewhere in Europe and Asia, our international expansion continued with 27 new stores in nine countries, including our first stores in Russia.

Outlook

"Whilst trading conditions for our biggest businesses continue to be challenging, the longer-term outlook remains positive for home improvement retailing. Kingfisher's leading market positions in the UK and France, and fast-developing positions elsewhere in Europe and Asia, provide a powerful platform from which to deliver sustainable long-term growth and returns for shareholders.

"Ahead of the key Easter trading period, early 2007/08 trading has been stronger in our major markets, supported by better weather."

REVIEW OF THE YEAR

The remainder of this release sets out Kingfisher's performance for the year in three main sections:

- Progress on key strategic priorities
- Operational Review
- Financial Review and preliminary Financial Statements. Included for the first time are Kingfisher's invested capital and returns by strategic priority.

Progress on key strategic priorities

1) Strengthening developed businesses

Includes B&Q UK and Castorama France, representing almost two thirds of Kingfisher's sales.

These established businesses are focused on strengthening their leadership positions by improving sales productivity of existing store space and cost efficiency. The majority of current investment in these businesses is in modernising existing stores and business infrastructure, with modest capacity expansion.

B&Q made progress on its four operational drivers – price competitiveness, customer service, new products and store environment. A key development in the year was the successful trial of a new large store format which will form the blueprint for revamping all of B&Q's 115 large stores. With new customer service initiatives and new ranges also performing well, management remains confident that an eventual 25% improvement in sales productivity from existing larger stores is achievable. By the end of the year, two new stores and nine revamped stores were trading in the new format. B&Q plans to convert all the remaining large stores to this format over the next four years with a further 25 conversions planned for 2007/08.

In France, Castorama continued its revitalisation programme with two new store openings and a further seven stores converted to its latest format. Six stores not suitable for revamping were closed prior to conversion to Brico Dépôts. Castorama now trades from 98 stores and it will continue its programme of revamping or relocating its remaining 65 older stores over the coming years. Ranges continue to be updated including the recent launch of a wider selection of contemporary kitchens.

2) Expanding proven growth businesses

Includes Brico Dépôt France, Castorama Poland and Italy, B&Q China, Taiwan and Ireland and Screwfix Direct in the UK. In total they generate over one third of Kingfisher's sales.

These younger businesses already enjoy leading market positions and have reached a scale where they contribute strongly to Kingfisher's sales and profit growth and deliver good economic returns. Their main priority is to continue to expand quickly to capitalise on their market leadership. In total, these businesses generated cash after funding their cost of expansion in 2006/07.

To support continued expansion, £182 million, 40% of Kingfisher's total capital spend for the year, was invested in these businesses. Fifty-six net new stores were opened in the year, taking the total in this category to nearly 270, with a similar number planned to open in 2007/08.

In France, Brico Dépôt added 10 new stores taking the total to 81 and implemented a major new system upgrade to enhance the competitiveness and productivity of the business. In the UK, Screwfix Direct opened 31 of the successful new trade counter stores, taking the total to 38.

Elsewhere in Europe, Castorama Poland, which is aimed at the mainstream consumer, continued to grow strongly. The first trial Brico Dépôt store was opened in Warsaw to target the trade professional. Castorama Italy and B&Q Ireland also achieved strong growth.

In China, B&Q completed the integration of the OBI stores acquired during 2005 and returned to profitability for the year. In total, 58 stores are now trading, consolidating B&Q's position as the largest home improvement retailer in China. B&Q Taiwan, a 50% joint venture, now operates 21 stores across the country and is the clear market leader. A smaller store format has been successfully trialled which provides further opportunities for expansion in smaller towns.

3) Establishing new opportunities for the future

Includes Brico Dépôt Spain, Castorama Russia, Koçtaş Turkey and Trade Depot in the UK.

During the year, investment of £51 million (11% of Kingfisher's total capital spend) was made in these developing businesses. Twelve stores opened in the year taking the total trading to 29. Koçtaş is now profitable after expansion costs and Brico

Dépôt Spain is also on track to overall profitability within the next 12-18 months. Trials continued into the second year at Trade Depot which opened two more stores to serve the UK professional market. In Russia, three stores opened during the year, marking Kingfisher's entry into this fast-developing market.

A further 12 stores are planned to open in 2007/08 in these development businesses.

4) Capitalising on buying scale and international diversity

During the year, Kingfisher continued to bring new products to market, develop its own-brands and extend direct sourcing from low-cost producers. Kingfisher continued to develop its network of overseas sourcing offices in Europe and Asia. Direct sourcing shipments totalled around US$700 million, an increase of over 20% on the previous year.

Kingfisher companies also continued to share ideas, management talent and best practice, as shown during the year in the development of the new B&Q large format store in the UK, the launch of Brico Dépôt in Poland and the entry of Castorama into Russia.

Operational Review - UK

Retail sales £m	2006/07	2005/06	% Change (Reported)	% Change (52 week basis)	% LFL Change
UK	4,261.5	4,172.0	2.1%	0.2%	(1.8)%

Retail profit £m	2006/07	2005/06	% Change (Reported)
UK	182.6	219.4	(16.8)%

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

UK Market

The UK home improvement market* remained challenging in 2006/07, declining further during the first half, before stabilising over the summer and then starting to show signs of modest growth towards the end of the year. Across the full year the market declined around 0.5%, having fallen by 4% in the previous year. B&Q's market share was broadly stable.

**Market data from GfK for the major store home improvement operators*

B&Q

B&Q's total reported sales were £3.9 billion, down 1.7% (52 weeks) and down 2.9% LFL. Total sales showed an improving trend as the year progressed, declining 4.4% in the first half but growing 1.3% in the second half (26 weeks).

Retail profit was £162.9 million (2005/6: £208.5 million), reflecting the lower sales and a flat gross margin rate compared with last year. Retail profit benefited from £6 million of one-off gains in the fourth quarter (£2 million government compensation for damage at a Northern Ireland store in 2005, and a net £4 million incentive payment on transfer of financial services business to a new provider).

Total costs grew 3% (52 weeks) with underlying cost inflation of 3%, net new space growth of 2% and the additional costs for the normalisation of staff bonus and store revamping offset by cost savings.

Development programme update

Progress continued with the programme launched last year to reduce B&Q's cost base and to develop the business for the future. Price competitiveness, improving customer service, introducing new product ranges and improving store environment were prioritised to ensure B&Q is the first and only store for a greater proportion of customers' home improvement spend.

Price competitiveness - B&Q maintained its long-term 'Every Day Low Pricing' strategy for everyday products and also introduced targeted promotions for less frequent purchases such as kitchens, bathrooms and associated products.

New product ranges performed well, including updated ranges of kitchens, bathrooms, tiles, wooden floors and heating. The award winning 'Energy Efficiency Made Easy at B&Q' campaign, aimed at helping customers reduce household carbon emissions, featured wind turbines and solar panels and the recent 'Water Efficiency Made Easy at B&Q' campaign includes underground water storage tanks, shower timers and water butts. Towards the end of the year new financial service products were launched including home, van and small business insurance.

In 2007/08 the programme of range change will accelerate and will include premium paints and more contemporary wall papers, curtains and blinds and the introduction of new consumer and trade credit products.

Customer service - Good progress was made on helping customers find products more quickly and making available more specialist trained staff to assist customers undertaking major projects. Service Squads (staff wholly dedicated to customer service, equipped with radio communications) were in operation in the top 240 stores and independent research confirms that customers' perception of service levels and satisfaction is at a recent high.

Trials deploying more staff in kitchen, bathroom, flooring and power tools, where customers need more assistance and advice, were encouraging with one of the original six pilot stores recently winning the Scottish Retail Excellence Award for customer service. This initiative has now been extended to 51 stores with more planned for 2007/08.

A B&Q branded 'Handyman' trial was launched in two London stores, helping customers with small home improvement jobs including fitting lights and hanging doors. Results have been encouraging and the trial will be extended to a further 25 stores during the first quarter of 2007/08.

Store development - An existing large store at Wednesbury in the West Midlands was extensively revamped with more clearly defined shop-within-shop sections, room-set displays and more space allocated to kitchens, bathrooms, flooring and tiling areas. Early results from this trial, and from two new stores in the same format, were encouraging and a further eight revamps were completed in the fourth quarter.

As previously indicated, each revamp project is expected to require £2.5 million capital expenditure, £0.5 million increased stock and an average net disruption and re-launch revenue cost of £1 million per store in the year of revamping. The new format stores also deploy around 15% more staff hours to improve service to customers. Results from the original three trial stores have exceeded expectations. Sales are outperforming comparable older stores, driven primarily by higher average transaction values as customers spend more in the expanded kitchen, bathroom and associated project areas. B&Q continues to target an eventual 25% increase in large store sales densities from the combined benefits of extensive revamps, new product ranges and improved service levels.

At the same time a further 29 medium store revamps (formerly known as mini-Warehouse revamps) were completed, including 16 less extensive projects. One Supercentre was closed.

B&Q now has 115 large stores (11 in the latest format) and 209 medium stores (of which 117 have been modernised). Overall net space increased 2% during the year.

In 2007/08, 25 large store revamps are planned with eight currently underway. With 36 Supercentre revamps and relocations, two new medium stores and six large store downsizes also planned, B&Q expects to have 114 large stores (36 in the latest format) and 209 medium stores (of which 154 will have been modernised) by the end of 2007/08. Total space growth for 2007/08 is expected to be around 2%.

UK Trade

Screwfix Direct total reported sales were up 25.3% (52 weeks), supported by the roll out of trade counters, catalogue expansion and new ranges of bathroom suites and power tools. Retail profit increased over 60%, driven by strong sales growth and fulfilment efficiency gains.

The Screwfix trade counter programme, aimed at customers needing immediate availability, continued on track. An additional 31 outlets opened during the year taking the total to 38, with a similar number of openings planned for 2007/08. To support continued growth, a second distribution centre is due to open in Stafford during summer 2007/08.

The **Trade Depot** trial, which targets the general builder and specialist trade customer, continued with two more branches opening during the year taking the total to four. A further two new branches are planned for 2007/08.

Operational Review - FRANCE

Retail sales £m	2006/07	2005/06	% Change (Reported)	% Change (Constant)	% LFL Change
France	2,955.2	2,724.9	8.5%	9.0%	2.0%

Retail profit £m	2006/07	2005/06	% Change (Reported)	% Change (Constant)
France	206.3	230.0	(10.3)%	(9.9)%

2006/07 £1 =1.4720 euro 2005/06 £1 = 1.4649 euro
All percentage movements below are in constant currencies.

In France, Kingfisher's total sales grew 9.0% (LFL + 2.0%). Twelve new stores were opened in the year and seven relocated, adding 5% new space. Banque de France data shows that growth in comparable DIY store sales* was around 3% for the full year, with Kingfisher's business outperforming the market by delivering comparable stores sales growth of 3.4%. However, the market became more price competitive as the year progressed, compressing Kingfisher's overall French gross margin by around 100 basis points in the second half. This pressure is expected to continue into 2007/08.

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

Retail profit of £206.3 million was lower than last year with retail profit of both businesses declining by around 10%. This reflected gross margin compression and £14 million of development costs for the transfer to Brico Dépôt of six smaller Castorama stores and the implementation of a major new technology platform at Brico Dépôt. With a high level of freehold stores and strong cost control, Kingfisher's net cost inflation in France is running at around 2%.

CASTORAMA

Castorama grew total reported sales by 3.6% to £1.6 billion (up 1.3% LFL), up 5% excluding the six transfers to Brico Dépôt during the year. Further progress was made improving price competitiveness, product ranges, store environment and cost productivity.

More contemporary ranges of bathrooms and kitchens, indoor lighting, paint and textiles were introduced as part of an ongoing range development programme. The participation of own-brand product sales as a proportion of overall sales grew to 19% (2005/06: 16%).

Castorama continued with its store modernisation programme, with two new stores opened and seven older existing stores relocated to new sites. Six stores not suitable for revamping were closed prior to conversion to the Brico Dépôt format.

Thirty-six per cent of total selling space is now in the new format and these stores continue to outperform comparable outlets. Results from store development have improved as the new format has evolved, with stores relocated during the year on track to deliver sales density uplifts of over 20% on top of a 25% increase in space. A further six revamps are planned for 2007/08, five scheduled to begin in the first quarter. Approximately half of the remaining Castorama stores will be revamped over the next four years, with the balance relocated to new sites as these are secured and approved by planning authorities.

BRICO DEPOT

Sales increased 16.5% to £1.3 billion, benefiting from new stores and more widely distributed product catalogues. LFL sales growth was +2.8% against strong comparatives (2005/06: +7.3% LFL; 2004/05: +17.7%) reflecting the size of the business, internal cannibalisation of around 3% and focus in the year on the successful implementation of new systems and logistics infrastructure. Sales were strong in building categories, supported by new ranges of insulation products and aluminium windows.

Ten new stores opened in the year taking the total to 81, including the opening of three of the six stores transferred from Castorama. In 2007/08 store expansion will continue with eight new store openings planned (seven in the first half) including the three remaining store transfers from Castorama.

A major new information technology platform to improve store replenishment and stock availability was implemented during the year. This was the biggest transformation project in Brico Dépôt's history and required significant management focus to ensure successful delivery. Two thirds of stores are now operating on the new technology platform with the remainder joining during the first half of 2007/08. In addition, Brico Dépôt opened a second central distribution centre in southern France during the fourth quarter. Around half of all deliveries to stores are now centrally controlled.

Operational Review - REST OF EUROPE

Retail sales £m	2006/07	2005/06	% Change (Reported)	% Change (Constant)	% LFL Change
Rest of Europe	1,002.5	795.2	26.1%	25.0%	7.4%

Retail profit £m	2006/07	2005/06	% Change (Reported)	% Change (Constant)
Rest of Europe	110.4	86.6	27.5%	26.6%

Rest of Europe includes Poland, Italy, Spain, Koçtaş JV in Turkey, Ireland, Russia and Hornbach in Germany. Sales from Koçtaş and Hornbach are not consolidated.
All percentage movements below are in constant currencies.

Kingfisher's businesses in the Rest of Europe increased sales by 25.0% (+7.4% LFL) to just over £1 billion. Retail profits increased by 26.6% to £110.4 million, reflecting strong performances in Italy and Poland and a higher associate contribution from Hornbach. Development losses in Russia and Spain were in line with the previous year.

Fifteen new stores were opened in the year across six countries, including three in Russia, three in Spain and three in Turkey.

Poland
Sales increased 19.2% to £507.8 million (+9.3% LFL) boosted by buoyant consumer spending and strong property and construction markets. Retail profit increased 9.0% to £58.4 million as good cost control, group sourcing and increased own-brand penetration helped to offset increasing wage inflation. New ranges, including exclusive own-brand professional tools performed well.

Five new stores opened including the first Brico Dépôt in Warsaw in June, launched to test the demand for a more trade-orientated offer. Five new stores are planned for 2007/08, including one Brico Dépôt.

Italy
Castorama Italy grew sales 17.6% to £312.4 million (+4.6% LFL) in a generally weak Italian retail market. Sales benefited from new ranges of lighting, sheds and fencing, together with targeted promotional activity in gardening and building categories. Retail profit increased 9.8% to £31.3m, with improved sourcing helping to offset pricing pressure in a slow market.

One new store was opened taking the total to 27. A further two new stores are planned for 2007/08.

In **Ireland,** where B&Q has seven stores, sales grew 28.0%, reflecting new store openings in the second half of last year. One new store is planned for 2007/08. Brico Dépôt's expansion into **Spain** continued with 10 stores now trading and a further four planned for 2007/08. Good underlying trading was boosted by a strong construction market. In **Russia**, two Castorama stores were opened, in St Petersburg and Samara, a large provincial city. A third was acquired in Moscow in December and will be relaunched under the Castorama banner in the first half of 2007/08. A further two stores are planned to open in 2007/08.

Koçtaş in **Turkey**, a 50% joint venture, continued to grow sales and retail profit, benefiting from increased buying power and new group sourced own-brands. Three new stores opened taking the total to 10 with four planned for 2007/08. **Hornbach**, in which Kingfisher has a 21% interest, contributed £19.2 million to retail profit, £7.4 million higher than last year, fuelled by a stronger home improvement market in Germany.

Operational Review - ASIA

Retail sales £m	2006/07	2005/06	% Change (Reported)	% Change (Constant)	% LFL Change
Asia	456.7	318.0	43.6%	42.2%	10.9%

Retail profit £m	2006/07	2005/06	% Change (Reported)	% Change (Constant)
Asia	4.4	(2.9)	n/a	n/a

Asia includes China, Taiwan, and South Korea. Taiwan JV sales are not consolidated.
All percentage movements below are in constant currencies.

Asia sales increased 42.2% to £456.7 million (+10.9% LFL) with retail profit of £4.4m benefiting from strong profit growth in China following the completion and integration of the acquisition of the OBI China business during 2005.

B&Q China
Sales increased 41.3% to £445.8 million (+11.1% LFL), reflecting new store openings, continuing strong consumer demand and the development of new ranges. B&Q China's home decoration service designed and fitted out 30,000 apartments in 2006, double the previous year's number, representing a third of total sales. Retail profit was £8.3 million (2005/06: £0.3 million). During the first half of 2006/07, B&Q China completed the conversion and integration of the OBI stores ahead of schedule, returning to profit in the balance of the year with gross margins benefiting from increased group own-brand and sourcing programmes.

Store numbers increased by 10 to 58, further consolidating its position as market leader. A further seven new stores are planned for 2007/08, including the first Hong Kong store in June.

Other Asia
B&Q **Taiwan**, a 50% joint venture, delivered a creditable performance in a market affected by weak consumer confidence and credit restrictions. One store opened during the year taking the total to 21. Two new stores are planned for 2007/08. B&Q Home in **South Korea** opened a second trial store during the year.

Financial Review

Financial summary

A summary of the reported financial results for the year ended 3 February 2007 is set out below.

	2006/07 £m	2005/06 £m	Increase / (decrease)
Revenue	8,675.9	8,010.1	8.3%
Operating profit	501.3	269.5	86.0%
Profit before taxation	450.5	231.8	94.3%
Adjusted pre-tax profit	396.6	445.7	(11.0)%
Basic earnings per share	14.4p	6.0p	140%
Adjusted earnings per share	11.9p	12.3p	(3.3)%
Dividends	10.65p	10.65p	-
Underlying Return on Invested Capital (ROIC)	6.9%	7.3%	(0.4)pps

A reconciliation of statutory profit to adjusted profit is set out below:

	2006/07 £m	2005/06 £m	Increase / (decrease)
Profit before taxation	450.5	231.8	94.3%
Exceptional items	(49.5)	215.4	
Profit before exceptional items and taxation	401.0	447.2	(10.3)%
Financing fair value remeasurements	(4.7)	(1.6)	
Amortisation of acquisition intangibles	0.3	0.1	
Adjusted pre-tax profit	396.6	445.7	(11.0)%
Income tax expense on pre-exceptional profit	(119.4)	(161.6)	
Income tax on fair value remeasurements	1.4	0.5	
Minority interest	(1.6)	0.5	
Adjusted post-tax profit	277.0	285.1	(2.8)%

Reporting period

The Group's financial reporting year ends on the nearest Saturday to 31 January. The current year is for the 53 weeks ended 3 February 2007 with the comparative financial period being the 52 weeks ended 28 January 2006. This only impacts the UK operations with all of the other operations reporting on a calendar basis as a result of local statutory requirements.

The effect of the 53rd week on the results of the Group is the inclusion of an additional £79.5 million sales and £0.2 million operating profit.

So that the results are more readily comparable, all of the UK like-for-like analysis has been calculated comparing the 53 weeks against 53 weeks last year.

Total reported **sales** grew 8.3% to £8.7 billion, up 7.4% on a 52 week constant currency basis. During the year, an additional 73 net new stores were added, taking the store network to 718. On an LFL basis, sales were up 0.9%.

Operating profit grew 86.0% principally reflecting the B&Q restructuring exceptional charge last year of £205.3 million.

The net **interest** charge for the year was £50.8 million, up £13.1 million from the prior year reflecting higher average net debt during the year and higher euro and sterling interest rates. The net interest charge benefited from a net interest return on the defined benefit schemes of £6.3m (2005/06: £3.8m expense).

Adjusted pre-tax profit declined 11.0% reflecting challenging trading conditions in the UK and France.

Taxation

The effective overall rate of tax on profit has decreased from 40.0% in the prior year to 24.9% primarily reflecting exceptional costs not qualifying for tax relief in the prior year. The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments is 32.0% (2005/06: 34.4%) reflecting group profit mix and use of losses in start up jurisdictions.

Exceptional items

The Group recorded an exceptional profit in the year of £49.5 million on the disposal of properties and investments of which £42.7 million was recognised on the sale and leaseback of seven large UK stores to The British Land Company.

Earnings per share

Basic earnings per share increased by 140% to 14.4p. Adjusted earnings per share as calculated below declined 3.3% from 12.3p to 11.9p per share.

	2006/07	2005/06
Basic earnings per share	**14.4p**	6.0p
Exceptional items (net of tax)	**(2.4)p**	6.4p
Financing fair value remeasurements (net of tax)	**(0.1)p**	(0.1)p
Adjusted earnings per share	**11.9p**	12.3p

Dividends

The Board has proposed a final dividend of 6.8p per share, making the total dividend for the year 10.65p per share, unchanged on the prior year. This dividend is covered 1.1 times by adjusted earnings (2005/06: 1.2 times).

The final dividend for the year ended 3 February 2007 will be paid on 8 June 2007 to shareholders on the register at close of business on 10 April 2007, subject to approval of shareholders at the Company's Annual General Meeting, to be held on 31 May 2007. A dividend reinvestment plan (DRIP) is available to all shareholders who would prefer to invest their dividends in the shares of the Company.

The shares will go ex-dividend on 4 April 2007. For those shareholders electing to receive the DRIP the last date for receipt of electing is 17 May 2007. Dividend cheques and tax vouchers will be posted on 6 June 2007. Certificates for shareholders electing for the DRIP will be posted no later than 21 June 2007.

Return on invested capital (ROIC)

ROIC is defined as net operating profit less adjusted taxes (adjusted operating profit excluding property lease and property depreciation costs less tax, plus property revaluation increases in the year) divided by average invested capital (average net assets less financing related balances and pension provisions plus property operating lease costs capitalised at the long term property yield).

Following the transition to IFRS, the Group elected not to revalue properties from 1 February 2004. However, property appreciation is an integral part of a ROIC measure and therefore Kingfisher continues to include revaluation gains and the current market value of our properties in ROIC calculations.

ROIC declined from 9.0% to 8.7%, compared to the Group's weighted average cost of capital of 7.4%, down 0.5 percentage points on last year primarily due to a fall in property yields.

Underlying ROIC declined from 7.3% to 6.9%. Underlying ROIC assumes properties appreciate in value at a steady rate over the long-term. When calculating the underlying ROIC, short-term variations in property values more or less than the long-term mean are excluded.

ROIC excluding goodwill

Kingfisher's sales, projected space growth for 2007/08, invested capital and underlying ROIC excluding goodwill are disclosed below by strategic priority:

	Retail Sales £bn *(1)*	**Proportion of Group sales %**	**Invested Capital (IC) £bn *(2)***	**Proportion of Group IC %**	**Returns % (ROIC) *(2)***	**Space growth next year %**
Strengthening developed businesses - B&Q UK	3.9	45%	5.7	66%	7%	2%
- Castorama France	1.6	19%	1.1	13%	10%	1%
Sub-total	**5.5**	**64%**	**6.8**	**79%**	**8%**	**2%**
Expanding proven growth businesses	**3.1**	**35%**	**1.6**	**19%**	**13%**	**11%**
Establishing new opportunities for the future	**0.1**	**1%**	**0.2**	**2%**	**(2)%**	**47%**
Group total	**8.7**	**100%**	**8.6**	**100%**	**9%**	**6%**

1) *For the UK businesses, reported total sales figures are for the 53 weeks ended 3 February 2007. Outside the UK, figures are on a calendar month basis.*
2) *Excluding goodwill of £2.6 billion but including smoothed property appreciation and leases capitalised at long-term yields.*

Cashflow

The Group generated £559.4 million of cash from operating activities in the year, up £255.3 million on the prior year (2005/06: cash generated £304.1 million), despite paying additional post employment contributions of £82.5 million (2005/06: £135.2 million) and £47.0 million on items provided against as exceptional costs in 2005/06. Included within this improvement is £124.1 million generated from working capital management (2005/06: £103.3 million utilised). This was mainly driven by creditors which rose by £295.1 million (2005/06: 27.3 million) whilst stock levels rose by £215.0 million (2005/06: £33.3m).

Net capital expenditure was £215.8 million (2005/06: £395.4 million) which has fallen year on year as a result of disposals within the Group's property portfolio.

The resulting year end net debt was £1,293.8 million (2005/06: £1,355.2 million).

Capital expenditure

Gross capital expenditure (excluding business acquisitions) for the Group was £466.9 million (2005/06: £507.0 million). £219.5 million was spent on property (2005/06: £188.0 million) and £247.4 million on fixtures, fittings and intangibles (2005/06: £319.0 million). A total of £251.1 million (2005/06: £111.6 million) of proceeds from disposals were received during the year, £251.0 million of which came from property disposals.

Payments to acquire businesses in the year amounted to £2.2 million (2005/06: £167.5 million) which related to the purchase of three minorities in China.

Financing

Kingfisher aims to smooth the maturity profile of its debt by issuing debt with different maturities and by utilising committed bank revolving credit facilities to provide additional liquidity.

In March 2006, the Group obtained a further £300 million committed bank facility, which provided short-term funding, but this was subsequently repaid and cancelled.

In May 2006, the Group issued US$466.5 million of fixed term debt through the US Private Placement market. The debt was issued in three tranches, with maturities of 7, 10 and 12 years, and the proceeds were swapped to sterling at floating interest rates. The proceeds were used to repay the £300 million short-term committed bank facility entered into in March 2006.

The Group has access to a £500 million committed revolving credit facility, maturing in August 2011, provided by a number of banks. This facility is available to be drawn to support the general corporate purposes of the Group including working capital requirements.

Since the year end the Group has entered into new committed revolving credit facilities totalling £275 million with a number of banks, and a £25 million bank committed term loan facility. These new facilities mature in March 2010 and are available to be drawn to support the general corporate purposes of the Group.

Property

During the year the Group disposed of properties for cash consideration of £251 million including £198 million on the sale of seven B&Q UK large stores which it retained the right to lease for 20 years. Through this transaction, the Group took advantage of the current buoyancy in the property investment market in the UK to finance its operational business at attractive rates going forward. The proceeds of the transaction were used to repay existing debt and to invest in Kingfisher's worldwide store opening programme, including further freehold acquisitions.

The Group owns a significant property portfolio, most of which is used for trading purposes. If the Group had continued to revalue this it would have had a market value of £3.2 billion at year end, compared to the net book value of £2.3 billion recorded in the financial statements. This represents a £170 million increase against the prior year and a £249 million increase on a constant currency basis.

The values are based on valuations performed by external qualified valuers where the key assumption is the estimated yields. The average income yields used were 5.5% in the UK, 6.75% in France and Italy, 6.8% in Poland and 7.7% in China.

Pensions

The Group holds a provision on its balance sheet of £54.6 million in relation to defined benefit pension arrangements which is a reduction of £185.0 million on the provision held in 2005/06. This reduction was as a result of additional payments to the UK pension scheme (£118.3 million was paid compared to a normal contribution of around £40 million per annum) and increases in the discount rate used to calculate the defined benefit obligation from 4.7% to 5.3% as a result of increases to corporate bond rates over the year. This was partly offset by changed mortality rates with an assumption that people will live longer. This change increased the obligation by approximately 4% and ensures that these assumptions remain in line with current market best estimates. Further disclosures of the assumptions used (including mortality assumptions) will be provided in note 8. A formal actuarial valuation is scheduled as at 31 March 2007 with the results expected towards the end of 2007.

Operational Review - DATA BY COUNTRY as at 3 February 2007

	Store numbers	**Selling space (000s sq.m.)**	**Employees (FTE)**
B&Q	324	2,315	26,273
UK Trade	42	19	2,212
Total UK	**366**	**2,334**	**28,485**
Castorama	98	959	11,943
Brico Dépôt	81	434	5,641
Total France	**179**	**1,393**	**17,584**
Castorama Poland	35	291	6,156
Castorama Italy	27	171	2,043
B&Q Ireland	7	46	494
Brico Dépôt Spain	10	51	557
Castorama Russia	3	27	773
Koçtaş Turkey	10	55	1,139
Total Rest of Europe	**92**	**641**	**11,162**
B&Q China	58	553	10,675
B&Q Taiwan	21	97	1,841
South Korea	2	12	182
Total Asia	**81**	**662**	**12,697**
Total	**718**	**5,030**	**69,928**

Operational Review - FULL YEAR BY GEOGRAPHY – year ended 3 February 2007

	Retail sales £m		**%**	**%**	**%LFL**	**Retail profit £m**		**%**
	2006/07 *(1)*	**2005/06**	**Change (Reported)**	**Change (52 week basis, Constant currency)**	**Change**	**2006/07**	**2005/06**	**Change (Reported)**
UK	4,261.5	4,172.0	2.1%	0.2%	(1.8)%	182.6	219.4	(16.8)%
France	2,955.2	2,724.9	8.5%	9.0%	2.0%	206.3	230.0	(10.3)%
Rest of Europe *(2)*	1,002.5	795.2	26.1%	25.0%	7.4%	110.4	86.6	27.5%
Asia *(3)*	456.7	318.0	43.6%	42.2%	10.9%	4.4	(2.9)	n/a
Total	**8,675.9**	**8,010.1**	**8.3%**	**7.4%**	**0.9%**	**503.7**	**533.1**	**(5.5)%**

(1) For the UK businesses, reported total sales figures are for the 53 weeks ended 3 February 2007. Outside the UK, figures are on a calendar month basis.

(2) Rest of Europe includes Poland, Italy, Spain, Koçtaş JV in Turkey, Ireland, Russia and Hornbach in Germany. Sales from Koçtaş and Hornbach are not consolidated.

(3) Asia includes China, Taiwan, and South Korea. Taiwan JV sales are not consolidated.

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Further copies of this announcement can be downloaded from www.kingfisher.com or are available from 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 700 stores in 11 countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix Direct. Kingfisher also has a 21% interest in, and strategic alliance with, Hornbach, Germany's leading large format DIY retailer, with over 120 stores in Germany and seven neighbouring countries.