

9 February 2017

For immediate release

DFS Furniture plc (“DFS” and the “Group”)

Half Year Trading Update

STRATEGY AND PERFORMANCE ON TRACK

- Good sales growth and cash generation continue
- Proven strategy delivering expected benefits
- Expectations for full-year financial performance remain unchanged
- Special dividend to be announced with half year results

Positive trends continue

The Group has continued to achieve good sales growth throughout the first half of the current financial year. Gross sales in the 26 weeks to 28 January 2017 grew by 7%, measured against the comparable 26-week period in the prior financial year. Once again Dwell and Sofa Workshop have contributed encouragingly to overall Group sales growth.

As we anticipated at the time of our preliminary results announcement in October, we saw some impact on product margins in the first half from the impact of adverse foreign exchange movements. We continue our work to actively offset this impact through range management and supplier negotiations, while the differentiated DFS sourcing model of vertical integration, UK manufacturing capability and superior scale remains an important competitive advantage.

Free cashflow in the period was once again strong and our gearing ratio at the half year end was just below 1.5x EBITDA over the last twelve months, in line with our targeted operating range of 1.0x to 1.5x. As previously announced, we expect to provide details of a special dividend to shareholders as part of our half year results announcement on 30 March 2017, with this return to be completed before the end of July.

Strategic initiatives delivering results

The results reflect the continued implementation of a proven growth strategy, building on the Group’s established market leadership. Our growth initiatives include a measured programme of store expansion and retail space release in the UK and overseas; continued development of our omnichannel proposition; and constant enhancement of the product range, building on the Group’s established success in extending its appeal to more customers. All these initiatives have contributed to the Group’s continued performance throughout the first half of the year.

Outlook

We recognise that in 2017 the retailing of furniture in the UK faces an increased risk of a market slowdown given the uncertain outlook for consumer confidence. However, with its resilient operating model we believe the Group remains very well positioned to respond to economic headwinds and cost pressures whilst achieving continued growth in its share of the UK retail furniture market.

Consequently our expectations for the Group’s profit before tax in the full year remain unchanged.

Overall we believe DFS enjoys excellent prospects to deliver long-term profitable growth, strong cash generation and a progressive dividend policy as one of the UK's best-known brands, a major British manufacturer and the country's leading retailer of upholstered furniture.

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About DFS Furniture plc

DFS is the clear market leading retailer of upholstered furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of upholstered furniture products. The business operates a retail network of upholstered furniture stores in the United Kingdom and Europe, together with an online channel. These have been established and developed gradually over more than 47 years of operating history. We attract customers to our stores and website through our substantial and continued investment in nationwide marketing activities and our reputation for high quality products and service, breadth of product ranges and price points, and favourable consumer financing options.