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For immediate release

**DFS FURNITURE plc
POST-CLOSE TRADING UPDATE**

STRONG PERFORMANCE WITH RESULTS ON TRACK

DFS Furniture plc ("DFS" or the "Group"), the leading retailer of upholstered furniture in the United Kingdom, today provides an update on trading for its financial year ended 30 July 2016.

Continued strong performance in the second half

Revenue for the financial year was up 7% on the previous year. The Group continued to deliver a strong performance through the second half, with revenue for the period also up 7% compared to the second half of last year.

In light of second half trading, the Board expects DFS to deliver a record performance for the full year with results towards the upper end of market expectations.

This robust and consistent performance reflects the implementation of DFS's proven growth strategy, building on its established market leadership to further broaden product and brand appeal. Growth initiatives include a measured programme of store expansion in the UK and overseas, retail space release, continued development of the Group's omnichannel proposition and constant enhancement of its product range. This growth strategy is delivering ahead of the Board's expectations in a number of areas and generating revenue growth above that seen in the retail furniture market.

Revenue growth has benefited from the contributions of the Group's Sofa Workshop and Dwell subsidiaries, which together have added c.1% point to overall growth in both the second half and full year. As anticipated, margins achieved by both the Dwell and Sofa Workshop subsidiaries are currently lower than overall Group margins given their more limited scale, pre-opening costs and the requirement to invest further in infrastructure.

The Group has established a successful store-in-store concept for Dwell to occupy store warehousing space converted for retail use in the DFS estate. This has led to a decision in FY2016 to accelerate the retail space conversion programme and Customer Distribution Centre (CDC) openings, and in consequence bringing forward associated capital expenditure. Eleven CDCs are now operational and the programme should be completed in FY2017, with a further eight expected to open. While the full potential for the Dwell store-in-store opportunity is still being assessed, the initiative is likely to generate incremental profits when compared to conversion of that space to retailing of beds and dining furniture, with the additional benefits expected to begin to accrue in FY2018.

Free cashflow has remained strong with net debt slightly less than 1.5x EBITDA at the end of FY2016. The Board anticipates announcing a progressive final dividend in October in line with guidance of an overall payout for the whole year of 45-50% of profit after tax.

Outlook

The Board recognises that, following the EU Referendum, retailing of furniture in the UK faces an increased risk of a market slowdown with additional cost pressures from foreign exchange movements, whilst it is likely that the retail environment will remain intensely competitive. The Group's trading since the Referendum result has not indicated any weakening of demand, although the six weeks since 23 June is too short a period to permit a meaningful assessment of future furniture retail trends.

Overall the Group remains very well positioned to mitigate economic headwinds with resilient features in its operating model giving it the potential to achieve continued growth in its share of the UK retail furniture market were such adverse conditions to arise and persist. Store sales densities, scale of operations and a highly flexible cost base provide resilience against weaker trading conditions, relative to the retail sector. Furthermore, vertical integration provided by the Group's UK in-house manufacturing operations limits currency exposure. The Group's efficient use of capital has also enabled it to maintain consistently excellent levels of cash generation and shareholder returns in all market environments in the past.

The Board continues to believe that the Group 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.

The Group expects to announce its preliminary results on 6 October 2016.

Enquiries

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Notes: The Group believes market expectations for revenue for FY2016 to be between £746.9m and £755.5m, and for profit before tax to be between £60.7m and £64.6m.

FY2016 is the 52 week trading period ending 30 July 2016; FY2017 is the 52 week trading period ending 29 July 2017 and FY2018 is the 52 week trading period ending 28 July 2018.

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 45 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.