



Dunelm Group

PRELIMINARY RESULTS

52 weeks to 30 June 2007

Simply value for money

Geoff Cooper – Chairman

Simply value for money

A year of major achievement

- Successful IPO in October 2006
- Important infrastructure changes completed
- Strong financial performance
- Board further strengthened with NED appointment

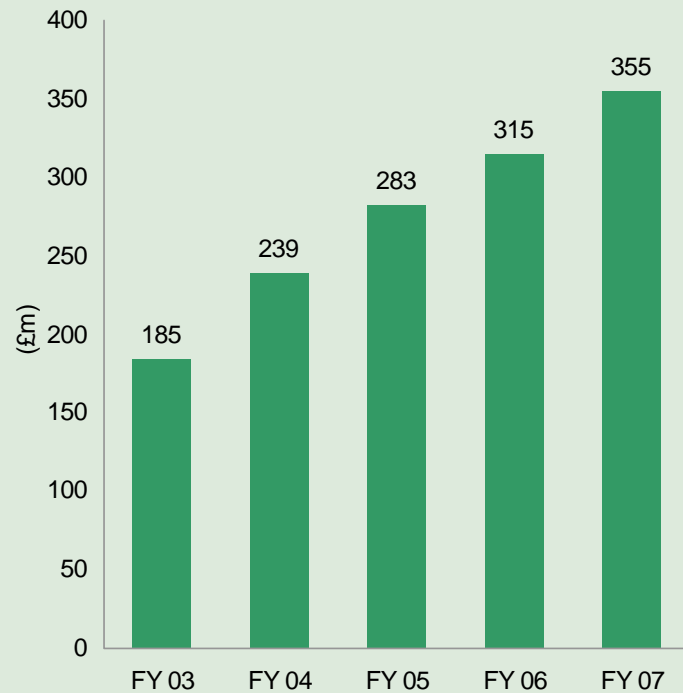
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Will Adderley – Chief Executive

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Our growth story continues

Sales



CAGR = 18%

Currently 70 superstores



Medium term target of 150+ superstores

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Highlights – FY 07

- Strong sales growth in a subdued market – LFL sales up 6.1%
- Consistent trading strategy
- Store expansion
 - 4 new superstores, 1 relocation
- Infrastructure development
 - Warehouse transition completed
 - Burton warehouse sold
 - SAP functionality rolled out to all stores
- Underlying operating profit up 15.3%
- Excellent cash generation

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David Stead – Finance Director

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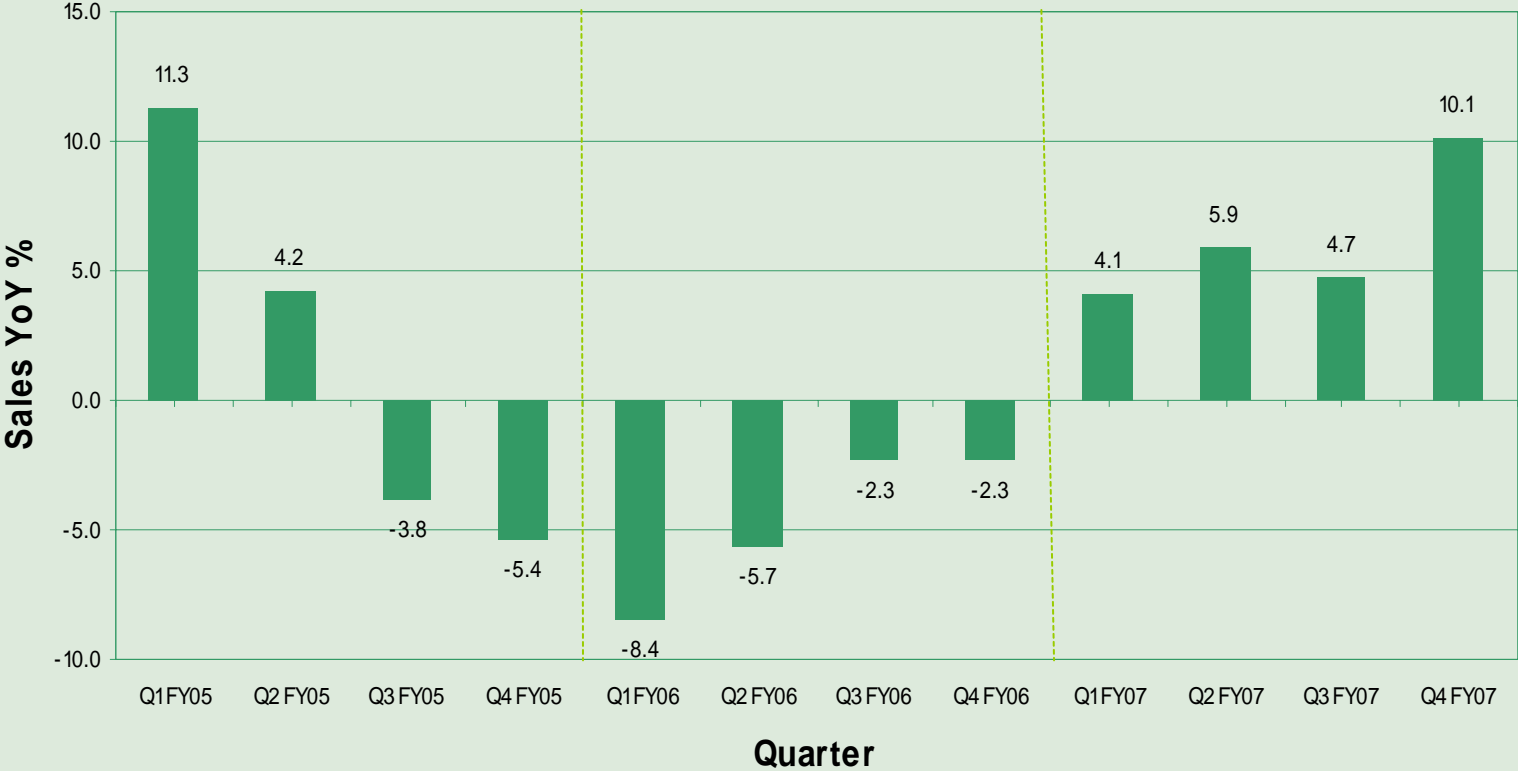
Financial highlights FY 07

	FY 07	FY 06	Year on year change
Sales	£354.7m	£315.2m	+ 12.5%
LFL Sales growth			+ 6.1%
Gross margin	44.0%	43.6%	+ 0.4% pts
Underlying operating profit*	£44.0m	£38.2m	+ 15.3%
Underlying profit before tax*	£41.0m	£38.0m	+ 7.8%
Underlying EPS (fully diluted) *	13.7p	13.0p	+ 5.3%
Net cash from operations	£34.7m	£24.1m	+ 44.0%
Net debt	£22.6m	-	-

* Excludes non-recurring items

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Like-for-like sales by quarter



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Excellent underlying performance

(£m)	FY 07	FY 06	Change
Reported operating profit	40.8	38.2	+7.0%
<i>Adjustments for non-recurring items</i>			
- IPO costs	3.0	-	
- Warehouse transition costs	1.3	-	
- Gain on warehouse disposal	(1.1)	-	
Underlying operating profit	44.0	38.2	+15.3%
<i>Underlying operating profit margin</i>	<i>12.4%</i>	<i>12.1%</i>	

- Underlying operating profit includes £2.1m non-comparable ongoing costs in the period:
 - rent on the Stoke warehouse
 - amortisation of the new IT systems investment
- These non-comparable ongoing costs affect underlying operating profit margin by 0.6%pts

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Margin analysis

	FY 07	FY 06
Sales	<u>100.0%</u>	<u>100.0%</u>
Gross margin	44.0%	43.6%
Staff costs	(12.8%)	(12.8%)
Property rents	(4.7%)	(5.1%)
Depreciation / amortisation	(2.7%)	(2.6%)
Other costs	(11.4%)	(11.0%)
Underlying operating margin	12.4%	12.1%

- Gross margin continues to benefit from increasing volumes and dollar weakness
- Increase in “Other costs” reflects general cost inflation plus additional activity to provide support to a bigger and quoted business

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Profit after Tax reflects change in financing structure

(£m)	FY 07	FY 06
Underlying operating profit	44.0	38.2
Financial Income		
- Interest receivable	0.5	0.8
Financial Expense		
- Loan and other interest payable	(2.1)	(0.1)
- Foreign exchange loss	(1.4)	(0.9)
Underlying Profit Before Tax	41.0	38.0
Non-recurring items	(3.2)	-
Profit Before Tax	37.8	38.0
Tax	(13.2)	(11.8)
Profit After Tax	24.6	26.2

- Interest reflects £50m revolving loan facility from 4 October 2006
- Forex loss due to appreciation of sterling over the year (\$1.84 to \$2.00)
- Effective tax rate of 34.9% includes disallowable IPO costs (underlying 31.8%)

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Underlying EPS and final dividend

	FY 07
EPS (fully diluted)	12.2p
Impact of non-recurring items	
- IPO costs	1.5p
- Warehouse transition costs	0.4p
- Property gain	(0.4p)
Underlying EPS (fully diluted)	13.7p

- Final dividend of 3.0p (3.8p total dividend for period since IPO)
- Payable to shareholders on register at 16 November

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Excellent cash conversion

(£m)	FY 07	FY 06
Underlying operating profit	44.0	38.2
Non-recurring items	(3.2)	-
Reported operating profit	40.8	38.2
Depreciation and amortisation	9.5	8.3
Profit on disposal of property	(1.1)	-
Other non-cash movements	0.2	-
Realised foreign exchange losses	(1.3)	-
Working capital movement	1.2	(11.4)
Net interest	(1.1)	0.9
Tax paid	(13.5)	(11.9)
Net cash from operations	34.7	24.1

- Working capital stabilised following stock build in 05/06
- Stock levels now tracking below last year in LFL stores

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Continuing investment in growth

Capital Expenditure (£m)	FY 07	FY 06
Freehold investment	7.0	10.8
New store fit-outs	5.2	5.5
Other store investment	1.3	2.1
IT investment	1.0	4.8
Warehouse fit-out	0.6	2.2
Total	15.1	25.4

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Net cash flow

(£m)	FY 07	FY 06
Net cash from operations	34.8	24.1
Capital expenditure	(15.1)	(25.4)
Proceeds from sale of warehouse	7.2	-
Proceeds from issue of shares	0.3	-
Net funds raised from revolving loan	40.0	-
Repayment of finance leases	(0.2)	(0.4)
Dividend paid	(51.6)	(7.4)
Other	(0.1)	-
Net cash flow	15.3	(9.1)

- Net debt at period end was £22.6m
- Revolving loan facility of £50m remains in place

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Will Adderley – Chief Executive

Our growth strategy

Open more superstores

Further develop specialist position

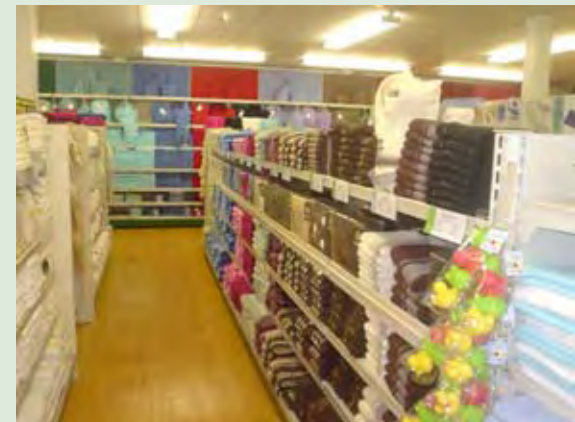
Exploit strengthened infrastructure

Develop longer term opportunities
(including transactional website)

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Open more superstores

- 4 new superstores opened, 1 relocated in FY07
 - Stevenage, Colchester, Perth, Bradford
 - Swansea
 - Strong trading in all stores
- Aberdeen & Shoreham opened since year end
 - Strong trading
 - Very positive reaction
- 4 further openings contractually committed
 - Eastbourne, Leeds, Bournemouth, Ebbw Vale
- Strong pipeline for this year and beyond
 - Market for retail space showing favourable trend
- Still committed to medium term target of 150+ superstores



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New stores – customer response

- *“Absolutely super, will come again soon!”*
- *“Brilliant, about time, lived in the Midlands and am delighted you’ve opened here.”*
- *“Breath of fresh air! Amazing. Just what we need.”*
- *“Lovely – it’s like Wonderland!”*
- *“Very impressed! Wow!”*
- *“Welcome to my world.”*



Dunelm’s proposition delights customers throughout the UK

Simply value for money

Further develop specialist position

- We remain consistent:
 - “Simply value for money”
 - Obsession with improvement
- Ever improving ranges
 - Continued innovation
 - Improved choice
- Special buys
 - Trade your store
 - Continued change and improvement
- Advertising



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High Grade Luxury



· Over 20 bins to choose from



Brilliant Steel, Matt Steel & Almond Finishes Available

A TEN YEAR GUARANTEE FROM ONLY £12.99 (MRP £20.54)



50 Ultra-Touch Bin in Brilliant Steel Finish
MRP £130.66 Our Price £55.83



All Brabantia Bins Guaranteed for 10 Years



Bins Available in both Touch & Pedal Options & range from 3 to 50 Litre Capacity

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Buy Online & Collect from our Stores Nationwide

Buy Online @ www.dunelm-mill.com

Call 08451 65 65 65

*3 Litre Brilliant Steel Bin £12.99 (MRP £20.54)

Exclusive to Dunelm Mill



hotel
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£29.99

Hotel Luxury Oxford Pillowcase **£6.99 each**

• 100% Egyptian Cotton Satin
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A TASTE OF LUXURY AT AN AFFORDABLE PRICE



Hotel Luxury Pillow **£12.99 each**
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Exploit strengthened infrastructure

- Stoke warehouse fully operational
 - 4x increase in pallet locations
 - Capable of supporting >100 superstores
 - Option over adjacent site for further expansion when required
- Burton warehouse sold
- SAP roll-out to stores completed
- Electronic communication with suppliers rolled out
- Stable management team

All performing well as we enter peak trading period

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Develop longer term opportunities

- www.dunelm-mill.com
- Available product lines increased to over 7,500
- Continued learning and improvement



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Outlook

- New financial year has started well
- LFL sales up 7.0% in 11 weeks to 15th September 2007, total growth 12.5%
- Uncertain economic conditions
- New store pipeline very encouraging

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Appendices

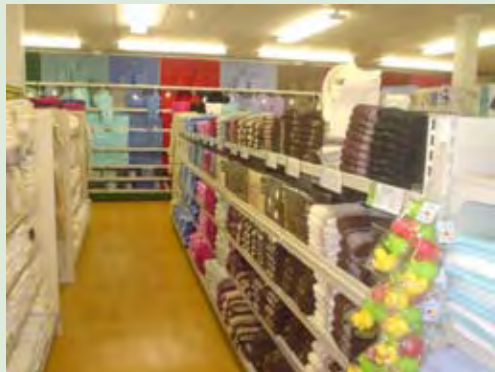
Key facts

- Leading UK out-of-town specialist homewares retailer
- Philosophy of “Simply value for money”
- 84 stores*, of which 70 are OOT superstores
- 36 new superstores opened since June 2003
- Average superstore selling area of 28,000 sq ft
- Approximately 20,000 lines in a superstore – unrivalled choice
- Experienced management team, entrepreneurial culture

* As at September 2007

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Our customer proposition



Simply value for money



Simply value for money

Two types of merchandise



Core ranges
<ul style="list-style-type: none">• Extensive range of homewares• Depth and choice• Strong availability• Specialist knowledge
80% of sales

Special buys
<ul style="list-style-type: none">• Frequently changing (“when it’s gone it’s gone”)• Powerful displays• Core homewares and other products• “Treasure-hunt” atmosphere
20% of sales



“Simply value for money”
<ul style="list-style-type: none">• Strength of price/quality equation at all levels
100% of sales

Simply value for money

“Simply Value for Money”

Dunelm focuses on giving value at all price points

	Dunelm	Competitor
	<ul style="list-style-type: none"> • Hungarian goose down • 570 gram fill weight • £49.99 	<ul style="list-style-type: none"> • Hungarian goose down • 420 gram fill weight • £60.00
	<ul style="list-style-type: none"> • Super rebound premium pillow • 100% cotton piped tick • £9.99 	<ul style="list-style-type: none"> • Spiral fibre pillow • 100% cotton overlocked tick • £14.00
	<ul style="list-style-type: none"> • Luxury hollowfibre pillow • 595 gram fill weight with polycotton tick • £2.99 	<ul style="list-style-type: none"> • Hollowfibre pillow • 510 gram fill weight with polycotton tick • £3.99

Note: Competitor randomly selected and may not be representative of general competition

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Directors' CVs

Geoff Cooper (52), Non-Executive Chairman. Geoff joined the Board in November 2004. He is a qualified accountant with substantial experience of major retail organisations having been Finance Director of Gateway (now Somerfield plc) and Finance Director and then Deputy Chief Executive of Alliance UniChem plc. He is currently Chief Executive of Travis Perkins plc, having been appointed to that role in February 2005.

Bill Adderley (59), Founder and Non-Executive Director. Bill has been involved in retailing all his working life. Together with his wife Jean, in 1979 he founded the Dunelm business which he developed and managed for most of its first twenty years. Bill has gradually handed over leadership responsibility to his son, Will, and remains involved in strategic matters at Board level. He continues to promote the core values of customer focus and "Simply Value for Money" throughout the Group. Bill currently intends to remain as a Non-Executive Director until the age of 60.

Marion Sears (44), Senior Independent Non-Executive Director. Marion joined the group in July 2004 and has an extensive background in corporate finance having worked with a number of major financial institutions including Robert Fleming and JP Morgan. She is a non-executive director of Zetar Plc, Prelude Trust PLC and is a member of PricewaterhouseCoopers' Advisory Panel.

Simon Emeny (41), Independent Non-Executive Director. Simon joined the Board in June 2007. He has been a Director of Fuller, Smith and Turner PLC since 1998. In his role as Managing Director, Fullers Inns, he leads the retail business which encompasses the group's managed pubs, tenanted pubs and hotels. He joined Fuller, Smith and Turner in 1996 from Bass PLC, where he progressed through various senior management roles including strategic planning.

Will Adderley (35), Chief Executive. Will joined the business full-time in 1993 having gained a degree in Industrial Economics from Nottingham University. He has worked in and is familiar with all major areas of the business and took over the running of the Group from his father in 1996.

David Stead (49), Finance Director. David joined Dunelm in 2003 from The Boots Group PLC where he had been Finance Director of Boots The Chemists, having held executive appointments with Boots from 1990. From 1991 to 1997 he was Finance Director of Boots Healthcare International, Boots' global healthcare brand business. Prior to that he held executive roles in mergers and acquisitions and corporate strategy. His early career was with KPMG (at that time Thomson McLintock) where he trained and qualified as a chartered accountant.

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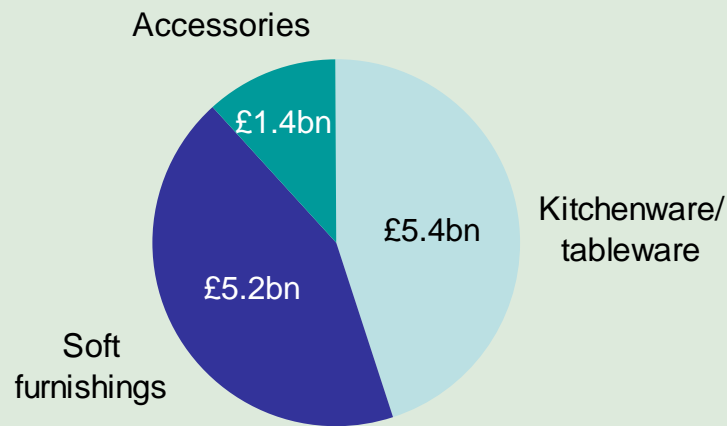
Strong balance sheet

(£m)	30 Jun 07	1 Jul 06
Total non-current assets	74.0	67.5
Inventories	60.6	56.3
Receivables	9.0	10.0
Cash	17.4	3.0
Other current assets	-	6.0
Total assets	161.0	142.8
Current liabilities	(57.8)	(53.7)
Non-current liabilities	(40.0)	-
Total liabilities	(97.8)	(53.7)
Share capital	2.0	2.0
Share premium	0.3	-
Retained earnings	60.9	87.1
Total equity	63.2	89.1

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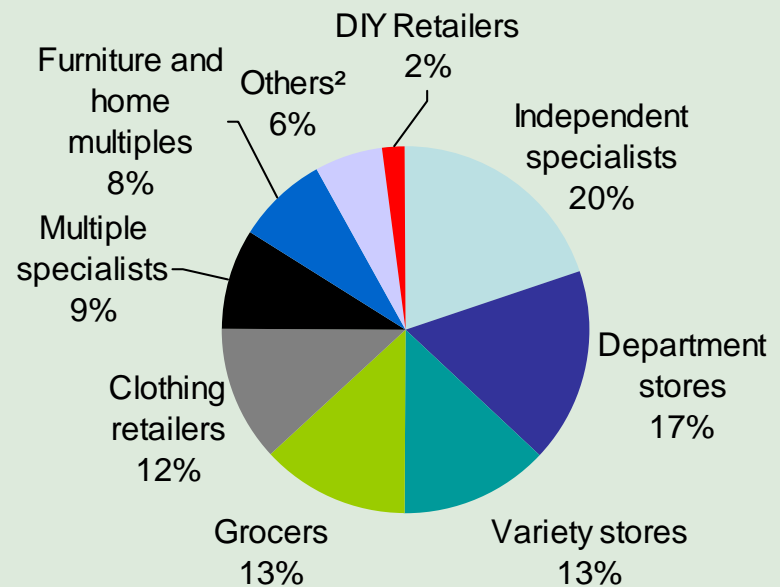
Dunelm's market

The UK homewares market ¹



£12.0 billion market

Estimated UK homewares market distribution channels, 2005 ¹



Top 5 retailers account for 19.3% of the market

Notes:

1. Allegra Strategies Analysis, 2006; data is for calendar year 2005
2. Others includes home shopping specialists, gift stores, second hand and antique shops

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