

Simply value for money



INTERIM RESULTS

26 weeks to 02 January 2010

David Stead

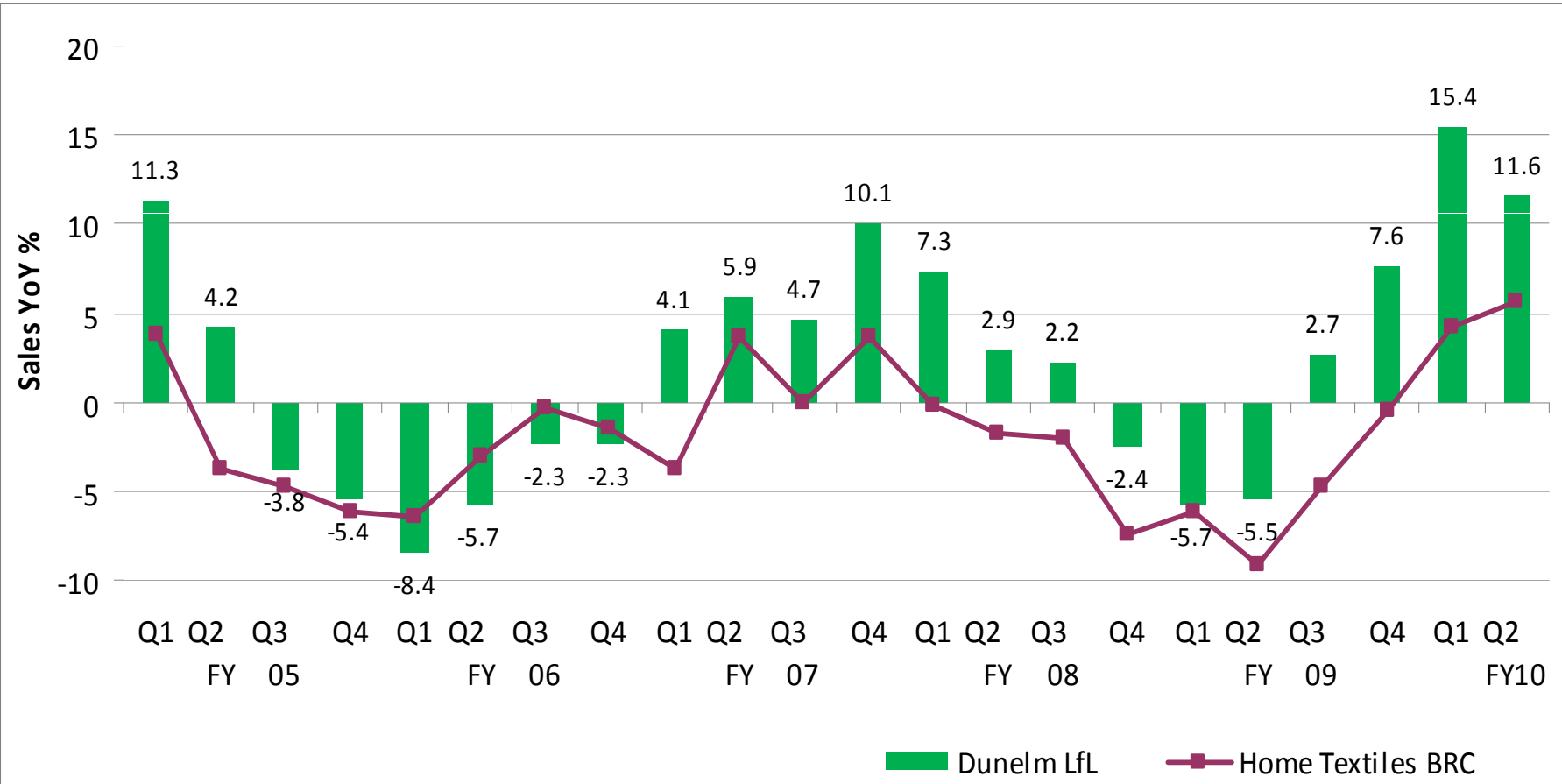
Finance Director

Financial highlights

	FY10 H1	FY09 H1	Year on year change
Sales	£254.2m	£201.8m	+26.0%
LFL Sales growth	+15.4%*	-5.6%	
Gross margin	48.0%	46.0%	+200bps
Operating profit	£45.9m	£26.1m	+75.7%
Profit before tax	£46.2m	£27.3m	+69.3%
EPS (fully diluted)	15.9p	9.5p	+67.4%

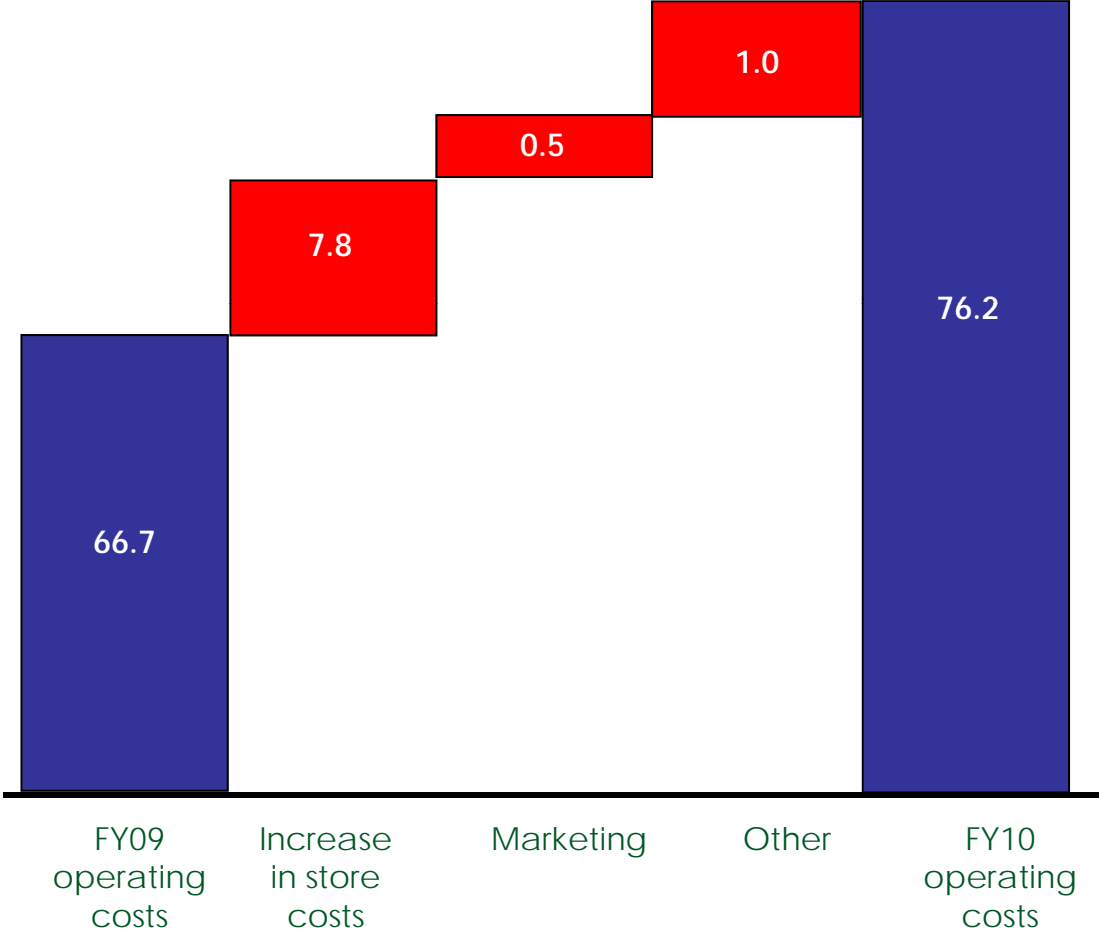
* Underlying LFL at 13.4% (adjusted for calendar effect)

Like-for-like sales trend



NB all figures are based on sales excluding VAT

Cost bridge FY09 to FY10 – 26 weeks



Profit after Tax

(£m)	FY10 H1	FY09 H1	
Operating Profit	45.9	26.1	
Financial Items	0.3	1.2	Forex gains in FY09
Profit Before Tax	46.2	27.3	
Tax	(13.8)	(8.1)	Effective rate 29.8%
Profit After Tax	32.4	19.2	
EPS (fully diluted)	15.9p	9.5p	
Dividend	3.0p	2.0p	

Operating cash generation

(£m)	FY10 H1	FY09 H1
Operating Profit	45.9	26.1
Depreciation and amortisation	5.4	5.6
Other non-cash movements	0.6	0.1
Working capital movement	8.8	20.0
Net interest	0.2	0.4
Tax paid	(8.4)	(4.1)
Net cash from operations	52.5	48.1

Working capital movement

(£m)		Key Drivers
Inventory increase	(3.5)	Underlying reduction in LFL stores
Receivables increase	(0.6)	
Payables increase	12.9	VAT cycle and trade payables
Overall reduction	8.8	

Net cash generation

(£m)	FY10 H1	FY09 H1
Net cash from operations	52.5	48.1
Capital expenditure	(9.6)	(11.4)
Dividends paid	(8.0)	(7.0)
Other	0.1	(1.1)
Change in net cash	35.0	28.6
Period end net cash	59.2	23.4
Daily average net cleared funds	40.1	(0.1)

- Revolving loan facility of £40m in place until September 2011

Capital investment

(£m)	FY10 H1	FY09 H1
Major transactions		
Freehold acquisitions	-	-
Dorma acquisition	-	5.1
On-going investments		
New store fit-outs	5.7	3.9
Refits and other store investments	2.8	2.0
IT investment (including Web)	0.5	0.2
Other	0.6	0.2
Total	9.6	11.4

- 6 new stores fitted out in FY10 H1, 3 in comparable period
- 4 refits completed in FY10 H1, 4 in comparable period

Return of capital

- One-off return of £43.2m to shareholders (21.5p per share)
- Flexible B share mechanism:

	Date of exercise
Alternative 1 - immediate redemption	26 March 2010
Alternative 2 - dividend	26 March 2010
Alternative 3 - deferred redemption	24 June 2010

- Business flexibility retained
 - Positive cash flow
 - Remaining cash resources
 - £40m facility available

Will Adderley

Chief Executive

Our growth strategy

Open more superstores

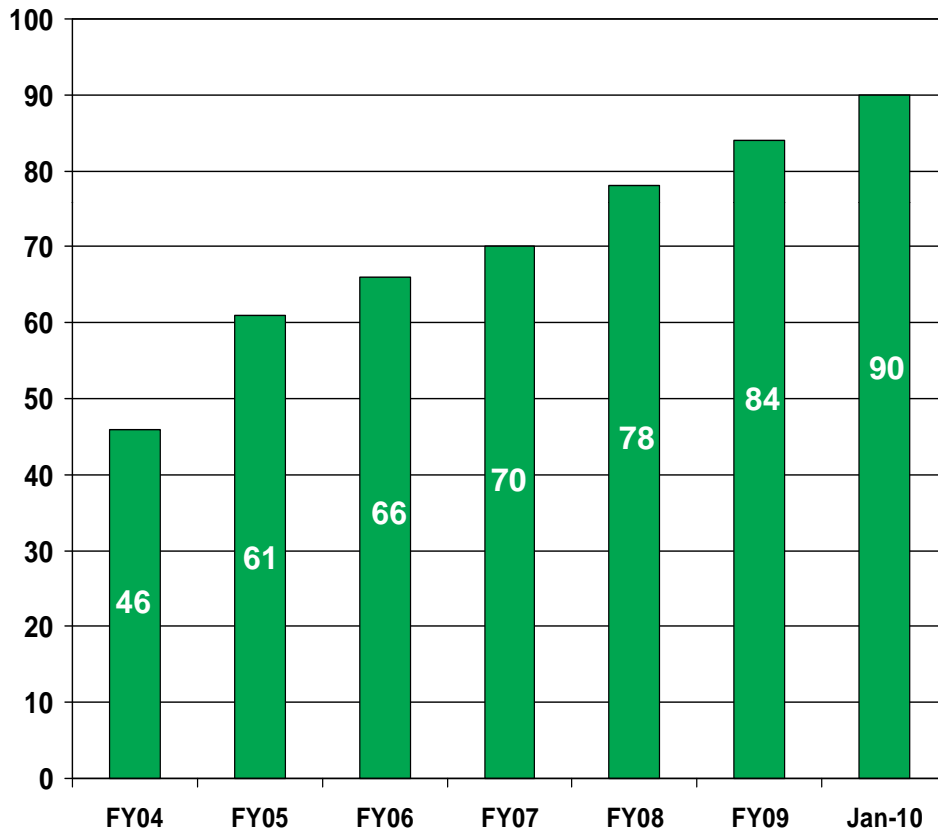
Further develop specialist position

Grow Dunelm Direct

Developing and exploiting infrastructure

More superstores – portfolio history

Number of Superstores *



	Superstores	High Streets
Start of period	82	12
Transfer	2	(2)
New openings	6	-
End of period	90	10

*Figures reflect reclassification of two stores previously treated as high street stores

More superstores

- 6 new superstores opened in H1
 - Londonderry, Norwich, Broadstairs, Bridgend, St Helens, Cheltenham
 - strong trading in all stores
- 5 further openings anticipated by year-end
- 7 more stores legally committed for FY11

Medium term target of
150-200 superstores



Broadstairs



Bridgend



100th Store - Cheltenham

New store economics

Cash Investment	
Fit-out	£1.2m
Working capital	£0.5m
Pre-opening costs	£0.2m
	£1.9m

Return
Profit payback within six months of opening, on average
DCF payback 28 months from opening, on average

Current superstore portfolio



Specialist position – Simply Value for Money



Simply Value...
...for money





Dorma shops rolling out



New furniture concept in pilot



Arts and crafts in over 50 stores



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<p>WAS £49.99 NOW £34.99</p>  <p>Harmony Eyelet Curtains e.g. 117x182cm (46"x72") Other sizes available. Cushion cover & tieback also in range</p>	<p style="text-align: center;">SAVE £30</p>  <p>WAS £99.99 NOW £69.99 Double</p> <p>Charleston 7 Piece Comforter Set Also available in kingsize - WAS £109.99 NOW £79.99 Product includes: bedspread, 2 pillow shams, bolster cushion, rectangular cushion, square cushion & valance. Colours: cream, mushroom & duck egg</p>
<p>WAS £1.29 NOW 99p</p>  <p>Windsor Hand Towel Available in various colours</p>	<p>WAS £19.99 NOW £13.99</p>  <p>Summer Berries 16 Piece Set Set contains 4 dinnerplates, 4 side plates, 4 bowls & 4 mugs.</p>



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*Not all items ordered online can be delivered to store. Higher prices shown have been current for a period of 28 consecutive days in the last six months in a minimum of 20 stores. Some items have been bought from our suppliers at a special rate allowing us to offer them to you at great prices. Some items only available at larger stores and are subject to availability. All prices are correct at time of going to press. We reserve the right to withdraw these offers at any time. (2005)

Improved signage for special buys

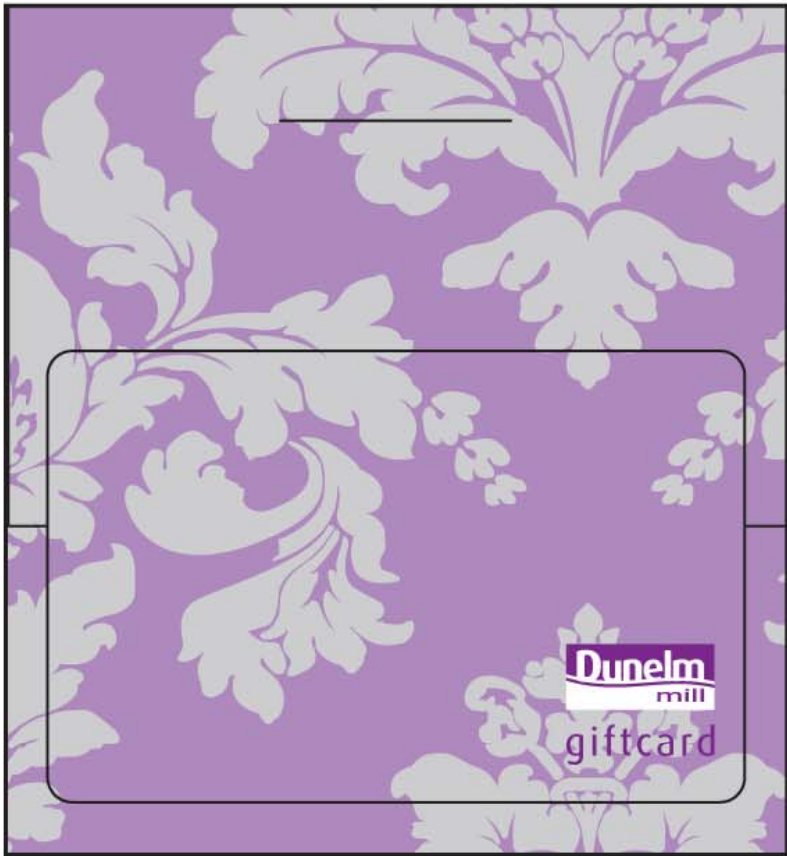


Stronger execution of clearance





Seasonal merchandise



New giftcard designs

Dunelm at home

-  HOME CONSULTATION SERVICE
-  FIT ANYTHING SERVICE
-  HOME DELIVERY SERVICE
-  MEASURING SERVICE

Prices start
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or ask in-store for details

Dunelm at Home in over 20 stores

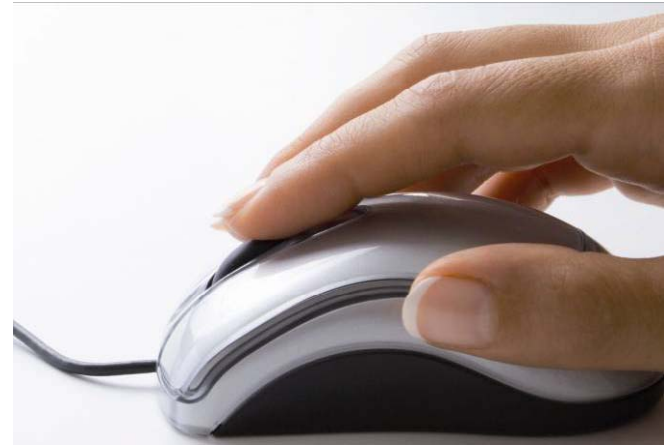
Specialist position – Store refits

- Four refits completed in H1
 - Romford, Thurmaston, Cardiff, Newport
- Substantial improvements to internal and external appearance
- Approximate cost £0.7m per store
- Sales uplift estimated at 10%
- 10+ refits per year going forwards



Dunelm Direct

- New platform live since September
- 12,000 products available
- Increased traffic and transaction volumes
- Equivalent to top 20 store
- Further developments planned



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to Christmas

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The Ruby Collection Duvet Cover as rated by our customers! "Attractive design and warm" from £19.99

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Ideal Christmas gifts - for him, for her, for the home.

Give the gift of choice with a Dunelm Mill Gift Card 

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Florelle Straight Sided Vase £14.99 

Christmas Hand Towel £1.99 

Ideal Gifts for pets

Whiskers and Tails Bowl from £2.99 

Whiskers and Tails Treat Tin £4.99 

Whiskers and Tails Oval Leather Pet Bed £15.99 

Ideal Gifts for him & her

Easy Sewing Machine £12.99 

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15 TOG all seasons HOLLOWFIBRE DUO DUVE

RECOMMENDED!! 

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- Furniture
- Home Decor
- Kitchen
- Laundry
- Lighting
- Made to Measure
- Pictures and Mirrors
- Rugs and Doormats
- Storage

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£3.99

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NEW £32.99

NEW £49.99

1 | 2 | 3

NEW

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Developing and exploiting our infrastructure

- **Warehouse expansion**
 - second DC to be constructed at Stoke, doubling current footprint
 - operational by late summer 2010
 - Dunelm capex estimated £2m
- **New head office**
 - local site acquired, conditional on planning consent
 - anticipated occupation mid-2011
- **Management team**
 - Increased depth of management

Current trading – 33 weeks to 20th February

- Sales performance

	This Year	Last Year
Total	+21.9%	+3.7%
LFL	+11.8%	-3.5%

- LFL over last 7 weeks is -0.2%;
 - excluding calendar effect, LFL would have been +6%
- Gross margin increase +200bps year to date
 - increase in last 7 weeks +110bps excluding calendar effect

H2 Outlook

H1

- Weak comparatives (-5.6% LFL)
- Positive calendar effect (+2.0%)
- Rapid gross margin growth:
 - scale benefits
 - “average cost” gains
 - improved clearance



Extremely strong H1

H2

- Strong comparatives (+5.0% LFL)
- Negative calendar effect (-2.0%)
- Tighter gross margins:
 - “average cost” gains tail off
 - keener pricing on special buys
- Political and economic uncertainties



More challenging H2

Summary

- Outstanding results for H1
- £43m return of capital
- Strong pipeline of new stores
- Continuing innovation
- Robust current trading

Simply value for money



INTERIM RESULTS

26 weeks to 02 January 2010

Appendices



Overview

Our Format

- Out-of-town “big box” retailer
- Category-killing choice in homewares
- Great value merchandise

Our Store Portfolio

- 90 superstores across the UK (as at January 2010)
- Opportunity to expand to at least 150-200 superstores

Our Financial Performance

- Rapid growth: 5 year sales CAGR 12%
- Highly profitable: 5 year average operating margin 12.5%
- Excellent cash generation: all growth internally funded
- Strong balance sheet: net cash £59m at 2nd January 2010

Two types of merchandise



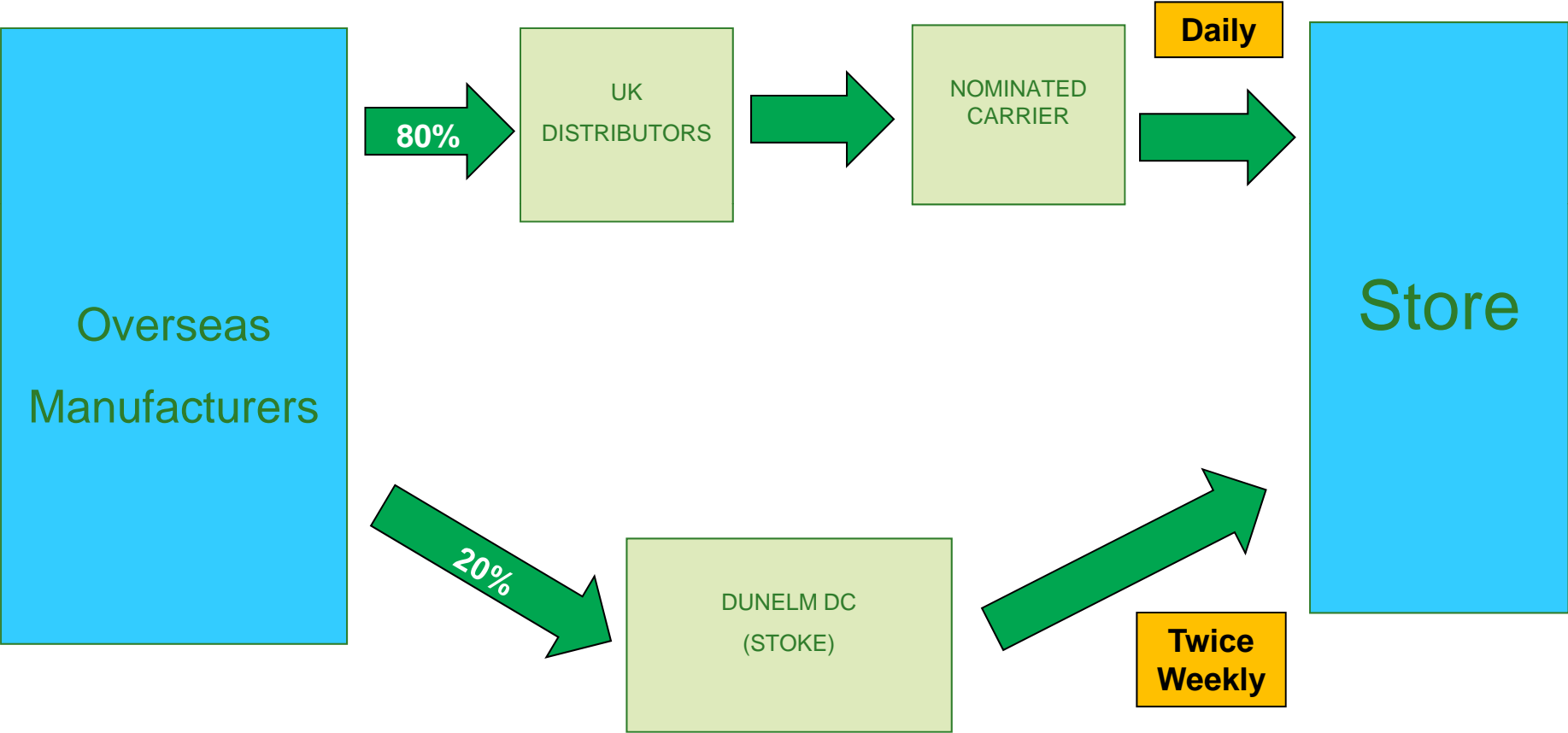
Core ranges
<ul style="list-style-type: none">• Extensive range of homewares• Great authority - depth and choice• Strong availability• Specialist knowledge
80% of sales
Sourced via UK distributors
Delivered by nominated carrier

Special buys
<ul style="list-style-type: none">• Frequently changing ("Miss it Miss out")• Powerful displays• Core homewares and other products• "Treasure-hunt" atmosphere
20% of sales
Direct sourced
Delivered through Stoke DC



"Simply value for money"
100% of sales

Supply chain



Directors' CVs

Geoff Cooper, 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.

Marion Sears, 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.

Simon Emeny, 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.

Nick Wharton, Independent Non-Executive Director. Nick joined the Board in August 2009. He is Finance Director of Halfords Group plc, following a successful earlier career with a variety of retail businesses.

Will Adderley, 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, 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 in London.

Summary balance sheet

(£m)	2 nd January 2010	27 th December 2008
Total non-current assets	99.1	85.0
Inventories	61.4	70.9
Receivables	11.3	12.8
Cash	59.2	32.5
Total assets	231.0	201.1
Current liabilities	(92.9)	(94.1)
Non-current liabilities	-	(9.3)
Net assets	138.1	97.7
Share capital	2.0	2.0
Share premium	0.3	0.3
Retained earnings	135.8	95.4
Total equity	138.1	97.7