

DFS Furniture plc

Capital and Distribution Policy

Ordinary dividend

The Board intends that ordinary dividend cover⁽¹⁾ should be between 2.25x and 2.75x in the full year in respect of which the dividend is declared. The Board may allow a temporary fall in the dividend cover requirements in order to maintain the dividend.

The Group intends to operate with a modest amount of leverage so that net bank debt⁽²⁾ should fall within the range 0.5x – 1.0x last twelve months' Cash EBITDA⁽³⁾. The Group intends to operate broadly in the middle of the range but may move to the top or bottom of that range depending on the anticipated capital needs of the business and the overall outlook for the Group, including our principal risk assessment and the macroeconomic backdrop.

We will normally make an annual and interim dividend payment each year. We would expect to maintain or steadily increase the absolute amount of each dividend payment in line with the growth of the business. However, in exceptional circumstances we may deviate from this policy should we believe that is ultimately in the best interests of the Group and its relevant stakeholders.

Barring very exceptional circumstances, we expect that the total amount of the ordinary dividend paid each year on a rolling basis, would not exceed the underlying cash generation⁽⁴⁾ generated over the last twelve months

Special distributions

The Board holds sole authority for the decision to either pay special dividends or carry out any share repurchases (including for employee share schemes). In addition to the ordinary dividend, the Board will consider returning surplus capital to shareholders if average net bank debt over a period is projected to fall below the target range. Any decision to conduct a special return of capital will be subject to known and anticipated investment plans at the time, and the longer-term outlook for the group.

Share buyback

Subject to operating with a modest amount of leverage (in line with the principles above), to avoid dilution of existing shareholder interests the Board's intention is for the Group to purchase shares in the market on an ongoing basis for re-issue under employee share schemes.

Distributable reserves

The Board will seek to ensure that the parent company has sufficient distributable reserves available from which to make distributions, and prior to payment of a dividend the Board will ensure that dividends are only paid out of distributable reserves. The Board believes that, in the reasonably foreseeable future, the Group is likely to have ample distributable reserves for the implementation of this dividend policy.

Duration of this policy

Absent significant changes in our business model, a requirement to invest capital to support the growth of our business, or deterioration of our profitability we would expect this policy to apply for the foreseeable future.

1) The Group's underlying basic earnings per share divided by the total amount paid to shareholders by

way of ordinary dividend

(2) The revolving credit facility debt balance over the most recent six month period, net of average weekly cleared cash balances. This calculation excludes lease liabilities outstanding

(3) The sum of (i) Net cash from operating activities before tax (ii) Payment of lease liabilities (iii) Interest paid on lease liabilities (iv) excluding movements in provisions and working capital (trade receivables, inventories and trade and other payables) (v) an add back / deduction in respect of non underlying P&L charges / credits

4) Annual change in reported net bank debt excluding (i) any ordinary and/or special dividends paid, (ii) any non-underlying cash costs or exceptional working capital movements incurred, and (iii) any acquisition related consideration