



Home Retail Group plc Trading Statement

Home Retail Group, the UK's leading home and general merchandise retailer, today publishes a trading statement for the 18 weeks from 31 August 2014 to 3 January 2015.

John Walden, Chief Executive of Home Retail Group, commented:

"I am pleased with our overall performance during our important peak trading period, having managed through a volatile trading environment with good control of both gross margin and costs. This year's adoption of 'Black Friday' promotional events generally by the UK market significantly impacted the shape of Argos' sales over its peak trading period. For example, on the day alone sales at Argos were up by 45%, while at the same time, it received over 13.5 million visitors to its digital channels, three times last year's visitors, with mobile channels representing 71% of visits and 61% of digital sales. The draw of discounts affected trade both before and after that busy weekend as consumers satisfied their Christmas shopping lists with bargains.

"In anticipation of volatility in trading patterns and the profit pressure caused by aggressive promotions, Argos pursued a more cautious trading stance over the period. This resulted in broadly flat like-for-like sales, but achieved both improved gross margins and good cost management. Argos also made good progress during the period on its Transformation Plan to reinvent itself as a digital retail leader, as sales through digital channels increased to represent half of Argos' total sales.

"As a result of our trading strategy in the period, we continue to expect Group benchmark profit before tax for the current FY15 financial year to be in line with the current market consensus."

	Latest period (18 weeks to 3 January 2015)	Year-to-date (44 weeks to 3 January 2015)
Argos		
Sales	£1,822m	£3,591m
Like-for-like sales change	0.1%	1.5%
Net space sales change	0.7%	0.4%
Total sales change	0.8%	1.9%
Gross margin movement	Up c.25bps	c.0bps
Homebase		
Sales	£451m	£1,286m
Like-for-like sales change	0.6%	2.9%
Net space sales change	(3.3%)	(2.9%)
Total sales change	(2.7%)	0.0%
Gross margin movement	Down c.100bps	Down c.75bps

Argos

Total sales at Argos grew by 0.8% to £1,822m. Net new space contributed 0.7% as a net nine stores were added in the period as part of the previously announced trials, including seven Argos digital concessions within Homebase stores and three small format digital stores. The Argos portfolio now comprises 756 stores.

Like-for-like sales increased by 0.1% in the period. There was further growth in sales of electrical products as a whole, principally as a result of strong sales performances in video gaming, TV's and mobiles, partially offset by a market driven decline in tablets. These sales increases were principally offset by a sales decline in jewellery.

The week of 'Black Friday' was Argos' highest sales week of the period, with sales being particularly volatile in the weeks surrounding this event. Whilst experiencing strong trade on 'Black Friday', Argos adapted its trading stance both during this event and during the period in general, in order to protect both its gross margin and its cost base, as the highly promotional and high volume nature of this event threatened profit in this key period.

Internet sales for the period represented almost half of total Argos sales at 49%, up from 46% for the same period last year. Within this, mobile commerce sales grew by 40% to represent 28% of total Argos sales, up from 20% in the prior year. Sales via Check & Reserve represented 80% of internet sales in the period.

The approximate 25 basis point gross margin improvement was driven by a reduced level of promotional activity reflecting the more cautious trading stance adopted, together with the anticipated impact of favourable currency and shipping costs, partially offset by an adverse sales mix impact from the growth in margin dilutive electrical products.

Homebase

Total sales at Homebase declined by 2.7% to £451m due principally to a reduction in net space of 3.3%. There were 12 store closures in the period, resulting in a total of 19 closures year to date. The Homebase portfolio has therefore reduced to 304 stores and we remain on track to close a total of around 25 stores in the current FY15 financial year.

Like-for-like sales increased by 0.6% in the period. There was growth in sales of seasonal products, principally as a result of the warm weather during the period. Big ticket sales performance was broadly flat, while sales in the remaining product categories were slightly down.

The approximate 100 basis point gross margin decline was principally driven by the adverse impact of stock clearance activity in respect of the store closures previously announced as part of the Productivity Plan. This was partially offset by the anticipated impact of favourable currency and shipping costs.

Enquiries

Analysts and investors (Home Retail Group)

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There will be a conference call for analysts and investors to discuss this statement at 8.30am this morning. The call is also available as a live webcast on the Home Retail Group website www.homeretailgroup.com. An indexed replay will also be available on the website later in the day.

Home Retail Group will announce details of trading for the remaining eight weeks of the current financial year from 4 January 2015 to 28 February 2015 on Thursday 12 March 2015, and its full-year results on Wednesday 29 April 2015.

Information in this announcement is based upon unaudited management accounts. In addition, certain statements made are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward looking statements.