



**Home Retail Group plc
Interim Management Statement**

Home Retail Group, the UK's leading home and general merchandise retailer, today publishes an Interim Management Statement for the 18 weeks from Sunday 28 August 2011 to Saturday 31 December 2011.

Terry Duddy, Chief Executive of Home Retail Group, commented:

"In a trading environment that has been both volatile and demanding, Homebase has again seen more resilient sales. Argos sales continue to be impacted by the market decline in consumer electronics categories, however we saw internet penetration reach over 40% of total sales, with Check & Reserve being boosted by the development of mobile commerce as customers embrace our leading multi-channel proposition.

"We have managed the business tightly over the peak trading period and expect Group benchmark profit before tax for this financial year to be around the mid-point of the current analyst range of £78m-£125m.

"We will continue to plan cautiously with an ongoing focus on managing robustly both the cost base and the cash position of the Group while prioritising our investment in the ongoing development of our multi-channel capabilities."

	Latest period (18 weeks to 31 December 2011)	Year-to-date (44 weeks to 31 December 2011)
Argos		
Sales	£1,717m	£3,393m
Like-for-like change in sales	(8.8)%	(8.9)%
Net space contribution to sales change	1.0%	1.3%
Total sales change	(7.8)%	(7.6)%
Gross margin movement	Down c.50bps	Down c.75bps
Homebase		
Sales	£475m	£1,315m
Like-for-like change in sales	(2.6)%	(1.3)%
Net space contribution to sales change	0.1%	(0.8)%
Total sales change	(2.5)%	(2.1)%
Gross margin movement	Up c.25bps	Down c.25bps

Argos

Total sales at Argos declined by 7.8% to £1,717m in the period. Net new space contributed 1.0% in the period; five new stores opened and one store was relocated taking the portfolio to 759. There will be a number of store closures in the remainder of the financial year as leases reach their expiry date, resulting in the store portfolio being marginally down at the end of this financial year from the 751 stores at the start of the year.

Like-for-like sales declined by 8.8% in the period. The consumer electronics market, in particular video gaming and audio, remained weak and has continued to account for the majority of the reduction in Argos' sales, although laptops and tablets remain strong performers.

Internet penetration remained strong at 41% of Argos' total sales, up from 38% a year ago supported by continued growth in the participation of Check & Reserve boosted by the fast developing area of mobile commerce.

The approximate 50 basis point gross margin decline was driven by the anticipated adverse impact of shipping rates together with an increased level of promotional investment. This was offset in part by a continued benefit from the sales mix.

Homebase

Total sales at Homebase declined by 2.5% to £475m in the period. Net new space contributed 0.1% in the period with the store portfolio remaining at 342.

Like-for-like sales declined by 2.6% in the period. Big ticket sales were down and continued to be impacted by a challenging market, while sales for the remaining categories were broadly flat.

The gross margin rate increased by approximately 25 basis points.

Other

The Group will be closing its UK homewares trial format, HomeStore&More, at the end of February 2012. The closure costs, which will be taken below benchmark profit before tax in the current financial year, will be approximately £10m. The cash component of this cost will be approximately £7m, the majority of which relates to the existing store lease commitments for which the outflows will occur over the next few years until the expiry of the last remaining lease.

Given the ongoing uncertainty surrounding the UK economy we continue to plan cautiously with an ongoing focus on managing robustly both the cost base and the cash position of the Group. With this in mind, the Board anticipates a significant cut in the full year dividend for the current financial year.

No other material events, transactions or impacts on the Group's financial position have taken place since the previously announced 27 August 2011 balance sheet date.

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 can be listened to live 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 1 January 2012 to 25 February 2012 on Thursday 15 March 2012, and its full-year results on Wednesday 2 May 2012.

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.