



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 covering the 13 weeks from 3 March to 1 June 2013.

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

"Argos has delivered a good start to the year driven by continued success in consumer electronics and electricals, supported by growing internet and mobile commerce sales. Overall, its trading has been consistent with our expectations. Homebase produced a positive like-for-like sales performance, however seasonal sales were adversely impacted by the volatile weather and as a result its performance for the quarter was slightly behind our expectations.

Whilst we expect consumer spending to remain subdued, we are on track with delivering our investment plans to drive the long term development of both Argos and Homebase."

| | Q1 (13 weeks to 1 June 2013) |
|----------------------------|---|
| Argos | |
| Sales | £828m |
| Like-for-like sales change | 1.9% |
| Net space sales change | (0.7%) |
| Total sales change | 1.2% |
| Gross margin movement | Down c.75bps |
| Homebase | |
| Sales | £422m |
| Like-for-like sales change | 1.4% |
| Net space sales change | (1.2%) |
| Total sales change | 0.2% |
| Gross margin movement | Down c.200bps |

Argos

Total sales at Argos grew by 1.2% to £828m. Net closed space reduced sales by 0.7% in the quarter with the store portfolio remaining at 737.

Like-for-like sales increased by 1.9% in the quarter. Consumer electronics maintained its positive sales performance driven by growth in both tablets and TVs, which together with continued growth in both white goods and core electricals, more than offset the market driven declines in the video gaming and audio categories as well as the weaker performance in seasonal products.

Total internet sales grew in the quarter, resulting in internet penetration increasing to 42% of Argos' total sales, up from 41% a year ago. This growth was supported by further strong growth in the mobile commerce channel in which sales increased by 114%.

The approximate 75 basis point gross margin decline was driven by the sales mix impact from the growth in consumer electronics.

Homebase

Total sales at Homebase grew by 0.2% to £422m. Net closed space reduced sales by 1.2% in the quarter with the store portfolio remaining at 336.

Like-for-like sales increased by 1.4% in the quarter driven by the performance in big ticket products. This was partially offset by reduced sales of seasonal products which represented about 40% of total sales in the quarter and which were adversely impacted by the volatile weather conditions. Sales for the remaining categories were broadly flat.

The approximate 200 basis point gross margin decline was principally driven by a return to a more normal level of promotional sales versus the unusually low level in the first quarter of the previous financial year.

Other

As previously disclosed in the Preliminary Results announcement of 1 May 2013;

- On 27 March 2013, the Group entered into a new unsecured three-year multi-currency revolving credit facility of £165m with a syndicate of banks. On the same day, the Group cancelled its existing £685m facility.
- A full actuarial valuation of the Group's defined benefit pension scheme is carried out on behalf of the scheme's Trustee every three years by independent, qualified actuaries. On 27 March 2013 the latest valuation, as at 31 March 2012, was completed by the Trustee which has resulted in a deficit of £158m being agreed with the Group. A schedule of deficit recovery payments has also been agreed with the Group, with the cash flow impact of the deficit recovery payments being £22m for the financial year ending 1 March 2014 and for each of the six subsequent years.

No other material events, transactions or impacts on the Group's financial position have taken place since the previously announced 2 March 2013 balance sheet date.

Enquiries

Analysts and investors (Home Retail Group)

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Media (RLM Finsbury)

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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 13 weeks from 2 June 2013 to 31 August 2013 on Thursday 12 September 2013, and its half-year results on Wednesday 23 October 2013.

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.