



Home Retail Group plc Second Quarter Trading Statement

Home Retail Group, the UK's leading home and general merchandise retailer, today updates on the trading of its second financial quarter covering the 13 weeks to 31 August 2013.

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

"The Group had a good first half driven by a positive sales performance in both businesses. Overall Homebase traded well through its peak period, while Argos continues to build on its digital leadership with mobile commerce now accounting for 17% of Argos' total sales. At this stage of the financial year, we expect to deliver full year Group benchmark profit in line with current market expectations but, as always, the outcome will depend upon Argos' peak trading period.

Whilst we continue to expect consumer spending to remain subdued, we approach the important Christmas trading period in good operational shape. We are on track to deliver the investment plans which will drive the long term development of both businesses."

	Q1 (13 weeks to 1 June 2013)	Q2 (13 weeks to 31 August 2013)	H1 (26 weeks to 31 August 2013)
Argos			
Sales	£828m	£889m	£1,717m
Like-for-like sales change	1.9%	2.7%	2.3%
Net space sales change	(0.7%)	(0.3%)	(0.5%)
Total sales change	1.2%	2.4%	1.8%
Gross margin movement	Down c.75bps	Down c.50bps	Down c.75bps
Homebase			
Sales	£422m	£400m	£822m
Like-for-like sales change	1.4%	11.0%	5.9%
Net space sales change	(1.2%)	(1.7%)	(1.5%)
Total sales change	0.2%	9.3%	4.4%
Gross margin movement	Down c.200bps	c.0bps	Down c.100bps

Argos

Total sales at Argos grew by 2.4% to £889m. Net closed space reduced sales by 0.3% in the quarter with the store portfolio remaining at 737.

Like-for-like sales increased by 2.7% in the quarter. Growth was driven by strong sales in seasonal products which benefited from favourable weather conditions; this combined with continued growth in electricals, more than offset sales declines in furniture and homewares.

Sales via the internet continued to grow with internet penetration now representing 44% of total Argos sales, up from 42% for the same period last year. This growth was supported by strong sales in mobile commerce, which saw sales grow by 133% to 17% of total Argos sales, up from 7% for the same period last year, driven by the ongoing development of Argos' mobile and tablet apps.

The approximate 50 basis point gross margin decline was driven principally by the sales mix impact from the growth in electricals.

Homebase

Total sales at Homebase grew by 9.3% to £400m. Net closed space reduced sales by 1.7% in the quarter; three stores closed in the quarter reducing the store portfolio to 333.

Like-for-like sales increased by 11.0% in the quarter driven by strong sales of seasonal products, which represent c.40% of total sales in the quarter and which benefited from favourable weather conditions. Big ticket sales performance was also slightly ahead while sales in the remaining categories were slightly down.

The gross margin rate was level with the same period last year.

Other

A cash payment of £14.1m was made to the Home Retail Group Employee Share Trust during the period to fund the purchase of 10.0m shares. The shares contribute towards those already held by the Trust and which are potentially needed to satisfy obligations arising from employee share schemes, the majority of which relate to the save-as-you-earn plans offered to the Group's c.50,000 colleagues.

Other than those previously disclosed, no 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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There will be a conference call for analysts and investors to discuss this statement at 7.30am 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 its half-year results on Wednesday 23 October 2013. An Interim Management Statement covering the 18 weeks from 1 September 2013 to 4 January 2014 will be announced on Thursday 16 January 2014.

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.