



**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 1 September 2013 to 4 January 2014.

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

"We are pleased that both Argos and Homebase have delivered another period of good trading performance despite a challenging consumer environment. In its peak trading period Argos has continued to grow internet sales, which now represent nearly half of total Argos sales. This growth was supported by a strong performance in mobile commerce sales which represented 20% of total Argos sales in the period. This gives further reinforcement to our plan for Argos to become a digital retail leader.

"As a result of the trading performance, we now expect to achieve full year Group benchmark profits towards the top end of the current range of market expectations of £90m to £109m. We remain on track to deliver the investment plans in both businesses."

	Latest period (18 weeks to 4 January 2014)	Year-to-date (44 weeks to 4 January 2014)
Argos		
Sales	£1,808m	£3,525m
Like-for-like sales change	3.8%	3.1%
Net space sales change	(0.2%)	(0.4%)
Total sales change	3.6%	2.7%
Gross margin movement	Down c.50bps	Down c.50bps
Homebase		
Sales	£464m	£1,286m
Like-for-like sales change	4.7%	5.4%
Net space sales change	(2.4%)	(1.8%)
Total sales change	2.3%	3.6%
Gross margin movement	Down c.75bps	Down c.100bps

Argos

Total sales at Argos grew by 3.6% to £1,808m. Net closed space reduced sales by 0.2% as a result of store closures in previous periods. In the current period a net one new store opened, taking the portfolio to 738.

Like-for-like sales increased by 3.8% in the period. Electrical products delivered a strong sales performance principally as a result of growth in video gaming, tablets, televisions and white goods, partially offset by the continued declines in audio and photographic sales. The growth in electrical products was partially offset by declines in the homewares and jewellery categories.

Internet sales grew to represent 46% of total Argos sales, up from 42% for the same period last year. This performance was supported by growth in both Check & Reserve and also mobile commerce sales. Mobile commerce sales grew by 75% against the same period last year to represent 20% of total Argos sales in the period, up from 12% in the prior year.

The approximate 50 basis point gross margin decline was driven principally by the sales mix impact from the growth in electrical products, partially offset by a reduction in the level of stock clearance activity.

Homebase

Total sales at Homebase grew by 2.3% to £464m. Net closed space reduced sales by 2.4% in the period; 10 stores closed in the period reducing the store portfolio to 323.

Like-for-like sales increased by 4.7% in the period, driven principally by growth in big ticket sales. Sales in the remaining categories were slightly up year on year.

The approximate 75 basis point gross margin decline was driven principally by the sales mix impact from the growth in big ticket products.

Other

A cash payment of £7.9m was made to the Home Retail Group Employee Share Trust during the period to fund the purchase of 4.1m 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. A cumulative payment of £21.9m to fund the purchase of 14.1m shares has now been made in the current financial year.

No other material events, transactions or impacts on the Group's financial position have taken place since the previously announced 31 August 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 8.00am 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 5 January 2014 to 1 March 2014 on Thursday 13 March 2014, and its full-year results on Wednesday 30 April 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.