



## 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 2 March to 31 May 2014.

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

"We have had a good start to the year, with both Argos and Homebase delivering positive like-for-like sales growth. This growth was aided by a strong performance in seasonal products in both businesses, due to better weather overall versus the comparable period last year. In addition to this strong performance in seasonal products, Argos delivered further sales growth in electrical products whilst Homebase achieved growth in sales of big ticket products.

"We are pleased with this encouraging start to the year, but remain mindful that we will annualise more challenging comparators in both businesses through the remainder of the year, including Homebase's very strong seasonal performance in the second quarter of last year. At this early stage of the financial year, we expect to deliver full year Group benchmark profit in line with current market expectations."

	<b>Q1</b> (13 weeks to 31 May 2014)
<b>Argos</b>	
Sales	£868m
Like-for-like sales change	4.9%
Net space sales change	(0.1%)
Total sales change	4.8%
Gross margin movement	Down c.25bps
<b>Homebase</b>	
Sales	£445m
Like-for-like sales change	7.9%
Net space sales change	(2.4%)
Total sales change	5.5%
Gross margin movement	Down c.50bps

### **Argos**

Total sales at Argos grew by 4.8% to £868m. Although the store portfolio remained unchanged at 734, net closed space reduced sales by 0.1% in the quarter.

Like-for-like sales increased by 4.9% in the quarter. Growth was driven by a strong performance in seasonal products together with continued sales growth in electrical products, principally as a result of growth in video gaming and TVs, partially offset by a market driven decline in tablets. This combined growth more than offset small declines in the homewares, furniture and jewellery categories.

Internet sales grew in line with total company sales and represented 42% of total Argos sales. Within this, mobile commerce grew by 56% and represented 21% of total Argos sales.

The approximate 25 basis point gross margin decline was principally driven by an adverse sales mix impact from the growth in margin dilutive electrical products.

### **Homebase**

Total sales at Homebase grew by 5.5% to £445m. Net closed space reduced sales by 2.4% in the quarter; there was a net reduction of one store, bringing the store portfolio to 322.

Like-for-like sales increased by 7.9% in the quarter driven by strong sales of seasonal products, which represented around 40% of total sales in the quarter and which benefited

from better weather conditions in comparison to the first quarter of the prior year. There was also growth in sales of big ticket products, while sales for the remaining categories were slightly lower overall.

The approximate 50 basis point gross margin decline was principally driven by an adverse sales mix impact from the growth in the margin dilutive seasonal and big ticket product categories.

### **Employee Share Trust share purchase**

A cash payment of £16.6m was made to the Home Retail Group Employee Share Trust during the period to fund the purchase of 8.0m shares. The shares are in addition to those already held by the Trust and are needed to satisfy obligations arising from employee share schemes.

No other material events, transactions or impacts on the Group's financial position have taken place since the previously announced 1 March 2014 balance sheet date.

## **Enquiries**

### **Analysts and investors (Home Retail Group)**

Richard Ashton	Finance Director	01908 600 291
Mark Willis	Director of Investor Relations	

### **Media (RLM Finsbury)**

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There will be a conference call for analysts and investors to discuss this statement at 8.15am this morning. The call can be listened to live on the Home Retail Group website [www.homeretailgroup.com](http://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 1 June 2014 to 30 August 2014 on Thursday 11 September 2014, and its half-year results on Wednesday 22 October 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.