



11 September 2014

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 30 August 2014.

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

"The Group has had a good first half. Argos delivered its ninth consecutive quarter of positive like-for-like sales growth in the second quarter. For the first time in many years, this sales growth was supported by an improved gross margin performance.

"Homebase performed well over its peak trading period, following up its good performance in the first quarter with broadly flat like-for-like sales in the second quarter. This is especially pleasing given that we achieved this against a strong 11% like-for-like in the same period last year.

"At this halfway point of the financial year we expect to deliver full-year Group benchmark profit in line with current market expectations, however, as always the full-year outcome will depend upon Argos' Christmas trading period.

"We remain cautiously optimistic about the broader economic environment. Key economic indicators seem to be improving, however retail spending in general has been inconsistent across both product categories and geographies, suggesting that there is not yet a sustainable, broad-based consumer recovery."

	Q1 (13 weeks to 31 May 2014)	Q2 (13 weeks to 30 August 2014)	H1 (26 weeks to 30 August 2014)
Argos			
Sales	£868m	£901m	£1,769m
Like-for-like sales change	4.9%	1.2%	2.9%
Net space sales change	(0.1%)	0.2%	0.1%
Total sales change	4.8%	1.4%	3.0%
Gross margin movement	Down c.25bps	Up c.25bps	c.0bps
Homebase			
Sales	£445m	£390m	£835m
Like-for-like sales change	7.9%	0.1%	4.1%
Net space sales change	(2.4%)	(2.9%)	(2.6%)
Total sales change	5.5%	(2.8%)	1.5%
Gross margin movement	Down c.50bps	Down c.75bps	Down c.75bps

Argos

Total sales at Argos grew by 1.4% to £901m. Net new space contributed 0.2% as we added a net 13 stores in the quarter as part of previously announced trials, including nine Argos concessions within Homebase stores and four small format stores. The Argos portfolio now comprises 747 stores.

Like-for-like sales increased by 1.2% in the quarter. Growth was driven by increased sales of electrical products as a whole, principally as a result of strong sales performances in TV's, video gaming and white goods, partially offset by a further decline in tablets. These increased sales more than offset small sales declines in furniture, homewares and jewellery.

Sales via the internet grew in line with total sales in the quarter and represented 44% of total Argos sales. Within this, mobile commerce grew by 36% and represented 22% of total Argos sales.

The approximate 25 basis point gross margin improvement was driven by a reduced level of promotional sales together with a number of other small positive items, partially offset by an adverse sales mix impact from the growth in margin dilutive electrical products.

Homebase

Total sales at Homebase declined by 2.8% to £390m due principally to a reduction in net space of 2.9% as a result of a net six store closures in the quarter, which results in a total of seven closures in the first half. The Homebase portfolio has therefore reduced to 316 stores.

Like-for-like sales increased by 0.1% in the quarter. There was growth in sales of big ticket products, offset by a decline in sales of seasonal products following the very strong performance in this category in the same period last year. Sales in the remaining product categories were slightly up.

The approximate 75 basis point gross margin reduction was driven by the adverse impact of stock clearance activity in respect of the store closures, together with an adverse sales mix impact from the growth in margin dilutive big ticket products.

Other

A cash payment of £33.4m was made to the Home Retail Group Employee Share Trust during the period to fund the purchase of 18.8m shares. The shares are in addition to those already held by the Trust and are needed to satisfy obligations arising from employee share schemes. A cumulative payment of £50.0m to fund the purchase of 26.8m shares has 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 1 March 2014 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 22 October 2014. An Interim Management Statement covering the 18 weeks from 31 August 2014 to 3 January 2015 will be announced on Thursday 15 January 2015.

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.