



Home Retail Group plc End of Year Trading Statement

Home Retail Group, the UK's leading home and general merchandise retailer, announces details of the final eight-week trading period for the financial year ended 28 February 2015.

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

"We are pleased to have delivered another full-year of like-for-like sales growth in both Argos and Homebase. Although our sales performance was weaker in the final short trading period, we managed the business effectively during this period and achieved a good performance in both gross margin and costs. As a result of this, we expect that Group benchmark profit before tax for the FY15 financial year will be towards the top end of the current range of market expectations of £120m to £132m.

"Argos continues to make good progress with its Transformation Plan. Over the Plan's first two years we have delivered a significant amount of change and many new capabilities. However, it is important that we achieve an appropriate balance between the implementation of these new capabilities and ensuring good customer experiences. We are on track to deliver both the Argos Transformation Plan and the Homebase Productivity Plan over the next three years."

	Latest period (8 weeks to 28 February 2015)	H2 (26 weeks to 28 February 2015)	Full year (52 weeks to 28 February 2015)
Argos			
Sales	£505m	£2,327m	£4,096m
Like-for-like sales change	(5.0%)	(1.1%)	0.6%
Net space sales change	1.0%	0.8%	0.5%
Total sales change	(4.0%)	(0.3%)	1.1%
Gross margin movement	Up c.100bps	Up c.25bps	Up c.25bps
Homebase			
Sales	£193m	£644m	£1,479m
Like-for-like sales change	(0.9%)	0.1%	2.3%
Net space sales change	(3.8%)	(3.4%)	(3.0%)
Total sales change	(4.7%)	(3.3%)	(0.7%)
Gross margin movement	Down c.225bps	Down c.150bps	Down c.100bps

Argos

Total sales at Argos declined by 4.0% to £505m in this short period. Net new space contributed 1.0%, while like-for-like sales declined by 5.0%. This trading performance was in part due to annualising a 5% like-for-like sales growth in the same period last year, together with the impact of a more difficult market in a number of consumer electronic product categories. Furthermore, in the period we began to prioritise improved customer experiences following the rapid introduction of extensive new capabilities in prior periods. Taken together, these factors may continue to impact sales momentum in the next couple of quarters.

Full-year total sales grew by 1.1%, like-for-like sales increased by 0.6% and net new space contributed 0.5%. The store estate has increased by 21 stores to 755 in the year, an increase that is in line with our previously announced plans. This increase comprised a total of 30 new stores which included 20 Argos digital concessions within Homebase and seven new small format digital stores, partially offset by nine store closures.

Full-year internet sales represented 46% of total Argos sales, up from 44% last year. Within this, mobile commerce grew by 38% to represent 25% of total Argos sales.

Full-year gross margin improved by approximately 25 basis points, principally driven by a reduced level of promotional activity together with the anticipated impact of favourable

currency and shipping costs, partially offset by an adverse sales mix impact from the growth in margin dilutive electrical products.

Homebase

Like-for-like sales at Homebase declined by 0.9% in this short period, principally due to annualising a 9% like-for-like growth in the same period last year. Total sales declined by 4.7% to £193m and net closed space reduced sales by 3.8%. Full-year total sales declined by 0.7%, like-for-like sales increased by 2.3% and net closed space reduced sales by 3.0%. There were 30 store closures and three store openings in the year, reducing the store portfolio by 27 stores to 296, a reduction that is ahead of our previous guidance for the current financial year and which is part of the previously announced Productivity Plan.

Full-year gross margin declined by approximately 100 basis points, principally driven by an increased level of stock clearance in respect of the store closures.

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 8.30am this morning. The call can be accessed as a live webcast 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 full-year results on Wednesday 29 April 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.