



Home Retail Group plc End of Year Trading Statement

Home Retail Group (the "Group"), the UK's leading home and general merchandise retailer, announces details of the final eight-week trading period for the financial year ended 27 February 2016.

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

"This has been another rather eventful period for the Group, during which we completed the sale of the Homebase business and both J Sainsbury plc and Steinhoff International Holdings N.V. announced possible offers for the acquisition of the remaining Group.

"I am pleased with the continued improvement in Argos' sales performance in the period, together with the continued progress in the Argos Transformation Plan to become a digital retail leader. In October we introduced FastTrack - market-leading propositions for same-day home delivery and store collection. Since its introduction, customer awareness of FastTrack has continued to grow and its operations are improving, with both on-time delivery rates and customer satisfaction now at leading levels. Along with FastTrack, the combination of our now proven digital concession model, together with improvements in digital experiences have driven increases in both digital sales and digital participation.

"We expect that Group benchmark profit before tax for the financial year ended 27 February will be in line with the current consensus of market expectations of £93m.¹ We also expect that the Group's year-end cash balance will be significantly stronger than previously anticipated at c.£625m."

	Latest period (8 weeks to 27 February 2016)	H2 (26 weeks to 27 February 2016)	Full year (52 weeks to 27 February 2016)
Argos			
Sales	£515m	£2,352m	£4,095m
Like-for-like sales change	(1.1%)	(2.0%)	(2.6%)
Net space sales change	3.0%	3.1%	2.6%
Total sales change	1.9%	1.1%	0.0%
Gross margin movement	Up c. 75bps	Down c.175bps	Down c.50bps
Homebase			
Sales	£183m	£617m	£1,433m
Like-for-like sales change	3.3%	4.5%	5.2%
Net space sales change	(8.5%)	(8.9%)	(8.3%)
Total sales change	(5.2%)	(4.4%)	(3.1%)
Gross margin movement	Down c.225bps	Down c.100bps	Down c.125bps

Argos

Total sales at Argos increased by 1.9% to £515m. Net new space contributed 3.0%, principally as a result of the 94 digital concessions and collection points opened within the past year. The store estate has increased by a net 90 stores to 845 in the year. Like-for-like sales declined by 1.1% in the period, however the cannibalisation impact on like-for-like

¹ This sentence (the "Profit Estimate") represents a profit estimate for the purposes of the City Code on Takeovers and Mergers (the "Code"). The Panel Executive has granted a dispensation from the requirement for Home Retail Group to publish reports as required by Rules 28.1(a)(i) and (ii), pursuant to Note 2(b) on Rule 28.1 of the Code. As required by Note 2(b) on Rule 28.1 of the Code, the directors of Home Retail Group (the "Directors") confirm that the Profit Estimate remains valid and has been properly compiled on the basis of the assumptions stated in Part IV of the Circular to Shareholders relating to the disposal of Homebase (the "Homebase Transaction") published on 2 February 2016 and restated at the end of this document, and in accordance with the company's accounting policies.

sales as a result of the additional new space was around 1% and therefore underlying like-for-like sales were broadly flat in the period.

Sales of non-electrical product categories grew during the period, principally attributable to the performance of furniture and general sports, partially offset by a decline in jewellery. However, sales of electrical products declined during the period, principally driven by video gaming, tablets and white goods, while mobiles continued to deliver good levels of growth.

Internet sales grew by 13% in the period and represented 51% of total Argos sales, up from 46% for the same period last year. Within this, mobile commerce sales grew by 15% to represent 28% of total Argos sales, up from 25% in the prior year.

Argos' gross margin was up approximately 75 basis points.

Other

The Group's cash flow, excluding the impact of the Homebase transaction, has been significantly stronger than anticipated and will be broadly flat for the financial year just ended, resulting in an underlying closing net cash position of c.£310m. In addition, the Group's reported closing net cash position will also include the Homebase disposal proceeds of £340m, together with the initial payment of £26m in respect of the previously disclosed £50m Homebase sale related contribution to the Group's defined benefit pension scheme, resulting in an actual closing net cash position of c.£625m.

Enquiries

Analysts and investors (Home Retail Group)

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

Media (Finsbury)

Rollo Head	020 7251 3801
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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 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.

Disclosure requirements of the City Code on Takeovers and Mergers (the "Code")

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been

disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made, can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Rule 26.1 disclosure

A copy of this announcement will be available on Home Retail Group's website at www.homeretailgroup.com/investor-centre by no later than 12 noon (London) time on 11 March 2016.

The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Profit Estimate assumptions

Factors affecting the Profit Estimate that are outside the influence or control of the Directors:

- there will be no material change in the political and/or economic environment that would materially affect the Group;
- there will be no material change in market conditions in relation to customer demand or the competitive environment;
- there will be no material change in customers' propensity to purchase products from Homebase, particularly "big ticket" products as a result of the announcement of the Homebase Transaction;
- there will be no material change in customers' ability or approach in managing their credit commitments that would materially affect the Group;
- there will be no business disruptions that materially affect the Group, its customers or operations, including severe weather conditions, acts of terrorism, cyber-attack and/or technological issues or supply chain/distribution disruptions;
- there will be no material change in the management or control of the Group;
- there will be no changes in interest rates, exchange rates, bases of taxes, legislative or regulatory requirements that would have a material impact on the Group's operations;
- there will be no material changes in supplier terms and conditions;
- there will be no material changes in freight costs;
- there will be no industrial action; and
- there will be no material legal claim against the Group.

Factors affecting the Profit Estimate that are within the influence or control of the Directors:

- there will be no material strategic investments, acquisitions or further disposals;
- there will be no change in the Group's existing operational strategy;
- there will be no store or site closures beyond those forecast;
- there will be no significant changes to product pricing from that forecast;
- any current contract negotiations with suppliers will conclude materially as the Directors would reasonably expect based on the Group's past experience; and
- the announcement of the Homebase Transaction will not have a material impact on the Group's ability to retain and motivate employees.

Further information

This announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Home Retail Group or any of its affiliates in any jurisdiction or an inducement to enter into investment activity.

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.

Forward looking statements typically include words such as "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof. All statements other than statements of historical facts included in this announcement may be forward looking statements. Except as required by law, Home Retail Group undertakes no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.