



## Home Retail Group plc Trading Statement

Home Retail Group, the UK's leading home and general merchandise retailer, today publishes a trading statement covering the 13 weeks from 28 February to 28 May 2016.

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

"I am pleased with our performance in the first quarter. Argos delivered good total sales growth together with positive like-for-like growth, representing its strongest sales growth performance in eight quarters. This was achieved against the challenging backdrop of constrained seasonal product sales due to poor weather, on top of a deflationary pricing environment.

"Many of the digital capabilities we are building, as we pursue the Transformation Plan to reinvent Argos as a digital retail leader, are positively impacting our business. Internet sales grew 16% during the quarter, which is our strongest quarterly digital sales growth for over three years. Digital sales accounted for almost 50% of total Argos sales in the quarter, including mobile commerce which now represents almost 30% of sales. Argos' customer experiences overall improved in the quarter, aided by Fast Track, a market-leading national proposition for both same-day home delivery and store collection. Fast Track continues to build momentum and is achieving leading levels of customer satisfaction.

"Finally, we remain on track to complete the proposed transaction with Sainsbury's in the third quarter of this calendar year. Given the natural distraction that a transaction such as this can be for our colleagues, on top of the recent sale of Homebase, I am particularly pleased with our performance in the quarter."

### Q1

(13 weeks to  
28 May 2016)

#### Argos

Sales	£868m
Like-for-like sales change	0.1%
Net space sales change	2.5%
Total sales change	2.6%
Gross margin movement	Down c.100bps

Total sales at Argos grew by 2.6% to £868m. Net new space contributed 2.5%, mainly as a result of store openings in the previous financial year. There were two closures of digital concessions within Homebase stores in the quarter, reducing the store estate to 843. Like-for-like sales increased by 0.1% in the quarter, however the cannibalisation impact from the new space added in the previous financial year was around 1% and therefore Argos' underlying like-for-like sales increased by approximately 1%.

Sales grew in both electrical and non-electrical product categories during the quarter, with the growth in electricals principally attributable to the performance of TVs, mobiles, computers and tablets, partially offset by a sales decline in white goods. The growth in sales of non-electrical products was largely driven by furniture and general sports, partially offset by weaker sales of seasonal products.

Internet sales grew by 16% in the quarter and represented 49% of total Argos sales, up from 44% for the same quarter last year. Within this, mobile commerce sales grew by 17% to represent 29% of total Argos sales, up from 25% in the same quarter last year.

The approximate 100 basis point gross margin decline was principally driven by the anticipated impact of adverse currency and shipping costs and an adverse sales mix impact mainly attributable to the improved performance of margin dilutive electrical products.

### **Financial Services customer redress**

In the course of implementing its new governance and risk management procedures, the Group's Financial Services division identified that it had erroneously collected excess fees in relation to the late payment of amounts due from certain customers. The Group took advice on this matter and based upon this advice it booked a charge in its FY16 financial statements. The Group has subsequently been advised that a more extensive customer redress programme will now be required. A detailed review exercise will now be undertaken, however a preliminary estimate has been prepared, which indicates that the existing customer redress provision may need to be increased by an amount in the region of £30m.

### **Enquiries**

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

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

#### **Media (RLM 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 8.30am this morning. The call can be accessed as a live webcast 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.

#### **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](http://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](http://www.homeretailgroup.com/investor-centre) by no later than 12 noon (London) time on 10 June 2016.

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

**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.