



10 September 2015

## 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 29 August 2015.

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

"Argos delivered an improved sales performance in the second quarter. It made good progress with new stores, opening more than 50 digital concessions within Homebase and Sainsbury's, which have generated encouraging early results. Consistent with our previous guidance, Argos' sales continued to be adversely impacted by the performance of a number of key electrical product categories as well as weaker overall market conditions in August.

"Homebase performed well across its peak trading season, delivering good like-for-like sales growth in both quarters of the first half, while continuing its progress on both its store closure programme and the Productivity Plan more broadly.

"The outcome for the Group's full-year generally depends upon the important Christmas trading period at Argos which, this year, seems less predictable than usual due to a less certain promotional environment. Our teams have made solid progress preparing for this period, including substantially completing the technology and operational steps necessary to introduce new store collection and home delivery propositions to our customers. We will be making increased marketing and promotional investments to launch these propositions and we expect customers to increasingly embrace them over time."

	<b>Q1</b> (13 weeks to 30 May 2015)	<b>Q2</b> (13 weeks to 29 August 2015)	<b>H1</b> (26 weeks to 29 August 2015)
<b>Argos</b>			
Sales	£846m	£897m	£1,743m
Like-for-like sales change	(3.9%)	(2.8%)	(3.4%)
Net space sales change	1.3%	2.4%	1.9%
Total sales change	(2.6%)	(0.4%)	(1.5%)
Gross margin movement	Up c.50bps	Up c.125bps	Up c.100bps
<b>Homebase</b>			
Sales	£438m	£378m	£816m
Like-for-like sales change	5.4%	5.9%	5.6%
Net space sales change	(7.0%)	(8.7%)	(7.8%)
Total sales change	(1.6%)	(2.8%)	(2.2%)
Gross margin movement	Down c.175bps	Down c.75bps	Down c.125bps

### Argos

Total sales at Argos declined by 0.4% to £897m. Net new space contributed 2.4% with the store portfolio increasing by 52 stores to 840. This increase comprised 44 digital concessions within Homebase and 8 digital concessions within Sainsbury's.

Like-for-like sales declined by 2.8% in the quarter. As anticipated, sales of electrical products continued to decline principally driven by TVs, tablets and white goods. These declines more than offset a good performance in toys.

Internet sales for the quarter represented 46% of total Argos sales, up from 44% for the same period last year. Within this, mobile commerce sales grew by 11% to represent 25% of total Argos sales, up from 22% in the prior year.

The approximate 125 basis point gross margin improvement was principally driven by the anticipated impact of favourable currency and shipping costs, together with the continued timing benefit of a small number of other positive items which are expected to reverse in the second half of the current financial year. These increases were partially offset by an increased level of promotional sales.

### **Homebase**

Total sales at Homebase declined by 2.8% to £378m as a result of the ongoing store closure programme, which resulted in 8 store closures in the quarter and which reduced the store portfolio to 271. Closed space reduced sales by 8.7% in the quarter.

Like-for-like sales increased by 5.9% in the quarter with sales growth broadly across all product categories, but particularly in big ticket products. This growth continued to be partially supported by both the trade transfer and the stock clearance sales benefits attributable to the previously announced store closure programme and distribution centre closure.

The approximate 75 basis point gross margin decline was principally driven by the adverse impact of the previously announced stock clearance activity together with an adverse sales mix impact, mainly attributable to the growth in margin dilutive big ticket products. These declines were partially offset by a reduced level of promotional activity together with the anticipated impact of favourable currency and shipping costs.

### **Enquiries**

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

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

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There will be a conference call for analysts and investors to discuss this statement at 8.00am 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.

Home Retail Group will announce its half-year results on Wednesday 21 October 2015. A Trading Statement covering the 18 weeks from 30 August 2015 to 2 January 2016 will be announced on Thursday 14 January 2016.

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.