11 June 2015

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 1 March to 30 May 2015.

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

"The performance at Argos in the quarter was broadly in line with both our expectations and previous guidance, with sales being adversely impacted by market declines in key electrical and seasonal product categories. Homebase has made a good start to the year, successfully annualising a strong like-for-like sales performance last year.

"We continue to expect that sales will be challenging during the first half at Argos, but we look forward to a stronger second half as we progress the Transformation Plan and introduce new propositions more broadly to the market."

	Q1 (13 weeks to 30 May 2015)
Argos	
Sales	£846m
Like-for-like sales change	(3.9%)
Net space sales change	1.3%
Total sales change	(2.6%)
Gross margin movement	Up c.50bps
Homebase	
Sales	£438m
Like-for-like sales change	5.4%
Net space sales change	(7.0%)
Total sales change	(1.6%)
Gross margin movement	Down c.175bps

Argos

Total sales at Argos declined by 2.6% to £846m. Net new space contributed 1.3% with the store estate increasing by a net 33 stores to 788. This net increase comprised a total of 35 new stores which included 32 digital concessions within Homebase, two digital concessions within Sainsbury's, one small format digital store together with two store closures.

Like-for-like sales declined by 3.9% in the quarter. As anticipated, sales in electrical products declined, principally driven by market declines in TV's, computers and tablets, partially offset by growth in sales of mobiles.

Internet sales for the quarter represented 44% of total Argos sales, up from 42% for the same period last year. Within this, mobile commerce sales grew by 15% to represent 25% of total Argos sales, up from 21% in the prior year.

The approximate 50 basis point gross margin improvement was driven by the anticipated impact of favourable currency and shipping costs together with the timing benefit of a small number of other positive items which are expected to reverse later in the current financial year. These increases were partially offset by an increased level of promotional sales.

Homebase

Total sales at Homebase declined by 1.6% to £438m. Closed space reduced sales by 7.0% with 17 store closures in the quarter, reducing the store portfolio to 279.

Like-for-like sales increased by 5.4% in the quarter with sales growth across big ticket, seasonal and the remaining product categories. This growth was partly supported by both the trade transfer and the stock clearance sales benefits attributable to the previously announced distribution centre and store closure programme.

The approximate 175 basis point gross margin decline was principally driven by the adverse impact of the previously discussed stock clearance activity together with an increased level of promotional sales.

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

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 details of trading for the 13 weeks from 31 May 2015 to 29 August 2015 on Thursday 10 September 2015, and its half-year results on Wednesday 21 October 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.