



17 January 2007

## Home Retail Group plc Q3 Trading Update

Home Retail Group, the UK's leading home and general merchandise retailer, today announces details on trading for the 14 weeks to 6 January 2007.

Terry Duddy, Chief Executive Officer of Home Retail Group, said:

"Our trading approach in the period reflected an expectation of the general merchandise market becoming more difficult. A less promotional stance, together with good operational control, proved successful in a market that showed little or no growth until just before Christmas. We expect profits for the full year at both Argos and Homebase to be around the top of analyst expectations. Looking forward, the retail environment is likely to remain challenging and we continue to position our businesses accordingly."

### % change in sales year-on-year

#### Argos

Like-for-like change in sales  
Net new space contribution to sales change  
Total sales change

	Q3	Year to Date
	0.2	2.3
	<u>4.1</u>	<u>5.7</u>
	<u>4.3</u>	<u>8.0</u>
	(2.9)	(2.8)
	<u>2.7</u>	<u>3.6</u>
	<u>(0.2)</u>	<u>0.8</u>

#### Homebase

Like-for-like change in sales  
Net new space contribution to sales change  
Total sales change

#### Argos

Argos grew its total sales by 4.3% in the quarter, of which new space contributed 4.1%. There were eight new stores opened in the period, bringing the total to 681.

There was good growth in electrical goods overall. This was driven by further strong sales of televisions and video game systems, partially offset by weaker performances in other electrical goods categories. Jewellery, which has a higher sales mix in the third quarter, continued to be weak.

Argos' multi-channel leadership continues to build. Total Internet sales grew 37% in the quarter and represented 19% of total sales. Of this, 11% of total sales were Internet reservations that were collected in store, with the remaining 8% being Internet orders for home delivery.

Gross margin was slightly ahead of last year. A negative product mix impact was more than offset by continued supply chain gains and a less promotional stance.

## **Homebase**

Homebase's total sales declined by 0.2% in the quarter. The contribution to sales growth from net new space was 2.7%, with a net two new stores opened in the period to bring the total to 307.

The planned reduced level of promotional activity, together with tough comparables, resulted in lower big ticket sales compared to a year ago. Offsetting much of the decline were good performances from housewares categories including lighting, as well as from home security, paint and flooring.

Gross margin was strongly ahead of last year. This was driven by further benefits from supply chain initiatives, together with the planned lower promotional activity.

## **Enquiries**

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

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### **Press (Finsbury)**

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There will be a conference call for analysts and investors to discuss this update at 7.30am this morning. The call can be listened to live 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's next trading update will be on 14 March 2007, reporting the remaining eight week period to 3 March 2007. This is Home Retail Group's new year end, as previously announced. Restated sales and profits for the 52 weeks to 4 March 2006 will also be provided at the time of the trading update.

Certain statements made in this announcement 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.