



17 January 2008

**Home Retail Group plc  
Interim Management Statement**

Home Retail Group, the UK's leading home and general merchandise retailer, today publishes an Interim Management Statement covering the 18 weeks of 2 September 2007 to 5 January 2008.

Terry Duddy, Chief Executive of Home Retail Group, commented:

"The overall results for this important period are in line with our expectations and we are on target for full year profit to be towards the upper end of market forecasts. Argos' broad product mix, strong value credentials and multi-channel leadership have shown clear strength over its peak trading period. Looking forward, the anticipated consumer slowdown is now more evident and it is obvious that sales growth in the short-term will be harder to come by. Despite facing this increasingly challenging environment, we continue to believe that our businesses are well positioned in their markets."

	<b>Latest 18 weeks to 5 January</b>	<b>YTD 44 weeks to 5 January</b>
<b>Argos</b>		
Sales	£1,919m	£3,755m
Like-for-like change in sales	(0.2%)	0.6%
Net new space contribution to sales change	2.7%	2.9%
Total sales change	2.5%	3.5%
Gross margin movement	c.0bps	Up c.50bps
<b>Homebase</b>		
Sales	£498m	£1,352m
Like-for-like change in sales	(6.3%)	(3.9%)
Net new space contribution to sales change	2.2%	2.2%
Total sales change	(4.1%)	(1.7%)
Gross margin movement	Up c.200bps	Up c.250bps

**Argos**

Total sales at Argos grew by 2.5% to £1,919m in the 18 weeks to 5 January 2008. Like-for-like sales were down 0.2%, while the positive contribution to sales growth from net new space was 2.7%; a further seventeen new stores were added and two were closed, taking the portfolio to 700.

The overall sales growth was led by exceptional performances in the video gaming, 'satnav' and mobile phone categories. Strong growth continued in flat panel TVs, while cameras and digital photo frames were also strong categories. Sales were marginally negative in the more traditional gift areas of toys and jewellery, while the furniture and homewares categories also became more difficult. There was continued weakness in demand for older technology areas such as the audio, VCR/DVD and landline phone categories.

The Internet as an order channel grew by one-third to account for 23% of all Argos' sales. Internet 'Check & Reserve' orders for store collection accounted for 15% of the 23%, growing by almost 50% and seeing nearly seven million reservations collected over the period. Internet orders for home delivery represented the other 8% of total Internet sales.

Gross margin was approximately flat against the same period last year. Ongoing supply chain progress, together with foreign exchange benefits, offset an increased level of investment in lower prices in the catalogue and a negative product mix impact. There was also excellent cost productivity in the period, albeit at a slightly lower rate than that achieved in the first half.

The new Argos catalogue launches this Saturday, 19 January. Similar to the edition just ending it will have around 18,500 lines, representing an increase of around 1,800 year-on-year. There are 10,400 lines available for immediate collection in virtually all 700 stores, while half the store portfolio will carry all or part of the additional 3,700 'Extra' lines. There will be an overall price reduction on reincluded lines of approximately 4%, further enhancing excellent customer value.

### **Homebase**

Total sales at Homebase declined by 4.1% to £498m in the period. Like-for-like sales were down 6.3%. The positive contribution to sales growth from net new space was 2.2%; a further nine new stores were added and two were closed; in addition, two of the 27 stores acquired from Focus were launched at the very end of the period; the store portfolio as at 5 January 2008 was 320.

The level of overall sales decline was fairly consistent across the business with the exception of the 'big ticket' category which saw overall positive growth. The performance of this category was driven by continued strong growth in kitchens, although sales of bathrooms saw a decline and furniture sales also became more difficult.

Gross margin increased by approximately 200 basis points. This was a result of ongoing supply chain progress, together with foreign exchange benefits.

### **Other**

There have been no significant changes in the financial position of the Group since the publication of the half-year results.

As previously announced, post the half-year balance sheet date a cash payment of £40m was made to purchase 27 Focus DIY leasehold properties. Also in the second half of the financial year, the Group has disposed of its 33% holding in AAGUS, a consumer finance company in The Netherlands. The sale for a net consideration of approximately £4m will result in a gain on disposal of approximately £3m, which will be recognised within the share of post-tax results of associates within benchmark PBT.

### **Enquiries**

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

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

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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 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 will announce details of trading for the remaining 8 weeks of the current financial year (6 January 2008 to 1 March 2008) on Thursday 13 March 2008, and its full-year results on Wednesday 30 April 2008.

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.