



12 June 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 13 weeks from 2 March 2008 to 31 May 2008.

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

"As highlighted at our recent full-year results, Argos has begun the year in line with our expectations overall, with a resilient sales performance being driven by lower margin consumer electronics categories. Homebase's initial trading period was weaker than anticipated, with sales impacted by poor weather conditions. While the consumer outlook remains challenging, we approach it from a position of both financial and operational strength, and at this early stage our expectations for the full year are unchanged."

Argos

Sales
Like-for-like change in sales
Net new space contribution to sales change
Total sales change
Gross margin movement

Homebase

Sales
Like-for-like change in sales
Net new space contribution to sales change
Total sales change
Gross margin movement

13 weeks to 31 May	
	£929m
	0.0%
	4.0%
	4.0%
	Down c.125bps
	£440m
	(12.0%)
	7.0%
	(5.0%)
	Up c.125bps

Argos

Total sales at Argos grew by 4.0% to £929m in the first 13 weeks of the financial year. Net new space contributed 4.0%; there were three openings and one closure, taking the portfolio to 709 at the end of the quarter (up from 683 stores a year earlier).

Like-for-like sales were flat in the quarter. There were further strong performances in consumer electronics categories although these areas have lower than average gross margins. The trading conditions were more difficult for seasonal categories and the furniture and homewares market remains challenging; each of these areas has higher than average gross margins. Argos' internet sales continued to grow by around one-third, and represented 22% of all Argos' sales; this was driven by Check & Reserve, with online orders for immediate store collection growing by over 50%.

Homebase

Total sales at Homebase declined by 5.0% to £440m in the first 13 weeks of the financial year. Net new space contributed 7.0%; there were four openings and one relocation completed in the quarter. The portfolio of 343 stores at 31 May 2008 (up from 311 stores a year earlier) also included a further eight stores relaunched from the Focus purchase, with the final store of the net 21 having opened shortly after the period end.

Like-for-like sales declined by 12.0% in the quarter. The poor weather conditions experienced in March and April compared to very favourable conditions for the same months a year earlier. Seasonal-related categories account for around 40% of first quarter sales, and these experienced a like-for-like decline of approximately 20%. In non-seasonal categories there was a better performance in furniture, and further growth from the previously completed rollout of the kitchen installation service although this slowed somewhat over the course of the quarter; other product categories continued to see a generally difficult trading environment. The gross margin increase was driven by continued sourcing and supply chain progress.

Enquiries

Analysts and investors (Home Retail Group)

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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 listened to live 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 of 1 June 2008 to 30 August 2008 on Thursday 11 September 2008, and its half-year results on Wednesday 22 October 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.