



**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 and the first half overall.

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

"We are pleased that both Argos and Homebase performed well, delivering cash margin ahead of our expectations. Combined with exceptionally good cost management, this means we now expect Group benchmark profit before tax for the first half to be broadly in line with last year's £121m.

"We approach the key Christmas trading period from a position of operational and financial strength, but continue to plan cautiously for consumer demand. We will also have a more significant impact from adverse currency movements in the second half of the year."

	Q1 (13 weeks from 1 March to 30 May)	Q2 (13 weeks from 31 May to 29 August)	H1 (26 weeks from 1 March to 29 August)
Argos			
Sales	£937m	£951m	£1,888m
Like-for-like change in sales	(2.8%)	(1.4%)	(2.1%)
Net new space contribution	3.7%	3.9%	3.8%
Total sales change	0.9%	2.5%	1.7%
Gross margin movement	Down c.75bps	Down c.125bps	Down c.100bps
Homebase			
Sales	£465m	£401m	£866m
Like-for-like change in sales	3.8%	1.6%	2.8%
Net new space contribution	2.0%	1.3%	1.6%
Total sales change	5.8%	2.9%	4.4%
Gross margin movement	Down c.250bps	Down c.400bps	Down c.325bps

Argos

Total sales at Argos grew by 2.5% to £951m. Net new space contributed 3.9%; a net four new stores opened in the quarter, taking the portfolio to 739.

Like-for-like sales declined by 1.4% in the quarter. There was growth in consumer electronics as a whole, with strong performances in televisions and personal computers offsetting weakness in the video gaming market. Toys grew strongly, while furniture remained challenging.

Online Check & Reserve grew by nearly 50% in the quarter, with the internet overall accounting for 28% of Argos' sales.

The approximate 125 basis point gross margin decline was driven by the sales mix and the net impact of adverse currency movements.

Homebase

Total sales at Homebase grew by 2.9% to £401m. Net new space contributed 1.3%; two new stores opened in the quarter, taking the portfolio to 350.

Like-for-like sales increased by 1.6% in the quarter, stimulated by successful promotions and the clearance of over-wintered stock. Growth was led by big ticket categories, particularly kitchens. After some excellent weather in the first quarter, conditions were more mixed in the latest period, resulting in a marginal decrease in seasonally-related sales. For the remaining categories overall, sales were broadly flat.

The approximate 400 basis point gross margin decline was driven by increased promotional and clearance activity, and the net impact of adverse currency movements.

Enquiries

Analysts and investors (Home Retail Group)

Richard Ashton

Finance Director

01908 600 291

Stuart Ford

Head of Investor Relations

Media (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 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 its half-year results on Wednesday 21 October 2009. An Interim Management Statement covering the 18 weeks from 30 August 2009 to 2 January 2010 will be announced on Thursday 14 January 2010.

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.