

27 July 2010



Interim Management Statement

Earnings on track, through core sales growth and cost management.

Halfords Group plc, the UK's leading retailer of automotive and leisure products and operator in garage servicing, announces its Interim Management Statement¹ for the period from 3 April to 26 July 2010, incorporating first quarter financial performance for the 13 weeks to 2 July 2010.

Halfords Group

Group revenues increased by 9.6% year on year, reflecting the acquisition of Nationwide Autocentres in February 2010. Within the Group's trading divisions, like-for-like sales² after adjusting for the impact of Easter, for Halfords Retail³ and Autocentres were -2.1% and flat respectively. At the Group level, this represented a like-for-like revenue decline of -1.9%.

Halfords Retail

Similar to many hard-lines retailers, Halfords experienced a sluggish start to the spring season reflecting poor weather in April and consumer nervousness ahead of the General Election and subsequent emergency Budget. Furthermore, with the World Cup being held in June, a decision was taken to delay the start of our Summer Leisure promotional campaign to mid July.

Sales growth continued in our core categories of Car Maintenance and Cycling, with each delivering low single digit like-for-like growth, despite some supply challenges due to delivery disruption from South East Asia. Our strategic investment within multi channel, delivered a further strong performance, with total on-line revenues up 70% year-on-year. The Satellite Navigation market continues to contract, albeit at a reduced rate. Halfords has strengthened its leadership position in this market, such that the level of sales decline is significantly reduced versus recent trends.

In line with full year guidance, gross margins were broadly flat year-on-year with currency and sourcing inflation headwinds being offset by self-help measures including better buying, w^efit penetration, which increased by a third versus the first quarter of FY10⁴, and attachment of higher margin accessories.

Costs continue to be closely managed. The programme of store colleague re-rostering, was successfully completed in the quarter and is set to reduce annual costs by c. £2m. The new National Distribution Centre commenced operations in the period and when fully on-stream in September will reduce annual costs by £4m per annum.

In line with our stated plan, the seven Halfords stores located in Central Europe were closed during June. In the current financial year the impact of this action will be to reduce the level of operating losses by £2.0m.

Autocentres

Integration of the Nationwide Autocentres continued as planned. Four centres have been re-branded as Halfords Autocentres with encouraging initial results. It remains our intention to re-brand all centres by March 2011 and to open 12 new units in the current financial year.

Autocentres continued to grow market share and capture increased fleet business. Nevertheless, trading was slightly behind internal forecasts, mirroring broader consumer trends. With margins and costs remaining under tight control the business remains on track to deliver full year operating profit in line with the first year of our business plan.

David Wild, Chief Executive Officer, commented:

"The resilience of the Halfords business model is confirmed by further like-for-like growth in our core categories despite the consumer headwinds experienced across the retail sector. Our focus remains on managing the controllable elements of the business. Actions taken to manage gross margins, reduce costs and increase efficiency, are delivering the benefits we expected. The integration of Nationwide is continuing well and I remain pleased with early performance and progress.

We are cautious about the macro economic environment but, through the execution of our proven strategy, we remain on track to deliver full year earnings growth in line with previous guidance⁵"

Like-for-Like Sales Analysis

| Halfords Group plc: Revenue Performance | | | | Statutory |
|---|-----------------|-------------|-------|-----------|
| | Halfords Retail | Autocentres | Total | Group |
| Revenue | -2.2% | +0.7% | -1.9% | +9.6% |
| New store/centre | +0.7% | +0.7% | +0.7% | +12.5% |
| LFL ³ | -2.9% | +0.0% | -2.6% | -2.9% |
| LFL Easter adjusted ³ | -2.1% | n/a | -1.9% | -2.1% |

NB: The Group acquired Nationwide Autocentres on 18 February 2010, such that revenue growth, at the Group level, derives from new centres. The divisional breakdown provided, represents year on year performance.

Notes:

1. Except for the trading activities described above, there has been no significant change to the financial condition of the Group.
2. Like-for-like sales represent revenues from stores and centres trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
3. LFL in the 13 weeks to 3 July 2009 was +1.3%, +0.1% Easter adjusted.
4. The financial year FY10, relates to the 52 weeks ended 2 April 2010.
5. FY11 Profit before taxation guidance £135m - £137m, representing, at the mid-point, a year on year increase of 16.1%. Operating profit guidance for Autocentres is c. £9.5m.

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Conference Call

An analyst conference call will be held today (27 July 2010) commencing at 8.00 am, the dial-in details are as follows:
Dial in: +44 (0) 207 906 8567.

Annual General Meeting

Halfords Group will be holding its Annual General Meeting at the Alveston Manor, Clopton Bridge, Stratford upon Avon, Warwickshire CV37 7HP today at 12:30.

Forthcoming Newsflow

Halfords will be releasing a pre-close trading statement on the 7 October 2010 and the interim results for the 26 weeks to 1 October 2010 on 18 November 2010.

Notes to Editors:

www.halfords.co.uk

www.halfordscompany.co.uk

www.nationwideautocentres.co.uk

Halfords Group plc

The Group is the UK's leading retailer of automotive, leisure and cycling products and through Nationwide Autocentres also the UK's leading independent car servicing and repair operator.

Halfords employs approximately 11,000 staff and sells over 12,000 different product lines with significant ranges in car parts, cycles, in-car technology, child seats, roof boxes, outdoor leisure and camping equipment. Halfords own brands include the in-store *Bikehut* department, for cycles and cycling accessories, *Apollo* and *Carrera* cycles and exclusive UK distribution rights of the premium ranged *Boardman* cycles and accessories. In outdoor leisure, we sell a premium range of camping equipment, branded *URBAN Escape*. Halfords offers customers expert advice and a fitting service called "*wefit*" for car parts, child seats, satellite navigation and in-car entertainment systems, and a "*werepair*" service for cycles.

Halfords customers shop at 462 stores in the UK and Republic of Ireland and at halfords.com for direct home delivery or pick-up at their local store. Nationwide Autocentres operates from 225 sites nationally and offers motorists dealership quality MOTs, repairs and car servicing at affordable prices.

Cautionary Statement

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.