

HALFORDS GROUP PLC

INTERIM MANAGEMENT STATEMENT¹

CAR MAINTENANCE & CYCLING GROWTH STRENGTHENS FULL YEAR EARNINGS EXPECTATION

Halfords, the UK's leading automotive and leisure products retailer, announces its Interim Management Statement for the 39 weeks and 13 weeks to 1 January 2010. Adjusting for the calendar impact of the 53rd week in the prior financial year, the comparative period ends 2 January 2009.

Operating profit in the quarter was ahead of management expectations reflecting strong performances from higher margin product categories, margin enhancing initiatives and continued control of costs. As a consequence, earnings for the full year are expected to be towards the upper end of market expectations².

Group revenues³ in the 39 weeks to 1 January 2010 increased by 2.8% with like-for-like sales increasing by 1.2%. For the 13 weeks^{4,5}, UK revenues increased by 1.6% with like-for-like sales 0.2% higher than the prior year. Continued economic weakness within its international markets resulted in Group revenues, in the quarter, increasing by 1.0% with like-for-like sales declining by 0.4%.

Consistent with performance throughout 2009, revenue growth was strong within Car Maintenance and Cycling. Cycling performed well in the quarter, generating 15% like-for-like sales growth, with market share progression within the targeted areas of children's and premium bikes. Strong like-for-like growth in Car Maintenance of 8%, reflected both increased levels of fitting of bulbs, blades and batteries, which grew by over 60% year on year, and the sales benefit of the period of cold weather during December.

In-Car Technology participates at its highest level in this quarter and the market continued to prove challenging. Specifically, Satellite Navigation sales reduced year-on-year in the quarter by approximately 25%. While this decline was greater than expected, these products generate the lowest margin contribution for the Group limiting the margin impact from this shortfall.

The strategies to increase fitting participation and attachment of higher margin accessories to core product, continue to make good progress. This, combined with ongoing favourable sales mix, has resulted in higher gross margin per cent accretion than previous market guidance, with second half increases now expected to be approximately 250bps higher than the previous financial year⁶.

Operating costs remain tightly controlled with all key ratios improving versus the prior year. We are also confident that our cost saving programmes will deliver greater annualised benefits than the £4m originally targeted.

David Wild, Chief Executive Officer, commented:

“Our key categories of Car Maintenance and Cycling, representing approximately 60% of revenues in the quarter, continue to deliver very strong like-for-like performances.

We also continue to make good progress in our key service and multi-channel initiatives. The success of our radio campaign in the quarter to promote customer awareness of our unique “*wefit*” proposition in Car Maintenance led to significantly increased service penetration. Reserve & Collect continues to progress and Christmas Day was our most successful ever day on halfords.com.

We believe that Halfords brand strength allied to its leading customer offer in attractive markets will deliver sustainable earnings growth. While remaining cautious about the wider economic outlook in the near term and its impact on consumer spending, the Board is now confident in delivering full year earnings growth in line with the upper end of market expectations.”

Notes:

1. There has been no significant change to the financial condition of the Group.
2. Consensus full year profit before tax range £105m - £112m, mean £109m *Source: Bloomberg:13 January 2010*
3. Revenues denominated in foreign currencies have been translated at constant rates of exchange.
4. The table below describes the quarter and cumulative group and like-for-like sales profile. The adjustments reflect:
 - (i) The timing of Easter that can fall either side of the Groups statutory year end.
 - (ii) Sales performance across FY10 is impacted by the calendar impact of the 53rd week in FY09. This impact is most significant in the third and fourth quarters.

Sales Performance		Qtr 1	Qtr 2	H1	Qtr 3	Qtr 4	H2
FY10	<u>Statutory Performance (%)</u> :						
	- Total Growth	+3.1	+3.8	+3.8	+3.7	-	-
	- Like-for-like	+1.3	+2.1	+1.7	+2.3	-	-
	<u>Adjustments for (bps)</u> :						
	- Easter	-120	-	-60	-	-	-
	- Calendar (53 rd week)	-20	+90	+40	-270	+170	-70

FY10	Underlying adjusted like-for-like	-0.1%	+3.0%	+1.5%	-0.4%	-	-
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FY09	Like-for-like – Easter Adjusted	+0.2%	-1.1%	-0.5%	-7.8%	-3.8%	-5.4%
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5. The Group is not heavily reliant on Christmas revenues, with its third quarter revenues historically representing approximately 27% of total annual revenues.
6. Previous guidance was for gross margin to increase in the second half between 100 – 150 bps. Year on year margin-per-cent growth in the first half year was 190bps.

Financial Calendar.

Halfords will announce its pre-close trading statement on 15 April 2010 and its Preliminary Results for the 52 weeks ended 2 April 2010 on 10 June 2010.

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Halfords Group plc

The Group employs approximately 10,000 staff and sells over 10,000 different product lines, ranging from car parts and cycles through to the latest in-car technology, child seats, roof boxes and outdoor leisure and camping equipment. Halfords' own brands include *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands and in the premium range exclusive UK distribution rights of *Boardman* cycles and accessories. In our outdoor leisure range *URBAN Escape* represents our premium range for camping equipment. Operating from 469 stores, including internationally, 23 stores in Republic of Ireland, six stores in the Czech Republic and one in Poland, and 33 smaller format, compact stores Halfords offers a "wefit" service for car parts, child seats, satellite navigation and in-car entertainment systems, and a "werepair" service for cycles.

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.