

29 July 2009



## HALFORDS GROUP PLC INTERIM MANAGEMENT STATEMENT

### SOLID TRADING PERFORMANCE WITH STRONG SALES GROWTH IN CORE CATEGORIES

Halfords Group plc, the UK's leading automotive and leisure products retailer, announces its Interim Management Statement<sup>1</sup> for the 13 weeks to 3 July 2009 ahead of today's Annual General Meeting.

Group sales in the quarter increased by 3.1% compared to the 13-week period to 27 June 2008 with like-for-like sales<sup>2</sup> growth of 1.3%. Adjusting for the impact of Easter, sales increased by 1.9% representing like-for-like sales growth of 0.1%<sup>3</sup>.

This sales performance demonstrates an improving trajectory and was underpinned by strong multi channel growth, with Reserve and Collect revenues 55% higher than last year. The Leisure category made an excellent start to the season, benefiting from a period of fine dry weather and planned promotional activity. The quarter saw strong like-for-like performances in Cycling, which continues to benefit from growth in premium cycles and the success of the Government's Cycle2Work scheme and in Camping and Travel Equipment. An element of this performance reflects sales pull through from the second quarter, with purchases, for example in outdoor leisure, generally being made once for the summer.

Car Maintenance traded positively, in line with recent trends. We continue to drive value in this category through product innovation and a strong *wefit* performance, where the number of jobs performed was more than 50% higher than the first quarter of FY09<sup>5</sup>. Car Enhancement sales, especially of in-car technology devices, continued to decline significantly though in line with expectations.

Gross margins have continued their accretive trend as a result of management's trading strategies and a positive mix benefit, increasing, year on year, at a rate similar to that experienced in the second half of FY09. Our guidance is for full year gross margin accretion at approximately 100 bps, which reflects the annualisation of the significant mix effect experienced in the third quarter of FY09.

Investment discipline has been maintained, with costs, capital expenditure and working capital remaining under tight control. We are confident that the benefits from the strategic initiatives taken in the second half of FY09 will be realised in full.

The difficult conditions in the property market are limiting the availability of quality sites. This will result in a reduced level of store openings<sup>4</sup> and a lower contribution to sales growth and is likely to restrict development opportunities. We now estimate landlord contributions to be c. £1m for the current year, compared with £2.7m last year.

#### **David Wild, Chief Executive Officer, commented:**

"This performance represents a solid start to the year and at this early stage is ahead of our internal plan. The trading of our core categories of Car Maintenance and Cycling, where we continue to grow market share, together with a good start to the season in Camping, is pleasing. As demonstrated by the continued accretion of gross margin and ongoing cost management we remain in control of the direction of the business. We remain cautious about the impact of the macro economic environment, particularly in the second half of the year and in our overseas territories where sales remain challenging. Nevertheless, we are confident that Halfords will both continue to consolidate share and is well positioned to deliver earnings growth for the year."

**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 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 27 June 2008 was -1.1%, 0.2% adjusting for the absence of a full Easter during the quarter.
4. In line with the guidance given at the Preliminary results, we anticipate opening between 10 and 15 stores within the UK and Eire during the financial year ending 2 April 2010.
5. The financial year FY09, relates to the 53 weeks ended 3 April 2009.

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**Forthcoming Newsflow**

Halfords will be releasing a pre-close trading statement on the 8 October 2009 and the interim results for the 26 weeks to 2 October 2009 on 19 November 2009.

**Notes to Editors:**

[www.halfords.co.uk](http://www.halfords.co.uk)

[www.halfordscompany.co.uk](http://www.halfordscompany.co.uk)

**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 *Ripspeed*, for car enhancement and *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 466 stores, including internationally, 22 stores in Republic of Ireland, five stores in the Czech Republic and one in Poland, and 30 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.