



Interim Results

26 Weeks to 28 September 2007

City Presentation Centre

22 November 2007

halfords

Nick Wharton
Finance Director

Financial Highlights



- Sales £400.7m + 8.5%
- Like-for-like sales + 5.5%
- Operating profit £52.6m + 8.5%
- Profit before tax £47.6m + 16.4% (Underlying +9.4%)
- Basic EPS 15.3 pence + 20.5% (Underlying +13.3%)
- Interim dividend up 9.2% to 4.75 pence
- Net Debt £173m, strong cash generation
- Since June 2006, 13.1m shares bought back at £45.5m

Profit and Loss Account



	2007/08	2006/07	
	H1	H1	Growth
	£m	£m	%
Revenue	400.7	369.2	+8.5%
Gross profit	204.0	188.4	+8.3%
Net operating expenses	(151.4)	(139.9)	+8.2%
Operating profit	52.6	48.5	+8.5%
<i>Operating profit %</i>	13.1%	13.1%	
Net finance costs (excl. exceptional)	(5.0)	(5.0)	0.0%
Exceptional finance costs	0.0	(2.6)	
Profit before tax	47.6	40.9	+16.4%
Basic EPS (pence)	15.3p	12.7p	+20.5%
Basic EPS excluding exceptional finance costs	15.3p	13.5p	+13.3%
Weighted average number of shares	219.3m	225.3m	

Sales Growth and Margin Per Cent



	2007/08	2006/07
	H1	H1
	%	%
Underlying Like-for-like sales growth	5.5	5.0
Easter adjustment	0.0	1.5
Like-for-like sales growth	5.5	6.5
Net new space	3.0	2.8
Total sales growth	8.5	9.3

	2006/07			2007/08
	H1	H2	Full Year	H1
Like-for-like comparatives ¹	5.0%	5.6%	5.3%	5.5%
Gross Profit Percentage	51.0%	50.1%	50.6%	50.9%
Note: 1. Easter adjusted				

Operating Expenses



	2007/08	2006/07	Growth
	H1	H1	
Selling & Distribution ¹ (£m)	129.0	120.8	+6.8%
<i>% Revenue</i>	32.2%	32.7%	
Administrative (£m)	22.4	19.1	+17.3%
<i>% Revenue</i>	5.6%	5.2%	
Operating expenses (£m)	151.4	139.9	+8.2%
<i>% Revenue</i>	37.8%	37.9%	

Key Ratios (% Revenue):

Store Payroll	11.5%	11.4%
Store Rent & Rates	11.0%	11.3%
Advertising & Promotions	2.6%	2.6%

Balance Sheet



	H1 2007/08 £m	H1 2006/07 £m	Growth %	FY 2006/07 £m
Goodwill and intangible assets	258.2	258.1	0.0%	257.8
Property, plant and equipment	110.5	105.2	+5.0%	107.5
Derivative financial instruments	(1.8)	(2.0)	-10.0%	(1.0)
Net working capital	46.6	42.1	+10.7%	45.7
Cash and financial instruments	(173.0)	(181.2)	-4.5%	(180.0)
Creditors	(27.2)	(27.3)	-0.4%	(26.9)
Net assets	213.3	194.9	+5.0%	203.1

Capital Expenditure Summary



	H1 2007/08	H1 2006/07	FY 2006/07
	£m	£m	£m
New stores and re-sites	5.5	5.2	11.3
Store conversions	0.8	1.3	2.3
Czech Republic (incl. Systems development)	1.0	0.0	0.4
Total portfolio	7.3	6.5	14.0
Head office systems	0.4	0.7	2.2
Store systems	4.1	1.9	4.2
Supply chain	0.6	0.5	0.5
Other	1.4	1.2	2.6
Total capital expenditure	13.8	10.8	23.5

Cash Flow and Net Debt



Operating cash flow		Free cash flow		Net debt ¹	
	£m		£m		£m
Operating profit	52.6	Op. cash flow	59.4	Net debt 30.03.07	(180.0)
Depreciation/Amortisation	10.1	Net finance costs	(4.6)	Free cash flow	18.2
Employee share scheme	0.6	Taxation	(13.4)	Share capital	12.3
Fixed asset write-off	0.8	Dividends	(21.0)	Share buy back	(13.7)
Working capital	(4.7)	Capex Maintenance	(2.2)	Finance lease	(0.1)
				Capex Investment	(9.7)
Operating cash flow	59.4	Free cash flow	18.2	Net debt 28.09.07	(173.0)

Note 1. Including Head Office finance lease £12.4m (2006: £12.5m)

Halfords remains strongly cash generative

Share Buy Back and Net Debt



Share Buy Back

- 13.1m shares acquired at a cost of £45.5m since June 2006
- Progressive dividend policy maintained
- Adequate free cash flow to fund portfolio expansion

Net Debt

- Maintaining key debt metrics:
 - ◆ Adjusted Net Debt/EBITDAR >3.9x
 - ◆ Fixed charge cover 2.25x – 2.30x

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Ian McLeod
Chief Executive Officer



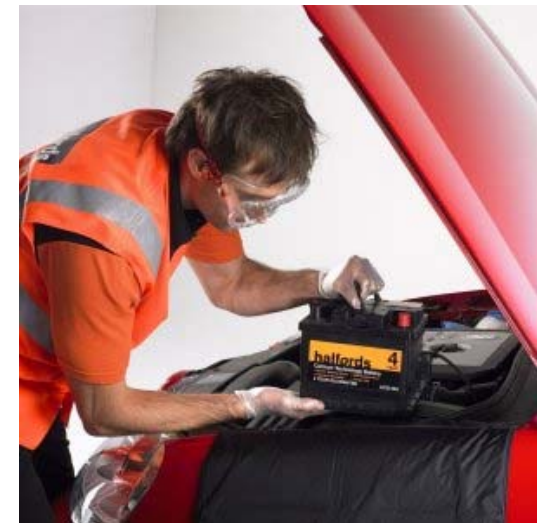
- Growth delivery continues in each key category
- Continue to capitalise on our market leading positions
- Needs-driven purchases underpin economic resilience
- Portfolio growth reinforces Halfords defensive qualities
- Genuine competitive advantage through range, scale, service
- Strategic growth plan continues to gather momentum

Results demonstrate Halfords unique market position

Strategic Growth Plan



- Investing in the Store Portfolio
- Leveraging the Halfords Brand.
- Supply Chain Development
- Marketing our Service Advantage



Driving competitive advantage through range, scale and service

Expanding Store Portfolio



Overview

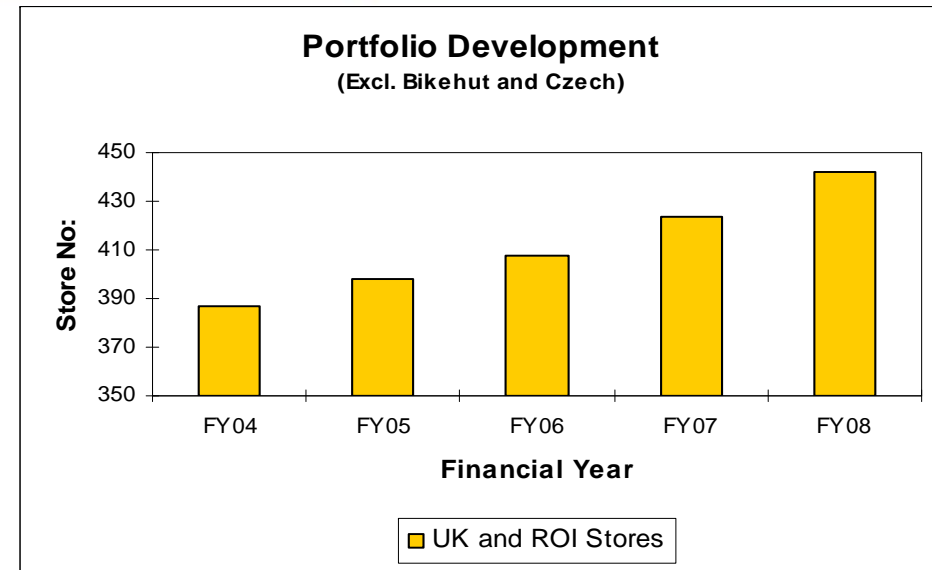
- Total portfolio now 433 stores
- Utilising 3 Halfords formats:
 - ◆ Superstore, Neighbourhood and Metro
- Operating in 3 countries:
 - ◆ UK, ROI and Czech Republic
- 10 stores opened in the period:
 - ◆ 9 Superstores
 - ◆ 1 Neighbourhood
- Stand alone bikehut continues to evolve



Expanding Store Portfolio



- UK portfolio growth continues:
 - ◆ c.18 net new stores by year end
 - ◆ Similar programme planned for FY09
- Republic of Ireland successful:
 - ◆ All paybacks exceeding capex criteria
 - ◆ 18 stores by year end
 - ◆ First Neighbourhood store in Spring 2008
- Potential for c.120 more stores across UK and ROI



Expanding Store Portfolio



Czech Republic

- 29 June 2007: 3 stores, 3 countries, 3 currencies
- Second store now open with third pre-Christmas
- 3 further stores planned for 2008
- c.30% product locally sourced
- Offer tailored to Czech market
 - ◆ Bikes performing well
 - ◆ Strong participation in servicing and tyres
 - ◆ Electronics generating interest and sales
- Performance in line with our expectations



Expanding Store Portfolio



Bikehut

- 4 further stores trading pre-Christmas:
 - ◆ Brighton and Putney
 - ◆ Twickenham and Dorking
- Further 2 pilots to open early 2008
- Dedicated product offer:
 - ◆ 60% range differentiation
 - ◆ Strong accessory participation
 - ◆ More brands added e.g. Condor and Rocky Mountain
- Scale opportunity of up to 50 stores envisaged



Leveraging Halfords Brand



Car Maintenance

- Destination store status, category growth continues
- Promotion of core products drives incremental sales
- Needs driven product generates above average margins
- Increased stock depth further improves peak demand availability
- Incremental Tradecard contribution now established



Leveraging Halfords Brand



Car Enhancement

- No:1 in-car technology specialist (UK and ROI)
- c.200 ICT solutions available
- New MP3 range introduced
- Knowledge and fitting delivers competitive advantage
- Product innovation and accessory attachment protects deflationary risk and margin erosion
- 40% interior accessory range change within 6 months
- NPD will continue to drive growth


Solution Examples	FY 07	FY 08	New
CD Audio	21	6	5
Hands Free Phone	7	16	16
MP3 Connectivity	18	37	31
In-Dash DVD	6	8	8
Portable Music Players	4	17	16
Sat Nav	16	21	20

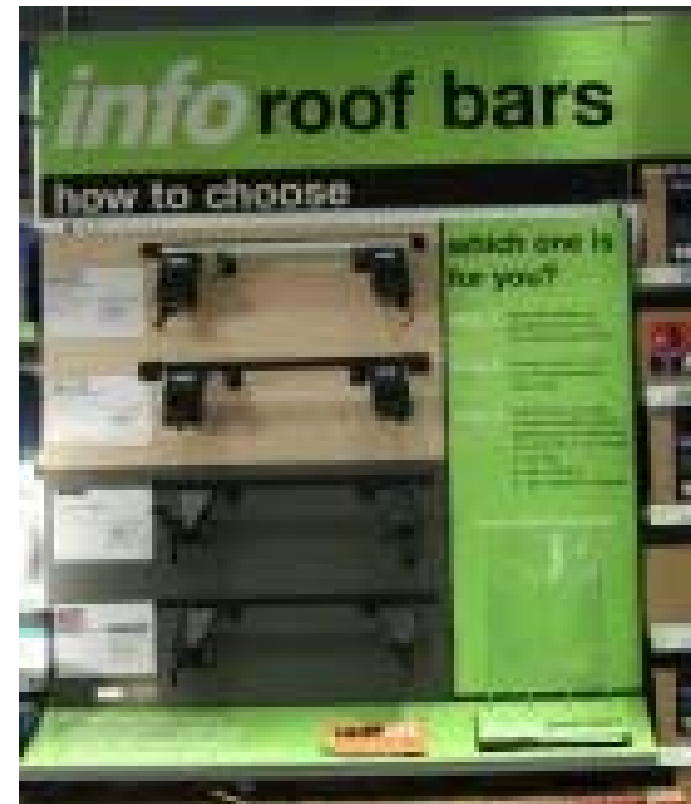


Leveraging Halfords Brand



Camping and Travel Equipment

- Sub-shop successfully implemented
 - ◆ Ranges reviewed and new products introduced
 - ◆ Own brand packaging redeveloped
 - ◆ Customer communication improved in-store
 - ◆ Comprehensive colleague training programme
- Growth achieved in sales, profit and ATV
- Strongest camping season since market entry
- Introduction of  premium brand
- Child seat sales remain above pre-legislation levels



Leveraging the Halfords Brand



Bikehut sub-shop

- Emphasis on end to end service
 - ◆ Product, advice, maintenance
- Re-launch of both **APOLLO** and *carera* ranges
- Boardman sales have exceeded expectations
- 66 strong kids range introduced for Christmas
 - ◆ Includes 8 *carera* premium models
 - Prices range from £139.99 -£199.99
 - ◆ Safest kids range in UK – all comply with stringent CEN standard
- Continued investment in colleague training
- c.850 colleagues trained in cycle repair



boardman
performance design quality

Sponsorship Strategy



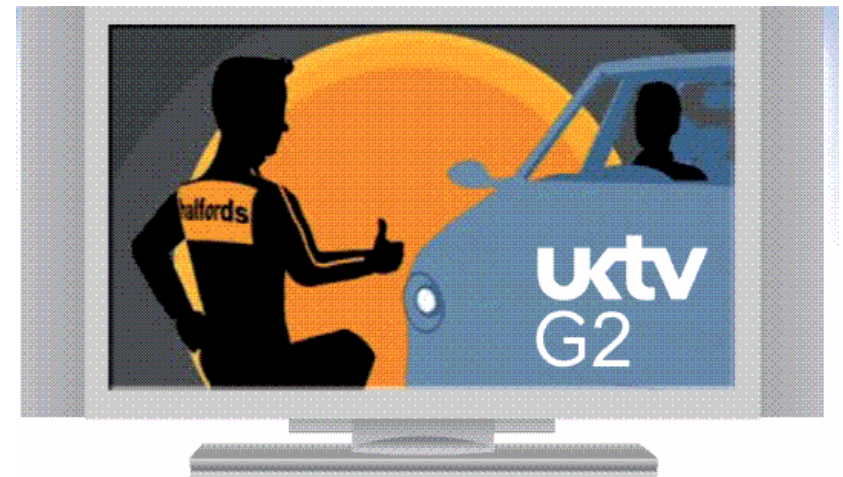
Key Considerations

- Reinforcing brand positioning
- Driving awareness and perception
- Relevance to target market



Key Sponsorships

- British Touring cars for last 5 seasons
- Team Bikehut downhill MTB team
- Tour de France ITV1 sponsorship
- “Dave” channel (formerly UKTV G2) motor sponsorship



Multi Channel Development



Halfords.com

- c.7,000 lines now available +60% year-on-year increase
- Includes more than 700 web exclusive lines
- c.10m visitors year to date
- Customer conversion rates increased by 130%
- Sales growth nearly double last year
- “reserve & collect” successfully launched:
 - ◆ 330 stores
 - ◆ 5,300 SKUs
 - ◆ c.1,000'/day with no advertising
 - ◆ First bike collected within 1 hour of launch and accessories bought in-store



Multi-Channel Strategy



Ripspeed.com

- Launching December 2007
- Targeting the performance styling enthusiast
- 2,000+ skus with “reserve and collect” and “next day/name day” options
- Further product ranges planned for 2008
- “My Ripspeed” interactive community web space



Evolution of a multi channel strategy

Multi-Channel Strategy



Halfords Outlet.com

- Launching December 2007
- Auction and standard transactions via “ebay” style website
- Opportunity for sale of residual product, refurbished units and ex-display stock
- Consolidated disposal to optimise retained margin
- Initial focus on technology products and alloy wheels

Bikehut.com

- Launch planned Spring 2008
- Targeting premium specialist consumer

Evolution of a multi channel strategy

Supply Chain Development



- Far East sourcing ahead of target
- Long term relationships developing:
 - ◆ Apollo, Carrera, Boardman
 - ◆ Electronics exclusivity/joint product development
 - ◆ Halfords tools
- In-house expertise driving product innovation:
 - ◆ Dedicated quality control
 - ◆ In-dash sat nav
 - ◆ Multi function connectivity
 - ◆ Speciality accessory brands
- No longer an initiative, now integral to our business



Navsure 400i



- Feature rich multi-media product, less than half price of comparable brands

Sat Nav

- Samsung CPU 2440
- SD card (512MB)
- Windows CE 4.2 platform
- External GPS antenna
- Voice guidance
- Preloaded mapping
- iGO software on SD card

Screen

- 7" motorised LCD screen
- 16:9 widescreen format
- Touch screen control

Video

- Rear view camera connection
- 1 AV input for external DVD player

Audio

- 4x40W max power output
- CD/CD-R/CD-RW/MP3/ WMA compatible
- Direct track access and ESP buffer
- Random/repeat/play/pause
- Electronic volume, bass, treble, balance, fader
- 9 selectable EQ curves, mute
- SD card slot for MP3 / WMA / Sat Nav software upgrade

- In-house market, technical and sourcing expertise drives competitive advantage
- Navsure 400i developed with partners, in Hungary, Holland & China



Marketing our Service Advantage



- “we fit” re-branding currently in progress
- Growing consumer resonance and integral to advertising
- Extends to bike build, bike care and paint mixing
- 55% growth in 3B’s fitting jobs:
 - ◆ Bulbs +66%
 - ◆ Blades +59%
 - ◆ Batteries +11%
- 31% growth in bikehut service revenue
- Provides genuine sustainable competitive advantage



Developing a Platform for Growth



- 19th year of consecutive sales growth
- Consistent growth since IPO:
 - ◆ 34% growth in sales
 - ◆ 71 new stores opened
 - ◆ Investment in every store
- Results demonstrate our resilience and defensive character
- Vibrant growth strategy:
 - ◆ Pro-active product development in each market
 - ◆ Potential for further 120 stores in UK and ROI
 - ◆ Expanding Czech pilot to 6 stores during 2008
 - ◆ Stand alone Bikehut development continues
 - ◆ Multi channel development rapidly evolving
- Building future growth from a position of strength
- Confident in future prospects

Building growth through Categories, Countries and Channels

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Appendices

Store Portfolio

Bike Advertising Strategy

Portfolio By Store Type



	Mezzanine SM/M	Flat F	Neighborhood N	Metro Me	Bikehut B	Total
Opening	211	165	15	33	2	426
New Store	9		1			10
Closures		(2)		(1)		(3)
Conversions	5	(5)	1	(1)		0
Closing Balance	225	158	17	31	2	433

07/08 store rollout	Q1	Q2
New stores (10)	Tallaght (SM) Ashford (SM) Cestlice (SM) Sheffield (SM) Cumbernauld (SM) Gainsborough (SM)	Dundalk (SM) Exmouth (SM) Havant (SM) Arbroath (N)

