

Preliminary Results 52 Weeks to 1st April 2011

City Presentation
9th June 2011



that's helpful that's **halfords**

David Wild
Chief Executive

Introduction



halfords	£150
£185	
£215	
£250	
£265	
£300	
together	
change	
replacement of cooling system	
included within major	
halfords	

Agenda

- Introduction - David Wild
- Financials - Andrew Findlay
- Growth Strategy - David Wild
- Current Trading and Outlook
- Summary
- Questions

Overview of Results

Acquisition and cost control drives earnings and dividend growth

- Solid performance in challenging environment
- Clear focus on cost and margin management
- Resilient performance in Car Maintenance and **wefit** services
- Year of significant operational progress
- Autocentres rebranded and relaunched
- Completed exit from Central Europe
- Share buy back programme

Sound foundation for the year ahead

Andrew Findlay

Finance Director

Financials

Group Financial Highlights

- Revenue £869.7m +4.6%
- PBT before non-recurring items¹ £125.6m +7.2%
- PBT £118.1m +7.7%
- Basic EPS before non-recurring items¹ 43.2p +8.8%
- Effective tax rate 27.6%
- Net debt £103.2m down £52.3m
- Dividend 22.0p +10.0%

**Earnings per share² up 8.8%
despite difficult trading**

Notes

1. Non-recurring items of £7.5m (FY11) and £7.4m (FY10)
2. Basic EPS before non recurring items

Group Components

FY11

Excluding non-recurring items¹

	UK/ROI £m	Central Europe £m	Total Retail £m	Auto Centres £m	Amortis- ation² £m	Group £m
Revenue	769.7	1.9	771.6	98.1	-	869.7
Gross profit	419.9	0.1	420.0	65.0	-	485.0
Net operating expenses	(296.2)	(0.5)	(296.7)	(58.0)	(2.2)	(356.8)
Operating profit	123.7	(0.4)	123.3	7.0	(2.2)	128.1

FY10

Excluding non-recurring items¹

	UK/ROI £m	Central Europe £m	Total Retail £m	Auto Centres £m	Amortis- ation² £m	Group £m
Revenue	812.2	5.9	818.1	13.5	-	831.6
Gross profit	441.7	2.1	443.8	8.9	-	452.7
Net operating expenses	(319.8)	(4.6)	(324.4)	(8.3)	(0.3)	(333.0)
Operating profit	121.9	(2.5)	119.4	0.6	(0.3)	119.7

Notes:

1. Non-recurring items of £7.5m (FY11) and £7.4m (FY10)
2. Reflects amortisation charge arising on the acquisition of Nationwide Autocentres

Retail UK/ROI

Excluding non-recurring items ¹	FY11 £m	FY10 £m	Growth %
Revenue	769.7	812.2	-5.2%
Gross profit	419.9	441.8	-5.0%
<i>Gross margin %</i>	54.5%	54.4%	+16bps
Net operating expenses	(296.2)	(319.9)	-7.4%
Operating profit	123.7	121.9	+1.5%
<i>Operating profit %</i>	16.1%	15.0%	+106bps

**Reduced costs drives
106 bps improvement
in operating margins**

Notes:

1. Non-recurring items of £7.5m (FY11) and £7.4m (FY10).

Retail UK/ROI Sales & Margin

LFLs by Category

Car Maintenance

Car Enhancement

Leisure

FY11

FY10

+0.6%

+8.1%

-12.3%

-14.5%

-3.0%

+12.2%

Sales by Category

Car Maintenance

Car Enhancement

Leisure

FY11

FY10

31.4%

29.6%

28.4%

30.7%

40.2%

39.7%

FY10 Gross Margin

Sales Mix Impact

Margin decline

FY11 Gross Margin

Improvement

54.4%

+82bps

-66bps

54.5%

+16bps

Retail UK/ROI Operating Costs

Key Retail Costs ¹	FY11 £m	FY10 £m	Growth %
Store Staffing	78.1	86.8	-10.0%
Store Occupation	135.4	142.0	-4.6%
Warehouse Distribution	27.5	27.8	-0.8%
Support Costs	55.2	63.2	-12.7%
Total	296.2	319.8	-7.4%
Depn/Amortn/Impairment ²	21.6	23.4	

“Underlying” FY11 cost base c.£ 300m

**Cost & productivity focus offsets
inflationary pressures**

Notes

1. Key costs are stated before non recurring expenses

2. Depreciation, Amortisation and impairment charge in relation to intangible assets and Property/Plant and Equipment

Autocentres

Excluding non-recurring items

	FY11 £m	FY10 ¹ Proforma £m	Growth %	FY10 Reported £m
Revenue	98.1	97.3	+0.8%	13.5
Gross profit	65.0	64.9	+0.1%	8.9
Gross margin %	66.3%	66.8%	-51bps	65.5%
Net operating expenses	(58.0)	(56.5)	+2.4%	(8.3)
Operating profit	7.0	8.4	-15.6%	0.6
Operating profit %	7.2%	8.6%	-140bps	4.9%

**Retail customers defer work
and fleets consolidate**

Notes

1. Proforma performance for 52 weeks ending 1 April 2010

Group Balance Sheet

	FY11 £m	FY10 £m	YOY £m	Growth %
Goodwill and intangible assets	346.7	348.7	-2.0	-0.6%
Property, plant and equipment	102.6	102.9	-0.3	-0.3%
Derivative financial instruments¹	(2.0)	2.2	-4.2	-191%
Net working capital	47.6	49.9	-2.3	-4.6%
Cash and borrowings	(103.2)	(155.5)	+52.3	-33.6%
Creditors²	(69.3)	(69.7)	+0.4	-0.6%
Net assets	322.4	278.5	+43.9	+15.8%
Inventories	147.6	138.5	+9.1	+6.6%

Notes:

1. Foreign currency contracts.
2. Tax liabilities, provisions and lease incentives.

Capital Expenditure

	FY11 £m	FY10 £m
New stores and relocations	3.6	3.6
Store refresh/downsizes	4.8	3.8
Total portfolio	8.4	7.4
Distribution centre	3.4	6.7
Group infrastructure systems	4.2	5.8
Autocentres	6.2	0.1
Other	0.6	0.1
Central Europe	-	0.4
Total capital expenditure	22.8	20.4

Group has low capital expenditure requirement

Cash Flow and Net Debt

Operating cash flow		Free cash flow		Net debt	
	£m		£m		£m
Operating profit	120.6	Op. cash flow	146.3	Net debt 3.4.10 ¹	(155.5)
Dep/Amortisation	25.0	Capex	(22.1)	Free cash flow	54.7
Employee share scheme	2.4	Net finance costs	(2.1)	Lease/Other	(0.5)
Working capital	2.9	Taxation	(25.7)	Consideration	(1.9)
Provisions/Other	(5.8)	Dividends/Shares	(41.7)		
Op cash flow	146.3	Free cash flow	54.7	Net debt 01.04.11	(103.2)

- Funding
- £300m Rolling credit facility in place
 - 4 year term to Nov 2014. One year extendable

Year end net debt represents 0.67x EBITDA

Notes

1. Including Head Office finance lease £11.8m (2010 £12.0m)

Share Buyback

- Buyback commenced April 7
- 5.3m of shares purchased by 3 June
- Average price 386.4p
- Earnings enhancing

Debt metrics:

Adjusted net debt¹: EBITDAR

Net Debt: EBITDA

FY11	FY10 ²
3.22x	3.55x
0.67x	1.03x

Buyback progressing

Notes

1. Adjusted Net Debt = Net Debt + Capitalised Rent; EBITDAR = (EBITDA + rent)
2. Proforma figures based on full year ownership of Autocentres

A family of four is camping in a large blue tent set up on a grassy hill. A man is kneeling outside the tent, pouring tea from a kettle on a small blue table. A woman is standing by the tent entrance, and two children are sitting on a picnic blanket in front of the tent, looking at a book. The background shows a lush green landscape with trees and a path.

life on the move **halfords**

David Wild
Chief Executive

Growth Strategy



Challenging consumer environment

What customers are feeling

- Rising costs of everyday purchases
- Uncertainty about jobs
- Reluctance or inability to borrow
- Higher transport costs

What customers are doing

- Making careful choices on spending
- Using technology to compare prices
- Waiting for bargains
- Buying innovative products
- Demanding better service

Retail growth strategy

Consistent and effective strategy for growth

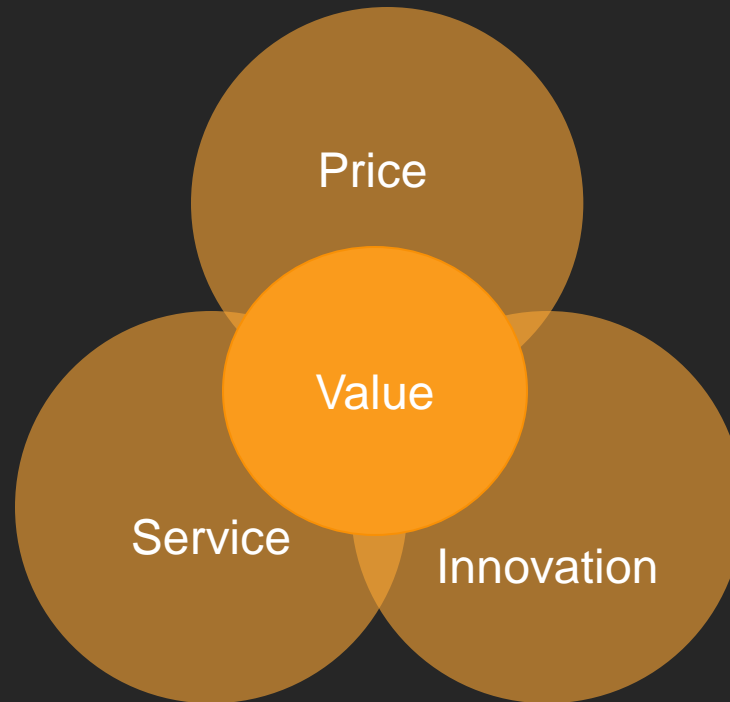
**Extending range
and service advantage**

Investing in store portfolio

**Ongoing focus on
cost control**

**Leveraging the Halfords
brand in multi-channel**

Our response



Creating value for our customers

Range - value Through Brands

Halfords Exclusive Brands

Cycles



Car Maintenance



Sat Nav



Travel Solutions



In Car Entertainment



Leading Brands

Cycles



Car Maintenance



Sat Nav



Travel Solutions



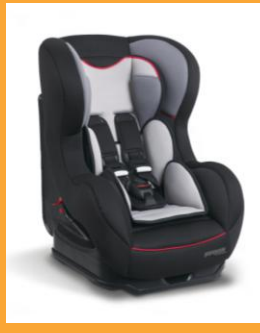
In Car Entertainment



Extending range
and service advantage

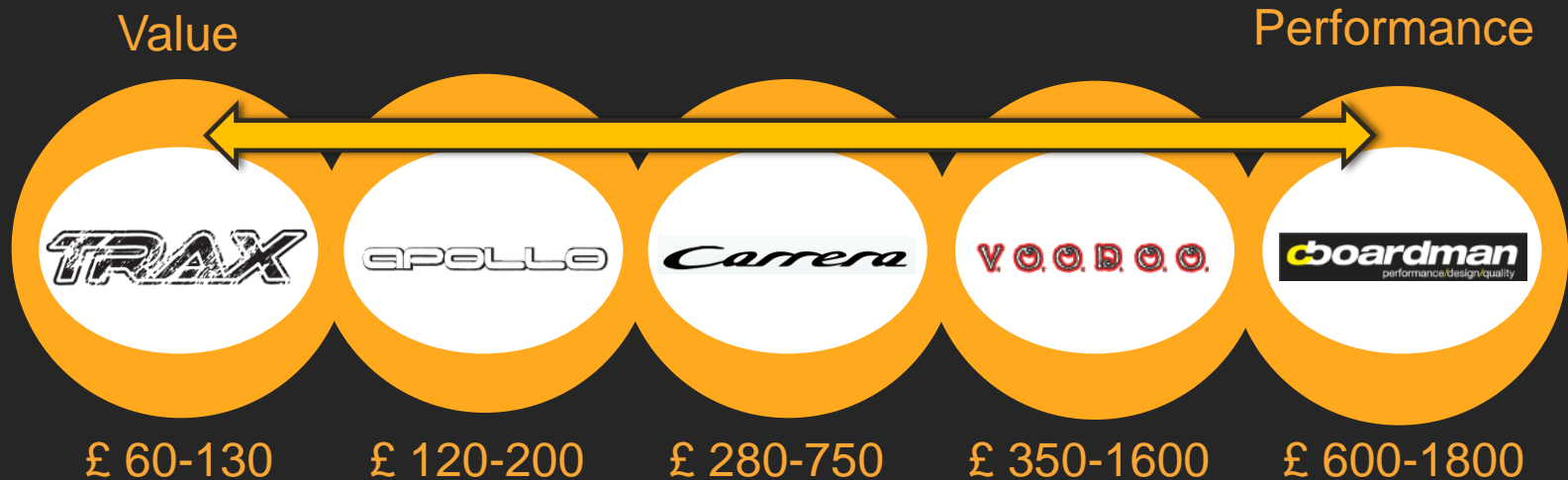
Range - value through brands

- Price architecture gives customer choice
- Purchasing efficiency reduces prices and enhances margins
- Specification control enables better value
- Differentiation online and in store



Extending range
and service advantage

Range - value across the cycle market



- New ranges - Better designs
- All exclusive
- Bikes for every occasion
- Value through Halfords design and build

Extending range
and service advantage

Value in Car Maintenance

The Halfords logo, consisting of the word "halfords" in a bold, black, sans-serif font, is centered within a white rectangular box. This box is itself centered within a larger orange circle.The Halfords Advanced logo, featuring the word "halfords" in black and "ADVANCED" in a bold, italicized, black font, both within a white rectangular box. This box is centered within a larger orange circle.The Bosch logo, featuring the Bosch symbol (a circle with a stylized 'H') to the left of the word "BOSCH" in a bold, red, sans-serif font. Below "BOSCH" is the tagline "Invented for life" in a smaller, black, sans-serif font. The entire logo is centered within a white rectangular box, which is itself centered within a larger orange circle.

- Focus on consumable products not hard parts
- Unparalleled car parc coverage
- Complexity of technology causes inflation
- Fragmented and declining competition
- Needs based and web resilient

Extending range
and service advantage

Range - value through brands



Urban Escape



Exodus



Pampero

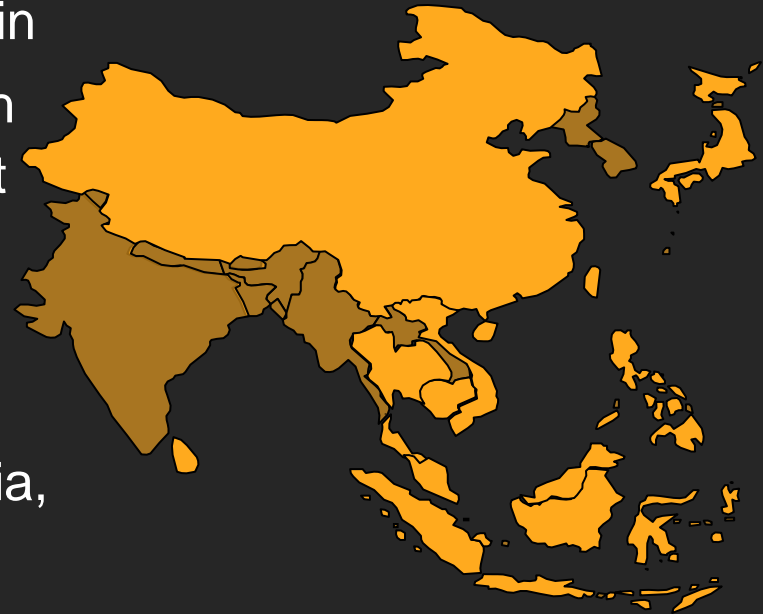


Halfords Advanced

Extending range
and service advantage

Value through Global Sourcing

- Low cost and agile supply chain
- Close working relationship with manufacturers and component producers
- Offices across Asian region source 40% of sales
- New product areas – Cambodia, Vietnam, Tunisia



Extending range
and service advantage



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In-store Services

Extending range
and service advantage

Value through Service

Central part of Halfords Proposition

- Expert advice and information
- Products lend themselves to added value services
- Trend from DIY to “Do it For Me” in Car Maintenance
- Competitive strength of independents especially in bikes
- Key differentiator vs online and non-specialist retailers

wefit

werepair

weassemble

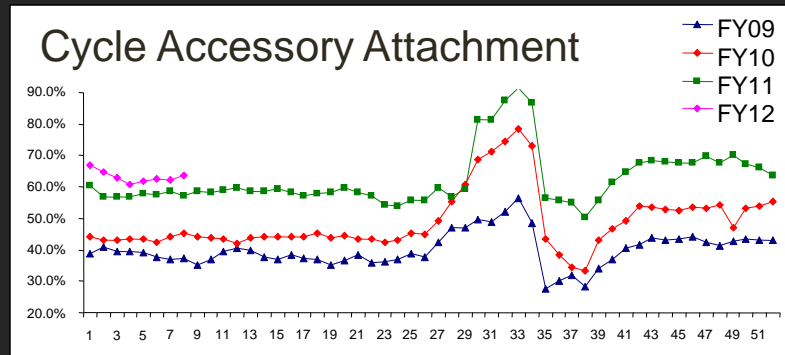
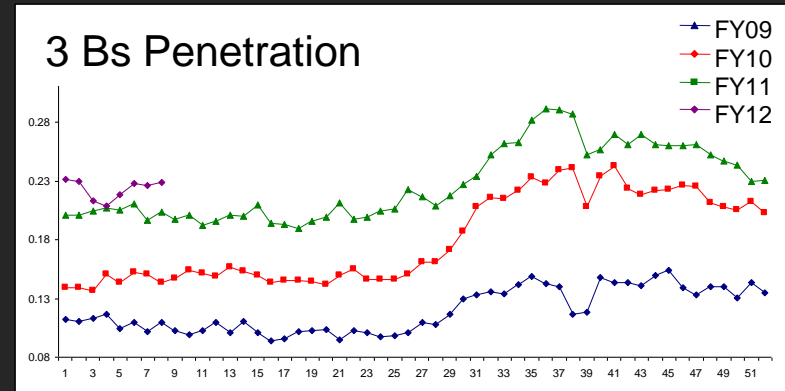


Extending range
and service advantage

Value through Service

Growth in service

- Continued rise in 3Bs fitting
- Still 57% unaware
- Bike Care Plan +28.3%
- Improved weekend colleague availability
- Increases in attachment



Extending range
and service advantage

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Investing in the Store Portfolio

Investing in the
store portfolio

Value from store portfolio

Refresh and Reconfiguration

- Categories rebalanced, locally tailored and easier to shop
- Comprehensive Car Maintenance range
- Increased Cycle and Cycle Accessories offer
- Travel and Car Enhancement zones
- Some ranges reduced, e.g. Styling, Accessories and Mechanical Parts
- Space for Leisure
- 26 stores completed
- 50 targeted FY12



Investing in the
store portfolio

Value from store formats

- New store opportunities limited
- Format flexibility is key in London

Pilot stores

- Halfords branded
- High footfall locations
- Ranges target local demographic
- Cycling and “best of the rest”



Investing in the
store portfolio

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Cost Control

Ongoing focus on
cost control

Value through Cost Control

- 2 Year efficiency programme completed
- Strong cost control culture in Halfords
- Limited scope for further major interventions in stores and logistics
- Priority around occupancy costs
- Some inflation difficult to avoid
- Need for investment in key growth areas



Ongoing focus on
cost control



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Leveraging brand in Multi-channel

Leveraging Halfords
brand in multi-channel

Value through added service

True Multi-channel Retailer

- Halfords range benefits from expert advice and fitting service
- >86% web transactions involve a store visit
- Customers make additional purchases
- Collection rates up YOY

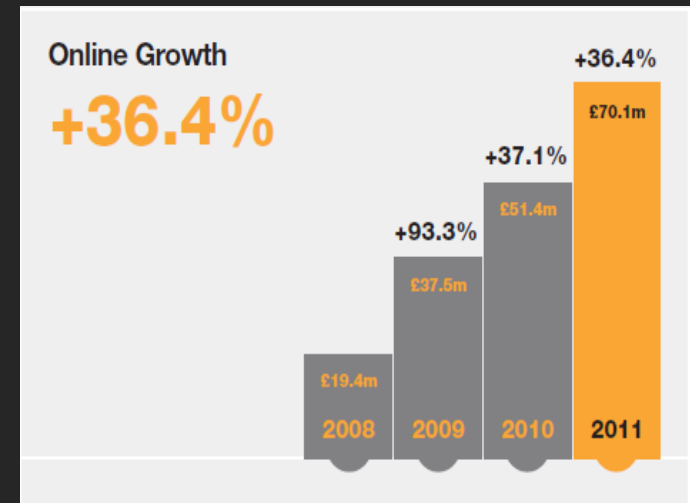


Leveraging Halfords
brand in multi-channel

Creating value Online

Online growth

- 40.5m Visitors (+10.5m)
- Still only 9% of all sales
- Significantly higher ATV
- Customers research online first
- Pipeline of Autocentres customers

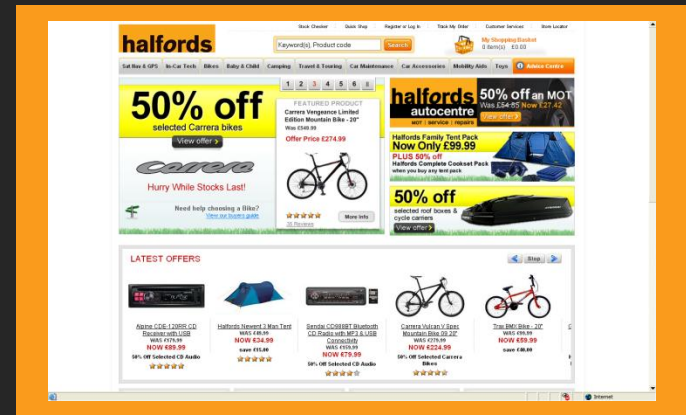


Leveraging Halfords
brand in multi-channel

Value through online development

Creating value online

- Mobile site launched in Aug 2010, now 15% of traffic
- 6,000 bundles delivering accessory sales
- 53,000 customer reviews and 25,000 Ask and Answers
- Websphere investment for better user experience and growth
- Shopping app in development



Leveraging Halfords brand in multi-channel

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Halfords Autocentres

Creating Value through Autocentres

Refurbished and rebranded Halfords Autocentres

- Encouraging sales since relaunch
- Continuous radio advertising campaign
- Leveraging Halfords.com traffic through promotional activity
- Targeted marketing campaign
- New centre openings
- Fleet sales potential
- Tyres opportunity



Maintaining and
growing service
Advantage

Investing in new
Centres

Maintaining low
cost structure

Leveraging the
Halfords brand

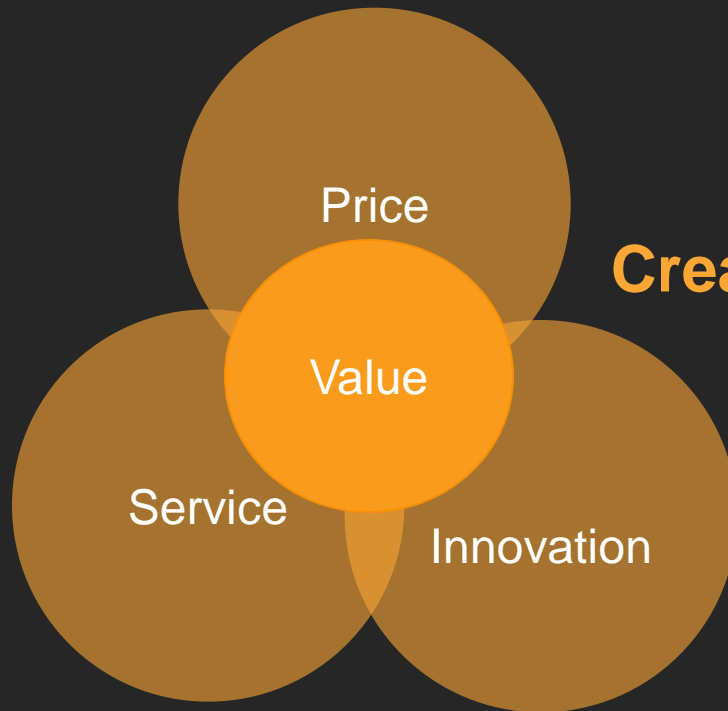
A photograph of two male technicians in Halfords uniforms (black jackets with orange accents) and blue gloves. They are looking up at the underside of a car, with one technician pointing at a specific part. The background is a plain, light-colored wall.

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That's Helpful

Leveraging the
Halfords brand

Telling customers about our value



Creating value for our customers

that's helpful *that's* **halfords**

'that's helpful that's halfords'

- Strategy supported by new brand campaign
- Reinforces Halfords unique service proposition
- National 'that's helpful' radio campaign launched end of February for Autocentres
- National 'that's helpful' TV campaign launched Easter for Retail business

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Leveraging the
Halfords brand

'that's helpful' advert

50% off
selected deals

Guide to Camping and Touring 2011

tents and tent packs | gazebos | camping accessories
cycle carriers | roof bars and boxes | motoring essentials

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Great getaway deals

2 Person Pop-Up Tent
No fuss, instant pop-up tent ideal for festivals. Simple to put away into easy carry bag.
WAS £29.99 **£10 off now £19.99**

4 Person Dugout Tent
Perfect for families and couples looking for more space - with front storage and groundsheet.
WAS £59.99 **50% off now £29.99**

Family Tent Pack
The family tent and accessories pack has 2 separate bedrooms and a sleeping height living area - perfect for families.
WAS £109.99 **All this for only £99.99**

Pack includes:

- 4 x sleeping bags (normally £20.00)
- 2 x double airbeds (normally £30.00)
- all this in one handy storage bag

Single Roof Mount Cycle Carrier*
Take your bike with you safely, leaving your boot totally accessible.
WAS £39.99, £29.99 **50% off now £14.99**

Rear High Mount Cycle Carrier*
Carries up to 2 bikes with self-protective frame holders and a metal strap for a more secure fitting.
WAS £109.99, £59.99 **50% off now £29.99**

470L Roof Box*
Equivalent to a large car boot* with a load capacity of 60kg and waterproof design.
WAS £479.99, £239.99 **50% off now £119.99**

we fit We can fit your cycle carrier, roof bars and roof boxes for you to help you on your way

halfords.com

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50% off
selected getaway deals

FREE £10 GIFT VOUCHER
WHEN YOU SPEND £50 OR MORE*

50% off
roofboxes and cycle carriers

3 ~ 2
car sharing

50% off
car sharing

50% off
car sharing

that's helpful that's halfords

'that's helpful' advert



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Current Trading and Outlook

Current Trading

- Current trading: 9 weeks to 3rd June 2011
 - Halfords Retail +0.8%
 - Car Maintenance - 3.0%
 - Car Enhancement -10.6%
 - Leisure +11.1%
 - Autocentres +1.2%

Outlook

- Challenging consumer environment
- Strong plan, creates value through price, innovation and service
- Pressures on Gross Margins and Operating Costs increasing
- A solid platform for medium term growth

Summary

- FY11 EPS of 43.2p +8.8%
- Continued cash generation, dividend +10%, £75m share buyback
- Retail growth strategy driving value for customers
- Autocentres relaunch and roll-out progressing well
- Launch of new advertising campaign covering both divisions
- Sound start to FY12 in tough trading climate

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Questions

Appendices

- Group Income Statement
- Retail revenue bridge
- Non recurring expenses
- Retail Store Portfolio

Group Income Statement

Excluding non-recurring items ²	FY11 £m	FY10 ¹ £m	Growth %
Revenue	869.7	831.6	+4.6%
Gross profit	485.0	452.7	+7.1%
Net operating expenses	(356.8)	(333.0)	+7.2%
Operating profit	128.1	119.7	+7.0%
Operating profit %	14.7	14.4	+34bps
Net finance costs	(2.5)	(2.6)	-3.8%
Profit before tax	125.6	117.1	+7.2%
Basic EPS (pence) (before non- recurring items ²)	43.2p	39.7p	+8.8%
Effective tax rate	27.6%	29.8%	

Notes

1. Includes 44 days post acquisition of Nationwide Autocentres
2. Non-recurring items of £7.5m (FY11) and £7.4m (FY10)

Retail Revenue Bridge

	FY11 %	FY10 %
Underlying LFL sales growth	-4.9	+0.7
Easter adjustment	+0.6	+0.6
Reported LFL sales growth	-5.5	+1.3
Currency ¹	-0.4	+0.3
Net new space	+0.2	+1.3
Retail sales growth	-5.7	+2.9
Europe impact	+0.5	-0.1
UK/ROI Sales Growth ²	-5.2	+2.8

Notes

1. Translation of non-sterling denominated revenues.
2. Excludes Central Europe

Non-Recurring Expenses

	FY11	FY10
	£m	£m
Non-recurring expenses	7.5	7.4

- FY11 – provision for potential liabilities in respect of guarantees provided by Halfords to landlords of properties leased to Focus DIY which entered into administration in May 2011.
- FY10 – costs relating to the closure of the Group's seven store pilot in Central Europe

Retail Portfolio by Store Type

Retail Space 3,845,443 ft²	Mezzanine	Flat	Compact	Metro	Bikehut	Total
Opening Number	240	166	29 ¹	32 ¹	2	469
New Store	2	1	0	2	0	5
Relocations	2 ²	1	0	0	0	3
Closures	1	6	0	0	1	8
Closing Number	243	159	29	34	1	466

Notes

¹ Reclassification of 4 stores from Compact to Metro in FY11

² Relocations previously classified as Flat moved to Mezzanine