halfords

Preliminary Results

53 Weeks to 3 April 2009

City Presentation Centre

10 June 2009

Nick Wharton
Finance Director

52-Week Financial Highlights[1]

Solid earnings progression in challenging trading environment

- Sales £794.7m -0.3%
- Like-for-like sales -3.3% (Easter adjusted -3.0%)
- Gross margin increased by 160bps
- Profit before tax and exceptional items £92.4m +2.4%
- Basic EPS 31.8 pence +8.5%
- Operating cash flow at £121.8m, 95.9% of EBITDA
- Net debt £164.0m
- Proposed final dividend 10.9p, total dividend 15.9p +5.3%

Note 1: All values are compared on a 52 week basis excluding exceptional items.

Income Statement

Excluding exceptional items	FY09 53 week £m	FY09 52 week £m	FY08 52 week £m	52 week Growth %
Revenue	809.5	794.7	797.4	-0.3%
Gross profit	421.4	413.7	402.5	+2.8%
Net operating expenses	(317.4)	(311.8)	(301.5)	+3.4%
Operating profit	104.0	101.9	101.0	+0.9%
Operating profit %	*12.8%*	*12.8%*	*12.7%*	
Net finance costs	(9.6)	(9.5)	(10.8)	-12.0%
Profit before tax	94.4	92.4	90.2	+2.4%
Basic EPS (pence)	32.5p	31.8p	29.3p	+8.5%
Weighted average number of shares	209.5m	209.5m	218.4m	
Actual tax rate	28.0%	28.0%	29.0%	

Revenue Growth

Strong sales growth continues in core heritage categories.

	FY09 52 weeks %	FY08 52 weeks %
Underlying 52-week LFL sales growth	-3.3	+3.3
Currency[1]	+0.6	-
Easter contribution	+0.3	+1.0
52-week same-store sales growth	-2.4	+4.3
Net new space	+2.1	+2.9
52-week sales growth	-0.3	+7.2
53rd week	+1.8	
53-week sales growth	+1.5	

Note: 1. Translation of non-sterling denominated revenues.

Revenue / Gross Margin

Resilient sales performance, mix and trading strategies benefit margin

	FY09 LFL[1] %	FY08 LFL[1] %	FY09 GP %	FY08 GP %
Quarter1	-1.1	+7.2		
Quarter2	-1.1	+3.2		
Half 1	-1.1	+5.5	+51.6	+50.9
Quarter3	-7.8	+0.7		
Quarter4	-3.8	+4.5		
Half 2	-5.4	+2.5	+52.6	+50.1
52-Week	-3.3	+4.0	+52.1	+50.5

Note: 1. At constant currencies.

Currency hedge provides competitive opportunity

Core UK Business Performance

Cost and margin management drives 75bps strengthening in underlying UK[1] operating margins

	FY09 52 weeks % Revenue	FY08 52 weeks % Revenue
52-week operating margin:	12.82	12.67
Landlord contributions	(0.34)	(0.56)
Central European start-up costs	0.39	0.28
Property related provisions	0.36	0.10
Standalone cycle stores	0.03	0.02
Underlying UK 52-week operating margin	13.26	12.51

1. UK includes operations in Republic of Ireland managed via the UK.

Net Operating Costs

Cost & productivity focus offsets revenue & inflationary pressures.

	£m	% Revenue
FY08 operating costs	301.5	37.8%
FY09 non comparables:[1]	5.2	
Space increase	6.2	
Restructure benefits	(0.5)	
Underlying cost movement	(0.6)	
FY09 52-weeks operating costs	311.8	39.2%

- Core payroll productivity improvement
- Rent inflation moderating
- Focused advertising investment.
- Ongoing portfolio management opportunity

Key Ratios (% Revenue)[2] UK 52-weeks	FY09 FY	FY08 FY	YOY cost (£) growth
Store Payroll	11.1%	11.5%	-4.8%
Store Rent & Rates	12.0%	11.3%	+6.1%
Advertising & Promotions	2.4%	2.5%	-7.9%
Landlord Contributions	£2.7m	£4.5m	-

1.FY09 non comparables include movements in property provisions, landlord contributions, Central European & Bikehut set up investments.

2.Key ratios reflect full statutory year performance in UK / Eire.

Operating Cost Efficiency

Half 2 cost interventions generate significant cost improvements

	FY09 £m	FY10 £m	FY11 £m	FY12 £m	Payback Yrs
(Costs)/Benefits:					
Headcount[1]	(2.8)	4.0	4.0	4.0	0.7
Distribution Centre	(8.3)	-	2.0	4.0	3.5
Bikehut	(1.2)	0.2	0.2	0.2	-
Operational	(12.3)	4.2	6.2	8.2	2.3
Financial:					
Swap close-out[2]	(4.6)	2.0	2.0	0.6	2.3
Total	(16.9)	6.0	8.0	8.6	2.3
Cash in/(out)flow	(6.9)	(7.5)	(1.9)	-	

1. Benefits crystallised in FY09 estimated at £0.5m
2. Payback profile reflects anticipated interest rates. Break even interest rate is 2.27%

Balance Sheet

Balance sheet management remains a clear focus

	53 week FY09 £m	52 week FY09 £m	FY08 £m	YOY £m	Growth %
Goodwill and intangible assets	259.5	259.6	256.8	+2.8	+1.1%
Property, plant and equipment	107.5	107.9	116.2	-8.3	-7.1%
Derivative financial instruments[1]	13.3	13.3	1.6	+11.7	-
Net working capital[2]	64.7	52.2	52.0	+0.2	0.3%
Cash and borrowings[2]	(176.2)	(166.3)	(181.7)	+15.4	+9.3%
Creditors[3,4,5]	(24.4)	(23.9)	(23.2)	-0.7	-3.0%
Net assets	**244.4**	**242.8**	**221.7**	**+21.1**	**+9.5%**
Inventories	147.0	146.1	151.6	-5.5	-3.6%

Notes:

1. Foreign currency contracts and interest rate swaps
2. Non-comparable, impacted by operating cash-outflows in 53rd week
3. Tax liabilities, provisions and accruals, including capital and interest creditors.
4. Net of £2.7m deferred tax asset.
5. Includes £8.3m exceptional items provision

Capital Expenditure Summary

Capital investment centred on high returns

	FY09 £m	FY08 £m
New stores and re-sites	7.0	12.1
Store refurbishment	2.5	1.8
Central Europe (incl. Systems development)	2.0	1.5
Total portfolio	11.5	15.4
Head office systems (incl. Multi channel)	5.0	5.5
Store systems	0.8	6.3
Supply chain	0.4	0.7
Other	1.7	1.6
Total capital expenditure (per Balance Sheet)	19.4	29.5
Capital creditor movement	3.3	(2.8)
Cash capital expenditure (per cash flow)	22.7	26.7

Cash Flow and Net Debt

Operating cash flow	£m
Operating profit[1]	91.7
Depreciation/Amortisation	25.1
Employee share scheme	1.7
Fixed asset write-off	0.3
Fair value gain	(2.3)
Working capital	(12.7)
Provisions	10.4
Operating cash flow	**114.2**

Free cash flow	£m
Op. cash flow	114.2
Net finance costs[2]	(14.9)
Taxation	(25.5)
Dividends	(32.3)
Capex Maintenance	(2.4)
Free cash flow	**39.1**

Net debt[3]	£m
Net debt 28.03.08	(181.7)
Free cash flow	39.1
Share buy back	(13.1)
Debt issue costs	(0.2)
Capex Investment	(20.3)
Net debt 3.04.09	**(176.2)**
Exceptional items[4]	6.9
53rd week	5.3
Net debt 27.03.09	**(164.0)**

Notes

1. After exceptional items £12.3m
2. After exceptional swap close-out costs £4.6m
3. Including Head Office finance lease £12.2m (2008: £12.4m)
4. £2.3m of the cash flow in respect of exceptional costs occurred prior to week 53

Halfords remains strongly cash generative

Balance Sheet Flexibility

Debt : Structure & Profile

- £180m term loan, repayment July 2011
- £120m revolving credit facility

Key Debt Metrics:

	Target	FY09 times	FY08 times
Adjusted net debt[1]/EBITDAR[1]	>3.9x	3.84	3.90
Fixed charge cover[2]	2.25 – 2.30x	2.36	2.34
Net debt/EBITDA	-	1.3	1.5

Share Buy-Back

- Buy-back programme ceased in favour of balance sheet flexibility
- 23.1m shares acquired at a cost of £73.1m since June 2006

Financial Management

- Policy of interest rate hedging to be re-instated when appropriate
- Underlying capital investment will be targeted to below historic average

Notes: 1. Adjusted Net Debt = Net Debt + Capitalised Rent; EBITDAR = (EBITDA + rent)

2. EBITDAR / (Interest + Operating Lease Expense)

halfords

David Wild
Chief Executive Officer

Agenda

- Overview
- Strategic Growth Plan
- Outlook
- Summary

Overview

Results demonstrate Halfords' strength in tough trading environment

- Car Maintenance and Cycling underpin sales resilience
- Active trading strategies increase margins
- Margin leverage through market leadership positions and agile sourcing
- Growing ***wefit*** services provide clear differentiation
- Cost discipline across Revenue and Capital Expenditure
- Strengthening UK Operating Margins
- Progressive dividend maintained

Strategic Growth Plan

Core UK business provides continued growth opportunities.

- Extending range and service advantage
- Investing in the Store Portfolio
- Ongoing focus on cost control
- Leveraging the Halfords brand in multi-channel

Extending Range & Service Advantage

Unique offer and differentiated service proposition

- Natural destination for Automotive & Leisure products
- Core categories provide growth opportunities
- Broad competitive set with Halfords delivering market leading package
- Consolidation opportunity in fragmented markets characterised by weak independents

Extending Range & Service Advantage

Market leadership in growth categories

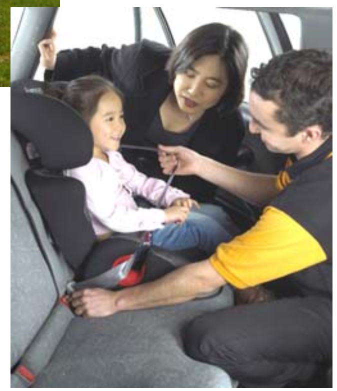
- **Car Maintenance**
  - Ageing UK car parc positive for demand
  - Car specific ranging, high availability and product innovation
  - Trade Card growth encouraging
- **Cycles**
  - Growth driven by economy, health & sustainability
  - Brand leadership, strong range architecture and in-store service.
- **Blue-tooth & Music Streaming**
  - Innovation drives market
  - Range exclusivity and "*set up & demo*"

Extending Range & Service Advantage

Market share opportunities exist in large categories

- **Premium Bikes**
  - Growth fuelled by *Cycle2Work*
  - Low relative market share
  - *Boardman* exclusive deal strengthens credentials
- **Children's Bikes**
  - Share below category average
  - Extended licensed brand offer

- **Camping and Caravanning**
  - Complements travel & touring leadership
  - Fragmented market – no clear leader



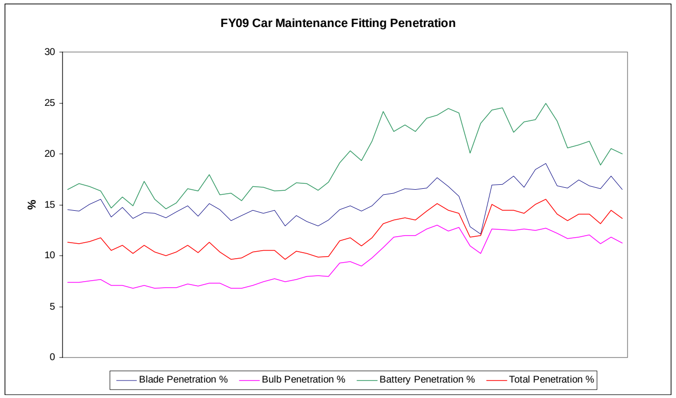
- **Child Safety**
  - Emphasis on largest market segments
  - 2,000 RoSPA accredited colleagues

Extending Range & Service Advantage

Service differentiation enriches margin and customer loyalty

Fitting proposition intrinsic to all categories

- Bulbs, Blades and Batteries
- Child seats
- "*Set up and demo*"
- Cycle Repair & Bike Care Plan



More than 1.5m fitting jobs completed in FY09

Extending Range & Service Advantage

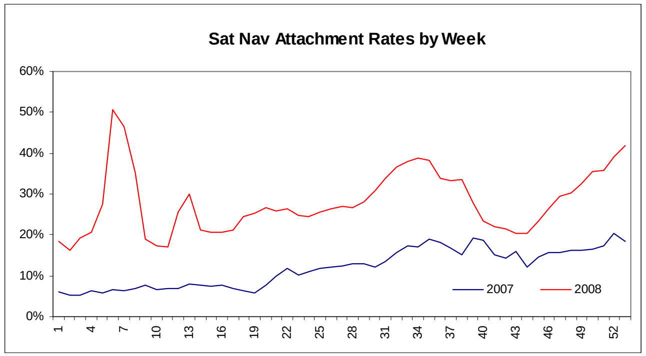
Service differentiation enriches margin and customer loyalty

Active trading benefiting all categories, with strong trajectory

- 45% penetration in cycle accessory attachment

- 60% growth in Sat Nav attachment

- 80% growth in Bike Care Plan



Extending Range & Service Advantage

Private label and range architecture key to active trading

Halfords Value

Halfords

Halfords Advanced

Extending Range & Service Advantage

Focused marketing delivers high investment returns

- Enhanced communications strategy
- Up-weighted TV/Full Colour Flyer promotions
- Targeted advertising generates high return
- Sponsorship builds brand awareness

Sponsorship of British Olympic Team

Sponsorship of “Dave”

Investing in the Store Portfolio
United Kingdom

60 new sites targeted in identified catchments

9 new Halfords stores opened in FY09

Plan to open 10-15 new stores in FY10

Superstores

- 375 stores trading, 226 with mezzanine
- 26 stores refurbished to maintain contemporary feel
- 100 stores suitable for mezzanine conversion

Compact Stores

- 27 Neighbourhood/Compact stores trading
- Comprehensive offer tailored to smaller catchments
- Return on investment in line with Superstores

Metro

- Not development format – replace with superstore

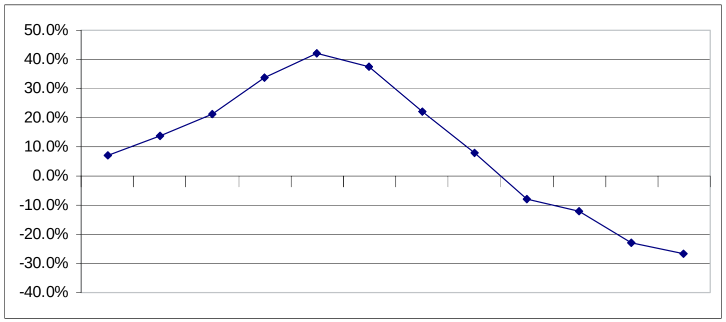
Investing in the Store Portfolio
Republic of Ireland

Background

- 20 superstores and 2 compacts now trading four years after market entry
- Market leadership achieved in all core categories.
- Current performance reflects tough economic environment

Current Actions

- *“Reserve and Collect”* will drive footfall
- Locally tailored range improving
- Cost management and strong Euro protects contribution



RoI LFL sales progression

Market attributes remain, still an attractive territory

Investing in the Store Portfolio
Central Europe

Poland & Czech Republic target markets, remain attractive, providing long-term scale potential

Market Potential

- Significant population
- EU membership underpins GDP growth potential
- Large and older car parc drives DIY
- Long term attractive opportunity

	UK	Czech Republic	Poland
Key EconomicStatistics			
Population (millions)	61	10	40
Car Parc (millions)	32	4.7	14.4
GDP Growth 2006 – 2008 (%)	+2.2	+5.3	+5.9
GDP growth 2009	-4.3	-4.0	-2.0
GDP/capita 2007 (USS)	39,600	13,900	12,700

Current Environment

- Short term sharp economic decline especially in Czech Republic
- Slow down in consumer expenditure
- Medium term retail development uncertain
- High dependence on exports, driving unemployment

Investing in the Store Portfolio Central Europe

Sales Background

- Czech Republic LFL sales progression
  - Summer 2008 : +22%
  - Autumn/Winter 2008 : –16%
  - Spring 2009 : –2%
- Strong start in Poland

Earnings Performance

- FY09 losses £3.2m (FY08: £2.2m)
- Losses expected to be similar in FY10

Development Programme

- FY10 (H2) : 5 - 10 stores
- FY11 : 10 - 15 stores

Investing in the Store Portfolio Central Europe

Poland & Czech Republic remain attractive, providing long-term scale potential

Leverage core strengths

- Far East sourcing significant competitive advantage
- UK relationships with global brands
- Positive own brand acceptance
- Scaleable systems architecture developed
- Deep category trend understanding

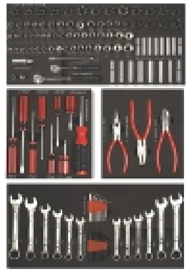
Key current priorities

- Strengthen local teams
- Localised ranges with tailored offers
- Cost control
- More overt external branding
- Reduce store size for future openings

Ongoing Cost Control

Continued focus ensures appropriate and flexible cost base

- **Cost of Goods:**
  - Strong Far East buying capability
  - Source cost reductions partially offset dollar impact
  - Active re-sourcing via new Shanghai office



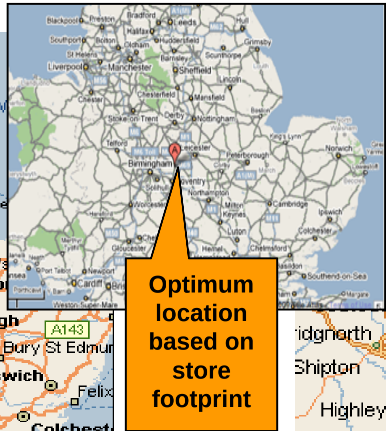
- **Store Payroll:**
  - Rota optimisation continues to deliver efficiencies
  - Administration role eliminated
- **Ongoing programme:**
  - External services
  - Inventory management
  - Head office

Efficiencies fund ongoing strategic investments

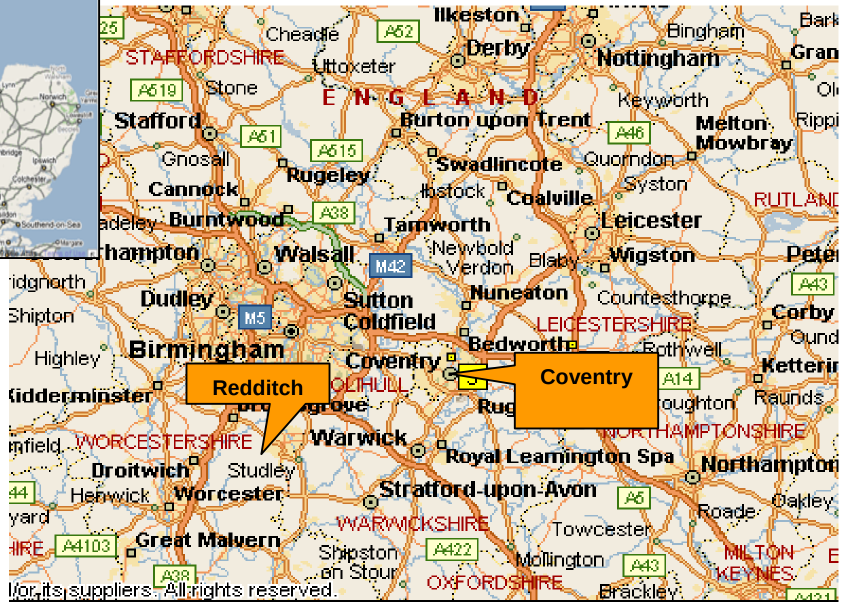
On-going Cost Control

Logistics reconfiguration provides significant opportunity

Current Configuration



Future Configuration



- Redditch1 240k sq ft
- Redditch 2 140k sq ft
- Cowley 300k sq ft
- Redditch to Cowley 70 miles

- Redditch 240k sq ft
- Coventry NDC 320k sq ft
- Redditch to Coventry 32 miles

On-going Cost Control

- Current 3 Distribution Centre infrastructure sub-optimal:
  - Location
  - Physical constraints

- Migration across 2009/10 to optimal configuration:
  - New NDC located at centre of gravity
  - Dedicated cycle warehouse using existing infrastructure
  - Appropriate investment in automation
- Mature operating cost improvement, £4m p.a. from:
  - Labour and space productivity
  - Contemporary shift patterns
  - Transport efficiencies
  - Lower cost operating environment
- Programme to manage risk to base business

Leveraging the Halfords brand in multi-channel

halfords.com provides significant future upside

- Slow start
- Direct fulfilment model
- Technology biased
- Price competitive with pure play
- Relatively low return on investment

Leveraging the Halfords brand in multi-channel

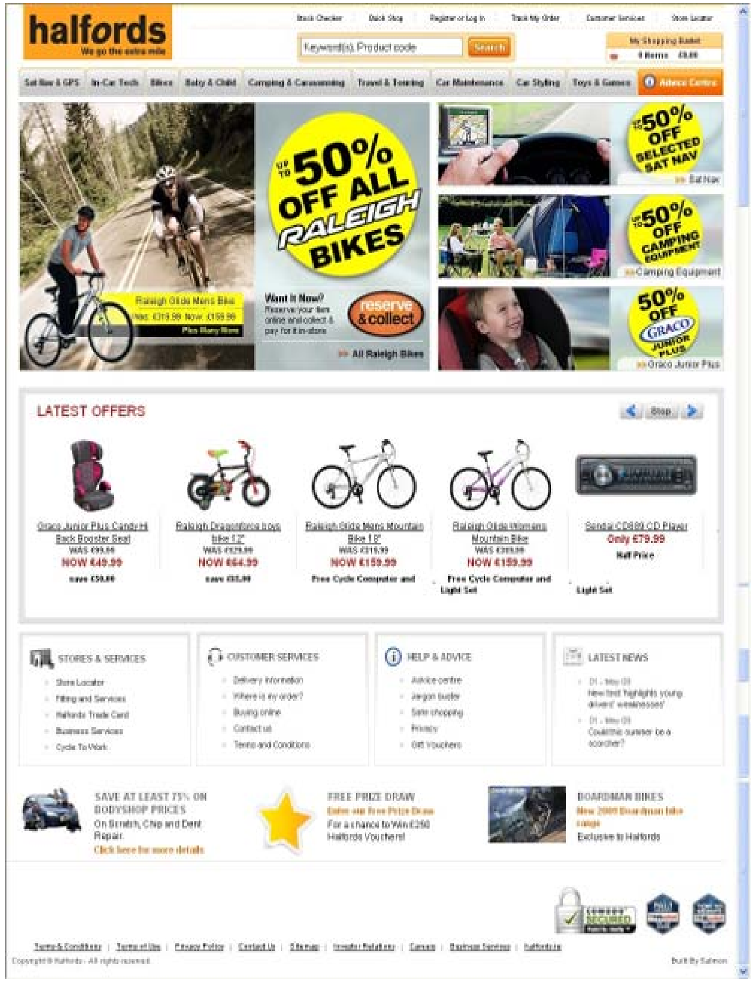
halfords.com provides significant future upside

Present

- Store centric
- "*Reserve & Collect*"
- Rapid growth
- Widening assortments

Future

- "*Order & Collect*" coming
- Accelerated assortment extensions
- Extend leadership position in key categories
- Customer relationship management

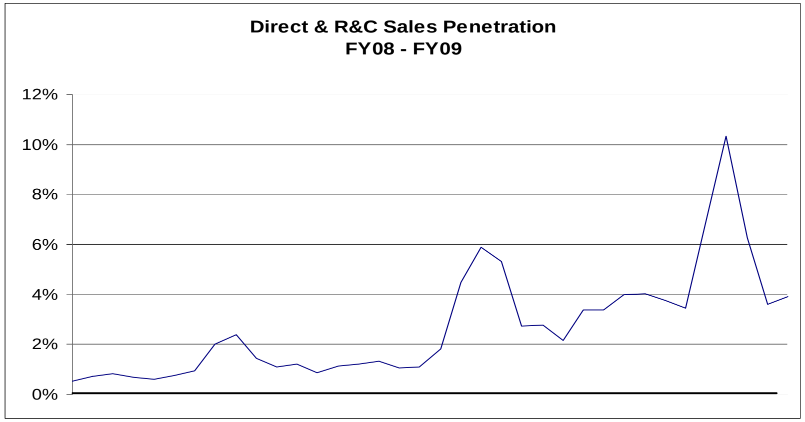


Leveraging the Halfords brand in multi-channel

halfords.com provides significant future upside

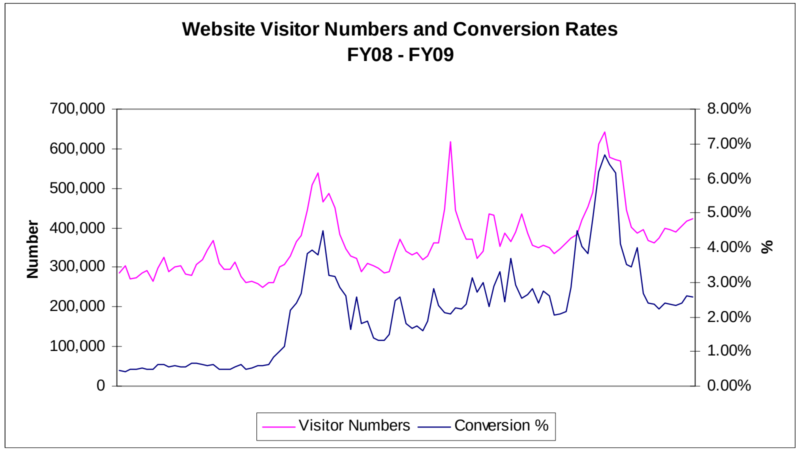
Present

- Store centric
- "*Reserve & Collect*"
- Rapid growth
- Widening assortments



Future

- "*Order & Collect*" coming
- Accelerated assortment extensions
- Extend leadership position in key categories
- Customer relationship management



Outlook

FY10:

- Sales environment will remain challenging
- Good weather, high stock availability and impactful promotional activity has driven a solid early trading performance
- Margin management and sales mix supports margin accretion
- Cost focus and delivery of restructuring benefits are key priorities
- Management remain confident of delivering earnings growth

Summary

- Solid earnings progression in tough trading environment
- Progressive dividend maintained
- Focus on protecting performance through economic uncertainty
- UK core category and store portfolio expansion opportunities remain
- Multi-channel growth encouraging from small base – significant further upside
- Central Europe positive long-term opportunity

halfords

Appendices

1. FY09 53rd week analysis
2. Portfolio by Store Type
3. Portfolio by Location

FY09 53rd week analysis

	FY09 53 weeks Reported	FY09 53 weeks Excl Exceptional	FY09 52 weeks Excl Exceptional	FY08 52 weeks Reported
Revenue	£809.5m	£809.5m	£794.7m	£797.4m
Like-for-like Sales	-3.3%	-3.3%	-3.3%	+4.3%
Operating Profit	£91.7m	£104.0m	£101.9m	£101.0m
Operating Margin	11.3%	12.8%	12.8%	12.7%
Profit Before Tax	£77.5m	£94.4m	£92.4m	£90.2m
Basic EPS	26.6p	32.5p	31.8p	29.3p
Net Debt	£176.2m	£169.3m	£164.0m	£181.7m

Portfolio By Store Type

Retail Space 3,879,822 ft^2	Mezzanine SM/M	Flat F	Compact C	Metro Me	Bikehut BH	Total
Opening Number	231	159	24	31	5	450
New Store	5	6	5	0	3	19
Relocations	1	(1)	0	0	0	0
Closures	0	0	0	(3)	0	(3)
Conversions	2	(2)	0	0	0	0
Closing Number	239	162	29	28	8	466

08/09 store rollout	Q1	Q2	Q3	Q4
New stores (21) **(R) Relocation**	Rochdale (SM) (R) St Paul's (BH) Tiverton (SM)	Port Talbot (C) Ostrava CZ (F) Waterford RoI (F) Portlaoise RoI (F) Cavan RoI (F)	York (BH) Norwich (BH) Llandudno (SM ->SM) (R) Washington (SM) Hradec Kralove CZ (F) Newry (SM) Armagh (C) Navan (SM) Wroclaw PL (F)	Daventry (C) Louth (C) Castlebar ROI (C) Conswater (M)

Portfolio by Type and Location

	UK	RoI	Poland	CZ	Total
Superstore	375	20	1	5	401
Mezzanine	*226*	*12*	*0*	*1*	*239*
Flat	*149*	*8*	*1*	*4*	*162*
Neighbourhood	27	2	0	0	29
Metro	28	0	0	0	28
Bikehut	8	0	0	0	8
Total	**438**	**22**	**1**	**5**	**466**

	UK	RoI	Poland	CZ	Total
Opening Number	429	18	0	3	450
New stores	12	4	1	2	19
Closed stores	(3)	0	0	0	(3)
Closing Number	**438**	**22**	**1**	**5**	**466**