7 October 2010

Pre-close Trading Statement
Profit growth from Retail margin and cost management and Nationwide acquisition

Halfords Group plc, the UK's leading retailer of automotive and leisure products and operator in garage servicing, today issues the following trading update for the second quarter and first half-year[1] ended 1 October 2010.

Halfords Group:

Revenues
Group revenues for the half-year increased by 7.6% year on year, reflecting the acquisition of Nationwide Autocentres in February 2010. Within the Group's trading divisions, like-for-like sales[2] for Halfords Retail[3] and Autocentres decreased by 4.5% and 0.8% respectively. At the Group level, this represented a like-for-like decline of 4.1%.

During the second quarter, Group sales increased by 5.5% over the equivalent period last year. This period saw the successful conclusion of an 18-month programme to transition the Group's existing distribution centres to a more efficient and cost effective configuration, with the impact to sales during the transition period estimated to be c. 1.4% across the second quarter. On an underlying basis, excluding the estimated impact of disruption to sales, like-for-like sales declined by 4.9% in Halfords Retail. Autocentres delivered a like-for-like revenue decline of 1.5%.

First Half Profit Before Tax.
Group profit before tax for the first half is expected to be in the range of £67-69 million which represents, at the mid-point, year-on-year profit growth of 12%. Throughout the first half our focus remained on managing the controllable elements of the business where actions taken to manage gross margins, reduce costs and increase efficiency have delivered the benefits we expected.

Halfords Retail
Against the backdrop of a more cautious UK consumer, across the first half, low single digit like-for-like sales growth was achieved in our most profitable category, Car Maintenance, helped by a further 30% increase in ***we***fit. Our camping performance was encouraging, delivering a mid single digit year-on-year increase. Multi-channel performance also remained strong, growing by 60%.

The Cycling market in the UK remains attractive and continues to grow. While set against particularly strong comparatives, a like-for-like sales decline of 1% was relatively disappointing and reflects short-term weakness as a result of delays in the re-launch of new cycle ranges during this period and increased levels of price competition. Sales of Boardman cycles increased by 40% compared to FY10. We are now taking steps to re-align our range and pricing of cycles to more accurately reflect current consumer needs and tastes.

The in-car technology market remains very challenging and, although we increased our market share, Satellite Navigation sales in the first half declined by 16% on a like-for-like basis. Continued progress in the sale of Satellite Navigation accessories served to protect the profitability in this lower margin product category.

Under tight management gross margins grew by approximately 35bps with currency and sourcing inflation headwinds being offset by self-help measures including better buying, ***we***fit penetration and attachment of higher margin accessories.

We continue to manage costs pro-actively. The programme of store colleague re-rostering, was successfully completed in the first quarter and, as well as establishing a more flexible cost base, we are confident that this programme will reduce annual costs by c. £4m. These cost reductions will be enhanced by savings of £4m p.a. now being achieved from the new National Distribution Centre and from favourable rent settlements and re-gears.

Autocentres

The integration and development of Autocentres continued in line with our three-year plan. To date 28 centres have been re-branded with all 240 centres trading as Halfords Autocentres by March 2011. Our new Autocentre pipeline is stronger than anticipated with six new centres opened in the first half year and a further eight new units expected to open in the remainder of the current financial year.

Autocentres continued to trade slightly behind internal forecasts with new customer gains and increased fleet business offset by reduced transaction values as consumers deferred non-essential purchases. Operating costs, both within the current operation and in the ongoing physical re-branding exercise, remained under tight control.

By the anniversary of the acquisition, we will have established a unique customer proposition, combining the service quality of a franchised dealer but at more affordable prices. Delivered through a national chain of Halfords Autocentres, this will provide a strong foundation from which to use targeted advertising to increase consumer awareness.

David Wild, Chief Executive Officer, commented:

“Halfords will deliver solid profit growth in the first half despite the challenging environment. We continue to improve our cost base and in the past few months have successfully addressed a number of company issues, such as the reconfiguration of our warehousing and distribution infrastructure.

“We are meeting the challenges presented by a more cautious UK consumer by building on Halfords’ retail market leadership and strong business model. The integration of our Autocentres business is continuing well and, after this year of investment, we are well positioned to accelerate earnings growth.

“We are cautious about the macro-economic environment. Following a strong performance in the first half we intend to selectively re-invest the margin gains achieved by increasing our promotional stance. Our plans for the business are therefore based on the assumption that like-for-like sales in the remainder of year will settle at c. –3%. Through maintaining our focus on the cost reduction programmes already in place we would expect full year profit growth to be within the range of market expectation.[4]”

Like-for-Like Sales Analysis

Halfords Group plc: Revenue Performance							**Statutory[2]**	
	Halfords Retail		Autocentres		Total		Group	
	H1	Q2	H1	Q2	H1	Q2	H1	Q2
Revenue	(4.2)	(6.2)	0.1	(0.6)	(3.8)	(5.6)	7.6	5.5
New store/centre	0.6	0.6	0.9	0.9	0.6	0.6	12.4	12.3
Central Europe	0.3	0.5	-	-	0.3	0.4	0.3	0.5
LFL[2,3]	(4.5)	(6.3)	(0.8)	(1.5)	(4.1)	(5.8)	(4.5)	(6.3)
LFL Easter adjusted	(4.1)	(6.3)	(0.8)	(1.5)	(3.6)	(5.8)	(4.1)	(6.3)
LFL ex NDC Disruption	(3.4)	(4.9)	(0.8)	(1.5)	(3.0)	(4.4)	(3.4)	(4.9)

NB: The Group acquired Nationwide Autocentres on 18 February 2010, such that revenue growth, at the Group level, derives from new centres. The divisional breakdown provided, represents year on year performance.

Notes:

1. This represents the trading update for the half year within the 52-week period ending 1 April 2011. 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 and centres trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
3. Halfords retail LFL in the 13 weeks to 2 July 2010 was –2.9%, -2.1% Easter adjusted.
4. Consensus FY11 Profit before Taxation is £135.2m representing a year on year increase of 15.4%, with a range of £131m to £138m. (Source: Bloomberg 5 October 2010)

Investor Visit

Halfords will today host a meeting for analysts and investors at its new National Distribution Centre in Coventry. The meeting will focus on the Group’s revised distribution configuration together with an update concerning the core UK retail customer proposition.

No material new information will be disclosed in the presentations and there will be no further statement on trading. The presentation materials will be available from the investor relations section of the Halfords website.

Enquiries:

Analysts:

Halfords Group plc
Nick Wharton, Finance Director +44 (0) 1527 513047
Tony Newbould, Investor Relations Officer +44 (0) 1527 513113, 07753 809522 on the day

Media:

Maitland
Neil Bennett, Richard Farnsworth +44 (0) 207 379 5151

Interim Results

Halfords will announce its interim results for the 26 weeks ended 1 October 2010 on Thursday, 18 November 2010. A presentation for analysts and investors will be held at 9.30 a.m. at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP.

Notes to Editors:

www.halfords.co.uk
www.halfordscompany.co.uk
www.nationwideautocentres.co.uk

Halfords Group plc

The Group is the UK's leading retailer of automotive, leisure and cycling products and through Nationwide Autocentres also the UK's leading independent car servicing and repair operator.

Halfords employs approximately 11,000 staff and sells over 12,000 different product lines with significant ranges in car parts, cycles, in-car technology, child seats, roof boxes, outdoor leisure and camping equipment. Halfords own brands include the in-store *Bikehut* department, for cycles and cycling accessories, *Apollo* and *Carrera* cycles and exclusive UK distribution rights of the premium ranged *Boardman* cycles and accessories. In outdoor leisure, we sell a premium range of camping equipment, branded *URBAN Escape*. Halfords offers customers expert advice and a fitting service called "***we***fit" for car parts, child seats, satellite navigation and in-car entertainment systems, and a "***we***repair" service for cycles.

Halfords Retail customers shop at 462 stores in the UK and Republic of Ireland and at halfords.com for direct home delivery or pick-up at their local store. Halfords Autocentres operates from 231 sites nationally and offers motorists dealership quality MOTs, repairs and car servicing at affordable prices.

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.