halfords

9 November 2017

Halfords Group plc
Interim Results: Financial Year 2018
Strategic progress continues; full-year outlook unchanged

Halfords Group plc, the UK's leading retailer of motoring, cycling and leisure products and services, as well as a leading independent operator in garage servicing and auto repair, today announces its interim results for the 26 weeks to 29 September 2017 ("the period"). All numbers shown are before non-recurring items, unless otherwise stated.

Group Financial Summary

	H1 FY18 £m	H1 FY17 £m	change	Like-for-Like Revenue ("LFL")
Revenue	588.7	567.3	+3.8%	+1.5%
Retail	511.0	489.1	*+4.5%*	*+1.9%*
Autocentres	77.7	78.2	*-0.6%*	*-1.3%*
Gross Margin				
Retail	45.7%	47.6%	-182 bps	
Autocentres	67.7%	65.0%	+270 bps	
Underlying EBITDA*	54.9	57.1	-3.9%	
Underlying Profit Before Tax*	36.8	40.8	-9.8%	
Underlying Basic Earnings Per Share*	14.8p	16.6p	-10.8%	
Profit Before Tax after non-recurring items	36.6	39.1	-6.4%	
Basic Earnings Per Share after non-recurring items	14.7p	15.9p	-7.5%	
Interim Dividend Per Share	6.0p	5.83p	+3.0%	

** Alternative performance measures are defined in the glossary on page 15.*

Steady revenue growth in challenging conditions
- Total Group Revenue +3.8% and +1.5% LFL
- Motoring +1.9% and Cycling +2.0% on a LFL basis, with total Cycling sales up 7.0%
- Retail gross margin decline as expected, primarily due to the adverse impact of FX year-on-year
- Autocentres sales -1.3% LFL, lower as planned and previously guided, with higher gross margin and EBIT
- Service-related Retail sales up 19.3%, with c.2 million in-store fitting and repair jobs performed
- Group online sales +10.8% and +4.8% LFL

Good cash generation and profit in line with market expectations
- c.£15m additional cost of sales in the first half from the weaker pound, representing the peak FX impact
- FX mitigation plans implemented and working
- Underlying Profit Before Tax of £36.8m, down £4.0m year-on-year
- Free Cash Flow of £31.1m, up £6.9m on H1 last year
- Net debt at £84.8m representing 0.8 times Underlying EBITDA
- Interim dividend per share of 6.0p, up 3.0%

Strategic progress continues
- Customer-to-transaction match rate of 54% in Retail (3% two years ago) and 67% across Group
- New in-store motoring and cycling services launched in the period
- Improved websites supporting good online sales growth, with 85% of Halfords.com orders collected in store
- Colleague training in e-bikes, dash cams and electric vehicle maintenance
- 40 stores refreshed in the latest format by the end of November
- Colleague headsets introduced across the estate bringing customer and colleague benefits
- Growing premium cycling credentials supported by strong growth in Tredz, Cycle Republic and e-bikes

Full-year outlook unchanged
We continue to anticipate FY18 Group profit before tax to be in line with current market expectations. All financial guidance for the current financial year remains unchanged. As previously guided, the depreciation of Sterling brings a

c.£25m cost of goods increase in FY18 of which c.£15m was in the first half. Our mitigation plans are on track and we continue to anticipate that we will recover the full impact over time. The FX impact reduces going forward, and if Sterling remains at the current levels, we do not anticipate further adverse year-on-year impact in FY19.

Jonny Mason, Chief Financial Officer & Interim Chief Executive Officer, commented:
"We have delivered more improvements for our customers in this first half, with new services for motorists and cyclists, provided by trained, friendly, expert colleagues, and new ranges of great products. It is pleasing to report positive sales growth for this period, despite the poorer summer weather and the uncertainty in the UK economy. We are also pleased with our profit performance in the half, as we offset a large part of the c.£15m increase in costs that resulted from the impact of the weaker pound. Looking ahead, we have strong plans both in-store and online for the Cyber, Christmas and winter peaks."

Enquiries

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Financial Guidance reference

For ease of navigation, the following lists the references to financial guidance contained in this statement:

Results Presentation

A presentation for analysts and investors will be held today starting at 9.00am at Investec, 2 Gresham Street, London, EC2V 7QP. Attendance is by invitation only. A live webcast of the presentation will be available at www.halfordscompany.com.

Forthcoming Newsflow

On 18 January 2018 we will report on trading for the 15 weeks to 12 January 2018, which includes the peak Christmas trading period.

Notes to Editors

www.halfords.com www.halfordscompany.com www.halfordsautocentres.com
www.cyclerepublic.com www.boardmanbikes.com www.tredz.co.uk

Halfords is the UK's leading retailer of motoring, cycling and leisure products and services, as well as one of the UK's leading independent operators in vehicle servicing, maintenance and repairs. Customers shop at 460 Halfords stores and 18 Cycle Republic shops in the UK and Republic of Ireland and at halfords.com or cyclerepublic.com for pick-up at their local store or direct home delivery. Customers can also shop at three Tredz stores and a Giant store in South Wales as well as online at tredz.co.uk and wheelies.co.uk for cycling products and direct home delivery. Halfords Autocentres operates from 315 sites nationally and offers motorists high-quality MOTs, repairs and car servicing at affordable prices.

Halfords employs approximately 10,000 colleagues. The Retail offering encompasses significant ranges in car parts, cycling products, in-car technology, child seats, roof boxes and camping equipment. Halfords' key own cycling brands in-stores include Apollo, Carrera, Boardman, Pendleton and Wiggins, augmented by a range of other brands of cycles and accessories, including Voodoo and Raleigh and, through Tredz, a wide range of premium brands including Giant, Specialized, Cannondale, Cube and Scott. In Motoring, the Halfords Essentials and Halfords Advanced ranges are sold alongside brands such as General Electric, Bosch, Garmin, TomTom, Karcher, Thule and Autoglym. Halfords offers more than 70 in-store services including 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.

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.

Chief Executive's Statement

Summary of Group Results

Group sales of £588.7m were up 3.8%, with Group gross profit up by 1.0% and gross margin of 48.6% (H1 FY17: 50.0%). Total operating costs rose by 2.6% reflecting continued investments in people and our infrastructure, in line with the *Moving Up A Gear* strategy. Group earnings before finance costs, tax and non-recurring items ("Underlying EBIT") were £38.3m, which compares with £41.8m in the prior period.

Earnings before non-recurring items, finance costs, depreciation and amortisation ("Underlying EBITDA") were down 3.9% to £54.9m. The increase in cost of goods associated with the depreciation in Sterling was c.£15m pre-mitgation, which was significantly more than the year on year reduction in profit. Underlying Profit before tax and non-recurring items was £36.8m and underlying earnings per share were 14.8p, down 9.8% and 10.8% respectively.

Cash generation was strong, with Free Cash Flow of £31.1m up £6.9m on H1 last year. Net debt of £84.8m at the end of the period was broadly flat against the prior year end, despite the payments of c.£7m of deferred consideration in respect of last year's M&A transactions and the £23.0m final dividend in August. Net debt:Underlying EBITDA at the period end was 0.8:1 on a rolling 12 month basis.

The Board has approved an interim ordinary dividend of 6.0 pence per share, an increase of 3.0% (FY17 interim ordinary dividend: 5.83 pence, FY17 full-year ordinary dividend: 17.51 pence). This will be paid on 19 January 2018 to shareholders on the register at the close of business on 8 December 2017.

Market Update

Halfords principally operates in two broad markets: motoring and cycling. In the first half, c.65% of Group revenues were generated from motoring and c.35% of Group revenues generated from cycling. Both markets are growing, over time, and are fragmented; evidenced by the large proportion of both markets that are serviced by independents. We are well placed to increase our share in these markets given our strong service proposition, technical expertise and geographic footprint.

In Motoring, the average age of cars has increased from 6.7 years in 2006 to 8.0 years in 2016. The recent significant decline in new car registrations, evidenced by SMMT data showing a decline of -4.6% for the year to the end of October and -9.3% in the key September period, is likely to lead to used cars being held onto for even longer. This is a positive trend for Halfords given that we predominantly support cars that are over three years old, what we call the "second life of the car". Cars are also becoming more complex and customers increasingly need support for small as well as large maintenance jobs. The fast growth, albeit from a very low base, of electric and hybrid vehicles accelerates the on-going trend from 'do it yourself' to 'do it for me'. We continue to invest in equipment and in our colleagues to remain at the forefront of technological changes, to give us a competitive advantage in a fragmented market of independent operators.

In Cycling, the majority of the bikes and components for the UK market are sourced from US dollar denominated markets. This year bike prices in the market have risen significantly as a result of the depreciation in Sterling. We anticipate that this will lead, temporarily, to lower bike volumes, but that volumes will recover in line with their longer term growth trends. This trend was observed over the last significant depreciation of Sterling, in 2008-9, and is also evidenced by a fall in the number of bikes imported into the UK; a double-digit percentage decline in 2016 and a further anticipated decline in 2017 to date. Halfords is well placed to benefit from this short term volatility, with a secure supply of largely own brand products, good logistics facilities and a strong balance sheet. We believe that we continue to gain share in a fragmented market, evidenced by our strong sales growth whilst competitors are closing stores.

We continue to see good medium-term growth prospects for the cycling market in both volume and value. Health, wellbeing and environmental considerations have helped to drive interest in cycling and will continue to do so, supported by public authority investment in infrastructure. Participation levels in cycling in the UK are still lower than in many other European countries. Furthermore, e-bikes are in their infancy in the UK and represent only a small proportion of bike sales, whereas in other European countries they are more established.

In line with our previous expectations, we anticipate the Motoring and Cycling markets in which we operate to continue to grow at an average rate of 2-3% and 3-5% per annum respectively over the medium-term and we continue to aim to better those growth rates.

Retail Operational Review

In Retail, sales were £511.0m, up 4.5% on the previous year and +1.9% on an LFL basis. Motoring LFL sales grew by 1.9% in the first half. Sales of Car Maintenance products and services grew by 2.2% LFL, driven by good growth in sales of car parts and associated fitting services. 37% of the bulbs, blades and batteries ("3B's") that we sold were fitted to customers' cars by our colleagues, up over 200 basis points, reflecting the increasing relevance of our services proposition to the growing proportion of 'do-it-for-me' customers. We also saw good growth in our hand tools sales, supported by the credentials of our 'Halfords Advanced' ranges.

Car Enhancement LFL revenues decreased by -2.0%, reflecting the continued overall market decline in Sat Navs. Despite this, we have gained share year-on-year and remain well placed to continue to do so. Sat Nav sales now only represent around 3% of Retail sales, having been circa 20% at their peak a number of years ago. Dash cam sales grew strongly in the period, as we continued to invest in colleague training to support our dash cam fitting service across the Retail estate; helping us to remain the market leader in this growing category.

Travel Solutions LFL revenues increased 7.1% on a LFL basis, as our plans to support customers for their 'staycation' journeys performed well. Sales of roof bars, boxes and cycle carriers were strong and we achieved our highest ever camping sales for a half year. Child car seat sales were slightly down year-on-year, as we annualised the legislative changes last year.

Cycling revenues increased by 2.0% on a LFL basis, with good weather in April offset by poor weather in the August peak period and in September. We did not repeat the deep promotion of last year, which drove strong volume growth in 2016, but the volume decline for the first half of this year was more than offset by the increase in average selling prices.

Sales of electric bikes (or 'e-bikes') were particularly strong, reflecting the popularity of our new own-brand ranges launched at the beginning of the year. E-bikes are now available across almost the entire Retail estate, and relevant colleague training rolled-out in the half means that our trusted, expert colleagues are able to advise on the features and benefits for the customer. Parts, Accessories and Clothing ("PACs") sales continued to grow on a LFL basis.

Tredz, which was acquired in May 2016, continued to perform strongly under Group ownership, delivering double-digit LFL growth. Cycle Republic also delivered double-digit LFL growth and we opened two new stores, in Cheltenham and Reading, growing our presence whilst other competitors are closing stores. Total cycling sales increased by 7.0% in the period.

Service-related Retail sales, which consist of the revenue generated from paid in-store fitting and repair services plus the associated product attached to the transaction, grew by 19.3%, with particularly strong performances from 3Bs fitting, dash cam fitting and cycle repair services. This is a reflection of our continued investment and focus in both growing awareness and improving our service proposition by enhancing our suite of services.

Retail online sales were up 8.9% in the period. The importance of our store network and service overlay continued to be highlighted by the strength of click & collect, with around 85% of Halfords Retail online orders picked up in store. This high proportion of click and collect continues to differentiate us from other retailers; our online business, instead of cannibalising our bricks and mortar operation, has driven footfall into our stores, with over 80% of customers wanting advice or fitting service with their purchase.

The Retail gross margin declined by 182bps in the half as a result of the depreciation in Sterling. This is explained more fully in the CFO report. Importantly, our plans to mitigate this FX impact have been implemented and are on track, with significant positive benefit achieved in the first half.

Retail Strategic Progress

Our goal is to be customers' first choice for their "Life on the Move" which we aim to achieve through a strategy based on the following five pillars, for which we highlight progress on below:

1. *Putting Customers in the Driving Seat:* investing in customer data and insight capabilities to maximise the lifetime customer value.

We have been rapidly improving our customer data knowledge and capability, gathering c.6.5m email addresses within our Retail stores over the last 24 months. Through a combination of eReceipts, tokenisation and improved data matching across 21 different data sources in the Group, we can now match 54% of transactions to customers in Retail. This is up from 3% as of November 2015. Across the Group, we can now match 67% of transactions to customers.

We are combining this data with over 10,000 responses every week, directly from customers via our "Give us a steer survey", as well as detailed brand research, to give us a more complete view of our customers, so that we can become more relevant in their lives. We are also testing personalised web experiences, such that when a customer clicks through to our website from an email, they will see different products according to their browse and purchase preferences.

Communicating in a more relevant and targeted way with the right product and at the right time is driving increased frequency of interaction between us and our customers. As a result of our work in this area, in the last six months we have seen an incremental 1.5m visits to the website, driving additional revenue.

We now send over 25 different automated trigger emails to our opted-in customer base. These are personal to each customer and are based both on past online and offline behaviour, as well as predicted future actions. We are able to infer, through behaviour and purchasing data, a number of milestones in a customer's lifetime journey with us. Good examples are child car seats or bikes. We are still early in our journey, but we will continue to focus on this area going forward.

2. *Service in our DNA:* embedding the focus on customer service

We now have a menu of over 70 in-store services across motoring and cycling, which are key to our uniqueness as a service-led, specialist retailer. We introduced three new motoring services in the half: 'ad-blue top up', 'car key fob battery repair' and 'fuse fitting', which have been well received by customers alongside our established 3B's offering. We also introduced new cycling services in the half, such as the 'electric bike care plan', to complement our extensive, existing cycle service and repair proposition.

We remained focused on growing the important metric of service-related Retail sales, which we aim to grow faster than overall sales. In the first half we achieved growth of 19.3% in this metric. To put the performance into context, we completed nearly 2 million in-store fitting and repair jobs in the half.

This included almost 1.4 million motoring-related jobs, (up 6% on last year), representing approximately 260,000 fitting hours in the car park. In Cycling, we performed almost 0.6 million service and repair jobs, replacing over 140,000 inner tubes (up 6% on last year), over 21,000 chains (up 21% on last year) and selling over 3,500 electric bike care plans.

Based on our definition of the product sale and associated fitting income, our service-related Retail sales represent approximately 10% of total Retail sales, but a greater proportion of Retail gross profit (c.15%). If we consider a wider definition to include other forms of service, whether that be the building and subsequent comprehensive selling process of a Boardman bike, or the sale of a child car seat after a free fitting demonstration, over 50% of Group sales have a clearly identifiable element of service, above and beyond simple interaction with a customer.

This is also further evidenced by the fact that we know around 80% of our customers require some form of service or advice with their purchase.

3. *Building on our Uniqueness:* exclusive products, relevant innovation and unique partnerships

Exclusive products, relevant innovation and unique partnerships all strengthen our clear differentiation as a retailer. A few examples of new initiatives, services and products include:

- Commenced a trial of a headlight restoration service in a number of our Retail stores;
- Following the investment in Tyresonthedrive.com, we launched a trial of 'Halfords Mobile Expert' to deliver mobile motoring services;
- Awarded a recommendation from 'Cycling UK' for our service and repair offering, supporting the investment that we have made in our colleague training;

- Launched a number of new electric bikes under the Carrera and Pendleton own-brands;
- Supported customers with their summer 'staycations' through our own-brand camping products;
- Introduced a new wireless digital reversing dash cam; and
- Launched a new brand campaign 'ready for anything' in preparation for the upcoming peak winter trading season.

4. *Better Shopping Experience:* a seamless customer experience, online as well as in store

An improvement in service delivered in-shop has been enabled by equipping all of our colleagues with headsets. The headsets enable any colleague in the shop to be as knowledgeable as the most experienced colleague in the shop by virtue of a short, immediate conversation by head-set. There are also significant improvements in efficiency, less looking around for people with keys, or for parts or tools for fits or services.

By the end of November, we will have refreshed 40 stores in the latest format. Early signs continue to be encouraging, both in terms of customer response and sales uplifts; the latter running at higher levels than achieved in the early days of the previous store refresh iteration. We have also now developed and launched both a "light" and "High Street" version, which we are testing as a potential blueprint for those stores that financially do not justify a full refresh.

We have opened three new Cycle Republic stores this year and now have 18 fully operational. We are encouraged by the continued double-digit LFL sales growth and also the success of the transactional website since launch in August last year (which contributed c.15% of total Cycle Republic sales in the first half). We have an exciting pipeline of potential locations, as we look to roll out more of these stores. Tredz also continued to perform well.

We made upgrades to our websites in the half, focusing on making the customer journey more seamless on mobile devices. These improvements contributed to a 22% increase in the total value of orders made through mobile devices, year-on-year.

5. *Fit for the Future Infrastructure:* moving from fixing the basics to improving efficiency and fulfillment

Our distribution infrastructure is stable and well-embedded, after a period of disruption in previous years as we transitioned to the current model. The third distribution centre, based in Daventry, is also now fully operational and is delivering benefits from a storage perspective.

During the period we have focused on improving the delivery process from our distribution centres into stores, to make these increasingly 'store friendly' for colleagues. For example, by optimising the way in which products are packed within roll-cages, prior to being delivered to store. We have also implemented improvements to our customer fulfilment capabilities, through the launch of next day delivery to home and to store for orders placed before 8pm.

The i-Serve project to replace our till hardware and software progressed well in the period. As set-out previously, this is a major piece of IT change. We have successfully piloted elements of the project in two stores and are on target for rollout to all stores next year.

Autocentres

Total Autocentres revenues were down 0.6% and, on a LFL basis, down 1.3%. As previously guided, the decline in LFL sales was driven by the decision to exit low-margin affiliate tyre business, and instead to focus on direct tyre sales and service, maintenance and repair work. As a result of this decision, gross margin and EBIT has increased year-on-year.

We opened two Autocentres in the period and refreshed four centres within the existing estate. Online-booking revenues grew 16.1% in the half, contributing c.37% of total Autocentre sales. Following on from the new technician pay grading system implemented in FY17, colleague turnover has reduced by approximately 11 percentage points.

We also continued to train our technicians to be proficient in electric and hybrid servicing and repair; over two-thirds of our garages now have this capability. This is a significant development and represents a competitive advantage over the largely fragmented competition.

As part of our review of Autocentres, which was announced previously, we have identified and are beginning to implement some clear measures of best practice within the garages that are underperforming across the estate. Results from the review and these new measures will be disclosed in May 2018 in our financial results for the full year.

Financial targets and capital allocation priorities

We reaffirm our four key financial targets:

1. Grow sales faster than the markets in which we operate. We continue to anticipate that the motoring market will grow at an average rate of 2-3% per annum and the cycling market at an average rate of 3-5% per annum over the medium term. We will aim to beat those growth rates.
2. Group EBITDA % margin roughly flat on FY16, once the impact of adverse FX movements has been fully mitigated.
3. Grow the dividend per share every year, with coverage of around 2 times on average over time. Cover is reduced until the impact of adverse FX movements has been fully mitigated.
4. A debt target of 1.0x Underlying EBITDA with a range of up to 1.5x to allow for appropriate M&A.

We will maintain a strong and prudent balance sheet, and we will use our debt target as a guide for that. Thereafter our priorities for use of cash will be firstly capital investment to grow the business in line with previous guidance, secondly to pay and grow the ordinary dividend every year, thirdly for any appropriate M&A opportunities which may arise and thereafter any excess cash would be available for additional distribution to shareholders.

Summary and outlook

The first half trading performance was good with steady sales growth in Retail across both Motoring and Cycling. Our focus on and investment in services was reflected in the strong growth of service-related Retail sales.

We continue to make good progress in delivering the Moving Up A Gear strategy and momentum has been maintained as we transition from Jill McDonald, who left in September, to Graham Stapleton, the incoming CEO joining in January.

As we have previously explained, the weaker pound increases our cost of sales; the impact was circa £15m in the first half. Our mitigation plans have been implemented and are on track and taking effect, helping to reduce the overall year-on-year decrease in Underlying Profit Before Tax to £4.0m. Furthermore, the FX impact begins to recede from here on, assuming no further depreciation in the value of the pound. We continue to anticipate that we will fully recover the FX impact over time.

The underlying business performance was good and we remain confident in the long-term prospects for the Group. We continue to anticipate FY18 Profit Before Tax to be in line with current market expectations.

On behalf of the Board, I would like to thank all colleagues for their fantastic contribution, support and commitment.

Jonny Mason
Chief Financial Officer & Interim Chief Executive Officer, November 2017

Halfords Group plc's LEI code is 54930086FKBWWJIOB179

Chief Financial Officer's Report

Halfords Group plc ("the Group" or "Group")

Reportable Segments

Halfords Group operates through two reportable business segments:

- Retail, operating in both the UK and Republic of Ireland; and
- Autocentres, operating solely in the UK.

All references to Retail represent the consolidation of the Halfords ("Halfords Retail") and Cycle Republic businesses, Boardman Bikes Limited and Boardman International Limited (together, "Boardman Bikes"), and Performance Cycling Limited (together, "Tredz and Wheelies") trading entities. All references to Group represent the consolidation of the Retail and Autocentres segments.

The "H1 FY18" accounting period represents trading for the 26 weeks to 29 September 2017 ("the period"). The comparative period "H1 FY17" represents trading for the 26 weeks to 30 September 2016 ("the prior period").

Group Financial Results

	H1 FY18 £m	**H1 FY17 £m**	**Change**
Group Revenue	588.7	567.3	+3.8%
Group Gross Profit	286.3	283.4	+1.0%
Underlying EBIT*	38.3	41.8	-8.4%
Underlying EBITDA*	54.9	57.1	-3.9%
Net Finance Costs before non-recurring items	(1.5)	(1.0)	+50.0%
Underlying Profit Before Tax*	**36.8**	**40.8**	**-9.8%**
Profit Before Tax, after non-recurring items	36.6	39.1	-6.4%
Underlying Basic Earnings per Share*	14.8p	16.6p	-10.8%

** Alternative performance measures are defined in the glossary on page 15.*

Group revenue in H1 FY18, at £588.7m, was up 3.8% and comprised Retail revenue of £511.0m and Autocentres revenue of £77.7m. This compared to H1 FY17 Group revenue of £567.3m, which comprised Retail revenue of £489.1m and Autocentres revenue of £78.2m. Group gross profit at £286.3 (H1 FY17: £283.4m) represented 48.6% of Group revenue (H1 FY17: 50.0%), reflecting a decrease in the Retail gross margin of 182 basis points ("bps") to 45.7% and increase in the Autocentres gross margin of 270 bps to 67.7%.

Total operating costs before non-recurring items increased to £248.0m (H1 FY17: £241.6m) of which Retail comprised £195.8m (H1 FY17: £190.8m), Autocentres £51.1m (H1 FY17: £49.9m) and unallocated costs £1.1m (H1 FY17: £0.9m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Autocentres in February 2010, Boardman Bikes in June 2014, and Tredz and Wheelies in May 2016, which arise on consolidation of the Group.

Group Underlying EBITDA decreased 3.9% to £54.9m (H1 FY17: £57.1m), whilst net finance costs were £1.5m (H1 FY17: £1.0m).

Underlying Profit Before Tax for the year was down 9.8% at £36.8m (H1 FY17: £40.8m). Net non-recurring items of £0.2m in the period (H1 FY17: £1.7m) comprised £0.5m cost from the review of the operational model of Autocentres and a £0.3m credit from the release of the remaining portion of interest charge due on the contingent consideration for Tredz. Prior year costs related primarily to the acquisition of Tredz and Wheelies in May 2016. After non-recurring items, Group Profit Before Tax was £36.6m (H1 FY17: £39.1m).

Retail

	H1 FY18 £m	H1 FY17 £m	Change
Revenue	511.0	489.1	+4.5%
Gross Profit	233.7	232.6	+0.5%
Gross Margin	45.7%	47.6%	-182 bps
Operating Costs	(195.8)	(190.8)	+2.6%
Underlying EBIT*	**37.9**	**41.8**	**-9.3%**
Non-recurring items	(0.5)	(1.5)	-
EBIT after non-recurring items	37.4	40.3	-7.2%
Underlying EBITDA*	**50.9**	**53.7**	**-5.2%**

** Alternative performance measures are defined in the glossary on page 15.*

Revenue for the Retail business of £511.0m reflected, on a constant-currency basis, a like-for-like sales increase of 1.9%. Non LFL revenue in the period included sales from the Tredz and Wheelies businesses prior to the annualisation of the acquisition date, alongside the contribution from Cycle Republic stores that have been open for less than 12 months.

Motoring LFL sales grew by 1.9% in the first half. LFL sales of Car Maintenance products and services grew by 2.2%, driven by good growth in sales of car parts and associated fitting services, as well as hand tools. Travel Solutions revenues increased 7.1% on a LFL basis, supported by strong sales of 'staycation' products and services. Car Enhancement LFL revenues decreased by 2.0%, reflecting the continued overall market decline in Sat Navs. Partially offsetting this trend, Dash cam product sales and fitting grew strongly over the period.

Cycling sales increased by 2.0% on a LFL basis and by 7.0% in total. We did not repeat the deep promotion of last year, which drove strong volume growth in 2016, but the volume decline for the first half of this year was more than offset by the increase in average selling prices. Cycle Republic and Tredz continued to deliver strong LFL growth.

Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	H1 FY18 LFL (%)	H1 FY18 Total sales mix (%)	H1 FY17 Total sales mix (%)
Motoring	**+1.9**	**58.3**	**59.6**
Car Maintenance	+2.2	26.3	26.7
Car Enhancement	-2.0	18.2	19.1
Travel Solutions	+7.1	13.8	13.8
Cycling	**+2.0**	**41.7**	**40.4**
Total	**+1.9**	**100.0**	**100.0**

Gross profit for the Retail business at £233.7m (H1 FY17: £232.6m) represented 45.7% of sales, 182bps down on the prior year (H1 FY17: 47.6%). This movement is explained as follows:

Gross impact of the weaker pound (pre-mitigation)	-300 bps
First time inclusion of Tredz and Wheelies for the period prior to annualisation of the acquisition in May 2016	-35 bps
The mix effect of the margin-dilutive impact of faster cycling sales growth, partially offset by the margin-accretive impact of Sat Nav sales decline and service sales growth	-20 bps
Mitigation of FX impact and other	+173 bps
Total Retail gross margin movement	**-182 bps**

In the period, the impact of the depreciation of the pound against the US dollar, pre-mitigation, reached its highest level of any half year period since the EU referendum and will recede in the second half, as demonstrated by the table below.

If exchange rates remain at around current levels, we do not anticipate further adverse impact in FY19.

	FY17 full year **$**	**H1 FY18** **$**	**H2 FY18 (estimate*)** **$**
Average USD:GBP rate reflected in cost of sales	$1.47	$1.30	$1.28
Year-on-year movement in rate	(0.12)	(0.21)	(0.14)

** The estimated rate for H2 is based on having hedged over 90% of requirements as at end of October 2017.*

Operating Costs before non-recurring items were £195.8m (H1 FY17: £190.8m). The breakdown is set out below:

	H1 FY18 **£m**	**H1 FY17*** **£m**	**Change**
Store Colleagues	58.7	56.4	+4.1%
Store Occupancy	71.4	69.4	+2.9%
Warehouse & Distribution	25.3	24.3	+4.1%
Support Costs	40.4	40.7	-0.7%
Total Operating Costs before non-recurring items	**195.8**	**190.8**	**+2.6%**

** The prior year costs have been restated from those disclosed in the prior year, in order to allocate the costs of the Tredz & Wheelies business to the respective cost categories.*

Store Colleague costs increased by 4.1% to £58.7m and reflected the inflation in the living and minimum wage rates, the inclusion of Tredz & Wheelies' costs and the additional Cycle Republic stores.

Store Occupancy costs increased by 2.9%, primarily as a result of reduced levels of exit premiums received in the period and the additional rent and rates costs associated with new Cycle Republic stores. The combined rent and rates cost of like-for-like stores was broadly flat year-on-year.

Warehouse & Distribution costs increased by 4.1%, driven by a combination of wage inflation, the inclusion of Tredz and Wheelies' costs and an increase in the mix of bulky items (such as roof boxes and tents) flowing through our supply chain as we met the increased demand for 'staycation' products and services.

Support Costs decreased by 0.7%, reflecting lower overall marketing spend, higher advertising contributions from suppliers, and lower share option charges.

Autocentres

	H1 FY18 **£m**	**H1 FY17** **£m**	**Change**
Revenue	77.7	78.2	-0.6%
Gross Profit	52.6	50.8	+3.5%
Gross Margin	67.7%	65.0%	+270bps
Operating Costs	(51.1)	(49.9)	+2.4%
Underlying EBIT*	**1.5**	**0.9**	**+66.7%**
Underlying EBITDA*	**4.0**	**3.4**	**+17.6%**

* Alternative performance measures are defined in the glossary on page 15.

There were no non-recurring items related to the Autocentres business in either period presented.

Autocentres generated total revenues of £77.7m (H1 FY17: £78.2m), a decrease of -0.6% on the prior period with a LFL decrease of -1.3%.

This sales performance reflected the successful transition away from low-margin third party affiliate tyre sales, towards direct tyre sales, and service, maintenance and repair work, which resulted in an improvement in gross margin.

Gross profit at £52.6m (H1 FY17: £50.8m) represented a gross margin of 67.7%; an increase of 270 bps on the prior period.

Autocentres' EBITDA of £4.0m (H1 FY17: £3.4m), was 17.6% higher than H1 FY17, and EBIT was £0.6m higher than H1 FY17 at £1.5m (H1 FY17: £0.9m); both reflecting the change in the sales mix explained above.

Portfolio Management

The Retail store portfolio at 29 September 2017 comprised 481 stores (end of H1 FY17: 472; end of FY17: 479).

The following table outlines the changes in the Retail store portfolio over the 26 week period:

	Number	Stores
Relocations	3	Gateshead, Leamington Spa, Hertford
Leases re-negotiated	14	Arnold, Andover, Bangor, Bath, Berwick, Beverley, Chester (South), Grimsby, Kendal, Livingstone, Poole, Reading, Sittingbourne, Tallaght
Rightsized	1	Castle Bromwich
Openings	2	Reading, Cheltenham (both Cycle Republic)
Closed	0	-

Two Autocentres were opened in the period, taking the total number of Autocentre locations to 315 as at 29 September 2017 (end of H1 FY17: 311; end of FY17: 313).

With the exception of eight long leasehold and two freehold properties within Autocentres, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 5 to 15-year term at inception and with an average lease length of c.7 years.

Management continues to anticipate opening a total of around 5 Cycle Republic stores over the full year.

Net Non-Recurring items

The following table outlines the components of the non-recurring items recognised in the period:

	H1 FY18 £m	H1 FY17 £m
Operational review	0.5	-
Acquisition related fees	-	1.2
Operating lease obligation	-	0.3
Net non-recurring operating costs	**0.5**	**1.5**
Acquisition related interest (credit)/charge	(0.3)	0.2
Net non-recurring items	**0.2**	**1.7**

Non-recurring items in H1 FY18 related to the review of the operating model of the Autocentres business. In addition there was a £0.3m credit from the release of the remaining portion of interest charge due on the contingent consideration for Tredz, which was paid in May 2017.

Finance Expense

The net finance expense (before non-recurring items) for the year was £1.5m (H1 FY17: £1.0m), with the increase reflecting the higher average net debt as we purposefully move towards our previously guided debt target.

Taxation

The taxation charge on profit for the financial period was £7.4m (H1 FY17: £8.0m including a £0.3m credit in respect of tax on non-recurring items). The effective tax rate of 20.3% (H1 FY17: 20.5%) differs from the UK corporation tax rate (19%) principally due to non-deductible depreciation charged on capital expenditure, overseas tax rates and the impact of share options accounting.

Management's anticipation of an FY18 effective tax rate of c.20% remains unchanged.

Earnings Per Share ("EPS")

Underlying Basic EPS was 14.8 pence and after non-recurring items 14.7 pence (H1 FY17: 16.6 pence, 15.9 pence after non-recurring items), a 10.8% and 7.5% decrease on the prior period. Basic weighted-average shares in issue during the period were 197.0m (H1 FY17: 195.3m).

Dividend ("DPS")

The Board has approved an interim dividend of 6.0 pence per share (H1 FY17: 5.83 pence), an increase of 3.0% on the prior period. This will be paid on 19 January 2018 to shareholders on the register at the close of business on 8 December 2017.

We continue to target coverage of around 2 times on average over time. However, the impact of adverse FX movements will reduce cover initially until fully mitigated, which will take some time.

Capital Expenditure

Capital investment in the period totalled £16.8m (H1 FY17: £15.3m) comprising £14.4m in Retail and £2.4m in Autocentres.

Within Retail, £5.3m (H1 FY17: £6.7m) was invested in stores, including store relocations and refreshes, and the opening of two Cycle Republic stores. Additional investments in Retail infrastructure included a £6.9m investment in IT systems, including development of the i-Serve till hardware and software upgrade. The balance of £2.2m was invested in warehousing and logistics upgrades, alongside Tredz & Wheelies infrastructure improvements.

The £2.4m (H1 FY17: £1.6m) capital expenditure in Autocentres principally related to the replacement of garage equipment and replacement of fixtures and fittings.

On a cash basis, total capital expenditure in the period was £14.8m (H1 FY17: £15.8m). Management continues to anticipate total Group capital expenditure of c.£40m in FY18 and a Group depreciation and amortisation charge of c.£33m (prior to the c.£2m in respect of amortisation of intangible assets arising upon consolidation).

Inventories

Group inventory held as at the period end was £206.0m (H1 FY17: £176.6m). Retail inventory increased to £204.3m (H1 FY17: £175.4m) and includes £7.1m (H1 FY17: £5.7m) held by Tredz and Wheelies. The principal reasons for the increase are the depreciation of Sterling, which has increased the cost of imported products, the timing of stock in transit, and the comparison against a lower cycling stock position last half year, following the promotion during the summer of that year.

Autocentres' inventory was £1.7m (H1 FY17: £1.4m). The Autocentres business model is such that only modest levels of inventory are held within the centres, with most parts being acquired on an as-needed basis.

Cashflow and Borrowings

Cash generated from operating activities during the period was £57.7m (H1 FY17: £48.0m). After acquisitions, taxation, capital expenditure and net finance costs, free cashflow of £31.1m (H1 FY17: £24.2m) was generated in the period. Group net debt was £84.8m (H1 FY17: £64.8m), with the Underlying EBITDA ratio at 0.8:1.

Brexit

As we have previously explained, the decision of the UK to leave the European Union ("Brexit") presents significant uncertainties to the Group as a result of the impact on the wider UK economy. We have previously set out the main areas in which we considered Brexit was likely to impact the Group. We reaffirm and update our assessment of these below:

1) Impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between $250m and $300m a year. At current exchange rates the total FX headwind pre mitigation is around £40m of annual cost inflation compared to the FY16 average rate flowing through cost of sales of $1.60. Our hedging programme means that this phases into our P&L roughly as follows: circa £14m in FY17 and a further circa £25m in FY18. At current exchange rates we do not anticipate any further FX headwind in FY19. Good progress is being made on FX mitigation, through supplier negotiations, operational efficiencies and pricing. The majority of our US dollar sourcing is for cycling products and bike prices have risen across the cycling market, both from suppliers into retailers and then onto customers. We have also increased some of our bike prices, but we continue to look to maintain good value against the competition. Our bike volumes have declined, but this has been more than offset by the increase in average selling prices. We continue to anticipate that we will fully recover the FX impact over time.

2) Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy, and consequent loss of consumer confidence, impacting trading conditions for the Group. However, Halfords has strong positions in fragmented Motoring and Cycling markets, and a service-led offer that differentiates us from our competitors, physical and online. Much of our sales are in needs-based categories that are more resilient to macro-economic cycles and our discretionary categories, such as cycling, camping and travel solutions, could benefit from an increase in the number of people choosing to stay at home rather than holidaying abroad; a trend that we observed in 2009.

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & Accounts the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in the Strategic Report on page 42 of the 2017 Annual Report and Accounts. These include:

- Economic risks; including market risks
- Business strategy risks
- Competitive risks
- Compliance
- Supply chain disruption
- Product and service quality
- Information technology systems and infrastructure
- Dependence on key management personnel

Specific risks associated with performance include Christmas trading as well as weather-sensitive sales, particularly within the Car Maintenance and Cycling categories in the Retail business.

Jonny Mason
Chief Financial Officer & Interim Chief Executive Officer, November 2017

Halfords Group plc's LEI code is 54930086FKBWWJIOB179

Glossary of Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"), previously termed as 'Non GAAP measures'. APMs should be considered in addition to IFRS measurements, of which some are shown on Page 1. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.
2. Underlying EBIT is results from operating activities before non-recurring items. Underlying EBITDA further removes Depreciation and Amortisation.
3. Underlying Profit Before Tax is Profit before income tax and non-recurring items as shown in the Group Income Statement.
4. Underlying Earnings Per Share is Profit after income tax before non-recurring items as shown in the Group Income Statement, divided by the number of shares in issue.
5. Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated Statement of Financial Position.
6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Operating Cash Flow is defined as EBITDA plus share based payment transactions and loss on disposal of property, plant and equipment, less working capital movements and movement in provisions.
8. Free Cash Flow is defined as Operating Cash Flow (as defined above) less capital expenditure, net finance costs, taxation and fair value gain on derivatives.

Halfords Group plc

Condensed consolidated income statement

For the 26 weeks to 29 September 2017

	Notes	**26 weeks to 29 September 2017 Unaudited £m**	26 weeks to 30 September 2016 Unaudited £m	52 weeks to 31 March 2017 £m
Revenue	6	**588.7**	567.3	1,095.0
Cost of sales		**(302.4)**	(283.9)	(536.4)
Gross profit		**286.3**	283.4	558.6
Operating expenses		**(248.0)**	(241.6)	(481.5)
Operating profit before non-recurring items		**38.3**	41.8	77.1
Non-recurring operating expenditure	7	**(0.5)**	(1.5)	(3.4)
Results from operating activities		**37.8**	40.3	73.7
Finance costs	8	**(1.3)**	(1.5)	(3.8)
Finance income	8	**0.1**	0.5	1.5
Net finance costs		**(1.2)**	(1.0)	(2.3)
Profit before tax and non-recurring items		**36.8**	40.8	75.4
Non-recurring operating expenditure	7	**(0.5)**	(1.5)	(3.4)
Non-recurring finance cost	7	**0.3**	(0.2)	(0.6)
Profit before tax		**36.6**	39.1	71.4
Tax on recurring items	9	**(7.4)**	(8.3)	(15.9)
Tax on non-recurring items	7	**-**	0.3	0.9
Profit for the period attributable to equity shareholders		**29.2**	31.1	56.4
Earnings per share				
Basic earnings per share	12	14.7p	15.9p	28.7p
Diluted earnings per share	12	14.6p	15.9p	28.6p
Basic underlying earnings per share	12	14.8p	16.6p	30.3p
Diluted underlying earnings per share	12	14.7p	16.6p	30.2p

A final dividend of 11.68 pence per share for the 52 weeks to 31 March 2017 (2016: 11.34 pence per share) was paid on 25 August 2017. The directors have approved an interim dividend of 6.0 pence per share in respect of the 26 weeks to 29 September 2017 (2016: 5.83 pence per share).

The notes on pages 22 to 30 are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the 26 weeks to 29 September 2017

	26 weeks to 29 September 2017 Unaudited £m	26 weeks to 30 September 2016 Unaudited £m	52 weeks to 31 March 2017 £m
Profit for the period	**29.2**	31.1	56.4
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period	**(7.6)**	10.4	14.8
Transfers to inventory	**(1.0)**	(8.9)	(12.8)
Transfers to net profit:			
Cost of sales	**2.3**	-	(5.1)
Tax on other comprehensive income	**(1.4)**	(1.6)	0.5
Other comprehensive income for the period, net of tax	**(7.7)**	(0.1)	(2.6)
Total comprehensive income for the period attributable to equity shareholders	**21.5**	31.0	53.8

The notes on pages 22 to 30 are an integral part of these consolidated financial statements.

Condensed consolidated statement of financial position

For the 26 weeks to 29 September 2017

	Notes	**As at 29 September 2017 Unaudited £m**	As at 30 September 2016 Unaudited £m	As at 31 March 2017 £m
Assets				
Non-current assets				
Intangible assets	13	**394.5**	391.8	394.1
Property, plant and equipment	13	**102.5**	101.6	102.8
Investments	14	**8.1**	-	8.1
Total non-current assets		**505.1**	493.4	505.0
Current assets				
Inventories		**206.0**	176.6	191.1
Trade and other receivables		**57.2**	66.4	58.4
Derivative financial instruments		**1.0**	8.4	5.2
Cash and cash equivalents	15	**11.4**	20.3	16.5
Total current assets		**275.6**	271.7	271.2
Total assets		**780.7**	765.1	776.2
Liabilities				
Current liabilities				
Borrowings	15	**(14.8)**	(23.5)	(19.8)
Derivative financial instruments		**(5.9)**	(0.1)	(1.5)
Trade and other payables		**(214.2)**	(202.5)	(206.2)
Current tax liabilities		**(8.9)**	(9.0)	(8.7)
Provisions		**(12.2)**	(9.5)	(11.0)
Total current liabilities		**(256.0)**	(244.6)	(247.2)
Net current assets		**19.6**	27.1	24.0
Non-current liabilities				
Borrowings	15	**(81.4)**	(61.6)	(82.6)
Accruals and deferred income – lease incentives		**(31.3)**	(32.2)	(31.9)
Deferred tax liability		**(1.5)**	(3.8)	(0.8)
Provisions		**(4.8)**	(7.5)	(6.2)
Total non-current liabilities		**(119.0)**	(105.1)	(121.5)
Total liabilities		**(375.0)**	(349.7)	(368.7)
Net assets		**405.7**	415.4	407.5
Shareholders' equity				
Share capital	16	**2.0**	2.0	2.0
Share premium account	16	**151.0**	151.0	151.0
Investment in own shares		**(9.4)**	(10.7)	(9.5)
Other reserves		**(7.1)**	3.1	0.6
Retained earnings		**269.2**	270.0	263.4
Total equity attributable to equity holders of the Company		**405.7**	415.4	407.5

The notes on pages 22 to 30 are an integral part of these consolidated financial statements.

Condensed consolidated statement of changes in equity

For the 26 weeks to 29 September 2017

For the period ended 29 September 2017 (Unaudited)

	Attributable to the equity holders of the Company						
			Other reserves				
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2017	**2.0**	**151.0**	**(9.5)**	**0.3**	**0.3**	**263.4**	**407.5**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	29.2	**29.2**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	(7.6)	-	**(7.6)**
Transfers to inventory	-	-	-	-	(1.0)	-	**(1.0)**
Transfers to net profit:							
Cost of sales	-	-	-	-	2.3	-	**2.3**
Income tax on other comprehensive income	-	-	-	-	(1.4)	-	**(1.4)**
Total other comprehensive income for the period net of tax	-	-	-	-	(7.7)	-	**(7.7)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	(7.7)	29.2	**21.5**
Transactions with owners							
Share options exercised	-	-	0.1	-	-	-	**0.1**
Share-based payment transactions	-	-	-	-	-	(0.4)	**(0.4)**
Income tax on share-based payment transactions	-	-	-	-	-	-	**-**
Dividends to equity holders	-	-	-	-	-	(23.0)	**(23.0)**
Total transactions with owners	-	-	0.1	-	-	(23.4)	**(23.3)**
Balance at 29 September 2017	**2.0**	**151.0**	**(9.4)**	**0.3**	**(7.4)**	**269.2**	**405.7**

The notes on pages 22 to 30 are an integral part of these consolidated financial statements.

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 29 September 2017

For the period ended 30 September 2016 (Unaudited)

	Attributable to the equity holders of the Company						
			Other reserves				
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2016	**2.0**	**151.0**	**(10.9)**	**0.3**	**2.9**	**260.1**	**405.4**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	31.1	**31.1**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	10.4	-	**10.4**
Transfers to inventory	-	-	-	-	(8.9)	-	**(8.9)**
Transfers to net profit:							
Cost of sales	-	-	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	-	(1.6)	-	**(1.6)**
Total other comprehensive income for the period net of tax	-	-	-	-	(0.1)	-	**(0.1)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(0.1)**	**31.1**	**31.0**
Transactions with owners							
Share options exercised	-	-	0.2	-	-	-	**0.2**
Share-based payment transactions	-	-	-	-	-	1.1	**1.1**
Income tax on share-based payment transactions	-	-	-	-	-	-	**-**
Dividends to equity holders	-	-	-	-	-	(22.3)	**(22.3)**
Total transactions with owners	-	-	0.2	-	-	(21.2)	**(21.0)**
Balance at 30 September 2016	**2.0**	**151.0**	**(10.7)**	**0.3**	**2.8**	**270.0**	**415.4**

The notes on pages 22 to 30 are an integral part of these consolidated financial statements.

Condensed consolidated statement of cash flows

For the 26 weeks to 29 September 2017

	Notes	**26 weeks to 29 September 2017 Unaudited £m**	26 weeks to 30 September 2016 Unaudited £m	52 weeks to 31 March 2017 £m
Cash flows from operating activities				
Profit after tax for the period before non-recurring items		**29.4**	32.5	59.5
Non-recurring items	7	**(0.2)**	(1.4)	(3.1)
Profit after tax for the period		**29.2**	31.1	56.4
Depreciation - property, plant and equipment		**10.5**	10.9	21.6
Amortisation - intangible assets		**6.1**	4.4	10.0
Net finance costs		**1.2**	1.3	2.3
Loss on disposal of property, plant and equipment		**0.1**	0.4	0.2
Equity settled share based payment transactions		**(0.4)**	1.1	1.0
Fair value (gain)/loss on derivative financial instruments		**(2.3)**	(2.5)	(1.8)
Corporation tax expense		**7.4**	8.0	15.0
Increase in inventories		**(14.9)**	(18.7)	(33.2)
Increase/(decrease) in trade and other receivables		**1.2**	(5.7)	2.3
Increase in trade and other payables		**17.3**	17.1	14.6
Decrease in provisions		**(0.2)**	(0.4)	(0.2)
Finance income received		**0.1**	0.1	1.5
Finance costs paid		**(0.9)**	(0.8)	(2.3)
Corporation tax paid		**(7.9)**	(7.6)	(15.3)
Net cash from operating activities		**46.5**	38.7	72.1
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		**(5.1)**	(18.0)	(18.0)
Purchase of investment		**(2.0)**	--	(4.1)
Purchase of intangible assets		**(10.9)**	(9.7)	(18.4)
Purchase of property, plant and equipment		**(3.9)**	(5.8)	(16.0)
Net cash used in investing activities		**(21.9)**	(33.5)	(56.5)
Cash flows from financing activities				
Net proceeds from issue of ordinary shares		**0.1**	0.7	1.4
Proceeds from loans, net of transaction costs		**196.2**	163.0	297.0
Repayment of borrowings		**(198.0)**	(138.0)	(251.0)
Payment of finance lease liabilities		**(0.4)**	(0.3)	(0.6)
Dividends paid to shareholders	11	**(23.0)**	(22.3)	(53.5)
Net cash used in financing activities		**(25.1)**	3.1	(6.7)
Net (decrease)/increase in cash and bank overdrafts	15	**(0.5)**	8.3	8.9
Cash and cash equivalents at beginning of the period	15	**(1.9)**	(10.8)	(10.8)
Cash and cash equivalents at the end of the period	15	**(2.4)**	(2.5)	(1.9)

The notes on pages 22 to 30 are an integral part of these consolidated financial statements.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 29 September 2017

1. General information

The condensed consolidated interim financial statements of Halfords Group plc (the "Company") comprise the Company together with its subsidiary undertakings (the "Group").

The Company is a limited liability company incorporated, domiciled and registered in England and Wales. Its registered office is Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The Company is listed on the London Stock Exchange.

These condensed consolidated interim financial statements were approved by the Board of Directors on 8 November 2017.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 29 September 2017 have been prepared in accordance with IAS 34 'Interim financial reporting' as endorsed by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 2017 Annual Report and Accounts, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial period ended 31 March 2017 are not the Group's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3. Risks and uncertainties

The Directors consider that the majority of the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain the same as those stated on pages 42 to 47 of our Annual Report and Accounts for the 52 weeks to 31 March 2017, which are available on our website *www.halfordscompany.com*.

4. Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the 2017 Annual Reports and Accounts, which are published on the Halfords Group website, *www.halfordscompany.com.*

The Directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for the foreseeable future.

There are no new or amended standards effective in the period which have had a material impact on the interim consolidated financial information.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 29 September 2017

5. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52 week period ended 31 March 2017 and the 26 weeks ended 30 September 2016.

6. Operating segments

The Group has two reportable segments, Retail and Car Servicing, which are the Group's strategic business units. Car Servicing became a reporting segment of the Group as a result of the acquisition of Nationwide Autocentres on 17 February 2010. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products through retail stores, Tredz and Wheelies and Boardman Bikes, and their associated online platforms. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from Autocentres.

The Chief Operating Decision Maker is the Executive Directors. Internal management reports for each of the segments are reviewed by the Executive Directors on a monthly basis. Key measures used to evaluate performance are Revenue and Operating Profit. Management believe that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these Group Financial Statements.

All material operations of the reportable segments are carried out in the UK and all material non-current assets are located in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result Group revenue is not reliant on a major customer or group of customers. All revenue is from external customers.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 29 September 2017

Income statement	Retail Unaudited £m	Car Servicing Unaudited £m	26 weeks to 29 September 2017 Total Unaudited £m	26 weeks to 30 September 2016 Total Unaudited £m
Revenue	**511.0**	**77.7**	**588.7**	567.3
Segment result before non-recurring items	**37.9**	**1.5**	**39.4**	42.7
Non-recurring items	**(0.5)**	**-**	**(0.5)**	(1.5)
Segment result	**37.4**	**1.5**	**38.9**	41.2
Unallocated expenses [1]			**(1.1)**	(0.9)
Operating profit			**37.8**	40.3
Net financing expense			**(1.2)**	(1.2)
Profit before tax			**36.6**	39.1
Tax			**(7.4)**	(8.0)
Profit after tax			**29.2**	31.1

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of £1.1m in respect of assets acquired through business combinations (2016: £0.9m).

Income statement	Retail £m	Car Servicing £m	52 weeks to 31 March 2017 Total £m
Revenue	938.4	156.6	1,095.0
Segment result before non-recurring items	76.8	2.2	79.0
Non-recurring items	(3.1)	(0.3)	(3.4)
Segment result	73.7	1.9	75.6
Unallocated expenses[1]			(1.9)
Operating profit			73.7
Net financing expense			(2.3)
Profit before tax			71.4
Taxation			(15.0)
Profit after tax			56.4

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of £1.9m in respect of assets acquired through business combinations (2016: £1.1m).

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 29 September 2017

Other segment items:	**Retail Unaudited £m**	**Car Servicing Unaudited £m**	**26 weeks to 29 September 2017 Total Unaudited £m**	26 weeks to 30 September 2016 Total Unaudited £m
Capital expenditure	**14.4**	**2.4**	**16.8**	15.3
Depreciation expense	**8.3**	**2.2**	**10.5**	10.9
Amortisation expense	**4.7**	**0.3**	**5.0**	3.5

Other segment items:	**Retail £m**	**Car Servicing £m**	**52 weeks to 31 March 2017 Total £m**
Capital expenditure	29.5	6.6	36.1
Depreciation expense	16.5	5.1	21.6
Amortisation expense	7.9	0.2	8.1

There have been no significant transactions between segments in the 26 weeks ended 29 September 2017 (2016: £nil).

7. Non-recurring items

	26 weeks to 29 September 2017 Unaudited £m	26 weeks to 30 September 2016 Unaudited £m	52 weeks to 31 March 2017 £m
Non-recurring operating expenses:			
Acquisition and investment related fees (a)	-	1.2	1.7
Organisational restructure costs (b)	**-**	-	0.6
Operating lease obligation (c)	**-**	0.3	0.3
Costs in relation to a historic legal case (d)	**-**	-	0.8
Autocentres operational review (e)	**0.5**	-	-
Non-recurring operating expense	**0.5**	1.5	3.4
Acquisition related interest charge (f)	**(0.3)**	0.2	0.6
Non-recurring items before tax	**0.2**	1.7	4.0
Tax on non-recurring items	**-**	(0.3)	(0.9)
Non-recurring expense after tax	**0.2**	1.4	3.1

(a) Acquisition costs in the prior year relate to the costs associated with purchase of the share capital of Tredz Limited and Wheelies Direct Limited during the period, and an investment in Tyres on the Drive Limited.

(b) In the prior year, organisational restructuring was undertaken across Autocentres and Retail, to better align resource to the requirements of the business.

(c) The operating lease obligation relates to rectification work to one of the Group's retail stores, which was required to make good an area of land upon which the store is located. The rectification work required was unique to the specific site and similar expense is not expected in the future.

(d) The Group settled a court case in FY17 which related to activities during FY12. The size and historic nature of the settlement was outside the normal experience of the Group.

(e) Autocentres operational review costs relate to the review of the operating model of the Autocentres business.

(f) The acquisition related interest charge in FY17 reflects the unwinding of the discounting applied to the contingent consideration due on the acquisition of Tredz Limited. The remaining portion was released in FY18 upon payment of the contingent consideration due.

8. Net Finance Costs

	26 weeks to 29 September 2017 Unaudited £m	26 weeks to 30 September 2016 Unaudited £m	52 weeks to 31 March 2017 £m
Finance costs:			
Bank borrowings	**(0.6)**	(0.4)	(1.1)
Amortisation of issue costs on loans	**(0.3)**	(0.3)	(0.7)
Commitment and guarantee fees	**(0.3)**	(0.4)	(0.6)
Interest payable on finance leases	**(0.4)**	(0.4)	(0.8)
Other interest payable (non-recurring)	**0.3**	(0.2)	(0.6)
Finance costs	**(1.3)**	(1.7)	(3.8)
Finance income:			
Bank and similar income	**0.1**	0.1	0.1
Income from forward foreign exchange contracts	**-**	0.4	1.4
Finance income	**0.1**	0.5	1.5
Net finance costs	**(1.2)**	(1.2)	(2.3)

9. Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The effective tax rate before non-recurring items for the 26 weeks to 29 September 2017 is 20.3% (2016: 20.5%). The effective tax rate is higher than the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure.

10. Financial Instruments and Related Disclosures

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. All derivatives are categorised as Level 2 under the requirements of IFRS 13, as they are valued using techniques based significantly on observed market data.

11. Dividends

During the period the Group paid a final dividend of 11.68 pence per share in respect of the 52 weeks to 31 March 2017 (2016: 11.34 pence per share), which absorbed £23.0m of shareholders' funds (2016: £22.3m).

The directors have approved an interim dividend of 6.0 pence per share for the 26 weeks to 29 September 2017 (2016: 5.83 pence per share), which is expected to be £11.8m (2016: £11.3m) and will be paid on 19 January 2018 to those shareholders on the share register at the close of business on 8 December 2017.

12. Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by the Employee Benefit Trust and has been adjusted for the issue/repurchase of shares during the period.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 26 weeks to 29 September 2017.

	26 weeks to 29 September 2017 Unaudited Number m	26 weeks to 30 September 2016 Unaudited Number m	52 weeks to 31 March 2017 Number m
Weighted average number of shares in issue	**199.1**	199.1	199.1
Less: shares held by the Employee Benefit Trust	**(2.0)**	(3.8)	(2.5)
Weighted average number of shares for calculating basic earnings per share	**197.1**	195.3	196.6
Weighted average number of dilutive share options	**1.7**	0.6	0.5
Total number of shares for calculating diluted earnings per share	**198.8**	195.9	197.1

	26 weeks to 29 September 2017 Unaudited £m	26 weeks to 30 September 2016 Unaudited £m	52 weeks to 1 March 2017 £m
Basic earnings attributable to equity shareholders	**29.2**	31.1	56.4
Non-recurring items:			
Operating expenses	**0.5**	1.5	3.4
Finance costs	**(0.3)**	0.2	0.6
Tax charge on non-recurring items	**-**	(0.3)	(0.9)
Underlying earnings before non-recurring items	**29.4**	32.5	59.5
Basic earnings per share	**14.7**	15.9p	28.7p
Diluted earnings per share	**14.6**	15.9p	28.6p
Basic underlying earnings per share	**14.8**	16.6p	30.3p
Diluted underlying earnings per share	**14.7**	16.6p	30.2p

The alternative measure of earnings per share is provided because it reflects the Group's underlying performance by excluding the effect of non-recurring items.

13. Capital Expenditure – Tangible and Intangible Assets

	Unaudited £m
Net book value at 1 April 2016	470.2
Additions	37.7
Non-current assets acquired as part of business combination	1.2
Disposals	(0.4)
Depreciation, amortisation, impairments and other movements	(15.3)
Net book value at 30 September 2016	493.4

	Unaudited £m
Net book value at 31 March 2017	**496.9**
Additions	**16.8**
Disposals	**(1.4)**
Depreciation, amortisation, impairments and other movements	**(15.3)**
Net book value at 29 September 2017	**497.0**

14. Investments

	Unaudited £m
Investments at 31 March 2017 and 29 September 2017	**8.1**

During the second half of FY17 the Group acquired a minority stake in an automotive business, Tyres On The Drive.

15. Analysis of Movements in the Group's Net Debt in the Period

	At 1 April 2016 £m	Cash flow Unaudited £m	Other non-cash changes Unaudited £m	At 30 September 2016 Unaudited £m
Cash in hand and at bank	(10.8)	8.3	-	(2.5)
Debt due after one year	(25.4)	(25.0)	(0.3)	(50.7)
Total net debt excluding finance leases	(36.2)	(16.7)	(0.3)	(53.2)
Finance leases due within one year	(0.7)	0.3	(0.3)	(0.7)
Finance leases due after one year	(11.0)	-	0.1	(10.9)
Total finance leases	(11.7)	0.3	(0.2)	(11.6)
Total net debt	(47.9)	(16.4)	(0.5)	(64.8)

For the 26 weeks to 29 September 2017

	At 31 March 2017 £m	Cash flow Unaudited £m	Other non-cash changes Unaudited £m	**At 29 September 2017 Unaudited £m**
Cash in hand and at bank	(1.9)	(0.5)	-	**(2.4)**
Debt due after one year	(72.0)	1.8	(0.3)	**(70.5)**
Total net debt excluding finance leases	(73.9)	1.3	(0.3)	**(72.9)**
Finance leases due within one year	(1.4)	0.4	(0.1)	**(1.1)**
Finance leases due after one year	(10.6)	-	(0.2)	**(10.8)**
Total finance leases	(12.0)	0.4	(0.3)	**(11.9)**
Total net debt	(85.9)	1.7	(0.6)	**(84.8)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.3m, and movements in finance leases of £0.3m. Cash and cash equivalents at the period end consist of £4.8m of liquid assets, £6.6m of cash held in Trust and £13.8m of bank overdrafts.

16. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 1 April 2016 and 30 September 2016	199.1	2.0	151.0

	Number of shares m	Share capital £m	Share premium account £m
As at 31 March 2017 and 29 September 2017	199.1	2.0	151.0

During the 26 weeks to 29 September 2017 and 30 September 2016, there were no movements in company share capital. The shares held in treasury are used to meet options under the Company's share options schemes.

17. Contingent liability

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 29 September 2017 amounted to £3.7m.

Where right of set off is included within the Group's banking arrangements, credit balances may be offset against the indebtedness of other Group companies.

18. Seasonality

In general, the Group's results are not seasonal with revenue in the first half broadly similar to that of the second, however sales of certain products tend to fluctuate by season. For example, sales of children's cycles peak in the Christmas season and sales of adult cycles tend to peak in the summer.

19. Related Party Transactions

There were no (2016: nil) related party transactions during the 26 weeks to 29 September 2017.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  a. DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Jonny Mason, Interim Chief Executive Officer and Chief Financial Officer

8 November 2017

Independent review report to Halfords Group plc

For the 26 weeks to 29 September 2017

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 September 2017 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 29 September 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Peter Meehan
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH
8 November 2017