halfords

Preliminary Results

52 Weeks to 30 March 2007

Merrill Lynch - Auditorium

7 June 2007

halfords

Nick Wharton
Finance Director

Financial Highlights

- Sales £744.0m (2006: £681.7m)
- Operating profit £93.5m (2006: £89.1m)
- Profit before tax and exceptional finance costs £83.5m (2006: £77.0m)
- Net debt (including finance leases) £180.0m (2006: £173.7m)
- Share buy back: 9.0m shares acquired at a cost of £30.0m (333.2 pence per share)
- Basic EPS before exceptional finance costs 26.6p (2006: 23.6p)
- The Board is recommending a final dividend of 9.50p, making a total dividend for the year of 13.85p per ordinary share, up 8.6%

Profit and Loss Account

	2006/07 £m	2005/06 £m	Growth %
Revenue	744.0	681.7	+9.1%
Gross profit	376.1	346.7	+8.5%
Gross profit %	*50.6%*	*50.9%*	*-30bps*
Net operating expenses	(282.6)	(257.6)	+9.7%
Operating profit	93.5	89.1	+4.9%
Net finance costs[1]	(12.6)	(12.1)	+4.1%
Profit before tax	80.9	77.0	+5.1%
Basic EPS excl. exceptional finance costs	26.6p	23.6p	+12.7%
Weighted average number of shares	222.9m	227.1m	

Note 1: Includes exceptional finance costs of £2.6m

Sales Growth

	2006/07	2005/06
	%	%
Like-for-like sales growth	5.3	6.1
Easter	0.7	0.0
Net new space	3.1	2.4
Total sales growth	9.1	8.5

Easter adjusted like-for-like comparatives:

	H1	H2	Full Year
2006/07	5.0%	5.6%	5.3%
2005/06	2.6%	9.6%	6.1%

Consistent Sales Growth

Net Operating Expenses

	£m	% Revenue
2005/06 operating costs	257.6	37.8%
2006/07 non comparables[1]	6.1	
Space increase	6.6	
Underlying cost inflation (4.8%)	12.3	
2006/07 operating costs	282.6	38.0%

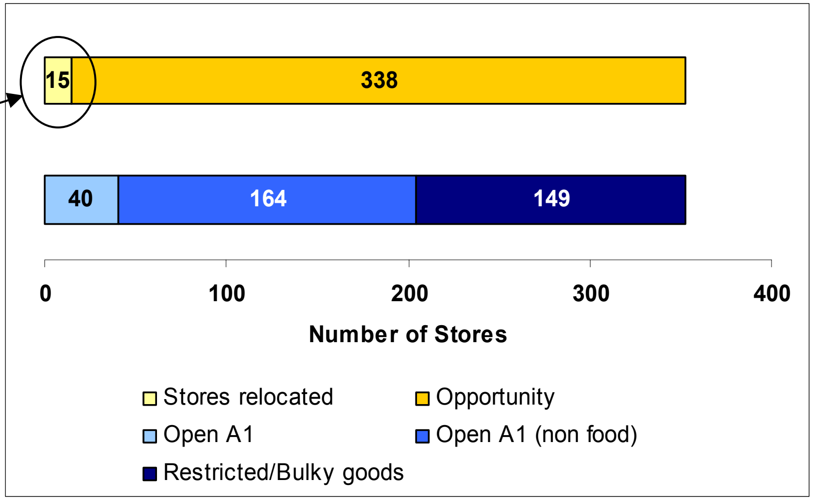
Key Ratios (% Revenue):	2006/07	2005/06
Store Payroll	11.5%	11.8%
Store Rent & Rates	11.3%	11.2%
Advertising & Promotions	2.3%	2.4%

Note 1: Non comparables include: Central European development costs, debt restructure, management incentives and landlord contributions

Property Portfolio Management

- 15 portfolio transactions completed during the last 2 years
- Property ratio (Retail space/Rental space) improved by 45%
- Total rental cost reduced by 11%
- Sales increase in line with supermezzanine experience
- Total landlord contributions £4.5m (2006: £6.9m)

4% of total opportunity



Value Creation Opportunity Remains

Balance Sheet

	2006/07 £m	2005/06 £m	Growth
Goodwill and intangible assets	257.8	258.8	-0.4%
Property, plant and equipment	107.5	104.1	+3.3%
Derivative financial instruments	(1.0)	1.2	
Net working capital[1]	45.7	40.4	+13.1%
Net debt and cash	(180.0)	(173.7)	+3.6%
Creditors > 1 year	(26.9)	(28.3)	-4.9%
Net assets	203.1	202.5	+0.3%

Note: 1. Includes capital and interest creditors

Capital Expenditure Summary

	2006/07 £m	2005/06 £m
New stores and re-sites	11.3	11.1
Store conversions	2.3	10.7
Czech Republic	0.4	0.0
Total portfolio	14.0	21.8
Head office systems	2.2	2.1
Store systems	4.2	0.5
Supply chain	0.5	0.5
Other	2.6	2.9
Total capital expenditure	23.5	27.8

- 2 year capital expenditure requirement of c.£50m
- Fixed asset additions:depreciation ratio 1.2x (2006: 1.3x)

Cash Flow and Net Debt

Operating cash flow	£m
Operating profit	93.5
Depreciation/Amortisation	20.9
Employee share scheme	2.1
Fixed asset write-off	0.6
Working capital	(4.5)
Operating cash flow	**112.6**

Halfords remains strongly cash generative

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Free cash flow	£m
Op. cash flow	112.6
Net finance cost	(8.3)
Taxation	(25.4)
Dividends	(29.5)
Capex Maintenance	(3.8)
Free cash flow	**45.6**

Halfords remains strongly cash generative

Cash Flow and Net Debt

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Dividends	(29.5)
Capex Maintenance	(3.8)
Free cash flow	**45.6**

Net debt[1]	£m
Net debt 31.03.06	(173.7)
Free cash flow	45.6
Share capital	(30.0)
Debt issue costs	(1.8)
Capex Investment	(20.1)
Net debt 30.03.07	**(180.0)**

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

Halfords remains strongly cash generative

Debt

- Operating at optimal level of debt targeted at c.£180m
- Key metrics:
  - Adjusted Net Debt/EBITDAR[1] 2.9x
  - Fixed charge cover[2] 2.3x
- Progressive dividend policy maintained
- Buy back programme well progressed
- Adequate free cash flow to fund UK and European organic expansion

Basis of calculation:

1. Adjusted net debt = Net debt + Capitalised rent
   EBITDAR = (EBITDA + rent)
2. EBITDAR/(Interest + Operating Lease expense)

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Ian McLeod

Chief Executive Officer

Overview

- Results reinforce leading position in each key market
- Achieved sales growth in each key category
- Demonstrates economic resilience and competitive advantage
- Margin dilution effectively arrested
- Strategic growth plan is working:
    - Investing in the store portfolio
    - Leveraging the Halfords brand
    - Improving the supply chain
    - Marketing the Halfords service proposition

Developing a platform for further growth

Investing in the Store Portfolio

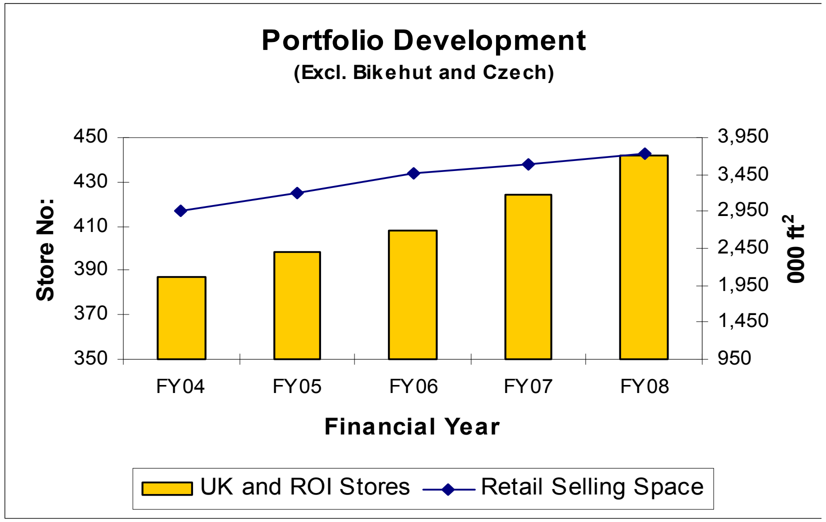
- 426 stores now trading:

  376 superstores 33 metros

  15 neighbourhoods 2 Bikehuts

- Space growth focused on new stores and new formats:
  - 18 stores opened in FY06
  - 25 stores opened in FY07
  - 25[1] stores planned in FY08

- Potential for a further 130 stores[1]



Note 1: Excluding Bikehut and Central European expansion

Investing in the Store Portfolio

<u>Superstores</u>

- Superstores remain format of choice
- Prime retail park locations with A1 consents
- Invested in every store over last 4 years

<u>Neighbourhood</u>

- Format developed for smaller catchments:
- Range selection criteria clearly defined to optimise consumer offer
- 15 stores open, with potential for 50+ (UK and Ireland)
- Paybacks in line with superstore return on investment

New Formats - Bikehut

“Run by cyclists …… for cyclists”

- 2 Bikehuts open with 6 by Christmas 2007
- Colleagues enthusiastic and highly knowledgeable
- Product offer 60% different to Superstore
- Niche/specialist brands – Condor, De Rossa, Pashley, Gore-tex, Endura
- Strong cycle accessory participation
- Scale opportunity, for at least 50 stores

International Development

Republic of Ireland

- 12 stores now trading
- Further 6 to open in 2007/08
- At least 20 superstores planned
- Strong return on investment
- Neighbourhood format potential

Central Europe

- Strong market potential
- First store opens June 29th in Prague
- 2 more stores open Autumn 2007 (Prague & Pilsen)
- Further 3 pilot stores targeted for 2008
- UK offer tailored to Czech market
- Servicing and tyre fitting offer included
- UK based replenishment model

Leveraging the Halfords Brand

Car Maintenance

- Destination store status
- Continued growth from a high margin category
- Needs driven purchases with low price elasticity
- “we fit” penetration continues to grow
- Range breadth creates competitive advantage

Leveraging the Halfords Brand

Car Enhancement

- No. 1 Retailer of in-car technology

  MP3/iPod connectivity — Satellite Navigation

  Mobile phone kits — In-car DVD

- Underpinned by fitting and demonstration capability
- Broadening supplier base increasing competition
- Growing participation of private label electronics
- Ripspeed now a Top 5 “ICE” Brand

RIPSPEED

Leveraging the Halfords Brand

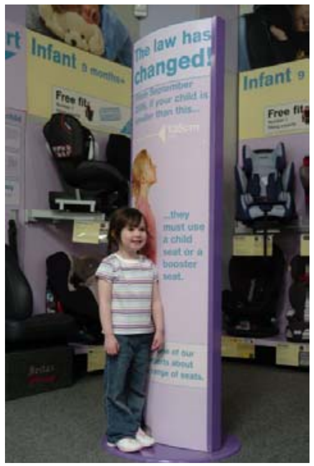
Leisure

Travel Solutions & Camping

- Sub shop identity provides range clarity
- Product redevelopment driving sales growth
- Halfords camping range proving successful
- Premium camping brand introduced

URBAN escape

- Capitalised on Child Seat legislation change



Leveraging the Halfords Brand

Leisure

Cycling

- 376 Bikehut sub-shops
- Cycle maintenance & repair service, through dedicated workshops, growing sales
- Bikehut now a £10m accessory brand
- Apollo & Carrera re-launched this year
- Exclusive range of GT bikes developed
- Boardman and Voodoo exclusive range launches Summer 2007

Leveraging the Halfords Brand

Boardman

- Chris Boardman MBE: Britain's most successful cyclist
- R&D Director to British Cycling and Olympic team.
- Exclusive range of bikes and accessories developed with Halfords
- 30 frame sizes across 9 models up to £1,400
- Best performance to price ratio in the specialist market
- Exclusive national distribution from 30th June 2007

boardman
performance/design/quality

Halfords Centenary Year

celebrating 100 years

The Meningitis Trust™

- Halfords store sponsored events across the country
- Creating over 100 Halfords Heroes
- Target over £100k to be raised
- Pennine Way challenge:
  - Ian McLeod
  - Paul McClenaghan
  - Steve Whyman

Halfords.com

- Continues to benefit from significant growth
- Continued increase in site visits and conversion rates
- Improvements in site navigation and product imaging
- New fulfilment system successfully introduced
- Future developments to include “reserve on line, collect in-store”

Marketing Our Service Advantage

Over 1.2m fitting jobs completed including 275,000 technology solutions

Now integral to all press and TV marketing

Establishment of a "training stores" network to grow skill base and colleague availability

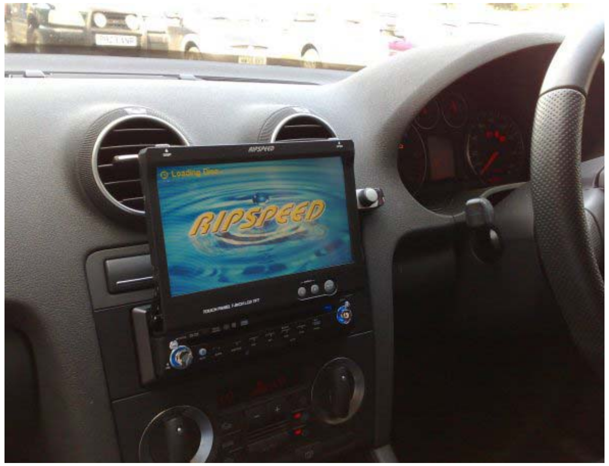
- 2,000 colleagues professionally trained to install child seats
- 1,500 deliver our unique sat nav "set up and demo"
- 700 capable of hardwiring technology solutions

"we fit" Delivers Real Competitive Advantage

Supply Chain Development

- Far East sourcing target of 20% achieved and looking to grow further
- Margin benefits to mix increasing from earlier direct sourcing initiatives
- Development in electronics proving successful
- Sourcing expertise developed across all categories:

Active Leisure	Ripspeed accessories
Bikehut cycle accessories	Ripspeed electronics



Trading Update

Current Trading – 9 weeks to 1 June 2007

- Sales +12.3% (2006: +10.5%)
- LFL sales +9.2% (2006: +7.3%)

  Note: LFL are Easter comparable
- No further margin dilution incurred

Developing a Platform for Growth

- Core category growth augmented by new product development
- Active mix management arresting margin dilution
- Potential for a further 130 stores
  - 20+ annual store opening programme planned
- Neighbourhood format paybacks encourage further expansion
- 3 store Czech pilot in place this year
  - Extended 6 store pilot planned for 2008
- 12 Republic of Ireland stores now open
  - Plans for at least 20
- 6 store bikehut pilot in place by Christmas
  - Potential for at least 50
- Continuous improvement in internet credibility

Building Growth on a Solid and Robust Foundation

Developing a Platform for Growth

- Resilient and defensive business model
- Margin stabilised
- Growth driven across product range
- Potential to exploit further growth opportunities
- Confidence in future prospects

Building Growth on a Solid and Robust Foundation