

# Part III. Details of the Global Offer

## 1. REASONS FOR LISTING AND USE OF PROCEEDS

Halfords is seeking a listing and is making the Global Offer in order to establish an appropriate capital structure for the next phase of its growth strategy.

The net proceeds to the Company of the Global Offer are estimated to be approximately £135.0 million after deduction of underwriting commissions and other fees and expenses of £5.0 million payable by the Company. A discretionary fee of up to £1.2 million may also be paid by the Company to the Managers. The Company will not receive any proceeds from the sale of Existing Shares by the Selling Shareholders.

The Company intends to use the net proceeds of the Global Offer, together with an estimated £195 million of borrowings under the New Bank Facilities and available cash balances to repay indebtedness under the Senior Credit Agreement, the Deep Discount Bonds and Shareholder Loan Notes described in paragraph 19 of Part VII (Additional Information) and to pay fees and expenses associated with the New Bank Facilities. The discretionary fee, if paid, will be funded out of available cash or borrowings under the New Facilities Agreement.

## 2. DESCRIPTION OF THE GLOBAL OFFER

The Global Offer is being made by means of an offer of Ordinary Shares to certain institutional investors in the UK and elsewhere outside the United States and to QIBs in the United States pursuant to Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. In connection with the Global Offer, certain of the Selling Shareholders have granted Merrill Lynch as stabilising manager, on behalf of the Managers, the Over-allotment Option which is exercisable, in whole or in part, upon notice by Merrill Lynch, for the period commencing with the date of this document and ending 30 days after Admission. Pursuant to the Over-allotment Option, Merrill Lynch, in consultation with Citigroup, may require these Selling Shareholders to sell, in aggregate, up to 15,384,584 additional Ordinary Shares at the Offer Price, *inter alia*, to cover over-allotments (if any) made in connection with the Global Offer and/or to cover short positions relating to stabilisation activities.

Assuming that there is no exercise of the Over-allotment Option, the Global Offer will comprise an offer of 102,563,988 Ordinary Shares (representing approximately 45.0 per cent. of the issued ordinary share capital of the Company immediately following Admission) valued at approximately £266.7 million at the Offer Price. Of these 102,563,988 Ordinary Shares:

53,846,154 are New Shares; and

48,717,834 are Existing Shares being sold by the Selling Shareholders.

Pursuant to the Global Offer, which is fully underwritten by the Managers in accordance with the terms of the Underwriting Agreement (details of which are set out in paragraph 18 of Part VII (Additional Information)), the Company will receive approximately £135.0 million from the subscription of New Shares, net of underwriting commissions and other fees and expenses of approximately £5.0 million. In addition, a discretionary fee of up to £1.2 million may be paid by the Company to the Managers. The Company will not receive any proceeds from the sale of Existing Shares by the Selling Shareholders.

The New Shares to be issued pursuant to the Global Offer will rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions hereafter declared, made or paid on the Company's ordinary share capital but will not rank for the Second Bonus Issue as defined in Part VIII (Definitions).

Immediately following Admission it is expected that approximately 45.0 per cent. of the Ordinary Shares will be held in public hands (as such term is defined in paragraph 3.20 of

the Listing Rules) assuming no exercise of the Over-allotment Option, and 51.7 per cent. if the Over-allotment Option is exercised in full.

### 3. ALLOCATION AND PRICING

Merrill Lynch and Citigroup will determine the categories of institutional investors that can participate in the Global Offer and allocations of Ordinary Shares under the Global Offer will be determined by Merrill Lynch and Citigroup in co-operation with, and subject to, the final approval of the Company and CVC European Equity III Limited, on behalf of the CVC Shareholders, after indications of interest from prospective investors have been received. A number of factors will be considered in determining the basis of allocation under the Global Offer, although the overriding aims of the allocation policy will be to maximise the Offer Price which is achieved, while trying to achieve a stable aftermarket in the Ordinary Shares.

The rights attaching to the Existing Shares and the New Shares and any Over-allotment Shares will be uniform in all respects and will form a single class for all purposes. The proportions in which particular allocations of Ordinary Shares under the Global Offer will comprise New Shares and Existing Shares (and Over-allotment Shares if Over-allotment Shares are made available pursuant to the Over-allotment Option) may vary at the discretion of Merrill Lynch and Citigroup.

### 4. OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offer, Merrill Lynch as stabilising manager or any of its agents, in consultation with Citigroup, may (but will be under no obligation to) over-allot or effect transactions with a view to supporting the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, Ordinary Shares, in each case at a level higher than that which might otherwise prevail in the open market, for a limited period after the Offer Price is announced. Such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law or regulation, neither Merrill Lynch nor any of its agents intends to disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer.

Existing Shares sold by Selling Shareholders pursuant to the exercise of the Over-allotment Option will be sold on the same terms and conditions as other Existing Shares being sold in the Global Offer. The number of Existing Shares subject to the Over-allotment Option is, in aggregate, 15 per cent. of the total number of Ordinary Shares to be issued or sold in the Global Offer.

### 5. DEALING ARRANGEMENTS

The Global Offer is subject to the satisfaction of conditions contained in the Underwriting Agreement including Admission occurring by 8.00 a.m. (London time) on 8 June 2004 or such later date as may be determined in accordance with such agreement.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 8 June 2004.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 3 June 2004. The earliest date for settlement of such dealings will be 8 June 2004. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis". **If the Global Offer does not become unconditional all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.**

## 6. SECURITIES LAWS

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Further details are set out in paragraph 14 of Part VII (Additional Information).

## 7. CREST AND THE SHARES

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles of the Company permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions involving the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares under the Global Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a system-member (as defined in Regulations) in relation to CREST.

## 8. UNDERWRITING ARRANGEMENTS

The Company, the Selling Shareholders, the Directors, the Senior Managers, the Managers and others have entered into the Underwriting Agreement, pursuant to which the Managers have agreed, subject to certain conditions, to procure subscribers and purchasers for the Ordinary Shares to be issued by the Company and sold by the Selling Shareholders under the Global Offer or, failing which, themselves to subscribe for or purchase such Ordinary Shares, in each case at the Offer Price. Further details of the terms of the Underwriting Agreement are set out in paragraph 18 of Part VII (Additional Information).

## 9. LOCK-UP ARRANGEMENTS

The Company has agreed that, for a period of 365 days from Admission, it will not, without the consent of the Joint Bookrunners, issue or offer Ordinary Shares or related securities, other than pursuant to employee share option schemes, pursuant to any dividend reinvestment plan or pursuant to the Global Offer.

Each of the Selling Shareholders (save for the CVC Shareholders, the Warranholders and the Private Shareholders), David Hamid and the Hill Samuel Offshore Trust Co. Ltd. has agreed that, he or it will not, without the consent of the Joint Bookrunners, offer, sell or contract to sell Ordinary Shares or related securities, save pursuant to the Global Offer and in certain other limited circumstances for a period of 365 days from Admission, and each of the Non-executive Directors (other than Jonathan Feuer), has given a similar undertaking for a period of 365 days from Admission or until he ceases to be a Director, whichever is earlier.

Each of the CVC Shareholders, the Warranholders, the Private Shareholders and Jonathan Feuer has agreed that, for a period of 180 days from Admission, it or he will not, without the consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), offer, sell or contract to sell Ordinary Shares or related securities, save pursuant to the Global Offer and in certain other limited circumstances.

Further details in respect of these lock-up arrangements are set out in paragraph 18 of Part VII (Additional Information).