

HALFORDS GROUP PLC (“HALFORDS” “THE GROUP”)

Halfords Expands into Car Servicing & Repair via Nationwide Acquisition

Halfords is building on its leading retail position in car maintenance to expand into the UK's £9 billion car servicing and repair market.

Halfords announces the acquisition of Nationwide Autocentres (“Nationwide”), the UK’s leading independent car servicing and repair operator, with 224 outlets nationally, for a cash consideration of £73.2m. Nationwide offers motorists dealership quality car servicing, MOTs and repairs at more affordable prices. The transaction meets the Group's acquisition strategy and will further extend Halfords presence in the car maintenance market. Following the acquisition Nationwide will be re-branded as Halfords Autocentres and it is intended to roll-out a further 200 centres, creating over 1,000 new jobs.

Highlights

- Halfords acquisition of the entire issued share capital of Nationwide, creates the largest UK operator with a specialised focus on the car parts, servicing and repair market.
- Nationwide provides servicing, MOTs and repairs for both the consumer and fleet markets, and from its 224 centres, is the only national operator that offers dealership quality service at lower prices.
- Nationwide’s highly experienced and successful management team will join the enlarged Group.
- The Group intends to open at least 200 additional centres in the coming years. This doubling of scale provides a strong growth opportunity, requires low capital investment and generates working capital inflows. The expansion programme will be funded from the Group’s net cash flow.
- Further growth opportunities are anticipated from cross-marketing of the Group’s complementary customer base. Cost and purchasing synergies are also anticipated.
- Nationwide’s EBITDA has grown by 70% over the past four years and in the year ended 31 December 2009 is expected to be £10.1m from revenues of £97.0m.
- The re-branded Halfords Autocentre business is anticipated to double EBIT to c.£20m in its third year of ownership and is expected to increase earnings per share by c.6% in its first full financial year within the Group.
- The acquisition, completed on a debt-free basis, has been funded from the Group’s existing resources. The Group’s estimated year-end net debt, of £165m, will represent approximately c.1.1x Group EBITDA.

Commenting on the Acquisition, David Wild, Chief Executive of Halfords:

“Our expansion into the adjacent car servicing and repair market is an exciting and logical move for Halfords. Car maintenance is a large and highly attractive sector where there is increasing demand from motorists for reliable service at affordable prices. Nationwide is a high quality business and represents an opportunity for significant growth.

We have grown strongly in this market through the provision of expert advice and our “*wefit*” services, and Halfords Autocentres will complement our retail business closely. Customers trust the Halfords brand and we are sure that a national chain offering great service and MOTs at fair prices will be both popular and successful.”

Notes:

1. Group net debt ratio includes full year Nationwide earnings on a pro-forma basis. Group debt is anticipated to represent c. 1.2x EBITDA if only post acquisition earnings are recognised

Halfords Group Current Trading

Halfords issued its third quarter Interim Management statement on 14 January covering trading in the 13 weeks ended 1 January 2010. The statement is available on the Investor Relations section of the corporate website at www.halfordscompany.co.uk

Since the 14 January 2010, the Group's trading performance has been in line with internal forecasts and it remains on track to deliver current year profit before tax, excluding the post acquisition results from Nationwide, in line with market expectations.

The next scheduled announcement will be the Group's pre-close statement, for the 52 weeks ended 2 April 2010, on 15 April 2010.

A presentation covering the content of this announcement will be made at 9:30am today to analysts at the offices of Investec Bank plc, 2 Gresham Street, London, EC2V 7QP. A copy of the presentation will be available on the corporate website (www.halfordscompany.co.uk) from 9:30am.

A videocast interview with David Wild discussing today's announced acquisition is available on the corporate website: <http://www.halfordscompany.com/hal/pr/mc/video/>

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www.halfords.co.uk

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Halfords Group plc

The Group employs approximately 10,000 staff and sells over 10,000 different product lines, ranging from car parts and cycles through to the latest in-car technology, child seats, roof boxes and outdoor leisure and camping equipment. Halfords' own brands include *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands and in the premium range exclusive UK distribution rights of *Boardman* cycles and accessories. In our outdoor leisure range *URBAN Escape* represents a premium range for camping equipment. Operating from 469 stores, including internationally, 23 stores in Republic of Ireland, six stores in the Czech Republic and one in Poland, and 33 smaller format, compact stores Halfords offers a "wefit" service for car parts, child seats, satellite navigation and in-car entertainment systems, and a "werepair" service for cycles.

Halfords Group plc: Acquisition of Nationwide

The Car Maintenance Aftermarket

The car maintenance aftermarket provides a significant growth opportunity for the expanded Group. The UK's 33 million vehicles need regular servicing, repairs, MOTs and parts - the value of this market is estimated as £9 billion. Demand for these services is increasing as the national car parc grows and ages, while the average cost of servicing is also increasing.

Market capacity is contracting. Fast fit outlets only supply a limited range of services and, as the cost of operating increases, e.g. through the need for diagnostic equipment, the numbers of independent garages and dealerships is declining by approximately 5% per annum.

Nationwide's scale advantage and robust business model has allowed it to establish market leadership. However, the fragmentation of the market is such that it only has a 1% share of the market. Halfords has also experienced a rapid rate of increase in the uptake of its "wefit" services, providing further evidence of the demand from motorists for accessible and expert service.

Nationwide Autocentres

Phoenix Equity Nominees Limited acquired Nationwide in February 2006.

Nationwide is the leading independent operator in the car servicing sector, operating 224 centres nationally, providing a range of products including MOTs, car servicing and repairs. The company's approximately 900 skilled mechanics receive regular training and use the latest diagnostic technology and servicing tools.

Nationwide's 500,000 customers each year are a mixture of Fleet (c. 25% of revenues) and Private (c. 75%). Its strategy is to differentiate itself within its market by being the only national operator to provide dealership quality service at lower prices. Their strong customer proposition is supported by a sector leading website.

The current management team, led by Duncan Wilkes (Chief Executive) and Bill Duffy (Chief Operating Officer), has demonstrated a strong track record of growth and have significantly improved metrics across the business. In the period since acquisition to the year ended 31 December 2009, revenue has increased from £76.5m to an estimated £97.0m and EBITDA from £5.8 million to an anticipated £10.1 million. In the year to 31 December 2008 Nationwide generated profit before tax of £7.5m and had year end gross assets of £47m

Nationwide Opportunity

The Halfords and Nationwide businesses are highly complementary. They share a common customer base and each have a reputation for value, customer service, product knowledge and expert advice. Halfords brand strength will be of significant benefit to the group in attracting new customers and guaranteeing service standards. Joint marketing and cross selling to existing and new customers will provide further growth.

The Group's strong balance sheet allied to Nationwide's low capital requirement per centre, provides the capability to scale the operation at pace. Management have identified 200 additional sites and the Halfords' growth plan envisages opening centres at an average of 25 per annum. Capital costs for the roll out of new centres is £135,000 per centre including initial fit out and equipment costs. New centres are expected to reach EBITDA profitability within the second year of operation and achieve a four year pre-tax payback.

It is also anticipated that there will be margin gains generated through the purchasing efficiency of the combined Group and a reduction in overhead costs through the absorption of some central activities.

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Nationwide's management team have a proven track record at developing the business and will join the Halfords Group to continue to drive its growth. As part of the transaction structure an element of the consideration receivable by them will crystallise over the two years following acquisition.

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.

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