



**FOR IMMEDIATE RELEASE**

**Pep Boys Reports Second Quarter 2010 Results  
- Net Earnings of \$0.20 per Share on 3.3% Sales Increase -**

PHILADELPHIA — September 7, 2010 — The Pep Boys — Manny, Moe & Jack (NYSE: “PBY”), the nation’s leading automotive aftermarket service and retail chain, today announced results for the thirteen (second quarter) and twenty-six (first half) weeks ended July 31, 2010.

**Second Quarter**

**Sales**

Sales for the thirteen weeks ended July 31, 2010 increased by \$15.9 million, or 3.3%, to \$504.9 million from \$488.9 million for the thirteen weeks ended August 1, 2009. Comparable sales increased 1.8%, including a 0.7% comparable service revenue decrease and a 2.5% comparable merchandise sales increase. In accordance with GAAP, service revenue is limited to labor sales, while merchandise sales include merchandise sold through both our service center and retail lines of business. Re-categorizing sales into the respective lines of business from which they are generated, comparable service center revenue (labor plus installed merchandise and tires) increased 0.1%, while comparable retail sales (DIY and Commercial) increased 3.4%.

**Earnings**

Net earnings for the second quarter of fiscal 2010 increased to \$10.6 million (\$0.20 per share) from \$7.7 million (\$0.15 per share) recorded in the same period last year. The second quarter 2010 results reflect increased sales and improved total gross profit margin rates and include, on a pre-tax basis, a \$2.4 million gain from the disposition of assets and a \$1.0 million reversal of an inventory related accrual, partially offset by a \$1.0 million asset impairment charge.

**First Half**

**Sales**

Sales for the twenty-six weeks ended July 31, 2010 were \$1,014.9 million, as compared to \$985.4 million for the twenty-six weeks ended August 1, 2009. Comparable sales increased 1.6%, consisting of a 0.3% comparable service revenue decrease and a 2.1% comparable merchandise sales increase. Re-categorizing sales (see above), comparable service center revenue increased 0.5%, while comparable retail sales increased 2.6%.

**Earnings**

Net earnings for the first half of 2010 increased to \$22.5 million (\$0.43 per share) from the \$18.6 million (\$0.36 per share) recorded in the same period last year. The first half 2010 results reflect increased sales and improved total gross profit margin rates and include, on a pre-tax basis, a \$2.5 million gain from the disposition of assets and a \$1.0 million reversal of an inventory related accrual, partially offset by a \$1.0 million asset impairment charge. The first half 2009 results included, on a pre-tax basis, a \$6.2 million gain resulting from bond repurchases.

## Commentary

“Our results mark the sixth consecutive quarter of improved profitability,” said President and CEO Mike Odell. “We continue to earn the trust of our customers every day by delivering an experience that is based on speed, expertise, respect and value.

“Our customer care, value-priced offerings and core automotive assortments are resonating with our customers and our 18,000 associates are working together to deliver on our vision to be the automotive solutions provider of choice for the value oriented customer. We are excited about our growth. So far this year, we have opened seven Service & Tire Centers and two Supercenters as well as eight Superhubs with an expanded parts assortment and two Speed Shops within existing Supercenters.”

“Disciplines are the key to our improved profitability allowing us to convert modest sales growth into large profit gains and positive cash flow,” commented CFO Ray Arthur. “We ended the quarter with \$92.4 million in cash, no drawings on our line of credit and the liquidity to continue expansion of our Service & Tire Center network. We anticipate opening a total of approximately 35 new locations, consisting of Service & Tire Centers and Supercenters, this year.”

Pep Boys has more than 6,000 service bays within over 590 stores located in 35 states and Puerto Rico. Along with its full-service vehicle maintenance and repair capabilities, the Company also serves the commercial auto parts delivery market and is one of the leading sellers of replacement tires in the United States. Customers can find the nearest location by calling 1-800-PEP-BOYS or by visiting [www.pepboys.com](http://www.pepboys.com).

Certain statements contained herein constitute “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. The word “guidance,” “expect,” “anticipate,” “estimates,” “forecasts” and similar expressions are intended to identify such forward-looking statements. Forward-looking statements include management’s expectations regarding implementation of its long-term strategic plan, future financial performance, automotive aftermarket trends, levels of competition, business development activities, future capital expenditures, financing sources and availability and the effects of regulation and litigation. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The Company’s actual results may differ materially from the results discussed in the forward-looking statements due to factors beyond the control of the Company, including the strength of the national and regional economies, retail and commercial consumers’ ability to spend, the health of the various sectors of the automotive aftermarket, the weather in geographical regions with a high concentration of the Company’s stores, competitive pricing, the location and number of competitors’ stores, product and labor costs and the additional factors described in the Company’s filings with the SEC. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

Investors have an opportunity to listen to the Company’s quarterly conference calls discussing its results and related matters. The call for the second quarter will be broadcast live on Wednesday, September 8 at 8:30 a.m. ET over the Internet at the Vcall website, located at <http://www.investorcalendar.com>. To listen to the call live, please go to the website at least 15 minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be available shortly after the call. Supplemental financial information will be available the morning of September 8 on Pep Boys’ website at [www.pepboys.com](http://www.pepboys.com).

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*Pep Boys Financial Highlights*

| <b><u>Thirteen Weeks Ended</u></b> | <b><u>July 31, 2010</u></b> |             | <b><u>August 1, 2009</u></b> |             |
|------------------------------------|-----------------------------|-------------|------------------------------|-------------|
| Total revenues                     | \$                          | 504,855,000 | \$                           | 488,911,000 |
| Net earnings                       | \$                          | 10,598,000  | \$                           | 7,735,000   |
| Basic earnings per share:          |                             |             |                              |             |
| Average shares                     |                             | 52,682,000  |                              | 52,384,000  |
| Basic earnings per share:          | \$                          | 0.20        | \$                           | 0.15        |
| Diluted earnings per share:        |                             |             |                              |             |
| Average shares                     |                             | 53,129,000  |                              | 52,699,000  |
| Diluted earnings per share:        | \$                          | 0.20        | \$                           | 0.15        |

| <b><u>Twenty-Six weeks ended</u></b> | <b><u>July 31, 2010</u></b> |               | <b><u>August 1, 2009</u></b> |             |
|--------------------------------------|-----------------------------|---------------|------------------------------|-------------|
| Total revenues                       | \$                          | 1,014,888,000 | \$                           | 985,399,000 |
| Net earnings                         | \$                          | 22,548,000    | \$                           | 18,644,000  |
| Basic earnings per share:            |                             |               |                              |             |
| Average shares                       |                             | 52,609,000    |                              | 52,359,000  |
| Basic earnings per share:            | \$                          | 0.43          | \$                           | 0.36        |
| Diluted earnings per share:          |                             |               |                              |             |
| Average shares                       |                             | 53,035,000    |                              | 52,538,000  |
| Diluted earnings per share:          | \$                          | 0.43          | \$                           | 0.36        |

CONSOLIDATED STATEMENTS OF OPERATIONS  
*(dollar amounts in thousands, except per share amounts)*

|   | Thirteen Weeks Ended |                     |                |                     | Twenty-Six weeks ended |                     |                |                     |
|---|----------------------|---------------------|----------------|---------------------|------------------------|---------------------|----------------|---------------------|
|   | July 31, 2010        |                     | August 1, 2009 |                     | July 31, 2010          |                     | August 1, 2009 |                     |
|   | Amount               | % Sales             | Amount         | % Sales             | Amount                 | % Sales             | Amount         | % Sales             |
| Merchandise sales                                       | \$ 406,179           | 80.5                | \$ 392,071     | 80.2                | \$ 815,368             | 80.3                | \$ 790,248     | 80.2                |
| Service revenue   | 98,676               | 19.5                | 96,840         | 19.8                | 199,520                | 19.7                | 195,151        | 19.8                |
| Total revenues  | 504,855              | 100.0               | 488,911        | 100.0               | 1,014,888              | 100.0               | 985,399        | 100.0               |
| Costs of merchandise sales                              | 282,362              | 69.5                | 275,790        | 70.3                | 566,158                | 69.4                | 556,825        | 70.5                |
| Costs of service revenue                                | 87,992               | 89.2                | 84,931         | 87.7                | 176,634                | 88.5                | 170,783        | 87.5                |
| Total costs of revenues                                 | 370,354              | 73.4                | 360,721        | 73.8                | 742,792                | 73.2                | 727,608        | 73.8                |
| Gross profit from merchandise sales                     | 123,817              | 30.5                | 116,281        | 29.7                | 249,210                | 30.6                | 233,423        | 29.5                |
| Gross profit from service revenue                       | 10,684               | 10.8                | 11,909         | 12.3                | 22,886                 | 11.5                | 24,368         | 12.5                |
| Total gross profit                                      | 134,501              | 26.6                | 128,190        | 26.2                | 272,096                | 26.8                | 257,791        | 26.2                |
| Selling, general and administrative expenses            | 113,108              | 22.4                | 109,482        | 22.4                | 224,740                | 22.1                | 217,535        | 22.1                |
| Net gain (loss) from dispositions of assets             | 2,449                | 0.5                 | (16)           | -                   | 2,494                  | 0.2                 | (13)           | -                   |
| Operating profit  | 23,842               | 4.7                 | 18,692         | 3.8                 | 49,850                 | 4.9                 | 40,243         | 4.1                 |
| Non-operating income                                    | 621                  | 0.1                 | 539            | 0.1                 | 1,205                  | 0.1                 | 942            | 0.1                 |
| Interest expense  | 6,643                | 1.3                 | 6,466          | 1.3                 | 13,251                 | 1.3                 | 8,402          | 0.9                 |
| Earnings from continuing operations before income taxes | 17,820               | 3.5                 | 12,765         | 2.6                 | 37,804                 | 3.7                 | 32,783         | 3.3                 |
| Income tax expense                                      | 7,021                | 39.4 <sup>(1)</sup> | 4,907          | 38.4 <sup>(1)</sup> | 14,845                 | 39.3 <sup>(1)</sup> | 13,862         | 42.3 <sup>(1)</sup> |
| Earnings from continuing operations                     | 10,799               | 2.1                 | 7,858          | 1.6                 | 22,959                 | 2.3                 | 18,921         | 1.9                 |
| Loss from discontinued operations, net of tax           | (201)                | -                   | (123)          | -                   | (411)                  | -                   | (277)          | -                   |
| Net earnings  | 10,598               | 2.1                 | 7,735          | 1.6                 | 22,548                 | 2.2                 | 18,644         | 1.9                 |
| Retained earnings, beginning of period                  | 384,451              |                     | 367,882        |                     | 374,836                |                     | 358,670        |                     |
| Cash dividends  | (1,581)              |                     | (1,577)        |                     | (3,160)                |                     | (3,152)        |                     |
| Shares issued and other                                 | (223)                |                     | (77)           |                     | (979)                  |                     | (199)          |                     |
| Retained earnings, end of period                        | \$ 393,245           |                     | \$ 373,963     |                     | \$ 393,245             |                     | \$ 373,963     |                     |
| <b>Basic earnings per share:</b>                        |                      |                     |                |                     |                        |                     |                |                     |
| Earnings from continuing operations                     | \$ 0.21              |                     | \$ 0.15        |                     | \$ 0.44                |                     | \$ 0.36        |                     |
| Discontinued operations, net of tax                     | (0.01)               |                     | -              |                     | (0.01)                 |                     | -              |                     |
| Basic earnings per share                                | \$ 0.20              |                     | \$ 0.15        |                     | \$ 0.43                |                     | \$ 0.36        |                     |
| <b>Diluted earnings per share:</b>                      |                      |                     |                |                     |                        |                     |                |                     |
| Earnings from continuing operations                     | \$ 0.20              |                     | \$ 0.15        |                     | \$ 0.43                |                     | \$ 0.36        |                     |
| Discontinued operations, net of tax                     | -                    |                     | -              |                     | -                      |                     | -              |                     |
| Diluted earnings per share                              | \$ 0.20              |                     | \$ 0.15        |                     | \$ 0.43                |                     | \$ 0.36        |                     |
| Cash dividends per share                                | \$ 0.03              |                     | \$ 0.03        |                     | \$ 0.06                |                     | \$ 0.06        |                     |

<sup>(1)</sup> As a percentage of earnings from continuing operations before income taxes

## CONSOLIDATED BALANCE SHEETS

*(dollar amounts in thousands)*

|   | July 31, 2010       | January 30, 2010    | August 1, 2009      |
|---|---------------------|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |                     |
| Current assets:   |                     |                     |                     |
| Cash and cash equivalents   | \$ 92,363           | \$ 39,326           | \$ 21,886           |
| Accounts receivable, less allowance for uncollectible accounts of \$1,703; \$1,488 and \$1,799  | 24,204              | 22,983              | 21,801              |
| Merchandise inventories   | 558,932             | 559,118             | 548,763             |
| Prepaid expenses  | 20,816              | 24,784              | 18,567              |
| Other current assets  | 51,598              | 65,428              | 53,151              |
| Assets held for disposal  | 1,778               | 4,438               | 9,912               |
| <b>Total current assets</b>   | <b>749,691</b>      | <b>716,077</b>      | <b>674,080</b>      |
| Property and equipment - net  | 694,262             | 706,450             | 719,008             |
| Deferred income taxes   | 58,968              | 58,171              | 77,578              |
| Other long-term assets  | 17,364              | 18,388              | 18,092              |
| <b>Total assets</b>   | <b>\$ 1,520,285</b> | <b>\$ 1,499,086</b> | <b>\$ 1,488,758</b> |
| <b>Liabilities and stockholders' equity</b>   |                     |                     |                     |
| Current liabilities:  |                     |                     |                     |
| Accounts payable  | \$ 196,676          | \$ 202,974          | \$ 222,974          |
| Trade payable program liability   | 55,280              | 34,099              | 2,614               |
| Accrued expenses  | 226,505             | 242,416             | 236,144             |
| Deferred income taxes   | 35,750              | 29,984              | 41,118              |
| Current maturities of long-term debt  | 1,079               | 1,079               | 1,079               |
| <b>Total current liabilities</b>  | <b>515,290</b>      | <b>510,552</b>      | <b>503,929</b>      |
| Long-term debt less current maturities  | 305,661             | 306,201             | 308,335             |
| Other long-term liabilities   | 76,325              | 73,933              | 69,872              |
| Deferred gain from asset sales  | 159,177             | 165,105             | 164,947             |
| Stockholders' equity:   |                     |                     |                     |
| Common stock, par value \$1 per share:  |                     |                     |                     |
| Authorized 500,000,000 shares; issued 68,557,041 shares   | 68,557              | 68,557              | 68,557              |
| Additional paid-in capital  | 294,535             | 293,810             | 293,037             |
| Retained earnings   | 393,245             | 374,836             | 373,963             |
| Accumulated other comprehensive loss  | (18,758)            | (17,691)            | (16,477)            |
| Less cost of shares in treasury - 16,072,557 shares,<br>16,164,074 shares and 14,042,311 shares | 273,747             | 276,217             | 218,141             |
| Less cost of shares in benefits trust - 2,195,270 shares  | -                   | -                   | 59,264              |
| <b>Total stockholders' equity</b>   | <b>463,832</b>      | <b>443,295</b>      | <b>441,675</b>      |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 1,520,285</b> | <b>\$ 1,499,086</b> | <b>\$ 1,488,758</b> |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(dollar amounts in thousands)*

| Twenty-Six weeks ended   | July 31, 2010 | August 1, 2009 |
|--|---------------|----------------|
| Cash flows from operating activities:  |               |                |
| Net earnings   | \$ 22,548     | \$ 18,644      |
| Adjustments to reconcile net earnings to net cash provided by continuing operations: |               |                |
| Loss from discontinued operations, net of tax  | 411           | 277            |
| Depreciation and amortization  | 36,656        | 35,338         |
| Amortization of deferred gain from asset sales                                       | (6,299)       | (6,086)        |
| Stock compensation expense   | 1,998         | 1,284          |
| Gain on debt retirement  | -             | (6,248)        |
| Deferred income taxes  | 5,600         | 4,455          |
| Gain from sales of assets  | (2,494)       | 13             |
| Loss from asset impairment   | 970           | 47             |
| Other  | 179           | 188            |
| Changes in operating assets and liabilities:   |               |                |
| Decrease in accounts receivable, prepaid expenses and other                          | 19,673        | 24,143         |
| Decrease in merchandise inventories  | 186           | 16,168         |
| (Decrease) increase in accounts payable  | (6,298)       | 10,634         |
| Decrease in accrued expenses   | (14,917)      | (18,658)       |
| Increase in other long-term liabilities  | 911           | 1,972          |
| Net cash provided by continuing operations   | 59,124        | 82,171         |
| Net cash used in discontinued operations   | (1,249)       | (543)          |
| Net cash provided by operating activities  | 57,875        | 81,628         |
| Cash flows from investing activities:  |               |                |
| Cash paid for property and equipment   | (27,284)      | (17,481)       |
| Proceeds from dispositions of assets   | 4,077         | 1,098          |
| Other  | (144)         | (500)          |
| Net cash used in continuing operations   | (23,351)      | (16,883)       |
| Net cash provided by discontinued operations   | 569           | 1,758          |
| Net cash used in investing activities  | (22,782)      | (15,125)       |
| Cash flows from financing activities:  |               |                |
| Borrowings under line of credit agreements   | 16,290        | 222,017        |
| Payments under line of credit agreements   | (16,290)      | (244,284)      |
| Borrowings on trade payable program liability  | 169,875       | 35,300         |
| Payments on trade payable program liability  | (148,694)     | (64,616)       |
| Debt payments  | (540)         | (11,451)       |
| Dividends Paid   | (3,160)       | (3,152)        |
| Other  | 463           | 237            |
| Net cash provided by (used in) financing activities                                  | 17,944        | (65,949)       |
| Net increase in cash and cash equivalents  | 53,037        | 554            |
| Cash and cash equivalents at beginning of period                                     | 39,326        | 21,332         |
| Cash and cash equivalents at end of period   | \$ 92,363     | \$ 21,886      |
| Supplemental cash flow information:  |               |                |
| Cash paid for income taxes   | \$ 810        | \$ 2,585       |
| Cash paid for interest   | \$ 11,452     | \$ 12,366      |
| Accrued purchases of property and equipment  | \$ 662        | \$ 1,170       |

**THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES**
**COMPUTATION OF BASIC AND DILUTED EARNINGS PER SHARE**
*(in thousands, except per share data)*

|  | Thirteen Weeks Ended |                 | Twenty-Six weeks ended |                  |
|--|----------------------|-----------------|------------------------|------------------|
|  | July 31, 2010        | August 1, 2009  | July 31, 2010          | August 1, 2009   |
| (a) Earnings from continuing operations  | \$ 10,799            | \$ 7,858        | \$ 22,959              | \$ 18,921        |
| Loss from discontinued operations, net of tax  | (201)                | (123)           | (411)                  | (277)            |
| Net earnings   | <u>\$ 10,598</u>     | <u>\$ 7,735</u> | <u>\$ 22,548</u>       | <u>\$ 18,644</u> |
| (b) Basic average number of common shares outstanding during period  | 52,682               | 52,384          | 52,609                 | 52,359           |
| Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price | 447                  | 315             | 426                    | 179              |
| (c) Diluted average number of common shares assumed outstanding during period  | 53,129               | 52,699          | 53,035                 | 52,538           |
| <b>Basic earnings per share:</b>   |                      |                 |                        |                  |
| Earnings from continuing operations  | (a) / (b) \$ 0.21    | \$ 0.15         | \$ 0.44                | \$ 0.36          |
| Discontinued operations, net of tax  | (0.01)               | -               | (0.01)                 | -                |
| Basic earnings per share   | <u>\$ 0.20</u>       | <u>\$ 0.15</u>  | <u>\$ 0.43</u>         | <u>\$ 0.36</u>   |
| <b>Diluted earnings per share:</b>   |                      |                 |                        |                  |
| Earnings from continuing operations  | (a) / (c) \$ 0.20    | \$ 0.15         | \$ 0.43                | \$ 0.36          |
| Discontinued operations, net of tax  | -                    | -               | -                      | -                |
| Diluted earnings per share   | <u>\$ 0.20</u>       | <u>\$ 0.15</u>  | <u>\$ 0.43</u>         | <u>\$ 0.36</u>   |

**THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES**

**ADDITIONAL INFORMATION**

*(dollar amounts in thousands)*

|   | Thirteen Weeks Ended |                   | Twenty-Six weeks ended |                   |
|---|----------------------|-------------------|------------------------|-------------------|
|   | July 31, 2010        | August 1, 2009    | July 31, 2010          | August 1, 2009    |
| Capital expenditures  | \$ 14,773            | \$ 11,763         | \$ 27,284              | \$ 17,481         |
| Depreciation and amortization                                 | \$ 18,442            | \$ 17,965         | \$ 36,656              | \$ 35,338         |
| Non-operating income:   |                      |                   |                        |                   |
| Net rental revenue  | \$ 570               | \$ 487            | \$ 1,087               | \$ 789            |
| Investment income   | 45                   | 56                | 111                    | 126               |
| Other income  | 6                    | (4)               | 7                      | 27                |
| Total   | <u>\$ 621</u>        | <u>\$ 539</u>     | <u>\$ 1,205</u>        | <u>\$ 942</u>     |
| Comparable sales percentages:                                 |                      |                   |                        |                   |
| Merchandise   | 2.5 %                | -4.0 %            | 2.1 %                  | -2.6 %            |
| Service   | -0.7 %               | 5.2 %             | -0.3 %                 | 4.5 %             |
| Total   | 1.8 %                | -2.3 %            | 1.6 %                  | -1.3 %            |
| Total square feet of retail space (including service centers) |                      |                   | 11,749,000             | 11,534,000        |
| Total store count   |                      |                   | 594                    | 566               |
| Sales and gross profit by line of business (A):               |                      |                   |                        |                   |
| Retail sales  | \$ 268,804           | \$ 259,435        | \$ 538,511             | 523,846           |
| Service center revenue  | 236,051              | 229,476           | 476,377                | 461,553           |
| Total revenues  | <u>\$ 504,855</u>    | <u>\$ 488,911</u> | <u>\$ 1,014,888</u>    | <u>\$ 985,399</u> |
| Gross profit from retail sales                                | \$ 78,830            | \$ 70,746         | \$ 158,584             | 144,301           |
| Gross profit from service center revenue                      | 55,671               | 57,444            | 113,512                | 113,490           |
| Total gross profit  | <u>\$ 134,501</u>    | <u>\$ 128,190</u> | <u>\$ 272,096</u>      | <u>\$ 257,791</u> |
| Comparable sales percentages (A):                             |                      |                   |                        |                   |
| Retail sales  | 3.4 %                | -6.0 %            | 2.6 %                  | -4.6 %            |
| Service center revenue  | 0.1 %                | 2.3 %             | 0.5 %                  | 2.8 %             |
| Total revenues  | 1.8 %                | -2.3 %            | 1.6 %                  | -1.3 %            |
| Gross profit percentage by line of business (A):              |                      |                   |                        |                   |
| Gross profit percentage from retail sales                     | 29.3 %               | 27.3 %            | 29.4 %                 | 27.5 %            |
| Gross profit percentage from service center revenue           | 23.6 %               | 25.0 %            | 23.8 %                 | 24.6 %            |
| Total gross profit percentage                                 | <u>26.6 %</u>        | <u>26.2 %</u>     | <u>26.8 %</u>          | <u>26.2 %</u>     |

(A) Retail sales include DIY and commercial sales. Service center revenue includes revenue from labor and installed parts and tires.