



## **Pep Boys Reorganizes Field Operations**

Provides Increased Focus on Retail and Service Businesses

**PHILADELPHIA** – January 7, 2005 – The Pep Boys – Manny, Moe & Jack (NYSE: PBYY), the nation’s leading full-service automotive aftermarket chain, announced the restructuring of its field management team into separate Retail and Service organizations. Other than expected improvements in execution, this restructuring is expected to be transparent to our customers. Approximately 30 Pep Boys employees are affected, none in our stores.

Currently, our service managers report to a store manager and then up through one field organization supporting both the service and retail businesses. The new structure provides for a store retail manager and store service manager who will report up through a distinct organization of area directors, divisional vice presidents (DVPs), and senior vice presidents (SVPs) specializing in operating its respective business. Each field group will continue to enjoy common support functions such as purchasing, marketing, information systems, and finance. Mark Page, currently SVP— store operations, will become our SVP – service operations to lead the service operations field group, which includes our tire business. The Company is currently recruiting a SVP – retail operations. Both will report directly to Chairman and CEO Larry Stevenson.

Mr. Stevenson commented, “We continue to take steps to improve our service and tire business. The restructuring will better position us to deliver the world-class operational execution that each part of our businesses needs to achieve its potential. It will also allow us to hire and train to more common industry skill sets – for instance, for our service and tire business, we have today hired three divisional vice presidents, one from a national quick lube organization and two from tire and service companies, to complement one continuing DVP. For our retail business we have today hired two divisional vice presidents, from other successful big box retailers, complementing two continuing DVPs. In addition, one continuing DVP will manage both sides of our Puerto Rico operations. Given the breadth of responsibilities, across both retail and service that we had previously required, these hires would have been impossible for Pep Boys in the past.”

The Company believes that the operations restructuring will result in a pre-tax annual operating cost increase of approximately \$1 million to \$2 million per year.

In August of last year, Mr. Stevenson and the Board of Directors called upon President George Babich to head the Company’s efforts towards building the national leading brand for automotive maintenance and repair. Having successfully orchestrated this

Operations restructuring, Mr. Babich is leaving the Company to pursue other opportunities.

Mr. Stevenson commented, “George has been an invaluable resource to Pep Boys during his tenure. His contributions as CFO and then President were instrumental during difficult times and helped provide the financial stability for our current initiatives. He leaves Pep Boys with our gratitude for his role in laying the foundation for this operations reorganization, which will improve both our retail and service performance.” Mr. Babich said, “Being able to help the Company through some challenging times has been a tremendously rewarding experience for me both personally and professionally and I leave the Company knowing that the future is even brighter. From a personal standpoint, I am excited about spending some time with my family before deciding on the next chapter in my life.”

The company expects to record a pre-tax charge to this quarter’s earnings of approximately \$9 million (\$0.10 per share – basic), for severance, termination and hiring costs related to the operations restructuring, and the departure of certain store support center associates.

Pep Boys has 595 stores and more than 6,000 service bays in 36 states and Puerto Rico. Along with its vehicle repair and maintenance 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 [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 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.

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