



Pep Boys Reports Q1 Results

- Earnings Per Share From Continuing Operations Increases by 67% to \$0.10 -

PHILADELPHIA – June 10, 2008 - The Pep Boys - Manny, Moe & Jack (NYSE: "PBY"), the nation's leading automotive aftermarket retail and service chain, announced the following results for the thirteen weeks (first quarter) ended May 3, 2008.

Operating Results

First Quarter

Sales

Sales for the thirteen weeks ended May 3, 2008 were \$498.0 million, as compared to \$539.6 million for the thirteen weeks ended May 5, 2007. Comparable Sales decreased 5.6%, including a 6.2% comparable merchandise sales decrease and a 2.9% comparable service revenue decrease. In accordance with GAAP, merchandise sales includes merchandise sold through both our retail and service center lines of business and service revenue is limited to labor sales. 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 0.6% and comparable Retail Sales (DIY and Commercial) decreased 10.2%.

Earnings

Net Earnings from Continuing Operations increased to \$5.3 million or \$0.10 per share (basic and diluted) from Net Earnings from Continuing Operations of \$3.1 million or \$0.06 per share (basic and diluted) for the comparable period in the prior year. Net Earnings increased to \$4.7 million or \$0.09 per share (basic and diluted) from net earnings of \$3.2 million or \$0.06 per share for the prior year.

Commentary

Interim CEO Mike Odell said, "We are pleased with the progress we have made this quarter. Our service center business revenue and profitability increased. We are broadening our core automotive assortment offering and see positive trends in the categories that have been re-assorted. Our remaining non-core clearance inventory is down to \$12.6 million and we expect to complete the sell-through by the end of the second quarter. And, most importantly, we are energizing our team to serve our customers, because that's where it all starts."

He continued, "We announced our long-term strategic plan last November and our vision remains unchanged - to take our leading position in the automotive services and accessories categories and become the automotive solutions provider of choice for the value-oriented customer. In order to achieve this vision, we are continuing to lead our turnaround by growing our profitable service center business and leveraging our big boxes with improved parts coverage to support our service, retail and commercial customers. We are updating our sales floor assortments in our automotive

superstores to be dominant in the eyes of our customers. And, of course, we consistently pursue profit improvement through increased productivity, margin and expense controls.”

CFO Ray Arthur commented, “During the quarter, we completed two sale leaseback transactions allowing us to further reduce our long term debt by \$58.7 million and build \$87.3 in cash and equivalents. Please note that first quarter 2008 Net Earnings From Continuing Operations includes, on a pre-tax basis, a \$5.5 million Net Gain from Dispositions of Assets resulting from sale leaseback transactions. First quarter 2007 Net Earnings From Continuing Operations included, on a pre-tax basis, a \$3.7 million gain from an insurance claim for stores impaired during Hurricane Katrina in 2005 (\$1.3 million of which was recognized in Cost of Merchandise sales) and a \$3.9 million charge to SG&A for CEO transition costs.”

Pep Boys has over 560 stores and approximately 6,000 service bays in 35 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.

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 first quarter will be broadcast live on Tuesday, June 10, 2008 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 June 10 on Pep Boys' website at www.pepboys.com.

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Pep Boys Financial Highlights
Millions of Dollars Except Per Share Amounts

<u>Thirteen weeks ended</u>	<u>May 3, 2008</u>		<u>May 5, 2007</u>	
Total Revenues	\$	498.0	\$	539.6
Net Earnings From Continuing Operations	\$	5.3	\$	3.1
Basic Earnings Per Share:				
Average Shares		52,063,000		53,122,000
Net Earnings From Continuing Operations	\$	0.10	\$	0.06
Diluted Earnings Per Share:				
Average Shares		52,170,000		53,634,000
Net Earnings From Continuing Operations	\$	0.10	\$	0.06

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands, except per share amounts)

Thirteen weeks ended	May 3, 2008		May 5, 2007	
	Amount	% Sales	Amount	% Sales
Merchandise Sales	\$ 403,334	81.0	\$ 439,794	81.5
Service Revenue	94,709	19.0	99,789	18.5
Total Revenues	498,043	100.0	539,583	100.0
Costs of Merchandise Sales	285,923	70.9	311,530	70.8
Costs of Service Revenue	84,154	88.9	87,464	87.6
Total Costs of Revenues	370,077	74.3	398,994	73.9
Gross Profit from Merchandise Sale	117,411	29.1	128,264	29.2
Gross Profit from Service Revenue	10,555	11.1	12,325	12.4
Total Gross Profit	127,966	25.7	140,589	26.1
Selling, General and Administrative Expenses	119,015	23.9	127,110	23.6
Net Gain from Dispositions of Assets	5,531	1.1	2,359	0.4
Operating Profit	14,482	2.9	15,838	2.9
Non-operating Income	330	0.1	1,905	0.4
Interest Expense	5,427	1.1	12,656	2.3
Earnings From Continuing Operations Before Income Taxes	9,385	1.9	5,087	0.9
Income Tax Expense	4,094	43.6 ⁽¹⁾	2,036	40.0 ⁽¹⁾
Net Earnings From Continuing Operations	5,291	1.1	3,051	0.6
(Loss) Gain from Discontinued Operations, Net of Tax	(619)	(0.1)	124	-
Net Earnings	4,672	0.9	3,175	0.6
Retained Earnings, beginning of period	406,819		463,797	
Cumulative effect adjustment for adoption of EITF 06-10, net of tax	(1,165)		-	
Cumulative effect adjustment for adoption of FIN 48	-		(155)	
Cash Dividends	(3,495)		(3,581)	
Effect of Stock Options	(12)		(479)	
Retained Earnings, end of period	\$ 406,819		\$ 462,757	
Basic Earnings per Share:				
Basic Weighted Average Shares Outstanding	52,063		53,122	
Net Earnings From Continuing Operations	\$ 0.10		\$ 0.06	
Discontinued Operations, Net of Tax	(0.01)		-	
Basic Earnings per Share	\$ 0.09		\$ 0.06	
Diluted Earnings per Share:				
Diluted Weighted Average Shares Outstanding	52,170		53,634	
Net Earnings From Continuing Operations	\$ 0.10		\$ 0.06	
Discontinued Operations, Net of Tax	(0.01)		-	
Diluted Earnings per Share	\$ 0.09		\$ 0.06	
Cash Dividends per Share	\$ 0.0675		\$ 0.0675	

⁽¹⁾ As a percentage of earnings from continuing operations before income taxes

THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES
(UNAUDITED)
CONSOLIDATED BALANCE SHEETS
(dollar amounts in thousands, except per share amounts)

	<i>May 3, 2008</i>	<i>February 2, 2008</i>	<i>May 5, 2007</i>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 87,277	\$ 20,926	\$ 30,781
Accounts receivable, less allowance for uncollectible accounts of \$2,299; \$1,937; and \$1,593	30,726	29,450	31,261
Merchandise inventories	561,439	561,152	618,814
Prepaid expenses	39,601	43,842	40,145
Other	65,411	77,469	62,142
Assets held for disposal	16,592	16,918	-
Total Current Assets	801,046	749,757	783,143
Property and Equipment - Net	705,557	780,779	895,828
Deferred income taxes	27,332	20,775	24,845
Other	30,756	32,609	64,476
Total Assets	\$ 1,564,691	\$ 1,583,920	\$ 1,768,292
Liabilities and Stockholders' Equity			
Current Liabilities:			
Accounts payable	\$ 230,185	\$ 245,423	\$ 232,872
Trade payable program liability	19,020	14,254	14,046
Accrued expenses	282,322	292,623	281,120
Deferred income taxes	-	-	25,215
Current maturities of long-term debt and obligations under capital leases	2,278	2,114	3,474
Total Current Liabilities	533,805	554,414	556,727
Long-term debt and obligations under capital leases, less current maturities	341,317	400,016	623,761
Other long-term liabilities	70,032	72,183	66,339
Deferred gain from asset sales	146,062	86,595	-
Commitments and Contingencies			
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	296,715	296,074	292,837
Retained earnings	406,819	406,819	462,757
Accumulated other comprehensive loss	(12,486)	(14,183)	(9,906)
Less cost of shares in treasury - 14,582,741 shares, 14,609,094 shares and 15,000,595 shares	226,866	227,291	233,516
Less cost of shares in benefits trust - 2,195,270 shares	59,264	59,264	59,264
Total Stockholders' Equity	473,475	470,712	521,465
Total Liabilities and Stockholders' Equity	\$ 1,564,691	\$ 1,583,920	\$ 1,768,292

THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES
(UNAUDITED)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollar amounts in thousands)

Thirteen weeks ended	May 3, 2008	May 5, 2007
Cash Flows from Operating Activities:		
Net Earnings	\$ 4,672	\$ 3,175
Adjustments to reconcile net earnings to net cash used in continuing operations:		
Net loss (earnings) from discontinued operations	619	(124)
Depreciation and amortization	19,019	20,884
Amortization of deferred gain from asset sales	(1,825)	-
Accretion of asset retirement obligation	93	64
Stock compensation expense	1,322	4,390
Gain on debt retirement	(2,883)	-
Deferred income taxes	1,437	1,642
Gain from dispositions of assets & insurance recoveries	(5,531)	(3,719)
Loss from asset impairment	370	-
Change in fair value of derivatives	69	1,802
Excess tax benefits from stock based awards	-	(301)
Increase (decrease) in cash surrender value of life insurance policies	979	(534)
Changes in Operating Assets and Liabilities:		
Decrease in accounts receivable, prepaid expenses and other	7,586	10,178
Increase in merchandise inventories	(287)	(11,772)
Decrease in accounts payable	(15,238)	(32,617)
Decrease in accrued expenses	(12,281)	(2,257)
(Decrease) increase in other long-term liabilities	(2,394)	1,075
Net cash used in continuing operations	(4,273)	(8,114)
Net cash (used in) provided by discontinued operations	(58)	307
Net Cash Used in Operating Activities	(4,331)	(7,807)
Cash Flows from Investing Activities:		
Cash paid for property and equipment	(6,942)	(11,525)
Proceeds from dispositions of assets	132,090	-
Net cash provided by (used in) investing activities	125,148	(11,525)
Net cash used in discontinued operations	-	(85)
Net Cash Provided by (Used in) Investing Activities	125,148	(11,610)
Cash Flows from Financing Activities:		
Borrowings under line of credit agreements	97,909	207,505
Payments under line of credit agreements	(139,332)	(117,900)
Excess tax benefits from stock based awards	-	301
Borrowings on trade payable program liability	27,222	17,461
Payments on trade payable program liability	(22,456)	(17,405)
Payment for finance issuance cost	(93)	-
Proceeds from lease financing	4,676	-
Reduction of long-term debt	(18,856)	(808)
Payments on capital lease obligations	(49)	(83)
Dividends paid	(3,495)	(3,581)
Repurchase of common stock	-	(58,152)
Proceeds from exercise of stock options	8	773
Proceeds from dividend reinvestment plan	-	203
Net Cash (Used in) Provided by Financing Activities	(54,466)	28,314
Net Increase in Cash and Cash Equivalents	66,351	8,897
Cash and Cash Equivalents at Beginning of Period	20,926	21,884
Cash and Cash Equivalents at End of Period	\$ 87,277	\$ 30,781
Cash paid for interest, net of amounts capitalized	\$ 3,994	\$ 7,770
Supplemental Disclosure of Cash Flow Information:		
Non-cash investing activities:		
Accrued purchases of property and equipment	\$ 3,689	\$ 2,804

ADDITIONAL INFORMATION

(dollar amounts in thousands)

Thirteen weeks ended	May 3, 2008	May 5, 2007
Capital expenditures	\$ 8,646	\$ 10,453
Depreciation and amortization	\$ 19,019	\$ 20,884
Non-operating income:		
Net rental revenue	\$ 173	\$ 798
Investment income	167	1,133
Other expense	(10)	(26)
Total	\$ 330	\$ 1,905
Comparable sales percentages:		
Merchandise	-6.2 %	-3.1 %
Service	-2.9 %	1.5 %
Total	-5.6 %	-2.3 %
Total square feet of retail space (including service centers)	11,514,000	12,164,029
Total Store Count	562	593
Sales and Gross Profit by Line of Business (A):		
Retail Sales	\$ 273,325	\$ 311,119
Service Center Revenue	224,718	228,464
Total Revenues	\$ 498,043	\$ 539,583
Gross Profit from Retail Sales	\$ 73,404	\$ 88,766
Gross Profit from Service Center Revenue	54,562	51,823
Total Gross Profit	\$ 127,966	\$ 140,589
Comparable Sales Percentages (A):		
Retail Sales	-10.2 %	-4.6 %
Service Center Revenue	0.6 %	1.0 %
Total Revenues	-5.6 %	-2.3 %
Gross Profit Percentage by Line of Business (A):		
Gross Profit Percentage from Retail Sales	26.9 %	28.5 %
Gross Profit Percentage from Service Center Revenue	24.3 %	22.7 %
Total Gross Profit Percentage	25.7 %	26.1 %

(A) Retail Sales include DIY and Commercial sales. Service Center Revenue includes revenue from labor and installed parts and tires.