

## **Forty-seventh Annual General Meeting – Thursday 12 May 2005 at 11.00 hrs**

### **Sir John Egan, Chairman**

#### Slide 1 - Welcome

Good morning ladies and gentlemen.

It is now 11.00 o'clock and I am very pleased to welcome you to our forty-seventh Annual General Meeting.

Before we start; can I please ask you to switch off your mobile phones for the duration of the meeting.

First, I would like to introduce you to our Directors who will stand in turn. On my right starting at the end of the table:

David Scotland, a Non-executive Director  
Raymond Ch'ien, a Non-executive Director  
Ken Hanna, a Non-executive Director and Chairman of our Audit Committee  
Alan Ferguson, our Group Finance Director  
and Peter Johnson, our Group Chief Executive

On my left:

Roy Williams, our Group Company Secretary  
Michael Wemms, a Non-executive Director and Chairman of the Remuneration Committee  
Simon Robertson, our Senior Independent Non-executive Director  
Will Samuel, a Non-executive Director  
and Graeme Potts, Managing Director of Inchcape's UK & European Operations

Thank you, gentlemen.

I am very pleased to welcome Will Samuel and David Scotland to Inchcape. Will joined the Inchcape Board on 26 January 2005 this year and David joined on 24 February 2005. They bring with them a wealth of experience from which your Company will undoubtedly benefit.

I am sorry to say that Simon Robertson will be stepping down from the Board at the end of this meeting. Simon has served nine years as an Independent Non-executive Director, the last three as our Senior Independent Director. His contribution and wise counsel in that time has been invaluable. Our thanks to you, Simon and all our best wishes for the future.

In Simon's place, Will Samuel will take over as Senior Independent Director and he will also become Non-executive Deputy Chairman, replacing Trevor Taylor, who retired at the end of 2004. I believe that Trevor too is with us today, although as a member of the audience, and I would also like to take this opportunity of thanking him for his enormous contribution, both as an Executive Director and, latterly, as Deputy Chairman. Thank you, Trevor.

I would also like to recognise the efforts of Simon and all my other fellow Non-executives for the time they have dedicated and for their wise counsel and service to your Company during the year. Thank you, Gentlemen. I would also like to take this opportunity to thank the managers and employees of Inchcape for all their hard work and support throughout the year.

#### Slide 2 - Results overview

Now to the results for 2004.

Headline profit before tax was up 26.7% in 2004 at £172.0m. Our Headline earnings per share rose to 161.4p, an increase of 21.9%.

Profit before tax of £155.3m is less than last year by £13.0m. This is mainly due to the net impact of the

VAT recovery of £31.5m, the Inchcape Automotive goodwill impairment and net FRS 3 exceptional losses.

Operationally the Group has again performed at a very high level and has produced an excellent operating performance from all our key markets.

Against that background, the Board is recommending a final dividend of 35.0p per share, up 34.6% on last year. This would bring the total dividend for the year to 50.0p per share, an increase of 31.6%. At that level, the dividend is covered 3.2 times by Headline earnings per share.

As a result of our continued profit growth and our strong cash generation, our balance sheet was further strengthened during the year.

In addition we benefited from one off contributions from the VAT recovery, in 2004 and 2005, of £43.5m, and the sale of our non-core investments in MCL and AGL for £19.3m. These one offs mean that we have surplus capital and the Board has agreed, in line with our stated policy, to return excess funds to shareholders.

### Slide 3 - Share buy back and Board changes

As we announced at the time of the results, we have therefore begun the return of £65.0m to our shareholders through an on market share buy back programme. To date, we have bought back shares to the tune of £14.6m, and the programme continues.

Despite this return of surplus capital we will still have substantial financial capacity, which will enable us to deliver on our strategy in 2005 and beyond.

We also announced at the time of the results that I intend to step down from the Inchcape Board by the AGM in May 2006 and that Peter Johnson will succeed me as Non-executive Chairman.

The Board believes that this is the right decision for all our stakeholders and, indeed as part of our planning process, we consulted with our major shareholders and manufacturer partners, and they were all supportive. The important task of identifying a world class successor to Peter for this world class company is going well.

Peter has been an exceptional Chief Executive throughout the six years he has spent in the role. During his tenure he has served both our shareholders and original equipment manufacturer (OEM) partners outstandingly well, first leading Inchcape through a period of significant change and then impressive international growth.

As Non-executive Chairman, a key element of his new role will be to continue to focus on OEM relationships at the highest level and aid their transition to his successor, and we are delighted that Peter will continue to play an important part in the Company's future and, therefore, continued success.

Since the results, we have announced a further Board change. Last week, we reported that Alan Ferguson, Group Finance Director, is to leave Inchcape in September this year, to take up the role of Finance Director at BOC, the £5.0bn FTSE 100 chemicals company.

Alan's contribution to Inchcape has been considerable. He has been with the Company since 1983, and on the Board since 1999, and he should take a great deal of credit for the strength of our financial position today, and the shareholder value that has been created in recent years.

We are sorry that you are going Alan, but we fully understand why you find this such a compelling career opportunity, and when you go it will be with our very best wishes.

What I can assure you, knowing the management team at Inchcape as I do, is that the transition between the current and future Board make up will be smooth and there will be no loss of focus over the coming months. The team have built an enviable record of operational performance and value creation, which they wish to build on, and they are working on a number of strategic initiatives, which should come to fruition this year. I would now like to hand you over to Peter Johnson who will talk in more detail about the Group's individual market performances.

Peter Johnson, Group Chief Executive

Slide 4 - Introduction

Thank you John, and good morning ladies and gentlemen.

Before I outline our performance for 2004 I would like to add my own good wishes to Alan. He is with us for a few months yet but I would like to take this opportunity to underline how much he has done for the Group, and how much I personally have valued him both as a colleague and for his considerable contribution to our success over the last few years.

Inchcape has been transformed in the last six to seven years and part of his legacy will be a Group in excellent financial shape, one that is highly regarded in the financial markets for its openness, accuracy and prudence of its financial reporting. He will remain a good friend of Inchcape, and I hope of mine, for many years to come.

Now, back to the review of the year.

Slide 5 - Review of 2004, ongoing success of international strategy

Our results were good by any measure with operating profits and Headline PBT both up by over 25.0%, and Headline EPS up by almost 22.0%.

Slide 6 - Review of 2004, ongoing success of international strategy continued

During 2004 we have continued with our established strategy of creating scale, highly integrated businesses covering elements of distribution, retail and aftersales.

We have proven expertise in emerging markets, where our integrated management and access to capital is an advantage over local operators. This allows us to act quickly by establishing outstanding facilities in the core markets within these territories.

We are confident that this strategy will continue to serve us well as we move into new emerging markets, develop our existing markets and add to our core manufacturer partners.

Slide 7 - Review of 2004, ongoing success of international strategy continued

Particular highlights of the year have been our continued outstanding performance for Toyota, for whom we have retained market leadership in Hong Kong, Singapore and Greece. We have also continued to expand with them in the UK whilst establishing strong initial positions in the Balkans.

In Australia, our Subaru business achieved year on year volume growth for the ninth successive year.

In terms of new market opportunities; over the past twelve months we have seen a number of important strategic investments in Eastern Europe. This is a region where we see very exciting growth prospects in the coming years.

Slide 8 - Operational review, United Kingdom

Turning now to our operational performance for the year. Operating profits in the UK as a whole were up 29.7% at £27.1m.

The market, whilst still healthy overall, was more competitive than in 2003 but our Retail operations did well.

Registrations by our original equipment manufacturer partners fell 2.4%. However, our like for like sales for these marques were up by 7.4%. This reflects particularly strong performances from our BMW/MINI and Jaguar businesses and demonstrates the much improved quality of our Retail operations.

We have been investing in UK Retail in recent years, and the BMW/MINI and Mercedes-Benz dealerships

acquired in 2003 and 2004 respectively are now starting to benefit from our strategy of developing scale contiguous territories. In addition the new pre-delivery inspection centre at Brooklands opened in mid 2004 is already helping to decongest our Retail operations.

All this has meant that profits for our UK Retail operations, including the associated Financial Services business, rose by 31.2%. This reflects our improved operating margins, which were up from 1.8% to 2.1%. This is encouraging progress towards our stated goal of achieving industry leading margins.

#### Slide 9 - Operational review, United Kingdom continued

Our UK Ferrari/Maserati business has changed substantially since this time last year, and is now focused on Retail.

Since Ferrari took the strategic decision to take back control of all import and distribution throughout Europe, our business has focused on our three Maranello dealerships in the south east of England and these are now being managed as one contiguous territory.

Inchcape Fleet Solutions achieved considerably higher profitability in its fleet management business with 37.0% more vehicles under contract. This is due in large part to new contract wins with Vodafone, Telewest, Sanofi and the Inland Revenue. We also enjoyed higher margins on our contract hire disposals.

Inchcape Automotive, our Business Services operation, had another difficult year. This was not helped by the rate at which its rental company customers fleeted and de-fleeted vehicles and this created volatility in our business volumes. During 2004 we introduced new management, developed better business processes and have broadened our customer base. We have revised the contractual terms with our major customers and we remain confident that this business will be turned around, and will deliver appropriate returns on investment.

#### Slide 10 - Operational review, Greece/Balkans

In Greece and the Balkans, our profits rose by 13.0% to £20.8m.

The Greek market was strong, stimulated in part by the Olympics, and, despite the supply constraints experienced with Toyota, we increased our sales by 7.1%, retaining market leadership with a share of around 10.0%.

We continue to invest in our Athens and Salonica Retail operations and opened two new Toyota dealerships in Athens during the year.

#### Slide 11 - Operational review, Greece/Balkans continued

Our Balkans business performed very well, and market growth rates of some 40.0% were experienced in Romania and Bulgaria. Overall volumes grew by 48.5% and profits rose by over £2.0m.

In Romania we achieved growth of 64.9% in unit sales, with Toyota's market share increasing to 3.5%. In Bulgaria, where Toyota is market leader, we achieved a share of 8.6%. We continue to invest in these markets. In Romania we plan to open two additional dealerships in Bucharest within the next couple of years.

#### Slide 12 - Operational review, Belgium

Our business in Belgium had a more difficult year, primarily as a result of diesel product shortages. Our market share fell slightly whilst profits, at £13.5m, were 5.6% down on 2003.

Encouragingly, Lexus, a relatively new brand in Belgium, improved sales considerably with volumes up, by over 44.0%. The Lexus brand has strong prospects in this market, as hybrid and diesel products are introduced.

#### Slide 13 - Operational review, Australia/New Zealand

Our Australasian operations experienced a further excellent year, delivering a 27.2% increase in profits.

Our Subaru business in Australia, which has achieved volume growth every year for the past nine years, recorded a 12.7% increase in sales and achieved a record market share of 3.5%.

Results from our Melbourne operations exceeded our expectations, with unit sales up by 23.0% and profits up by 28.6%. This, together with encouraging finance earnings and a growing contribution from aftersales, drove margins to almost 4.0%.

Our Sydney Retail business has underperformed in recent times, mainly because of weak national sales volumes for Jaguar, Volvo and Volkswagen. In 2004 we refranchised and restructured our facilities and we have exited underperforming dealerships whilst extending our presence with Subaru. Overall this business was loss making in 2004 but, as a result of our actions, it returned to break even in the fourth quarter.

Our Australian Business Services company, AutoNexus, continues to expand and, towards the end of the year, won a three year contract with Volkswagen and Audi to handle their parts distribution.

#### Slide 14 - Operational review, Hong Kong

Our Hong Kong business continued its recovery following the region's difficulties in 2003. Consumer confidence is returning but gradually. During 2004 the market, excluding taxis, grew by 23.3% but still remains below 2002 levels. Our Toyota/Lexus business, Crown Motors, grew its total market share to 35.5%.

If we exclude the currency translation loss, experienced due to the weakening Hong Kong dollar, our underlying profits rose by 46.9%.

#### Slide 15 - Operational review, Singapore/Brunei

Profits from our operations in Singapore and Brunei rose by 17.6%. Again if we exclude the currency translation loss this rises to 27.0%.

In Singapore our Toyota/Lexus sales increased by 28.5% in a market which grew 24.9%. As a result our market share increased to 30.9%. The Toyota vehicle parc continues to grow and we are continuing to invest in our aftersales infrastructure in order to increase capacity, thereby improving customer service levels.

This increase in aftersales activity, and better finance earnings and higher volumes, combined to improve our margins to 8.2%.

In Brunei we experienced an encouraging sales performance and increased profits by 14.1%.

#### Slide 16 - Operational review, Other

Our other markets also recorded very encouraging performances.

Operations in both Finland and Guam performed well. In Finland we achieved our highest market share since 1995 and in Guam we increased profits and market share.

Our BMW business in Chile was boosted by the reduction in the luxury car tax, contributing to a 73.9% increase in volumes.

In France, where we retail Jaguar, Land Rover, Audi and Volkswagen, we saw a return to profit.

#### Slide 17 - Investment and growth opportunities

Sales and earnings growth will be driven by a combination of continued investment in our core markets, increased retail investments in our adjacent emerging markets and possible entry into new territories with

existing or new partners.

In the UK, dealer consolidation is continuing and there are many quality businesses that would fit well within our portfolio. We continue to balance strategic fit, price, value and timing in our discussions with vendors. In 2004 we acquired five Mercedes-Benz dealerships in the East Midlands, which adjoin our existing market area for this franchise. This combination has created the largest independent Mercedes-Benz territory in the country. We have also increased our Toyota and Volkswagen representation in the year.

#### Slide 18 - Investment and growth opportunities continued

We are rapidly expanding our presence in Eastern Europe. The opportunity here is clear and is exciting. We have established an early position in some of the most important cities; Sofia and Bucharest.

During the year we entered the Polish market, setting up two BMW dealerships.

In Estonia we acquired two Mazda dealerships and as a result we are now the exclusive Importer and Retailer for Mazda in this 'city state' market. We will continue to invest in 2005 as further opportunities arise.

We are also continuing our assessment of the opportunities, which exist in mainland China. As I have said previously, we need to find the right partner and then ensure we are offered the right market opportunity with the right OEM. This market also offers opportunities with growing indigenous Chinese manufacturers, who could require our expertise in distribution and retail in established and emerging markets.

#### Slide 19 - Summary

The Group has again performed at a very high level in 2004. Our underlying performance will be strengthened as we invest further to take advantage of the significant opportunities available to us. In 2005 we are well placed to continue with our now established record of profit growth and strong cash generation.

Thank you. I will now hand back to Sir John.

Sir John Egan, Chairman

Thank you very much Peter.

This morning we issued our latest trading update. We also published our full year results and 2004 under International Financial Reporting Standards.

Turning now to current trading.

#### Slide 20 - Trading update

As expected the UK car market is forecast to be slightly lower than 2004. Despite this, UK Retail has enjoyed a positive start to the year. It is expected that this will continue, aided by the recently announced acquisition of six Mercedes-Benz dealerships in the north west of England.

In Greece and Belgium, our market share in the year to date has been lower than anticipated. However, better product availability and a slightly broader product range should help our performance in both markets in the second half of the year.

In Australia market conditions remain strong and our performance is ahead of previous expectations.

In Hong Kong, we anticipate that profitability will remain in line with our expectations at the start of the year.

In Singapore the car market for 2005 is now expected to be higher than 2004. The Government's quota for Certificates of Entitlement for the year to March 2006 is better than we had previously expected and this will impact positively on profitability.

Slide 21 - Trading update continued

In summary then, Inchcape continues to benefit from its broad geographic spread and strong operational performance. The overall trading conditions seen to date leave us confident that 2005 will show further progress for Inchcape, and we are well placed to continue with our record of profit growth and strong cash generation.

I will now proceed to the formal business of the meeting.