

CHAIRMAN'S WELCOME



**NIGEL
STEIN**
Chairman

DEAR SHAREHOLDERS,

I was honoured to be appointed Chairman of Inchcape at last May's annual general meeting, succeeding Ken Hanna in the role. Ken had served on the Board for 17 years, including nine as Chairman, playing a significant part in Inchcape being the successful company it is today. On all stakeholders' behalf, I thank him for his contribution and look forward to taking the Company forward on the next stage of its constant evolution.

2018 TRADING

Inchcape had a resilient trading performance in 2018, a year which saw challenging conditions in several automotive markets, with lower demand in the UK and Australia particularly impacting our results. The Group performed well in its other markets, keeping sales overall moving ahead and pre-exceptional profit before tax only slightly lower. Employees across Inchcape worked extremely hard to deliver this result and I sincerely thank them for their efforts.

STRATEGY

Since assuming my role, I have taken the opportunity to visit several of the Group's larger markets. In each, I was impressed by the capability, commitment and enthusiasm of the Inchcape teams I met and noted their strong support for the Ignite strategy, which is bringing increasing benefits to the bottom line.

Progress against the five drivers of the Ignite strategy is covered elsewhere in this report, but at a time of low growth in Inchcape's main markets, successful execution of those initiatives will be increasingly important to our success.

As is clear from the results, Inchcape's business is increasingly weighted towards the Distribution segment. The Board believes this is a more resilient market position than a purely Retail presence, although it recognises the importance of demonstrating Inchcape's Retail credentials to its global OEM partners. Future investment and capital expenditure are therefore planned to be more weighted to our Distribution than Retail segment.

FUTURE TRENDS

The Board spends considerable time looking at the longer-term outlook in the global automotive industry. This is a time of considerable change in our industry, with some major disruptive trends looking likely to change the way cars are purchased, used and maintained in the medium to longer term. These include electrification of the drivetrain including more battery electric cars; shared ownership; and autonomous or "self driving" vehicles. All of these being enabled by a high degree of digital connectivity inside and between vehicles.

Inchcape is working closely with its OEM partners to evaluate how these changes will impact our automotive markets, how we can benefit from them and what risks we must guard against.

Nearer at hand are changes already taking place in the way our customers choose to interact with Inchcape, with most now using digital channels to evaluate the model they would like before they ever visit a showroom. We are stepping up our investment in digital capability to ensure Inchcape keeps an attractive and competitive online presence.

GOVERNANCE

Inchcape prides itself on a strong governance culture, recognising that in a business spread broadly across emerging markets and with new acquisitions, this cannot be taken for granted. During the year several governance processes were refreshed and a new Code of Conduct and Employee Handbook issued, supported by an extensive training programme.

BOARD CHANGES

A strong and relevant Board with skills which add to the Company's wider "experience" is an important asset. In that connection we were pleased to welcome Jane Kingston who joined the Board in August 2018. Jane's background and previous career are set out in detail elsewhere in the Directors' Report. Her expertise is already proving useful to our team.

Nigel Northridge, the Senior Independent Director, is standing down from the Board at the AGM after more than nine years' service. I would like to thank Nigel for his excellent contribution to the Board over those years. The Board has approved the appointment of Jerry Buhlmann to succeed Nigel Northridge as Senior Independent Director. Further details are given on page 66.

LOOKING AHEAD

The anticipated softening of demand in a number of major markets and the potential economic impact of Brexit in the UK and Europe will create a challenging backdrop to 2019. Despite this we expect Inchcape to deliver a resilient underlying performance.

The strengths of the Group's business model, its exposure to high growth markets, strong partnership with leading OEMs and weighting towards Distribution, together with a strong focus on cost control, will help us to respond to the current challenges and position us well for the years ahead.

Nigel Stein
Chairman