

Highlights

Inchcape's self-help measures deliver strong cash flow despite unprecedented market conditions

Inchcape plc, a leading independent automotive distributor and retailer, announces its half year results for the period ended 30 June 2009.

Operational & strategic highlights:

- Increased share in most markets
- Continued strong Aftersales contribution
- Significant like for like cost reduction of 13%
- Rapid reduction in net debt to £28m, down from £408m at year end:
 - strong operating cash flow generation of £217m
 - net proceeds of £234m from successful Rights Issue

Financial highlights:

- Reported Sales £2.8bn (2008: £3.3bn), down 22.9% in constant currency
- Pre exceptional PBT £65.4m (2008: £130.3m), down 57.6% in constant currency
- Reported PBT £47.0m (2008: £130.3m)
- Adjusted EPS* 1.3p (2008: 3.5p**)
- Reported EPS 0.7p (2008: 3.5p**)

* Before exceptional items ** Adjusted to reflect the Rights Issue

André Lacroix, CEO of Inchcape plc, commented:

"The Group has delivered a resilient performance in the first half of this year, demonstrating the strengths of our unique business model in a downturn and the responsiveness of our organisation to unprecedented market conditions.

Despite particularly challenging trading conditions, our operational focus on executing our five Group-wide priorities - of growing market share and Aftersales, whilst reducing costs, managing working capital and reducing capital expenditure - has delivered a strong cash flow performance. Combined with our recent successful Rights Issue, this has considerably strengthened our balance sheet.

We are pleased with our first half results due to solid performances in Australia, Singapore and the UK, improved Used car margins and good Aftersales resilience. However, in light of the global downturn, we remain cautious for the second half.

We will continue to focus on our five priorities as conditions in our markets remain challenging and we do not expect the global recovery to start until well into 2010.

We are confident in our ability to deliver a solid performance for 2009 as a whole and the Group is well positioned to benefit from the market recovery."

Group CEO Statement

I am pleased to announce a solid set of results for the Group for the first half of the year. Although below last year, this performance reflects our focus on executing our five key operational priorities of growing market share, growing Aftersales, reducing costs, managing working capital and reducing capital expenditure.

Despite extremely challenging trading conditions, overall the Group delivered a resilient financial performance with sales of £2.8bn, a decline of 15.5% in the first half year and profit before tax and exceptional items of £65.4m, down 49.8%. After exceptional items of £18.4m (June 2008: £nil), profit before tax was £47.0m. The Group generated an operating profit before exceptional items in the first half year of £87.4m, a decrease of 42.2% from the first half of 2008. This resulted in a return on sales before exceptional items of 3.1%, down from 4.6% in 2008.

Adjusted earnings per share (EPS) which excludes exceptional items were 1.3p (June 2008: 3.5p) and basic EPS, which includes exceptional items, were 0.7p (June 2008: 3.5p). As previously announced, the Board is not recommending the payment of an interim dividend (June 2008: 5.46p per share).

£18.4m of exceptional items have been recorded in the first half year. £5.1m resulted from additional restructuring of our Eastern European operations together with the streamlining of the European Management structure. A further £13.3m of non cash exceptional items have been charged comprising a £10.3m property impairment in Latvia and a £3.0m vacant property provision.

Whilst the Group has seen customer demand for new vehicles remain weak, we have increased our share in most of our markets. Our Aftersales business, which contributes 50% of our gross margin, remains resilient and we have seen margin improvements in Used cars.

In the first half of 2009, trading profit in our Distribution segment of £64.2m fell by 53.2% in constant currency terms and declined 43.5% at actual rates of exchange. Like for like sales declined 24.0% in constant currency. We gained market share in Australia and performance in Singapore was ahead of expectations. In Hong Kong, market sentiment and demand remains weak and trading conditions across Europe and Eastern Europe are very challenging.

Our Retail segment delivered trading profit of £26.6m, down 41.3% in constant and actual rates of exchange. On a like for like, constant currency basis, sales were down 21.9%. The better than expected trading conditions in the UK Used car market and in Australia generally, as well as the strength of our large retail facilities with resilient Aftersales, have helped to compensate for the challenging trading conditions across Europe and Russia and Emerging Markets, particularly the Baltics and Balkans.

We have delivered a strong free cash flow performance and have ended the first half with a significantly stronger balance sheet. Net debt has fallen by £379.7m to £28.1m, largely due to a significant working capital reduction of £207.3m in the period and the proceeds of our successful Rights Issue of £234.3m.

Note: Trading profit is defined as operating profit before exceptional items and unallocated central costs

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Strategy update

Our results in the first half of 2009 have demonstrated both the strength of our business model in a downturn and the responsiveness of our organisation to a set of unprecedented market conditions. The fundamentals of the Group remain solid and our strategic direction is clear. Despite the fact that all our key markets were down:

- We have improved our competitive position by gaining share in most markets
- Our Distribution businesses continued to deliver robust profitability
- Our Retail businesses have benefited from our scale retail facilities and superior Inchcape Advantage processes
- Our Aftersales operations have been resilient
- We have implemented a significant cost restructuring programme
- We have been able to rapidly drive down our working capital, principally inventory levels.

The resilience of our unique business model, our experienced management teams, our track record of operational excellence, our focus on superior customer service, the strength of our long-standing relationships with our brand partners as well our diversified geographic portfolio, provides us with significant defensive qualities and positions us well for the market upturn.

Given the continuing challenging trading conditions in our markets, in the second half of the year we remain focused on executing our five operational priorities to improve our competitive position and maximise our cash flow.

Growing market share

During the first half year we increased our share in most of our markets.

In our Distribution businesses, we will seek to continue to drive customer traffic into our showrooms with few but high impact campaigns, all focused behind core models with strong product and value-for-money propositions. Our teams are focused on targeted marketing initiatives with lower advertising costs to take advantage of media cost deflation and we will seek to maximise customer interest through innovation with new models, facelifts and limited editions.

In our Retail operations, our focus is on converting customer traffic entering our showrooms. The Inchcape Advantage process that we launched in 2006 gives us strong customer service differentiation in our local markets. We believe that our daily data gathering (in terms of customer traffic, leads, test drives and capture rate) gives us a unique opportunity to drive a performance management discipline to maximise customer conversion. Moreover, we use our own customer service database to obtain feedback from our customers enabling us to react quickly to put the right offers in place.

Growing Aftersales

Resilient Aftersales contributed 50% of the Group's gross profit during the period.

In our Distribution businesses our teams are focused on targeted direct marketing to drive higher service retention, Service Advisor training and parts and accessories promotions to drive additional margin opportunities with all-inclusive packages and innovations like 'Express Service'.

In our Retail operations we have established rigorous sales processes with our Inchcape Advantage programme. The daily capture of customer data, bookings, hours sold and workshop productivity give us a unique advantage when it comes to driving performance. Moreover, we are driving initiatives to increase transaction value, like Vehicle Health Check, Oil and Tyre programmes. Our customer service measurement system collects feedback which we use to continuously drive improvement in our operations.

Reducing costs

Aggressive cost restructuring initiatives, started in the fourth quarter of 2008 are having a positive impact on margin. We have delivered a stronger than expected cost reduction thanks to the speed and the impact of our initiatives.

During the fourth quarter of 2008 we reduced our headcount by 2,000 positions, closed 24 sites, cut back non-essential expenditure and renegotiated some of our supplier contracts. After adjusting for the Musa acquisition and the disposal of our French operations we have reduced our cost base by £48.3m in constant currency, which is a 13% year on year decline.

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Given the challenging trading conditions in Finland, the Baltics and Russia, we have decided to reduce our workforce even further by removing 350 from our headcount and by closing another seven retail sites. This additional restructuring and the removal of a European Management layer is expected to provide an additional £5.5m annualised benefit.

The associated restructuring cost of £5.1m has been booked as exceptional at the half year.

Managing working capital

Managing working capital remains key. Our inventory peaked at the end of the third quarter last year, reflecting the unprecedented downturn in our markets. Since the beginning of October, we have installed a new performance management system to accelerate our destocking. Thanks to the focus from the top and throughout the organisation, we have reduced our inventory, at constant currency, by 37% since year end, achieving our year end stock cover target of 1.5 months by the second quarter, seven months early.

The rapid destocking has had a significant impact and led to a very low working capital position at the end of June. We have also benefited from a material level of 'one-offs', including higher registrations than expected in June from a very low inventory level, delays in shipment from several OEMs/manufacturers and in Greece, the increase of Supplier Related Payables to meet the increased demand from the government tax incentive.

We expect more normalised levels of working capital in the second half.

Reducing capital expenditure

We have limited our investment to strategic sites and despite the downturn have continued to take advantage of several representation opportunities whilst still meeting our reduced capital expenditure targets for the year. This has been appreciated by our OEM brand partners and will give us a further advantage when the recovery starts. In the first six months of 2009, we have opened seven new retail sites; in the next six months we have two openings scheduled.

People

I would like to express my sincere thanks to our colleagues across the Group for their responsiveness and resilience to the unprecedented conditions we have been facing during the downturn. I would especially like to recognise their ongoing commitment and dedication to creating the ultimate customer experience for our brand partners.

Summary

Whilst we expect to benefit in the second half from a lower cost base, our resilient Aftersales business, good Used car margins and a stronger retail new car market in the UK, we remain cautious for the second half of 2009 overall. Challenging market conditions are expected in Singapore, Russia and Eastern Europe due to weaker demand and pressure on margins.

However, based on the intrinsic strengths of our business together with the prudent and decisive actions we have taken, we remain confident that despite what we expect to be a lengthy global industry downturn, through our focus on the execution of our five priorities we are confident in our ability to deliver a solid performance for 2009 as a whole.

André Lacroix
Group Chief Executive

29 July 2009

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Board changes

There have been a number of changes to the Board during the first half year. On 14 May, the day of our AGM, we were pleased to confirm Ken Hanna's appointment as the Company's Non-Executive Chairman, succeeding Peter Johnson who left the Company after 15 years. Graham Pimlott was appointed Chairman of the Audit Committee, succeeding Ken Hanna. Raymond Ch'ien and Karen Guerra retired as Non-Executive Directors of the Group.

Following three years with the Group and the successful completion of the Rights Issue, Barbara Richmond, Group Finance Director, decided to leave the Group by mutual consent at the end of June to pursue other interests.

Finally, we were pleased to announce the appointment of two new Non-Executive Directors with effect from 1 July 2009. Alison Cooper, who is currently a member of the Board and Chief Operating Officer of Imperial Tobacco Group PLC, joined the Inchcape Board as a Non-Executive Director and member of the Audit Committee. Nigel Northridge, currently Chairman of Paddy Power plc, Senior Independent Director of Aggreko plc and Non-Executive Director of Thomas Cook Group plc, joined the Inchcape Board as a Non-Executive Director and member of the Remuneration Committee.

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Operational review

Group key performance indicators*

| | Six months to 30.06.09 £m | Six months to 30.06.08 £m |
|---|---------------------------------|---------------------------------|
| Sales | 2,785.7 | 3,297.9 |
| Like for like sales growth / (decline) (%) | (15.4) | 6.7 |
| Trading profit | 90.8 | 159.0 |
| Like for like trading profit growth / (decline) (%) | (41.4) | 9.7 |
| Trading margins (%) | 3.3 | 4.8 |
| Cash generated from operating activities | 272.0 | 98.1 |

Regional analysis*

| | 2009 Operating profit £m | 2009 Exceptional items £m | 2009 Trading profit £m | 2008 Operating profit £m | 2008 Exceptional items £m | 2008 Trading profit £m |
|--------------------------------|-----------------------------------|------------------------------------|---------------------------------|-----------------------------------|------------------------------------|---------------------------------|
| Australasia | 16.6 | - | 16.6 | 22.1 | - | 22.1 |
| - Distribution | 12.8 | - | 12.8 | 17.6 | - | 17.6 |
| - Retail | 3.8 | - | 3.8 | 4.5 | - | 4.5 |
| Europe | 11.6 | (1.8) | 13.4 | 27.5 | - | 27.5 |
| - Distribution | 14.3 | (0.2) | 14.5 | 25.5 | - | 25.5 |
| - Retail | (2.7) | (1.6) | (1.1) | 2.0 | - | 2.0 |
| North Asia | 6.7 | - | 6.7 | 20.3 | - | 20.3 |
| - Distribution | 6.7 | - | 6.7 | 20.3 | - | 20.3 |
| South Asia | 31.1 | - | 31.1 | 29.9 | - | 29.9 |
| - Distribution | 31.1 | - | 31.1 | 29.9 | - | 29.9 |
| United Kingdom | 16.6 | (3.0) | 19.6 | 32.7 | - | 32.7 |
| - Distribution | 1.7 | - | 1.7 | 1.6 | - | 1.6 |
| - Retail | 14.9 | (3.0) | 17.9 | 31.1 | - | 31.1 |
| Russia and Emerging Markets | (8.7) | (12.1) | 3.4 | 26.5 | - | 26.5 |
| - Distribution | (6.5) | (3.9) | (2.6) | 18.8 | - | 18.8 |
| - Retail | (2.2) | (8.2) | 6.0 | 7.7 | - | 7.7 |
| Total | 73.9 | (16.9) | 90.8 | 159.0 | - | 159.0 |
| - Distribution | 60.1 | (4.1) | 64.2 | 113.7 | - | 113.7 |
| - Retail | 13.8 | (12.8) | 26.6 | 45.3 | - | 45.3 |
| Central costs | (4.9) | (1.5) | | (7.9) | - | |
| | 69.0 | (18.4) | | 151.1 | - | |

* At actual exchange rates

Inchcape reports its results in the condensed set of consolidated financial information using actual rates of exchange. The Operational review reports results in actual rates of exchange but to enhance comparability are also shown in a form that isolates the impact of currency movements from period to period by applying the June 2009 exchange rates to both periods' results (constant currency). It also adjusts for the impact of exceptional items. Where exceptional items and unallocated central costs are excluded from operating profit the results are referred to as trading profit.

Like for like sales and trading profit exclude the impact of acquisitions from the date of acquisition until the thirteenth month of ownership, and businesses that are sold or closed. It further removes the impact of retail centres that are relocated. This is from the date of opening until the thirteenth month of trading in the new location.

Operating cash flow is defined as trading profit adjusted for depreciation and amortisation plus the change in working capital.

For the year ended 31 December 2009, the Group has adopted IFRS 8 'Segmental Reporting'. IFRS 8 replaces IAS 14 'Segment Reporting' and is effective for reporting periods beginning on or after 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar

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characteristics. In contrast, the predecessor standard required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach.

Under IFRS 8, the only change for the Group is that businesses previously reported within the Rest of World segment under IAS 14 are reported within the other segments that best match the characteristics of each individual business. As a result, the Group's reportable segments for 2009 are as follows:

| Distribution | Retail |
|-----------------------------|-----------------------------|
| Australasia | Australasia |
| Europe | Europe |
| North Asia | |
| South Asia | |
| United Kingdom | United Kingdom |
| Russia and Emerging Markets | Russia and Emerging Markets |

These changes require comparative segmental information to be restated accordingly.

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Australasia

Key performance indicators*

| | Six months to 30.06.09 £m | Six months to 30.06.08 £m | % change | % change in constant currency |
|------------------------------|---------------------------------|---------------------------------|-------------|--|
| Sales | 357.9 | 393.7 | (9.1) | (7.2) |
| - Distribution | 218.5 | 248.5 | (12.1) | (10.2) |
| - Retail | 139.4 | 145.2 | (4.0) | (2.2) |
| Like for like sales | 344.8 | 384.2 | (10.3) | (8.4) |
| - Distribution | 218.5 | 248.5 | (12.1) | (10.2) |
| - Retail | 126.3 | 135.7 | (6.9) | (5.2) |
| Trading profit | 16.6 | 22.1 | (24.9) | (23.6) |
| - Distribution | 12.8 | 17.6 | (27.3) | (25.9) |
| - Retail | 3.8 | 4.5 | (15.6) | (14.5) |
| Like for like trading profit | 16.1 | 22.1 | (27.1) | (26.2) |
| - Distribution | 12.8 | 17.6 | (27.3) | (25.9) |
| - Retail | 3.3 | 4.5 | (26.7) | (27.1) |
| Trading margins (%) | 4.6 | 5.6 | (1.0)ppt | (1.0)ppt |
| - Distribution | 5.9 | 7.1 | (1.2)ppt | (1.2)ppt |
| - Retail | 2.7 | 3.1 | (0.4)ppt | (0.4)ppt |
| Operating cash flow | 39.9 | 21.3 | | |
| - Distribution | 24.5 | 8.3 | | |
| - Retail | 15.4 | 13.0 | | |

* At actual exchange rates

The new Australasia segment contains the Group's operations in Australia and New Zealand.

Australia has been one of the most resilient car markets in the developed world, although it experienced a decline of 16.1% in the first six months.

Trading remained competitive throughout the first half year with significant price discounting as competitors cleared stocks. Margins improved in the second quarter assisted by a reduced level of inventory in the market.

Despite the market decline and the final months of run out of Liberty and Outback models, we have improved our Subaru market share to a record 4.2% (3.8% in 2008), reflecting the success of the new Forester and Impreza models. This market share growth allowed the Group to outperform the market. On a like for like constant currency basis, sales in our Distribution business declined by 10.2% compared to last year and trading profits were down 25.9%.

In our Retail operations we gained share by focusing on good customer management through our Inchcape Advantage measures, leveraging the launch of the new Subaru models, promoting strong value for money offers on Used cars and increasing our Finance and Insurance penetration. Our Aftersales results were strong as we drove growth with the launch of our 'Service Express' initiative and we improved our on-line booking performance.

Our focus on working capital and cash flow has produced a solid first half result in Australia, with a 34% reduction in working capital driving strong year on year increase in cash flows in Australasia of £39.9m.

The latest industry forecast for the year shows the decline in the new car market in Australia will be 13% in 2009, a total industry volume (TIV) of 860,000 vehicles.

Although trading conditions will remain challenging during the second half, in our Australian Subaru Distribution business we will benefit from the launch of the new Liberty and Outback models and we will continue to build upon the success of Impreza and Forester.

In our Australian Retail operations, again we intend to capitalise on Subaru new model launches and build upon the success of the Finance and Insurance and Aftersales initiatives implemented during the first half year.

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Europe

Key performance indicators*

| | Six months to 30.06.09 £m | Six months to 30.06.08 £m | % change | % change in constant currency |
|------------------------------|---------------------------------|---------------------------------|-------------|--|
| Sales | 526.5 | 711.4 | (26.0) | (37.4) |
| - Distribution | 416.7 | 476.4 | (12.5) | (26.0) |
| - Retail | 109.8 | 235.0 | (53.3) | (60.5) |
| Like for like sales | 526.5 | 644.9 | (18.4) | (30.9) |
| - Distribution | 416.7 | 476.4 | (12.5) | (26.0) |
| - Retail | 109.8 | 168.5 | (34.8) | (44.8) |
| Trading profit | 13.4 | 27.5 | (51.3) | (58.9) |
| - Distribution | 14.5 | 25.5 | (43.1) | (52.1) |
| - Retail | (1.1) | 2.0 | (155.0) | (146.0) |
| Like for like trading profit | 13.4 | 26.9 | (50.2) | (57.9) |
| - Distribution | 14.5 | 25.5 | (43.1) | (52.1) |
| - Retail | (1.1) | 1.4 | (178.6) | (167.9) |
| Trading margins (%) | 2.5 | 3.9 | (1.4)ppt | (1.3)ppt |
| - Distribution | 3.5 | 5.4 | (1.9)ppt | (1.9)ppt |
| - Retail | (1.0) | 0.9 | (1.9)ppt | (1.8)ppt |
| Operating cash flow | 76.8 | 11.7 | | |
| - Distribution | 66.6 | 15.3 | | |
| - Retail | 10.2 | (3.6) | | |

* At actual exchange rates

The Europe segment includes Belgium, Greece and Finland.

Trading conditions across our mainland European markets remained extremely difficult in the first half of the year.

Despite very challenging markets, our Distribution business reported a trading profit of £14.5m, 52.1% below last year in constant currency, with a trading margin of 3.5% compared to 5.4% last year. Like for like sales were down 26.0% in constant currency terms.

In our Retail business we incurred an overall trading loss of £1.1m, £3.1m worse than last year and £3.5m down in constant currency. Like for like sales reduced by 44.8% in constant currency terms.

In Belgium there has been no government stimulus package for the automotive industry and the market has declined by 15.6% versus last year. We expect the market to be down 30% for the full year with a TIV of 430,000 vehicles.

The Greek market declined by 28.9% during the first half year. We expect the market to be down 30% for the full year with a TIV of 187,000 vehicles. However in our Distribution business, we strengthened our market leadership position, growing market share by 0.7% to 10.9%.

In our Finnish Distribution business, a 40.7% reduction in the domestic market and a decline in the Baltic States ranging from 60% to 75% has resulted in challenging trading. The Finnish market is expected to be down 38% for the full year with a TIV of 140,000 vehicles.

Overall in Europe, our focus on working capital and in particular inventory management has resulted in a strong cash flow of £76.8m, an improvement of £65.1m on the last half year.

As a whole, we expect the European markets to continue to face challenges in the second half of the year. The Greek government tax incentives available in the first half year will end in August which may result in further market slowdown in the fourth quarter. We will focus on driving market share growth, leveraging the launch of new Toyota models (Prius, Verso and Urban Cruiser), the introduction of Toyota Optimal Drive and the launch of the Mazda 3 while maintaining our strong focus on cost reduction and working capital control.

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North Asia

Key performance indicators*

| Distribution | Six months to 30.06.09 £m | Six months to 30.06.08 £m | % change | % change in constant currency |
|------------------------------|------------------------------|------------------------------|----------|-------------------------------|
| Sales | 141.2 | 184.6 | (23.5) | (45.1) |
| Like for like sales | 135.7 | 172.0 | (21.1) | (43.4) |
| Trading profit | 6.7 | 20.3 | (67.0) | (76.3) |
| Like for like trading profit | 6.7 | 18.7 | (64.2) | (74.0) |
| Trading margins (%) | 4.7 | 11.0 | (6.3)ppt | (6.3)ppt |
| Operating cash flow | 39.9 | 5.9 | | |

* At actual exchange rates

The new North Asia segment contains the Group's vertically integrated operations in Hong Kong, Guam and Saipan.

Market sentiment was weak in Hong Kong in the first half year and as a result the market declined by 42.9%. We also saw significant price discounting in the market as competitor brands executed stock clearance programmes and this, combined with some new lower price competitor model launches, led to a market share loss for Inchcape in the first quarter but an improvement in the second quarter. Despite extremely challenging conditions and thanks to our strong Aftersales business, we have delivered a trading profit of £4.5m, enabling us to retain a trading margin of 4.5%, 7.9ppt below last year.

We have delivered an 82% reduction in working capital in Hong Kong at actual rates since year end, leading to a strong cash flow performance in North Asia of £39.9m.

We expect the market in Hong Kong to remain weak in the second half, down 30% on 2008 with a TIV of 26,000. However, with planned new and face lifted model launches (Alphard 250, Wish, RX450h, ISC, Ractis, Mazda 3, Jaguar XFR), we expect to strengthen our market share. Additionally, we will grow Aftersales traffic and expand business opportunities through innovative marketing programmes and added-value packages (e.g. free pre-MOT inspections and car care product promotions), continue to reduce overheads and working capital and limit capital expenditure to maintenance items.

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South Asia

Key performance indicators*

| Distribution | Six months to 30.06.09 £m | Six months to 30.06.08 £m | % change | % change in constant currency |
|------------------------------|------------------------------|------------------------------|----------|-------------------------------|
| Sales | 317.3 | 254.7 | 24.6 | (2.1) |
| Like for like sales | 317.3 | 254.7 | 24.6 | (2.1) |
| Trading profit | 31.1 | 29.9 | 4.0 | (18.1) |
| Like for like trading profit | 31.1 | 29.9 | 4.0 | (18.0) |
| Trading margins (%) | 9.8 | 11.7 | (1.9)ppt | (1.9)ppt |
| Operating cash flow | 53.0 | 37.0 | | |

* At actual exchange rates

The new South Asia segment contains the Group's vertically integrated operations in Singapore and Brunei.

Our Singapore business had an excellent start to the year as we benefited from a stronger than expected TIV in the first quarter and we have gained 6ppt of market share versus last year. The market was weaker in the second quarter due, in part, to the continued slowdown in de-registrations and also increasing Certificate of Entitlement (COE) prices. As a result, the market at the end of June was down by 20.8% versus last year.

Our market share performance was driven by the quality of our marketing programmes offering core models at good value for money. We also benefited from the fact that Parallel Importers have become less competitive due to the strengthening of the Yen against the Singapore Dollar. Parallel Imports now account for 18% of the market compared to 26% last year.

Overall, our business in Singapore has delivered a pleasing profit performance, with trading profit of £27.9m for the first half year, 19.6% lower than last year in constant currency.

Our focus on working capital reduction enabled us to deliver a strong cash flow performance of £53.0m in South Asia.

We expect the market to be weaker in the second half as government vehicle quotas in Singapore will be reduced in October and COE prices are likely to remain at the current level. We estimate the full year TIV at 80,000 vehicles, down 25% on last year.

Our focus in the second half will be on continuing to grow share in a declining market through strong, value-led marketing programmes. We will leverage new model launches from the first half year (Lexus RX, RX Hybrid, IS Convertible, Prius) and maximise the second half new model launches (Alphard 2.4, Wish, Camry face-lift). Further, we will seek to build on the first half year Aftersales achievements in both service and parts.

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United Kingdom Key performance indicators

| | Six months to 30.06.09 £m | Six months to 30.06.08 £m | % change | % change in constant currency |
|------------------------------|---------------------------------|---------------------------------|----------|-------------------------------|
| Sales | 1,005.7 | 1,334.1 | (24.6) | (24.6) |
| - Distribution | 14.0 | 11.8 | 18.6 | 18.6 |
| - Retail | 991.7 | 1,322.3 | (25.0) | (25.0) |
| Like for like sales | 931.8 | 1,143.3 | (18.5) | (18.5) |
| - Distribution | 14.0 | 11.8 | 18.6 | 18.6 |
| - Retail | 917.8 | 1,131.5 | (18.9) | (18.9) |
| Trading profit | 19.6 | 32.7 | (40.1) | (40.1) |
| - Distribution | 1.7 | 1.6 | 6.2 | 6.2 |
| - Retail | 17.9 | 31.1 | (42.4) | (42.4) |
| Like for like trading profit | 20.2 | 27.0 | (25.2) | (25.2) |
| - Distribution | 1.7 | 1.6 | 6.2 | 6.2 |
| - Retail | 18.5 | 25.4 | (27.2) | (27.2) |
| Trading margins (%) | 1.9 | 2.5 | (0.6)ppt | (0.6)ppt |
| - Distribution | 12.1 | 13.6 | (1.5)ppt | (1.5)ppt |
| - Retail | 1.8 | 2.4 | (0.6)ppt | (0.6)ppt |
| Operating cash flow | 68.0 | 77.6 | | |
| - Distribution | 10.8 | 6.3 | | |
| - Retail | 57.2 | 71.3 | | |

The United Kingdom segment remains unchanged under the new IFRS 8 adoption.

We continue to outperform the industry in the UK. The new vehicle market declined by 25.9% in the first six months, with our sales being down 24.6% on 2008. We have seen some positive impact from the UK government scrappage incentive scheme and as expected the scheme has largely benefited the volume brands. We gained 0.3ppt share of the Premium segment in the first half year and 0.1ppt share of the total market.

We have also seen an improvement in our Used car business with both volumes and margins ahead of last year.

Our Retail business delivered a pleasing trading profit of £17.9m, although this was 42.4% down on last year. We delivered a trading margin of 1.8%.

The Distribution business, comprising Inchcape Fleet Solutions, saw trading profits rise by 6.2% versus 2008 as residual values have firmed up since the year end.

In our Retail business, a lower operating profit has resulted in a lower operating cash flow despite a working capital reduction in the first six months.

We expect the Retail market to be stronger in the second half as we should see the benefit of the scrappage incentive and, potentially, increased demand in the fourth quarter ahead of the VAT change in 2010.

Our TIV market estimate for 2009 is between 1.75m to 1.85m vehicles but we could see a lower market in 2010 once the government scrappage scheme and VAT benefit have ceased.

For the second half, our focus is firmly on continuing to outperform the industry by driving vehicle sales enquiries through innovative, local marketing. Furthermore, there will be a number of new product launches across our 12 franchises from which we will take full advantage. We expect to build on our first half year success in Used cars and Aftersales and maintain our significant achievements in working capital and overhead reduction.

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Russia and Emerging Markets Key performance indicators*

| | Six months to 30.06.09 £m | Six months to 30.06.08 £m | % change | % change in constant currency |
|------------------------------|------------------------------|------------------------------|-----------|-------------------------------|
| Sales | 437.1 | 419.4 | 4.2 | (6.9) |
| - Distribution | 140.7 | 214.3 | (34.3) | (44.0) |
| - Retail | 296.4 | 205.1 | 44.5 | 35.8 |
| Like for like sales | 277.8 | 396.7 | (30.0) | (37.3) |
| - Distribution | 126.5 | 201.3 | (37.2) | (46.4) |
| - Retail | 151.3 | 195.4 | (22.6) | (26.9) |
| Trading profit | 3.4 | 26.5 | (87.2) | (88.4) |
| - Distribution | (2.6) | 18.8 | (113.8) | (111.8) |
| - Retail | 6.0 | 7.7 | (22.1) | (18.7) |
| Like for like trading profit | 1.6 | 26.2 | (93.9) | (94.6) |
| - Distribution | 1.6 | 18.5 | (91.4) | (92.7) |
| - Retail | (0.0) | 7.7 | (100.0) | (100.4) |
| Trading margins (%) | 0.8 | 6.3 | (5.5)ppt | (5.5)ppt |
| - Distribution | (1.8) | 8.8 | (10.6)ppt | (10.6)ppt |
| - Retail | 2.0 | 3.8 | (1.8)ppt | (1.4)ppt |
| Operating cash flow | 45.6 | (9.8) | | |
| - Distribution | 43.4 | (5.7) | | |
| - Retail | 2.2 | (4.1) | | |

* At actual exchange rates

The Russia and Emerging Markets segment contains the Group's operations in Russia, the Balkans, the Baltics, Poland, China, South America and Africa.

The first half of the year saw significant declines in many of the Emerging Markets which resulted in a like for like decline in sales of 37.3% at constant currency for the segment. This segment remains profitable with a trading profit of £3.4m due to the performance of Russia, Ethiopia and Poland partially offset by losses in our Baltics and Balkans markets. In Russia the market declined by 49.5% as demand for new cars was impacted by the general economic downturn. In the Balkans, Romania saw a market decline of 51.4% and Bulgaria 43.3%. The Baltic markets saw significant declines of up to 75% in the first half year reflecting the difficulty in credit availability and the economic instability in those markets, particularly Latvia.

Despite the tough market conditions in Russia and following the acquisition of Musa, we delivered a solid performance in the first half year with trading profit of £8.6m up 47.6% on 2008 in constant currency and a trading margin of 4.0%, benefiting from our large retail facilities and the resilience of our Aftersales business.

The Musa integration is progressing well and the final payment for the remainder of our 75.1% share of our acquisition should be made in the second half. We are growing share in both St Petersburg and Moscow and our focus for the second half year is to strengthen our competitive position in those markets.

We are implementing the 'Inchcape Advantage Way of Selling' with a strong focus on daily sales management. We expect to benefit from the many new model launches (BMW X1, 5GT, Peugeot 308, 3008 SUV, Renault Laguna coupe, Megane Coupe, Kaleos diesel, Clio, Land Rover Discovery facelift, Audi R8 5.2, Q7, A5 Sportsback, TT RS, A5) and grow Aftersales with a focus on Vehicle Health Checks, retention calls and Loyalty programmes.

Further, we will continue the implementation of our overhead cost reduction programme and maintain effective working capital management.

In the Balkans, we faced significant market decline and pressure on margin as all OEMs focused on liquidating their stock. Our focus will remain on maximising cash flow with a further stock cleanse programme in the second half year.

In the Baltics, the extremely low level of demand and the need to liquidate our stock resulted in pressure on margins. As part of the restructuring programme announced at the year end and further restructuring conducted in the second quarter, four sites were closed and we expect significant cost savings moving forward. In the second half we will seek to

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maximise cost savings from our restructuring programme, exploit the launch of the new Mazda 3, drive Aftersales and continue to minimise working capital.

Poland performed above expectations with sales 11.6% above last year in constant currency and a trading margin of 3.9%. In the second half we will open a new BMW site in Warsaw, leverage new BMW models and continue to drive Aftersales through improved productivity and margin focus.

In May 2009 we opened our third showroom in China for Lexus in Shanghai in a market which grew 9.3% in the first half of the year. In the second half we will drive customer traffic conversion through the implementation of Inchcape Advantage, with a disciplined sales process, lead management and test drive programme.

Our businesses in Ethiopia and Djibouti delivered strong performances with trading profits up at constant currency compared to the first half of 2008.

Despite unprecedented market conditions in Russia and Emerging Markets we delivered a strong cash flow of £45.6m as a result of our focus on inventory management and stock reduction.

We expect the trading conditions in all these markets to be extremely challenging in the second half of 2009.

Financial review

Currency option costs

In the first half of the year the Group has reported a gain of £3.3m within operating profit. This related to the currency call options taken out in February to hedge the profit translation impact from a potential strengthening of Sterling. Of the reported gain, £3.0m is a crystallised gain on options exercised between March and June, partially offset by a £2.5m cost of those options, with a £2.8m mark to market gain on the remainder of the options. This is reported in central costs.

Net financing costs

In the first half of the year, a non-cash cost of £3.9m was booked in our mark to market reporting consisting of two components: the net mark to market movement on the hedges for the remaining US loan notes was a loss of £7.9m; and a one-off benefit of £4.0m to the interest line from swaps related to the \$114m repayment of US loan notes at par.

Underlying interest costs have decreased reflecting lower interest rates and reduced debt levels following the reduction in working capital and the utilisation of the £234.3m net proceeds from the Rights Issue to pay down \$114m higher rate US loan notes at par, with the balance paying down revolving debt.

Tax

The pre exceptional effective tax rate for the Group rose to 31% from 25% in 2008, due to the restricted ability to obtain tax relief on UK financing costs and the impact of Group profit mix across our territories.

Exceptional items

The exceptional cost of £18.4m includes three components. Having taken into account the deteriorating trading conditions and based on current exchange rates we have recorded a non cash impairment of £10.3m on the carrying value of the land and buildings in Latvia. All of the goodwill related to Latvia was written off in December 2008.

Further restructuring costs of £5.1m have been booked which relate to market restructuring in Finland, the Baltics and Russia, which includes a closure of a further seven sites across these markets, and the streamlining of our European management layer. This, in total, will deliver £5.5m of annualised savings.

We have also taken a charge of £3.0m related to a lease commitment on land which was part of the Inchcape Automotive business which was sold to Camden Motors. Camden went into administration during the first half of the year.

Minority interests

Profits attributable to minority interests reduced to £1.8m in 2009 from £3.1m in 2008.

Cash flow and financing

The Group generated £272.0m of cash from operating activities in the first half year compared to £98.1m in 2008. The successful destocking initiative in the first half year to re-align inventory across the Group to a lower level of customer demand has seen inventory reduce and generate a £361.1m cash inflow. We have achieved the year end stock cover target of 1.5 months, seven months early. Funding of net capital expenditure fell to £42.3m from £56.2m in 2008 following the previously announced programme to restrict expenditure.

The Rights Issue generated £234.3m net cash in April 2009 which was used to pay down the Group's debt.

The combination of strong operational cash flow and the Rights Issue proceeds have reduced net debt to £28.1m compared to £271.4m at 30 June 2008 and £407.8m at 31 December 2008.

Dividends

As previously announced, the Board is not recommending the payment of an interim dividend.

Pensions

During the first half year and in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the Group pension schemes amounting to £16.9m.

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Principal business risks

The Board has set out in the Annual Report and Accounts 2008, a number of principal business risks which could impact the performance of the Group. The key risks include, inter alia, prevailing market conditions, brand partner relationships, integration of acquisitions and treasury risks including currency, funding interest rate and counterparty. The Board has recently reviewed the principal risks and confirms that they remain valid for the rest of the year.

The most significant current risks result from the impact of continuing difficult economic conditions on revenues and margins as well as foreign exchange volatility.

The Group places great emphasis on maintaining excellent relationships with our brand partners and by working alongside our partners during this period of transformation, the Group will be well placed to perform in a recovered market.

The Group has taken decisive positive action over the last eight months to mitigate these difficult economic conditions, through identifying and implementing five key priorities (see pages 11-15 of the Annual Report and Accounts 2008), such that in the six months to 30 June 2009 the results achieved for the key metrics of cash flow and operating profit were pleasing.

Interest, currency, funding and liquidity risk

The Group continues to successfully hedge interest rate risk through cross currency interest rate swaps, and is managing the impact of movements in exchange rates on the consolidated income statement through the use of forward contracts and purchase of currency options.

Funding and liquidity risk is actively managed through strict controls on inventory and the use of supplier credit to fund the largest cash outflows of the Group. In April, the Group completed a successful Rights Issue, the proceeds of which have been used to reduce borrowings, thereby increasing available headroom and reducing the interest charge of the Group. This successful raising of capital has reduced the liquidity risk to the Group, and puts the Group in a stronger position to take advantage of market recovery.

Further details of the Group's principal risks and risk management process can be found on pages 27-29 and 47-48 of the Annual Report and Accounts 2008.

Going concern

Having reviewed the Group's financial projections which have been updated to reflect performance in the first half of the year, improvements in working capital and successful Rights Issue in April, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing this interim condensed consolidated financial information.

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Consolidated income statement (unaudited) FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Notes | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|--|-------|--------------------------------|--------------------------------|---------------------------|
| Revenue | 2 | 2,785.7 | 3,297.9 | 6,259.8 |
| Cost of sales | | (2,373.9) | (2,815.2) | (5,360.6) |
| Gross profit | | 411.8 | 482.7 | 899.2 |
| Net operating expenses | | (342.8) | (331.6) | (741.2) |
| Operating profit | 2 | 69.0 | 151.1 | 158.0 |
| Operating profit before exceptional items | | 87.4 | 151.1 | 240.5 |
| Exceptional items | 3 | (18.4) | – | (82.5) |
| Share of profit after tax of joint ventures and associates | | 0.4 | 1.1 | 2.2 |
| Profit before finance and tax | | 69.4 | 152.2 | 160.2 |
| Finance income | 4 | 25.4 | 34.5 | 68.4 |
| Finance costs | 5 | (47.8) | (56.4) | (120.4) |
| Profit before tax | | 47.0 | 130.3 | 108.2 |
| Tax | 6 | (20.1) | (32.3) | (52.9) |
| Profit for the period | | 26.9 | 98.0 | 55.3 |
| Profit attributable to: | | | | |
| - Equity holders of the parent | | 25.1 | 94.9 | 51.4 |
| - Minority interests | | 1.8 | 3.1 | 3.9 |
| | | 26.9 | 98.0 | 55.3 |
| Basic earnings per share (pence)* | 7 | 0.7p | 3.5p | 1.9p |
| Diluted earnings per share (pence)* | 7 | 0.7p | 3.5p | 1.9p |

* Earnings per share have been restated to reflect the bonus element of the Rights Issue.

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Consolidated statement of comprehensive income (unaudited) FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Profit for the period | 26.9 | 98.0 | 55.3 |
| Other comprehensive income: | | | |
| Cash flow hedges | (100.0) | (13.6) | 111.6 |
| Net investment hedge | 2.9 | – | (14.4) |
| Fair value gains / (losses) on available for sale financial assets | 0.7 | (0.3) | (1.1) |
| Effect of foreign exchange rate changes | (120.0) | 39.5 | 205.4 |
| Actuarial (losses) / gains on defined benefit pension schemes | (77.9) | 3.6 | (41.3) |
| Foreign exchange gains recycled through the consolidated income statement | – | – | (2.1) |
| Tax recognised directly in shareholders' equity | 43.8 | 6.8 | (30.8) |
| Other comprehensive income for the period | (250.5) | 36.0 | 227.3 |
| Total comprehensive income for the period | (223.6) | 134.0 | 282.6 |
| Total comprehensive income attributable to: | | | |
| - Equity holders of the parent | (222.9) | 129.5 | 273.1 |
| - Minority interests | (0.7) | 4.5 | 9.5 |
| | (223.6) | 134.0 | 282.6 |

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Consolidated statement of financial position (unaudited)

AS AT 30 JUNE 2009

| | Notes | As at 30.6.09 £m | As at 30.6.08 £m | As at 31.12.08 £m |
|--|-------|------------------------|------------------------|-------------------------|
| Non-current assets | | | | |
| Intangible assets | | 543.6 | 444.0 | 537.4 |
| Property, plant and equipment | | 663.8 | 601.5 | 708.1 |
| Investments in joint ventures and associates | | 20.9 | 16.7 | 21.3 |
| Available for sale financial assets | | 17.9 | 16.3 | 17.9 |
| Trade and other receivables | | 23.3 | 24.5 | 26.5 |
| Deferred tax assets | | 9.5 | 15.2 | 11.5 |
| Retirement benefit assets | | 0.8 | 52.8 | 49.4 |
| | | 1,279.8 | 1,171.0 | 1,372.1 |
| Current assets | | | | |
| Inventories | | 659.9 | 956.7 | 1,084.1 |
| Trade and other receivables | | 260.8 | 306.4 | 271.8 |
| Available for sale financial assets | | 0.2 | 0.5 | 2.0 |
| Derivative financial instruments | | 94.2 | 5.1 | 306.9 |
| Current tax assets | | 4.7 | 1.6 | 6.0 |
| Cash and cash equivalents | | 365.0 | 455.0 | 458.0 |
| | | 1,384.8 | 1,725.3 | 2,128.8 |
| Assets held for sale and disposal group | 11 | 5.4 | 58.9 | 5.4 |
| | | 1,390.2 | 1,784.2 | 2,134.2 |
| Total assets | | 2,670.0 | 2,955.2 | 3,506.3 |
| Current liabilities | | | | |
| Trade and other payables | | (891.0) | (1,077.4) | (1,123.9) |
| Derivative financial instruments | | (1.1) | (19.1) | – |
| Current tax liabilities | | (35.7) | (49.1) | (48.2) |
| Provisions | | (51.0) | (28.4) | (50.6) |
| Borrowings | | (137.8) | (244.6) | (165.3) |
| | | (1,116.6) | (1,418.6) | (1,388.0) |
| Non-current liabilities | | | | |
| Trade and other payables | | (78.7) | (46.9) | (78.1) |
| Provisions | | (38.6) | (42.5) | (52.0) |
| Deferred tax liabilities | | (23.4) | (22.5) | (69.1) |
| Borrowings | | (333.2) | (488.2) | (856.1) |
| Retirement benefit liabilities | | (51.6) | (6.2) | (43.4) |
| | | (525.5) | (606.3) | (1,098.7) |
| Liabilities directly associated with the disposal group | 11 | – | (29.9) | – |
| Total liabilities | | (1,642.1) | (2,054.8) | (2,486.7) |
| Net assets | | 1,027.9 | 900.4 | 1,019.6 |
| Shareholders' equity | | | | |
| Share capital | | 163.3 | 121.9 | 121.9 |
| Share premium | | 126.1 | 126.0 | 126.1 |
| Capital redemption reserve | | 16.4 | 16.4 | 16.4 |
| Other reserves | | 89.2 | 40.7 | 273.1 |
| Retained earnings | | 612.9 | 576.2 | 458.0 |
| Equity attributable to equity holders of the parent | | 1,007.9 | 881.2 | 995.5 |
| Minority interests | | 20.0 | 19.2 | 24.1 |
| Total shareholders' equity | | 1,027.9 | 900.4 | 1,019.6 |

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Consolidated statement of changes in equity (unaudited)
 FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserves £m | Retained earnings £m | Equity attributable to equity holders of the parent £m | Minority interest £m | Total shareholders' equity £m |
|--|---------------------|---------------------|----------------------------------|----------------------|-------------------------|---|-------------------------|----------------------------------|
| At 1 January 2008 | 121.6 | 123.4 | 16.4 | 12.7 | 539.5 | 813.6 | 24.2 | 837.8 |
| Total comprehensive income for the period ended 30 June 2008 | – | – | – | 28.0 | 101.5 | 129.5 | 4.5 | 134.0 |
| Share-based payments charge | – | – | – | – | 2.3 | 2.3 | – | 2.3 |
| Net purchase of own shares by ESOP Trust | – | – | – | – | (3.0) | (3.0) | – | (3.0) |
| Share buy back programme | – | – | – | – | (16.0) | (16.0) | – | (16.0) |
| Dividends: | | | | | | | | |
| - Equity holders of the parent | – | – | – | – | (48.1) | (48.1) | – | (48.1) |
| - Minority interests | – | – | – | – | – | – | (2.1) | (2.1) |
| Issue of ordinary share capital | 0.3 | 2.6 | – | – | – | 2.9 | – | 2.9 |
| Acquisition of business | – | – | – | – | – | – | (7.4) | (7.4) |
| At 30 June 2008 | 121.9 | 126.0 | 16.4 | 40.7 | 576.2 | 881.2 | 19.2 | 900.4 |
| At 1 January 2008 | 121.6 | 123.4 | 16.4 | 12.7 | 539.5 | 813.6 | 24.2 | 837.8 |
| Total comprehensive income for the year | – | – | – | 260.4 | 12.7 | 273.1 | 9.5 | 282.6 |
| Share-based payments credit | – | – | – | – | (0.9) | (0.9) | – | (0.9) |
| Net purchase of own shares by ESOP Trust | – | – | – | – | (4.2) | (4.2) | – | (4.2) |
| Share buy back programme | – | – | – | – | (16.0) | (16.0) | – | (16.0) |
| Dividends: | | | | | | | | |
| - Equity holders of the parent | – | – | – | – | (73.1) | (73.1) | – | (73.1) |
| - Minority interests | – | – | – | – | – | – | (2.6) | (2.6) |
| Issue of ordinary share capital | 0.3 | 2.7 | – | – | – | 3.0 | – | 3.0 |
| Acquisition of business | – | – | – | – | – | – | 0.6 | 0.6 |
| Acquisition of minority interest | – | – | – | – | – | – | (7.6) | (7.6) |
| At 1 January 2009 | 121.9 | 126.1 | 16.4 | 273.1 | 458.0 | 995.5 | 24.1 | 1,019.6 |
| Total comprehensive income for the period ended 30 June 2009 | – | – | – | (183.9) | (39.0) | (222.9) | (0.7) | (223.6) |
| Share-based payments charge | – | – | – | – | 1.0 | 1.0 | – | 1.0 |
| Issue of ordinary share capital | 41.4 | – | – | – | 192.9 | 234.3 | – | 234.3 |
| Dividends: | | | | | | | | |
| - Minority interests | – | – | – | – | – | – | (3.4) | (3.4) |
| At 30 June 2009 | 163.3 | 126.1 | 16.4 | 89.2 | 612.9 | 1,007.9 | 20.0 | 1,027.9 |

2009 INTERIM REPORT

Consolidated statement of cash flows (unaudited) FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Notes | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|--|-------|--------------------------------|--------------------------------|---------------------------|
| Cash generated from operating activities | | | | |
| Cash generated from operations | 9a | 272.0 | 98.1 | 183.7 |
| Tax paid | | (28.3) | (24.9) | (57.6) |
| Interest received | | 3.5 | 9.8 | 20.0 |
| Interest paid | | (30.0) | (34.0) | (74.0) |
| Net cash generated from operating activities | | 217.2 | 49.0 | 72.1 |
| Cash flows from investing activities | | | | |
| Acquisition of businesses, net of cash and overdrafts acquired | | – | (25.7) | (135.4) |
| Net cash inflow from sale of businesses | | 2.0 | 20.0 | 27.3 |
| Purchase of tangible and intangible assets | | (44.0) | (63.8) | (128.6) |
| Proceeds from disposal of property, plant and equipment | | 1.7 | 7.6 | 26.8 |
| Net disposal of available for sale financial assets | | 0.2 | 0.5 | 0.4 |
| Dividends received from joint ventures and associates | | – | – | 1.3 |
| Net cash used in investing activities | | (40.1) | (61.4) | (208.2) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of ordinary shares | | 234.3 | 2.9 | 3.0 |
| Share buy back programme | | – | (16.0) | (16.0) |
| Net purchase of own shares by ESOP Trust | | – | (3.0) | (4.2) |
| Net cash (outflow) / inflow from borrowings | | (448.1) | 77.7 | 275.2 |
| Payment of capital element of finance leases | | (1.2) | (0.1) | (0.7) |
| Loans granted to joint ventures | | (1.2) | – | (1.7) |
| Settlement of derivatives | | (5.4) | 8.3 | 17.5 |
| Equity dividends paid | | – | (48.1) | (73.1) |
| Minority dividends paid | | (3.4) | (2.1) | (2.6) |
| Net cash from financing activities | | (225.0) | 19.6 | 197.4 |
| Net (decrease) / increase in cash and cash equivalents | 9b | (47.9) | 7.2 | 61.3 |
| Cash and cash equivalents at beginning of the period | | 312.8 | 198.6 | 198.6 |
| Effect of foreign exchange rate changes | | (23.5) | 14.4 | 52.9 |
| Cash and cash equivalents at end of the period | | 241.4 | 220.2 | 312.8 |
| Cash and cash equivalents consist of: | | | | |
| - Cash at bank and in hand | | 258.4 | 328.2 | 351.3 |
| - Short term bank deposits | | 106.6 | 126.8 | 106.7 |
| - Bank overdrafts | | (123.6) | (234.8) | (145.2) |
| | | 241.4 | 220.2 | 312.8 |

Notes (unaudited)

1 Basis of preparation and accounting policies

Basis of preparation

The interim report for the period ended 30 June 2009 has been prepared on a going concern basis in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Services Authority. The interim report should be read in conjunction with the Annual Report and Accounts 2008, which have been prepared in accordance with IFRSs as adopted by the European Union, on a going concern basis and under the historical cost convention, except for the retention of certain freehold properties and leasehold buildings at previously revalued amounts (which were treated as deemed cost on transition to IFRS) and the measurement of certain balances at fair value as disclosed in the Annual Report and Accounts 2008.

The interim financial report is unaudited, but has been reviewed by the external auditors. The condensed set of consolidated financial information in the interim report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2008 were approved by the Board of Directors on 19 March 2009 and filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 237 (2) or (3) of the Companies Act 1985. The condensed set of consolidated financial information on pages 17 to 30 was approved by the Board of Directors on 29 July 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts 2008, other than the adoption, with effect from 1 January 2009, of IFRS 8 'Operating segments', IAS 1 (revised) 'Presentation of Financial Statements' and the amendment to IAS 16 in respect of the sale of property, plant and equipment that has previously been held for rental to others.

The Group has adopted IFRS 8 'Operating segments' which replaces IAS 14 and requires segmental reporting to be presented on the same basis as the internal management reporting. This has had no impact on the results or financial position of the Group. All comparatives have been restated according to the revised segmental disclosure. Further discussion of the changes can be seen in note 2, on page 23.

IAS 1 (revised), 'Presentation of financial statements' has been adopted by the Group, which prohibits the presentation of non-owner items of income and expenses in the consolidated statement of changes in equity and has also had no impact on the results or financial position of the Group.

Upon the adoption of the amendment to IAS 16, Group policy states that where an asset is held for rental to others, for a period of longer than 12 months, it is held as property, plant and equipment and depreciated to residual value over the course of the lease. Upon expiry of the lease, when the asset is held for sale, the asset is transferred to inventory at net book value and upon sale of the asset, the subsequent revenue and the net book value is recorded on a gross basis, through revenue and cost of sales. The Group has adopted the amended standard on a prospective basis from 1 January 2009. The adoption of the amendment has not had a material impact on the results or position of the Group for the six months ended 30 June 2009.

The following new standards are effective for accounting periods beginning 1 January 2009 but have not had a material impact on the results or financial position of the Group:

- IFRIC 13, 'Customer loyalty programmes'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'

IFRS 3 (Revised) 'Business Combinations' and subsequent amendments to IAS 27 (Revised) 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', were in issue but were not yet effective at balance sheet date. These revised standards have not been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2010.

Notes (unaudited)**1 Basis of preparation and accounting policies** continued

IFRIC 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009 and IFRIC 18, 'Transfers of assets from customers' is effective for transfers of assets received on or after 1 July 2009. These IFRICs are currently not relevant to the Group and therefore have not been early adopted.

The principal exchange rates used for translation purposes are as follows:

| | Average rates | | | Period end rates | | |
|-------------------|----------------|---------|----------|------------------|---------|----------|
| | 30.6.09 | 30.6.08 | 31.12.08 | 30.6.09 | 30.6.08 | 31.12.08 |
| Australian dollar | 2.11 | 2.15 | 2.19 | 2.04 | 2.07 | 2.06 |
| Euro | 1.11 | 1.30 | 1.27 | 1.17 | 1.26 | 1.03 |
| Hong Kong dollar | 11.55 | 15.49 | 14.56 | 12.76 | 15.52 | 11.14 |
| Singapore dollar | 2.22 | 2.76 | 2.63 | 2.38 | 2.70 | 2.07 |

2 Segmental analysis

From 1 January 2009, the Group has adopted IFRS 8 'Segmental Reporting'. IFRS 8 replaced IAS 14 'Segment Reporting'.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics. In contrast, the predecessor standard required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach.

Under IFRS 8, the only change for the Group is that businesses previously reported within the Rest of World segment under IAS 14 are reported within the other segments that best match the characteristics of each individual business.

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly were in, and are expected to return to, the growth phase of the development cycle. These currently comprise China, Balkans, Baltics, Poland, South America and Africa.

Comparative segmental information has been restated accordingly.

2009 INTERIM REPORT

Notes (unaudited)

2 Segmental analysis continued

| Six months to 30.6.09 | | | | | | | Distribution |
|--|-------------------|--------------|---------------------|---------------------|-------------------------|---|-----------------------------|
| | Australasia £m | Europe £m | North Asia £m | South Asia £m | United Kingdom £m | Russia and Emerging Markets £m | Total Distribution £m |
| Revenue from third parties | 218.5 | 416.7 | 141.2 | 317.3 | 14.0 | 140.7 | 1,248.4 |
| Results | | | | | | | |
| Operating profit before exceptional items | 12.8 | 14.5 | 6.7 | 31.1 | 1.7 | (2.6) | 64.2 |
| Exceptional items | – | (0.2) | – | – | – | (3.9) | (4.1) |
| Segment result | 12.8 | 14.3 | 6.7 | 31.1 | 1.7 | (6.5) | 60.1 |
| Share of profit after tax of joint ventures and associates | – | 1.0 | – | – | – | – | 1.0 |
| Profit before finance and tax | 12.8 | 15.3 | 6.7 | 31.1 | 1.7 | (6.5) | 61.1 |
| Results | | | | | | | |
| Operating profit before exceptional items | 17.6 | 25.5 | 20.3 | 29.9 | 1.6 | 18.8 | 113.7 |
| Exceptional items | – | – | – | – | – | – | – |
| Segment result | 17.6 | 25.5 | 20.3 | 29.9 | 1.6 | 18.8 | 113.7 |
| Share of profit after tax of joint ventures and associates | – | 0.9 | – | – | 0.2 | – | 1.1 |
| Profit before finance and tax | 17.6 | 26.4 | 20.3 | 29.9 | 1.8 | 18.8 | 114.8 |
| Results | | | | | | | |
| Operating profit before exceptional items | 33.3 | 39.9 | 38.7 | 63.0 | (5.7) | 23.7 | 192.9 |
| Exceptional items | (1.3) | (4.0) | (0.1) | – | – | (47.8) | (53.2) |
| Segment result | 32.0 | 35.9 | 38.6 | 63.0 | (5.7) | (24.1) | 139.7 |
| Share of profit after tax of joint ventures and associates | – | 2.1 | – | – | 0.2 | – | 2.3 |
| Profit before finance and tax | 32.0 | 38.0 | 38.6 | 63.0 | (5.5) | (24.1) | 142.0 |

2009 INTERIM REPORT

Notes (unaudited)

2 Segmental analysis continued

| Six months to 30.6.09 | | | | | Retail | | Central £m | Total £m |
|-----------------------------------|----------------|--------------|-------------------|--------------------------------|-----------------|----------------------|------------|----------------|
| | Australasia £m | Europe £m | United Kingdom £m | Russia and Emerging Markets £m | Total Retail £m | Total pre Central £m | | |
| Revenue from third parties | 139.4 | 109.8 | 991.7 | 296.4 | 1,537.3 | 2,785.7 | – | 2,785.7 |

Results

| | | | | | | | | |
|--|------------|--------------|-------------|--------------|-------------|-------------|--------------|-------------|
| Operating profit before exceptional items | 3.8 | (1.1) | 17.9 | 6.0 | 26.6 | 90.8 | (3.4) | 87.4 |
| Exceptional items | – | (1.6) | (3.0) | (8.2) | (12.8) | (16.9) | (1.5) | (18.4) |
| Segment result | 3.8 | (2.7) | 14.9 | (2.2) | 13.8 | 73.9 | (4.9) | 69.0 |
| Share of profit after tax of joint ventures and associates | – | – | – | (0.6) | (0.6) | 0.4 | – | 0.4 |
| Profit before finance and tax | 3.8 | (2.7) | 14.9 | (2.8) | 13.2 | 74.3 | (4.9) | 69.4 |

Net finance costs of £22.4m are not allocated to individual segments.

| Six months to 30.6.08 | | | | | Retail | | Central £m | Total £m |
|-----------------------------------|----------------|--------------|-------------------|--------------------------------|-----------------|----------------------|------------|----------------|
| | Australasia £m | Europe £m | United Kingdom £m | Russia and Emerging Markets £m | Total Retail £m | Total pre Central £m | | |
| Revenue from third parties | 145.2 | 235.0 | 1,322.3 | 205.1 | 1,907.6 | 3,297.9 | – | 3,297.9 |

Results

| | | | | | | | | |
|--|------------|------------|-------------|------------|-------------|--------------|--------------|--------------|
| Operating profit before exceptional items | 4.5 | 2.0 | 31.1 | 7.7 | 45.3 | 159.0 | (7.9) | 151.1 |
| Exceptional items | – | – | – | – | – | – | – | – |
| Segment result | 4.5 | 2.0 | 31.1 | 7.7 | 45.3 | 159.0 | (7.9) | 151.1 |
| Share of profit after tax of joint ventures and associates | – | – | – | – | – | 1.1 | – | 1.1 |
| Profit before finance and tax | 4.5 | 2.0 | 31.1 | 7.7 | 45.3 | 160.1 | (7.9) | 152.2 |

Net finance costs of £21.9m are not allocated to individual segments.

| Year to 31.12.08 | | | | | Retail | | Central £m | Total £m |
|-----------------------------------|----------------|--------------|-------------------|--------------------------------|-----------------|----------------------|------------|----------------|
| | Australasia £m | Europe £m | United Kingdom £m | Russia and Emerging Markets £m | Total Retail £m | Total pre Central £m | | |
| Revenue from third parties | 263.2 | 391.3 | 2,319.4 | 631.2 | 3,605.1 | 6,259.8 | – | 6,259.8 |

Results

| | | | | | | | | |
|--|------------|--------------|------------|-------------|-------------|--------------|---------------|--------------|
| Operating profit before exceptional items | 8.9 | 0.7 | 28.8 | 18.8 | 57.2 | 250.1 | (9.6) | 240.5 |
| Exceptional items | – | (3.0) | (23.1) | (1.8) | (27.9) | (81.1) | (1.4) | (82.5) |
| Segment result | 8.9 | (2.3) | 5.7 | 17.0 | 29.3 | 169.0 | (11.0) | 158.0 |
| Share of profit after tax of joint ventures and associates | – | – | 0.3 | (0.4) | (0.1) | 2.2 | – | 2.2 |
| Profit before finance and tax | 8.9 | (2.3) | 6.0 | 16.6 | 29.2 | 171.2 | (11.0) | 160.2 |

Net finance costs of £52.0m are not allocated to individual segments.

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Notes (unaudited)

3 Exceptional items

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|--------------------------------|--------------------------------|--------------------------------|---------------------------|
| Other asset impairment | (10.3) | – | – |
| Restructuring costs | (5.1) | – | (28.3) |
| Vacant property | (3.0) | – | – |
| Goodwill impairment | – | – | (54.2) |
| Operating exceptional items | (18.4) | – | (82.5) |
| Exceptional tax | – | – | (3.6) |
| Total exceptional items | (18.4) | – | (86.1) |

The Other asset impairment charge of £10.3m relates to property, plant and equipment and arises from an impairment review of the Group's business in Latvia which was updated following a further deterioration in trading conditions.

The charge of £5.1m in the period relates to the costs of further restructuring in the Group's businesses. The restructuring costs represent the costs of headcount reduction and site closures in Finland, the Baltics and Russia, together with changes in the composition of the Executive Committee.

The vacant property cost of £3.0m represents an onerous lease provision relating to a site occupied by the Inchcape Automotive business that was sold in 2007 and which went into administration in early 2009.

The Goodwill impairment charge in 2008 was in respect of the business in Latvia and certain sites in the United Kingdom which have been sold or closed.

4 Finance income

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|--|--------------------------------|--------------------------------|---------------------------|
| Bank and other interest receivable | 2.2 | 8.5 | 16.9 |
| Expected return on post-retirement plan assets | 21.9 | 24.7 | 49.4 |
| Other finance income | 1.3 | 1.3 | 2.1 |
| Total finance income | 25.4 | 34.5 | 68.4 |

5 Finance costs

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|--|--------------------------------|--------------------------------|---------------------------|
| Interest payable on bank borrowings | 3.0 | 7.1 | 11.7 |
| Interest payable on Private Placement | 6.3 | 10.8 | 18.2 |
| Interest payable on revolving credit facility | 1.6 | 3.3 | 11.3 |
| Interest payable on other borrowings | 1.0 | 1.0 | 3.2 |
| Fair value loss / (gain) on cross-currency interest rate swaps | 77.6 | 1.6 | (147.6) |
| Fair value adjustment on Private Placement | (73.7) | (0.9) | 144.8 |
| Stock holding interest | 5.0 | 9.8 | 21.5 |
| Interest expense on post-retirement plan liabilities | 19.3 | 21.5 | 43.1 |
| Other finance costs | 8.1 | 3.1 | 17.1 |
| Capitalised borrowing costs | (0.4) | (0.8) | (2.9) |
| Total finance costs | 47.8 | 56.4 | 120.4 |

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Notes (unaudited)

6 Tax

| | | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|----------------------------|------------|--------------------------------|--------------------------------|---------------------------|
| Current tax | - UK | 2.7 | 0.2 | (3.6) |
| | - Overseas | 17.3 | 30.8 | 56.8 |
| | | 20.0 | 31.0 | 53.2 |
| Deferred tax | - UK | (3.1) | 1.7 | 3.5 |
| | - Overseas | 3.2 | (0.4) | (7.4) |
| Tax before exceptional tax | | 20.1 | 32.3 | 49.3 |
| Exceptional tax | - Current | - | - | (2.4) |
| | - Deferred | - | - | 6.0 |
| Total tax | | 20.1 | 32.3 | 52.9 |

The subsidiaries Headline tax rate, defined as tax on profit before exceptional items and excluding the Group's share of profit after tax of joint ventures and associates, for the first half of 2009 is 31% (2008 - 25.0%).

7 Earnings per share

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|-------------------------------------|--------------------------------|--------------------------------|---------------------------|
| Profit for the period | 26.9 | 98.0 | 55.3 |
| Minority interests | (1.8) | (3.1) | (3.9) |
| Basic earnings | 25.1 | 94.9 | 51.4 |
| Exceptional items | 18.4 | - | 86.1 |
| Adjusted earnings | 43.5 | 94.9 | 137.5 |
| Basic earnings per share | 0.7p | 3.5p | 1.9p |
| Diluted earnings per share | 0.7p | 3.5p | 1.9p |
| Basic Adjusted earnings per share | 1.3p | 3.5p | 5.0p |
| Diluted Adjusted earnings per share | 1.3p | 3.5p | 5.0p |

| | Six months to 30.6.09 Number | Six months to 30.6.08 Number | Year to 31.12.08 Number |
|---|------------------------------------|------------------------------------|-------------------------------|
| Weighted average number of fully paid ordinary shares in issue during the period | 3,461,425,507 | 486,476,096 | 486,854,223 |
| Weighted average number of fully paid ordinary shares in issue during the period: | | | |
| -Held by the ESOP Trust | (9,710,927) | (1,408,423) | (1,257,218) |
| -Repurchased as part of the share buy back programme | (26,875,606) | (26,282,846) | (26,602,853) |
| -Bonus element of Rights Issue | - | 2,262,820,079 | 2,263,852,212 |
| Weighted average number of fully paid ordinary shares for the purposes of basic EPS | 3,424,838,974 | 2,721,604,906 | 2,722,846,664 |
| Dilutive effect of potential ordinary shares | 121,906 | 6,165,610 | 1,720,575 |
| Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS | 3,424,960,880 | 2,727,770,516 | 2,724,567,239 |

Earnings per share have been restated to reflect the bonus element of the Rights Issue.

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of fully paid ordinary shares in issue during the period, less those shares held by ESOP Trust and those repurchased as part of the share buy back programme.

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Notes (unaudited)

7 Earnings per share continued

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and deferred bonus plan awards.

Adjusted earnings (which excludes exceptional items) is adopted to assist the reader in understanding the underlying performance of the Group. Adjusted earnings per share is calculated by dividing the Adjusted earnings for the period by the weighted average number of fully paid ordinary shares in issue during the period, less those shares held by the ESOP Trust and those repurchased as part of the share buy back programme.

Diluted Adjusted earnings per share is calculated on the same basis as the Adjusted earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and deferred bonus plan awards.

8 Shareholders' equity

a. Issue of ordinary shares

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|---------------|--------------------------------|--------------------------------|---------------------------|
| Share capital | 41.4 | 0.3 | 0.3 |
| Share premium | – | 2.6 | 2.7 |
| | 41.4 | 2.9 | 3.0 |

Rights Issue

On 23 April 2009, 4,143,316,500 new ordinary shares of 1p each were issued by way of a 9 for 1 Rights Issue. The issue raised £234.3m net of issue costs. The structure utilised to facilitate the Rights Issue attracted merger relief under Section 131 of the Companies Act 1985 and as a result the excess of the net proceeds over the nominal value of the shares issued was initially recorded as a merger reserve. Subsequent transactions required to complete the Rights Issue resulted in the excess of £192.9m being transferred to retained earnings.

Treasury shares

During the six months ended June 2009, the Group did not repurchase its own shares (June 2008 - the Group repurchased 4,460,000 shares through purchases on the London Stock Exchange). The total consideration paid in the prior period to June 2008 was £16.0m and this was deducted from the Retained earnings reserve. The number of Treasury shares held by the Group at 30 June 2009 is 26,875,606 (December 2008: 26,875,606). The shares are held as Treasury shares and may either be cancelled or used to satisfy share options at a later date.

Share options

No shares were issued during the period under the Group's share option schemes.

b. Dividends

The following dividends were paid by the Group:

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Interim dividend for the six months ended 30 June 2008 of 5.46p per share | – | – | 25.0 |
| Final dividend for the year ended 31 December 2007 of 10.5p per share | – | 48.1 | 48.1 |
| | – | 48.1 | 73.1 |

There is no proposal to pay an interim dividend for the six months ended 30 June 2009.

Notes (unaudited)

9 Notes to the statement of cash flows

a. Reconciliation of cash generated from operations

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|--|--------------------------------|--------------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Operating profit | 69.0 | 151.1 | 158.0 |
| Exceptional items | 18.4 | – | 82.5 |
| Amortisation | 1.1 | 1.6 | 3.7 |
| Depreciation | 16.0 | 17.6 | 27.5 |
| Profit on disposal of property, plant and equipment | (0.3) | (1.5) | (2.6) |
| Share-based payments charge / (credit) | 1.0 | 2.3 | (0.9) |
| Decrease / (increase) in inventories | 361.1 | (72.1) | (27.9) |
| (Increase) / decrease in trade and other receivables | (6.9) | (25.6) | 65.6 |
| (Decrease) / increase in trade and other payables | (146.9) | 41.3 | (112.8) |
| (Decrease) / increase in provisions | (5.3) | (3.4) | 7.9 |
| Decrease in post-retirement defined benefits* | (17.2) | (11.0) | (16.2) |
| Movement in vehicles subject to residual value commitments | (9.3) | (4.8) | 4.3 |
| Payment in respect of operating exceptional items | (9.0) | – | (5.8) |
| Other items | 0.3 | 2.6 | 0.4 |
| Cash generated from operations | 272.0 | 98.1 | 183.7 |

* The decrease in post-retirement defined benefits includes additional payments of £16.9m (June 2008 - £11.0m).

b. Reconciliation of net cash flow to movement in net debt

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Net (decrease) / increase in cash and cash equivalents | (47.9) | 7.2 | 61.3 |
| Net cash outflow / (inflow) from borrowings and lease financing | 449.3 | (77.6) | (274.5) |
| Change in net cash and debt resulting from cash flows | 401.4 | (70.4) | (213.2) |
| Effect of foreign exchange rate changes on net cash and debt | (17.8) | 13.2 | 33.7 |
| Net movement in fair value | (3.9) | (0.7) | 2.8 |
| Net loans and finance leases relating to acquisitions | – | – | (17.6) |
| Movement in net debt | 379.7 | (57.9) | (194.3) |
| Opening net debt | (407.8) | (213.5) | (213.5) |
| Closing net debt | (28.1) | (271.4) | (407.8) |

Net debt has been restated to include the derivative relating to the Private Placement borrowing and is analysed as follows:

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Cash at bank and in hand | 258.4 | 328.2 | 351.3 |
| Short term bank deposits | 106.6 | 126.8 | 106.7 |
| Bank overdrafts | (123.6) | (234.8) | (145.2) |
| Cash and cash equivalents | 241.4 | 220.2 | 312.8 |
| Bank loans | (338.8) | (485.1) | (858.0) |
| Other loans | (1.5) | (4.4) | (9.2) |
| Finance leases | (7.1) | (8.5) | (9.0) |
| | (106.0) | (277.8) | (563.4) |
| Fair value of cross-currency interest rate swap | 77.9 | 6.4 | 155.6 |
| Net debt | (28.1) | (271.4) | (407.8) |

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Notes (unaudited)

10 Acquisitions and disposals

Acquisitions

In July 2008, the Group acquired 75.1% of the issued share capital of Musa Motors for a cash consideration of US\$200m. This US\$200m was an initial down-payment, with a further payment due in 2009 which is dependent on 2008 EBITA less acquired debt, subject to a cap of US\$250m. The remaining 24.9% is to be acquired in early 2011, with payment dependent on 2010 EBITA, capped at US\$250m.

In the six months to 30 June 2009, adjustments have been made to the net assets acquired of Musa Motors, as permitted by IFRS 3 - Business Combinations. These fair value adjustments are not material and therefore have not been restated for prior periods. The changes to the net assets acquired were primarily due to a decrease in supplier creditors and an increase in various taxes, compared to original estimates. These changes, together with revisions to amounts due in respect of the contingent deferred consideration, have resulted in an increase in the amount of goodwill recognised on acquisition.

Disposals

The Group disposed of some European businesses during the period, with disposal proceeds of £1.9m (June 2008 - £14.2m) before disposal costs.

11 Assets held for sale and disposal group

| | Six months to 30.6.09 £m | Six months to 30.6.08 £m | Year to 31.12.08 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Assets directly associated with the disposal group | – | 54.9 | – |
| Assets held for sale | 5.4 | 4.0 | 5.4 |
| Assets held for sale and disposal group | 5.4 | 58.9 | 5.4 |
| Liabilities directly associated with the disposal group | – | (29.9) | – |

The assets and liabilities in the disposal group comprise the following:

| | | | |
|---|---|--------|---|
| Goodwill | – | 5.2 | – |
| Property, plant and equipment | – | 13.6 | – |
| Inventories | – | 24.8 | – |
| Trade and other receivables | – | 11.3 | – |
| Assets held for sale and disposal group | – | 54.9 | – |
| Trade and other payables | – | (29.9) | – |
| Liabilities directly associated with the disposal group | – | (29.9) | – |

Assets held for sale relate to surplus properties which are being actively marketed.

12 Related party disclosures

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual Report and Accounts for the year ended 31 December 2008. All related party transactions arise during the ordinary course of business and are on an arm's length basis. There were no material transactions or balances between the Group and its key management personnel during the six months to 30 June 2009.

Independent review report to Inchcape plc

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial information in the interim report for the six months ended 30 June 2009 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of consolidated financial information. The information comprises only the Highlights, the Group CEO Statement, the Operational review, the Financial review, and the Statement of Directors' responsibilities.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial information included in this interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial information in the interim report based on our review. This review report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial information in the interim report for the six months ended 30 June 2009 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 July 2009

Notes:

(a) The maintenance and integrity of the Inchcape website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of Directors' responsibilities

Introduction

The Directors confirm that the condensed set of consolidated financial information in the interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and that the interim report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated financial information;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors and positions held during the period were as published in the Annual Report and Accounts 2008, unless otherwise stated:

| | Director position changes | Effective date | Committee membership changes |
|------------------|---|-----------------------|-------------------------------------|
| Raymond Ch'ien | Resigned as Non-Executive Director | 14 May 2009 | |
| Karen Guerra | Resigned as Independent Non-Executive Director | 14 May 2009 | Remuneration committee |
| Peter Johnson | Resigned as Non-Executive Chairman | 14 May 2009 | |
| Graham Pimlott | Appointed as Chairman of the Audit Committee | 14 May 2009 | |
| Ken Hanna | Appointed as Non-Executive Chairman | 14 May 2009 | |
| Barbara Richmond | Resigned as Group Finance Director | 30 June 2009 | |
| Alison Cooper | Appointed as Independent Non-Executive Director | 1 July 2009 | Audit committee |
| Nigel Northridge | Appointed as Independent Non-Executive Director | 1 July 2009 | Remuneration committee |

By order of the Board

André Lacroix
Group Chief Executive

29 July 2009