Inchcape

Interim results
27 July 2017

STRONG EARNINGS DRIVEN BY IGNITE

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Stefan Bomhard, Group CEO of Inchcape plc, commented

"Our revenue, profit and free cash flow performance in the first half of 2017 was well ahead of last year as we continue to put our Ignite strategy into action. Reflecting the strength of these results, we now expect to deliver a solid constant currency performance in 2017, modestly ahead of our expectations at the start of the year.

We achieved growth across our diversified set of value drivers, driven by our continued focus on improving our customers' experiences, delivering the full potential of all revenue streams and by leveraging our global scale. I am pleased with the growth in our high-margin Aftersales operations, as we benefit from better expertise sharing within the Group. We have become ever more innovative in our approach to best serve the evolving needs of our customers, especially in digital. I can also report that we continue to identify incremental annual procurement cost savings.

Our unique Distribution model continues to form the core of our business, generating 73% of Group trading profit in H1 and growing 10.7% at constant currency over the period.

Our Emerging Markets Distribution operations performed strongly, including accretion from the strategic South American acquisition made at the end of 2016, which is performing well and in line with our expectations. Furthermore, our Asia region saw a return to profit growth in the first half, not only reflecting the stabilisation of New Vehicle demand in Hong Kong but also our actions to better leverage our scale across the region.

We have a disciplined capital allocation framework and a strongly cash generative business model which enables us to invest in organic and inorganic opportunities to drive growth."

Clarifying our Financial Metrics

The following table shows the key profit measures that we use throughout this report to most accurately describe underlying operating performance and how they relate to statutory measures.

Metric	Results	Use of Metric
Gross Profit	615.0	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
Less: Segment operating expenses	*(393.6)*	
Trading Profit	221.4	Underlying profit generated by our Segments
Less: Central Costs	*(13.4)*	
Operating Profit (pre Exceptional Items)	208.0	Underlying profit generated by the Group
Less: Exceptional Items	*(5.1)*	
Operating Profit	202.9	Statutory measure of Operating Profit
Less: Net Finance Costs	*(11.2)*	
Profit Before Tax	191.7	Statutory measure of profit after the costs of financing the Group
Add back: Exceptional Items	*5.1*	
Profit Before Tax & Exceptional Items	196.8	One of the Group's KPIs

First Half Highlights

Inchcape plc, the leading independent multi-brand Automotive Distributor and Retailer with global scale, announces its half year results for the six months ended 30 June 2017.

First Half Highlights:

- Track record of growth continues, operating profit +23% at actual currency and EPS +24%
- Strong free cash flow generation, supporting our ability to drive shareholder returns, dividend per share +13%
- Strong underlying performance in Emerging Markets continues, with return to profit growth in Asia
- Ignite strategy driving good Group Aftersales growth and Used Car strength in UK
- Integration of the South American acquisition progressing well, in-line with our expectations
- Further deal momentum with Distribution additions for BMW in Estonia and PSA (Peugeot & Citroen) in Australia
- Given recent M&A success and pipeline no further buyback at this time. Board will continue to monitor balance sheet

Key Financials (unaudited)

Actual Rates	H1 2017	H1 2016	Actual Currency YoY	Constant Currency YoY
Revenue	**£4.5bn**	£3.8bn	+18.7%	+9.5%
Pre-exceptional[1] operating profit	**£208.0m**	£169.5m	+22.7%	+10.8%
Reported profit before tax	**£191.7m**	£165.0m	+16.2%	+5.0%
Pre-exceptional[1] profit before tax	**£196.8m**	£165.0m	+19.3%	+7.8%
Reported basic EPS	**33.1p**	27.6p	+19.9%	
Basic adjusted EPS	**34.1p**	27.6p	+23.6%	
Dividend per share	**7.9p**	7.0p	+12.9%	
Vehicle gross profit	**£386.3m**	£339.5m	+13.8%	+3.9%
Aftersales gross profit	**£228.7m**	£185.8m	+23.1%	+12.9%
Distribution trading profit	**£161.1m**	£130.3m	+23.6%	+10.7%
Retail trading profit	**£60.3m**	£53.4m	+12.9%	+8.1%

1. H1 2017 reported profit includes an exceptional charge of £5.1m in relation to the fixed cost review announced in 2016 and transactional costs for the South American acquisition in December 2016.

Ignite

Ignite Strategy

Lead in Customer Experience

We will invest to maintain our position as leader in customer service innovation in automotive distribution and retail, with digital a key priority.

Become the OEM's Partner of Choice

We will build and strengthen our working relationships with our OEM partners by investing time in understanding their needs, seeking greater opportunities for collaboration with the aim of becoming a strategic business partner of choice.

Deliver full potential from all our revenue streams

We will increase our management focus on our Used vehicle and Aftersales activities at all levels of the organisation, enhancing their perceived status within the business and deepening further reporting and analysis.

Leverage our Global Scale

We will leverage the Group's unique diversity and size into a true competitive advantage for Inchcape.

Invest to Accelerate Growth

We have a clear plan to work more actively with our OEM partners to identify distribution and retail acquisition opportunities that fit their strategic agendas and create mutual value.

Ignite Update

I am pleased with the progress we have made across all five elements of our Ignite strategy in the first half of the year. I strongly believe that the growing importance of Ignite in differentiating and strengthening Inchcape across a number of key areas, is creating a sustainable platform for growth in both the short and long-term.

More specifically, as announced earlier this year, we acquired the Distribution operations for BMW in Estonia which took our global relationship with BMW into an eighth market.

We also won the Distribution rights for PSA (Peugeot & Citroen) in Australia, expanding in a core market where we have long-standing expertise. Importantly, it represents an exciting opportunity to leverage our local scale, boosting the growth potential of our business.

A key enabler for the good momentum in our business development activities has been our focus under Ignite of becoming the OEM's partner of choice. This is borne out by the fact that in the past 12 months we've added new businesses with four long standing and one new partner PSA. There is a clear interdependency between having and developing strong OEM relationships, our performance and growth.

I am also pleased that we have delivered robust-profit-growth in our Aftersales business in the first half of 2017, reflecting the work we have done to maximise the potential of this high margin revenue stream. We continue to identify incremental procurement cost savings and have had early success from a number of local market revenue stream pilot programmes. This is underpinned by the benefits of better collaboration within the Group.

Our customer focus is key to our success, especially as their expectations continue to evolve favouring more digital experiences. In the first half of 2017, we have completed the roll-out of a new 'Inchcape Experience' framework that brings to life countermeasures to key customer pinch-points identified across the exploring, buying and servicing phases, supported by new CRM and digital search improvement pilots. As part of Inchcape Experience, we revisited a tracking system of customer satisfaction in order to better support a more digital way of customers interacting with OEM partners' brands, products and our services.

The Ignite strategy that we set out in March 2016 is delivering solid results across all five elements and I believe that there remains significant potential to realise further benefits across the Group as we continue to grow our position in all regions.

STEFAN BOMHARD

Group Chief Executive

Operational Review

Performance Review

The Group has delivered further profit growth in the first half of 2017, demonstrating the consistency that comes from a strong portfolio of premium and luxury automotive Distribution and Retail businesses operating across five continents and five value drivers (New vehicle sales, Used vehicle sales, Aftersales servicing, Parts, and Finance & Insurance products).

Revenue of £4.5bn in the first half of 2017 was up by 18.7% at actual rates on the previous year and up 9.5% at constant currency, as we benefitted from broad based growth across our markets and value drivers. Excluding the South American acquisition revenue grew by 13.4% at actual rates and 4.6% at constant currency.

Including the South American acquisition we generated pre-exceptional operating profit of £208.0m, representing growth of 22.7%. Our operating margin was up 20bps to 4.7%, reflecting the offsetting factors of a negative impact from transactional currency in Australia and the positive mix effect of the South American acquisition. Excluding the South American acquisition operating profit was £192.9m, representing growth of 13.9%.

In the first half of 2017, trading profit of £161.1m in our Distribution segment increased by 23.6% in actual currency and was up by 10.7% at constant currency, with good trading performances in a number of our markets and supported by the South American acquisition at the end of 2016. Excluding the South American acquisition, Distribution trading profit was broadly flat at constant currency. Asia has returned to growth, whilst the Australasia business performed well against a Yen purchasing cost headwind of close to £20m.

Our Retail segment delivered a trading profit of £60.3m, up 12.9% in actual currency and 8.1% at constant currency, reflecting a challenging Russian market and a slowing trend in the UK offset by a £9.3m property profit in our Australian retail business in the period.

Operating cash flow, excluding the cash cost of exceptional items, was £252.0m over the first half (2016 H1: £134.8m), with 121% conversion (2016 H1: 80%). Free cash flow was £149.8m over the first half (2016 H1: £43.2m), with 72% conversion (2016 H1: 25%). During the period we spent £10.0m (net) on acquisitions and £21.9m on cost rationalisation and costs related to the South American acquisition in December 2016. We ended the first half of the year with a net debt position of £0.1m (2016 H1 net cash: £135.6m, 2016 FY net cash: £26.5m). Net working capital benefitted in the period from the timing of shipments and settlement of payments in some markets.

Dividend

Consistent with our dividend policy, and given the strength of our balance sheet, the Board has declared an interim dividend of 7.9p (2016 H1: 7.0p). This represents a year-on-year increase of 12.9%. Inchcape sets its interim dividend at a third of the prior year's total dividend (2016 FY: 23.8p). The interim dividend will be paid on 6 September 2017 to shareholders on the register at close of business on 4 August 2017. The Dividend Reinvestment Plan (DRIP) is available to ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 15 August 2017.

Capital Allocation

The Board targets a capital structure that will provide Inchcape with the flexibility to invest in organic growth and to make further value-creating acquisitions while avoiding sustained excess cash balances. Given the Group's deployment of cash in the past year on strongly value accretive acquisitions and the outlook under our Ignite objective of investing to accelerate growth, the Board has concluded not to extend the share buyback programme at this time. The Board will continue to monitor the balance sheet in light of the Group's pipeline of investment opportunities, expected working capital requirement and the overall trading environment.

People

With deep automotive experience across our 29 markets, a strong ethos of operational discipline and an unrelenting focus on delivering outstanding customer service, Inchcape's people are central to our success. I would like to express my sincere thanks to colleagues around the world for their commitment and dedication through the first half of the year.

Outlook

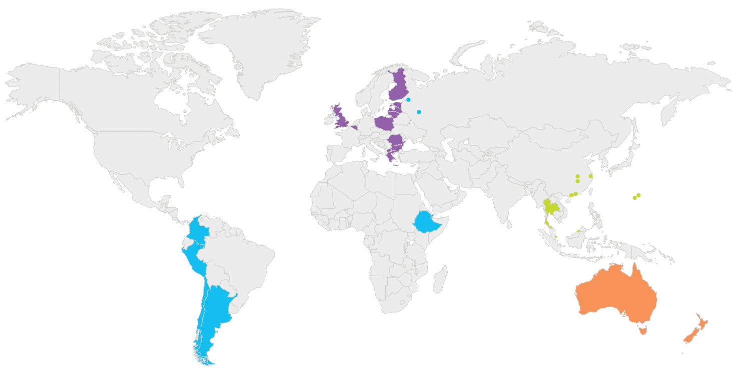
Following our good performance in the first half of 2017 we now expect to deliver a solid constant currency performance in 2017, modestly ahead of our expectations at the start of the year. The transactional currency headwind we have had in the first half in Australasia changes to a tailwind in the second half, however the translational currency benefit from sterling weakness in the first half becomes slightly adverse at spot rates in the second half.

We will continue to leverage our global scale, drive growth from an expanding base of installed vehicles and benefit from our portfolio of markets, including our structurally attractive Emerging Markets.

Under our Ignite strategy we are focused on creating long-term value for our shareholders and partners. Our Ignite objectives will enable us to adapt and find growth opportunities as our industry evolves, pursue value enhancing M&A opportunities and fully leverage our strategic assets from a unique position of strength.

Geographic regions

UK and Europe	Asia
Emerging Markets	Australasia



Operating Review

Key Performance Indicators – results

	Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Sales	**4,458.5**	3,756.2	18.7%	9.5%
Operating margin before exceptional items	**4.7%**	4.5%	20bps	10bps
Profit before tax and exceptional items	**196.8**	165.0	19.3%	7.8%
Free cash flow	**149.8**	43.2	246.8%	
Return on capital employed	**31%**	28%		

Value Drivers

Gross profit		Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Group	Vehicles	**386.3**	339.5	13.8%	3.9%
	Aftersales	**228.7**	185.8	23.1%	12.9%
	Total	**615.0**	525.3	17.1%	7.1%
Distribution	Vehicles	**214.4**	171.1	25.3%	11.0%
	Aftersales	**139.7**	107.3	30.2%	16.6%
	Total	**354.1**	278.4	27.2%	13.2%
Retail	Vehicles	**171.9**	168.4	2.1%	(3.5%)
	Aftersales	**89.0**	78.5	13.4%	7.6%
	Total	**260.9**	246.9	5.6%	0.0%

Business Analysis

	Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Sales				
Distribution	**2,027.2**	1,549.9	30.8%	16.7%
Retail	**2,431.3**	2,206.3	10.2%	4.1%
Trading profit				
Distribution	**161.1**	130.3	23.6%	10.7%
Retail	**60.3**	53.4	12.9%	8.1%

Regional analysis

	2017 Operating/ Trading profit £m	2017 Exceptional items £m	2017 Reported £m	2016 Operating/ Trading profit £m	2016 Exceptional items £m	2016 Reported £m
Asia	**75.6**	**–**	**75.6**	61.4	–	61.4
Australasia	**50.0**	**–**	**50.0**	48.2	–	48.2
Emerging Markets	**41.2**	**(1.1)**	**40.1**	22.1	–	22.1
UK and Europe	**54.6**	**(2.5)**	**52.1**	52.0	–	52.0
Trading profit	**221.4**	**(3.6)**	**217.8**	183.7	–	183.7
Central Costs	**(13.4)**	**(1.5)**	**(14.9)**	(14.2)	–	(14.2)
Operating profit	**208.0**	**(5.1)**	**202.9**	169.5	–	169.5

* At actual exchange rates

The Group reports its results in the condensed consolidated interim financial statements using actual rates of exchange. The operational review reports results at actual rates of exchange, but to enhance comparability they are also shown in a form that isolates the impact of currency movements from period to period by applying the June 2017 exchange rates to both periods' results (constant currency). The results are also adjusted for the impact of exceptional items to provide additional information regarding the Group's underlying performance. Where exceptional items and unallocated central costs are excluded from operating profit the results are referred to as 'trading profit'.

Unless otherwise stated, variances from the previous year and forward looking comments are stated in constant currency.

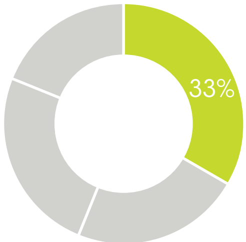
Operating cash flow, or cash generated from operations, is defined as operating profit adjusted for depreciation, amortisation and other non-cash items plus the change in working capital, provisions and pension contributions.

Asia

Business model

At the heart of the Asia region, we are the Distributor and exclusive Retailer for Toyota, Lexus and Hino in Hong Kong and Singapore, as well as Distribution and exclusive Retail for Jaguar, Land Rover and Ford in Hong Kong. In addition we operate other Distribution and Retail franchises across the region.

Trading profit



Brunei
China
Guam
Hong Kong
Macau
Saipan
Singapore
Thailand

Key Financial Highlights

	Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Sales	810.2	720.4	12.5%	1.1%
Trading profit	75.6	61.4	23.1%	10.1%
Trading Margin %	9.3%	8.5%	0.8ppt	0.8ppt

Revenue for Asia was broadly flat versus 2016 with sterling weakness driving 12.5% actual currency revenue growth. This reflects the stabilisation of the New Car market in Hong Kong, excluding electric vehicles which saw a government induced pull forward in Q1 with a tax incentive ending in April, and a broadly flat Singaporean market. Our market share declined in Hong Kong as a result of the one-off gain for electric vehicles, but we retained our leadership position. We gained a small level of share in Singapore with our Toyota business.

The stabilisation of the New Car market in Hong Kong follows a challenging environment for the previous 18 months, including a 21% market decline in 2016. In Singapore the COE (Certificate of Entitlement) cycle phased broadly as expected through H1, although the year to date de-registration trend for both passenger and commercial vehicles has run at a higher than expected level and so increasing our New Vehicle volume expectation for H2. Revenue in China declined on the prior year, reflecting the disposal of a site in January 2017. Following a sustained period of difficult trading in Brunei, linked to the decline in oil pricing, our revenue grew at a solid rate in the period.

Trading profit was up by 10% year-on-year driven by stabilisation of the top-line in Hong Kong and the work undertaken as part of our Ignite strategy to better leverage our scale by operating more efficiently and effectively as one Asia region. Importantly this growth in profit is the first increase year-on-year for Asia since the second half of 2015. Hong Kong was the driver of the improvement while Singapore saw an improving trend from the first to second quarter, reflecting a better gross margin on Vehicles and some disruption for our Aftersales operations in the first quarter as we transitioned work to the new Pandan facility.

Our Aftersales businesses, notwithstanding the disruption in Singapore, continue to contribute significantly to our total profitability. The Asia region remains strongly focused on leveraging the scale of the Car Parc for the OEM partners we represent and pursing growth under our Ignite strategy.

Our Jaguar Land Rover Distribution business in Thailand, added to the region in 2016, performed in-line with plan.

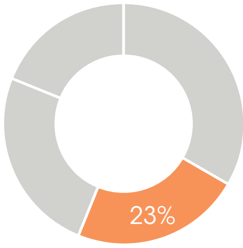
We expect to deliver a resilient performance in 2017 in Asia.

Australasia

Business model

We are the Distributor for Subaru in both Australia and New Zealand. During the first half of 2017 we became the Distributor for Peugeot and Citroen in Australia, operating through 57 independent sites. In addition, we operate multi-franchise Retail operations in Sydney, Melbourne and Brisbane. At the end of June 2017, we owned 36 Retail Centres and managed a network of 126 independent Subaru sites across both markets.

Trading profit



Key Financial Highlights

	Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Sales	**798.9**	**667.9**	**19.6%**	**3.5%**
Retail	409.0	339.2	20.6%	4.4%
Distribution	389.9	328.7	18.6%	2.6%
Trading profit	**50.0**	**48.2**	**3.7%**	**(10.3%)**
Retail	21.9	14.1	55.3%	33.9%
Distribution	28.1	34.1	(17.6%)	(28.6%)
Trading Margin %	**6.3%**	**7.2%**	**(0.9ppt)**	**(0.9ppt)**
Retail	5.4%	4.2%	1.2ppt	1.2ppt
Distribution	7.2%	10.4%	(3.2ppt)	(3.2ppt)

Our Australasia segment delivered a resilient revenue performance, relative to a flat New Car market for the first six months of 2017. Distribution revenue for the period was up 2.6%. A change in accounting presentation for rebates to third party dealers acted as headwind to revenue growth, although with no change to profit; excluding this change Distribution revenue was up 6.6%. Subaru New Car registrations grew by 7.9% in the first half, gaining 30bps of market share. The entry offering to the Subaru range, the Impreza model, was an important contributor to volume growth, albeit adverse to revenue and gross profit mix. The new Subaru XV model will benefit our business in the second half of 2017. The SUV segment continued to grow ahead of non-SUV vehicles, with growth of 5.0% and a decline of 6.8% respectively.

In our Retail business, revenue grew by 4.4% with growth in our Subaru owned sites following the strength of the Distribution business partially offset by slower market conditions for a number of our other brands. Following important product launches in the half, Japanese brands grew at the expense of most European brands. Our Retail business innovated by introducing a new Used Car concept called Trivett Direct, trading from a warehouse location and selling across a numbers brands with a strong digital presence and with the results for the site ahead of our expectations.

Trading profit was 10.3% lower than last year, driven by the 28.6% decline in the Distribution business. Our Subaru business faced a significant transactional currency headwind in the first half, close to £20m, partially mitigated by volume strength and disciplined cost control. Our Retail business saw trading profit grow by 33.9%, albeit this was linked to a £9.3m property profit in the first half. Underlying Retail trading profit was down, consistent with the industry backdrop of lower F&I income for New and Used Vehicles, and model phasing being weighted to the second half for some of our key brands.

During the first half we announced our expansion in Australia with Groupe PSA, which complements our current operations and is consistent with our Ignite strategic objective of investing to accelerate growth. This means we now distribute PSA's internationally respected brands Peugeot and Citroen.

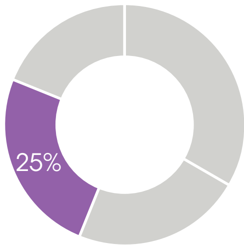
We expect to deliver a resilient performance in 2017 in Australasia.

UK and Europe

Business model

We have scale Retail operations across the core regions of the UK focused on premium and luxury brands. Our European operations are centred on Toyota and Lexus Distribution in Belgium, Greece and the Balkans, BMW Retail in Poland and a number of fast-growing businesses in the Baltic region focused on Jaguar Land Rover, BMW, Mazda and other brands.

Trading profit



Belgium
Bulgaria
Estonia
Finland
Greece
Latvia
Lithuania
Luxembourg
Macedonia
Poland
Romania
UK

Key Financial Highlights

	Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Sales	**2,193.5**	**2,034.9**	**7.8%**	**5.2%**
Retail	1,751.5	1,686.3	3.9%	3.0%
Distribution	442.0	348.6	26.8%	15.0%
Trading profit	**54.6**	**52.0**	**5.0%**	**1.8%**
Retail	39.6	39.9	(0.8%)	(1.6%)
Distribution	15.0	12.1	24.0%	12.1%
Trading Margin %	**2.5%**	**2.6%**	**(0.1ppt)**	**(0.1ppt)**
Retail	2.3%	2.4%	(0.1ppt)	(0.1ppt)
Distribution	3.4%	3.5%	(0.1ppt)	(0.1ppt)

We delivered solid revenue growth across our UK and Europe segment with revenue up 5.2%. This top-line performance was driven by our Belgian business, strong growth in our Balkan and Baltic operations and good sales growth in Poland which has recently seen us open a new BMW site in Poznan, taking our footprint to three sites alongside Warsaw and Wroclaw.

The UK New Car market declined in the first half by 1.3%, with a first quarter growth of 6.3% and a second quarter decline of 10.3%. Consistent with our Ignite focus of delivering the full potential on all of our revenue streams we delivered solid growth in Aftersales in the UK. The business undertook a detailed review of constraints to Aftersales capacity in the first half and launched a recruitment drive for new technicians in the second quarter, creating a compelling and differentiated offer across our portfolio of leading brands. In only two months the campaign has resulted in circa one hundred new technicians joining our UK business.

The Greek market was up 7.1% as it continued to recover from years of decline following a sustained period of macro-economic and political uncertainty. Our Toyota Lexus business in Greece retained its strong overall market leadership position with share of 11.3%.

In Belgium, the passenger car market grew by 4%. Diesel as a percentage of the private vehicle market declined from 52% in the prior period to 47% this year, consistent with a shift in consumer preference across most of Europe. Our Toyota Lexus business is focused on hybrid and petrol technology and therefore this trend plays to our long-term benefit.

Car markets across the Balkans, Baltics and Poland saw good broad based growth in the first half, supporting our New Car operations and expanding the Car Parc of young vehicles for future Aftersales activities. Towards the end of the first half we acquired a premium Estonian automotive business, focused on exclusive Distribution for BMW Group, from United Motors AS. The acquisition complements our Jaguar, Land Rover and Mazda operations in Estonia, and creates a stronger regional BMW platform for the Group.

With UK trading profit broadly flat, the segment profit increase of 1.8% was driven by the performances in our Greek, Belgian and Eastern European operations.

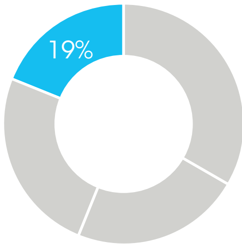
We expect to deliver a resilient performance in the UK and Europe segment in 2017.

Emerging Markets

Business model

Our business in Ethiopia is centred on Distribution and exclusive Retail for Toyota. In Russia we operate 23 retail centres in Moscow and St Petersburg representing a number of our global OEM partners. In South America, we operate BMW Distribution businesses in Chile and Peru and Subaru across these markets as well as Colombia and Argentina, in addition to Hino in Colombia and Chile.

Trading profit



Argentina
Chile
Colombia
Djibouti
Ethiopia
Peru
Russia

Key Financial Highlights

	Six months to 30.06.17 £m	Six months to 30.06.16 £m	% change	% change in constant currency
Sales	**655.9**	**333.0**	**97.0%**	**58.2%**
Retail	270.8	180.8	49.8%	11.1%
Distribution	385.1	152.2	153.0%	125.6%
Trading profit	**41.2**	**22.1**	**86.4%**	**76.5%**
Retail	(1.2)	(0.6)	(100.0%)	(43.3%)
Distribution	42.4	22.7	86.8%	75.4%
Trading Margin %	**6.3%**	**6.6%**	**(0.3ppt)**	**0.7ppt**
Retail	(0.4%)	(0.3%)	(0.1ppt)	(0.1ppt)
Distribution	11.0%	14.9%	(3.9ppt)	(3.2ppt)

We delivered another period of strong sales growth in our Emerging Markets segment with underlying constant currency sales increasing by 10.5%, excluding the South American acquisition, and including the addition to the region by 58.2%.

In South America our BMW business increased volumes well in Chile, within a growing market and gained market share. Our Peru BMW business retained its strong market leadership position, within a market that faced some disruption from flooding in the period.

Our new operations for Subaru in South America performed well and as expected, with Subaru volumes expanding 8% year-on-year in Chile. Our Hino business in Chile was in-line with our plan and gained 100bps of market share, but in Colombia we faced a more difficult environment in commercial vehicles linked to weaker corporate confidence. The integration process has progressed well, including people and systems, and we are leveraging our greater regional scale to target numerous opportunities to drive even higher performance for our brand partners.

Our Ethiopian business continues to contribute strongly to the regional result, with the business continuing to benefit from maturing sites in Bahir Dar and Awassa, which opened in 2016.

The Russian retail business within the segment delivered sales of £271m, growing 11.1% at constant currency and benefitting significantly from translational currency to grow 49.8% at actual currency. The small trading loss of £1.2m for the half year reflects the challenging New Car market, but with an improvement from the first to second quarter.

Trading profit for the segment increased by 76.5%, and was up strongly on an underlying basis by 12.1% excluding the accretion from the South American acquisition. The new South American business contributed £197.7m to sales and £15.1m to trading profit in the half year. The decline in the trading margin reflects, as well as a lower Africa margin year-on-year, the acquired business having a lower margin than the pre-existing Distribution segment.

We expect to deliver a very strong performance in our Emerging Markets segment in 2017.

Finance Review

In addition to the segmental results, detailed below are the financial implications of our operating activities.

Central costs

Unallocated central costs for the half year are £13.4m before exceptional items (2016: £14.2m).

Operating Exceptional Items

In the first half of 2017, the Group has recorded exceptional operating costs of £5.1m (2016: £nil). The charge in 2017 is comprised of restructuring costs of £3.8m associated with the global cost reduction programme and £1.3m in relation to the acquisition and integration of the Subaru and Hino distribution business in South America.

Net financing costs

Net financing costs have increased from £4.5m in 2016 to £11.2m in 2017. The increase is due to increased levels of debt and supplier financing following the acquisition of the business in South America at the end of 2016, a higher rate of fixed rate interest on the refinanced US Private Placement and a lower return on the net pension asset as a result of the decrease in corporate bond rates used to discount pension liabilities.

Tax

The effective tax rate for the half year, before exceptional items, is 25.5% compared to 25.8% for the same period last year. The effective rate for the first half of 2016 included the impact of the Foreign Income Dividend claim receipt (on which tax at 45% was withheld). Excluding this, the underlying effective tax rate was 25.0%.

Non-controlling interests

Profits attributable to our non-controlling interests were £4.0m in the first half of 2017 (2016: £3.7m). The Group's non-controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Foreign currency

During the period, the Group derived a gain of £18.4m (2016: a gain of £5.1m) from the translation of its overseas profits before tax into sterling at the 2017 average exchange rate when compared with the average exchange rates used for translation in the first half of 2016.

Dividend

The Board has declared an interim dividend of 7.9p per share, equivalent to one third of the total dividend paid in 2016. This will be paid on 6 September 2017 to shareholders who are on the register at close of business on 4 August 2017.

Pensions

At 30 June 2017, the IAS 19 net post-retirement surplus was £32.3m (31 December 2016: £37.3m). In the first half of the year and in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £1.5m (2016: £1.2m).

Acquisitions and disposals

During the first six months of 2017 the Group acquired premium automotive operations in Estonia, focused on exclusive distribution for BMW Group, from United Motors AS and entered into a distribution contract with Groupe PSA to distribute the Peugeot and Citroen brands in Australia. The total cost of these acquisitions was £15.6m. In the first half of 2017, the Group also disposed of its Lexus operations in Shanghai generating disposal proceeds of £5.6m.

In 2016, the Group acquired a multi-country scale Distribution business in South America focused on Subaru and Hino in the growth markets of Chile, Colombia, Peru and Argentina. The cost of the acquisition, net of cash acquired, was £196.8m.

In 2016 the Group also acquired and disposed of sites in the UK in relation to the optimisation of our Jaguar Land Rover footprint ahead of the new combined site format being launched in the UK. The Group also disposed of a site in Australia and finalised the liquidation of a joint venture in Greece. Consideration for the acquisitions was £4.3m and disposal proceeds were £2.8m.

Refinancing

In December 2016, the Group successfully concluded a US Private Placement transaction, raising £210.0m with a blended 7, 10 and 12 year tenor to refinance existing USPP facilities maturing in May 2017. In January, the Group received £70.0m under the new facility with the balance of £140.0m received in May. During the period, the Group also repaid £138.5m of US Private Placement Loan Notes which matured in May. In January, the Group successfully concluded the second one year extension of the £400.0m Revolving Credit Facility with all the Group's relationship banks participating. In combination, these refinancing events extend the Group's committed facilities at attractive financing rates.

Capital expenditure

Net capital expenditure in the first half of the 2017 was £33.4m (2016: £27.4m).

Cashflow and net debt

The Group delivered free cash flow of £149.8m (2016: £43.2m). After the payment of the final dividend for 2016 and buying back shares at a cost of £50.2m the Group had net debt of £0.1m (31 December 2016: net funds of £26.5m).

Free Cash Flow Reconciliation

	Six months to 30.06.17 £m	Six months to 30.06.17 £m	Six months to 30.06.16 £m	Six months to 30.06.16 £m
Net cash generated from operating activities		167.8		77.1
Add back: Payments in respect of exceptional items		21.9		–
Net cash generated from operating activities, before exceptional items		189.7		77.1
Purchase of property, plant and equipment	(32.4)		(24.2)	
Purchase of intangible assets	(13.6)		(8.4)	
Proceeds from disposal of property, plant and equipment	12.6		5.2	
Net capital expenditure		(33.4)		(27.4)
Dividends paid to non-controlling interests		(6.5)		(6.5)
Free cash flow		149.8		43.2

Principal business risks

The Board set out in the Annual Report and Accounts 2016 a number of principal business risks which could impact the performance of the Group and these remain unchanged for this Interim Report and the remaining six months of 2017. The key risks comprised:

- Loss of distribution contract with major OEM partner;
- Significant retrenchment of credit available to customers, dealer network or Inchcape plc;
- Brand failure globally;
- Major interruption to OEM partner operations or product reputation;
- Major loss of confidential or sensitive data;
- Failure to extract maximum value from acquisition strategy;
- Impact pf disruptive technologies and / or methods of engaging the next generation of customers; and
- Fluctuations in exchange rates with negative impact on financial performance.

The Group iPOM Committee has delegated authority from the Executive Committee to manage Inchcape's Risk Management process. The iPOM committee's aim is to ensure that Risk Management is core to all decision-making and has a broad remit and responsibility to:

- Ensure systematic risks are effectively managed through the development of coherent policies, process, control framework and effective assurance monitoring processes;
- Ensure dynamic and emerging risks are identified at a market level and for the Group as a whole, mitigation actions are identified and implemented and cross-market best practice is shared.

Market iPOM committees are embedded in each market. They operate according to Standard Terms of Reference and report to the Group iPOM committee. Consistent risk management tools are developed centrally and utilised Group-wide.

Currency, funding and liquidity, interest rate and counterparty risks

All material transactional foreign exchange exposures are hedged using forward contracts. Counterparties and limits are approved for cash deposits and these are monitored closely. The Group continues to hedge its US dollar loan notes with cross currency interest rate swaps.

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. The Group also maintains significant committed funding facilities.

Further details of the Group's principal risks and risk management process can be found on pages 32-37 of the Annual Report and Accounts 2016.

Going concern

Having reassessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial information.

Consolidated Income Statement (unaudited)

For the six months ended 30 June 2017

	Notes	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Revenue	2	**4,458.5**	3,756.2	7,838.4
Cost of sales		**(3,843.5)**	(3,230.9)	(6,759.3)
Gross profit		**615.0**	525.3	1,079.1
Net operating expenses		**(412.1)**	(355.8)	(801.6)
Operating profit	2	**202.9**	169.5	277.5
Operating profit before exceptional items		**208.0**	169.5	359.1
Exceptional items	3	**(5.1)**	–	(81.6)
Share of profit after tax of joint ventures and associates		**–**	–	(0.1)
Profit before finance and tax	2	**202.9**	169.5	277.4
Finance income	4	**8.3**	8.6	17.0
Finance costs	5	**(19.5)**	(13.1)	(26.6)
Profit before tax		**191.7**	165.0	267.8
Tax	6	**(49.5)**	(42.6)	(76.5)
Tax before exceptional tax	6	**(50.1)**	(42.6)	(88.0)
Exceptional tax	3, 6	**0.6**	–	11.5
Profit for the period		**142.2**	122.4	191.3
Profit attributable to:				
– Owners of the parent		**138.2**	118.7	184.4
– Non-controlling interests		**4.0**	3.7	6.9
		142.2	122.4	191.3
Basic earnings per share (pence)	7	**33.1p**	27.6p	43.2p
Diluted earnings per share (pence)	7	**32.6p**	27.2p	42.6p

The notes on pages 17 to 26 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2017

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Profit for the period	**142.2**	122.4	191.3
Other comprehensive (loss) / income:			
Items that will not be reclassified to the consolidated income statement			
Defined benefit pension scheme remeasurements	**(4.0)**	3.8	(60.3)
Current tax recognised in consolidated statement of comprehensive income	**–**	1.4	0.1
Deferred tax recognised in consolidated statement of comprehensive income	**0.8**	(1.1)	10.8
	(3.2)	4.1	(49.4)
Items that may be reclassified subsequently to the consolidated income statement			
Cash flow hedges	**13.9**	(5.5)	(35.3)
Effect of foreign exchange rate changes	**(37.2)**	147.1	215.3
Deferred tax recognised in consolidated statement of comprehensive income	**(4.4)**	1.8	10.5
	(27.7)	143.4	190.5
Other comprehensive (loss) / income for the period, net of tax	**(30.9)**	147.5	141.1
Total comprehensive income for the period	**111.3**	269.9	332.4
Total comprehensive income attributable to:			
– Owners of the parent	**106.3**	263.7	324.5
– Non-controlling interests	**5.0**	6.2	7.9
	111.3	269.9	332.4

The notes on pages 17 to 26 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position (unaudited)

As at 30 June 2017

	Notes	As at 30 Jun 2017 £m	As at 30 Jun 2016 £m	As at 31 Dec 2016 £m
Non-current assets				
Intangible assets		**618.5**	434.1	614.5
Property, plant and equipment		**775.0**	702.5	778.6
Investments in joint ventures and associates		**4.4**	4.4	4.1
Available for sale financial assets	11	**3.6**	1.4	3.6
Trade and other receivables		**46.4**	48.7	50.9
Deferred tax assets		**31.7**	15.9	31.7
Retirement benefit asset		**74.1**	139.9	80.0
		1,553.7	1,346.9	1,563.4
Current assets				
Inventories		**1,642.5**	1,284.9	1,549.4
Trade and other receivables		**451.0**	395.0	446.0
Available for sale financial assets	11	**–**	0.2	0.2
Derivative financial instruments	11	**60.7**	211.2	160.1
Current tax assets		**18.4**	7.2	13.6
Cash and cash equivalents	9b	**768.2**	458.1	645.2
		2,940.8	2,356.6	2,814.5
Assets held for sale	12	**6.4**	1.2	3.2
		2,947.2	2,357.8	2,817.7
Total assets		**4,500.9**	3,704.7	4,381.1
Current liabilities				
Trade and other payables		**(2,029.4)**	(1,636.3)	(1,911.6)
Derivative financial instruments	11	**(35.3)**	(16.1)	(53.6)
Current tax liabilities		**(72.2)**	(65.2)	(68.5)
Provisions		**(27.5)**	(18.1)	(37.0)
Borrowings	9b	**(411.5)**	(310.3)	(481.7)
		(2,575.9)	(2,046.0)	(2,552.4)
Non-current liabilities				
Trade and other payables		**(20.7)**	(15.9)	(18.0)
Provisions		**(30.4)**	(29.5)	(32.7)
Deferred tax liabilities		**(78.9)**	(43.0)	(80.8)
Borrowings	9b	**(414.1)**	(151.4)	(292.0)
Retirement benefit liability		**(41.8)**	(37.9)	(42.7)
		(585.9)	(277.7)	(466.2)
Total liabilities		**(3,161.8)**	(2,323.7)	(3,018.6)
Net assets		**1,339.1**	1,381.0	1,362.5
Equity				
Share capital	8	**41.6**	43.0	42.2
Share premium	8	**146.7**	146.7	146.7
Capital redemption reserve		**139.0**	137.6	138.4
Other reserves		**(54.3)**	(74.2)	(25.6)
Retained earnings		**1,049.0**	1,105.3	1,042.2
Equity attributable to owners of the parent		**1,322.0**	1,358.4	1,343.9
Non-controlling interests		**17.1**	22.6	18.6
Total equity		**1,339.1**	1,381.0	1,362.5

The notes on pages 17 to 26 are an integral part of these condensed consolidated interim financial statements

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2017

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	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to equity owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2016		43.8	146.7	136.8	(215.1)	1,106.8	1,219.0	22.9	1,241.9
Profit for the period ended 30 June 2016		–	–	–	–	118.7	118.7	3.7	122.4
Other comprehensive income for the period ended 30 June 2016		–	–	–	140.9	4.1	145.0	2.5	147.5
Total comprehensive income for the period ended 30 June 2016		–	–	–	140.9	122.8	263.7	6.2	269.9
Share-based payments, net of tax		–	–	–	–	4.6	4.6	–	4.6
Share buy back programme		(0.8)	–	0.8	–	(59.3)	(59.3)	–	(59.3)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(9.3)	(9.3)	–	(9.3)
Dividends:									
– Owners of the parent	8b	–	–	–	–	(60.3)	(60.3)	–	(60.3)
– Non-controlling interests		–	–	–	–	–	–	(6.5)	(6.5)
At 30 June 2016		43.0	146.7	137.6	(74.2)	1,105.3	1,358.4	22.6	1,381.0
At 1 January 2016		43.8	146.7	136.8	(215.1)	1,106.8	1,219.0	22.9	1,241.9
Profit for the year		–	–	–	–	184.4	184.4	6.9	191.3
Other comprehensive income / (loss) for the year		–	–	–	189.5	(49.4)	140.1	1.0	141.1
Total comprehensive income for the year		–	–	–	189.5	135.0	324.5	7.9	332.4
Share-based payments, net of tax		–	–	–	–	11.3	11.3	–	11.3
Share buy back programme		(1.6)	–	1.6	–	(109.8)	(109.8)	–	(109.8)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(10.9)	(10.9)	–	(10.9)
Dividends:									
– Owners of the parent	8b	–	–	–	–	(90.2)	(90.2)	–	(90.2)
– Non-controlling interests		–	–	–	–	–	–	(12.2)	(12.2)
At 1 January 2017		**42.2**	**146.7**	**138.4**	**(25.6)**	**1,042.2**	**1,343.9**	**18.6**	**1,362.5**
Profit for the period ended 30 June 2017		–	–	–	–	138.2	138.2	4.0	142.2
Other comprehensive income for the period ended 30 June 2017		–	–	–	(28.7)	(3.2)	(31.9)	1.0	(30.9)
Total comprehensive income for the period ended 30 June 2017		–	–	–	(28.7)	135.0	106.3	5.0	111.3
Share-based payments, net of tax		–	–	–	–	5.1	5.1	–	5.1
Share buy back programme		(0.6)	–	0.6	–	(50.2)	(50.2)	–	(50.2)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(13.1)	(13.1)	–	(13.1)
Dividends:									
– Owners of the parent	8b	–	–	–	–	(70.0)	(70.0)	–	(70.0)
– Non-controlling interests		–	–	–	–	–	–	(6.5)	(6.5)
At 30 June 2017		41.6	146.7	139.0	(54.3)	1,049.0	1,322.0	17.1	1,339.1

The notes on pages 17 to 26 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows (unaudited)

For the six months ended 30 June 2017

	Notes	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Cash generated from operating activities				
Cash generated from operations	9a	**230.1**	134.8	382.8
Tax paid		**(51.1)**	(52.5)	(99.5)
Interest received		**8.6**	6.0	12.4
Interest paid		**(19.8)**	(11.2)	(24.1)
Net cash generated from operating activities		**167.8**	77.1	271.6
Cash flows from investing activities				
Acquisition of businesses, net of cash and overdrafts acquired	10	**(15.6)**	(4.6)	(201.1)
Net cash inflow from sale of businesses	10	**5.6**	2.0	2.8
Purchase of property, plant and equipment		**(32.4)**	(24.2)	(71.1)
Purchase of intangible assets		**(13.6)**	(8.4)	(22.7)
Proceeds from disposal of property, plant and equipment		**12.6**	5.2	21.7
Net cash used in investing activities		**(43.4)**	(30.0)	(270.4)
Cash flows from financing activities				
Share buy back programme	8a	**(50.2)**	(59.3)	(109.8)
Net purchase of own shares by the Inchcape Employee Trust		**(13.1)**	(9.3)	(10.9)
Cash inflow from Private Placement loan notes	9b	**210.0**	–	–
Repayment of Private Placement loan notes	9b	**(138.5)**	–	–
Net cash (outflow) / inflow from other borrowings	9b	**(60.2)**	26.6	133.3
Payment of capital element of finance leases	9b	**(1.4)**	(0.8)	(1.2)
Equity dividends paid	8b	**(70.0)**	(60.3)	(90.2)
Dividends paid to non-controlling interests		**(6.5)**	(6.5)	(12.2)
Net cash used in financing activities		**(129.9)**	(109.6)	(91.0)
Net decrease in cash and cash equivalents	9b	**(5.5)**	(62.5)	(89.8)
Cash and cash equivalents at beginning of the period		**416.0**	375.3	375.3
Effect of foreign exchange rate changes		**(14.2)**	58.2	130.5
Cash and cash equivalents at end of the period		**396.3**	371.0	416.0
Cash and cash equivalents consist of:				
– Cash at bank and cash equivalents		**656.0**	359.4	473.7
– Short-term deposits		**112.2**	98.7	171.5
– Bank overdrafts		**(371.9)**	(87.1)	(229.2)
		396.3	371.0	416.0

The notes on pages 17 to 26 are an integral part of these condensed consolidated interim financial statements.

Notes (unaudited)

1 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2017 have 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 Conduct Authority. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts 2016, which have been prepared in accordance with IFRSs as adopted by the European Union and International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the external auditors. The condensed consolidated interim financial statements in the Interim Report do 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 2016 were approved by the Board of Directors on 28 February 2017 and delivered to 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 498 of the Companies Act 2006. The condensed consolidated interim financial statements on pages 12 to 26 were approved by the Board of Directors on 26 July 2017.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group's Annual Report and Accounts 2016 other than taxes on income which are accrued using the tax rate that is expected to be applicable for the full financial year.

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2018:

- IAS 7, 'Amendment to IAS 7, Cash flow statements'
- IAS 12, 'Amendment to IAS 12, Income taxes'
- IAS 27, 'Amendment to IAS 27, Separate financial statements'
- IFRS 2, 'Amendment to IFRS 2, Share-based payment'
- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'.

Management are currently reviewing the new standards to assess the impact that they may have on the Group's reported performance and financial position.

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

	Average rates			Period end rates		
	30 Jun 2017	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016
Australian dollar	**1.68**	1.94	1.82	**1.70**	1.79	1.71
Euro	**1.17**	1.29	1.23	**1.14**	1.20	1.17
Hong Kong dollar	**9.85**	11.08	10.51	**10.16**	10.33	9.57
Singapore dollar	**1.77**	1.97	1.87	**1.79**	1.79	1.78
Russian rouble	**73.62**	99.28	90.72	**76.71**	85.19	75.97

2 Segmental analysis

The Group has eight reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. The following summary describes the operations of each of the Group's reportable segments:

Distribution	Australasia	Distribution of new vehicles and parts in Australia and New Zealand together with associated marketing and logistics operations.
	UK and Europe	Distribution of new vehicles and parts, together with associated marketing activities, in mature European markets.
	Asia	Exclusive distribution and sale of new vehicles and parts, in Asian markets, together with associated aftersales activities of service and bodyshop repairs.
	Emerging Markets	Distribution of new vehicles and parts, in growing markets, together with associated aftersales activities of service and bodyshop repairs.
Retail	Australasia	Sale of new and used vehicles in Australia together with associated aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Sale of primarily new and used premium vehicles in mature markets, together with associated aftersales activities of service, bodyshop repairs and parts sales.
	Emerging Markets	Sale of new and used vehicles in growing markets together with associated aftersales activities of service, bodyshop repairs and parts sales.
Central		Comprises the Group's head office function and includes all central activities including the Board, finance, human resources, marketing, governance and global information services.

Following the acquisition of the BMW Distribution operations in Estonia, operations with similar economic characteristics in UK and Europe have been reclassified from Retail to Distribution in the prior period comparatives for consistency.

					Distribution
Six months to 30 June 2017	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
Revenue from third parties	**389.9**	**442.0**	**810.2**	**385.1**	**2,027.2**
Results					
Trading profit / (loss)	**28.1**	**15.0**	**75.6**	**42.4**	**161.1**
Operating exceptional items	**–**	**(1.8)**	**–**	**(0.6)**	**(2.4)**
Operating profit / (loss) after exceptional items	**28.1**	**13.2**	**75.6**	**41.8**	**158.7**

					Distribution
Six months to 30 June 2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
Revenue from third parties	328.7	348.6	720.4	152.2	1,549.9
Results					
Trading profit / (loss)	34.1	12.1	61.4	22.7	130.3
Operating exceptional items	–	–	–	–	–
Operating profit / (loss) after exceptional items	34.1	12.1	61.4	22.7	130.3

					Distribution
Year to 31 December 2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
Revenue from third parties	727.8	771.6	1,591.6	333.4	3,424.4
Results					
Trading profit / (loss)	67.8	26.8	136.7	52.0	283.3
Operating exceptional items	(0.5)	(32.1)	(11.6)	(0.5)	(44.7)
Operating profit / (loss) after exceptional items	67.3	(5.3)	125.1	51.5	238.6

2 Segmental analysis continued

Six months to 30 June 2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue from third parties	409.0	1,751.5	270.8	2,431.3	4,458.5	–	4,458.5
Results							
Trading profit / (loss)	21.9	39.6	(1.2)	60.3	221.4	(13.4)	208.0
Operating exceptional items	–	(0.7)	(0.5)	(1.2)	(3.6)	(1.5)	(5.1)
Operating profit / (loss) after exceptional items	21.9	38.9	(1.7)	59.1	217.8	(14.9)	202.9
Share of profit after tax of joint ventures and associates							–
Profit before finance and tax							202.9

Net finance costs of £11.2m are not allocated to individual segments.

Six months to 30 June 2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue from third parties	339.2	1,686.3	180.8	2,206.3	3,756.2	–	3,756.2
Results							
Trading profit / (loss)	14.1	39.9	(0.6)	53.4	183.7	(14.2)	169.5
Operating exceptional items	–	–	–	–	–	–	–
Operating profit / (loss) after exceptional items	14.1	39.9	(0.6)	53.4	183.7	(14.2)	169.5
Share of profit after tax of joint ventures and associates							–
Profit before finance and tax							169.5

Net finance costs of £4.5m are not allocated to individual segments.

Year to 31 December 2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue from third parties	701.3	3,291.3	421.4	4,414.0	7,838.4	–	7,838.4
Results							
Trading profit / (loss)	34.6	70.3	0.4	105.3	388.6	(29.5)	359.1
Operating exceptional items	(4.7)	(4.6)	(0.4)	(9.7)	(54.4)	(27.2)	(81.6)
Operating profit / (loss) after exceptional items	29.9	65.7	–	95.6	334.2	(56.7)	277.5
Share of loss after tax of joint ventures and associates							(0.1)
Profit before finance and tax							277.4

Net finance costs of £9.6m are not allocated to individual segments.

2 Segmental analysis continued

Gross profit for Distribution and Retail activities is analysed as follows:

Six months to 30 June 2017	**Vehicles £m**	**Aftersales £m**	**Total £m**
Distribution	**214.4**	**139.7**	**354.1**
Retail	**171.9**	**89.0**	**260.9**
Group	**386.3**	**228.7**	**615.0**

Six months to 30 June 2016	Vehicles £m	Aftersales £m	Total £m
Distribution	171.1	107.3	278.4
Retail	168.4	78.5	246.9
Group	339.5	185.8	525.3

Year to 31 December 2016	Vehicles £m	Aftersales £m	Total £m
Distribution	341.9	242.4	584.3
Retail	336.8	158.0	494.8
Group	678.7	400.4	1,079.1

3 Exceptional items

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Restructuring costs	**(3.8)**	–	(24.8)
Acquisition of businesses	**(1.3)**	–	(8.8)
Goodwill impairment	**–**	–	(24.9)
Impairment of software and associated assets	**–**	–	(23.1)
Total exceptional items before tax	**(5.1)**	–	(81.6)
Exceptional tax	**0.6**	–	11.5
Total exceptional items	**(4.5)**	–	(70.1)

During the period, the Group has incurred restructuring costs of £3.8m (year to 31 December 2016: £24.8m) as part of a Group-wide programme, commenced in 2016, to better align the organisation with the Ignite strategy. The costs incurred comprise headcount reduction and costs associated with the redevelopment of the third party Retail network in certain markets.

Exceptional costs of £1.3m (year to 31 December 2016: £8.8m) have been incurred relating to the 2016 acquisition of the Subaru, Hino and associated Distribution businesses in South America.

In 2016, the Group made configuration changes to the iPower system to better reflect the Ignite strategy, resulting in an non-cash impairment charge of £23.1m and impaired the carrying value of goodwill relating to businesses in Lithuania and Estonia.

4 Finance income

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Bank and other interest receivable	**3.9**	2.4	5.0
Net interest income on post-retirement plan assets and liabilities	**0.7**	2.2	4.2
Other finance income	**3.7**	4.0	7.8
Total finance income	**8.3**	8.6	17.0

5 Finance costs

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Interest payable on bank borrowings	**5.0**	1.3	2.6
Interest payable on Private Placement	**2.7**	1.5	3.3
Interest payable on other borrowings	**0.1**	0.1	0.3
Fair value adjustment on Private Placement	**(25.4)**	(31.8)	46.6
Fair value loss / (gain) on cross-currency interest rate swaps	**24.7**	31.7	(47.6)
Stock holding interest	**12.4**	9.0	20.1
Other finance costs	**–**	1.3	1.3
Total finance costs	**19.5**	13.1	26.6

6 Income tax

		Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Current tax	– UK corporation tax	**4.5**	5.8	6.0
	– Overseas tax	**47.6**	35.9	79.2
Adjustments to prior year liabilities	– UK	**–**	(0.1)	(1.5)
	– Overseas	**(0.1)**	(0.7)	(1.2)
Current tax		**52.0**	40.9	82.5
Deferred tax		**(2.5)**	1.7	(6.0)
Total tax charge		**49.5**	42.6	76.5

The total tax charge is analysed as follows:			
– Tax charge on profit before exceptional items	**50.1**	42.6	88.0
– Tax credit on exceptional items	**(0.6)**	–	(11.5)
Total tax charge	**49.5**	42.6	76.5

6 Income tax continued

The effective tax rate for the half year, before exceptional items, is 25.5% compared to 25.8% for the same period last year. The effective rate for the first half of 2016 included the impact of the Foreign Income Dividend claim receipt (on which tax at 45% was withheld). Excluding this, the underlying effective tax rate was 25.0%.

Franked Investment Income Group Litigation Order

The Group is a participant in an action in the United Kingdom against HM Revenue and Customs (HMRC) in the Franked Investment Income Group Litigation Order (FII GLO). There are 25 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK.

As reported previously, HMRC has applied to the Supreme Court for permission to appeal the Court of Appeal's judgment of November 2016. However, the Supreme Court has deferred making a decision on HMRC's permission appeal pending the judgment in Littlewoods versus HMRC which is yet to be delivered. Therefore, resolution of the test case in the FII GLO remains incomplete.

As a consequence, no further receipts have been recognised in the period to 30 June 2017 in relation to the balance of the Group's claim in the FII GLO due to the uncertainty of the amounts and eventual outcome given the test case has not yet completed nor has the Group's specific claim been heard by the Courts.

7 Earnings per share

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Profit for the period	**142.2**	122.4	191.3
Non-controlling interests	**(4.0)**	(3.7)	(6.9)
Basic earnings	**138.2**	118.7	184.4
Exceptional items	**4.5**	–	70.1
Adjusted earnings	**142.7**	118.7	254.5
Basic earnings per share	**33.1p**	27.6p	43.2p
Diluted earnings per share	**32.6p**	27.2p	42.6p
Basic Adjusted earnings per share	**34.1p**	27.6p	59.6p
Diluted Adjusted earnings per share	**33.6p**	27.2p	58.9p

	Six months to 30 Jun 2017 number	Six months to 30 Jun 2016 number	Year to 31 Dec 2016 number
Weighted average number of fully paid ordinary shares in issue during the period	**419,438,037**	431,767,646	428,090,784
Weighted average number of fully paid ordinary shares in issue during the period:			
– Held by the Inchcape Employee Trust	**(1,420,227)**	(1,306,439)	(1,182,428)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**418,017,810**	430,461,207	426,908,356
Dilutive effect of potential ordinary shares	**6,158,971**	5,604,600	5,534,805
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	**424,176,781**	436,065,807	432,443,161

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 the Inchcape Employee Trust and repurchased as part of the share buy back programme.

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 other share-based awards.

Basic 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 Inchcape Employee Trust and repurchased as part of the share buy back programme.

Diluted Adjusted earnings per share is calculated on the same basis as the Basic 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 other share-based awards.

8 Shareholders' equity

A. Issue of ordinary shares

During the period, the Group issued £nil (June 2016 – £nil, Dec 2016 – £nil) of ordinary shares exercised under the Group's share option schemes.

Share buy back programme

During the six months ended 30 June 2017, the Group repurchased 6,129,028 of its own shares (June 2016 – 8,393,550, Dec 2016 – 15,805,287) through purchases on the London Stock Exchange, at a cost of £49.8m (June 2016 – £58.4m, Dec 2016 – £108.2m). The shares repurchased during the period were cancelled, with none held as treasury shares at the end of the reporting period. An amount of £0.6m (June 2016 – £0.8m, Dec 2016 – £1.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.4m (June 2016 – £0.9m, Dec 2016 – £1.6m) associated with the transfer to the Group of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

B. Dividends

The following dividends were paid by the Group:

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Final dividend for the year ended 31 December 2016 of 16.8p per share (2015 – 14.1p per share)	**70.0**	60.3	60.3
Interim dividend for the six months ended 30 June 2016 of 7.0p per share (2015 – 6.8p per share)	**–**	–	29.9
	70.0	60.3	90.2

An interim dividend of 7.9p per share (£32.8m) for the period ending 30 June 2017 was approved by the Board on 26 July 2017 and will be paid on Wednesday 6 September 2017 to shareholders who are on the register at close of business on Friday 4 August 2017. The Dividend Reinvestment Plan (DRIP) is available to ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 15 August 2017.

9 Notes to the statement of cash flows

A. Reconciliation of cash generated from operations

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Cash flows from operating activities			
Operating profit	**202.9**	169.5	277.5
Exceptional items	**5.1**	–	81.6
Amortisation including non-exceptional impairment of intangible assets	**9.0**	7.5	14.9
Depreciation of property, plant and equipment	**22.1**	18.7	38.0
Profit on disposal of property, plant and equipment	**(9.0)**	(0.1)	(12.7)
Share-based payments charge	**5.0**	5.4	12.1
(Increase) / decrease in inventories	**(99.6)**	36.1	(110.7)
Increase in trade and other receivables	**(13.3)**	(31.5)	(10.2)
Increase / (decrease) in trade and other payables	**132.5**	(67.4)	99.0
Decrease in provisions	**(4.5)**	(7.5)	(9.4)
Pension contributions less than the pension charge for the period*	**1.2**	0.6	1.9
Decrease in interest in leased vehicles	**1.3**	3.0	2.9
Payments in respect of operating exceptional items	**(21.9)**	–	(3.2)
Other non-cash items	**(0.7)**	0.5	1.1
Cash generated from operations	**230.1**	134.8	382.8

* Includes additional payments of £1.5m (June 2016 – £1.2m, Dec 2016 - £2.1m).

9 Notes to the statement of cash flows continued

B. Reconciliation of net cash flow to movement in net funds

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Net decrease in cash and cash equivalents	**(5.5)**	(62.5)	(89.8)
Net cash inflow from borrowings and finance leases	**(9.9)**	(25.8)	(132.1)
Change in net cash and debt resulting from cash flows	**(15.4)**	(88.3)	(221.9)
Effect of foreign exchange rate changes on net cash and debt	**(11.9)**	57.4	129.7
Net movement in fair value	**0.7**	0.1	1.0
Net loans and finance leases relating to acquisitions and disposals	**–**	–	(48.7)
Movement in net funds	**(26.6)**	(30.8)	(139.9)
Opening net funds	**26.5**	166.4	166.4
Closing net (debt) / funds	**(0.1)**	135.6	26.5

Net (debt) / funds is analysed as follows:

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Cash and cash equivalents as per the balance sheet	**768.2**	458.1	645.2
Borrowings – disclosed as current liabilities	**(411.5)**	(310.3)	(481.7)
Add back: amounts treated as debt financing (see below)	**39.6**	223.2	252.5
Cash and cash equivalents as per the statement of cash flows	**396.3**	371.0	416.0
Debt financing			
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	**(39.6)**	(223.2)	(252.5)
Borrowings – disclosed as non-current liabilities	**(414.1)**	(151.4)	(292.0)
Fair value of related cross-currency interest rate swaps	**57.3**	139.2	155.0
Debt financing	**(396.4)**	(235.4)	(389.5)
Net (debt) / funds	**(0.1)**	135.6	26.5

10 Acquisitions and disposals

During the period ended 30 June 2017, the Group acquired premium automotive operations in Estonia, focused on exclusive distribution for BMW Group, from United Motors AS and entered into a distribution contract with Groupe PSA to distribute the Peugeot and Citroen brands in Australia. The total cost of these acquisitions was £15.6m. The Group also disposed of its Lexus operations in Shanghai generating disposal proceeds of £5.6m.

In the year ended 31 December 2016, the Group acquired a multi-country scale Distribution business in South America focused on Subaru and Hino in the growth markets of Chile, Colombia, Peru and Argentina. The cost of the acquisition, net of cash acquired, was £196.8m.

In 2016 the Group also acquired and disposed of sites in the UK in relation to the optimisation of our Jaguar Land Rover footprint ahead of the new combined site format being launched in the UK. The Group also disposed of a site in Australia and finalised the liquidation of a joint venture in Greece. Consideration for the acquisitions was £4.3m and disposal proceeds were £2.8m.

11 Financial risk management

A. Financial risk factors

Exposure to financial risks comprising market risks (currency risk and interest rate risk), funding and liquidity risk and counterparty risk arises in the normal course of the Group's business.

During the six months to 30 June 2017, the Group has continued to apply the financial risk management process and policies as detailed in the Group's principal risks and risk management process included in the Annual Report and Accounts 2016.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and further details can be found in the Annual Report and Accounts 2016.

11 Financial risk management continued

B. Liquidity risk

The Group has refinanced its US$275m private placement loan note borrowings that matured in May 2017 by issuing £210m in new private placement loan notes. The notes were issued in four tranches paying a semi-annual coupon at an average interest rate of 3% and maturing in 2024 to 2029.

Other than the refinancing mentioned above, there have been no material changes to the contractual undiscounted cash flows of the Group's liabilities during the six months to June 2017.

C. Fair value measurements

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	Six months to 30 June 2017				Six months to 30 June 2016				Year to 31 December 2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets												
Derivatives used for hedging	–	60.7	–	60.7	–	211.2	–	211.2	–	160.1	–	160.1
Available for sale financial assets	1.3	–	2.3	3.6	1.6	–	–	1.6	1.6	–	2.2	3.8
	1.3	60.7	2.3	64.3	1.6	211.2	–	212.8	1.6	160.1	2.2	163.9
Liabilities												
Derivatives used for hedging	–	(35.3)	–	(35.3)	–	(16.1)	–	(16.1)	–	(53.6)	–	(53.6)

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange and prevailing forward interest rates at 30 June 2017.

The Group's derivative financial instruments comprise the following:

	Assets			Liabilities		
	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Cross currency interest rate swap	57.3	139.2	155.0	–	–	–
Forward foreign exchange contracts	3.4	72.0	5.1	(35.3)	(16.1)	(53.6)
	60.7	211.2	160.1	(35.3)	(16.1)	(53.6)

12 Assets held for sale

	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Assets held for sale	**6.4**	1.2	3.2

As at 30 June 2017, assets held for sale relate to surplus properties within the UK, which are actively marketed with a view to sale.

13 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 2016.

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 2017.

Independent Review Report to Inchcape plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Inchcape plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Report of Inchcape plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note [1] to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

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, 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.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

London

26 July 2017

Notes:

(a) The maintenance and integrity of the Inchcape plc 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 financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction

Statement of Directors' Responsibilities

Introduction

The Directors confirm that the condensed consolidated interim financial statements in the Interim Report have 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 4.2.7R and 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial statements;
- 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 2016, except for Alison Cooper, who stepped down as a Non-Executive Director on 28 February 2017, and Jerry Buhlmann who was appointed as a Non-Executive Director on 1 March 2017. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

On behalf of the Board

Stefan Bomhard

26 July 2017

Group Chief Executive