

Interim Report 2013



The premium choice in the automotive industry

RIGHT MARKETS

RIGHT BRANDS

RIGHT CATEGORIES

RIGHT FINANCIALS

RIGHT GROWTH STRATEGY



Highlights

2 August 2013

RECORD H1 PBT AND SHARE BUYBACK ANNOUNCED

Inchcape plc, the leading premium automotive group, announces its half year results for the six months ended 30 June 2013.

OPERATIONAL AND STRATEGIC HIGHLIGHTS:

- Record H1 PBT and double-digit earnings growth
- 70% of trading profit generated from Asia Pacific and the Emerging Markets
- Broad based revenue growth in all categories: vehicles, service and parts
- Trivett acquisition completed in Australia
- Facilities upgrade completed in Singapore, ready for the market recovery

FINANCIAL HIGHLIGHTS:

- Reported sales £3.3bn, up 6.6% in actual currency and up 5.3% in constant currency
- Pre-exceptional PBT £147.0m¹ (2012 H1: £132.8m²), up 10.7% in actual currency
- Adjusted EPS 22.9p (2012 H1: 20.7p²), up 10.6%
- Reported EPS 21.2p (2012 H1: 20.7p²), up 2.4%
- Net cash position: £189.1m (2012 H1: £227.7m)
- Interim dividend of 5.7p (2012 H1: 4.0p)
- £100m share buyback programme over the next 12 months

¹ In 2013 H1, we benefited from a property disposal which generated a one-off profit of £6.2m.

² 2012 H1 restated for the adoption of IAS 19 (revised).

ANDRÉ LACROIX, GROUP CEO OF INCHCAPE PLC, COMMENTED:

"We have delivered a robust performance in the first half of the year with a record pre-exceptional PBT of £147.0m and a double-digit adjusted EPS growth, despite challenging trading conditions in some of our markets. This is a testament to the strength of Inchcape's unique business model and the effectiveness of our differentiated Customer 1st strategy.

We grew our revenue by 6.6% in actual currency as we benefited from our geographic spread and from the acquisition of Trivett, Australia's leading luxury and premium automotive group. The Group continues to benefit from strong sales and profit performance in Asia Pacific and the Emerging Markets.

The Group operates in the right markets, with the right brands and trades in the right categories given our scale presence in Asia Pacific and the Emerging Markets, our focus on premium and luxury brands and our diversified profit streams.

Inchcape is engineered for sustainable earnings growth and we continue to expect the Group to deliver a robust performance in 2013 despite competitive pressure on vehicle margins in some of our markets.

Our confidence in the Group's earnings potential and our highly cash-generative business model is reflected in our progressive dividend policy with an interim dividend increase of 43% and in today's announcement of a £100m share buyback programme over the next 12 months."

Group Chief Executive statement

We are pleased to announce that during the first half of 2013 the Group has again delivered robust results with a record profit before tax and good earnings growth, as we continue our strategic agenda of delivering superior customer service and our operational focus on executing our Top Five Priorities of growing market share, growing aftersales, improving margin, controlling working capital and selective capital investment.

The Group delivered revenue of £3.3bn in the first half of 2013, up by 6.6% on the previous year as we benefited from our unique geographic spread and from the acquisition of Trivett in Australia. Our unique business model benefits from strong operational leverage and this, together with our continuing cost discipline, generated an operating profit before exceptional items of £153.7m, an increase of 11.7% from the first half of 2012, with a return on sales of 4.6%. Profit before tax and exceptional items of £147.0m was up 10.7% on the previous year. In the first half of 2013, we benefited from a property disposal which generated a one-off profit of £6.2m.

In the first half of 2013, trading profit in our Distribution segment increased by 15.4% in constant currency terms and was up by 17.1% at actual rates of exchange to £115.6m, with resilient performances in Europe and South Asia, while we delivered a robust performance in Australasia, the Emerging Markets and North Asia.

Our Retail segment delivered a resilient trading profit of £51.5m, marginally down 0.6% in constant currency and 0.2% at actual rates of exchange, despite competitive pressure in some of our markets.

The controls on cash management remained firmly in place and we have ended the first half year with a net cash position of £189.1m (2012 H1: £227.7m).

Our balanced approach to both commercial and cash initiatives continue to result in us growing our revenue ahead of our competitors and our profit and operating cash grow faster than revenue.

We acquired Trivett, Australia's leading luxury and premium automotive group, on 1 March and the integration is on track. We are pleased with the performance of the Trivett business. Trivett retails through a footprint of 22 sites in three market areas in Sydney and through one site in Melbourne. We will continue to assess value creating acquisition opportunities in high growth and high margin areas.

Given this performance and our strong financial position, the Board is pleased to declare an interim dividend of 5.7p (2012 H1: 4.0p), an increase of 43% in line with our progressive dividend policy. We have also announced a £100m share buyback programme over the next 12 months.

Inchcape is the premium choice in the automotive industry.

We operate in the *right markets*, leveraging the exciting growth prospects in Asia Pacific and the Emerging Markets, which are underpinned by population growth, wealth creation, increasing car penetration and industry premiumisation. More than 70% of our profits come from these regions, the fastest growing economies in the world.

Our focused portfolio of luxury and premium brands, based on our long-standing, global relationships with six leading OEMs from which we derive 90% of our profits, means that we represent the *right brands*.

We trade in the *right categories*, as the range of our revenue streams from growth value drivers, which represent 40% of our gross profit (New Cars, Vehicle Finance and Insurance) and defensive value drivers, which represent 60% of our gross profit (Used Cars, Aftersales Service and Spare Parts), provides a well-balanced set of earnings streams.

We deliver the *right financials* as our well-controlled costs and our focused operational discipline provide sustainable earnings growth, strong cash generation and a robust balance sheet.

And we have the *right growth strategy* as our customer focus, underpinned by our unique Inchcape Advantage programme, enables us to capture growth opportunities in existing and new markets.

With this unique business model, Inchcape is well positioned to take advantage of the exciting growth prospects ahead, given a global car sales market that is forecast to grow by 24%* over the next five years and a global car parc forecast to grow by 20%** over the same period.

Notes:

"Trading profit" is defined as operating profit before exceptional items and unallocated central costs. Unless otherwise stated, all numbers are in actual exchange rates.

* Source: IHS Automotive (Global Insight, July 2013)

** Source: LMC Automotive (JD Power, Q2 2013)

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Business update

TOP FIVE PRIORITIES

GROWING MARKET SHARE

In the first half of 2013, we achieved robust revenue growth from New Vehicle sales, due to the effectiveness of our differentiated Customer 1st strategy and our strong portfolio of brands operating in the strongest economies and in the fastest growing premium and luxury segments.

In our Distribution businesses, our marketing focus is on driving customer traffic into our showrooms with high impact campaigns promoting core models with strong product and value-for-money propositions. This is demonstrated, for example, by our breakthrough launch campaign for the highly acclaimed Subaru Forester in Australia earlier this year, which has helped us deliver a strong financial performance in that market, and our web-only advertising campaign in Belgium for the new Toyota RAV4, which has delivered significant margin accretive revenue growth. Further, our teams continue to harness the growth in online opportunities to deliver targeted marketing programmes aimed at maximising customer interest in innovative new models, model facelifts and limited editions.

In our Retail operations too, digital marketing forms an increasingly significant part of our marketing mix. Strong tactical campaigns combined with a seamless customer experience between our online and retail centre presence continue to increase our customer traffic. In the UK, we are focusing on improving our current websites through Conversion Rate Optimisation, ensuring that we improve the online journey for our customers and therefore maximise enquiries for our retail centres. Operationally, our focus is on leveraging opportunities from our brand partners' strong new product launch programmes and on outperforming our competitors through effective customer conversion, thanks to the bespoke processes of our unique Inchcape Advantage programme – now in its seventh year – which continues to give us a strong customer service differentiation in our local markets. Our dedicated customer feedback programmes, with 14,000 customer interviews every month, provide us with valuable insights to drive our tactical marketing programmes. Our daily data monitoring of customer traffic, customer leads, test drives and capture rate gives us a unique opportunity to drive disciplined performance management in our retail centres.

GROWING AFTERSALES

The resilience of our Aftersales business has been proven over many years and in 2013 we started benefiting from the growth of the warranty car parc in some of our markets. Aftersales is a high margin business, contributing approximately half of the Group's gross profit.

In our Distribution businesses, our teams remain focused on outperforming competitors through innovative customer contact and retention programmes during both the warranty and post-warranty period. We continue to invest in service advisor training and promotions on spare parts and accessories to drive additional margin opportunities with all-inclusive packages and innovations. In Singapore, for example, our Lexus Crème de la Crème and Toyota Shield programmes offer enhanced services and additional rewards for loyal customers.

In our Retail operations, the rigorous processes of our continuously-evolving Inchcape Advantage programme are driving performance through the daily capture of customer data, bookings, hours sold and workshop productivity. Creative aftersales initiatives are increasing transaction values and our digital vehicle health checks linked to call centre handling are helping us to capture market share ahead of our competitors. Through our customer interviews, we collect and analyse feedback to continuously improve our service operations, to understand the effectiveness of our tactical aftersales offers and to develop programmes to increase customer retention. In Hong Kong for example, initiatives like 'Express Service' and our oil and tyre programmes ensure a differentiated customer experience based on transparency and trust. And in the UK, we have listened to our customers and recently increased the range of Aftersales services available by introducing special facilities for 'minor' repairs in over 40 retail centres. Across our operations we use cutting edge technology in a controlled environment with highly skilled technicians to give our customers added peace of mind.

REDUCING COSTS

Our robust cost discipline remains firmly in place and our first half expenditure was in line with expectations. We benefited from strong cost leverage during this period as our overheads on sales fell by 0.4ppt.

Our cost restructuring programmes between the start of the global economic downturn in 2008 and 2012 have delivered a total cost reduction of c.£124m before inflation. We executed a further restructuring programme at the end of 2012 to optimise headcount and to exit eight sites, and our cost discipline on all on-going expenses remains firmly in place. Our continuous focus on cost has enabled us to keep our like-for-like cost base broadly flat year on year in the first half of 2013.

MANAGING WORKING CAPITAL

Our strict daily discipline on working capital and inventory management remains robust. We believe our working capital position at the year end will be better than originally anticipated and therefore increase our net cash guidance from £150m to £180m, excluding the impact of the share buyback.

SELECTIVE CAPITAL EXPENDITURE INVESTMENT

Our strategic investments to improve our presence in Asia Pacific and the Emerging Markets are progressing well, while we continue to improve our brand standards in the UK and IT infrastructure.

We have modernised our Toyota and Lexus retail flagship facility in the main automotive shopping area of Singapore, ahead of the market upturn, to create a highly customer-centric environment, world-leading in terms of customer care.

In Russia, we have opened a new Rolls-Royce showroom in St Petersburg to take advantage of the growth in the super-luxury segment and in the second half of the year we plan to open our new City Retail Centre in Moscow, where we will represent Jaguar, Land Rover and Volvo. The location of this new retail centre will give us a real competitive advantage as we will offer a very convenient Sales and Aftersales location to our customers working in the city centre.

In China, we have now opened our Porsche site in Nanchang and we plan to open a new Mercedes-Benz site in Jiujiang later this year.

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Business update continued

In South America, where we had a strong performance in the first half year, benefiting from good growth in the luxury segment, we opened our new flagship BMW facility in Lima in July and we plan to open our new flagship BMW facility in Santiago later in the second half. Both facilities will improve the quality of the brand experience and will increase our Aftersales capacity to take advantage of the growth in the car parc.

In Ethiopia, we have opened a new retail facility for our construction machinery business, Komatsu, to take advantage of the growth in the segment.

In the UK we have completed major VW corporate identity upgrades at Wirral and at Swindon, and in the second half of 2013 we will relocate Chester VW to a new much-enlarged facility complete with bodyshop. In the next six months we will also see the completion of an enlarged BMW, MINI and Motorrad retail centre in Sunderland, a full upgrade at BMW Norwich, and the installation of ibrand infrastructure at five UK BMW locations for a Q4 launch.

ACQUISITIONS

We acquired Trivett Automotive group, Australia's leading luxury and premium automotive group, on 1 March 2013 for c.£76m. The integration is on track having started the head office rationalisation. We are starting to look at the potential commercial synergies and we look forward to building on our relationships with both our brand partners and our customers. We are pleased with the performance of the Trivett business in the first half.

PEOPLE

We know that our people are central to our success. I would like to express my sincere thanks to colleagues across the Group for their on-going commitment and dedication to creating an incredible customer experience for our brand partners.

DIVIDEND

Given our good start to the year, the Board has declared an interim dividend of 5.7p. This represents a year-on-year increase of 43%, which is in line with our progressive dividend policy and which reflects our recently increased dividend payout ratio of 40%. The interim dividend will be paid on 12 September 2013 to shareholders who are on the register at close of business on 16 August 2013.

SHARE BUYBACK

The Board intends to target 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.

The Board concluded that there is scope to return surplus cash to shareholders and will therefore be initiating a £100m share buyback programme to be effected in the next 12 months.

The Board confirmed its commitment to a progressive dividend policy, having increased the dividend payout ratio to 40% last year and, going forward, the dividend growth will now broadly match growth in earnings per share.

As you would expect, the Board will continue to monitor the level of cash balances in the light of the Group's future investment opportunities, expected working capital requirements and the trading outlook.

OUTLOOK

The Group is well positioned in the global automotive market and will continue to benefit from its strong exposure to the Asia Pacific and Emerging Market regions and from its strategic partnership with leading OEMs in the premium and luxury segments. We continue to expect the Group to deliver a robust performance in 2013.

In terms of the New Car market, we expect demand in the UK to remain robust, reflecting the replacement of the car parc, the gradual improvement in consumer confidence and the OEM initiatives. In Europe, we expect the demand for New vehicles in the second half to be broadly similar to the first half. In Asia, the Singapore market will be slightly down year on year in the second half, while we expect the Hong Kong market to be slightly up year on year. In Australia, the market will continue to benefit from the replacement cycle. In Russia and the Balkans, we expect trading conditions to remain challenging with weak demand and continued pressure on margin. And in South America, Africa and China we expect the growth momentum to continue.

At the gross margin level, we expect the competitive pressure on vehicle margins in the UK and Russia to continue; we should benefit, as expected, from a weaker Yen in Australia in the second half; and we should benefit from improved Aftersales business driven by the growth of the warranty car parc in several of our markets. Our gross margin from Aftersales, which represents 50% of the Group's gross profit, will remain robust.

CONCLUSION

We have delivered a record PBT in the first half year with a strong balance sheet and we believe the Group is truly engineered to deliver sustainable earnings growth.

We are confident in the Group's earnings growth potential as we will continue to benefit from exciting growth opportunities and as we operate in the right economies with the right brands and in the right categories.

Inchcape is well positioned as the premium choice in the automotive industry – for our people for whom we offer an exciting work environment; for our brand partners for whom we provide trusted brand stewardship and growth; for our customers for whom we provide a superior customer experience; and for our shareholders for whom we target delivering sustainable earnings growth and strong cash returns.

André Lacroix

Group Chief Executive

1 August 2013

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Operational review

GROUP OVERVIEW

GROUP KEY PERFORMANCE INDICATORS*

| | Six months to 30.06.13 £m | Six months to 30.06.12 £m |
|---|---------------------------------|---------------------------------|
| Sales | 3,312.9 | 3,108.7 |
| Like for like sales growth (%) | 2.0 | 6.8 |
| Trading profit | 167.1 | 150.3 |
| Like for like trading profit growth (%) | 7.2 | 6.5 |
| Trading margins (%) | 5.0 | 4.8 |
| Cash generated from operations | 87.7 | 77.2 |

| | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|-----------------------|---------------------------------|---------------------------------|----------|-------------------------------------|
| Sales | | | | |
| – Retail | 2,025.1 | 1,833.9 | 10.4 | 9.7 |
| – Distribution | 1,287.8 | 1,274.8 | 1.0 | (1.1) |
| Trading profit | | | | |
| – Retail | 51.5 | 51.6 | (0.2) | (0.6) |
| – Distribution | 115.6 | 98.7 | 17.1 | 15.4 |

| | 2013 Operating profit £m | 2013 Exceptional items £m | 2013 Trading profit £m | 2012 Operating profit restated ¹ £m | 2012 Exceptional items £m | 2012 Trading profit £m |
|-----------------------------|--------------------------------|------------------------------------|------------------------------|---|------------------------------------|------------------------------|
| Australasia | 36.3 | (5.7) | 42.0 | 35.1 | – | 35.1 |
| Europe | 10.4 | – | 10.4 | 10.3 | – | 10.3 |
| North Asia | 28.0 | – | 28.0 | 25.6 | – | 25.6 |
| South Asia | 15.4 | – | 15.4 | 17.5 | – | 17.5 |
| United Kingdom | 36.9 | (1.1) | 38.0 | 37.2 | – | 37.2 |
| Russia and Emerging Markets | 32.3 | (1.0) | 33.3 | 24.6 | – | 24.6 |
| Trading profit | 159.3 | (7.8) | 167.1 | 150.3 | – | 150.3 |
| Central Costs | (14.1) | (0.7) | | (12.7) | – | |
| Operating Profit | 145.2 | (8.5) | | 137.6 | – | |

¹ see note 1 of the Financial Statements section

* At actual exchange rates

The Group reports its results in the condensed set of consolidated financial information 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 2013 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 are stated in constant currency.

Like for like sales and trading profit exclude the impact of acquisitions from the date of acquisition until the 13th 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 13th month of trading in the new location.

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.

Australasia

| | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|----------------------------|---------------------------------|---------------------------------|--------------|-------------------------------------|
| Sales | 736.3 | 618.3 | 19.1 | 18.9 |
| – Retail | 352.9 | 218.2 | 61.7 | 61.7 |
| – Distribution | 383.4 | 400.1 | (4.2) | (4.4) |
| Like for like sales | 580.4 | 590.9 | (1.8) | (1.9) |
| – Retail | 197.0 | 190.8 | 3.2 | 3.2 |
| – Distribution | 383.4 | 400.1 | (4.2) | (4.4) |
| Trading profit | 42.0 | 35.1 | 19.7 | 19.6 |
| – Retail | 11.6 | 9.0 | 28.9 | 28.9 |
| – Distribution | 30.4 | 26.1 | 16.5 | 16.4 |
| Trading margin % | 5.7 | 5.7 | - | - |
| – Retail | 3.3 | 4.1 | (0.8ppt) | (0.8ppt) |
| – Distribution | 7.9 | 6.5 | 1.4ppt | 1.4ppt |

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

In the first half of 2013, the Australian New Car market grew by 4.7% versus last year and demand remained solid in all regions.

Our business has delivered a financial performance slightly ahead of our expectations and achieved an overall revenue growth of 18.9% year on year and an overall trading profit growth of 19.6%.

Our Subaru distribution business benefited from the launch of the highly acclaimed new Forester and from the stronger than expected market, which enabled us to deliver an excellent performance. We also started benefiting from better pricing in the second quarter with the launch of the Forester and the weaker Yen position.

We acquired Trivett, Australia's leading luxury and premium automotive group, on 1 March and the integration is on track.

We are looking now at the potential commercial synergies, having started the head office rationalisation. We are pleased with the performance of the Trivett business with a trading profit 1 March to 30 June 2013 of £4.2m and a ROS of 3.1%.

Moving forward, we expect the Australian economy to remain robust and the New car market to benefit from the replacement cycle. We continue to expect our Australian business to deliver a strong performance in 2013.

Europe

| | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|----------------------------|---------------------------------|---------------------------------|---------------|-------------------------------------|
| Sales | 331.1 | 341.2 | (3.0) | (6.1) |
| – Retail | 65.7 | 69.7 | (5.7) | (8.8) |
| – Distribution | 265.4 | 271.5 | (2.2) | (5.5) |
| Like for like sales | 330.7 | 340.1 | (2.8) | (6.0) |
| – Retail | 65.3 | 68.6 | (4.8) | (8.0) |
| – Distribution | 265.4 | 271.5 | (2.2) | (5.5) |
| Trading profit | 10.4 | 10.3 | 1.0 | (2.1) |
| – Retail | 0.1 | (0.1) | 200.0 | 157.2 |
| – Distribution | 10.3 | 10.4 | (1.0) | (4.0) |
| Trading margin % | 3.1 | 3.0 | 0.1ppt | 0.1ppt |
| – Retail | 0.2 | (0.1) | 0.3ppt | 0.3ppt |
| – Distribution | 3.9 | 3.8 | 0.1ppt | 0.1ppt |

Our Europe segment includes Belgium, Luxembourg, Greece and Finland.

The Belgian market was up by 1.7% in the first half year and the Greek market was down by 6.4%.

Despite challenging trading conditions, we have delivered a resilient trading performance with a trading margin of 3.1%, 10 BPS up on last year, as our teams have continued to protect the pricing power of our brands and to drive a strong performance in our highly profitable Aftersales business.

Our revenue performance benefited from a resilient Belgian market and from market share increases in both Greece and Belgium on the back of successful new product launches.

In the second half of the year we plan to leverage the launch of exciting new models such as the Toyota RAV4 and Auris Touring and also the Lexus IS.

We continue to expect to deliver a resilient financial performance in Europe in 2013.

North Asia

| Distribution | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|---------------------|--|--|-----------------|--|
| Sales | 267.2 | 251.1 | 6.4 | 4.0 |
| Like for like sales | 239.5 | 225.3 | 6.3 | 3.9 |
| Trading profit | 28.0 | 25.6 | 9.4 | 6.7 |
| Trading margin % | 10.5 | 10.2 | 0.3ppt | 0.3ppt |

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

Hong Kong is our main market in this segment, and in the first six months of 2013 the New Car market was stronger than expected with a year-on-year growth of 15.8%. Our trading profit in H1 was a record.

The underlying strengths of the Hong Kong economy remain very robust but the better than expected level of New Car registrations was driven by a change in government taxation reducing the number of vehicles benefiting from the Efficient Vehicle Rebate as of April 1.

In Hong Kong we maintained our market leadership position and we have delivered a robust financial performance in line with our expectations.

In Guam, we delivered a robust revenue and profit performance in H1, growing our share in a growing market.

Our Aftersales business continued to perform well as we benefited from growth in the car parc.

Our controls on cost and cash remained firmly in place.

Moving forward, we expect the Hong Kong economy to remain solid. Our business is well positioned and we continue to expect to deliver a robust performance in North Asia in 2013.

South Asia

| Distribution | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|---------------------|---------------------------------|---------------------------------|----------|-------------------------------------|
| Sales | 172.1 | 172.2 | (0.1) | (4.0) |
| Like for like sales | 172.1 | 172.0 | 0.1 | (3.9) |
| Trading profit | 15.4 | 17.5 | (12.0) | (15.3) |
| Trading margin % | 8.9 | 10.2 | (1.3ppt) | (1.3ppt) |

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

Our largest business in this segment is Singapore where, as expected, the market was down year on year by 14.6% and remained very competitive due to the high Certificate of Entitlement (COE) prices and the recent changes to the financing rules and to the luxury tax.

We have delivered a resilient financial performance in line with expectations. Our market share was slightly down year on year as we continued to protect the pricing power of our brands by not pushing volume at the expense of profitability in the vehicle segment and by gaining market share in our highly profitable Commercial Vehicle segment.

Our Aftersales activities remained strong, enabling us to deliver a robust gross margin despite the competition on price in the New Vehicle segment.

In the second quarter, we opened our modernised Toyota and Lexus retail flagship facility in the main automotive shopping area and introduced a number of customer service innovations, such as "Evening Express", where customers are provided with light dinner in a lounge whilst having their cars serviced in 45 minutes.

We are therefore well positioned, given the strong brand portfolio and our excellent service reputation, to take advantage of the market recovery in the next few years in Singapore.

In Brunei, we delivered a robust revenue and profit performance, increasing our strong market share in a growing market.

In the second half of the year, we will leverage the launch of a number of new products and we expect to continue to deliver a resilient financial performance in South Asia in 2013.

Beyond 2013, we expect the Singapore New Car market to start growing again given the fact that we have now seen an increase of de-registrations year on year for 10 consecutive months.

The growth prospects are truly exciting for our Singapore business following seven years of market decline and we should benefit from positive operating leverage moving forward.

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United Kingdom

| | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|----------------------------|---------------------------------|---------------------------------|-----------------|-------------------------------------|
| Sales | 1,141.5 | 1,085.8 | 5.1 | 5.1 |
| – Retail | 1,119.6 | 1,068.2 | 4.8 | 4.8 |
| – Distribution | 21.9 | 17.6 | 24.4 | 24.4 |
| Like for like sales | 1,069.0 | 990.6 | 7.9 | 7.9 |
| – Retail | 1,047.1 | 973.0 | 7.6 | 7.6 |
| – Distribution | 21.9 | 17.6 | 24.4 | 24.4 |
| Trading profit | 38.0 | 37.2 | 2.2 | 2.2 |
| – Retail | 33.5 | 33.8 | (0.9) | (0.9) |
| – Distribution | 4.5 | 3.4 | 32.4 | 32.4 |
| Trading margin % | 3.3 | 3.4 | (0.1ppt) | (0.1ppt) |
| – Retail | 3.0 | 3.2 | (0.2ppt) | (0.2ppt) |
| – Distribution | 20.5 | 19.3 | 1.2ppt | 1.2ppt |

Our United Kingdom segment contains our UK retail business and our fleet leasing business, Inchcape Fleet Solutions.

Our UK business has delivered a record trading profit of £38.0m in the first half of 2013, up 2.2% year on year. This strong performance was achieved despite the competitive pressure on vehicle margins.

The UK market has been stronger than expected with a year on year growth of 10.0%, driven by the replacement cycle from the ageing of the car parc, a gradual improvement in consumer confidence, the availability of affordable financing and the OEM product and promotional initiatives.

In a very competitive New Car market, our UK retail business has delivered a solid volume and market share performance. Our Used Car volumes and Aftersales activities were in line with our expectations and we started to benefit from the gradual recovery of the 1-5 year car parc.

In February we disposed of our Ford retail operations as previously communicated.

Our cost and cash controls remain firmly in place.

In the second half of the year, we are well placed to continue to gain market share with the launch of several exciting new models from our brand partners.

We continue to expect to deliver a solid performance in the UK in 2013.

Russia and Emerging Markets

| | Six months to 30.06.13 £m | Six months to 30.06.12 £m | % change | % change in constant currency |
|----------------------------|---------------------------------|---------------------------------|---------------|-------------------------------------|
| Sales | 664.7 | 640.1 | 3.8 | 1.7 |
| – Retail | 486.9 | 477.8 | 1.9 | – |
| – Distribution | 177.8 | 162.3 | 9.6 | 6.9 |
| Like for like sales | 610.7 | 623.7 | (2.1) | (4.1) |
| – Retail | 437.5 | 461.4 | (5.2) | (6.9) |
| – Distribution | 173.2 | 162.3 | 6.7 | 4.1 |
| Trading profit | 33.3 | 24.6 | 35.4 | 34.8 |
| – Retail | 6.3 | 8.9 | (29.2) | (30.8) |
| – Distribution | 27.0 | 15.7 | 72.0 | 73.6 |
| Trading margin % | 5.0 | 3.8 | 1.2ppt | 1.2ppt |
| – Retail | 1.3 | 1.9 | (0.6ppt) | (0.6ppt) |
| – Distribution | 15.2 | 9.7 | 5.5ppt | 5.8ppt |

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

We have enjoyed robust growth in South America and Africa while trading conditions remained challenging in the Balkans and Russia with competitive pressure on New Car margins. Our operations in this segment have delivered a record trading profit ahead of expectations and, indeed, have made a significant contribution to the Group's earnings growth in the last four years.

In Russia, we are seeing a weakening in consumer confidence given the uncertainty in Europe and continued inflationary pressure, which is affecting the economic growth of the country. The New Car market declined further in the second quarter and in the first six months of the year is down year on year by 5.8%. Nevertheless, our business delivered a resilient financial performance in line with expectations in the first half of 2013, with a trading profit of £4.8m and a return on sales of 1.3%.

We plan to open our new City Retail Centre in Moscow in the second half of the year where we will represent Jaguar, Land Rover and Volvo. The location of our new retail centre will give us a real competitive advantage as we will offer a very convenient Sales and Aftersales location to our customers working in the city centre. We have also opened a new Rolls Royce retail centre in St Petersburg, to take advantage of the growth in the super-luxury segment in that region.

Our other Emerging Markets delivered a strong financial performance ahead of expectations with underlying trading profit growth of 43.9% (excluding a disposal of property which resulted in a profit of £6.2m), enabling us to deliver an excellent underlying return on sales of 7.3%, up year on year by 200 BPS.

In the Baltics, we delivered a solid revenue and trading profit growth as we benefited from the launch of the new Mazda 6 and the new Range Rover.

In a challenging Balkans environment, our business delivered a solid financial performance driven by market share gain, cost control and a good Aftersales performance.

In China, we have seen a sustained healthy demand for luxury vehicles with gradually less pressure on New Car margins, enabling us to improve our financial results year on year. At the end of June, we disposed of our Toyota retail centre in Shaoxing and we also opened our Porsche site in Nanchang. We plan to open our new Mercedes-Benz site in Jiujiang later this year.

In South America, we had a strong performance in the first half year as we benefited from strong growth in the luxury segment. We opened our new flagship BMW facility in Lima in July and we plan to open our new flagship BMW facility in Santiago in August. Both facilities will improve the quality of brand experience and will increase our Aftersales capacity to take advantage of the growth in the car parc.

Our Africa business delivered another strong performance ahead of our expectations as we continue to benefit from a strong Aftersales market in Ethiopia where the economic growth is solid. We have opened a new retail facility for our construction machinery business, Komatsu, to take advantage of the growth in the segment.

All in all we continue to expect our other Emerging Markets to deliver a strong performance in 2013.

Finance review

The Group has delivered a record PBT in the first half of 2013. 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 (2012: £12.7m).

EXCEPTIONAL ITEMS

We have reported exceptional operating costs of £8.5m in the first half of 2013 (2012: £nil). Included within this are restructuring costs of £4.6m together with £3.9m of acquisition costs for the Trivett business in Australia.

NET FINANCING COSTS

Net financing costs have increased from £4.6m in 2012 to £6.7m in 2013. Included within this is a gain of £0.7m (2012: a gain of £2.3m) in our mark to market reporting of the hedges for the US loan notes.

TAX

The effective tax rate before exceptional items for the Group is 25% compared to 26% for the same period last year. The effective rate of 25% is expected to reflect the rate for the full year.

NON-CONTROLLING INTERESTS

Profits attributable to our non-controlling interests were £3.7m in the first half of 2013 (2012: £3.1m). The Group's non-controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei and a 10% share of Subaru Australia.

FOREIGN CURRENCY

During the period, the Group derived a benefit of £2.1m (2012 benefit: £0.6m) from the translation of its overseas profits before tax into sterling at the 2013 average exchange rate.

DIVIDEND

The 2012 final dividend of 10.5p per share was paid to shareholders on Wednesday 19 June 2013. The Board has declared an interim dividend of 5.7p per share, which will be paid on 12 September 2013 to shareholders who are on the register at close of business on 16 August 2013.

PENSIONS

Since the previous year end, the Group has adopted IAS 19 (revised), 'Employee Benefits'. The revised standard has impacted the way the Group accounts for pensions and other post-retirement benefits as follows:

- the interest cost and expected return on plan assets have been replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability. Under the previous standard, the expected return on plan assets represented the weighted average expected return on the assets held by the pension schemes; and
- expenses, other than investment management expenses, are now recognised as period expenses when incurred. Under the previous standard, expenses incurred in connection with running the pension schemes formed part of the defined benefit obligation.

The principal changes resulting from the adoption of the revised standard are set out in note 14.

At 30 June 2013, the IAS 19 net post-retirement surplus was £133.3m (31 December 2012: £95.7m). 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 £26.8m (2012: £16.8m).

ACQUISITIONS AND DISPOSALS

In March, the Group acquired Trivett Automotive group, a premium and luxury automotive group in Australia, for a cash consideration which is expected to be c.£76m. This transaction added further scale to our Australian business, which benefits from attractive automotive demand characteristics and a robust economic background.

In February the Group disposed of its Ford retail centres in the UK and a Toyota dealership in China generating disposal proceeds of £14.9m.

CAPITAL EXPENDITURE

Net capital expenditure in the first half of the 2013 was £45.5m (2012: £26.5m) as the Group continued to develop greenfield sites and enlarge existing facilities, primarily in Asia Pacific and the Emerging Markets.

CASHFLOW AND NET DEBT

The Group's operations have continued to deliver strong operational cash flow and after the acquisition of Trivett, at 30 June 2013, the Group had £189.1m of net funds (31 December 2012: £276.2m).

PRINCIPAL BUSINESS RISKS

The Board set out in the Annual Report and Accounts 2012 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 2013. The key risks comprise, inter alia, prevailing market conditions, brand partner relationships, legal compliance and reputation and treasury risks which include: currency, funding and liquidity, interest rates and counterparty risks.

The most significant current risks remain linked to the impact of continuing challenging economic conditions on revenues and margins as well as foreign exchange volatility.

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

Transactional foreign exchange exposures are hedged using forward contracts. Counterparties and limits are approved for cash deposit 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 32-33 and 45-46 of the Annual Report and Accounts 2012.

GOING CONCERN

The Group has significant financial resources and the Directors, having reviewed the Group's operating budgets, investment plans and financing arrangements have assessed the future funding requirements of the Group and compared this to the level of committed facilities and cash resources.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing this interim condensed consolidated financial information.

Consolidated income statement (unaudited)

For the six months ended 30 June 2013

| | Notes | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|---|-------|------------------------------------|--|--|
| Revenue | 2 | 3,312.9 | 3,108.7 | 6,085.4 |
| Cost of sales | | (2,840.8) | (2,660.9) | (5,211.1) |
| Gross profit | | 472.1 | 447.8 | 874.3 |
| Net operating expenses | | (326.9) | (310.2) | (613.8) |
| Operating profit | 2 | 145.2 | 137.6 | 260.5 |
| Operating profit before exceptional items | | 153.7 | 137.6 | 259.8 |
| Exceptional items | 3 | (8.5) | - | 0.7 |
| Share of profit/(loss) after tax of joint ventures and associates | | - | (0.2) | 0.2 |
| Profit before finance and tax | 2 | 145.2 | 137.4 | 260.7 |
| Finance income | 4 | 7.8 | 10.7 | 16.5 |
| Finance costs | 5 | (14.5) | (15.3) | (29.5) |
| Profit before tax | | 138.5 | 132.8 | 247.7 |
| Tax | 6 | (36.1) | (34.6) | (60.3) |
| Profit for the period | | 102.4 | 98.2 | 187.4 |
| Profit attributable to: | | | | |
| - Owners of the parent | | 98.7 | 95.1 | 181.5 |
| - Non controlling interests | | 3.7 | 3.1 | 5.9 |
| | | 102.4 | 98.2 | 187.4 |
| Basic earnings per share (pence) | 7 | 21.2p | 20.7p | 39.4p |
| Diluted earnings per share (pence) | 7 | 20.8p | 20.2p | 38.7p |

The notes on pages 19 to 29 are an integral part of these condensed interim financial statements.

Financial statements

Consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2013

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|---|------------------------------------|--|--|
| Profit for the period | 102.4 | 98.2 | 187.4 |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified to the consolidated income statement</i> | | | |
| Defined benefit pension scheme remeasurements | 9.1 | (42.1) | 49.7 |
| Recycled fair value gains on disposal of available for sale financial assets | (0.9) | - | - |
| Impairment losses on available for sale financial assets transferred to consolidated income statement | - | - | 1.0 |
| Current tax recognised directly in shareholders' equity | - | 0.1 | - |
| Deferred tax recognised directly in shareholders' equity | (3.1) | 8.8 | 8.7 |
| | 5.1 | (33.2) | 59.4 |
| <i>Items that may be reclassified subsequently to the consolidated income statement</i> | | | |
| Cash flow hedges | 61.6 | 0.1 | (46.1) |
| Effect of foreign exchange rate changes | 4.1 | (16.9) | (12.3) |
| Fair value gains on available for sale financial assets | - | 0.1 | 0.1 |
| Deferred tax recognised directly in shareholders' equity | (18.5) | - | 13.8 |
| | 47.2 | (16.7) | (44.5) |
| Other comprehensive income for the period, net of tax | 52.3 | (49.9) | 14.9 |
| Total comprehensive income for the period | 154.7 | 48.3 | 202.3 |
| Total comprehensive income attributable to: | | | |
| - Owners of the parent | 146.3 | 45.5 | 199.8 |
| - Non controlling interests | 8.4 | 2.8 | 2.5 |
| | 154.7 | 48.3 | 202.3 |

The notes on pages 19 to 29 are an integral part of these condensed interim financial statements.

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Consolidated statement of financial position (unaudited)

As at 30 June 2013

| | Notes | As at 30 Jun 2013 £m | As at 30 Jun 2012 (restated) £m | As at 31 Dec 2012 (restated) £m |
|---|-------|----------------------------|--|--|
| Non-current assets | | | | |
| Intangible assets | | 602.6 | 540.9 | 559.5 |
| Property, plant and equipment | | 748.5 | 643.0 | 693.1 |
| Investments in joint ventures and associates | | 14.3 | 30.4 | 13.8 |
| Available for sale financial assets | 11 | 2.2 | 4.7 | 4.0 |
| Derivative financial instruments | 11 | 17.8 | – | – |
| Trade and other receivables | | 30.0 | 33.7 | 31.2 |
| Deferred tax assets | | 19.8 | 24.6 | 40.4 |
| Retirement benefit asset | | 157.8 | 39.2 | 122.4 |
| | | 1,593.0 | 1,316.5 | 1,464.4 |
| Current assets | | | | |
| Inventories | | 1,042.9 | 977.1 | 928.9 |
| Trade and other receivables | | 361.9 | 296.9 | 258.4 |
| Available for sale financial assets | 11 | 1.3 | 1.5 | 2.7 |
| Derivative financial instruments | 11 | 149.0 | 129.2 | 116.1 |
| Current tax assets | | 1.0 | 2.3 | 3.0 |
| Cash and cash equivalents | 9b | 488.9 | 524.0 | 597.9 |
| | | 2,045.0 | 1,931.0 | 1,907.0 |
| Assets held for sale and disposal group | 12 | 2.9 | 2.9 | 31.3 |
| | | 2,047.9 | 1,933.9 | 1,938.3 |
| Total assets | | 3,640.9 | 3,250.4 | 3,402.7 |
| Current liabilities | | | | |
| Trade and other payables | | (1,309.1) | (1,196.0) | (1,150.7) |
| Derivative financial instruments | 11 | (62.2) | (10.9) | (62.6) |
| Current tax liabilities | | (51.5) | (44.4) | (47.5) |
| Provisions | | (40.0) | (30.3) | (41.9) |
| Borrowings | 9b | (89.3) | (85.4) | (113.5) |
| | | (1,552.1) | (1,367.0) | (1,416.2) |
| Non-current liabilities | | | | |
| Trade and other payables | | (19.9) | (23.4) | (22.4) |
| Provisions | | (40.7) | (50.4) | (43.0) |
| Deferred tax liabilities | | (32.7) | (25.3) | (26.9) |
| Borrowings | 9b | (331.2) | (335.1) | (320.0) |
| Retirement benefit liability | | (24.5) | (68.8) | (26.7) |
| | | (449.0) | (503.0) | (439.0) |
| Liabilities directly associated with the disposal group | 12 | – | – | (19.1) |
| Total liabilities | | (2,001.1) | (1,870.0) | (1,874.3) |
| Net assets | | 1,639.8 | 1,380.4 | 1,528.4 |
| Shareholders' equity | | | | |
| Share capital | 8 | 47.2 | 46.6 | 46.9 |
| Share premium | 8 | 143.0 | 129.2 | 136.5 |
| Capital redemption reserve | | 133.3 | 133.3 | 133.3 |
| Other reserves | | 128.3 | 110.4 | 86.7 |
| Retained earnings | | 1,157.4 | 934.5 | 1,099.2 |
| Equity attributable to owners of the parent | | 1,609.2 | 1,354.0 | 1,502.6 |
| Non controlling interests | | 30.6 | 26.4 | 25.8 |
| Total shareholders' equity | | 1,639.8 | 1,380.4 | 1,528.4 |

The notes on pages 19 to 29 are an integral part of these condensed interim financial statements.

Financial statements

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2013

| | Notes | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserves £m | Retained earnings (restated) £m | Equity attributable to equity owners of the parent (restated) £m | Non controlling interests £m | Total shareholders' equity (restated) £m |
|--|-------|---------------------|---------------------|----------------------------------|----------------------|------------------------------------|---|---------------------------------|---|
| At 1 January 2012 | | 46.4 | 126.9 | 133.3 | 126.8 | 895.7 | 1,329.1 | 28.4 | 1,357.5 |
| Adjustment for IAS 19 (revised) | 14 | - | - | - | - | 8.0 | 8.0 | - | 8.0 |
| At 1 January 2012 (restated) | | 46.4 | 126.9 | 133.3 | 126.8 | 903.7 | 1,337.1 | 28.4 | 1,365.5 |
| Profit for the period ended 30 June 2012 | | - | - | - | - | 95.1 | 95.1 | 3.1 | 98.2 |
| Other comprehensive income for the period ended 30 June 2012 | | - | - | - | (16.4) | (33.2) | (49.6) | (0.3) | (49.9) |
| Total comprehensive income for the period ended 30 June 2012 | | - | - | - | (16.4) | 61.9 | 45.5 | 2.8 | 48.3 |
| Share-based payments, net of tax | | - | - | - | - | 4.5 | 4.5 | - | 4.5 |
| Net purchase of own shares by ESOP Trust | | - | - | - | - | (1.6) | (1.6) | - | (1.6) |
| Issue of ordinary share capital | 8 | 0.2 | 2.3 | - | - | - | 2.5 | - | 2.5 |
| Dividends: | | | | | | | | | |
| - Owners of the parent | 8 | - | - | - | - | (34.0) | (34.0) | - | (34.0) |
| - Non controlling interests | | - | - | - | - | - | - | (3.0) | (3.0) |
| Disposal of businesses | | - | - | - | - | - | - | (1.8) | (1.8) |
| At 30 June 2012 | | 46.6 | 129.2 | 133.3 | 110.4 | 934.5 | 1,354.0 | 26.4 | 1,380.4 |
| At 1 January 2012 | | 46.4 | 126.9 | 133.3 | 126.8 | 895.7 | 1,329.1 | 28.4 | 1,357.5 |
| Adjustment for IAS 19 (revised) | 14 | - | - | - | - | 8.0 | 8.0 | - | 8.0 |
| At 1 January 2012 (restated) | | 46.4 | 126.9 | 133.3 | 126.8 | 903.7 | 1,337.1 | 28.4 | 1,365.5 |
| Profit for the year | | - | - | - | - | 181.5 | 181.5 | 5.9 | 187.4 |
| Other comprehensive income for the year | | - | - | - | (40.1) | 58.4 | 18.3 | (3.4) | 14.9 |
| Total comprehensive income for the year | | - | - | - | (40.1) | 239.9 | 199.8 | 2.5 | 202.3 |
| Share-based payments, net of tax | | - | - | - | - | 10.4 | 10.4 | - | 10.4 |
| Net purchase of own shares by ESOP Trust | | - | - | - | - | (2.3) | (2.3) | - | (2.3) |
| Issue of ordinary share capital | 8 | 0.5 | 9.6 | - | - | - | 10.1 | - | 10.1 |
| Dividends: | | | | | | | | | |
| - Owners of the parent | 8 | - | - | - | - | (52.5) | (52.5) | - | (52.5) |
| - Non controlling interests | | - | - | - | - | - | - | (3.3) | (3.3) |
| Disposal of businesses | | - | - | - | - | - | - | (1.8) | (1.8) |
| At 1 January 2013 | | 46.9 | 136.5 | 133.3 | 86.7 | 1,099.2 | 1,502.6 | 25.8 | 1,528.4 |
| Profit for the period ended 30 June 2013 | | - | - | - | - | 98.7 | 98.7 | 3.7 | 102.4 |
| Other comprehensive income for the period ended 30 June 2013 | | - | - | - | 41.6 | 6.0 | 47.6 | 4.7 | 52.3 |
| Total comprehensive income for the period ended 30 June 2013 | | - | - | - | 41.6 | 104.7 | 146.3 | 8.4 | 154.7 |
| Share-based payments, net of tax | | - | - | - | - | 4.0 | 4.0 | - | 4.0 |
| Net purchase of own shares by ESOP Trust | | - | - | - | - | (1.6) | (1.6) | - | (1.6) |
| Issue of ordinary share capital | 8 | 0.3 | 6.5 | - | - | - | 6.8 | - | 6.8 |
| Dividends: | | | | | | | | | |
| - Owners of the parent | 8 | - | - | - | - | (48.9) | (48.9) | - | (48.9) |
| - Non controlling interests | | - | - | - | - | - | - | (3.6) | (3.6) |
| At 30 June 2013 | | 47.2 | 143.0 | 133.3 | 128.3 | 1,157.4 | 1,609.2 | 30.6 | 1,639.8 |

The notes on pages 19 to 29 are an integral part of these condensed interim financial statements.

Financial statements

Consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2013

| | Notes | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|--|-------|------------------------------------|------------------------------------|------------------------------|
| Cash generated from operating activities | | | | |
| Cash generated from operations | 9a | 87.7 | 77.2 | 249.2 |
| Tax paid | | (26.0) | (26.0) | (47.2) |
| Interest received | | 6.1 | 5.8 | 14.7 |
| Interest paid | | (12.0) | (15.5) | (32.3) |
| Net cash generated from operating activities | | 55.8 | 41.5 | 184.4 |
| Cash flows from investing activities | | | | |
| Acquisition of businesses, net of cash and overdrafts acquired | 10 | (75.1) | – | (15.8) |
| Net cash inflow from sale of businesses | 10 | 14.9 | 2.9 | 2.9 |
| Purchase of property, plant and equipment | | (54.6) | (26.4) | (83.8) |
| Purchase of intangible assets | | (9.0) | (6.0) | (13.9) |
| Proceeds from disposal of property, plant and equipment | | 18.1 | 5.9 | 10.4 |
| Net sale/(purchase) of available for sale financial assets | | 3.5 | (1.0) | (0.8) |
| Net cash used in investing activities | | (102.2) | (24.6) | (101.0) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of ordinary shares | 8a | 6.8 | 2.5 | 10.1 |
| Net purchase of own shares by ESOP Trust | | (1.6) | (1.6) | (2.3) |
| Net cash inflow/(outflow) from borrowings | 9b | 0.1 | (3.3) | (3.5) |
| Payment of capital element of finance leases | 9b | (1.2) | (0.2) | (0.4) |
| Loans advanced to joint ventures | | – | (1.6) | (3.2) |
| Settlement of derivatives | | 10.2 | 3.1 | (0.8) |
| Equity dividends paid | 8b | (48.9) | (34.0) | (52.5) |
| Dividends paid to non controlling interests | | (3.6) | (3.0) | (3.3) |
| Net cash from financing activities | | (38.2) | (38.1) | (55.9) |
| Net (decrease)/increase in cash and cash equivalents | 9b | (84.6) | (21.2) | 27.5 |
| Cash and cash equivalents at beginning of the period | | 484.9 | 461.3 | 461.3 |
| Effect of foreign exchange rate changes | | 0.7 | (0.8) | (3.9) |
| Cash and cash equivalents at end of the period | | 401.0 | 439.3 | 484.9 |
| Cash and cash equivalents consist of: | | | | |
| – Cash at bank and in hand | | 327.8 | 336.3 | 324.4 |
| – Short term bank deposits | | 161.1 | 187.7 | 273.5 |
| – Bank overdrafts | | (87.9) | (84.7) | (113.0) |
| | | 401.0 | 439.3 | 484.9 |

The notes on pages 19 to 29 are an integral part of these condensed interim financial statements.

Notes (unaudited)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed set of consolidated financial statements for the period ended 30 June 2013 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 Conduct Authority. The interim report should be read in conjunction with the Annual Report and Accounts 2012, 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 interim financial statements are unaudited, but have been reviewed by the external auditors. The condensed set of consolidated financial statements 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 2012 were approved by the Board of Directors on 11 March 2013 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 set of consolidated financial statements on pages 14 to 29 was approved by the Board of Directors on 1 August 2013.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed set of consolidated financial statements are consistent with those of the Group's Annual Report and Accounts 2012 other than taxes on income which are accrued using the tax rate that is expected to be applicable for the full financial year and IAS 19 (revised), 'Employee benefits' as detailed below.

IAS 19 (revised), 'Employee benefits' has become effective and has been retrospectively applied by the Group for accounting periods starting 1 January 2013. The revised standard impacts the way the Group accounts for pensions and other post-retirement benefits as follows:

- the interest cost and expected return on plan assets are replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability. Under the previous standard, the expected return on plan assets represented the weighted average expected return on the assets held by the pension schemes; and
- expenses, other than investment management expenses, are recognised as period expenses when incurred. Under the previous standard, expenses incurred in connection with running the pension schemes formed part of the defined benefit obligation.

Under the previous accounting policy, the Group recognised actuarial gains and losses directly in other comprehensive income which is as required by the new standard.

The principal changes resulting from the adoption of IAS 19 (revised), 'Employee benefits' are set out in note 14.

The following new standards are effective for accounting periods beginning 1 January 2013 but have not had a material impact on the results or financial position of the Group:

- IAS 1, 'Amendment to IAS 1, Presentation of financial statements: Other comprehensive income'. The Group has included the disclosures required by IAS 34 para 8A
- IAS 32, 'Amendment to IAS 32 Financial Instruments: Presentation – Offsetting financial assets and financial liabilities'
- IFRS 7, 'Amendment to IFRS 7 Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'
- IFRS 13, 'Fair value measurement'. The Group has included the disclosures required by IAS 34 para 16A(j) (see note 11).

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 2014:

- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'.

THE PRINCIPAL EXCHANGE RATES USED FOR TRANSLATION PURPOSES ARE AS FOLLOWS:

| | Average rates | | | Period end rates | | |
|-------------------|---------------|-------------|-------------|------------------|-------------|-------------|
| | 30 Jun 2013 | 30 Jun 2012 | 31 Dec 2012 | 30 Jun 2013 | 30 Jun 2012 | 31 Dec 2012 |
| Australian dollar | 1.53 | 1.53 | 1.53 | 1.66 | 1.53 | 1.56 |
| Euro | 1.18 | 1.22 | 1.23 | 1.17 | 1.24 | 1.23 |
| Hong Kong dollar | 11.99 | 12.28 | 12.33 | 11.80 | 12.18 | 12.59 |
| Singapore dollar | 1.92 | 2.00 | 1.98 | 1.93 | 1.99 | 1.98 |
| Russian rouble | 47.94 | 48.44 | 49.43 | 49.83 | 50.85 | 49.53 |

Financial statements
Notes (unaudited) continued

2 SEGMENTAL ANALYSIS

The Group has determined that the chief operating decision maker is the Executive Committee.

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 are in, or are expected to return to, the growth phase of the development cycle. These currently comprise China, the Balkans, the Baltics, Poland, South America and Africa.

The Group's reported segments are based on the location of the Group's assets. Revenue earned from sales is disclosed by origin and is not materially different from revenue by destination.

Distribution comprises Vertically Integrated Retail businesses as well as Financial Services and other businesses.

| | | | | | | Distribution | |
|---|-------------------|--------------|------------------|------------------|-------------------------|---|-----------------------------|
| | Australasia £m | Europe £m | North Asia £m | South Asia £m | United Kingdom £m | Russia and Emerging Markets £m | Total Distribution £m |
| Six months to 30 June 2013 | | | | | | | |
| Revenue from third parties | 383.4 | 265.4 | 267.2 | 172.1 | 21.9 | 177.8 | 1,287.8 |
| Results | | | | | | | |
| Segment result | 30.4 | 10.3 | 28.0 | 15.4 | 4.5 | 27.0 | 115.6 |
| Exceptional items | - | - | - | - | - | - | - |
| Operating profit after exceptional items | 30.4 | 10.3 | 28.0 | 15.4 | 4.5 | 27.0 | 115.6 |
| Share of profit after tax of joint ventures and associates | - | - | - | - | - | - | - |
| Profit/(loss) before finance and tax | 30.4 | 10.3 | 28.0 | 15.4 | 4.5 | 27.0 | 115.6 |

The segment result in Russia and Emerging Markets includes a profit of £6.2m on a sale of a property.

| | | | | | | Distribution | |
|---|-------------------|--------------|------------------|------------------|-------------------------|---|-----------------------------|
| | Australasia £m | Europe £m | North Asia £m | South Asia £m | United Kingdom £m | Russia and Emerging Markets £m | Total Distribution £m |
| Six months to 30 June 2012 | | | | | | | |
| Revenue from third parties | 400.1 | 271.5 | 251.1 | 172.2 | 17.6 | 162.3 | 1,274.8 |
| Results | | | | | | | |
| Segment result | 26.1 | 10.4 | 25.6 | 17.5 | 3.4 | 15.7 | 98.7 |
| Exceptional items | - | - | - | - | - | - | - |
| Operating profit after exceptional items | 26.1 | 10.4 | 25.6 | 17.5 | 3.4 | 15.7 | 98.7 |
| Share of loss after tax of joint ventures and associates | - | - | - | - | - | - | - |
| Profit/(loss) before finance and tax | 26.1 | 10.4 | 25.6 | 17.5 | 3.4 | 15.7 | 98.7 |

| | | | | | | Distribution | |
|--|-------------------|--------------|------------------|------------------|-------------------------|---|-----------------------------|
| | Australasia £m | Europe £m | North Asia £m | South Asia £m | United Kingdom £m | Russia and Emerging Markets £m | Total Distribution £m |
| Year to 31 December 2012 | | | | | | | |
| Revenue from third parties | 747.8 | 486.9 | 518.7 | 385.1 | 37.4 | 335.6 | 2,511.5 |
| Results | | | | | | | |
| Segment result | 51.3 | 17.3 | 52.8 | 35.1 | 7.2 | 30.3 | 194.0 |
| Exceptional items | (0.8) | (3.6) | (0.1) | - | - | (0.2) | (4.7) |
| Operating profit after exceptional items | 50.5 | 13.7 | 52.7 | 35.1 | 7.2 | 30.1 | 189.3 |
| Share of profit/(loss) after tax of joint ventures and associates | - | (0.1) | - | - | - | - | (0.1) |
| Profit/(loss) before finance and tax | 50.5 | 13.6 | 52.7 | 35.1 | 7.2 | 30.1 | 189.2 |

2 SEGMENTAL ANALYSIS CONTINUED

| | Retail | | | | | | | |
|---|-------------------|--------------|-------------------------|---|-----------------------|----------------------------|---------------|----------------|
| | Australasia £m | Europe £m | United Kingdom £m | Russia and Emerging Markets £m | Total Retail £m | Total pre Central £m | Central £m | Total £m |
| Six months to 30 June 2013 | | | | | | | | |
| Revenue from third parties | 352.9 | 65.7 | 1,119.6 | 486.9 | 2,025.1 | 3,312.9 | - | 3,312.9 |
| Results | | | | | | | | |
| Segment result | 11.6 | 0.1 | 33.5 | 6.3 | 51.5 | 167.1 | (13.4) | 153.7 |
| Exceptional items | (5.7) | - | (1.1) | (1.0) | (7.8) | (7.8) | (0.7) | (8.5) |
| Operating profit after exceptional items | 5.9 | 0.1 | 32.4 | 5.3 | 43.7 | 159.3 | (14.1) | 145.2 |
| Share of profit after tax of joint ventures and associates | - | - | - | - | - | - | - | - |
| Profit/(loss) before finance and tax | 5.9 | 0.1 | 32.4 | 5.3 | 43.7 | 159.3 | (14.1) | 145.2 |

Net finance costs of £6.7m are not allocated to individual segments.

| | Retail | | | | | | | |
|---|-------------------|--------------|-------------------------|---|-----------------------|----------------------------|-----------------------------|---------------------------|
| | Australasia £m | Europe £m | United Kingdom £m | Russia and Emerging Markets £m | Total Retail £m | Total pre Central £m | Central (restated) £m | Total (restated) £m |
| Six months to 30 June 2012 | | | | | | | | |
| Revenue from third parties | 218.2 | 69.7 | 1,068.2 | 477.8 | 1,833.9 | 3,108.7 | - | 3,108.7 |
| Results | | | | | | | | |
| Segment result | 9.0 | (0.1) | 33.8 | 8.9 | 51.6 | 150.3 | (12.7) | 137.6 |
| Exceptional items | - | - | - | - | - | - | - | - |
| Operating profit after exceptional items | 9.0 | (0.1) | 33.8 | 8.9 | 51.6 | 150.3 | (12.7) | 137.6 |
| Share of loss after tax of joint ventures and associates | - | - | - | (0.2) | (0.2) | (0.2) | - | (0.2) |
| Profit/(loss) before finance and tax | 9.0 | (0.1) | 33.8 | 8.7 | 51.4 | 150.1 | (12.7) | 137.4 |

Net finance costs of £4.6m are not allocated to individual segments.

| | Retail | | | | | | | |
|--|-------------------|--------------|-------------------------|---|-----------------------|----------------------------|-----------------------------|---------------------------|
| | Australasia £m | Europe £m | United Kingdom £m | Russia and Emerging Markets £m | Total Retail £m | Total pre Central £m | Central (restated) £m | Total (restated) £m |
| Year to 31 December 2012 | | | | | | | | |
| Revenue from third parties | 420.9 | 129.7 | 2,096.4 | 926.9 | 3,573.9 | 6,085.4 | - | 6,085.4 |
| Results | | | | | | | | |
| Segment result | 15.9 | (0.5) | 58.0 | 12.7 | 86.1 | 280.1 | (20.3) | 259.8 |
| Exceptional items | (1.4) | (1.1) | (2.9) | (7.9) | (13.3) | (18.0) | 18.7 | 0.7 |
| Operating profit after exceptional items | 14.5 | (1.6) | 55.1 | 4.8 | 72.8 | 262.1 | (1.6) | 260.5 |
| Share of profit/(loss) after tax of joint ventures and associates | - | - | - | 0.3 | 0.3 | 0.2 | - | 0.2 |
| Profit/(loss) before finance and tax | 14.5 | (1.6) | 55.1 | 5.1 | 73.1 | 262.3 | (1.6) | 260.7 |

Net finance costs of £13.0m are not allocated to individual segments.

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3 EXCEPTIONAL ITEMS

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 (restated) £m |
|--|------------------------------------|------------------------------------|--|
| Restructuring costs | (4.6) | – | (17.3) |
| Acquisition of business | (3.9) | – | – |
| Closure of defined benefit pension schemes to future accrual | – | – | 19.2 |
| Loss on deemed disposal of joint venture | – | – | (1.2) |
| Total exceptional items before tax | (8.5) | – | 0.7 |
| Exceptional tax credit | 0.6 | – | 0.5 |
| Total exceptional items | (7.9) | – | 1.2 |

In 2013, exceptional costs of £8.5m relate to restructuring charges of £4.6m together with £3.9m costs associated with acquiring the Trivett business in Australia. The exceptional tax credit of £0.6m represents tax relief on restructuring costs.

In 2012, the restructuring costs of £17.3m represented the cost of headcount reduction across the Group together with the closure of less profitable sites. The restructuring was carried out to ensure that the Group maintains an organisational structure and efficient cost base across the Group. Included within this is an impairment charge of £0.8m in respect of property, plant and equipment and £2.1m in respect of goodwill and other intangible assets.

Also during 2012, the Group closed two of its UK defined benefit pension schemes to future accrual. The net gain¹ to the Group of £19.2m comprises a curtailment gain¹ of £25.5m net of costs of £6.3m associated with implementing the changes including the harmonisation of pension arrangements.

The Group had recognised a loss of £1.2m as a result of measuring at fair value its 51% equity interest in the Inchcape Independence group prior to the acquisition of the remaining 49%.

The exceptional tax credit of £0.5m represented relief on restructuring and property costs (£3.1m credit), the use of brought forward unprovided tax losses and other reliefs (£1.7m credit), offset by a charge¹ arising on pension scheme curtailment gains (£4.3m charge).

¹ Amounts have been restated as a result of the adoption of IAS 19 (revised). 2012 reported amounts were: net gain of £19.7m, curtailment gain of £26.0m, tax charge of £4.4m.

4 FINANCE INCOME

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|--|------------------------------------|--|--|
| Bank and other interest receivable | 1.6 | 2.2 | 3.7 |
| Interest income on post-retirement plan assets | 2.7 | 0.4 | 0.9 |
| Other finance income | 3.5 | 8.1 | 11.9 |
| Total finance income | 7.8 | 10.7 | 16.5 |

In 2012, the Group recognised £3.7m of interest relating to tax refunds which is included within Other finance income.

5 FINANCE COSTS

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|--|------------------------------------|--|--|
| Interest payable on bank borrowings | 0.4 | 0.8 | 0.6 |
| Interest payable on Private Placement | 1.4 | 2.3 | 4.4 |
| Interest payable on other borrowings | 0.1 | 0.1 | 0.2 |
| Fair value (gain)/loss on cross-currency interest rate swaps | (9.0) | 0.9 | 13.2 |
| Fair value adjustment on Private Placement | 8.3 | (3.2) | (18.0) |
| Stock holding interest | 10.4 | 8.0 | 18.0 |
| Loss on revaluation of available for sale financial assets | – | 1.0 | – |
| Other finance costs | 3.3 | 5.7 | 11.7 |
| Capitalised borrowing costs | (0.4) | (0.3) | (0.6) |
| Total finance costs | 14.5 | 15.3 | 29.5 |

6 TAX

| | | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|---------------------------------------|------------|------------------------------------|--|--|
| Current tax | - UK | 0.2 | - | 2.4 |
| | - Overseas | 31.0 | 26.1 | 54.0 |
| Adjustments to prior year liabilities | - UK | - | - | - |
| | - Overseas | 0.2 | (0.4) | (0.9) |
| | | 31.4 | 25.7 | 55.5 |
| Deferred tax | - UK | 3.6 | 9.0 | 5.2 |
| | - Overseas | 1.7 | (0.1) | 0.1 |
| Tax before exceptional tax | | 36.7 | 34.6 | 60.8 |
| Exceptional tax (note 3) | - Current | (0.6) | - | (4.6) |
| | - Deferred | - | - | 4.1 |
| Total tax | | 36.1 | 34.6 | 60.3 |

The taxation charge for the six months ended 30 June 2013 is based on an estimated full year effective tax rate before exceptional items of 25% (2012 – 26%).

The standard rate of Corporation Tax in the UK reduced from 24% to 23% with effect from 1 April 2013. The March 2013 Budget Announcement included a further proposal to reduce the main rate of Corporation Tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. As these proposed rate changes were not substantively enacted at 30 June 2013, the UK deferred tax liabilities and assets continue to be measured at the substantively enacted rate at the balance sheet date of 23%. The reduction in the main rate to 21% in 2014 and 20% in 2015 was substantively enacted in the Finance Bill 2013 on 3 July 2013, however the impact of these changes on the financial statements are not expected to be material.

7 EARNINGS PER SHARE

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|-------------------------------------|------------------------------------|--|--|
| Profit for the period | 102.4 | 98.2 | 187.4 |
| Non controlling interests | (3.7) | (3.1) | (5.9) |
| Basic earnings | 98.7 | 95.1 | 181.5 |
| Exceptional items (net of tax) | 7.9 | - | (1.2) |
| Adjusted earnings | 106.6 | 95.1 | 180.3 |
| Basic earnings per share | 21.2p | 20.7p | 39.4p |
| Diluted earnings per share | 20.8p | 20.2p | 38.7p |
| Basic Adjusted earnings per share | 22.9p | 20.7p | 39.1p |
| Diluted Adjusted earnings per share | 22.5p | 20.2p | 38.5p |

| | Six months to 30 Jun 2013 number | Six months to 30 Jun 2012 (restated) number | Year to 31 Dec 2012 (restated) number |
|---|--|--|--|
| Weighted average number of fully paid ordinary shares in issue during the period | 469,180,273 | 464,047,111 | 465,120,309 |
| Weighted average number of fully paid ordinary shares in issue during the period: | | | |
| - Held by the ESOP Trust | (1,739,830) | (1,393,292) | (1,552,107) |
| - Repurchased as part of the share buyback programme | (2,687,560) | (2,687,560) | (2,687,560) |
| Weighted average number of fully paid ordinary shares for the purposes of basic EPS | 464,752,883 | 459,966,259 | 460,880,642 |
| Dilutive effect of potential ordinary shares | 8,774,466 | 9,694,216 | 7,580,557 |
| Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS | 473,527,349 | 469,660,475 | 468,461,199 |

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 ESOP Trust and those repurchased as part of the share buyback 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.

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7 EARNINGS PER SHARE CONTINUED

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 buyback 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

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|---------------|------------------------------------|------------------------------------|------------------------------|
| Share capital | 0.3 | 0.2 | 0.5 |
| Share premium | 6.5 | 2.3 | 9.6 |
| | 6.8 | 2.5 | 10.1 |

During the period, the Group issued £6.8m (2012 – £2.5m) of ordinary shares exercised under the Group's share options schemes.

SHARE BUYBACK PROGRAMME

During the six months ended June 2013, the Company did not repurchase any of its own shares (June 2012 – nil). At 30 June 2013, the Company held 2,687,560 treasury shares (31 December 2012 – 2,687,560). The shares are held as treasury shares and may be either cancelled or used to satisfy share options at a later date.

B. DIVIDENDS

The following dividends were paid by the Group:

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|---|------------------------------------|------------------------------------|------------------------------|
| Final dividend for the year ended 31 December 2012 of 10.5p per share (2012 – 7.4p per share) | 48.9 | 34.0 | 34.0 |
| Interim dividend for the six months ended 30 June 2012 of 4.0p per share | – | – | 18.5 |
| | 48.9 | 34.0 | 52.5 |

An interim dividend of 5.7p per share (£26.7m) for the period ending 30 June 2013 was approved by the Board on 1 August 2013 and will be paid on Thursday 12 September 2013 to shareholders who are on the register at close of business on Friday 16 August 2013.

9 NOTES TO THE STATEMENT OF CASH FLOWS

A. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 (restated) £m | Year to 31 Dec 2012 (restated) £m |
|---|------------------------------------|--|--|
| Cash flows from operating activities | | | |
| Operating profit | 145.2 | 137.6 | 260.5 |
| Operating exceptional items | 8.5 | – | (0.7) |
| Amortisation of intangible assets | 2.9 | 1.8 | 3.7 |
| Depreciation of property, plant and equipment | 17.3 | 14.6 | 29.7 |
| Profit on disposal of property, plant and equipment | (6.4) | (0.1) | (0.2) |
| Profit on disposal of business | (0.4) | – | – |
| Share-based payments charge | 4.0 | 4.5 | 6.8 |
| Increase in inventories | (29.6) | (78.5) | (42.5) |
| Increase in trade and other receivables | (82.1) | (46.0) | (9.5) |
| Increase in trade and other payables | 74.3 | 71.8 | 47.3 |
| Decrease in provisions | (8.3) | (9.1) | (16.5) |
| Pension contributions in excess of the pension charge for the period* | (26.4) | (16.2) | (23.3) |
| (Decrease)/increase in interest in leased vehicles | (0.4) | 1.0 | 2.1 |
| Payment in respect of operating exceptional items | (10.1) | (4.2) | (8.2) |
| Other items | (0.8) | – | – |
| Cash generated from operations | 87.7 | 77.2 | 249.2 |

* Includes additional payments of £26.8m (June 2012 – £16.8m).

B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|---|------------------------------------|------------------------------------|------------------------------|
| Net (decrease)/increase in cash and cash equivalents | (84.6) | (21.2) | 27.5 |
| Net cash outflow from borrowings and lease financing | 1.1 | 3.5 | 3.9 |
| Change in net cash and debt resulting from cash flows | (83.5) | (17.7) | 31.4 |
| Effect of foreign exchange rate changes on net cash and debt | 1.0 | (0.7) | (3.8) |
| Net movement in fair value | 0.7 | 2.3 | 4.8 |
| Net loans and finance leases relating to acquisitions and disposals | (5.3) | 0.3 | 0.3 |
| Movement in net funds | (87.1) | (15.8) | 32.7 |
| Opening net funds | 276.2 | 243.5 | 243.5 |
| Closing net funds | 189.1 | 227.7 | 276.2 |

Net funds is analysed as follows:

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|---|------------------------------------|------------------------------------|------------------------------|
| Cash at bank and in hand | 327.8 | 336.3 | 324.4 |
| Short term bank deposits | 161.1 | 187.7 | 273.5 |
| Bank overdrafts | (87.9) | (84.7) | (113.0) |
| Cash and cash equivalents | 401.0 | 439.3 | 484.9 |
| Bank loans | (326.0) | (332.6) | (317.6) |
| Finance leases | (6.6) | (3.2) | (2.9) |
| | 68.4 | 103.5 | 164.4 |
| Fair value of cross-currency interest rate swap | 120.7 | 124.2 | 111.8 |
| Net funds | 189.1 | 227.7 | 276.2 |

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10 ACQUISITIONS AND DISPOSALS

A. ACQUISITIONS

On 1 March 2013, the Group acquired the Trivett Automotive group in Australia.

Details of the provisional fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

| | As at 30 Jun 2013 £m |
|---|----------------------------|
| Assets and liabilities acquired, at fair value | |
| Intangible assets | 0.1 |
| Property, plant and equipment | 37.6 |
| Tax assets | 4.2 |
| Inventory | 76.5 |
| Trade and other receivables ¹ | 15.5 |
| Cash and cash equivalents | 4.8 |
| Trade and other payables | (91.8) |
| Provisions | (3.2) |
| Borrowings | (6.0) |
| Tax liabilities | (4.3) |
| Net assets acquired | 33.4 |
| Provisional goodwill | 41.6 |
| Purchase consideration | 75.0 |
| Satisfied by | |
| Consideration – Cash paid | 79.9 |
| Consideration – Cash expected to be repaid | (4.9) |
| Purchase consideration | 75.0 |
| Net cash in business acquired | (4.8) |
| Borrowings in business acquired | 6.0 |
| Total consideration | 76.2 |

¹ Included within Trade and other receivables are trade receivables with a fair value of £14.8m with the gross contractual amount being £14.9m.

The provisional values of assets and liabilities recognised on acquisition are their estimated fair values at the date of acquisition. The Group is in the process of finalising its review of the fair value of assets and liabilities recognised at the date of acquisition and such reviews may include third party valuations where appropriate. Accounting standards permit up to 12 months for provisional accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the acquisition date.

The provisional goodwill arising on acquisition is attributable to the anticipated future cash flows of the acquired business and synergies expected to arise following integration with the Group's existing business in Australia. Specifically, the provisional goodwill represents the premium paid to expand the Group's presence in this important market and achieve regional scale in the premium and luxury brand sector. This provides a platform to deliver growth and improved returns far quicker than would have been achievable through organic expansion.

B. PROFORMA HALF YEAR INFORMATION

If the acquisition of the Trivett Group had occurred on 1 January 2013, the approximate revenue and operating profit before exceptional items for the six months ended June 2013 of the Group would have been £3,379.2m and £154.8m respectively. This information has been estimated based on the management information of the Trivett Group prior to acquisition. The acquired business contributed revenue of £133.9m and operating profit before exceptional items of £4.2m to the Group for the period 1 March 2013 to 30 June 2013.

C. DISPOSALS

During the year, the Group disposed of Ford retail centers in the UK and a Toyota dealership in China, generating disposal proceeds of £14.9m.

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 2013, 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 2012.

The interim condensed 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 2012.

B. LIQUIDITY RISK

There have been no material changes to the contractual undiscounted cash flows of the Group's liabilities during the six months to 30 June 2013.

C. FAIR VALUE MEASUREMENTS

In accordance with IFRS 7, 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 2013 | Level 1 £m | Level 2 £m | Total £m |
|-------------------------------------|---------------|---------------|-------------|
| Assets | | | |
| Derivatives used for hedging | - | 166.8 | 166.8 |
| Available for sale financial assets | 3.5 | - | 3.5 |
| | 3.5 | 166.8 | 170.3 |
| Liabilities | | | |
| Derivatives used for hedging | - | (62.2) | (62.2) |
| | | | |
| Six months to 30 June 2012 | Level 1 £m | Level 2 £m | Total £m |
| Assets | | | |
| Derivatives used for hedging | - | 129.2 | 129.2 |
| Available for sale financial assets | 6.2 | - | 6.2 |
| | 6.2 | 129.2 | 135.4 |
| Liabilities | | | |
| Derivatives used for hedging | - | (10.9) | (10.9) |
| | | | |
| Year to 31 December 2012 | Level 1 £m | Level 2 £m | Total £m |
| Assets | | | |
| Derivatives used for hedging | - | 116.1 | 116.1 |
| Available for sale financial assets | 6.7 | - | 6.7 |
| | 6.7 | 116.1 | 122.8 |
| Liabilities | | | |
| Derivatives used for hedging | - | (62.6) | (62.6) |

Valuation techniques and assumptions applied in determining fair values of each class of asset or liability are consistent with those used as at 31 December 2012 and reflect the current economic environment.

Available for sale financial assets include £1.1m of Greek Government Bonds held by our business in Greece to back warranty liabilities. These bonds are held at fair value. The related mark to market gain/loss for the period was £nil (2012 – loss of £1.0m).

Level 2 hedging derivatives comprise forward foreign exchange contracts and foreign exchange swaps. The fair value of these derivatives represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 30 June 2013. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity-specific estimates.

There have been no transfers between any levels of the fair value hierarchy during the six months ended 30 June 2013.

During the six months ended June 2013, there were no reclassifications of financial assets as a result of a change in the purpose or use of these assets.

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11 FINANCIAL RISK MANAGEMENT CONTINUED

The Group's derivative financial instruments comprise the following:

| | Assets | | | Liabilities | | |
|------------------------------------|------------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------------|------------------------------|
| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
| Cross-currency interest rate swap | 120.7 | 124.2 | 111.8 | - | - | - |
| Forward foreign exchange contracts | 46.1 | 5.0 | 4.3 | (62.2) | (10.9) | (62.6) |
| | 166.8 | 129.2 | 116.1 | (62.2) | (10.9) | (62.6) |

12 ASSETS HELD FOR SALE AND DISPOSAL GROUP

| | Six months to 30 Jun 2013 £m | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|---|------------------------------------|------------------------------------|------------------------------|
| Assets directly associated with the disposal group | - | - | 22.7 |
| Assets held for sale | 2.9 | 2.9 | 8.6 |
| Assets held for sale and disposal group | 2.9 | 2.9 | 31.3 |
| Liabilities directly associated with the disposal group | - | - | (19.1) |

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

| | | | |
|---|---|---|--------|
| Property, plant & equipment | - | - | 3.6 |
| Inventories | - | - | 17.1 |
| Trade and other receivables | - | - | 2.0 |
| Assets directly associated with the disposal group | - | - | 22.7 |
| Trade and other payables | - | - | (19.1) |
| Liabilities directly associated with the disposal group | - | - | (19.1) |

As at June 2013, assets held for sale relate to surplus properties in the UK being actively marketed with a view to sale.

As at December 2012, the disposal group corresponded to assets and liabilities of the Group's Ford retail centres in the UK, which were disposed of in February 2013.

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 2012.

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 2013.

14 ADOPTION OF IAS 19 (REVISED)

The principal changes as a result of the transition to IAS 19 (revised), 'Employee benefits' are set out in the following tables.

The impacts on the total comprehensive income are detailed below:

| | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|--|------------------------------------|------------------------------|
| Increase in pre-exceptional operating expenses | (0.8) | (2.1) |
| Decrease in exceptional income | - | (0.5) |
| Increase in operating expenses | (0.8) | (2.6) |
| Increase in net finance costs | (0.6) | (1.2) |
| Decrease in tax expense | 0.3 | 0.8 |
| Net decrease in profit for the period | (1.1) | (3.0) |
| Attributable to: | | |
| Owners of the parent | (1.1) | (3.0) |
| Non controlling interests | - | - |

| | Six months to 30 Jun 2012 £m | Year to 31 Dec 2012 £m |
|--|------------------------------------|------------------------------|
| Movement in actuarial losses in OCI | 2.1 | 16.1 |
| Deferred tax effect on actuarial losses in OCI | (0.2) | (0.1) |
| Net increase in OCI, net of tax | 1.9 | 16.0 |
| Net increase in total comprehensive income | 0.8 | 13.0 |
| Attributable to: | | |
| Owners of the parent | 0.8 | 13.0 |
| Non controlling interests | - | - |

The impacts on the consolidated statement of financial position are detailed below:

| | As at 1 Jan 2012 £m | As at 30 Jun 2012 £m | As at 31 Dec 2012 £m |
|--|---------------------------|----------------------------|----------------------------|
| Increase in retirement benefit asset | 9.3 | 10.0 | 21.8 |
| Decrease in retirement benefit liability | 1.4 | 1.4 | 1.2 |
| Decrease in deferred tax liability | (2.7) | (2.6) | (2.0) |
| Net impact on shareholders' equity | 8.0 | 8.8 | 21.0 |
| Attributable to: | | | |
| Owners of the parent | 8.0 | 8.8 | 21.0 |
| Non controlling interests | - | - | - |

There is no impact on the consolidated statement of cash flows.

In note 2 Segmental analysis, operating expenses of £0.8m for the period ended 30 June 2012 and £2.1m for the period ended December 2012 have been allocated to Central. This relates to scheme expenses (£2.0m – December 2012, £0.8m – June 2012) which, under the revised standard, are recognised in the period in which they are incurred, and to a decrease in the settlement gain recognised in 2012 (£0.1m – December 2012, £nil – June 2012).

A £0.5m decrease in the exceptional curtailment gain recognised by the Group in 2012 has also been allocated to Central in the segmental analysis.

Independent review report to Inchcape plc

INTRODUCTION

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim report for the six months ended 30 June 2013 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 information in the condensed set of consolidated financial statements.

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 Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements 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 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 the Disclosure and Transparency Rules of the Financial Conduct 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 statements in the interim report for the six months ended 30 June 2013 is 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 Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
1 August 2013

NOTES:

- (a) The maintenance and integrity of the Inchcape website is the responsibility of the Directors; the work carried out by PricewaterhouseCoopers LLP does not involve consideration of these matters and, accordingly, PricewaterhouseCoopers LLP 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 the condensed set of consolidated financial statements may differ from legislation in other jurisdictions.

Statement of Directors' responsibilities

INTRODUCTION

The Directors confirm that the condensed set of consolidated financial statements 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 4.2.7R and 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated 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 2012, except for Will Samuel, Deputy Chairman and Senior Independent Non-Executive Director, who resigned on 16 May 2013 and John Langston, who has been appointed as a Non-Executive Director with effect from 1 August 2013. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

By order of the Board

André Lacroix

1 August 2013

Group Chief Executive