



**Inchcape**

# Inchcape

Interim results presentation • 3 August 2006

The background of the slide features a collage of car images, including a Lexus and a Mercedes-Benz, all overlaid with a semi-transparent purple filter. The text is centered within a white rectangular area that also has a purple border.

**Barbara Richmond**

Group Finance Director

# Group financial highlights

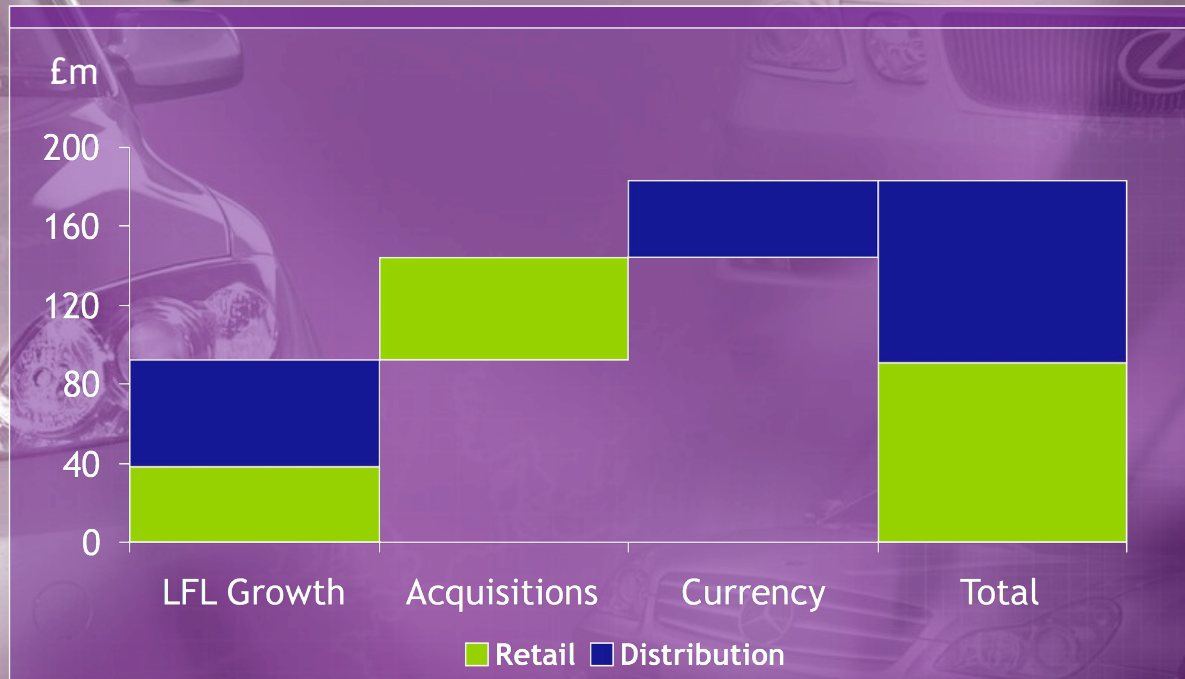
- Sales up 8.1% to £2.44bn
- Trading Profit up 10.4% to £120.4m
- Headline EPS\* up 17.8% to 18.5p
- Cash flow per share up 224.5% to 33.1p
- Dividend up 56.3% to 5.0p

\* Pre exceptional items

# Sales

	H1 2006 £m	H1 2005 £m	% Change	% Change constant currency
Distribution	1,305	1,213	8	4
Retail	1,135	1,044	9	9
<b>Total</b>	<b>2,440</b>	<b>2,257</b>	<b>8</b>	<b>6</b>

# Change in sales



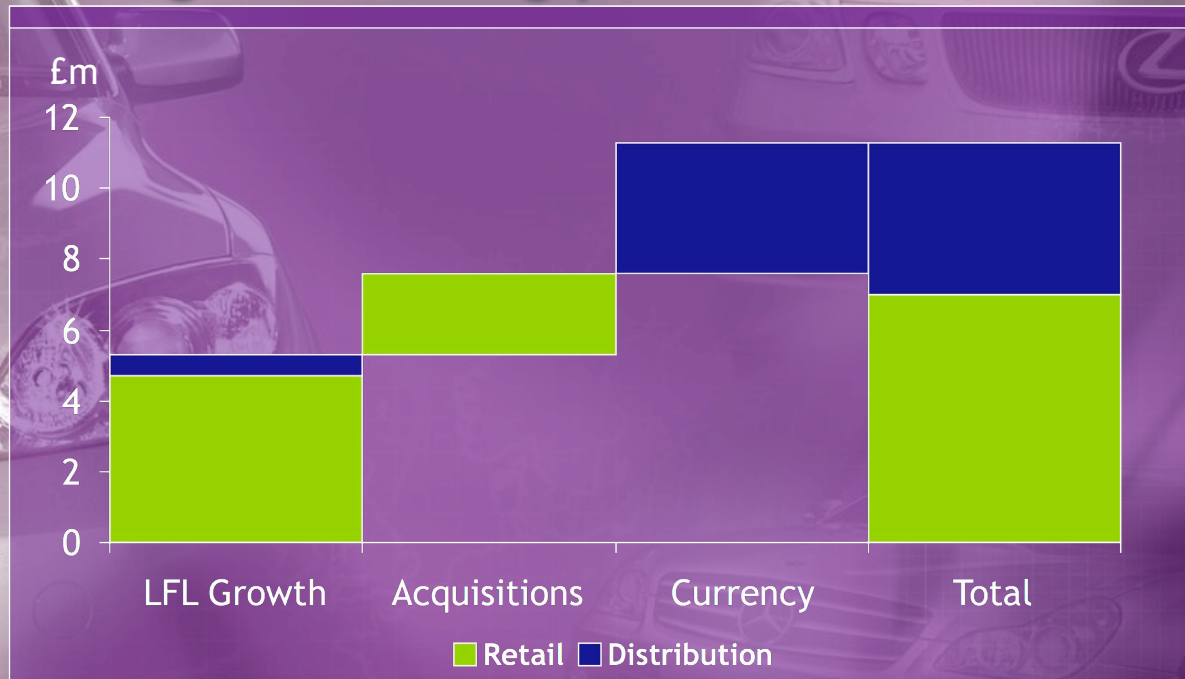
# Group trading profit analysis\*

	H1 2006 £m	H1 2005 £m	% Change	% Change constant currency
Distribution	92	88	5	1
Retail	28	21	33	33
<b>Total</b>	<b>120</b>	<b>109</b>	<b>10</b>	<b>7</b>

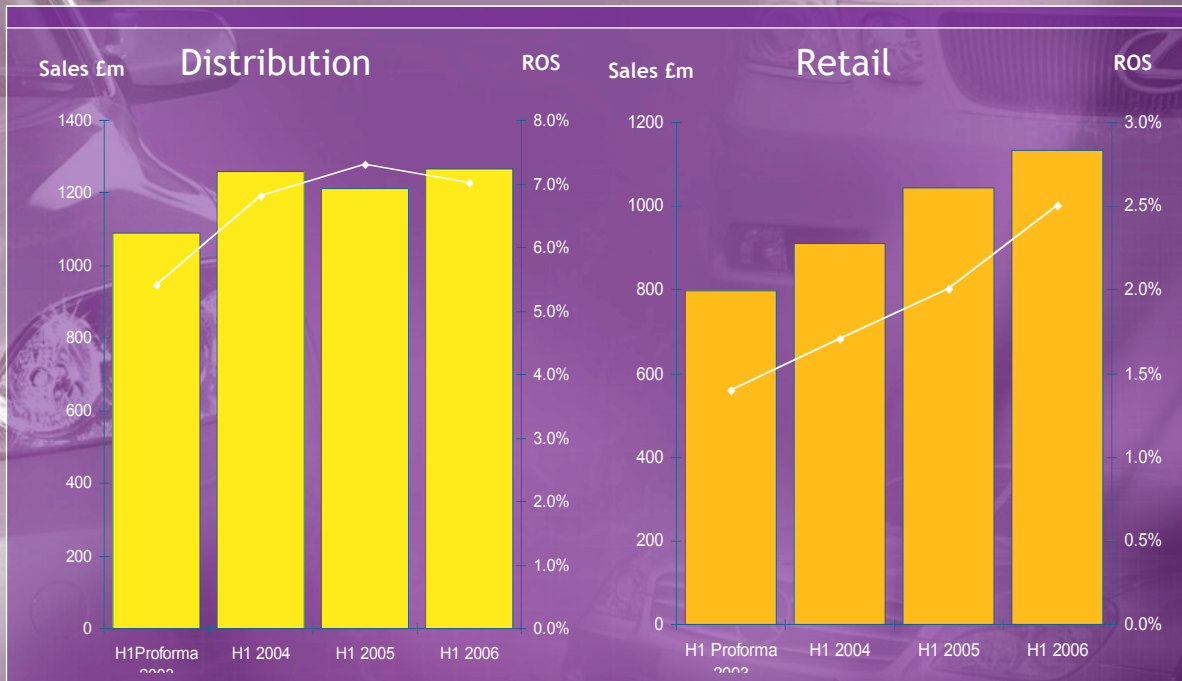
\* Excludes central costs



# Change in trading profit



# Segmental results\*

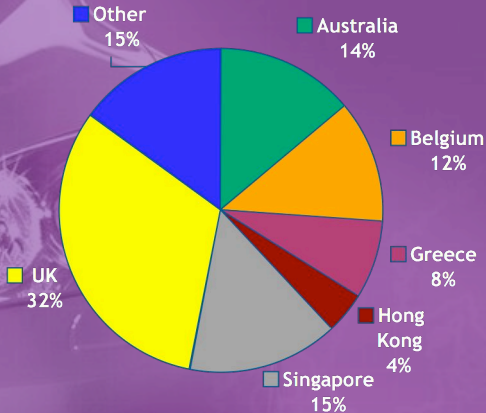


\* At constant currency

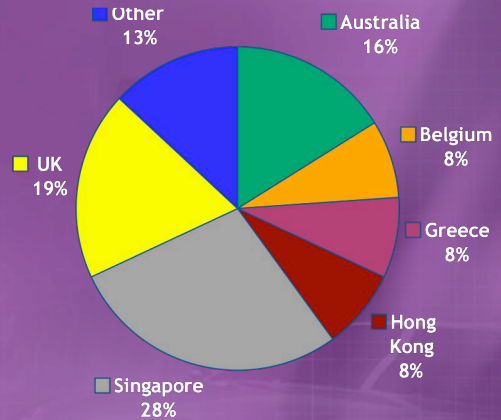


# Group sales and trading profit\*

Sales



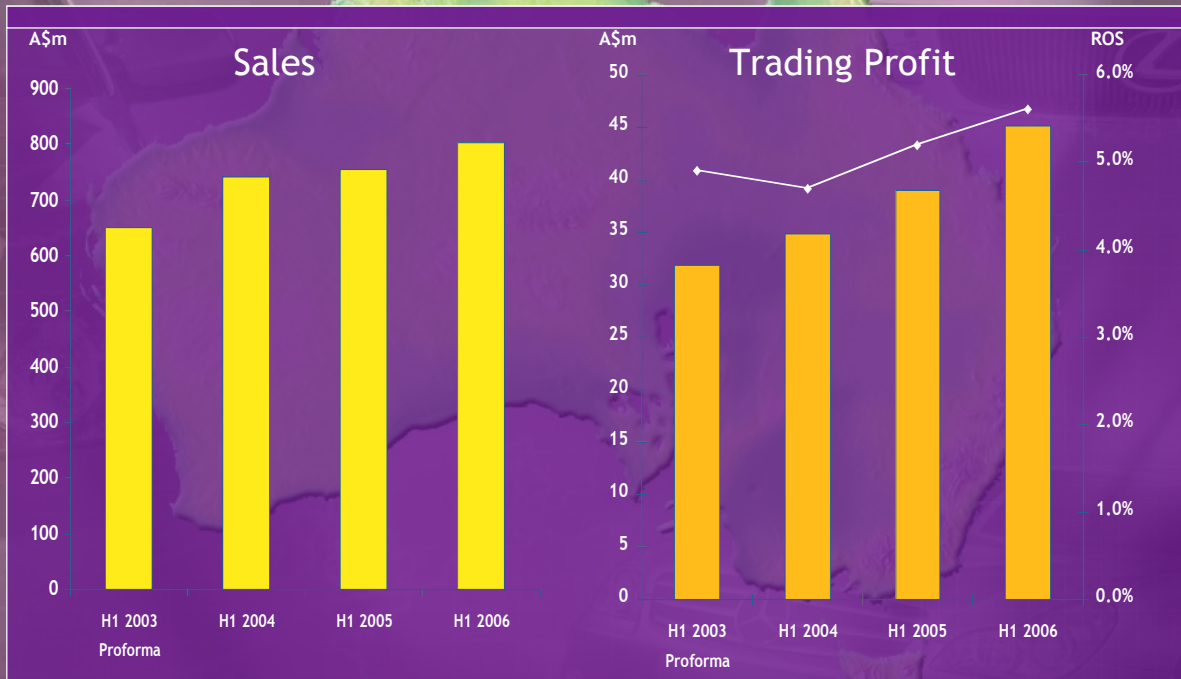
Trading Profit



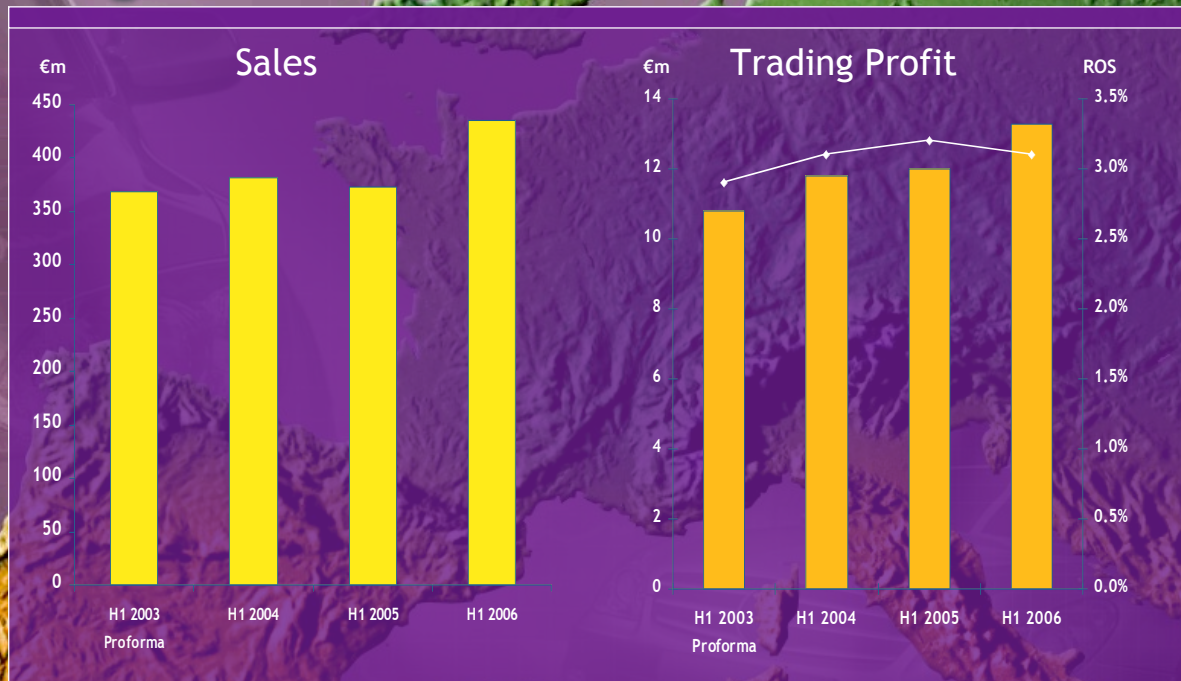
2006

\* Before central costs

# Australia



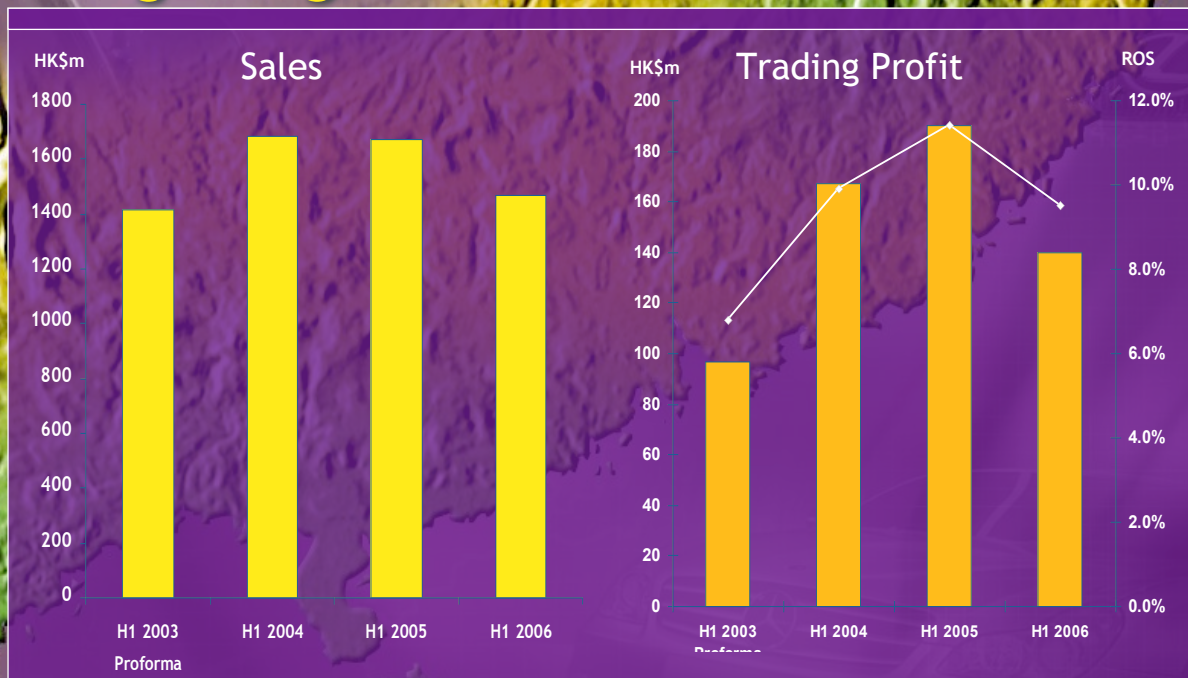
# Belgium



# Greece

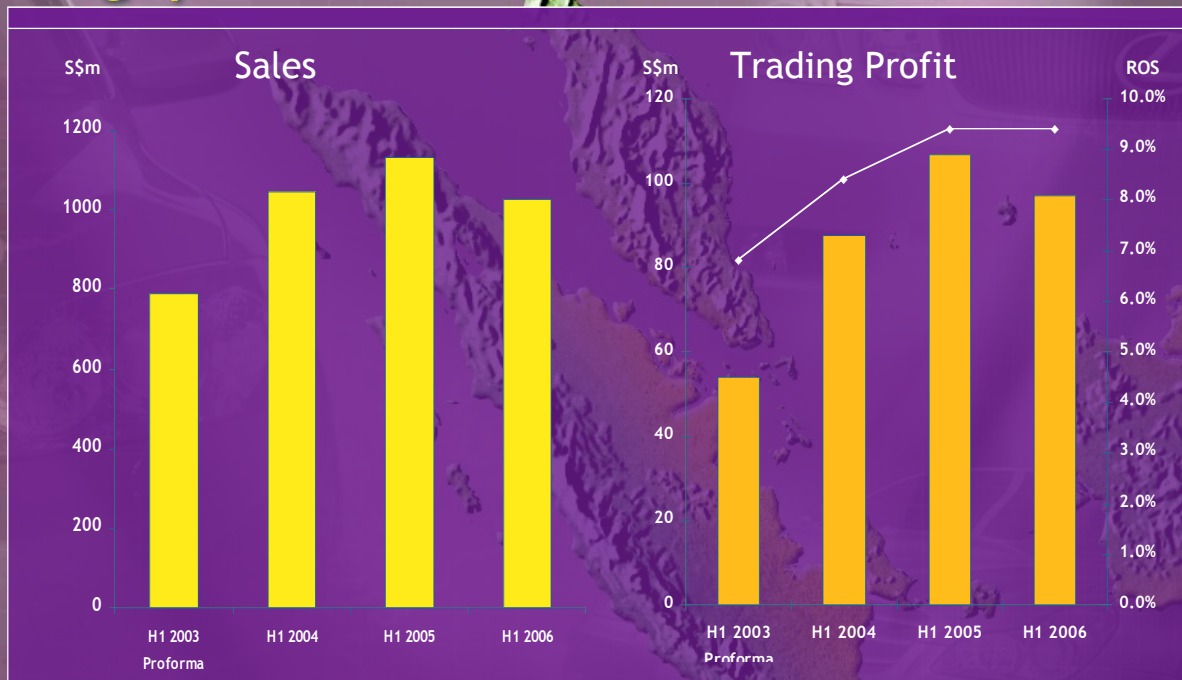


# Hong Kong



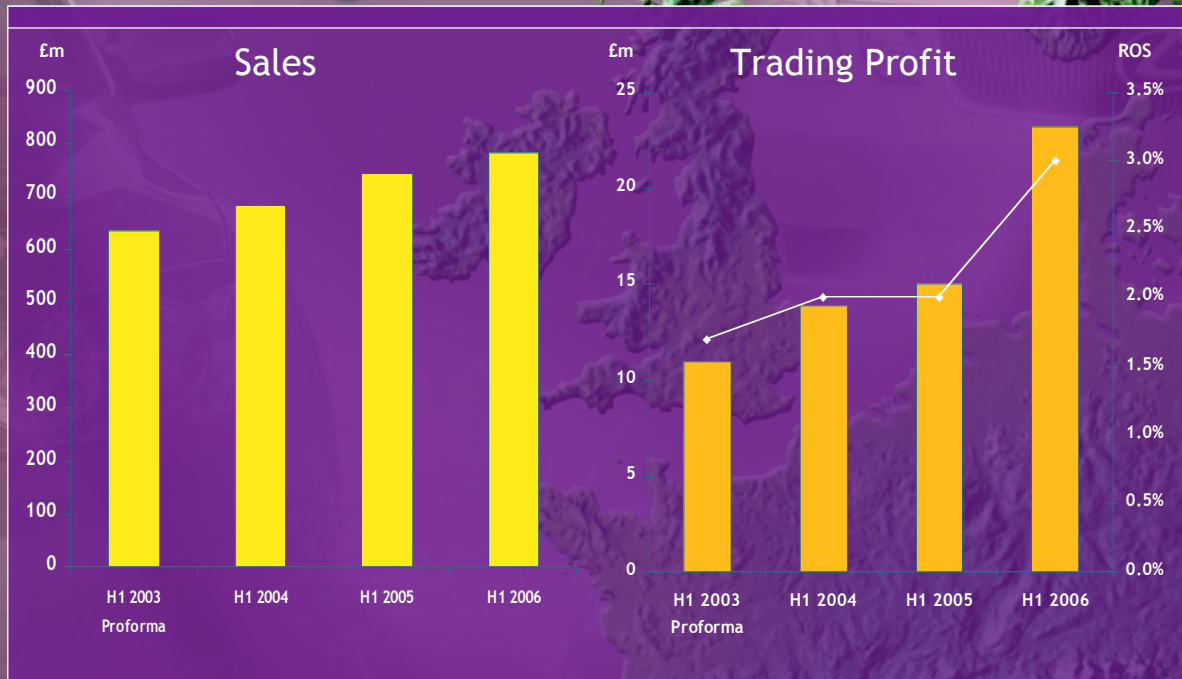


# Singapore

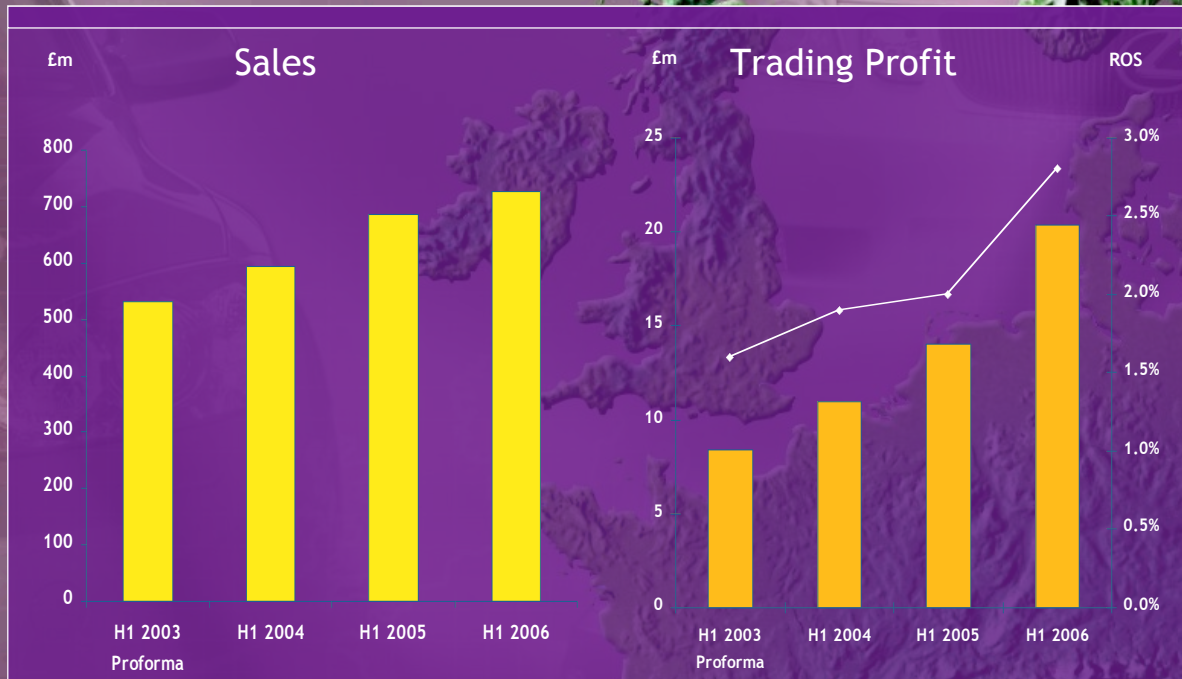




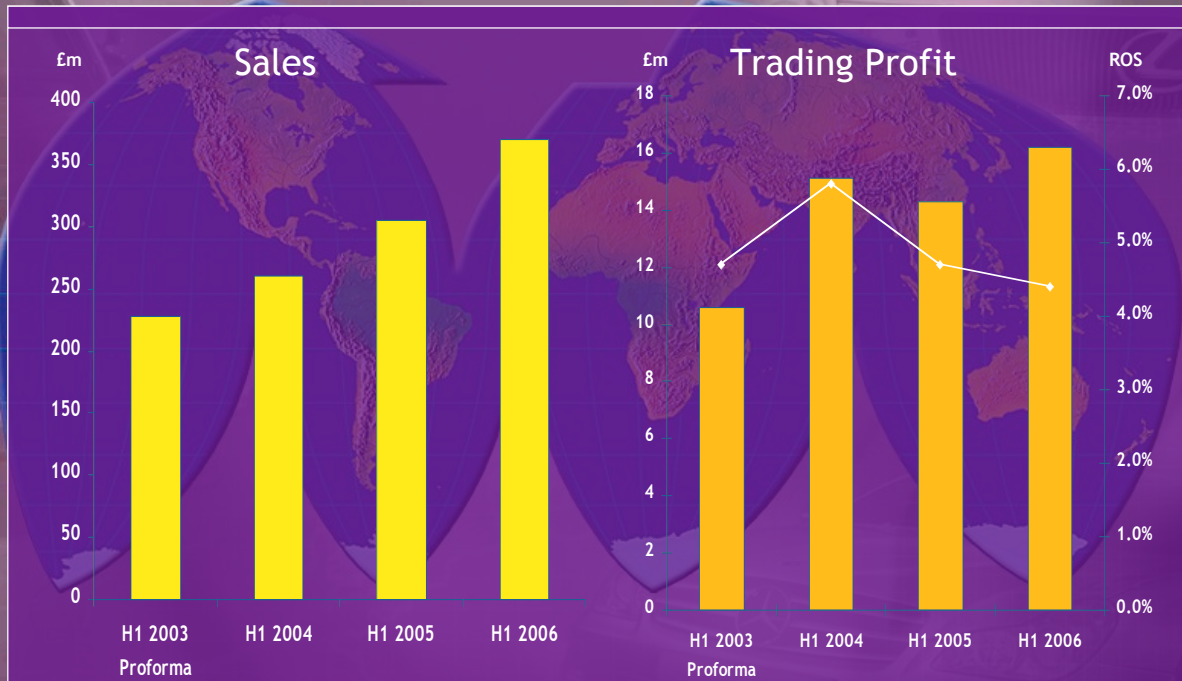
# United Kingdom



# UK Retail



# Other



# Net interest, taxation and dividend

	H1 2006	H1 2005
Net interest cost	0.6	2.4
Tax rate (%)	21.7	25.5
EPS (p)	18.5	15.7
Dividend per share (p)	5.0	3.2
Cash flow per share (p)	33.1	10.2
Dividend cover		
- Earnings	3.7	4.9
- Cash	6.7	3.2

# Cash flow and net debt

Operating cash flow		Free cash flow		Net cash	
	£m		£m		£m
Operating profit	110.0	Operating profit flow	199.4	Net cash 01.01.06	158.0
Depreciation /	12.5	Net interest	(1.0)	Free cash flow	154.3
Amortisation				Dividends	(29.6)
Working Capital	76.9	Taxation	(26.5)	Share buyback	(34.0)
		Minority interest	(3.7)	Acquisitions	(19.7)
		Capex	(16.3)	Pension	(32.0)
		Other	2.4	Currency	(10.5)
				Other	2.7
<b>Operating cash flow</b>	<b>199.4</b>	<b>Free cash flow</b>	<b>154.3</b>	<b>Net cash 30.06.06</b>	<b>189.2</b>

Group remains strongly cash generative



# Pensions

- New pension funding rules
- Triennial valuation of Inchcape UK and Inchcape Motors Pensions' pension schemes
- Schemes' funding programme agreed
  - £32m one off contribution made in March 2006
  - £13.2m one off contributions for 2007 to 2009
  - £7.5m one off contributions in 2010 and 2011



# Financial summary

- Economic resilience in Distribution from broad geographical base
- Strong overall sales growth in retail
- Margin improvement in retail 50 bps
- Cash resources and balance sheet to fund strong pipeline of opportunities

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**André Lacroix**

Group chief Executive

Strategic and operational review

# Strategic Agenda: Summary

## 1 Vision:

To be the world's most customer centric automotive retail group

## 2 Levers:

**Strengthen**

Customer centric  
operational excellence

**Expand**

In existing, emerging  
and new markets

## 3 Enablers:

Build capability in people and systems

Disciplined allocation of capital

Balance sheet efficiency



**Sustainable growth and shareholder value**

# Strengthen and expand

## Strengthen

- Distribution
- Retail

## Expand

- Acquisition
- Greenfield

# Strengthen - Distribution

Key Markets	Sales YOY %	Trading Profit YOY %	ROS %	ROS YOY
Australia	5.3	7.7	6.4	10bps
Continental Europe	26.2	17.6	4.4	(30)bps
Asia	(8.9)	(13.5)	9.2	(50)bps
ROW	(4.8)	50.0	9.1	330bps
<b>Total</b>	<b>4.4</b>	<b>1.1</b>	<b>7.0</b>	<b>(30)bps</b>

# Australia - Distribution

## H1 Performance drivers

- Record Subaru share at 3.9%
- Effective marketing programmes
- Expansion of AutoNexus
- Margin improvement to 6.4%



# Australia - Distribution

## H2 Key initiatives



Launch of new facelift Liberty/Outback



Launch of Tribeca



More special Editions Campaigns

# Asia - Distribution

## H1 Performance drivers

- Challenging trading conditions
- Dominant share position
- Economic strength of distribution model
  - Hong Kong 36.1%
  - Singapore 29.7%

# Asia - Distribution

## H2 Key initiatives



Singapore - New model launches



Hong Kong - 40<sup>th</sup> Anniversary Marketing Campaign



# Europe - Distribution

## H1 Performance drivers

- New Toyota / Lexus models in Europe
- Market share improvement in Belgium, Greece and Balkans
- Good margin management



# Europe - Distribution

## H2 Key initiatives



Toyota Aygo



Toyota Rav 4



Lexus IS



Toyota Yaris

New Toyota/Lexus models

# Strengthen - Retail

	Sales YOY %	Trading Profit YOY %	ROS %	ROS YOY
Australia	9.5	60.2	4.3	150bps
Continental Europe	14.6	(25.0)	1.0	(50)Bps
UK	6.1	49.1	2.8	80bps
<b>Total</b>	<b>8.7</b>	<b>33.3</b>	<b>2.5</b>	<b>50bps</b>



# Australia - Retail

## H1 2006 Performance drivers

- Solid LFL sales growth of 2.6%
- Productivity improvement
- Record ROS of 4.3%

## H2 Key initiatives



Relocating Subaru retail centre



Subaru Tribeca

# Europe - Retail

- Progress on Sales and Profit performance in all markets but France
- France portfolio restructuring
- Greece retail turnaround underway
  - Like for like sales up 24.6%

# UK - Retail

## H1 Performance drivers

- Record ROS of 2.8%, 80 bps ahead of last year
- LFL trading profit up 34.9% to £18.3m
- UK Dealer Group of the year 2006

## H2 Key initiatives

- Integrate Lind acquisition
- Focus on profitable LFL sales growth

# Expansion

H1 2006

Capital Commitments £m

Acquisition

120

Greenfield

28

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**148**

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# Major acquisitions

- Lind Automotive Holdings Limited - £110.4m
- Keystar Motors Pty Limited - £9.1m



# Lind, UK

- 21 retail centres in contiguous scale territories
- Enhances geographic coverage in South East of England
- Excellent brand fit



Key: ● Lind ● Inchcape

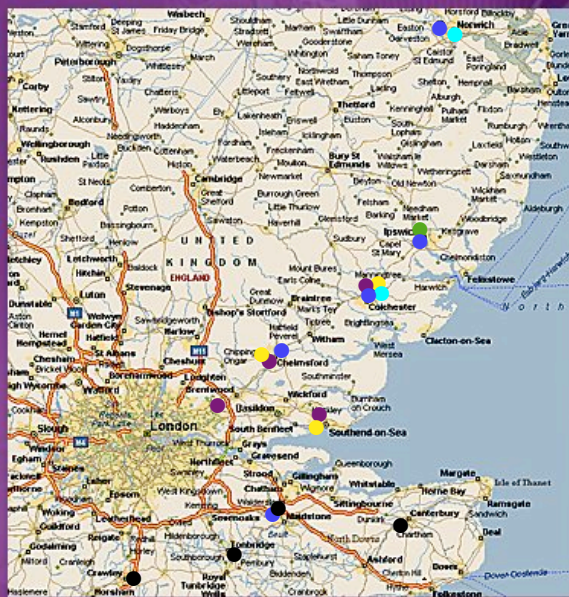


# Lind, UK

## Retail centres

Brand Partner No. of sites Locations

BMW	5	Chelmsford, Colchester, Ipswich, Norwich, Maidstone
MINI	3	Colchester, Ipswich, Norwich
Volkswagen	4	Chelmsford, Colchester, Harold Wood, Southend on Sea
Audi	4	Canterbury, Crawley, Maidstone, Tonbridge
Honda	3	Chelmsford, Colchester, Southend
Land Rover	1	Ipswich
Mitsubishi	1	Colchester



# Lind, UK



# Keystar, Australia

- Extends retail presence in Australia
- Entry into fast growing Queensland market



# Keystar, Australia

## Retail centres

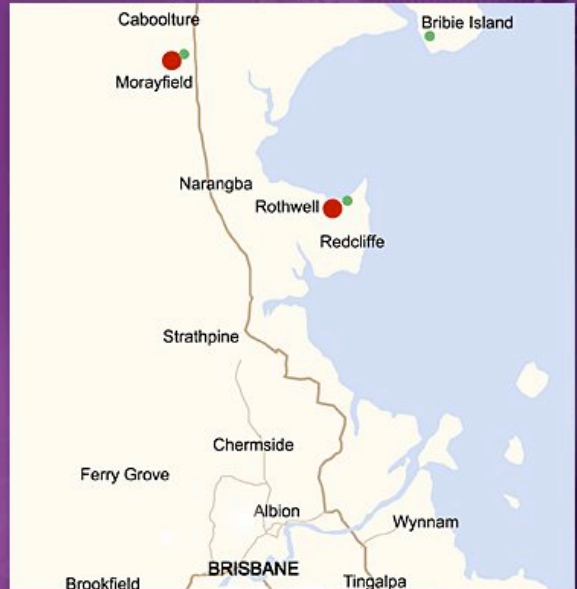
Brand Partner   No. of sites   Locations

Kia                      2                      Morayfield, Rothwell

Hyundai                2                      Morayfield, Rothwell

Mitsubishi            1                      Morayfield

Subaru                 2                      Morayfield, Rothwell

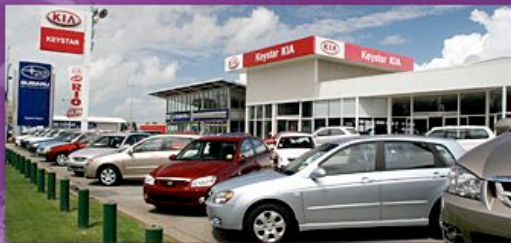


New acquisition • sales sites • service sites





# Keystar, Australia



# Greenfield

- Russia
- Belgium
- Romania
- Australia
- Singapore



# Russia car market

- Largest car market in Central and Eastern Europe
- New units forecast to reach 1.8m by 2010
- Foreign brands up by 55% in H1
- Strong demand for Toyota brand

# Independence Group

- Leading Moscow automotive retail group
- Joint venture to be  
51% Inchcape 49% Independence
- Circa £19m investment planned by JV
- Opening at the end of 2007

# Waterloo, Belgium



# Bucharest, Romania





# Melbourne, Australia





# Hino trucks, Singapore



# Outlook - short term

- Distribution
  - New Models
  - Supply improvement in Asia
- Retail
  - LFL profitable growth
  - Benefits of new acquisitions
- Despite challenging trading conditions, well placed to achieve year on year growth

# Outlook - medium term

Confident of continued progress in 2007 and beyond

## Strengthen

- Focus on customer service and productivity improvement
- Strong pipeline of new models
- No taxi sales in Singapore in 2007
- Taxi replacement cycle in Hong Kong in 2008

## Expand

- Impact of 2006 Greenfield operations
- Benefit of 2006 Acquisitions
- Opening of 2 retail centres in Moscow at the end of 2007
- Further expansion opportunities

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