



2009 Half Year Results

29 July 2009

“Inchcape’s self-help measures deliver strong cash flow despite unprecedented market conditions.”

André Lacroix

Group Chief Executive





Ken Hanna

Non-Executive Chairman





André Lacroix

Group Chief Executive



Strong performance in challenging markets

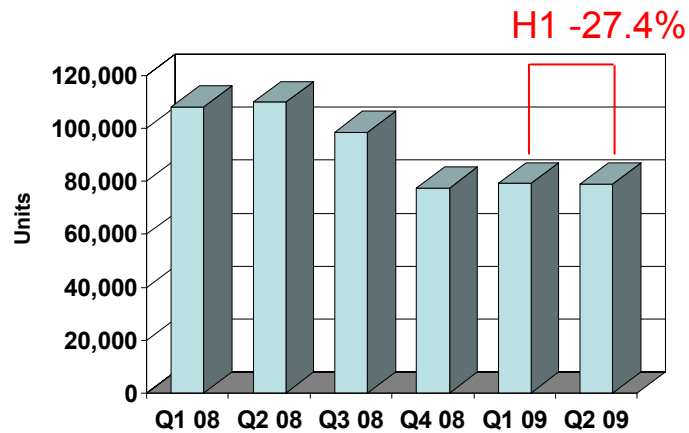
- Improvement in our competitive position
- Robust profitability in our Distribution businesses
- Scale 3S facilities benefiting Retail businesses
- Resilience of Aftersales
- Cost structure flexibility
- Rapid working capital reduction
- Significant debt reduction

Demonstrates the strength of our business model in a downturn and the responsiveness of our organisation during unprecedented times

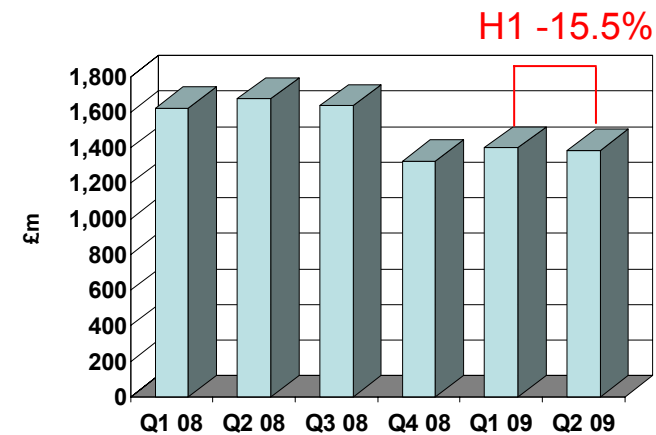


Resilient financial performance

Vehicle trend



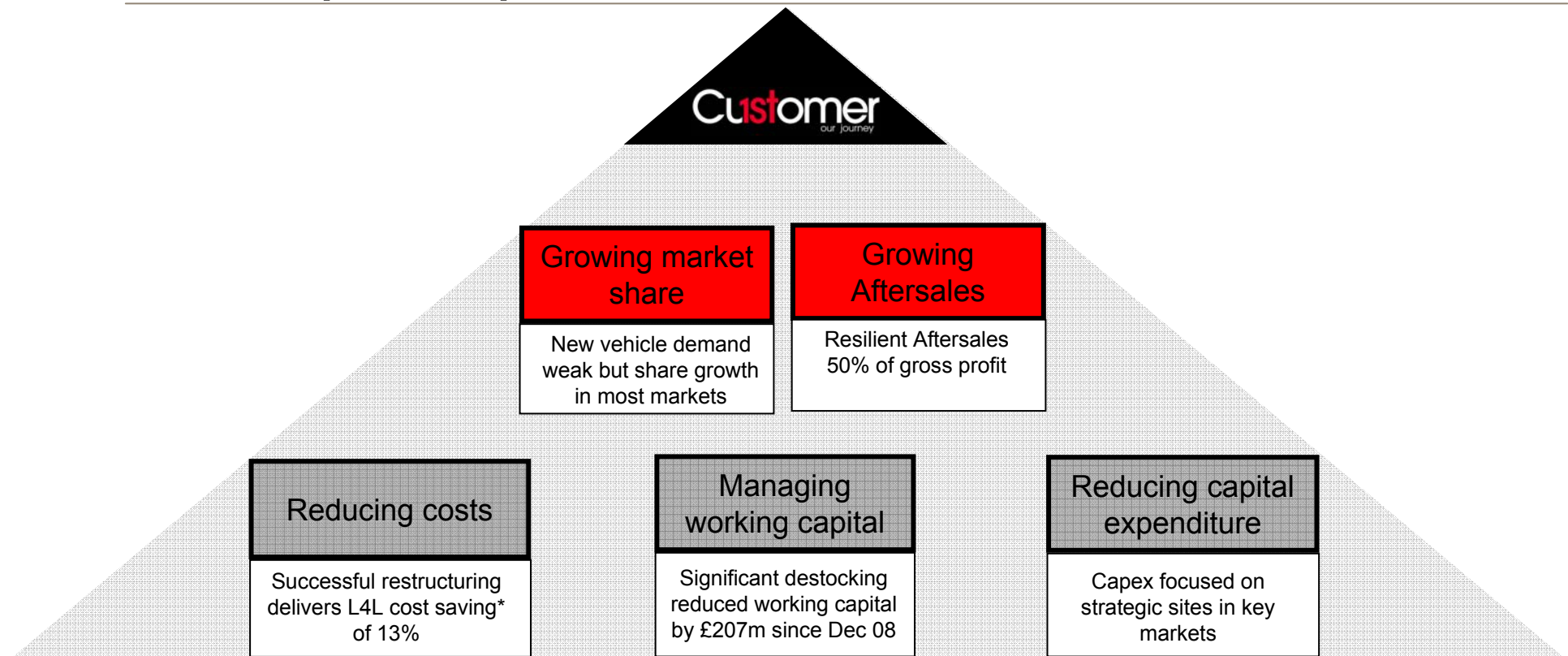
Revenue trend



H1 P&L and Cash flow

Operating profit*:	£87.4m
ROS*:	3.1%
Free cash flow:	£188.4m
Net debt:	£28.1m

Inchcape Top Five Priorities



* At constant currency

Focused on executing our Five Priorities to improve our competitive position and maximise cash flow

Financial update

Gavin Robertson

Group Financial Controller



Summary P&L

At actual rate	H1 2009 £m	H1 2008 £m	Change %
Sales	2,785.7	3,297.9	(15.5)
- Distribution	1,248.4	1,390.3	(10.2)
- Retail	1,537.3	1,907.6	(19.4)
Operating Profit *	87.4	151.1	(42.2)
- Distribution*	64.2	113.7	(43.5)
- Retail*	26.6	45.3	(41.3)
- Central*	(3.4)	(7.9)	57.0
Return on sales*	3.1%	4.6%	(1.5)ppt
- Distribution*	5.1%	8.2%	(3.1)ppt
- Retail*	1.7%	2.4%	(0.7)ppt
Net Finance Costs	(22.4)	(21.9)	2.3
PBT *	65.4	130.3	(49.8)
Effective Tax rate (%)	31.0	25.0	(6.0)ppt
EPS (p) *	1.3	3.5 **	(62.9)

Distribution: Trading profit, ROS and operating cash flow

	Trading profit*		Return on sales*		Operating cash flows	
At actual rate	H1 2009 £m	H1 2008 £m	H1 2009 %	H1 2008 %	H1 2009 £m	H1 2008 £m
Distribution						
- Australasia	12.8	17.6	5.9%	7.1%	24.5	8.3
- Europe	14.5	25.5	3.5%	5.4%	66.6	15.3
- North Asia	6.7	20.3	4.7%	11.0%	39.9	5.9
- South Asia	31.1	29.9	9.8%	11.7%	53.0	37.0
- UK	1.7	1.6	12.1%	13.6%	10.8	6.3
- Russia and Emerging Markets	(2.6)	18.8	(1.8)%	8.8%	43.4	(5.7)
	64.2	113.7	5.1%	8.2%	238.2	67.1

* Before exceptional items

Retail: Trading profit, ROS and operating cash flow

	Trading profit*		Return on sales*		Operating cash flows	
At actual rate	H1 2009 £m	H1 2008 £m	H1 2009 %	H1 2008 %	H1 2009 £m	H1 2008 £m
Retail						
- Australasia	3.8	4.5	2.7%	3.1%	15.4	13.0
- Europe	(1.1)	2.0	(1.0)%	0.9%	10.2	(3.6)
- UK	17.9	31.1	1.8%	2.4%	57.2	71.3
- Russia and Emerging Markets	6.0	7.7	2.0%	3.8%	2.2	(4.1)
	26.6	45.3	1.7%	2.4%	85.0	76.6

* Before exceptional items

Cash flow

Operating cash flow	H1 09 £m	H1 08 £m	Free cash flow	H1 09 £m	H1 08 £m	Net cash	H1 09 £m	H1 08 £m
Operating profit**	87.4	151.1	Operating cash flow	288.9	109.1	Free cash flow	188.4	1.7
Depreciation / amortisation	17.1	19.2	Net interest	(26.5)	(24.2)	Share issue	234.3	-
Working capital	207.3	(56.4)	Taxation	(28.3)	(24.9)	Dividends	-	(48.1)
Other	(22.9)	(4.8)	Minority interest	(3.4)	(2.1)	Share buyback	-	(16.0)
			Net capex	(42.3)	(56.2)	Pension	(17.2)	(11.0)
						Acquisitions	-	(25.7)
						Disposals	2.0	20.0
						Other	(6.1)	8.7
						Net cash flow	401.4	(70.4)
						Opening net debt	(407.8)	(213.5)
						Translation on net debt*	(21.7)	12.5
Operating cash flow	288.9	109.1	Free cash flow	188.4	1.7	Closing net debt	(28.1)	(271.4)

- Capex guidance for the year remains unchanged at £60-65m
- 2009 Tax rate estimate of 31-32% versus 38-39% previous guidance

Exceptional items

	Q2 2009
Property costs	(3.0)
Other asset impairment	(10.3)
Restructuring costs	(5.1)
TOTAL COST	(18.4)



Chris Parker

Director of Corporate Affairs



Impact of currency on H1 operating profit*

H1	2008 @ actual exchange rates	2009 @ 2008 actual rates	2009 @ actual exchange rates	Impact
Australasia	22.1	16.3	16.6	0.3
Europe	27.5	11.4	13.4	2.0
North Asia	20.3	5.0	6.7	1.7
South Asia	29.9	25.1	31.1	6.0
Russia and EM	26.5	4.9	3.4	(1.5)
Total overseas	126.3	62.7	71.2	8.5
UK	32.7	19.6	19.6	-
Central costs	(7.9)	(3.3)	(3.4)	0.1
Operating profit	151.1	79.0	87.4	8.6

* Pre exceptional items

2009 Currency call options

£m	H1 2009 operating profit*
Actual	87.4
At actual rate without benefit of call options	84.1
Δ	3.3

£m	Hedging impact
Crystallised gains on options	3.0
Cost of option released to P&L	(2.5)
Mark to market gain	2.8
Total gain booked to date	3.3

- Sterling call options taken to hedge the translation exposure on the 2009 forecast operating profit for USD, HKD, SGD, AUD and EUR
- The premium paid of £8.7m is the maximum cost
- Options mature at or near the month end from March 2009 to December 2009
- Options marked to market each month
- On maturity the cost of options are fully taken through the P&L

* Pre exceptional items

A one-off to protect our 2009 Covenant

c.£980m of committed facilities at competitive rates

		Maturity	Interest
Bank funding	£35m	Apr 2010	LIBOR Floating
	£225m	Jul 2011	LIBOR Floating
	£500m	Apr 2013	LIBOR Floating
Private Placement	\$275m	May 2017	LIBOR Floating (Fixed for 6 months)
	\$161m	May 2019	LIBOR Floating (Fixed for 6 months)
c.£980m*			

- Higher rate US loan notes repaid at par in May 2009
- At 30 June 2009, the Group was in compliance with its only financial covenant (EBITA/Net interest \geq 3x)

* At SWAP fx rate

No material refinancing required, until 2012

Net financing costs

£m	H1 2009	H1 2008
Bank and loan interest	3.4	2.9
Stock holding interest	5.0	9.8
Interest on private placement notes	6.3	10.8
Pension interest net	(2.6)	(3.2)
Other including capitalised interest adj.	6.4	0.9
Interest excluding mark to market	18.5	21.2
FV on private placement	(73.7)	(0.9)
FV on cross currency interest rate swaps	81.6	1.6
Mark to market expense	7.9	0.7
FV gain on swap restructuring	(4.0)	-
Total net finance costs	22.4	21.9

Strategic update and outlook

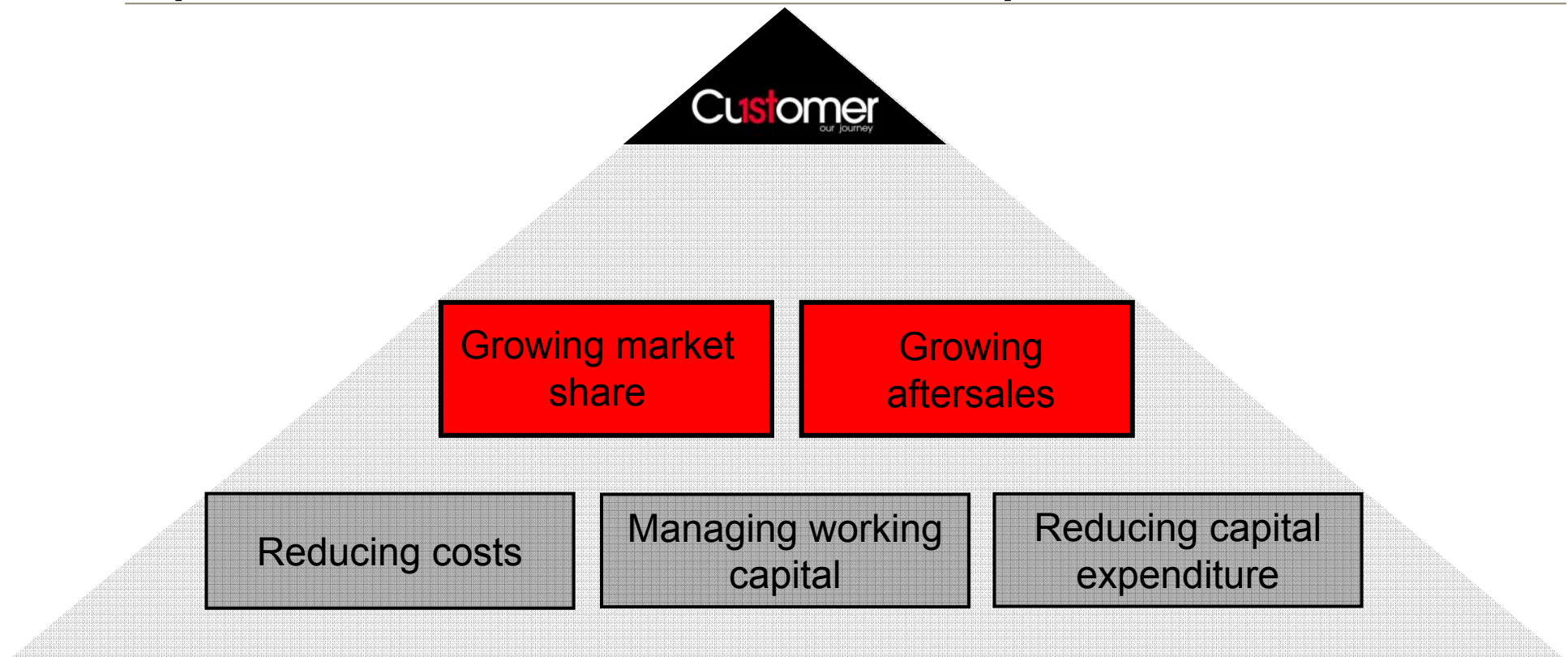


Highlights moving forward

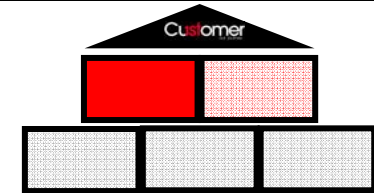
- Markets remain difficult and global market recovery not expected to start until well into 2010
- Unique business model providing significant defensive qualities
- Pleasing H1 results:
 - Strong Q1 in Singapore
 - Better used car margins in UK / Australia
 - Market share growth in most markets
 - Strong cost reduction and rapid working capital reduction
- Cautious for the overall outlook in H2:
 - Weaker demand expected in Singapore
 - Expect challenging market conditions in Europe, Russia and Eastern Europe
 - Pressure on margins

Focus on our Five Priorities unchanged
to improve our competitive position and maximise cash flow

Operational focus on our Top Five Priorities



Improving competitive position and maximising cash flow



Growing market share: H2 initiatives

Distribution and VIR

- Marketing calendar focused on driving traffic
- Disciplined and targeted planning with lower advertising costs
- Innovation with new products and limited editions
- Campaigns focused on core models with product and value for money offers

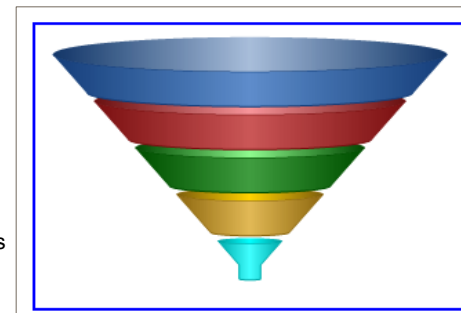


Retail

- Key retail metrics captured daily...
- ...provides performance management data: traffic, lead capture, test drives, conversion, margin
- Leveraging new model launches
- Disciplined use of NPS and Mystery Shop feedback to continuously improve customer service

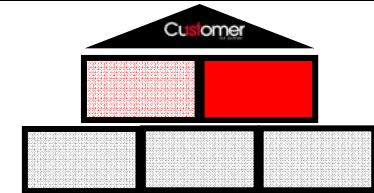
Budget

Traffic
Leads
Test drives
Capture rate
Finance proposals
NPS



Actual

Traffic
Leads
Test drives
Capture rate
Finance proposals
NPS



Growing Aftersales: H2 initiatives

Distribution and VIR

- Targeted direct marketing to improve retention
- Parts & Accessories promotions (e.g. leather upholstery, seasonal offers, MOT campaigns)
- Sales skills training for Service Advisors to drive up-sell activities
- Margin growth from marketing of all-inclusive service packages, warranty, insurance, breakdown assistance, etc
- Express Service

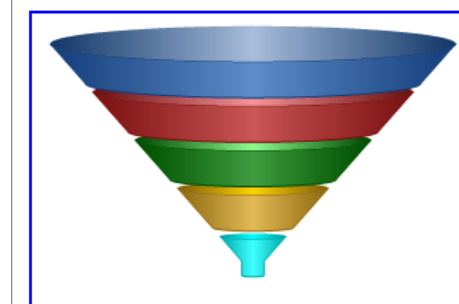


Retail

- Key metrics captured daily...
- ...provides performance management data: service enquiries, bookings, hours sold, workshop productivity
- Vehicle Health Check, Oil / Tyre programmes
- Disciplined use of NPS and Mystery Shop feedback to continuously improve customer service

Budget

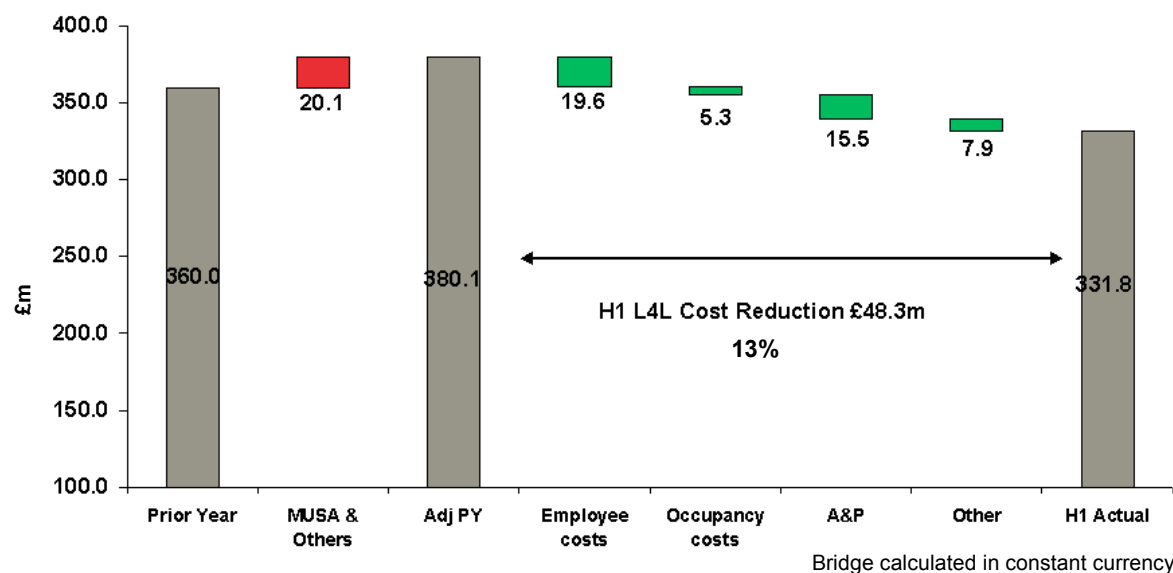
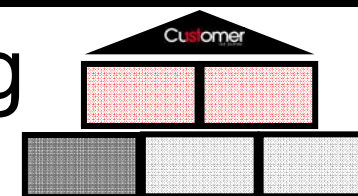
Telephone in
Telephone out
Web
Walk in
Bookings/orders
Capture rate
NPS



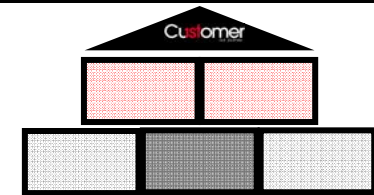
Actual

Telephone in
Telephone out
Web
Walk in
Bookings/orders
Capture rate
NPS

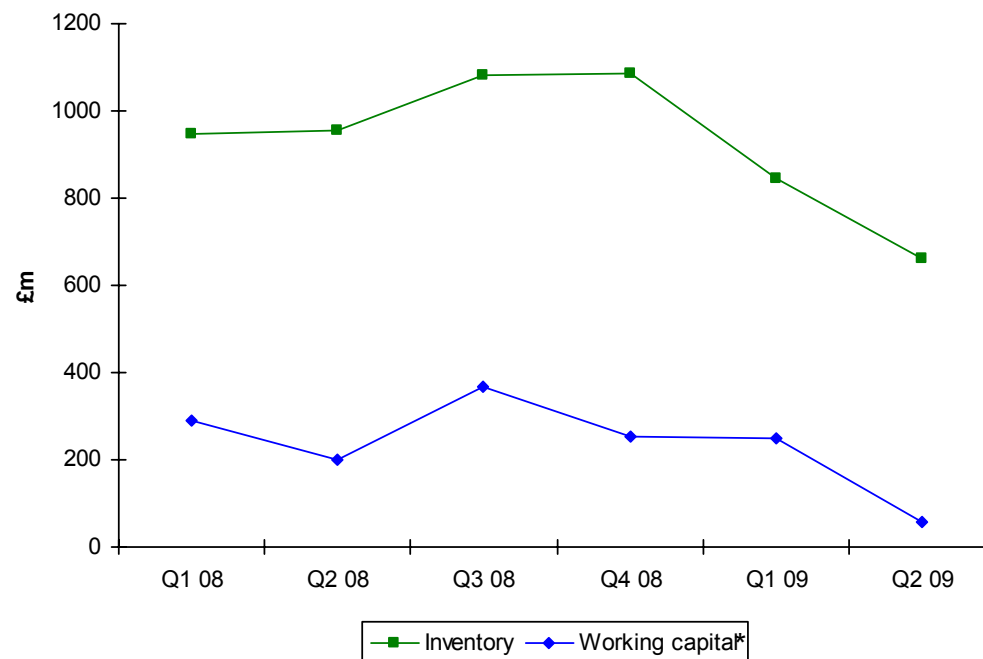
Reducing costs: Like for like operating expense reduction of £48.3m in H1



Q2 restructuring	
Restructuring cost	£5.1m
Total headcount reduction (people)	350
Sites closed (number)	7
Annualised benefits	£5.5m



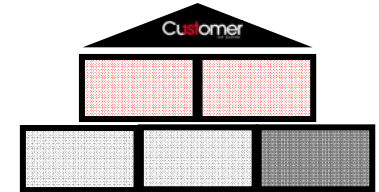
Managing working capital



- Stock cover target of 1.5x months achieved in Q2 09

* Management definition of Working Capital: inventory, receivables, payables and supplier related credit

Reducing capital expenditure: Capex limited to strategic site development



Strengthened position with opening of 7 new scale retail sites in H1

- Lexus Shanghai - China
- Toyota Anderlecht - Belgium
- Lexus Toyota Sofia - Bulgaria
- Honda Santiago - Chile
- Volvo Rublyovka - Moscow
- Toyota Rustavelli - St. Petersburg
- Peugeot Rustavelli - St. Petersburg

Opening 2 new sites in H2

- BMW Warsaw – Poland
- BMW, Jaguar/Land Rover - Russia



Five Priorities in Action – Distribution in Greece

Growing market share

Leading position in the market with a total share of 10.9% YTD '09 (+0.7pp vs. 08).
Significant performance improvement of all core models, stemming from the successful launch of the new Toyota IQ and new Avensis

Growing aftersales

- Full implementation of service reminder program
- Accessories per new car sales ratio (ACC/NCS) advanced significantly by 15.66% in H1 '09 Vs 2008

Reducing costs

Overheads reduced by 21.75% Vs H1 2008
Reduced range of third-party services
Re-negotiated terms with suppliers

Managing working capital

Substantially lower inventories by £21m vs. Dec '08

Reducing capex

All capital expenditure deferred

H1 TIV -28.9%

H1 ROS 8.1%

Five Priorities in Action – Retail in Australia

Growing market share

Focus on Inchcape Advantage funnel management: traffic drivers, converting web enquirers and test drives.
Increased market share through strong sales of Forester and Impreza
Drive Used cars and F&I performance

Growing aftersales

Strong growth driven by express service initiative
Using online systems to increase bookings
Improved productivity and asset utilisation
Customer retention programmes

Reducing costs

Cost reduction project teams achieving success in key areas, e.g. rent reduction, renegotiating merchant fees

Managing working capital

Reduced vehicle inventory by 38%

Reducing capex

Asset maintenance only

H1 TIV -16.1%

H1 ROS 2.7%

Key Market update and outlook



UK - Outperforming the industry

2009 TIV Estimate	1.75m to 1.85m, -17.8% to 13.2% vs. LY	
H1	<ul style="list-style-type: none"> • New Car Market down 26% : Retail down 20% ; Fleet / Business down 30% • In June, registrations to private buyers rose for the first time since November 2007, up 3.9%. Positive impact of scrappage scheme now translating into registrations • Inchcape outperforming market, gaining share of Premium segment and Total market • Benefiting from Used car demand and margin improvement • Aftersales resilient in recession • Strong cost reduction 	
H2 Key Priorities	<ul style="list-style-type: none"> • Drive vehicle sales enquiries traffic through innovative marketing; leveraging scrappage incentive • Leverage new models: VW Polo, BMW 5GT, X1, Mercedes E Class, Toyota Prius, Lexus RX, IS-Convertible, Jaguar XJ • Maintain focus on sales process operational excellence: appointments and test drives • Focus on Used cars with value-for-money offers and good margins • Continue to build Aftersales success: prospecting, conversion, retention. • Maintain significant achievements in working capital and overhead reduction 	



VW Polo



BMW 5 Series GT



BMW X1



Mercedes E Class



Toyota Prius



Lexus RX



Lexus IS-C



Jaguar XJ

Europe - Leveraging new models from Toyota and Mazda

	Belgium	Greece	Finland
2009 TIV Estimate	430k, -20% vs. LY	187k, -30% vs. LY	140k, -38% vs. LY
H1	<ul style="list-style-type: none"> Market down 16%. Margin pressure due to aggressive competitor pricing 	<ul style="list-style-type: none"> Market down 29%. Vehicle tax reduction introduced in April will last until July 09 	<ul style="list-style-type: none"> Market down 41%.
H2 Key Priorities	<ul style="list-style-type: none"> Drive market share growth through new model launches: Verso and Urban Cruiser Focused drive on aftersales Capitalise on cost benefits achieved from restructuring Maintain strong control on working capital 	<ul style="list-style-type: none"> Further grow market share by maximizing order intake within the car tax incentive period Leverage new model launches in Q4: Verso, Prius Increase parts turnover by expanding innovative pilot programmes (loyalty, total loss) to the whole network Exploit synergies to enhance further cost and w/c control 	<ul style="list-style-type: none"> Drive market share from new Mazda 3 Establish VIR operation and realise ongoing efficiencies Enhanced focus on aftersales Maintain strong controls on working capital



Toyota IQ



Toyota Verso



Toyota Urban Cruiser



Toyota Prius



ENHANCED PERFORMANCE
LOWER CO₂
BETTER FUEL ECONOMY



Mazda 3

South Asia - Strengthening our market leadership

	Singapore
2009 TIV Estimate	80k, -25% vs. LY
H1	<ul style="list-style-type: none"> • Market declined 21%, accelerated by high COE prices in Q2 • Gained 6 ppt market share due to strong marketing and weakening parallel importers • Excellent performance in aftersales • COE price increase slowing down deregistrations
H2 Key Priorities	<ul style="list-style-type: none"> • Continue to grow share in declining market through strong, value-led marketing programmes • Leverage new model launches from H1: Toyota Prius, Lexus RX, RX Hybrid, IS Convertible • Maximise H2 new model launches: Alphard 2.4, Wish, Camry • Build on H1 aftersales achievements in both service and parts



Toyota Prius



Lexus RX



Lexus IS-C



Toyota Alphard



Toyota Wish



Toyota Camry

North Asia - Strengthening our market leadership

	Hong Kong
2009 TIV Estimate	26k, -30% vs. LY
H1	<ul style="list-style-type: none"> • Market down 43% • Significant competitor stocking clearance and pricing pressure • Inchcape remains market leader, increasing market share in Q2 • Strong growth in aftersales
H2 Key Priorities	<ul style="list-style-type: none"> • Leverage launch of new and face-lifted models to regain share: Alphard 250, Wish, RX450h, ISC, Ractis, Mazda 3, Jaguar XFR, XJ • Grow aftersales traffic and expand business opportunities through innovative marketing programmes and added-value packages (e.g. free pre-MOT inspection, car care product promotions) • Continue to reduce overheads and working capital • Limit capital expenditure to maintenance items



Toyota Alphard



Toyota Wish



Lexus RX



Lexus IS-C



Toyota Ractis



Mazda 3



Jaguar XJ

Australasia - Leveraging new Subaru models

	Australia Distribution	Australia Retail
2009 TIV Estimate	860k, -13% vs. LY	
H1	<ul style="list-style-type: none"> • Australian market down 16.1% • Record Subaru market share of 4.2% benefiting from new model line up and effective marketing • Strong performance from Impreza (up 9.5%) and Forester (up 9.3%) • Strong aftersales performance 	<ul style="list-style-type: none"> • Strong retail delivery, especially in New and Used cars and F&I • Strong aftersales growth driven by express service initiative
H2 Key Priorities	<ul style="list-style-type: none"> • Launch of new model Liberty and Outback • Build on success of Impreza and Forester • Focus on Parts and Accessories 	<ul style="list-style-type: none"> • Capitalise on Subaru new product launches • Build on success of F&I and aftersales initiatives



Subaru Impreza



Subaru Forester



Subaru Liberty



Subaru Outback

Russia - Strengthening our competitive position in Moscow and St Petersburg

2009 TIV Estimate	1.45m, -51% vs. LY	
H1	<ul style="list-style-type: none"> • Market fully impacted by the downturn (-49% YTD) but large scale facilities delivered solid profitability • Market share improvement in St Petersburg and Moscow • Gross margin mix favourably shifting towards resilient Aftersales 	
H2 Key Priorities	<ul style="list-style-type: none"> • Implement 'Inchcape Advantage way of selling' and strong daily sales management • Leverage new model launches: BMW X1, 5GT, Peugeot 308, 3008 SUV, Renault Laguna Coupe, Megane Coupe, Kaleos diesel, Clio, Land Rover Discovery facelift, Audi R8 5.2, Q7, A5 Sportsback, TT RS, A5 • Growing aftersales (focus on Vehicle Health checks, Retention Calls, and Loyalty programmes) • Continued implementation of the overhead cost reduction programme • Effective working capital management 	



BMW X1



BMW 5 GT



Peugeot 308



Peugeot 3008 SUV



Renault Laguna Coupe



Renault Megane Coupe



Land Rover Discovery



Audi A5 Sportsback

Emerging Markets - Maximising cash flow in Eastern Europe and building fundamentals in China

	The Baltics	The Balkans	Poland	China	Ethiopia / South America
2009 TIV Estimate	38k -67% vs. LY	174k -49.6% vs. LY	379k +0.1% vs. LY	10.952m +4.1% vs. LY	149k S. America -40% vs. LY, Ethiopia N/A)
H1	<ul style="list-style-type: none"> Markets extremely challenging, reflecting credit availability issues and economic instability Structural rightsizing – annualised savings £4.0m 	<ul style="list-style-type: none"> Markets extremely challenging, reflecting credit availability issues and economic instability Inchcape strengthened its leadership position in Bulgaria 	<ul style="list-style-type: none"> 1% GDP growth Inchcape Revenue and GM growth Developed fleet sales Launched Inchcape Advantage Ownership programme 	<ul style="list-style-type: none"> Government stimulus measures now taking effect New Lexus centre in Shanghai 	<ul style="list-style-type: none"> Ethiopia delivered a strong performance Challenging trading conditions in South America
H2 Key Priorities	<ul style="list-style-type: none"> Drive share through new models and new pricing on key models Maximise aftersales opportunity 	<ul style="list-style-type: none"> Drive share through new models and new pricing on key models Continue to drive aftersales opportunities 	<ul style="list-style-type: none"> Open new BMW 3S centre. Launch X1, 5GT, X5, X6 Drive aftersales productivity and up-sell 	<ul style="list-style-type: none"> Drive traffic conversion through implementation of Inchcape Advantage Shanghai ramp-up 	<ul style="list-style-type: none"> Customer management Parts wholesaling programme



Lexus RX



Toyota Verso



Toyota Camry



Toyota Prius



BMW X1



BMW 5 GT

Outlook

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

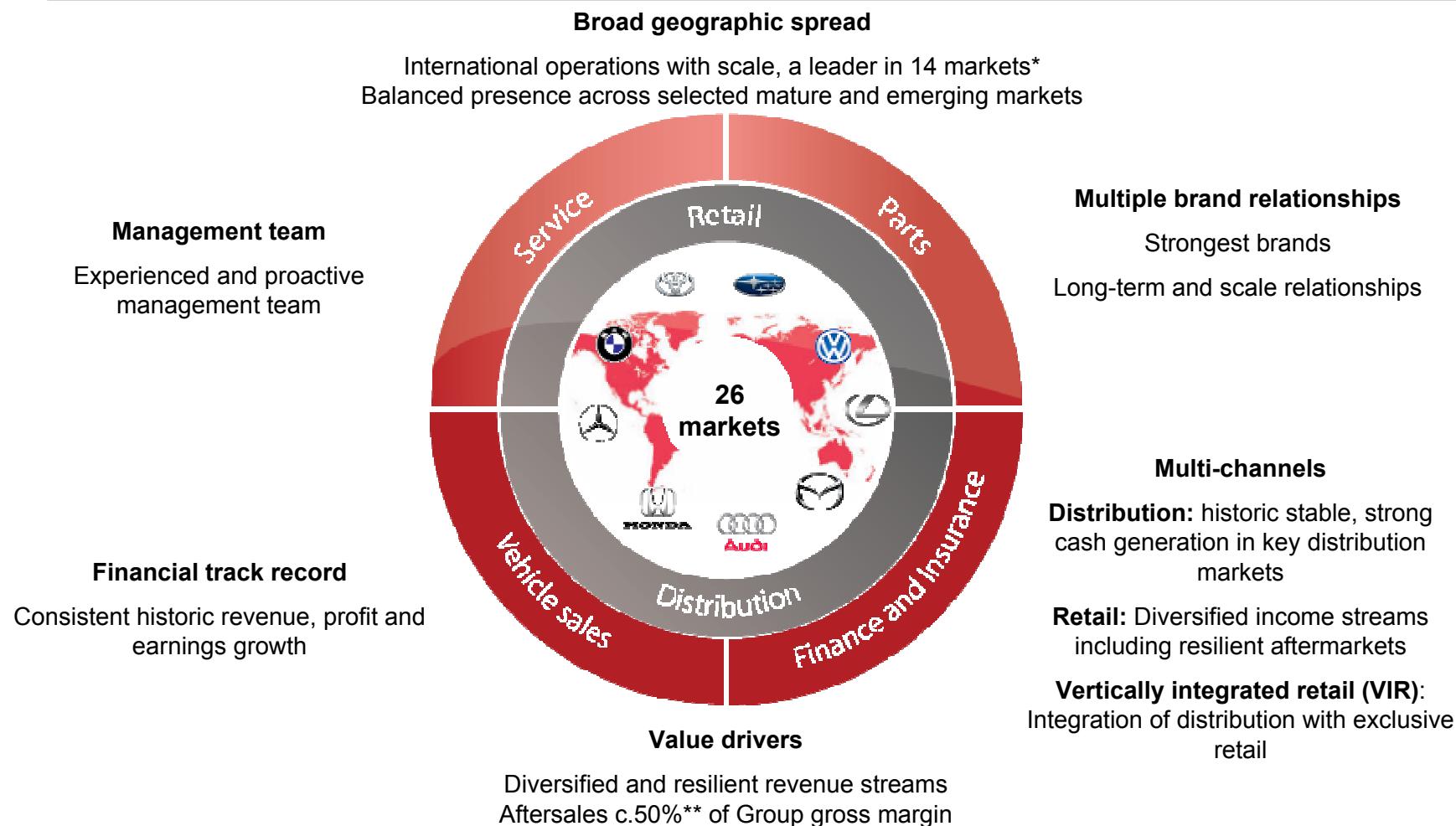
We will continue to focus on our five priorities as conditions in our markets remain challenging and we do not expect the global recovery to start until well into 2010.

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

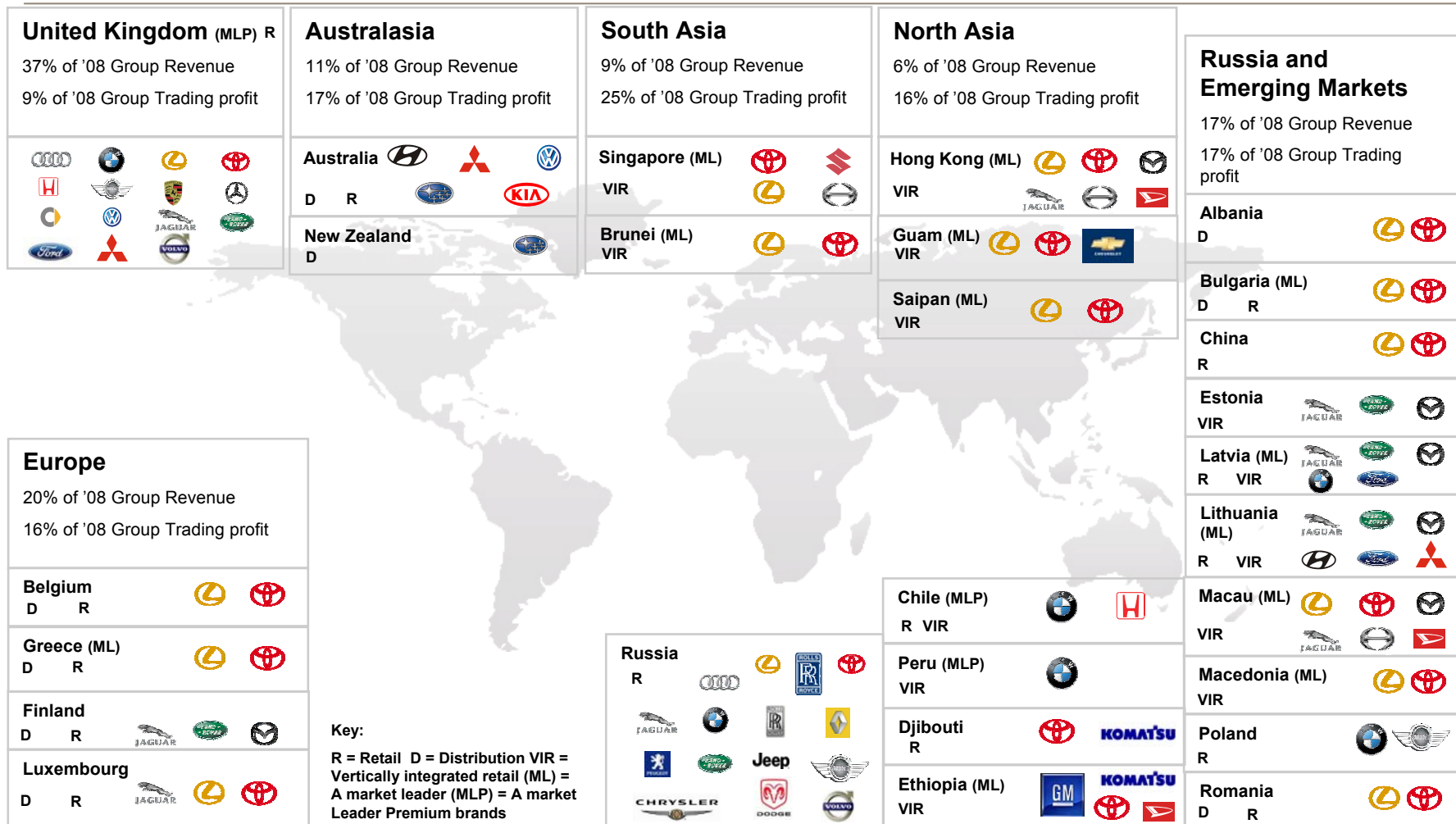
Appendix



Proven and resilient business model

















Broad geographic spread – truly international



Note: Percentage figures represent revenue from third parties and trading profit (defined as operating profit excluding the impact of exceptional items and central costs)

Long-standing relationships with some of the strongest and best performing OEMs

Over the last 5 years, the average light vehicle sales CAGR of Inchcape's core brand partners was 3.4% compared to the average of the world's top 100 OEMs of 1.6%

						
				 		
Hong Kong 42 years	Australia 16 years	Hong Kong 32 years	UK 20 years	UK 22 years	UK 19 years	Hong Kong 40 years (Jaguar)
Singapore 41 years	New Zealand 16 years	Finland 16 years	Australia 16 years (VW)		Chile 14 years (BMW)	UK 21 years
UK 31 years		Baltics 16 years	Russia 2 years (Audi)		Peru 10 years (BMW)	Baltics 16 years
Belgium 27 years						Finland 16 years
Greece 22 years						Russia 1 year
Russia 2 years					Poland 4 years	
China 2 years					Russia 1 year	

Definitions

Like-for-like

The following are excluded from like-for-like sales:

1. Businesses that are acquired, from the date of acquisition until the 13th month of ownership
2. Businesses that are sold or closed
3. Retail centres that are relocated from the date of opening until the 13th month of trading in the new location

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