

17 October 2008

Interim Management Statement

Inchcape acts swiftly to mitigate consumer downturn

This statement is an Interim Management Statement in accordance with the UK Listing Authority's Disclosure and Transparency Rules. It covers the period from 1 July 2008 to 16 October 2008, and includes trading results for the nine months ended 30 September 2008.

Trading for the nine months ended 30 September 2008

Group sales for the nine months were up 6.7% in sterling terms and in line with the same period last year in constant currency. Like for like Group sales were down 1%. The Group's operating margin was in line with last year at 4.8%.

The Group's underlying pre-tax profit for the nine months was up 2.2% in sterling terms and down 7% in constant currency compared to the same period last year.

With the events in financial markets across the world in recent weeks consumer confidence has reduced substantially. As a consequence trading conditions have deteriorated significantly in the UK and are weakening in a number of our other markets.

Following this deterioration in trading conditions and assuming this may continue for the foreseeable future, prompt and strong actions to reduce our cost base to a level appropriate to current market conditions are being taken. These actions apply to all our major markets, with the main impact across our UK businesses. The costs of this restructuring (to be reported as an exceptional item in 2008) and associated asset write-downs are expected to be approximately £55m, of which £27m will be the cash cost. This will be incurred in the remainder of 2008 and the first half of 2009. As a result of this restructuring the annual cost reduction is expected to be approximately £50m.

In quarter four we will also be taking an exceptional charge of £20m to reduce the capitalised goodwill on our acquired Latvia business due to the continued weakness of this market.

Regional Commentary

The UK new car market fell by 18.8% in the three months to 30 September. While our UK business again outperformed the market with like for like sales down 10.8% in the quarter, we have clearly been affected by the significant slow down in sales and expect the trading environment to remain weak in 2009.

In Europe, trading conditions are becoming more difficult. However, our business in Greece remains resilient as we have maintained our market share and leadership.

In Asia, our Hong Kong and Singapore businesses traded in the quarter in line with expectations and we have strengthened our market position. However we expect demand in these markets to slow.

The market in Australia has seen a small decline recently and is now flat year on year for the nine months. However, with the introduction of new models we have

improved our market share by 10 basis points over the period. If the Japanese Yen remains strong against the Australian Dollar, it will only impact our business from the last four months of 2009 as we have hedges in place until then.

The situation in Emerging Markets is mixed. The markets in the Balkans have begun to weaken in the third quarter. In the Baltics, both the Latvian and Estonian markets continue to be significantly below last year's levels. The Russian market for international brands however continues to grow strongly, at 23% for the third quarter and 40% for the year to date. Our like for like Russian sales in the third quarter grew in line with the market. The integration of the Group's acquisition of Musa Motors in Russia, which completed on 8 July, is progressing well and trading profits are in line with expectations.

Financial Position

The financial position of the Group remains strong. Net debt at 30 September was £570m, in line with expectations for a plate change month and we have facilities in place for the medium-term.

Outlook

We expect current trading conditions to remain difficult for the rest of 2008 and throughout 2009. As a consequence we expect our underlying results for 2008 to be below consensus and for 2009 to be significantly below our previous expectations.

We will continue to focus on market share, improvement and on parts and service, which account for approximately 50% of trading profit. In addition, as we announced today, we are undertaking a substantial overhead reduction programme to right-size the business in the light of current market conditions. Outperforming the industry and reducing our cost base will put the Group in a strong position when markets recover.

Commenting on the statement, André Lacroix, Group CEO said:

"Our third quarter performance was in line with management expectations and importantly we continue to outperform the industry in most of our markets.

"The global financial crisis and its consequence on the real economy is clearly affecting consumer confidence mainly in the mature markets and this is having an impact on the purchase of big ticket items. We are not immune from the current industry slowdown and we are taking appropriate actions to right-size our cost base.

"Inchcape will continue to benefit from its unique business model as we maintain our strategic focus on customer service and growth in the Emerging Markets. We are confident that this, together with the actions we are taking on our cost base, will strengthen the Group's position even further when the markets rebound."

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Notes to editors

1. **About Inchcape**

Inchcape is the world's leading car retailer with a geographically diverse portfolio, operating in 25 countries with a unique and proven business model which delivers around 80% of its Group profits from international markets. The company has been listed on the London Stock Exchange since 1958 and operates both Distribution and Retail businesses, with multiple revenue streams (including sales of new and used vehicles, parts, service, finance and insurance), for the world's most successful car brands.

The Group operates a twin-track growth strategy of *Strengthening* the core business through customer-centric operational excellence while *Expanding* within existing and emerging markets. Inchcape's Core Purpose is to *create the ultimate customer experience for its brand partners*. Exceptional people are at the heart of the business, bringing this genuine Customer 1st approach alive through the Inchcape Advantage, a unique programme designed to make customers feel special everyday, every time, everywhere. The Group is headquartered in London and employs over 17,000 people worldwide. Its core markets are the UK, Singapore, Australia, Hong Kong, Greece, Belgium, Russia and China.

2. This statement is based on information sourced from management accounts.
3. Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect the Group's current expectations concerning future events and actual results may differ materially from current expectations or historical results.