

Strong first half; executing on our strategic priorities

Duncan Tait, Group CEO, commented:

“Inchcape has had a great first half. Continued strong consumer demand and fantastic execution from our teams has driven growth in revenue, profit and cash. We’ve also made excellent progress with the two strategic growth priorities of our *Accelerate* strategy. Firstly, we have continued to extend our global leadership in automotive distribution, adding new OEMs through acquisitions and contract-wins, and invested further in digital and data analytics – a key differentiator that is driving growth. Secondly, we are making progress on capturing more of a vehicle’s lifetime value with the rollout of *bravoauto*, and will be launching the platform in several markets in the second half.

Today’s announcement of the acquisition of Derco, the largest independent automotive distributor in Latin America, is an important milestone in the execution of this strategy. It provides a step-change in the scale of our distribution business and increasing our exposure to the highly attractive, fast growth region of Latin America.

With a clear strategy, driven by our ambition to be both better and bigger, Inchcape is well positioned to capitalise on further opportunities for organic growth and market consolidation, and I am confident we will continue to deliver sustainable long term value for all our stakeholders.”

Financial highlights (stated on the basis of continuing operations)

- Group revenue of £3.9bn: up 12% on an organic basis and 8% reported
- Adjusted PBT of £184m (1H21: £121m), driven by topline growth and improved operating margins
- Statutory profit before tax of £188m (1H21: £33m), reflects a small gain (£3m) from adjusting items
- High cash generation, 1H22 free cash flow of £224m, improved our net cash position (£439m) post M&A and cash-returns
- Cash returns: interim dividend of 7.5p (2021 interim: 6.4p); £50m share buyback completed in July

Strategic highlights

- *Accelerate* strategy, executing on two exciting growth pillars: Distribution Excellence and Vehicle Lifecycle Services (VLS)
- Proposed acquisition of Derco accelerates the growth of our global distribution footprint (see separate announcement)
- Broadening OEM footprint: added Porsche, Volvo and JLR in Chile (Q2), and expanding in Ecuador with Geely (2023)
- Exited Russia: disposed of our remaining Retail-only business in Russia to local management in Q2
- Accelerated our digital adoption: rolled-out omnichannel capability (DXP), now live in 31 OEM markets (Dec-20: one)
- VLS: further roll-out of *bravoauto*, a multi-brand digital-first used car platform, to commence in the second half

Outlook:

Our 2022 outlook remains unchanged from our update on 16 June 2022. Based on the performance to date and our expectation for the second half, with an improved outlook for vehicle supply and robust demand, we expect to deliver FY22 adjusted PBT from continuing operations between £350m and £370m at prevailing exchange rates.

The strength of our business model and financial position means Inchcape is well placed to continue to grow profits and generate cash, and we are confident in the medium-term outlook set out at the Capital Markets Day in November.

| | 1H22 | 1H21 ¹ | % change reported | % change constant FX ² | % change organic ³ |
|---|----------------|-------------------|-------------------|-----------------------------------|-------------------------------|
| Key financials (continuing operations) | | | | | |
| Revenue ¹ | £3,890m | £3,588m | +8% | +9% | +12% |
| Adjusted Operating Profit ² | £204m | £137m | +49% | +49% | |
| Adjusted Operating Margin ² | 5.2% | 3.8% | +140bps | +140bps | |
| Adjusted Profit Before Tax ² | £184m | £121m | +53% | | |
| Adjusted Basic EPS ² | 35.0p | 21.8p | +60% | | |
| Dividend per share | 7.5p | 6.4p | +17% | | |
| Free cash flow ² | £224m | £174m | +29% | | |
| Statutory financials | | | | | |
| Operating profit (continuing operations) | £207m | £49m | | | |
| Profit before tax (continuing operations) | £188m | £33m | | | |
| Total (loss) / profit for the period | £(100)m | £19m | | | |
| Basic EPS (continuing operations) | 36.2p | (0.2)p | | | |

1. Restated to adjust for disposal, during 2Q22, of the remaining business in Russia (classified as a discontinued operation), see note 1

2. These measures are Alternative Performance Measures, see note 17

3. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates

Market abuse regulation statement

This announcement contains inside information.

Results presentation today

A virtual presentation for analysts and investors will be held today, Thursday 28th July, at 08:30 (UK time). To register please follow this link: https://openexc.zoom.us/webinar/register/WN_Isimiu4ZQNiZZItK8pvtTA

A replay of the presentation will be available via the Company's website, www.inchcape.com.

Financial calendar

| | |
|--|-------------------------------|
| Ex-dividend date for 2022 interim dividend | 4 th August 2022 |
| Q3 trading update | 27 th October 2022 |

Contacts

Inchcape plc:

| | | | |
|------------------------|------------------|---------------------|--|
| Raghav Gupta-Chaudhary | Investor queries | +44 (0)7933 395 158 | investors@inchcape.com |
| Finn Lawrence | Media queries | +44 (0)20 7546 0022 | |

Media enquiries (Brunswick Group):

| | | |
|----------------------------|---------------------|--|
| Kate Holgate / Helen Smith | +44 (0)20 7404 5659 | inchcape@brunswickgroup.com |
|----------------------------|---------------------|--|

About Inchcape

Inchcape is the leading independent multi-brand global automotive distributor, operating in over 40 markets and territories with a portfolio of the world's leading automotive brands. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance. The Company has been listed on the London Stock Exchange (INCH) since 1958, and is classified within the 'Business Support Services' sector. The Group is headquartered in London and employs around 14,500 people globally. www.inchcape.com.

Our results are stated at actual exchange rates. However, to enhance comparability we also present year-on-year changes in revenue and adjusted operating profit in constant currency, thereby isolating the impact of translational exchange rate effects. Unless otherwise stated, the commentary below is expressed in constant currency and before adjusting items.

Following the disposal of our remaining Retail-only business in Russia (Moscow), all figures quoted in the 'Operational' and 'Operating and financial' reviews are on a 'continuing operations' basis and therefore exclude any contribution from Russia in 2022. However, while the comparative period (1H21) excludes the contribution from the Moscow operation, it does include c.£110m of revenue and c.£10m of profit from the St. Petersburg operation (disposed towards the end of 2Q21).

Operational review

Key performance indicators

| | 1H22 | 1H21 ¹ | % change reported | % change constant FX ² | % change organic ³ |
|---|---------------|-------------------|-------------------|-----------------------------------|-------------------------------|
| Revenue | £3.9bn | £3.6bn | +8% | +9% | +12% |
| Adjusted Operating Profit ² | £204m | £137m | +49% | +49% | |
| Adjusted Operating Margin ² | 5.2% | 3.8% | +140bps | +140bps | |
| Adjusted Profit Before Tax ² | £184m | £121m | +53% | | |
| Free cash flow ² | £224m | £174m | +29% | | |
| Return on capital employed ² | 35% | 22% | | | |

1. Restated to adjust for disposal, during 2Q22, of the remaining business in Russia (classified as a discontinued operation), see note 1

2. See note 17 for definition of Alternative Performance Measures

3. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates

Performance review: first half 2022

The Group made a great start to 2022, with both distribution and retail delivering strong revenue growth and margins. The performance was driven by a combination of robust consumer demand and price-mix tailwinds against the backdrop of new vehicle supply shortages – which is gradually improving. Performance of used vehicles continued to be robust, and our aftermarket business performed well.

In the first half, the Group generated revenue of £3.9bn, adjusted operating profit before adjusting items of £204m and free cash flow of £224m.

Group revenue of £3.9bn rose 8% year-on-year reported and 9% in constant currency. The growth rate is supported by the addition of **four new distribution businesses** over the past 12 months, including Geely (Chile), commercial vehicles in Guam and Micronesia, Ditec (Chile) and Simpson Motors (Caribbean).

On an **organic basis**, excluding currency effects and net M&A, revenue increased by 12%, with the strongest performance in the Americas and in Europe, driven by a combination of continued (albeit still gradual) volume recovery and price-mix tailwinds.

The Group delivered an **adjusted operating profit** of £204m, up 49% year-on-year in both reported and constant currency. The strong rebound reflects the topline increase and the year-on-year operating margin improvement.

Adjusted profit before tax (PBT) of £184m (1H21: £121m) reflects the strong improvement in revenue and operating profit. The net interest expense of £20m is slightly higher than the prior year due to higher finance costs.

During the first half **adjusting items** amounted to a £3m gain. This is the net of a gain relating to pensions (£20m) and expenses owing to asset amortisation (£10m) and costs related to acquisitions (£7m).

The highly cash-generative nature of our business model was evident with **free cash flow** generation of £224m (1H21: £174m). In addition to the improvement in profitability, during the period we benefitted from a net working capital inflow of £80m, arising primarily as a result of lower net inventories, and a low level of net capital expenditure (£18m).

Other notable elements of the cash flow bridge include: net acquisitions and disposals, which amounted to an outflow of £110m (acquisitions of **Ditec**, distribution of Porsche, Volvo and JLR in Chile, and **Simpson Motors**, distribution of Suzuki, Mercedes-Benz, Subaru and Chrysler in Barbados and neighbouring islands, and includes cash disposed as part of the **Russia sale**) and dividend payments of £61m. We launched a **£100m share buyback** programme in February, of which c.£40m was complete by the end of the period. In view of the proposed acquisition of Derco, the Board has decided not to proceed with the second tranche (£50m).

The Group closed the reporting period in a **net cash** position of £439m (excluding lease liabilities), which compares to £379m at the end of December 2021, and £435m as at 30 June 2021. On an IFRS 16 basis (including lease liabilities), we ended the period with net funds of £98m (December 2021: net funds of £59m).

Return on capital employed based on the performance over the past 12 months was 35%, compared to 22% for the comparative period. The increase was primarily driven by the recovery in Group profit, and supported by our portfolio shift towards Distribution.

Second quarter 2022

Group revenue for the second quarter was £2.1bn, up 10% reported. On an **organic basis** revenue increased 10%, compared to a 13% increase in Q1 - the lower growth rate is primarily owing to the bounce-back in Q2 2021 following the impact of the pandemic earlier in the year. During the quarter Group revenue was higher across both new and used vehicles and in aftersales.

In **Distribution**, revenue increased 16% organically, following an 11% increase in Q1. The performance was driven by an improvement in new vehicle supply and a strong aftersales performance.

In **Retail**, revenue fell 1% on an organic basis (Q1: up 18%). While the comparator in Q2 was more challenging, owing to the post-bounce-back, this was in part offset by an improvement in new vehicle supply and growth of our *bravoauto* business.

Strategic priorities

In 2021 we launched our new strategy, *Accelerate*, focussing on two growth opportunities: Distribution Excellence and Vehicle Lifecycle Services.

Distribution Excellence: *extending our leadership in automotive distribution (vehicles and parts)*

In the Group's core operations, we create the vital link between OEM brands and end-customers, with our full-spectrum distribution capability. This includes deciding which vehicle models and parts to order, the pricing structure in a market, arranging the importation of vehicles and parts, the building of the brand including marketing and the provision of finance and insurance products (FIP), the creation and management of the digital and physical network, in-market distribution of vehicles and parts for the aftermarket, and finally, when we choose to operate dealerships ourselves, we perform retail and aftersales services.

Over the past six months we have made excellent progress:

- *Digital, Data & Analytics* is a key enabler of *Accelerate*, and we are seeing our focus on this element of our strategy translate into tangible positive results, which is impressing our OEM partners.
 - We have **continued to roll-out our omnichannel (DXP)** capability, which is **live in 31 OEM markets** (Dec-20: one), across **12 brand partners** (Dec-20: one). We are seeing the platform drive **better sales conversion** rates.
 - We have built significant internal **analytical capability (DAP)**, to leverage our data and **drive smarter, faster and better business decisions**. Over the past six months we have developed several algorithms to **improve our Aftersales** performance – including analytics relating to ordering of parts and optimisation of pricing.
 - Our **two digital delivery centres (DDCs)**, one in each of Colombia and Philippines, celebrated their one year anniversary in July, and today have 750 'Inchcapers' working in the centres providing 24x7 solutions and cost-efficient services to the Group's global operations. The DDCs have significantly **increased our internal digital delivery capability**.

Inchcape is already the **leading global automotive distributor** operating in a highly fragmented industry, and we are extending this leadership with our investment in technological capability (**digital and data analytics**). Our **'plug and play' distribution platform** will help drive both **organic and inorganic growth** within our **current geographic footprint**, with the addition of complementary brands, and even faster expansion in **new markets**, with both **existing and new partners**.

- In line with our focus on markets with high growth potential, we continued to **further expand our distribution footprint**. These deals leverage our **existing geographic and brand footprint**, as well as giving us access to a number of **new brand partners**.
 - In **Chile**, a market we have been operating in since 1993, the acquisition of **Ditec** added JLR and two brands that are first-time distribution relationships for the Group: **Porsche and Volvo**.
 - In **Ecuador**, a market we have been operating in since 2019, we were awarded the distribution of **Geely** vehicles. This follows the excellent performance in Chile, where we began distributing earlier this year. The contract in Ecuador will begin in 2023.

Vehicle Lifecycle Services: *capturing more lifetime value – of customers and vehicles*

- We are **making progress** with the **opportunities identified** to capture more of a **vehicle's lifecycle value** where we believe there is significant **untapped potential**, that the Group has not fully realised in the past. During 2021 we created our new multi-brand, digital-first, used car platform *bravoauto*, which we initially launched in the UK, and in the first half of 2022 we have been readying some of our other markets for the roll-out of *bravoauto* which will commence in the second half of the year.

We made great progress with our **Responsible Business** pillars; hosted Inclusion & Diversity workshops, partnered with charities to support our communities, continued to improve our practices and launched a partnership to support EVs in Singapore.

Capital allocation

Our **capital allocation policy remains unchanged:** 1) to invest in the business to strongly position it for the future; 2) to make dividend payments; 3) to conduct value-accretive M&A; and, in the absence of any opportunities, 4) consider share buybacks.

Our dividend policy targets a **40% annual payout** ratio of basic adjusted EPS with the interim dividend set at one-third of the prior year's total dividend. As such, based on the 2021 dividend of 22.5p, the Board has declared **an interim dividend of 7.5p** (1H21: 6.4p). We **launched another £100m share buyback programme** in February, of which we have completed £50m. In view of the proposed acquisition of Dercos, the Board has decided not to proceed with the second tranche (£50m).

Investment proposition

Inchcape is the leading global automotive distributor. Combining our exposure to higher growth markets and diversified revenue streams, with our history of market outperformance, we expect to deliver **strong organic growth**. By leveraging our scale, operational improvements and focus on higher margin activities, we can drive **margin expansion**. The highly fragmented nature of distribution, and our strong financial position, also provides significant **consolidation opportunities**.

In addition to the **attractive growth** prospects, the business is **asset-light** with excellent financial characteristics: **high returns and cash conversion**. Combined with a **disciplined** approach to **capital allocation** we believe these should enable the Group to maintain its long track record of delivering **significant value through organic growth, consolidation and attractive shareholder returns**.

Looking ahead

Our 2022 outlook remains unchanged from our update on 16 June 2022. Based on the performance to date and our expectation for the second half, with an improved outlook for vehicle supply and robust demand, we expect to deliver FY22 adjusted PBT from continuing operations between £350m and £370m at prevailing exchange rates.

The strength of our business model and financial position means Inchcape is well placed to continue to grow profits and generate cash, and we are confident in the medium-term outlook set out at the Capital Markets Day in November:

- Distribution Excellence: mid-to-high single digit profit CAGR *plus* M&A
- Vehicle Lifecycle Services: >£50m of incremental profit

Operating and financial review

Distribution

The Distribution segment reported revenue of £2.7bn increasing 16% year-on-year, with a particularly strong performance in both the Americas and in Europe. The combination of an encouraging topline and margin improvement resulted in an adjusted operating profit¹ of £174m (1H21: £120m). The adjusted operating margin¹ rose 120bps to 6.3%.

| | 1H22 £m | 1H21 £m | % change reported | % change constant FX | % change organic |
|----------------------------------|----------------|----------------|----------------------|-------------------------|---------------------|
| Revenue | | | | | |
| Asia | 532.6 | 557.1 | (4)% | (9)% | (11)% |
| Australasia | 541.5 | 571.4 | (5)% | (5)% | (5)% |
| APAC | 1,074.1 | 1,128.5 | (5)% | (7)% | (8)% |
| Europe | 955.1 | 737.8 | +29% | +34% | +34% |
| Americas & Africa | 710.0 | 488.6 | +45% | +47% | +33% |
| Total Distribution | 2,739.2 | 2,354.9 | +16% | +16% | +14% |
| Adjusted operating profit | | | | | |
| Asia | 41.5 | 52.3 | (21)% | (24)% | |
| Australasia | 30.1 | 18.2 | +65% | +66% | |
| APAC | 71.6 | 70.5 | +2% | (2)% | |
| Europe | 39.9 | 19.8 | +102% | +108% | |
| Americas & Africa | 62.2 | 29.4 | +112% | +120% | |
| Total Distribution | 173.7 | 119.7 | +45% | +44% | |
| Adjusted operating margin | | | | | |
| Asia | 7.8% | 9.4% | (160)bps | (160)bps | |
| Australasia | 5.6% | 3.2% | +240bps | +240bps | |
| APAC | 6.7% | 6.2% | +50bps | +30bps | |
| Europe | 4.2% | 2.7% | +150bps | +150bps | |
| Americas & Africa | 8.8% | 6.0% | +280bps | +290bps | |
| Total Distribution | 6.3% | 5.1% | +120bps | +120bps | |

- APAC** revenue declined 7% year-on-year, and operating profit was down 2%. While the trading conditions in Hong Kong and Singapore were unfavourable, better results in other markets and cost-mitigation measures supported our performance. In the case of **Hong Kong**, pandemic related restrictions weighed on our first half results. Our performance towards the end of the half improved, with vehicle deliveries and aftersales at its highest level for several quarters. In **Singapore** our performance was impacted by lower availability of vehicle licences compared to 1H21, which was helped by the government's phasing of missed licences (following the 2020 pandemic restrictions). We nevertheless gained market share and grew our Aftersales business. We consciously reduced overheads in both markets which helped mitigate the profit impact. While Hong Kong and Singapore remain significantly below historic levels, we are confident in how our business is positioned in both markets and the tailwind it will provide for the region in the years ahead. The trends across the **rest of Asia** continue to be encouraging, with revenue and profit above both the prior year and the second half of 2021. In terms of our newest distribution businesses (JLR in Indonesia, and commercial vehicles in Guam), the initial performance of both has exceeded our expectations. In **Australasia**, while our topline performance was weighed-down by lower vehicle supply this was compensated for by improved pricing. Elsewhere, growth in our Aftersales business and strict cost control helped drive the profitability increase.
- Europe** revenue was up 34% year-on-year with operating profit rising 108%. We continued to gain share across our key markets – Belgium, Bulgaria, Greece and Romania - driven by strong execution, and the popularity of new models, specifically the Land Rover Discovery and Toyota Yaris Cross. Demand for vehicles continues to be robust, with record order books across many of our markets. In terms of vehicle supply, we have seen some improvement although it remains significantly below normal levels. JLR Poland, our most recent addition to the region, is tracking ahead of expectations, and started to benefit from an improvement in vehicle supply towards the end of the period.
- Americas & Africa** revenue grew 47% year-on-year, driving operating profit up 120%. The **Americas** delivered strong performance across all major markets, driven by the combination of robust consumer demand and a lack of vehicle supply. The comparative period was impacted by some pandemic related disruptions, which is supporting the growth rate. During the first half we completed the acquisition of two distribution businesses (Simpson Motors and Ditec), which will add an aggregate c.£250m of annualised revenue. In **Africa**, our performance continues to be solid. Looking further ahead, as we detailed during our *'In the driving seat: Spotlight on America'* webinar, given the low penetration of vehicles per capita in the Americas region, we are optimistic about the region's growth prospects over the medium and long term.

Retail

Following a significant disposal programme, the Retail segment only includes the results of the UK and Poland franchise dealerships and our *bravoauto* business in the UK.

| | 1H22 £m | 1H21 £m | % change reported | % change constant FX | % change organic |
|----------------------------------|----------------|----------------|----------------------|-------------------------|---------------------|
| Revenue | | | | | |
| UK & Europe | 1,151.2 | 1,233.0 | (7)% | (6)% | +8% |
| Total Retail | 1,151.2 | 1,233.0 | (7)% | (6)% | +8% |
| Adjusted operating profit | | | | | |
| UK & Europe | 30.3 | 16.9 | +79% | +83% | |
| Total Retail | 30.3 | 16.9 | +79% | +83% | |
| Adjusted operating margin | | | | | |
| UK & Europe | 2.6% | 1.4% | +120bps | +130bps | |
| Total Retail | 2.6% | 1.4% | +120bps | +130bps | |

- UK and Europe delivered organic revenue growth of 8% and operating profit¹ rose 83%, resulting in an operating margin of 2.6%. Demand for vehicles (new and used) remained strong, which against a backdrop of constrained supply has continued to support vehicle margins. Aftersales was solid, delivering good growth throughout the period. As indicated at our Capital Markets Day (17 November 2021), as and when the supply situation normalises we expect margins will trend towards c.1.5%. The results of the first half of 2021 include c.£110m of revenue and c.£10m of profit from our operations in St. Petersburg disposed in 2Q21.

Value drivers

We provide disclosure on the value drivers behind our gross profit. This includes:

- Gross profit attributable to Vehicles: New Vehicles, Used Vehicles and the associated F&I (Finance & Insurance) income; and
- Gross profit attributable to Aftersales: Service and Parts.

| | 1H22 £m | 1H21 £m | % change reported | % change constant FX |
|---------------------|--------------|--------------|----------------------|-------------------------|
| Gross Profit | | | | |
| Vehicles | 412.5 | 324.2 | 27% | 27% |
| Aftersales | 202.8 | 183.1 | 11% | 11% |
| Total | 615.3 | 507.3 | 21% | 21% |

We operate across the automotive value chain, and during the period we generated 33% of gross profit through Aftersales, compared to 36% in the first half of 2021. This reflects the greater gross profit contribution from vehicles as volumes improved and the benefit from higher vehicle gross margins.

Other financial items

Adjusting items: In the first half of the year, we have reported adjusting items representing a gain of £3m (2021: a loss of £88m). The gain comprised of £20m relating to a change in pensions indexation linkage from RPI to CPI, partially offset by £10m of accelerated amortisation on software assets and £7m of acquisition and integration costs. Further details can be found in note 3 to the interim financial statements.

Net financing costs: Net finance costs were £20m (2021: £16m). The interest charge is stated on an IFRS 16 basis and, excluding interest relating to leases, our net finance charge was £15m compared to £11m in 2021.

Tax: The effective tax rate on adjusted profit is 26% (2021: 27%), and on a statutory basis is 25% (2021: 93%). The effective tax rate on a statutory basis is not comparable to the prior period since the current year rate considers only continuing operations and thus excludes the impact of the Russian disposal whereas in the prior year the rate included the impact of disposals and restructuring costs.

Non-controlling interests: Profits attributable to our non-controlling interests were £4m (2021: £3m). The Group's non-controlling interests comprise a 40% holding in PT JLM Auto Indonesia, a 33% share in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 30% share in Inchcape JLR Europe, a 30% share in Ditec in Chile, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Dividend: The Board has declared a final dividend of 7.5p per ordinary share which will be paid on 2 September 2022 to shareholders on the register at close of business on 5 August 2022. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 12 August 2022.

Capital expenditure: During the first half of 2022, the Group incurred net capital expenditure of £18m (2021: £19m), consisting of £26m of capital expenditure and £8m of proceeds from the sale of property. In 2022, we expect net capital expenditure will be less than 1% of sales.

Financing: As at 30 June 2022, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2021: £700m) and sterling Private Placement loan notes totalling £210m (2021: £210m). As at 30 June 2022, none of the £700m syndicated revolving credit facility was drawn (£nil as at 31 December 2021 and 30 June 2021).

Pensions: As at 30 June 2022, the IAS 19 net post-retirement surplus was £153m (£82m as at 31 December 2021), with the increase driven largely by a rise in the discount rate used to determine the value of scheme liabilities, partially offset by lower than expected returns on scheme assets. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £2m (2021: £5m).

Discontinued operations: During the period the Group agreed the sale of its remaining retail-only operations in Russia. In the first half of 2022 the operations generated revenue of £237m and operating profit of £21m. This has been classified within discontinued operations. The total loss reported was £240m, where we realised £99m of accumulated foreign exchange losses upon disposal.

Our financial metrics

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

| | Six months to 30 June 2022 £m | Six months to 30 June 2021 (restated) ¹ £m |
|--|-------------------------------------|--|
| Continuing operations | | |
| Gross Profit | 615.3 | 507.3 |
| <i>Add back: Adjusting items charged to gross profit</i> | – | – |
| Adjusted Gross Profit from continuing operations | 615.3 | 507.3 |
| <i>Less: Segment operating expenses</i> | (411.3) | (370.7) |
| Adjusted Operating Profit from continuing operations | 204.0 | 136.6 |
| <i>(Less) / add: Adjusting items</i> | 3.3 | (87.5) |
| Operating Profit | 207.3 | 49.1 |
| <i>Less: Net Finance Costs and JV losses</i> | (19.8) | (16.0) |
| Profit Before Tax | 187.5 | 33.1 |
| <i>(Less) / add: Adjusting Items</i> | (3.3) | 87.5 |
| Adjusted profit before tax from continuing operations | 184.2 | 120.6 |

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---|------------------------------------|------------------------------------|---|---|
| Net cash generated from total operating activities | | 287.1 | | 224.5 |
| Add back: Payments in respect of adjusting items | | 4.7 | | 7.4 |
| Net cash generated from operating activities, before adjusting items | | 291.8 | | 231.9 |
| Purchase of property, plant and equipment | (24.3) | | (18.1) | |
| Purchase of intangible assets | (1.2) | | (5.1) | |
| Proceeds from disposal of property, plant and equipment | 7.5 | | 5.5 | |
| Net capital expenditure | | (18.0) | | (17.7) |
| Net payment in relation to leases | | (29.8) | | (28.2) |
| Dividends paid to non-controlling interests | | (2.9) | | (1.8) |
| Free cash flow | | 241.1 | | 184.2 |
| Less: Free cash flow from discontinued operations | | (17.4) | | (9.8) |
| Free cash flow from continuing operations | | 223.7 | | 174.4 |

| | As at 30 Jun 2022 £m | As at 30 Jun 2021 £m |
|--|----------------------------|----------------------------|
| Adjusted operating profit from continuing operations | 204.0 | 136.6 |
| Adjusted operating profit for the previous 6 month period from continuing operations | 144.8 | 115.5 |
| Adjusted operating profit from continuing operations on a 12 month basis | 348.8 | 252.1 |
| Net assets | 1,137.4 | 1,159.4 |
| Less: Net assets from discontinued operations | – | (83.7) |
| Net assets from continuing operations | 1,137.4 | 1,075.7 |
| Less: net funds | (97.6) | (101.9) |
| Add: net funds from discontinued operations | – | 8.6 |
| Capital employed - continuing operations | 1,039.8 | 982.4 |
| Effect of averaging | (28.7) | 164.1 |
| Average capital employed | 1,011.1 | 1,146.5 |
| Return on capital employed | 34.5% | 22.0% |

| | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m |
|---|----------------------------|----------------------------|
| Net funds from continuing operations | 97.6 | 59.0 |
| Add back: lease liabilities | 341.2 | 311.7 |
| Adjusted net cash from continuing operations | 438.8 | 370.7 |

1. See note 15.

Risks

Principal business risks

The Board has reassessed the principal business risks which could impact the performance of the Group. These include:

Strategic risks, including:

- Loss of OEM distribution contract;
- Margin pressure arising from changing routes to market and lower margin availability for all participants in the electric vehicle value chain;
- New entrants – business models and technologies;
- Delivery of change programmes;
- The attraction and development of future skill sets;
- Electric vehicle transition - optimising the supply of electric vehicles and charging infrastructure to meet changing demand;
- Political risks / social unrest; and
- Achieving optimal returns from acquisitions.

Material operational risks, including:

- Disruption to the supply of vehicles and parts;
- A major cyber incident / data breach;
- Loss of technology systems;
- Health, safety and environmental incidents;
- Legal / regulatory compliance;
- Foreign exchange volatility; and
- Risks of fraud or financial mis-statement.

The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded. The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, natural catastrophe and business interruption risks and certain financial risks.

The Group has defined and implemented systems of risk management and internal control designed to address these risks. These systems can offer reasonable, but not absolute assurance, regarding the management of these risks to an acceptable level. In particular, the effectiveness of these systems may change over time, for example with acquisitions or disposals or as the business implements major change programmes. The effectiveness of these systems are reviewed annually by the Audit Committee and improvements are made as required.

Appendix – business models

Distribution

Americas & Africa

| Country | Brands |
|--------------|---|
| Argentina | Subaru, Suzuki |
| Barbados (+) | Chrysler, Freightliner, FUSO, Isuzu, JCB, Jeep, John Deere, Mercedes-Benz, Subaru, Suzuki, Western Star |
| Chile | BMW, BMW Motorrad, DFSK, Geely, Hino, Jaguar, Land Rover, MINI, Porsche, Rolls Royce, Subaru, Volvo |
| Colombia | DFSK, Dieci, Doosan, Hino, Jaguar, Land Rover, Mack, Mercedes-Benz, Subaru |
| Costa Rica | Changan, JAC, Suzuki |
| Ecuador | Freightliner, Mercedes-Benz, Western Star |
| El Salvador | Freightliner, Mercedes-Benz, Western Star |
| Guatemala | Freightliner, Mercedes-Benz, Western Star |
| Panama | Suzuki |
| Peru | BMW, BMW Motorrad, BYD, DFSK, MINI, Subaru |
| Uruguay | Freightliner, Fuso, Mercedes-Benz |
| Djibouti | BMW, Komatsu, Toyota |
| Ethiopia | BMW, Hino, Komatsu, New Holland, Suzuki, Toyota |
| Kenya | BMW, BMW Motorrad, Jaguar, Land Rover |

APAC

| Country | Brands |
|-------------|---|
| Brunei | Lexus, Toyota |
| Guam (+) | BMW, Chevrolet, Freightliner, Hyundai, Kohler, Lexus, New Holland, Toyota |
| Hong Kong | Daihatsu, Hino, Jaguar, Land Rover, Lexus, Maxus, Toyota |
| Indonesia | Jaguar, Land Rover |
| Macau | Daihatsu, Hino, Jaguar, Land Rover, Lexus, Toyota |
| Saipan | Toyota |
| Singapore | Hino, Lexus, Suzuki, Toyota |
| Thailand | Jaguar, Land Rover |
| Australia | Citroen, Peugeot, Subaru |
| New Zealand | Subaru |

Europe

| Country | Brands |
|-----------------|--|
| Belgium | Lexus, Toyota |
| Bulgaria | Lexus, Toyota |
| Estonia | BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI |
| Finland | Jaguar, Land Rover, Mazda |
| Greece | Lexus, Toyota |
| Latvia | BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI |
| Lithuania | BMW, BMW Motorrad, Ford, Hyundai, Jaguar, Land Rover, Mazda, MINI, Rolls-Royce |
| Luxembourg | Lexus, Toyota |
| North Macedonia | Lexus, Toyota |
| Poland | Jaguar, Land Rover |
| Romania | Lexus, Toyota |

Retail

| Country | Brands |
|------------------------|---|
| Australia ¹ | Isuzu Ute, Jeep, Kia, Mitsubishi, VW |
| Poland | BMW, BMW Motorrad, MINI |
| UK | Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, MINI, Porsche, Smart, Toyota, Volkswagen |

1: Following scale disposal of retail businesses in Australia, Retail is no longer reported as a separate segment in APAC

(+): indicates the base of the core distribution operations which also serves other neighbouring islands

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | | Six months to 30 Jun 2022 | Six months to 30 Jun 2021 |
|--|-------|------------------------------|-------------------------------------|
| | Notes | Total £m | Total (restated) ¹ £m |
| Continuing operations | | | |
| Revenue | 2 | 3,890.4 | 3,587.9 |
| Cost of sales | | (3,275.1) | (3,080.6) |
| Gross profit | | 615.3 | 507.3 |
| Net operating expenses | | (408.0) | (458.2) |
| Operating profit | 2 | 207.3 | 49.1 |
| Share of losses after tax of joint ventures and associates | | (0.3) | – |
| Profit before interest and tax | | 207.0 | 49.1 |
| Finance income | 4 | 7.9 | 6.6 |
| Finance costs | 5 | (27.4) | (22.6) |
| Profit before tax | | 187.5 | 33.1 |
| Tax | 6 | (46.8) | (30.8) |
| Profit for the period from continuing operations | | 140.7 | 2.3 |
| (Loss) / profit from discontinued operations | 10b | (240.2) | 16.2 |
| Total (loss) / profit for the period | | (99.5) | 18.5 |
| – Owners of the parent | | (103.0) | 15.5 |
| – Non-controlling interests | | 3.5 | 3.0 |
| | | (99.5) | 18.5 |
| Earnings / (loss) per share from continuing operations attributable to the owners of the parent | | | |
| Basic earnings / (loss) per share (pence) | 7 | 36.2p | (0.2)p |
| Diluted earnings / (loss) per share (pence) | 7 | 35.7p | (0.2)p |
| (Loss) / earnings per share attributable to the owners of the parent | | | |
| Basic (loss) / earnings per share (pence) | 7 | (27.2)p | 3.9p |
| Diluted (loss) / earnings per share (pence) | 7 | (27.2)p | 3.9p |
| 1. See note 15. | | | |
| Alternative performance measures | | | |
| Operating profit from continuing operations | | 207.3 | 49.1 |
| Adjusted for: | | | |
| Other asset write-offs and impairments | | (0.5) | – |
| Disposal of businesses | | – | 68.5 |
| Restructuring costs | | – | 12.1 |
| Acquisition of businesses | | 6.8 | 0.2 |
| Accelerated amortisation | | 10.1 | 6.7 |
| Other operating adjusting items | | (19.7) | – |
| Adjusted operating profit from continuing operations | | 204.0 | 136.6 |
| Share of losses after tax of joint ventures and associates | | (0.3) | – |
| Finance income | | 7.9 | 6.6 |
| Finance costs | | (27.4) | (22.6) |
| Adjusted profit before tax from continuing operations | | 184.2 | 120.6 |
| Tax on adjusted profit | | (48.0) | (32.0) |
| Adjusted profit after tax from continuing operations | | 136.2 | 88.6 |
| Adjusted earnings per share | | | |
| Basic adjusted earnings per share | | 35.0p | 21.9p |
| Diluted adjusted earnings per share | | 34.5p | 21.8p |

See note 17 on page 34 for further details of alternative performance measures.

The notes on pages 17 to 35 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---|------------------------------------|---|
| (Loss) / profit for the period | (99.5) | 18.5 |
| Other comprehensive income: | | |
| <i>Items that will not be reclassified to the consolidated income statement</i> | | |
| Defined benefit pension scheme remeasurements | 48.3 | 49.1 |
| Deferred tax recognised in consolidated statement of comprehensive income | – | (0.4) |
| | 48.3 | 48.7 |
| <i>Items that may be reclassified subsequently to the consolidated income statement</i> | | |
| Cash flow hedges | (45.2) | 16.2 |
| Exchange differences on translation of foreign operations | 105.0 | (62.3) |
| Exchange differences on translation of discontinued operations | 18.7 | 0.4 |
| Recycling of foreign currency reserve | 99.0 | 108.1 |
| Deferred tax recognised in consolidated statement of comprehensive income | 16.4 | (3.2) |
| | 193.9 | 59.2 |
| Other comprehensive income for the period, net of tax | 242.2 | 107.9 |
| Total comprehensive income for the period | 142.7 | 126.4 |
| Total comprehensive income attributable to: | | |
| – Owners of the parent | 142.0 | 123.7 |
| – Non-controlling interests | 0.7 | 2.7 |
| | 142.7 | 126.4 |
| Total comprehensive income attributable to owners of Inchcape plc arises from | | |
| – Continuing operations | 264.5 | 107.1 |
| – Discontinued operations | (122.5) | 16.6 |
| | 142.0 | 123.7 |

1. See note 15.

The notes on pages 17 to 35 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

| | Notes | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m |
|---|-------|----------------------------|----------------------------|
| Non-current assets | | | |
| Intangible assets | | 469.0 | 394.1 |
| Property, plant and equipment | | 532.0 | 548.0 |
| Right-of-use assets | | 272.9 | 261.4 |
| Investments in joint ventures and associates | | 8.0 | 4.9 |
| Financial assets at fair value through other comprehensive income | 11e | 5.1 | 4.8 |
| Derivative financial instruments | 11e | 4.1 | 3.0 |
| Trade and other receivables | | 50.9 | 45.4 |
| Deferred tax assets | | 91.6 | 67.4 |
| Retirement benefit asset | | 171.8 | 135.3 |
| | | 1,605.4 | 1,464.3 |
| Current assets | | | |
| Inventories | | 1,275.3 | 1,134.7 |
| Trade and other receivables | | 452.9 | 324.1 |
| Financial assets at fair value through other comprehensive income | 11e | 0.2 | 0.2 |
| Derivative financial instruments | 11e | 40.1 | 24.6 |
| Current tax assets | | 8.9 | 9.0 |
| Cash and cash equivalents | 9b | 654.6 | 596.4 |
| | | 2,432.0 | 2,089.0 |
| Assets held for sale and disposal group | 12 | 5.4 | 4.8 |
| | | 2,437.4 | 2,093.8 |
| Total assets | | 4,042.8 | 3,558.1 |
| Current liabilities | | | |
| Trade and other payables | | (1,952.9) | (1,548.3) |
| Derivative financial instruments | 11e | (70.6) | (31.9) |
| Current tax liabilities | | (63.0) | (63.0) |
| Provisions | | (41.6) | (34.9) |
| Lease liabilities | 9b | (59.6) | (56.5) |
| Borrowings | 9b | (5.8) | (7.6) |
| | | (2,193.5) | (1,742.2) |
| Non-current liabilities | | | |
| Trade and other payables | | (77.8) | (63.2) |
| Provisions | | (29.3) | (23.4) |
| Derivative financial instruments | 11e | (19.2) | – |
| Deferred tax liabilities | | (75.4) | (68.1) |
| Lease liabilities | 9b | (281.6) | (267.6) |
| Borrowings | 9b | (210.0) | (210.0) |
| Retirement benefit liability | | (18.6) | (53.1) |
| | | (711.9) | (685.4) |
| Total liabilities | | (2,905.4) | (2,427.6) |
| Net assets | | 1,137.4 | 1,130.5 |
| Equity | | | |
| Share capital | 8 | 37.7 | 38.5 |
| Share premium | | 146.7 | 146.7 |
| Capital redemption reserve | 8 | 142.9 | 142.1 |
| Other reserves | | (27.5) | (227.1) |
| Retained earnings | | 813.3 | 1,008.7 |
| Equity attributable to owners of the parent | | 1,113.1 | 1,108.9 |
| Non-controlling interests | | 24.3 | 21.6 |
| Total equity | | 1,137.4 | 1,130.5 |

The notes on pages 17 to 35 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Notes | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserves £m | Retained earnings £m | Equity attributable to equity owners of the parent £m | Non- controlling interests £m | Total shareholders' equity £m |
|--|-------|---------------------|------------------------|--|-------------------------|----------------------------|---|--|--|
| At 1 January 2021 | | 39.4 | 146.7 | 141.2 | (248.2) | 962.8 | 1,041.9 | 19.3 | 1,061.2 |
| Profit for the period (restated) ¹ | | – | – | – | – | 15.5 | 15.5 | 3.0 | 18.5 |
| Other comprehensive income for the period (restated) ¹ | | – | – | – | 59.5 | 48.7 | 108.2 | (0.3) | 107.9 |
| Total comprehensive income for the period (restated) ¹ | | – | – | – | 59.5 | 64.2 | 123.7 | 2.7 | 126.4 |
| Hedging gains and losses transferred to inventory | | – | – | – | 0.4 | – | 0.4 | – | 0.4 |
| Share-based payments, net of tax | | – | – | – | – | 5.3 | 5.3 | – | 5.3 |
| Transactions with non- controlling interests | | – | – | – | – | – | – | 1.2 | 1.2 |
| Net purchase of own shares by the Inchcape Employee Trust | | – | – | – | – | (6.2) | (6.2) | – | (6.2) |
| Dividends: | | | | | | | | | |
| – Owners of the parent | 8b | – | – | – | – | (27.1) | (27.1) | – | (27.1) |
| – Non-controlling interests | | – | – | – | – | – | – | (1.8) | (1.8) |
| At 30 June 2021 | | 39.4 | 146.7 | 141.2 | (188.3) | 999.0 | 1,138.0 | 21.4 | 1,159.4 |
| Profit for the period | | – | – | – | – | 101.5 | 101.5 | 1.9 | 103.4 |
| Other comprehensive loss for the period | | – | – | – | (37.5) | 9.1 | (28.4) | (0.5) | (28.9) |
| Total comprehensive loss for the period | | – | – | – | (37.5) | 110.6 | 73.1 | 1.4 | 74.5 |
| Hedging gains and losses transferred to inventory | | – | – | – | (1.3) | – | (1.3) | – | (1.3) |
| Share-based payments, net of tax | | – | – | – | – | 4.7 | 4.7 | – | 4.7 |
| Share buyback programme | | (0.9) | – | 0.9 | – | (80.5) | (80.5) | – | (80.5) |
| Dividends: | | | | | | | | | |
| – Owners of the parent | 8b | – | – | – | – | (25.1) | (25.1) | – | (25.1) |
| – Non-controlling interests | | – | – | – | – | – | – | (1.2) | (1.2) |
| At 31 December 2021 | | 38.5 | 146.7 | 142.1 | (227.1) | 1,008.7 | 1,108.9 | 21.6 | 1,130.5 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

| | Notes | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserves £m | Retained earnings £m | Equity attributable to equity owners of the parent £m | Non- controlling interests £m | Total shareholders' equity £m |
|---|-------|---------------------|------------------------|--|-------------------------|----------------------------|---|--|--|
| At 1 January 2022 | | 38.5 | 146.7 | 142.1 | (227.1) | 1,008.7 | 1,108.9 | 21.6 | 1,130.5 |
| (Loss) / profit for the period | | – | – | – | – | (103.0) | (103.0) | 3.5 | (99.5) |
| Other comprehensive income for the period | | – | – | – | 196.7 | 48.3 | 245.0 | (2.8) | 242.2 |
| Total comprehensive income for the period | | – | – | – | 196.7 | (54.7) | 142.0 | 0.7 | 142.7 |
| Hedging gains and losses transferred to inventory | | – | – | – | 2.9 | – | 2.9 | – | 2.9 |
| Written put option | 1 | – | – | – | – | (10.2) | (10.2) | – | (10.2) |
| Non-controlling interests on acquisition of subsidiaries | | – | – | – | – | – | – | 4.9 | 4.9 |
| Share-based payments, net of tax | | – | – | – | – | 3.5 | 3.5 | – | 3.5 |
| Share buyback programme | 8b | (0.8) | – | 0.8 | – | (69.5) | (69.5) | – | (69.5) |
| Net purchase of own shares by the Inchcape Employee Trust | | – | – | – | – | (3.8) | (3.8) | – | (3.8) |
| Dividends: | | | | | | | | | |
| – Owners of the parent | 8b | – | – | – | – | (60.7) | (60.7) | – | (60.7) |
| – Non-controlling interests | | – | – | – | – | – | – | (2.9) | (2.9) |
| At 30 June 2022 | | 37.7 | 146.7 | 142.9 | (27.5) | 813.3 | 1,113.1 | 24.3 | 1,137.4 |

1. See note 15.

The notes on pages 17 to 35 are an integral part of these condensed consolidated interim financial statements.

Share-based payments include a deferred tax charge of £1.8m (30 June 2021 – deferred tax credit of £0.6m; 31 December 2021 – deferred tax credit of £1.6m).

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Notes | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---|-------|------------------------------------|---|
| Cash generated from operating activities | | | |
| Cash generated from operations | 9a | 355.0 | 277.6 |
| Tax paid | | (51.7) | (38.6) |
| Interest received | | 6.1 | 7.0 |
| Interest paid | | (22.3) | (21.5) |
| Net cash generated from operating activities | | 287.1 | 224.5 |
| Cash flows from investing activities | | | |
| Acquisition of businesses, net of cash and overdrafts acquired | 10a | (77.7) | (6.9) |
| Net cash (outflow) / inflow from sale of businesses | 10b | (32.3) | 77.5 |
| Purchase of investments in joint ventures and associates | | (2.8) | – |
| Purchase of property, plant and equipment | | (24.3) | (18.1) |
| Purchase of intangible assets | | (1.2) | (5.1) |
| Proceeds from disposal of property, plant and equipment | | 7.5 | 5.5 |
| Proceeds from disposal of intangible assets | | 0.1 | – |
| Receipt from sub-lease receivables | | 0.9 | 1.0 |
| Net cash (used in) / generated from investing activities | | (129.8) | 53.9 |
| Cash flows from financing activities | | | |
| Share buyback programme | 8 | (58.5) | – |
| Net purchase of own shares by the Inchcape Employee Trust | | (3.8) | (6.2) |
| Net cash outflow from other borrowings | 9b | (2.0) | – |
| Payment of capital element of lease liabilities | 9b | (30.7) | (29.2) |
| Equity dividends paid | 8b | (60.7) | (27.1) |
| Transactions with non-controlling interests | | – | 1.2 |
| Dividends paid to non-controlling interests | | (2.9) | (1.8) |
| Net cash used in financing activities | | (158.6) | (63.1) |
| Net (decrease) / increase in cash and cash equivalents | 9b | (1.3) | 215.3 |
| Cash and cash equivalents at beginning of the period | | 588.8 | 476.3 |
| Effect of foreign exchange rate changes | | 63.3 | (46.8) |
| Cash and cash equivalents at end of the period | | 650.8 | 644.8 |
| Cash and cash equivalents consist of: | | | |
| – Cash at bank and cash equivalents | | 555.3 | 388.3 |
| – Short-term deposits | | 99.3 | 264.3 |
| – Bank overdrafts | | (3.8) | (7.8) |
| | | 650.8 | 644.8 |

1. See note 15.

The notes on pages 17 to 35 are an integral part of these condensed consolidated interim financial statements.

NOTES (UNAUDITED)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2022 have been prepared on a going concern basis in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts 2021, which have been prepared in accordance with UK adopted International Financial Reporting Standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the external auditors. The condensed consolidated interim financial statements in the Interim Report do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 25 February 2022 and delivered to the Registrar of Companies.

The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial statements on pages 11 to 37 were approved by the Board of Directors on 27 July 2022.

Going concern

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its committed facilities for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing its financial statements. In making this assessment the Group has considered available liquidity in relation to net debt and committed facilities, the Group's latest forecasts for 2022 and 2023 cash flows together with appropriate sensitivities.

Given the global political and economic uncertainty resulting from the conflict in the Ukraine and inflationary pressures, we expect to see continued volatility, some business disruption and the impact of economic downturns in the markets in which the Group operates during the remainder of 2022 and into 2023.

Committed bank facilities and Private Placement borrowings totalling £910m, of which £210m was drawn at 30 June 2022, are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings measured on a trailing 12-month basis at June and December.

The latest Group forecasts for 2022 and 2023 indicate that the Group is expected to be compliant with this covenant throughout the forecast period and to have sufficient liquidity to continue in operation throughout that period.

A range of sensitivities has been applied to the forecasts to assess the Group's compliance with its covenant requirements over the forecast period. These sensitivities included:

- a reduction in New and Used vehicle sales due to a short-term shortage of semi-conductor chips, reducing gross profit in 2023 with no mitigating actions;
- a general economic downturn in the markets in which the Group operates combined with an increase in costs due to ongoing inflationary pressures, impacting gross profit and operating expenses in 2023 with no mitigating actions;
- an appreciation in Sterling against the Group's main trading companies; combined with
- working capital sensitivities.

In scenarios where some, but not all, of the above sensitivities occur at the same time, the Group has modelled the possibility of the interest cover covenant being breached in 2022 and 2023. With the interest cover covenant measured on a trailing 12-month basis, the sensitised forecasts indicate that the Group is not expected to breach any covenants and would be compliant with the interest cover requirements at December 2022 and throughout the forecast period. Additionally, under these circumstances, the Group expects to have sufficient funds to meet cash flow requirements.

A reverse stress test scenario analysis, concluded that a set of circumstances in which the Group would breach its covenant or have insufficient funds to meet cash flow requirements are considered to be remote, relative to the sensitivities referred to above.

The Board therefore concluded that the Group will be able to operate within the level of its committed facilities for the foreseeable future and the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Newly adopted accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group's Annual Report and Accounts 2021 with the exception of standards, amendments and interpretations, which have been newly adopted from 1 January 2022:

- Amendments to IFRS 3 Business Combinations, reference to conceptual framework;
- Amendments to IAS 16 Property Plant & Equipment, proceeds before intended use;
- Amendments to IAS 37 Onerous Contracts, cost of fulfilling a contract; and
- Annual Improvements to IFRS Standards 2018-2020.

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

The Group has not early adopted other standards, amendments to standards or interpretations that have been issued but are not yet effective.

Standards not yet effective

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 2023:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Comparative Information;
- Amendments to IAS 12 relating to Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IFRS 4 when applying IFRS 9 Financial Instruments;
- Amendments to IAS 1 Presentation of Financial Instruments, classification of liabilities as current or non-current; and
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

Management are currently reviewing the new standards to assess the impact that they may have on the Group's reported position and performance. Management do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group.

Critical accounting judgements and sources of estimation uncertainty

The preparation of these condensed consolidated interim financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors have made a number of estimates and assumptions regarding the future and made some significant judgements in applying the Group's accounting policies. The critical accounting judgements and key sources of estimation uncertainty remain consistent with those presented in the accounting policies note within the Group's 2021 Annual Report and Accounts. Those that are new or significant to the preparation of the interim financial statements are presented below.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Impairment of goodwill and other indefinite life intangible assets

The carrying amount of goodwill and other indefinite life intangible assets has been allocated to CGU groups within the following reporting segments:

| | As at 30 Jun 2022 | | | As at 31 Dec 2021 | | |
|---|-------------------|----------------------------------|--------------|-------------------|----------------------------------|--------------|
| | Goodwill £m | Distribution agreements £m | Total £m | Goodwill £m | Distribution agreements £m | Total £m |
| At 1 January | 116.3 | 239.0 | 355.3 | 119.0 | 246.6 | 365.6 |
| Businesses acquired | 8.0 | 56.9 | 64.9 | 17.7 | 3.8 | 21.5 |
| Impairment (charge)/reversal for the period | – | – | – | (12.9) | 12.9 | – |
| Effect of foreign exchange rates | 8.6 | 13.1 | 21.7 | (7.5) | (24.3) | (31.8) |
| | 132.9 | 309.0 | 441.9 | 116.3 | 239.0 | 355.3 |

| Reporting segment | CGU group | As at 30 Jun 2022 | | | As at 31 Dec 2021 | | |
|-------------------------------------|---------------------------------|-------------------|----------------------------------|--------------|-------------------|----------------------------------|--------------|
| | | Goodwill £m | Distribution agreements £m | Total £m | Goodwill £m | Distribution agreements £m | Total £m |
| UK and Europe Distribution | Baltics – BMW | 5.9 | 27.8 | 33.7 | 5.8 | 27.2 | 33.0 |
| | Americas – Daimler | 6.5 | 32.4 | 38.9 | 5.8 | 29.7 | 35.5 |
| | Americas – Hino/Subaru/Ditec | 43.8 | 145.8 | 189.6 | 39.8 | 116.3 | 156.1 |
| Americas and Africa Distribution | Americas – Suzuki | 27.5 | 73.1 | 100.6 | 24.8 | 65.8 | 90.6 |
| | Americas – Simpsons | – | 29.9 | 29.9 | – | – | – |
| | Kenya | 1.3 | – | 1.3 | 1.1 | – | 1.1 |
| APAC Distribution | Singapore | 24.0 | – | 24.0 | 22.3 | – | 22.3 |
| | Guam | 22.2 | – | 22.2 | 16.7 | – | 16.7 |
| UK and Europe Retail | United Kingdom | 1.7 | – | 1.7 | – | – | – |
| | | 132.9 | 309.0 | 441.9 | 116.3 | 239.0 | 355.3 |

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as ‘CGU groups’) that are expected to benefit from the synergies associated with that business combination. Indefinite-life intangible assets, principally distribution agreements acquired in a business combination, are also allocated to the CGUs or CGU groups that are expected to benefit from the cash flows associated with the relevant agreements.

Indicators of impairment in goodwill and other indefinite-life intangible assets

In accordance with the Group’s accounting policy, goodwill and other indefinite-life intangible assets are tested at least annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable.

In the first half of 2022, the Group carried out an assessment as to whether any impairment testing is required to be performed for the six months ending 30 June 2022. As set out in IAS 36 Impairment of Assets, the assessment involved the Group reviewing potential indicators of impairment to determine if any of the Group’s assets should be tested.

The review included examining data trends on asset valuations, reviewing latest macro-economic data including forecast recovery of global economies, reviewing latest industry data including industry volumes and comparing the Group’s results against cash flows used in previously prepared impairment models and latest forecasts. The conclusion reached from the review performed was that there was no requirement to test any assets or cash generating units for impairment for the six month period to 30 June 2022.

At 31 December 2021, the Group’s value in use calculations prepared for the cash generating units represented by Central America business in the Americas were sensitive to a change in the key assumptions used. The recoverable amount calculated for the Central America CGU was £117.6m. Cash flows were discounted back to present value and resulted in the impairment of the goodwill balance of £12.9m and a partial reversal of the impairment of the distribution agreement recognised in 2020 of £12.9m. The cash flows used within the impairment model were based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could therefore lead to a further impairment. The table below shows the sensitivity analysis performed on the key assumptions in the impairment model using reasonably possible changes in these key assumptions and what additional impairment charge / reversal would arise.

| | Increase / (decrease) in assumption | Impairment charge £m | Impairment reversal £m |
|---------------------------|---|----------------------------|------------------------------|
| Revenue CAGR (%) | (1.0%)/1.0% | (17.5) | 20.3 |
| Pre-tax discount rate (%) | 1.0%/(1.0%) | (14.3) | 18.6 |
| Average gross margin (%) | (0.5%)/0.5% | (9.1) | 9.1 |
| Long-term growth rate (%) | (0.5%)/0.5% | (5.3) | 7.1 |

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Impairment of computer software, property, plant and equipment and right-of-use assets

Computer software, property, plant and equipment and right-of-use assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on the higher of value in use calculations, which require estimates to be made of future cash flows, or fair value less costs of disposal.

The assessment outlined above as to whether any impairment testing required performing for the six months ending 30 June 2022 also incorporated computer software, property, plant and equipment and right-of-use assets. The conclusion reached was that there was no requirement to test any of these assets for impairment for the six month period to 30 June 2022.

Disposal of businesses

During the period the Group agreed the sale of its remaining operations in Russia to management. Following the disposal in 2021 of the operations in St Petersburg in 2021, the sale represented a strategic withdrawal from the country. Although there is a call option in place which would enable the Group to benefit from any increase in value of the business over the next seven years, particularly in the event of its onward sale, the Group has no intention of re-entering the market. The Directors determined that the call option did not represent a substantive right to control the Russian business and that the disposal constituted a transfer of control. The Directors also concluded that the disposal of the Russian business represented withdrawal from a significant separate geographical area of operation and that disclosure as a discontinued operation was appropriate (see note 10).

The price agreed for the sale of the Russian business was €76m (c£63m), to be satisfied over a period of five years in annual instalments. Significant uncertainty exists with regards to the amount that will ultimately be recoverable given the precarious outlook for the Russian economy and the uncertainty regarding the continued supply of vehicles and parts by the OEMs. In estimating the amount to be recognised as at 30 June 2022, management have developed a number of scenarios for the possible performance of the business. Probabilities were applied to these scenarios which indicated that some of the receivable would be received over time. However, given the difficulties in remitting the proceeds and uncertainty over whether this will change in the future, management has concluded that £nil value should be assigned to the receivable at 30 June 2022.

Written put option – Ditec acquisition

The non-controlling interest has a written put option over its 30% equity ownership in the Ditec business. This permits the holder to sell their shares to the Group at a price determined by an EBITDA driven formula during a three year period post-acquisition.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within trade and other payables with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests. The liability is subsequently remeasured through equity for any subsequent changes in value. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Adjusting items

The Group has historically reported certain items as 'exceptional', items which in the judgement of the Group need to be disclosed separately by virtue of their nature, size or incidence. Effective 1 January 2022, the Group's terminology applied to such items has changed from 'exceptional' to 'adjusting', as the term 'adjusting' provides a broader measure of alternative performance over time, which ought to provide investors with a more meaningful measure of the underlying performance of the Group.

In the period, the Group has reported an aggregate pre-tax adjusting items gain of £3.3m (see note 3). The separate reporting of adjusting items helps provide additional useful information regarding the Group's underlying business performance and is used by management to facilitate internal performance analysis. Items that may be considered as adjusting items include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Any reversal of an amount previously recognised as an adjusting item would also be recognised as an adjusting item in a subsequent period.

Alternative performance measures (APMs)

In the prior year, the consolidated income statement included presentation of certain alternative performance measures in addition to IFRS measures. In the current period, the consolidated income statement presents only IFRS measures which is in line with the basis of preparation disclosed in this note. The alternative performance measures used by the Group are included in note 17. This includes further information on the definitions, purpose and reconciliation to IFRS measures.

NOTES (UNAUDITED) CONTINUED

2 SEGMENTAL ANALYSIS

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

The following summary describes the operations of each of the Group's reportable segments:

| | | |
|--------------|--|--|
| Distribution | APAC, UK and Europe, Americas and Africa | Exclusive distribution, sales and marketing activities of New vehicles and Parts. Sale of New and Used vehicles together with logistics services where the Group may also be the exclusive distributor, alongside associated Aftersales activities of service, bodyshop repairs and parts sales. |
| Retail | UK and Europe | Sale of New and Used vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales. |

| | Distribution | | | | Retail | | Total £m |
|--|----------------|------------------------|------------------------------|-----------------------------|------------------------|-----------------------|----------------|
| | APAC £m | UK and Europe £m | Americas and Africa £m | Total Distribution £m | UK and Europe £m | Total Retail £m | |
| Six months to 30 June 2022 | | | | | | | |
| Revenue from third parties | 1,074.1 | 955.1 | 710.0 | 2,739.2 | 1,151.2 | 1,151.2 | 3,890.4 |
| Results | | | | | | | |
| Adjusted operating profit | 71.6 | 39.9 | 62.2 | 173.7 | 30.3 | 30.3 | 204.0 |
| Operating adjusting items | | | | | | | 3.3 |
| Operating profit from continuing operations | | | | | | | 207.3 |
| Share of losses after tax of joint ventures and associates | | | | | | | (0.3) |
| Profit before interest and tax | | | | | | | 207.0 |
| Finance income | | | | | | | 7.9 |
| Finance costs | | | | | | | (27.4) |
| Profit before tax from continuing operations | | | | | | | 187.5 |
| Tax | | | | | | | (46.8) |
| Profit for the period from continuing operations | | | | | | | 140.7 |

Revenue is further analysed as follows:

| Six months to 30 June 2022 | £m |
|----------------------------|----------------|
| UK | 1,042.0 |
| Australia | 512.9 |
| Rest of the world | 2,335.5 |
| Group | 3,890.4 |

NOTES (UNAUDITED) CONTINUED

2 SEGMENTAL ANALYSIS CONTINUED

| | Distribution | | | Total Distribution £m | Retail | | Total £m |
|---|--------------|------------------------|------------------------------|-----------------------------|------------------------|-----------------------|-------------|
| | APAC £m | UK and Europe £m | Americas and Africa £m | | UK and Europe £m | Total Retail £m | |
| Six months to 30 June 2021 (restated) ¹ | | | | | | | |
| Revenue from third parties | 1,128.5 | 737.8 | 488.6 | 2,354.9 | 1,233.0 | 1,233.0 | 3,587.9 |
| Results | | | | | | | |
| Adjusted operating profit | 70.5 | 19.8 | 29.4 | 119.7 | 16.9 | 16.9 | 136.6 |
| Operating adjusting items | | | | | | | (87.5) |
| Operating profit from continuing operations | | | | | | | 49.1 |
| Share of profits after tax of joint ventures and associates | | | | | | | – |
| Finance income | | | | | | | 6.6 |
| Finance costs | | | | | | | (22.6) |
| Profit before tax from continuing operations | | | | | | | 33.1 |
| Tax | | | | | | | (30.8) |
| Profit for the period from continuing operations | | | | | | | 2.3 |
| Revenue is further analysed as follows: | | | | | | | |
| Six months to 30 June 2021 | | | | | | | £m |
| UK | | | | | | | 1,005.5 |
| Australia | | | | | | | 537.4 |
| Rest of the world | | | | | | | 2,045.0 |
| Group | | | | | | | 3,587.9 |

1. See note 15.

NOTES (UNAUDITED) CONTINUED

3 ADJUSTING ITEMS

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---|------------------------------------|---|
| Other asset write-offs and impairments (note 1) | 0.5 | – |
| Disposal of businesses (note 10) | – | (68.5) |
| Restructuring costs | – | (12.1) |
| Acquisition of businesses | (6.8) | (0.2) |
| Accelerated amortisation | (10.1) | (6.7) |
| Other operating adjusting items | 19.7 | – |
| Total adjusting items before tax | 3.3 | (87.5) |
| Tax on adjusting items | 1.2 | 1.2 |
| Total adjusting items | 4.5 | (86.3) |

1. See note 15.

During the period operating costs of £6.8m have been incurred in connection with the acquisition and integration of businesses, These costs have been reported as adjusting items to better reflect the underlying performance of the business.

With effect from 1 April 2022, the Trustee of the Inchcape Motors Pension Scheme now uses the Consumer Prices Index (CPI) instead of Retail Prices Index (RPI) for those elements of pensions from the Group, Motors and Normand sections that are increased in line with RPI. We have concluded that the change in indexation represents a plan amendment and the impact of the change in benefits payable of £19.7m should be recognised in the income statement as a past service cost. Considering the magnitude and nature of the item, the impact on the income statement has been reported as an adjusting item.

In 2021, the Group started to migrate the Group's existing ERP applications to a cloud-based solution. This was a strategic decision to consolidate and upgrade the systems, improve speed and performance and facilitate centralised support following the transformation of the Information Technology organisational structure. The new solution was determined to be Software as a Service and therefore the existing software assets no longer fall to be treated as an asset under IAS 38 once the migration to the new solution has occurred. Consequently, the useful life of the existing assets was reassessed and the impact accounted for prospectively as a change in an estimate. This change resulted in a significant increase in the amortisation recognised for software costs. Accordingly, the incremental amortisation of £10.1m has been disclosed as an adjusting item.

In the period to 30 June 2021, the Group:

- disposed of businesses in the UK, Belgium & Luxembourg and Russia. The loss on disposal in Russia related to the sale of Toyota and Audi retail operations in St. Petersburg. The reported loss included a loss of £108.0m relating to the recycling of cumulative exchange differences previously recognised in other comprehensive income, as required under IFRS.
- incurred adjusting operating costs of £0.2m in connection with the acquisition and integration of businesses. These primarily related to the Daimler business acquired in Guatemala; and
- Due to the impact of COVID-19 on the Group's operations a review of the Group's cost base was initiated to identify savings and plan longer-term changes to the way in which the Group operates. A proposal was approved by the Board for a planned restructuring activity under which the Group incurred restructuring costs of £28.4m during 2020. These costs were principally in relation to redundancy, consultancy and occupancy costs. In 2021, a further £12.1m (2020: £9.1m) of restructuring costs have been recognised, mainly in relation to Group-wide transformation projects impacting both Finance and IT, encompassing the potential for sharing back-office services and review of organisational structures and costs.

NOTES (UNAUDITED) CONTINUED

4 FINANCE INCOME

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|--|------------------------------------|---|
| Bank and other interest receivable | 5.9 | 6.0 |
| Net interest income on post-retirement plan assets and liabilities | 1.5 | 0.2 |
| Lease finance income | 0.3 | 0.3 |
| Other finance income | 0.2 | 0.1 |
| Total finance income | 7.9 | 6.6 |

1. See note 15.

5 FINANCE COSTS

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---------------------------------------|------------------------------------|---|
| Interest payable on bank borrowings | 5.0 | 3.8 |
| Interest payable on Private Placement | 3.2 | 3.2 |
| Lease finance costs | 4.6 | 5.2 |
| Stock holding interest | 8.3 | 7.8 |
| Other finance costs | 6.3 | 2.6 |
| Total finance costs | 27.4 | 22.6 |

1. See note 15.

6 TAX

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---------------------------------------|------------------------------------|---|
| Current tax | | |
| – UK corporation tax | – | – |
| – Overseas tax | 51.7 | 41.1 |
| Adjustments to prior year liabilities | | |
| – UK | – | – |
| – Overseas | 2.0 | (2.6) |
| Current tax | 53.7 | 38.5 |
| Deferred tax | (6.9) | (7.7) |
| Total tax charge | 46.8 | 30.8 |
| | | |
| – Tax charge on adjusted profit | 48.0 | 32.0 |
| – Tax credit on adjusting items | (1.2) | (1.2) |
| Total tax charge | 46.8 | 30.8 |

1. See note 15.

The tax charge for the 6 months ended 30 June 2022 has been calculated by applying the estimated average annual effective income tax rate for each jurisdiction in which Inchcape operates to the interim period pre-tax income of each jurisdiction as required by IAS 34 'Interim Financial Reporting'. Tax credited on adjusting items has been separately calculated and is disclosed above.

The effective tax rate for the period to 30 June is 25.0% compared to 93.1% (restated) for the same period last year. The effective tax rate on adjusted profit for the period is 26.1% compared to 26.5% (restated) for the same period last year.

Factors affecting current and future tax charges

The Group's tax expense, and effective tax rate, could be affected by several factors including; the resolution of audits and disputes, changes in tax laws or tax rates, the ability to utilise brought forward losses and business acquisitions and disposals. In addition, a change in profit mix between low and high taxed jurisdictions will impact the Group's tax expense.

The utilisation of brought forward tax losses or the recognition and de-recognition of deferred tax assets associated with such losses may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. In the event that actual taxable profits are different to those forecast, the Group's future tax expense and effective tax rate could be affected.

The Group has published its approach to tax on www.inchcape.com covering its tax strategy and governance framework.

NOTES (UNAUDITED) CONTINUED

7 EARNINGS PER SHARE

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|--|------------------------------------|---|
| (Loss) / profit for the period | (99.5) | 18.5 |
| Non-controlling interests | (3.5) | (3.0) |
| Basic (loss) / earnings | (103.0) | 15.5 |
| Loss / (profit) for the period from discontinued operations | 240.2 | (16.2) |
| Basic earnings / (loss) from continuing operations attributable to owners of the parent | 137.2 | (0.7) |
| Adjusting items | (4.5) | 86.3 |
| Adjusted earnings from continuing operations | 132.7 | 85.6 |
| Basic earnings per share | | |
| Basic earnings / (loss) per share from continuing operations | 36.2p | (0.2)p |
| Basic (loss) / earnings per share from discontinued operations | (63.4)p | 4.1p |
| Total basic (loss) / earnings per share | (27.2)p | 3.9p |
| Diluted earnings per share | | |
| Diluted earnings / (loss) per share from continuing operations | 35.7p | (0.2)p |
| Diluted (loss) / earnings per share from discontinued operations ² | (63.4)p | 4.1p |
| Total diluted (loss) / earnings per share ² | (27.2)p | 3.9p |
| Adjusted earnings per share from continuing operations | | |
| Basic Adjusted earnings per share from continuing operations | 35.0p | 21.8p |
| Diluted Adjusted earnings per share from continuing operations | 34.5p | 21.6p |

1. See note 15.

2. Due to the impact of dilutive ordinary shares having the effect of decreasing both the loss attributable to discontinued operations and the loss attributable to total operations, the basic earnings per share calculated has been shown.

| | Six months to 30 Jun 2022 number | Six months to 30 Jun 2021 number |
|--|--|--|
| Weighted average number of fully paid ordinary shares in issue during the period | 379,788,540 | 393,274,393 |
| Weighted average number of fully paid ordinary shares in issue during the period: – Held by the Inchcape Employee Trust | (783,582) | (550,548) |
| Weighted average number of fully paid ordinary shares for the purposes of basic EPS | 379,004,958 | 392,723,845 |
| Dilutive effect of potential ordinary shares | 5,553,858 | 3,168,318 |
| Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS | 384,558,816 | 395,892,163 |

Basic earnings / (loss) per share is calculated by dividing the Basic earnings / (loss) for the period by the weighted average number of fully paid ordinary shares in issue during the period, less those shares held by the Inchcape Employee Trust and repurchased as part of the share buyback programme.

Diluted earnings / (loss) per share is calculated on the same basis as the Basic earnings / (loss) per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and other share-based awards.

Basic Adjusted earnings (which excludes adjusting items) is adopted to assist the reader in understanding the underlying performance of the Group. Adjusted earnings per share is calculated by dividing the Adjusted earnings for the period by the weighted average number of fully paid ordinary shares in issue during the period, less those shares held by the Inchcape Employee Trust and repurchased as part of the share 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.

Information presented for diluted and diluted adjusted earnings per ordinary share uses the weighted average number of shares as adjusted for potentially dilutive ordinary shares as the denominator, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

8 SHAREHOLDERS' EQUITY**A. Issue of ordinary shares**

During the period, the Group issued £nil (June 2021 – £nil, Dec 2021 – £nil) of ordinary shares exercised under the Group's share option schemes.

Share buyback programme

During the six months ended 30 June 2022, the Company repurchased 7,913,076 of its own shares (June 2021 – none, Dec 2021 – 9,422,455) through purchases on the London Stock Exchange, at a cost of £57.8m (June 2021 – £nil, Dec 2021 – £80.5m). The shares repurchased during the period were cancelled. An amount of £0.8m (June 2021 – £nil, Dec 2021 – £0.9m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.7m (June 2021 – £nil, Dec 2021 – £nil) associated with the transfer to the Group of the repurchased shares and their subsequent cancellation were charged to the profit and loss reserve.

The Group has a contract in place with a broker to purchase £50m of its own shares for cash in connection with the £100m buyback announced on 28 February 2022. The noncancellable component of the contract gives rise to an additional financial liability as at 30 June 2022 which has been measured based on the average of actual share purchase costs made since the inception of the contract. A liability of £11.0m has been recognised (June 2021 – £nil, Dec 2021 – £nil) which has been charged to retained earnings.

B. Dividends

The following dividends were paid by the Group:

| | Six months to 30 Jun 2022 | Six months to 30 Jun 2021 | Year to 31 Dec 2021 |
|---|------------------------------|------------------------------|------------------------|
| | £m | £m | £m |
| Final dividend for the year ended 31 December 2021 of 16.1p per share (2020 – 6.9p per share) | 60.7 | 27.1 | 27.1 |
| Interim dividend for the six months ended 30 June 2021 of 6.4p per share (2020 – nil per share) | – | – | 25.1 |
| | 60.7 | 27.1 | 27.1 |

An interim dividend of 7.5p per share for the period ending 30 June 2022 was approved by the Board on 27 July 2022 and will be paid on 2 September 2022 to shareholders who are on the register at close of business on 5 August 2022. The Dividend Reinvestment Plan (DRIP) is available to ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 11 August 2022.

9 NOTES TO THE STATEMENT OF CASH FLOWS**A. Reconciliation of cash generated from operations**

| | Six months to 30 Jun 2022 | Six months to 30 Jun 2021 (restated) ¹ |
|--|------------------------------|---|
| | £m | £m |
| Cash flows from operating activities | | |
| Operating profit – continuing operations | 207.3 | 49.1 |
| Operating profit – discontinued operations | 20.5 | 20.2 |
| Adjusting items ² | (3.3) | 88.3 |
| Amortisation including non-adjusting impairment charges | 6.4 | 9.7 |
| Depreciation of property, plant and equipment including non-adjusting impairment charges | 14.3 | 15.1 |
| Depreciation of right-of-use assets | 26.9 | 24.0 |
| Profit on disposal of property, plant and equipment and intangible assets | (1.4) | (1.3) |
| Gain on disposal of right-of-use assets | (0.8) | (0.1) |
| Share-based payments charge | 5.3 | 4.7 |
| (Increase) / decrease in inventories | (102.8) | 123.3 |
| Increase in trade and other receivables | (134.5) | (46.8) |
| Increase / (decrease) in trade and other payables | 316.8 | (4.1) |
| Increase in provisions | 7.0 | 4.9 |
| Pension contributions more than pension charge for the period ³ | (2.1) | (5.5) |
| (Increase) / decrease in interest in leased vehicles | (0.4) | 2.6 |
| Payments in respect of operating adjusting items | (4.7) | (7.4) |
| Other non-cash items | 0.5 | 0.9 |
| Cash generated from operations | 355.0 | 277.6 |

1. See note 15.

2. In the six months to 30 June 2021, adjusting items includes £0.8m relating to Russian discontinued operations.

3. Includes additional payments of £2.1m (June 2021 – £4.7m).

9 NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

B. Net debt reconciliation

| | Liabilities from financing activities | | | Assets | |
|---|---------------------------------------|--------------|-----------------|---------------------------------|-------------------------|
| | Borrowings £m | Leases £m | Sub-total £m | Cash / bank overdrafts £m | Total net debt £m |
| Net funds / (debt) at 1 January 2021 | (210.0) | (332.8) | (542.8) | 476.3 | (66.5) |
| Cash flows | – | 29.2 | 29.2 | 144.7 | 173.9 |
| Acquisitions | – | (1.6) | (1.6) | (6.9) | (8.5) |
| Disposals | – | 0.1 | 0.1 | 77.5 | 77.6 |
| New lease liabilities | – | (34.2) | (34.2) | – | (34.2) |
| Transferred from liabilities held for sale | – | (1.3) | (1.3) | – | (1.3) |
| Foreign exchange adjustments | – | 7.7 | 7.7 | (46.8) | (39.1) |
| Net funds / (debt) at 30 June 2021 | (210.0) | (332.9) | (542.9) | 644.8 | 101.9 |
| Cash flows | 12.7 | 30.1 | 42.8 | (23.2) | 19.6 |
| Acquisitions | (12.7) | (0.3) | (13.0) | (13.3) | (26.3) |
| Disposals | – | 10.0 | 10.0 | (1.3) | 8.7 |
| New lease liabilities | – | (34.1) | (34.1) | – | (34.1) |
| Foreign exchange adjustments | – | 3.1 | 3.1 | (18.2) | (15.1) |
| Net funds / (debt) at 1 January 2022 | (210.0) | (324.1) | (534.1) | 588.8 | 54.7 |
| Cash flows | 2.0 | 30.7 | 32.7 | 108.7 | 141.4 |
| Acquisitions | (4.5) | (32.9) | (37.4) | (77.7) | (115.1) |
| Disposals | – | 13.1 | 13.1 | (32.3) | (19.2) |
| New lease liabilities | – | (13.3) | (13.3) | – | (13.3) |
| Foreign exchange adjustments | 0.5 | (14.7) | (14.2) | 63.3 | 49.1 |
| Net funds / (debt) at 30 June 2022 | (212.0) | (341.2) | (553.2) | 650.8 | 97.6 |

Net debt is analysed as follows:

| | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m | As at 30 Jun 2021 £m |
|---|----------------------------|----------------------------|----------------------------|
| Cash and cash equivalents as per the balance sheet | 654.6 | 596.4 | 652.6 |
| Borrowings – disclosed as current liabilities | (5.8) | (7.6) | (7.8) |
| Add back: amounts treated as debt financing (see below) | 2.0 | – | – |
| Cash and cash equivalents as per the statement of cash flows | 650.8 | 588.8 | 644.8 |
| Debt financing | | | |
| Borrowings – disclosed as current liabilities and treated as debt financing (see above) | (2.0) | – | – |
| Borrowings – disclosed as non-current liabilities | (210.0) | (210.0) | (210.0) |
| Lease liabilities | (341.2) | (324.1) | (332.9) |
| Debt financing | (553.2) | (534.1) | (542.9) |
| Net funds | 97.6 | 54.7 | 101.9 |
| Add back: lease liabilities | 341.2 | 324.1 | 332.9 |
| Adjusted net cash | 438.8 | 378.8 | 434.8 |

Borrowings disclosed as current liabilities include bank overdrafts held in cash pooling arrangements which have not been offset in the consolidated statement of financial position. These are included within cash and cash equivalents in the consolidated statement of cash flows.

| | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m | As at 30 Jun 2021 £m |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| Cash at bank and cash equivalents | 555.3 | 501.8 | 388.3 |
| Short-term deposits | 99.3 | 94.6 | 264.3 |
| | 654.6 | 596.4 | 652.6 |

£77.0m (31 December 2021 – £71.8m; 30 June 2021 – £66.4m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

NOTES (UNAUDITED) CONTINUED

10 ACQUISITIONS AND DISPOSALS

A. Acquisitions

On 28 March 2022, to expand its distribution footprint in the Americas, the Group acquired 70% of Comercializadora Ditec Automoviles S.A., acquiring the distribution rights to Porsche, Volvo and Jaguar Land Rover in Chile, for total cash consideration of £14.3m. Distribution agreements with a provisional fair value of £28.0m were recognised at the date of acquisition. Provisional goodwill of £3.0m arose on the acquisition. None of the goodwill is expected to be deductible for tax purposes.

On 29 April 2022, the Group acquired the entire share capital of ITC Group, a distributor of Suzuki, Mercedes-Benz, Subaru and Chrysler brands in the Caribbean, from the Simpson Group. The total cash consideration paid was £61.5m. Distribution agreements with a provisional fair value of £28.9m were recognised at the date of acquisition. Provisional goodwill of £nil arose on the acquisition.

These businesses were acquired to further expand the Group's footprint with both existing and new OEM partners and using our distribution business as a platform to capture more of a vehicle's lifecycle value.

During the period, the Group also acquired businesses in Guam and the UK. The total cost of these acquisitions was £14.7m and goodwill of £5.2m has been recognised.

| | Ditec £m | ITC Group £m | Other £m | Total £m |
|---|-------------|-----------------|-------------|---------------|
| Assets and liabilities acquired | | | | |
| Distribution agreements recognised on acquisition | 28.0 | 28.9 | – | 56.9 |
| Computer software | – | 2.4 | – | 2.4 |
| Property, plant and equipment | 3.6 | 2.2 | 7.7 | 13.5 |
| Right-of-use assets | 17.7 | 5.8 | – | 23.5 |
| Inventory | 23.9 | 22.2 | 1.8 | 47.9 |
| Receivables | 14.5 | 15.8 | – | 30.3 |
| Cash and cash equivalents | 6.0 | 6.4 | – | 12.4 |
| Other assets | 1.2 | 0.1 | – | 1.3 |
| Payables | (41.4) | (14.5) | – | (55.9) |
| Borrowings | (4.5) | – | – | (4.5) |
| Lease liabilities | (27.1) | (5.8) | – | (32.9) |
| Provisions | – | (1.1) | – | (1.1) |
| Other liabilities | (5.7) | (0.9) | – | (6.5) |
| Net identifiable assets | 16.2 | 61.5 | 9.5 | 87.2 |
| Less: Non-controlling interests | (4.9) | – | – | (4.9) |
| Goodwill | 3.0 | – | 5.2 | 8.2 |
| Net assets acquired | 14.3 | 61.5 | 14.7 | 90.5 |
| Consideration comprises | | | | |
| Cash consideration | 14.3 | 61.5 | 14.7 | 90.5 |
| Total consideration | 14.3 | 61.5 | 14.7 | 90.5 |

During the period, adjustments have been made to decrease the fair of assets and liabilities acquired in business combinations in 2021 of £0.2m in addition to the return of cash consideration of £0.4m. This resulted in a reduction to goodwill of £0.2m (2021 – nil).

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 £m |
|--|------------------------------------|------------------------------------|
| Cash outflow to acquire businesses, net of cash and overdrafts acquired | | |
| Cash consideration | 90.1 | 6.9 |
| Less: Cash acquired | (12.4) | – |
| Net cash outflow | 77.7 | 6.9 |
| Income statement items | | |
| Revenue recognised since the acquisition date in the consolidated income statement | | 60.0 |
| Profit after tax since the acquisition date in the consolidated income statement | | 2.3 |

In 2021, the Group acquired the Mercedes-Benz passenger and commercial vehicles distribution operations in Guatemala, and the distribution and retail of Freightliner Trucks in Guatemala and El Salvador, from Grupo Q, for a total cash consideration of £5.5m. A distribution agreement with a fair value of £2.8m was recognised at the date of acquisition. The business was acquired to strengthen and further expand the Group's partnership with Daimler-Mercedes-Benz in Central and South America. Goodwill of £1.0m arose on the acquisition. None of the goodwill is expected to be deductible for tax purposes. During 2021, the Group also acquired inventory assets from Star Motors SA de CV, a company register in El Salvador, as well as the Daimler Trucks North America distribution rights in Ecuador. The total cost of these acquisitions was £1.4m.

NOTES (UNAUDITED) CONTINUED

10 ACQUISITIONS AND DISPOSALS CONTINUED

B. Disposals and discontinued operations

During the period the Group agreed the sale of its remaining retail operations in Russia to management. The business represented the Group's remaining operation in Russia following the disposal of its St Petersburg business during 2021. The Russian operation is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented are for the five months ended 31 May 2022 and for the six months to 30 June 2021.

| | Five months to 31 May 2022 | Six months to 30 Jun 2021 |
|--|-------------------------------|------------------------------|
| | £m | £m |
| Revenue | 236.9 | 338.6 |
| Expenses | (216.4) | (318.4) |
| Operating profit | 20.5 | 20.2 |
| Finance costs | (0.3) | (0.2) |
| Profit before tax | 20.2 | 20.0 |
| Tax | (4.8) | (3.8) |
| Profit after tax of discontinued operation | 15.4 | 16.2 |
| Loss on disposal | (255.6) | – |
| (Loss) / profit from discontinued operation | (240.2) | 16.2 |
| Exchange differences on translation of discontinued operation | 117.7 | 0.4 |
| Other comprehensive (loss) / income from discontinued operation | (122.5) | 16.6 |
| Net cash inflow from operating activities | 21.1 | 12.6 |
| Net cash outflow from investing activities | (2.3) | (1.5) |
| Net cash outflow from financing activities | (1.4) | (1.3) |
| Net increase in cash generated from discontinued operation | 17.4 | 9.8 |

Details of the sale of the operation

| | Six months to 30 Jun 2022 |
|--|------------------------------|
| | £m |
| Disposal proceeds, net of disposal costs | (1.9) |
| Net assets disposed of | (154.7) |
| Loss on disposal before reclassification of foreign currency translation reserve | (156.6) |
| Recycling of foreign currency translation reserve | (99.0) |
| Loss on disposal | (255.6) |
| Consideration received, net of disposal costs paid | – |
| Cash & cash equivalents disposed of | (32.5) |
| Net cash outflow on disposal of business | (32.5) |

The Group also received £0.2m of deferred proceeds from UK retail sites disposed of in 2021.

In 2021, the Group continued to reduce its retail operations and disposed of its Toyota and Audi retail business in St Petersburg, Russia, generating disposal proceeds of £110.0m. In Belgium, the Group disposed of three retail sites, generating disposal proceeds of £1.9m and two sites in the UK, generating disposal proceeds of £5.8m. The Group also disposed of its Retail business in Luxembourg in January 2021 for £4.7m.

None of these disposals were material enough to be shown as discontinued operations on the face of the consolidated income statement as they did not represent a major line of business or geographical area of operations.

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 2022, 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 2021. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and further details can be found in the Annual Report and Accounts 2021.

B. Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations leading to a financial loss for the Group. Credit risk arises from cash and cash equivalents, trade receivables and other financial assets. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk. Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions and the historically low default loss percentage incurred by the Group. Even in light of COVID-19 and its impact on economic conditions and the uncertainty it has created, the Group's credit risk has not been significantly affected.

C. Liquidity risk

As at 30 June 2022, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (31 December 2021 – £700m) and sterling Private Placement loan notes totalling £210m (31 December 2021 – £210m). As at 30 June 2022, £nil of the £700m syndicated revolving credit facility was drawn (31 December 2021 – £nil).

In February 2019, the Group entered into a syndicated revolving credit facility of £700m with an initial expiry date of February 2024 and options, at lender discretion, to extend until 2026. Lenders approved the 1st extension option in February 2020 resulting in the £700m commitment extending to 2025. Lenders with total commitments of £620m approved the 2nd extension option in February 2021, resulting in £620m of commitments being further extended to 2026.

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings measured on a trailing 12-month basis at June and December. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant as at 30 June 2022.

D. Vehicle funding arrangements

The Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally are uncommitted facilities, have a maturity of 180 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Amounts due under these vehicle funding arrangements are included within trade and other payables in the consolidated statement of financial position. Related cash flows are reported within cash flows from operating activities in the consolidated statement of cash flows. As at 30 June 2022, the total amount outstanding under such arrangements was £1,167.1m (31 December 2021 – £851.0m).

Vehicle funding facilities are subject to SONIA (or similar) interest rates. The interest incurred under these arrangements is included within finance costs in the consolidated income statement and reported as stock holding interest (see note 5). Related cash flows are reported as interest paid in the consolidated statement of cash flows.

E. Fair value measurements

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

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

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

| | As at 30 June 2022 | | | | As at 31 December 2021 | | | |
|---|--------------------|---------------|---------------|---------------|------------------------|---------------|---------------|---------------|
| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| Assets | | | | | | | | |
| Derivatives used for hedging | – | 44.2 | – | 44.2 | – | 27.6 | – | 27.6 |
| Financial assets at fair value through other comprehensive income | 0.8 | – | 4.5 | 5.3 | 0.5 | – | 4.5 | 5.0 |
| | 0.8 | 44.2 | 4.5 | 49.5 | 0.5 | 27.6 | 4.5 | 32.6 |
| Liabilities | | | | | | | | |
| Derivatives used for hedging | – | (89.8) | – | (89.8) | – | (31.9) | – | (31.9) |
| | – | (89.8) | – | (89.8) | – | (31.9) | – | (31.9) |

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

NOTES (UNAUDITED) CONTINUED

11 FINANCIAL RISK MANAGEMENT CONTINUED

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

Level 3 primarily represents the Group's equity interest in Hino Motors Manufacturing Company SAS. Fair value is based on discounted free cash flows, using the projection of annual income and expenses mainly based on historical financial figures.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange and prevailing forward interest rates at 30 June 2022.

The Group's derivative financial instruments comprise the following:

| | Assets | | Liabilities | |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m |
| Forward foreign exchange contracts | 44.2 | 27.6 | (89.8) | (31.9) |

NOTES (UNAUDITED) CONTINUED

12 ASSETS HELD FOR SALE

| | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m |
|----------------------|----------------------------|----------------------------|
| Assets held for sale | 5.4 | 4.8 |

Assets held for sale relate to a surplus property which is actively marketed with a view to sale.

13 OTHER DISCLOSURES

A. Related parties

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 2021, except for the disposal of those subsidiaries that formed the Group's businesses in Russia and the Group investing in businesses in Chile and the Caribbean.

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 2022.

B. Contingencies

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HM Revenue and Customs in the Franked Investment Income Group Litigation Order ("FII GLO"). As at 30 June 2022 there were 17 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK. As previously reported, the Supreme Court referred the test case back to the High Court to establish when the claimant in the test case could reasonably have discovered its mistake about the UK tax treatment of such profits. The case has now been listed to be heard by the High Court in November 2023.

Accordingly, the resolution of the test case remains incomplete. As at 30 June 2022, no further receipts have been recognised in relation to the balance of Inchcape's claim due to the uncertainty of the eventual outcome given that the test case has not yet been completed nor has Inchcape's specific claim been heard by the Courts.

14 FOREIGN CURRENCY TRANSLATION

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

| | Average rates | | | Period end rates | | |
|-------------------|---------------|-------------|-------------|------------------|-------------|-------------|
| | 30 Jun 2022 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2022 | 30 Jun 2021 | 31 Dec 2021 |
| Australian dollar | 1.81 | 1.81 | 1.84 | 1.76 | 1.84 | 1.86 |
| Chilean peso | 1,070.80 | 1,001.40 | 1,043.46 | 1,118.04 | 1,015.72 | 1,152.93 |
| Ethiopian birr | 66.35 | 57.28 | 60.21 | 63.50 | 60.55 | 66.81 |
| Euro | 1.19 | 1.15 | 1.16 | 1.16 | 1.17 | 1.19 |
| Hong Kong dollar | 10.18 | 10.76 | 10.69 | 9.56 | 10.74 | 10.55 |
| Russian rouble | 108.85 | 103.5 | 101.6 | 78.92 | 101.16 | 101.43 |
| Singapore dollar | 1.77 | 1.85 | 1.85 | 1.69 | 1.86 | 1.82 |
| US dollar | 1.30 | 1.39 | 1.38 | 1.22 | 1.38 | 1.35 |

15 RESTATEMENT OF PRIOR PERIOD COMPARATIVES***Change in accounting policy relating to the recognition of configuration and customisation costs in respect of software as a service***

During 2021, the Group changed its accounting policy related to the capitalisation of certain software costs. This change followed the IFRS Interpretations Committee's agenda decisions published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements. The effect on the consolidated financial statements are further disclosed in the accounting policies within the Annual Report and Accounts for the year ended 31 December 2021.

The principal restatements as a result of a change in accounting policy are set out in the following tables. The tables show the adjustments recognised for each individual line item as at 30 June 2021. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. Note that the balance sheet restatement comparative is disclosed in the annual report for the year ending 31 December 2021 and is therefore not provided below.

The impacts on the consolidated income statement are:

| | Six months to 30 Jun 21 (as reported) £m | IFRIC £m | Six months to 30 Jun 2021 (restated) £m |
|---|---|--------------|--|
| Revenue | 3,587.9 | – | 3,587.9 |
| Cost of Sales | (3,080.6) | – | (3,080.6) |
| Gross Profit | 507.3 | – | 507.3 |
| Net operating expenses | (450.0) | (8.2) | (458.2) |
| Operating profit | 57.3 | (8.2) | 49.1 |
| Finance income | 6.6 | – | 6.6 |
| Finance costs | (22.6) | – | (22.6) |
| Profit before tax | 41.3 | (8.2) | 33.1 |
| Tax | (30.6) | (0.2) | (30.8) |
| Profit for the period from continuing operations | 10.7 | (8.4) | 2.3 |
| Profit from discontinued operations | 16.2 | – | 16.2 |
| Profit for the period | 26.9 | (8.4) | 18.5 |

The impacts on the consolidated statement of cash flows are:

| | Six months to 30 Jun 2021 (as reported) £m | IFRIC £m | Six months to 30 Jun 2021 (restated) £m |
|---|---|-------------|--|
| Cash generated from operating activities | | | |
| Cash generated from operations | 278.5 | (0.9) | 277.6 |
| Net cash generated from operating activities | 225.4 | (0.9) | 224.5 |
| Cash generated from investing activities | | | |
| Purchase of intangible assets | (6.0) | 0.9 | (5.1) |
| Net cash generated from investing activities | 53.0 | 0.9 | 53.9 |
| Cash and cash equivalents at the end of the period | 644.8 | – | 644.8 |

16 EVENTS AFTER THE REPORTING PERIOD

On the 27 July 2022, the Group signed an agreement to implement a business combination and acquire Derco, the largest automotive distributor in Latin America.

17 ALTERNATIVE PERFORMANCE MEASURES

The Group assesses its performance using a variety of alternative performance measures which are not defined under International Financial Reporting Standards. These provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, and provide useful information on the underlying trends, performance and position of the Group.

The Group's income statement and segmental analysis identify separately adjusted items. These adjusted measures reflect adjustments to IFRS measures. The directors consider these 'adjusted' measures to be an informative additional measure of the ongoing trading performance of the Group. Adjusted results are stated before adjusting items.

Adjusting items can include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Adjusting items excluded from adjusted results can evolve from one financial period to the next depending on the nature of adjusting items or one-off type activities.

Constant currency

Some comparative performance measures are translated at constant exchange rates, called 'constant currency' measures. This restates the prior period results at a common exchange rate to the current period and therefore excludes the impact of changes in exchange rates used for translation.

| Performance Measure | Definition | Why we measure it |
|--|---|---|
| Adjusted gross profit | Gross profit before adjusting items. | A key metric of the direct profit contribution from the Group's revenue streams (e.g. Vehicles and Aftersales) |
| Adjusted operating profit | Operating profit before adjusting items. | A key metric of the Group's underlying business performance. |
| Operating margin | Operating profit (before adjusting items) divided by revenue. | A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit. |
| Adjusted profit before tax | Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged. | A key driver of delivering sustainable and growing earnings to shareholders. |
| Adjusting items | Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 3. | The separate reporting of adjusting items helps provide additional useful information regarding the Group's underlying business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee. |
| Net capital expenditure | Cash outflows from the purchase of property, plant, equipment and intangible assets less the proceeds from the disposal of property, plant, equipment and intangible assets. Refer to page 35. | A measure of the net amount invested in operational facilities in the period. |
| Free cash flow | Net cash flows from operating activities, before adjusting cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests. Refer to page 35. | A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders. |
| Return on capital employed (ROCE) | Operating profit (before adjusting items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets less net funds. Refer to page 35. | ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest. |
| Net funds / (debt) | Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 9b. | A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. |
| Adjusted net cash | Cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings and before the incremental impact of IFRS16 lease liabilities. Refer to note 9b. | A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties. |
| Constant currency percentage change | Presentation of reported results compared to prior period translated using constant rates of exchange. | A measure of underlying business performance which excludes the impact of changes in exchange rates used for translation. |
| Organic growth | Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate. | A measure of underlying business performance which excludes the impact of acquisition and disposals in the period. |

NOTES (UNAUDITED) CONTINUED

APMS: Reconciliation of income statement measures

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|--|------------------------------------|---|
| Continuing operations | | |
| Gross Profit | 615.3 | 507.3 |
| <i>Add back: Adjusting items charged to gross profit</i> | – | – |
| Adjusted Gross Profit from continuing operations | 615.3 | 507.3 |
| <i>Less: Segment operating expenses</i> | (411.3) | (370.7) |
| Adjusted Operating Profit from continuing operations | 204.0 | 136.6 |
| <i>(Less) / add: Adjusting items</i> | 3.3 | (87.5) |
| Operating Profit | 207.3 | 49.1 |
| <i>Less: Net Finance Costs and JV losses</i> | (19.8) | (16.0) |
| Profit Before Tax | 187.5 | 33.1 |
| <i>(Less) / add: Adjusting Items</i> | (3.3) | 87.5 |
| Adjusted profit before tax from continuing operations | 184.2 | 120.6 |

APMS: Reconciliation of cash flow measures

| | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2022 £m | Six months to 30 Jun 2021 (restated) ¹ £m | Six months to 30 Jun 2021 (restated) ¹ £m |
|---|------------------------------------|------------------------------------|---|---|
| Net cash generated from total operating activities | | 287.1 | | 224.5 |
| Add back: Payments in respect of adjusting items | | 4.7 | | 7.4 |
| Net cash generated from operating activities, before adjusting items | | 291.8 | | 231.9 |
| Purchase of property, plant and equipment | (24.3) | | (18.1) | |
| Purchase of intangible assets | (1.2) | | (5.1) | |
| Proceeds from disposal of property, plant and equipment | 7.5 | | 5.5 | |
| Net capital expenditure | | (18.0) | | (17.7) |
| Net payment in relation to leases | | (29.8) | | (28.2) |
| Dividends paid to non-controlling interests | | (2.9) | | (1.8) |
| Free cash flow | | 241.1 | | 184.2 |
| Less: Free cash flow from discontinued operations | | (17.4) | | (9.8) |
| Free cash flow from continuing operations | | 223.7 | | 174.4 |

APMS: Reconciliation of balance sheet measures

| | As at 30 Jun 2022 £m | As at 30 Jun 2021 £m |
|--|----------------------------|----------------------------|
| Adjusted operating profit from continuing operations | 204.0 | 136.6 |
| Adjusted operating profit for the previous 6 month period from continuing operations | 144.8 | 115.5 |
| Adjusted operating profit from continuing operations on a 12 month basis | 348.8 | 252.1 |
| Net assets | 1,137.4 | 1,159.4 |
| Less: Net assets from discontinued operations | – | (83.7) |
| Net assets from continuing operations | 1,137.4 | 1,075.7 |
| Less: net funds | (97.6) | (101.9) |
| Add: net funds from discontinued operations | – | 8.6 |
| Capital employed – continuing operations | 1,039.8 | 982.4 |
| Effect of averaging | (28.7) | 164.1 |
| Average capital employed | 1,011.1 | 1,146.5 |
| Return on capital employed | 34.5% | 22.0% |

| | As at 30 Jun 2022 £m | As at 31 Dec 2021 £m |
|---|----------------------------|----------------------------|
| Net funds from continuing operations | 97.6 | 59.0 |
| Add back: lease liabilities | 341.2 | 311.7 |
| Adjusted net cash from continuing operations | 438.8 | 370.7 |

1. See note 15.

INDEPENDENT REVIEW REPORT TO INCHCAPE PLC

CONCLUSION

We have been engaged by Inchcape plc (“the Company”) to review the condensed set of consolidated interim financial statements for the six months ended 30 June 2022 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes 1 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim financial statements for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

BASIS FOR CONCLUSION

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, “Interim Financial Reporting”.

CONCLUSION RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

RESPONSIBILITIES OF THE DIRECTORS

The directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

In preparing the interim financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE REVIEW OF THE FINANCIAL INFORMATION

In reviewing the interim financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statement in the interim financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

USE OF OUR REPORT

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
STATUTORY AUDITOR

London, England
27 July 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

INTRODUCTION

The Directors confirm that the condensed consolidated interim financial statements in the Interim Report have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and that the Interim Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors and positions held during the period were as published in the Annual Report and Accounts 2021. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

On behalf of the Board

Duncan Tait
GROUP CHIEF EXECUTIVE

27 July 2022