



**PENDRAGON
PLC**

Interim Management Statement

This Interim Management Statement by Pendragon PLC covers the period from 1 January 2011 to 09 May 2011. Unless otherwise stated, figures quoted in this statement are for the three months ended 31 March 2011.

Trading update for the three months ended 31 March 2011

Key business metrics are ahead of the prior year for the Group in Q1 as follows:

- Aftersales turnover declined marginally, in line with car parc reduction, but gross profit margin improved by 280 basis points assisted by the wider roll-out of the Vehicle Health Check programme and other initiatives.
- Q1 used car volumes continue to perform strongly, up 15.6% on a like for like basis, significantly outperforming a flat market according to the latest available market data from Experian. Used car margins have remained stable during the quarter.
- Excluding scrappage, like for like our UK new retail car sales for the key brands we represent in Q1 were up 9.1% compared to a market increase of 7.5%.

Aftersales remains the primary source of gross profit for the Group and continues to generate the highest profitability. The Group is continuing to enhance this area of the business through our Vehicle Health Check programme and a number of other aftersales initiatives such as deployment of service packages and increasing MOT capacity. During the first quarter of 2011, aftersales turnover declined marginally, in line with the car parc reduction, but gross profit margin improved by 280 basis points over the prior year.

For the three months to 31 March 2011 our like for like used car volume was up by 15.6%. The latest data from Experian is for the 12 month period to 31 December 2010 and their data confirms that used car sales were flat compared to 2009. The Group reported like for like used car growth of 12.1% for the year ended 31 December 2010. We remain confident that used car margins will remain stable and used car volume will continue to grow during the

remainder of the year. The performance from used cars is a result of the on-going used car initiatives, national coverage and scale, the choice from our wide product offering and the continued improvements in our internet proposition and brand recognition.

In the new car segment, for the brands we represent within Stratstone, retail volume excluding scrappage grew by 2.8% in the quarter whereas within Evans Halshaw, registrations grew by 14.2%. The Group's UK new car volumes performed in line with the market and margins declined marginally as a result of higher priced vehicles predominantly within the Stratstone division, although profit per unit was maintained on the prior year levels.

The California business continues to outperform 2010 during the first quarter of 2011 and we expect this to continue during the remainder of the year.

Outlook

We are pleased to report an improvement in the key business metrics across the Group during the first quarter and expect this to be maintained during the year. As planned, the performances in the Used and Aftersales segments have been strong in the first quarter and continue to be the key growth opportunities for the Group. As expected, performance in new cars is in line with the market and this is expected to continue during 2011.

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