



**PENDRAGON
PLC**

Interim Management Statement

This Interim Management Statement by Pendragon PLC covers the period from 1 July 2010 to 21 October 2010. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2010.

Trading update for the three months ended 30 September 2010

- Like for like Q3 aftersales margin has improved year on year by 70 bps
- Q3 used car sales were up by 7.0% on a like for like basis, outperforming the market, with margins stable compared to H1 2010
- Used car margins are expected to remain stable and used car volumes are expected to continue to grow during the year
- Excluding scrappage, like for like our UK new retail car sales in Q3 were up 30.1% compared to a market increase of 27.6%
- We are cautiously optimistic about the outturn for 2010 and expect profitability to be in line with expectations
- Following the half year, net debt has returned to planned levels and we expect this to remain the case at the year end

Aftersales activities continue to represent the most profitable activity for the group. During the third quarter of the year aftersales gross margin has continued to improve. Overall gross profit has fallen slightly due to an increase in internal preparation work driven by increasing used vehicle volume. We have continued to roll out a package of aftersales initiatives designed to retain customers and improve profitability including service plans and integrated electronic vehicle health checks. This package of

measures is backed up by a rigorous training and accreditation process which is well underway.

For the three months to 30 September 2010 our used car volume was up by 7.0% with year to date margins at 10.4% broadly stable compared to the H1 2010 margin of 10.5%. No national data for the third quarter of 2010 is currently available but the most recent data from Experian showed used volume during Q2 2010 down 0.6%, once again demonstrating our ability to outperform the used car market. We remain confident that used car margins will remain stable and used car volume will grow during the remainder of the year.

During the three months ended 30 September 2010, year on year UK new retail car registrations fell by 23.4% and total new car registrations including fleet fell by 11.0%. However, excluding the additional volume from the scrappage scheme, retail registrations would have increased, by 27.6% in the quarter. Excluding scrappage our total retail sales were up 30.1%. Retail sales excluding scrappage were up 1.4 % in Stratstone and in Evans Halshaw were up 43.0%. New car margins have also strengthened slightly year to date compared to H1 2010.

Outlook

Whilst the wider macro-economic environment remains uncertain, we continue to concentrate on the areas of the business where we have the greatest opportunity to improve profitability and reduce debt.

We continue to focus on the aftersales segment of our activities and growing this area of the business through a package of targeted measures. We believe that used cars should continue to generate stable margins given expectations of a subdued new car market and that used car volume will improve. Across the business we continue to focus on maintaining our control on costs but without impacting our growth aspirations.

Year to date profitability has continued to run ahead of the prior year and we therefore remain cautiously optimistic that the full year will be in line with expectations.

We expect our balance sheet to be in line with our plan at the year end.

Enquiries:

Pendragon PLC Trevor Finn, Chief Executive Tel: 01623 725114
 Tim Holden, Finance Director

Finsbury Philip Walters/Gordon Simpson Tel: 0207 2513801