



**PENDRAGON
PLC**

Interim Management statement

Pendragon PLC is holding its Annual General Meeting at 11:30 am today, where the following statement relating to the period from 1 January 2008 will be made.

Highlights

- Uncertain retail trading conditions continue
- Management action on used car sales is yielding benefits
- Critical metrics of unit sales volumes and operating profits per unit are trending in a positive direction
- VAT repayment of £15 million agreed

Overview

As anticipated, trading conditions have remained uncertain into 2008, principally because of turmoil in financial markets. Despite this difficult background our performance in the first three months of the year has been encouraging. In 2007 the slowdown in our industry only really started to bite from April onwards and so when we have compared our performance this year with the same period last year we expected this year to be more difficult but to be showing an improving trend which has been the case.

- National UK new car registrations in the first quarter were down by 0.7% on the prior year which equates to about 5,000 vehicles. We believe pre registrations nationally in March this year have been distortive and that actual sales activity in the market has been poorer than the registration statistics imply. The Group's new car sales volumes are down by just over 4% against the first quarter last year. Our new car net profits per unit have been better in

the first quarter than in any of the previous three quarters which is encouraging.

- The Group's used car sales volumes are up year on year by 2% and used car net profits per unit have improved each month since October last year. Up to date statistics regarding the used car market are generally not available although our experience is that the used car market has been more stable over the past few months compared to last year.
- The market for trucks in the UK has continued to be strong as it catches up from shortage of supply last year and Chatfields results are ahead of our plan at the end of the first quarter.
- In California we have been affected by the economic slowdown there. However, our brand exposure to Jaguar's new XF should help mitigate the effects of this going forward this year.

Operational Review

The Group is structured into a number of operational divisions to reflect the range of activities we undertake:

Stratstone

Stratstone is the UK's leading luxury car retailer with 159 retail points.

Nationally new car registrations in the first quarter for brands represented by Stratstone were 143,400 units which was an increase of 2% over the same period in 2007. Jaguar at 5,222 new car registrations was down 16% which we anticipated in light of the launch of the new XF in March this year. The new XF has been received well by the market and we have firm orders for the next six months for this model.

Overall unit car sales in Stratstone were up on a like for like basis by 2%. We have been able to increase used car volumes significantly year on year and the profit trend in used car margins is improving and is ahead of last year's average.

Evans Halshaw

Evans Halshaw is the UK's leading volume brand car retailer with 155 retail points.

Nationally new car registrations in the first quarter for brands represented by Evans Halshaw were 365,300 units which was a reduction of 2% over the same period in 2007. Both Ford and Vauxhall were down about 2% each in line with the overall market. Our new car sales volumes were down by just over 3% which we believe reflects the true market.

Used car sales volumes in Evans Halshaw were down 3% year on year and margins, whilst continuing to trend upwards, remain on average below those achieved last year. This has in part been due to the roll out of our used car strategy which in implementation phase tends to reduce margins as stock profile is changed. We continue to roll out our strategy to target a wider age profile of used car sales which will yield benefits in the remainder of the year.

Other activities

Chatfields, our trucks business is trading ahead of the first quarter last year with strong order books for the remainder of the year. The contract hire, technology and parts wholesale businesses overall have had a reasonable trading performance in the first quarter.

Balance sheet and cash flow

We have continued to keep a tight rein on working capital investment and year on year have reduced stocks of used and demonstrator cars by over 10%. At the end of March our bank debt was in line with the 2007 year end figure and we are now past the peak borrowing requirement for this year. We remain focussed on bring our gearing ratio down towards 70% by the year end.

VAT

We said in our 2007 Annual Report that, in common with other companies in our industry, we were in discussion with HMRC on a number of issues arising from developments in recent case law for which we had claimed repayments, the treatment of partial exemption in our finance and insurance operations and the VAT treatment on sales of vehicles to certain disabled customers. At the time we said that although potentially significant it was not possible at that time to quantify either the potential payments or potential receipts.

In terms of receipts we are now able to report that with regard to repayments of VAT we have received £8.5 million and agreed a further repayment of £1.5 million which we expect to be paid shortly. We now believe that in addition to these two amounts approximately £5 million should be received this financial year in respect of interest, bringing the total repayment to around £15 million.

With regard to the potentially significant payments of VAT referred to above and in the 2007 Annual Report, whilst we have received assessments from HMRC which we have appealed, we are still at this time unable to quantify the outcome which may take a number of years to resolve.

Dividend

We said in last year's statement that we would give guidance on the level of dividends. Based on what we believe profits and cash flows will be this year it is our intention to maintain dividends at last year's level.

Outlook

It is still unclear how large an impact credit tightening and house price falls will have on retail markets for the remainder of the year. However, the critical metrics of unit sales volumes and operating profits per unit are trending in a positive direction and the group is confident of a satisfactory outcome to the year at the upper end of expectations.

Enquiries:

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