PENDRAGON
PLC

28 August 2008

FOR IMMEDIATE RELEASE

INTERIM RESULTS TO 30 JUNE 2008

Pendragon PLC, the UK's leading motor car retailer, today reports interim results for the six months to 30 June 2008.

Summary:

- Revenue of £2,478 million (2007: £2,702 million)
- Operating profit £41.2 million (2007: £62.1 million)
- Profit before tax £21.1 million (2007: £33.5 million)
- Profit before tax & exceptionals £13.4 million (2007: £32.7 million)
- Basic earnings per share 2.0p (2007: 4.4p)
- Adjusted earnings per share 1.5p (2007: 3.5p)
- Dividend 0.5p (2007: 2.0p)
- Borrowings down £44.4 million since year end

Trevor Finn, Chief Executive, commented:

"The UK motor retail sector has faced a challenging six months through weak demand and rising vehicle ownership costs. We have reacted quickly to the market changes, improving our competitiveness in used cars, cutting our cost base and reducing borrowings.

Our aftersales and support businesses will continue to underpin the profitability of the group and the experienced management team will guide the group successfully through what we expect to be difficult trading conditions for the remainder of this year and next."

Enquiries:

Pendragon PLC	Trevor Finn, Chief Executive David Forsyth, Finance Director	Tel:	01623 725 114
Finsbury	Rollo Head Gordon Simpson	Tel:	0207 251 3801

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Introduction

We highlighted earlier in the year that the tough trading conditions seen in the second half of last year were continuing in the new and used car markets in 2008. National UK new car registrations overall have declined 1.6%, and private sector registrations 4.9% in the first six months of 2008. Private sector registrations were down nearly 12% in June. Also in June wholesale used car prices witnessed the biggest single monthly reduction in over five years with large executive and off road vehicles hardest hit. These market conditions are causing volume and margin pressure. In addition, like most other companies in the UK, we have been affected by rising costs which we have already taken action to mitigate.

Against this background we have produced a profit before tax of £21.1 million (2007: £33.5 million), operating profit of £41.2 million (2007: £62.1 million) and profit before tax and exceptional items of £13.4 million (2007: £32.7 million) which includes £3.3 million of losses in businesses which were closed in the first half of this year and £1.9 million in respect of redundancy costs.

Whilst we have seen overall vehicle volumes decline, our aftersales, leasing and technology businesses continue to perform well. The group has continued to generate cash which has been used to reduce borrowings by £44.4 million in the first six months.

We are reporting adjusted earnings per share of 1.5 pence for the period compared to 3.5 pence in 2007 and an interim dividend of 0.5 pence per share compared to an interim of 2.0 pence in 2007. The reduction in dividend reflects the current trading environment and is covered three times by first half trading profits after tax.

We have realised profits of £2.1 million and cash proceeds of £8.4 million on the sale of businesses and surplus properties. £14.9 million of cash has been received in respect of VAT which we were able to reclaim as a consequence of recent case law. We have included goodwill and fixed asset impairments of £9.3 million mainly in relation to assets which we anticipate will be disposed of in the next 12 months. Whilst in these markets it is difficult to predict when disposals will happen we are planning internally to continue to realise cash from surplus properties which will be used to reduce borrowings further.

The market conditions we face are challenging and we have taken a number of strategic actions to improve our competitiveness. During the first half of the year we have continued to roll out changes to our used car sales processes which have enabled us to better utilise low cost internet advertising and offer cars in lower price brackets. This has proven effective in holding margins and maintaining margins after marketing costs. We have undertaken cost reductions through targeted dealership closures and redundancies. Debt has been reduced by £44.4 million since the beginning of the year through good operating cash flow, working capital focus and selective disposals.

Results

The results for the six months to 30 June 2008 are summarised as follows:

£m	**2008**	**2007**
Revenue	**2,477.6**	**2,702.4**
Underlying operating profit	41.8	61.3
Exceptional operating costs	(2.7)	(6.8)
Operating profit before other income	**39.1**	**54.5**
Other income - gain on sale of property and businesses	2.1	7.6
Operating profit	**41.2**	**62.1**
Finance costs	(28.9)	(28.8)
Exceptional finance income	8.3	-
Share of joint venture profit	0.5	0.2
Profit before tax	**21.1**	**33.5**
Tax	(8.1)	(4.2)
Discontinued operation	-	(1.5)
Profit after tax	**13.0**	**27.8**
Earnings per share – basic	2.0p	4.4p
Earnings per share – adjusted	1.5p	3.5p
Dividend per share	0.5p	2.0p

Revenue is down £170 million on a like for like basis excluding support businesses. A large element of this reduction is due to average vehicle unit sales price reductions as we have added lower price bracket vehicles in our used car business.

Underlying operating profit was £41.8 million compared to £61.3 million in the first half of last year. The underlying operating profit margin was 1.7% against 2.3% for the same period in 2007. Although gross margins have reduced, the main factor contributing to the fall in operating margin has been lower activity levels leading to a relative increase in operating costs per unit sold. We have taken action in the first half to reduce the level of operating costs mainly by reducing advertising and marketing expenditure through better internet use and by making around 500 jobs redundant. The cost of the redundancy programme was £1.9 million which was taken in the first half and we estimate the cost saving in the second half to be £5.1 million with a similar further saving in the first half of 2009 giving an annual saving of approximately £10 million. Also taken against operating profits are £3.3 million of trading losses and closure costs relating to dealerships sold or closed in the first half.

We are pleased with the results of our support businesses which have continued to perform well, delivering operating profits of £9.9 million which includes good profits from our leasing and technology businesses.

Exceptional operating costs include impairments of goodwill and other assets and an exceptional VAT refund. Goodwill has been impaired by £6.8 million. This is in respect of three BMW dealerships, two of which are being disposed and one which will close in the second half and 6 other dealerships which will close in the second half. In the first half of 2008 these dealerships made a net loss of £0.7 million. An impairment of £2.5 million has been carried out on some property assets held for resale as we have reduced our expectations of sales proceeds, in line with a weaker property market. An amount of £6.6 million was received in the first half relating to VAT reclaimed for the period 1973 to 1996 which, together with an additional amount of £8.3 million in respect of interest on this VAT amount received and shown as an exceptional interest income, brings the total receipt to £14.9 million.

Other income includes the disposal of Extra Leasing, a non-core part of our leasing business. This company was acquired as part of the CD Bramall acquisition and had not traded for many years other than to run down its lease book as leases came to an end. This disposal generated a profit of £1.5 million.

We disposed of three dealerships during the first half at a cost of £0.8 million. These businesses lost £1.2 million in the first half. We also sold three surplus properties in the first half generating proceeds of £5.3 million and profits of £1.4 million. Profits from the sale of surplus properties have been a regular feature of our business over recent years and, whilst the market has become more difficult this year, we expect to

generate further surplus property sale proceeds in the second half. There are surplus properties held for sale amounting to £55.7 million which are being actively marketed.

Financing costs of £28.9 million, which excludes exceptional VAT refund interest income of £8.3 million, have remained in line with the prior year. Within this figure net bank interest reduced from £13.5 million to £12.6 million and stocking interest reduced from £15.8 million to £15.1 million. We have been adversely affected by disruption in the LIBOR markets but have been able to offset higher LIBOR rates by reducing our funding requirements year on year to give a net saving overall of £1.6 million.

Adjusted profit before tax of £13.4 million (2007: £32.7 million) is underlying operating profit of £41.8 million (2007: £61.3 million) less finance costs and share of joint venture profit of £28.4 million (2007: £28.6 million).

A summary of revenues and operating profits by division is shown below:

£m	2008		2007	
	Revenue	Operating profit	Revenue	Operating profit
Stratstone	995.4	17.7	1,103.0	23.6
Evans Halshaw	1,363.0	13.8	1,450.3	22.8
USA	77.4	0.4	94.8	2.8
Support businesses	77.0	9.9	91.0	12.1

Motor Retail Business

Our franchised motor retail activities are principally in the UK with a well established small business in the USA. We currently operate 343 franchise points, of which 11 are in the USA.

UK national new car registrations declined by 1.6% in the first six months of this year compared to the first six months of 2007. This overall decline disguises a more aggressive one in registrations to private and small business users especially in the second quarter of the year. Private customer registrations declined by 4.9% in the first half. This decline was more marked in the second quarter at 7.9%. This is a reflection of falling consumer confidence and consumers deferring vehicle purchases. Registrations in

the fleet sector have increased by 2% year on year and now account for just over 50% of total national registrations. Registrations for manufacturers we represent fell by 1.9% with Stratstone brands up 1.7% and Evan Halshaw brands down 3.2%. We believe that registration levels are now starting to reflect the real level of demand in the market whereas for the last 12 months cars were being pushed aggressively into the market by manufacturers. This has had a knock on effect in putting pressure on used car prices where we have done well to maintain gross margin on a like for like basis.

Up to date information on activity levels nationally in the used car market is not readily available due to the size and diversity of the market, which includes private to private sales. However, we are able to see the effect that the downturn is having on demand which is reflected through a weakening of prices in the wholesale markets. In April and May wholesale and retail price reductions for used cars were fairly well aligned at about 3% per month which is 1% more than we would expect in normal market situations. Nationally, retail activity stepped down in May with the associated realisation by dealers that replenishment of stock in coming months would be at lower levels. This has in turn led to wholesale prices being reduced more aggressively in June and into July.

We expect that the current price correction in the used car market has some way to go, although we anticipate that it will have run its course by the end of the year. Our focus has been on stock turn which is key in this environment and we have increased used car stock turn compared to last year and will be looking to maintain this improvement into the second half leading to a like for like stock reduction first half versus second half.

There has been no marked change in our ability to source finance for customers and we have seen income from this source remain in line with overall sales volumes although credit underwriting terms have tightened.

In the UK we operate 332 franchised points of which 160 are prestige, branded as Stratstone, 151 are Evans Halshaw volume dealerships and 21 are truck dealerships trading under the Chatfields brand. The results are summarised in the tables below. Chatfields is included in the results of Stratstone.

Stratstone is the UK's leading prestige motor car retailer and its results for the first six months of this year are as follows:

£m	Revenue	Gross profit	Gross margin %	Underlying operating	Underlying operating	Total units sold	Gross profit per

				profit	margin %	'000	unit £
Existing	993.2	133.6	13.5	18.0	1.8		
Disposed	2.2	0.2	7.2	(0.3)	(13.3)		
H1 2008	**995.4**	**133.8**	**13.4**	**17.7**	**1.8**	**38.3**	**1,803**
H1 2007	1,103.0	141.5	12.8	23.6	2.1	38.6	1,868

Revenues were down by 9.7% year on year and down 7.8% on a like for like basis. Units sold within our Stratstone franchises are up 0.9% on last year and on a like for like basis they were up 0.4%. The reduction in overall revenue is principally due to lower price bracket cars being sold. Margins have improved mainly due to the impact of disposed businesses. Our focus going forward is to force down the operating costs per unit in order to retain more of the improved gross margin.

Like for like aftersales margins are holding up very well at 45.7% in the car business and 34.1% in the truck business. The aftersales business has produced just under 50% of the gross profits of the division which is similar to last year.

Evans Halshaw is the leading volume car retailer in the UK and its results for the first six months of this year are as follows:

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	1,348.4	154.4	11.4	17.1	1.3		
Disposed	14.6	1.0	6.7	(3.3)	(22.5)		
H1 2008	**1,363.0**	**155.4**	**11.4**	**13.8**	**1.0**	**131.6**	**673**
H1 2007	1,450.3	176.6	12.2	22.8	1.6	137.0	756

Total sales revenues were down 6.0% with like for like revenues falling by 5.0%. Total vehicle sales volumes were down 4.0% and down 5.7% on a like for like basis. The Dixons dealerships acquired in the second half of 2007 account for 7,842 increase in total vehicle volume. Gross profits have declined by £21.2 million year on year whereas underlying operating profits have declined by only £9.0 million. This is due to action taken to reduce direct sales costs.

Aftersales has held up well and in June we launched a service package designed to retain servicing work in our workshops for customers with older vehicles. Our update to the used car sales process together with related marketing cost savings has resulted in used car gross margin, after marketing costs, remaining at a similar level to last half year.

USA national market for new cars in the first half of 2008 was down by 10% to 7.4 million registrations. We represent a small number of brands in California: Jaguar, Land Rover and Aston Martin. Nationally, Jaguar sales were in line with last year, with the launch of the Jaguar XF contributing 52% of the overall Jaguar volumes and offsetting the reduction in other model sales.

The results for the first half of 2008 are summarised as follows:

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Total units sold ’000	Gross profit per unit £
H1 2008	**77.4**	**12.7**	**16.4**	**0.4**	**0.6**	**2.6**	**2,341**
H1 2007	94.8	15.9	16.8	2.8	3.0	3.0	2,957

Revenue is down due to two principal factors: in January 2008 we disposed of the loss making Saab store which in the first half of 2007 contributed sales of £7.3 million. Land Rover volumes were also down year on year. We have been able to mitigate this by an increase in revenue from the used vehicle sales operation following the implementation of our used car sales programme. Gross margins have weakened slightly as a result of the shift in sales mix towards used vehicles.

Overall operating profits are down as a result of the decline in new Land Rover sales combined with the effect of annual rent increases in our Los Angeles stores and operating losses generated in our Saturn store. The Saturn store was closed at the end of July.

Support Services provides a broad range of services both to the Pendragon group and to external customers. The services are provided by a number of specialist businesses which consist of contract hire and leasing, dealership management software systems and wholesale parts distribution.

The results for the first half of 2008 are summarised as follows:

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating

					margin %
H1 2008	**77.0**	**27.2**	**35.4**	**9.9**	**12.9**
H1 2007	91.0	30.1	33.1	12.1	13.3

Within the results is a particularly pleasing performance from our contract hire and leasing business which returned an operating profit improvement of £1.6 million to £6.2 million for the first six months. The business has improved its operating margin from 15.9% to 26.6% as a consequence of the prudent approach it has taken to setting residual values over recent years. The cautious approach to residual value setting has, however, led to a reduction in the fleet size to 16,192 from 17,589 at the beginning of the year.

Pinewood Technologies, our computer software company, continues to enjoy strong demand for its Pinnacle DMS solution. The roll out to the Pendragon Group car dealerships has been completed, allowing the group to benefit from a single DMS platform. Pinewood made £3.6 million operating profit in the first half of 2008 compared to £4.0 million in the first half of 2007.

Finance

We have been focused in the first half of 2008 on maintaining strong control over our balance sheet and financing in these difficult trading conditions. New car stocks increased towards the end of the second quarter as demand continued to slow. Steps have been taken to bring this back in line in the second half. More importantly we have reduced used and demonstrator stocks by £25.2 million versus 2007 and increased used stock turn since the beginning of the year. Trade debtors are down by £14.4 million compared to June 2007.

Net borrowings have reduced to £287.6 million from the year end figure of £332.0 million which gives debt to equity gearing of 85%. Operating cash inflow for the first six months was £94.4 million, which compares with £128.7 million generated in 2007. The operating cash flow includes a reduction in working capital investment of £18.3 million (2007: £37.2 million).

Net investment in property, plant and equipment for the six months was £22.4 million (2007: £20.8 million). This includes a £2.1 million investment in a new property in the USA, refurbishments, a net increase in plant and machinery, and the contract hire fleet and service loan cars. Proceeds from property disposals were £5.3 million (2007: £25.5 million). In addition to this, £3.1 million was raised from business disposals (2007: £17.9 million).

Risks and uncertainties

We set out in our 2007 annual report the risk factors we believed could cause our actual future group results to differ materially from expected results. The risks identified were: business conditions and the general economy, franchise agreements, vehicle manufacturer dependencies, liquidity and financing, regulatory compliance risk, competition, reliance on certain members of management staff, failure of information systems, reliance on the use of significant estimates, internal control risks and health and safety risks. These were set out on pages 15-16, 21-26 and 28 of the 2007 annual report. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest of the year. For the remainder of the year the Board considers the main areas of risk and uncertainty that could impact profitability to be the general economy and consumer demand in particular.

During the period, following a change in case law, the group received a refund of VAT amounting to £14.9 million including interest. In common with other companies in the industry the group is in discussion with HM Revenue and Customs over a number of issues arising from recent developments in case law, the treatment of partial exemption within our finance and insurance operations and the VAT treatment of sales of vehicles to certain disabled customers. Additional amounts of VAT receivable and payable may be recognised in future periods in relation to these outstanding matters and, although these amounts, if any, could potentially be significant it is not possible at present to quantify them. Accordingly, no further gain or loss has been included in these interim financial statements.

Current Trading and Prospects

In our pre close statement we said that markets would be difficult to predict for the remainder of this year. Since making this statement we have seen unexpected and significant downward movements in wholesale prices for used cars in June through to August due to falling retailer and consumer confidence in the UK. We continue to believe, like most commentators, that trading conditions in the UK will continue to be difficult for the remainder of this year and throughout 2009.

As a consequence we have reacted quickly taking action to reduce our operating costs in line with current levels of activity in the market. This should enable the year to end in profit, albeit significantly down on last year, and be cash generative to maintain borrowings at acceptable levels. The full effect of the actions we have taken on cost reductions will come through in 2009 when we should see improvements in margins and profitability subject to no further significant downturn in our markets.

TREVOR FINN
Chief Executive
28 August 2008

Condensed Consolidated Income Statement

Interim Results
for the six months ended 30 June 2008

	6 Months to 30.06.08 £m	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Continuing operations			
Revenue	**2,477.6**	2,702.4	5,060.2
Cost of sales	**(2,156.8)**	(2,347.2)	(4,387.5)
Gross profit	**320.8**	355.2	672.7
Operating expenses	**(281.7)**	(300.7)	(585.4)
Operating profit before other income	**39.1**	54.5	87.3
Operating profit before other income, analysed as:			
Operating profit before exceptional items and other income	**41.8**	61.3	94.1
Goodwill impairment (note 6)	**(6.8)**	(6.8)	(6.8)
Other impairment (note 6)	**(2.5)**	-	-
Exceptional VAT refund (note 6)	**6.6**	-	-
Operating profit before other income	**39.1**	54.5	87.3
Other income – gain on sale of businesses and property	**2.1**	7.6	18.5
Operating profit	**41.2**	62.1	105.8
Finance expenses (note 9)	**(41.1)**	(40.3)	(83.5)
Finance income	**12.2**	11.5	23.4
Exceptional interest income on VAT refund (note 6)	**8.3**	-	-
Total finance income (note 10)	**20.5**	11.5	23.4
Net finance costs	**(20.6)**	(28.8)	(60.1)
Share of post tax profit from joint venture	**0.5**	0.2	0.8
Profit before taxation	**21.1**	33.5	46.5
Income tax expense (note 11)	**(8.1)**	(4.2)	(3.3)
Profit from continuing operations	**13.0**	29.3	43.2
Discontinued operation			
Loss from discontinued operation (net of income tax) (note 8)	**-**	(1.5)	(2.1)
Profit attributable to equity shareholders	**13.0**	27.8	41.1
Earnings per share			
Basic earnings per ordinary share (note 13)	**2.0p**	4.4p	6.5p
Diluted earnings per ordinary share (note 13)	**2.0p**	4.3p	6.4p
Continuing operations			
Basic earnings per ordinary share (note 13)	**2.0p**	4.6p	6.8p
Diluted earnings per ordinary share (note 13)	**2.0p**	4.5p	6.7p
Dividends			
Dividend per share – interim (note 12)	**0.5p**	2.0p	2.0p
Dividend per share - final			2.0p

All amounts are unaudited

Condensed Consolidated Balance Sheet

	30.06.08	30.06.07	31.12.07
	£m	£m	£m
Non-current assets			
Property, plant and equipment	**376.5**	394.3	385.1
Goodwill	**419.8**	425.9	427.2
Other intangible assets	**2.0**	1.2	2.1
Investment in joint venture	**5.9**	3.4	4.0
Total non-current assets	**804.2**	824.8	818.4
Current assets			
Inventories	**842.7**	812.2	786.5
Trade and other receivables	**248.3**	274.7	205.9
Cash and cash equivalents	**71.5**	76.0	52.6
Assets classified as held for sale	**55.7**	53.1	59.7
Total current assets	**1,218.2**	1,216.0	1,104.7
Total assets	**2,022.4**	2,040.8	1,923.1
Current liabilities			
Interest bearing loans and borrowings	**(27.4)**	(8.4)	(81.8)
Trade and other payables	**(1,208.4)**	(1,207.2)	(1,081.2)
Deferred income	**(0.9)**	(0.9)	(0.9)
Current tax payable	**(20.7)**	(29.2)	(13.5)
Provisions	**(3.5)**	(3.5)	(3.5)
Total current liabilities	**(1,260.9)**	(1,249.2)	(1,180.9)
Non-current liabilities			
Interest bearing loans and borrowings	**(326.7)**	(345.9)	(297.2)
Derivative financial instruments	**(5.0)**	(11.3)	(5.6)
Deferred income	**(19.8)**	(20.7)	(20.2)
Deferred tax liabilities	**(56.0)**	(39.8)	(56.6)
Retirement benefit obligations	**(8.3)**	(31.2)	(13.8)
Provisions	**(8.0)**	(5.4)	(9.2)
Total non-current liabilities	**(423.8)**	(454.3)	(402.6)
Total liabilities	**(1,684.7)**	(1,703.5)	(1,583.5)
Net assets	**337.7**	337.3	339.6
Capital and reserves			
Called up share capital	**32.8**	32.8	32.8
Share premium account	**56.8**	56.8	56.8
Capital redemption reserve	**2.5**	2.5	2.5
Hedging reserve	**1.4**	-	-
Other reserves	**12.6**	12.6	12.6
Translation reserve	**(0.5)**	(0.3)	(0.4)
Retained earnings	**232.1**	232.9	235.3
Total equity attributable to equity holders of the Company	**337.7**	337.3	339.6

All amounts are unaudited

Condensed Consolidated Cash Flow Statement

	6 Months to 30.06.08 £m	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Cash flows from operating activities			
Profit for the period	**13.0**	27.8	41.1
Adjustment for income from joint venture	**(0.5)**	(0.2)	(0.8)
Adjustment for net financing expense	**20.6**	29.4	60.9
Adjustment for taxation	**8.1**	4.2	3.3
	41.2	61.2	104.5
Profit on sale of businesses and property	**(2.1)**	(7.3)	(18.0)
Depreciation and amortisation	**30.0**	30.1	59.3
Share based payments	**0.2**	0.7	-
Goodwill impairment	**6.8**	6.8	6.8
Decrease in working capital	**18.3**	37.2	7.4
Cash generated from operations	**94.4**	128.7	160.0
Interest paid	**(32.0)**	(27.7)	(64.5)
Interest received	**9.4**	0.5	1.3
Taxation paid	**-**	(3.6)	(4.8)
Net cash from operating activities	**71.8**	97.9	92.0
Cash flows from investing activities			
Business acquisitions, net of cash acquired	**-**	-	(16.3)
Proceeds from sale of businesses, net of cash disposed	**3.1**	17.9	20.6
Purchase of investment in joint venture	**-**	(0.1)	(0.2)
Purchase of property, plant and equipment	**(77.6)**	(98.2)	(163.8)
Proceeds from sale of property, plant and equipment	**60.5**	77.4	134.6
Receipts / (payments) from sales / purchases of investments	**0.1**	(0.4)	(0.2)
Net cash used in investing activities	**(13.9)**	(3.4)	(25.3)
Cash flows from financing activities			
Payment of capital element of finance lease rentals	**(2.2)**	(2.4)	(5.4)
Repayment of unsecured bank loans	**(24.0)**	(21.5)	(20.0)
Repayment of loan notes	**(0.1)**	(1.3)	(7.8)
Proceeds from issue of unsecured loans	**-**	-	25.0
Dividends paid to shareholders	**(12.7)**	(12.7)	(25.4)
Net cash used in financing activities	**(39.0)**	(37.9)	(33.6)
Effects of exchange rate changes on cash held	**-**	(0.3)	(0.2)
Net increase in cash and cash equivalents	**18.9**	56.3	32.9
Opening cash and cash equivalents	**52.6**	19.7	19.7
Closing cash and cash equivalents (note 16)	**71.5**	76.0	52.6

Condensed Consolidated Statement of Recognised Income and Expense

	6 Months to 30.06.08 £m	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Foreign currency translation differences for foreign operations	**(0.1)**	-	(0.1)
Effective portion of changes in fair value of cash flow hedges	**1.4**	-	-
Defined benefit plan actuarial gains and losses	**(5.2)**	22.7	28.3
Income tax on income and expense recognised directly in equity	**1.4**	(6.8)	(8.5)
Income and expense recognised directly in equity	**(2.5)**	15.9	19.7
Profit for the period	**13.0**	27.8	41.1
Total recognised income and expense for the period attributable to equity holders of the Company	**10.5**	43.7	60.8

Notes

1. Pendragon PLC is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'group') and the group's interest in jointly controlled entities.

2. Statement of compliance

   These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

   These condensed consolidated interim financial statements were approved by the board of directors on 28 August 2008 and are unaudited.

3. This interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2007.

4. Estimates

   The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

   Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2007.

   During the six months ended 30 June 2008 management reassessed its estimates and assumptions in respect of employee post retirement benefit obligations. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates and return on assets, details of which are provided in note 18 below.

5. The comparative figures for the financial year ended 31 December 2007 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

6. Exceptional items

   Exceptional items incurred during the first half of 2008 include £6.8 million in respect of impairment of goodwill on businesses scheduled for closure (2007 : £6.8 million). In addition, £2.5 million of property impairments are recognised on properties held for sale where the fair value less costs to sell is lower than the carrying amounts.

   The VAT refund of £6.6 million and associated interest receipt of £8.3 million represented a claim in respect of VAT overpaid on demonstrator vehicles in the period 1973 to 1996.

7. Segmental Analysis

Continuing operations	**6 Months to 30.06.08 £m**	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Revenue			
Stratstone	**970.2**	1,098.3	2,079.1
Evans Halshaw	**1,363.0**	1,450.3	2,690.9
Chatfields	**102.6**	99.4	197.9
Contracts	**15.7**	22.0	29.0
Parts	**22.4**	28.3	54.8
Technology	**3.7**	4.1	8.5
Revenue from external customers	**2,477.6**	2,702.4	5,060.2
Result			
Stratstone	**15.1**	22.1	35.4
Evans Halshaw	**13.8**	17.8	30.6
Chatfields	**3.0**	2.5	4.8
Contracts	**6.2**	4.6	10.3
Parts	**0.1**	3.5	5.4
Technology	**3.6**	4.0	8.1
Central	**(0.6)**	7.6	11.2
Result by segment	**41.2**	62.1	105.8
Finance costs	**(20.6)**	(28.8)	(60.1)
Share of profit of joint venture	**0.5**	0.2	0.8
Income tax expense	**(8.1)**	(4.2)	(3.3)
Profit for period	**13.0**	29.3	43.2

8. Discontinued operation

During the previous year, on 30 June 2007, the Group sold the trading assets of all its German based motor vehicle dealerships. The results of this business were reported as a discontinued operation in the financial statements for the six month period ended 30 June 2007 and for the year ended 31 December 2007.

Results of discontinued operation	**6 Months to 30.06.08 £m**	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Revenue	**-**	20.3	20.3
Expenses	**-**	(21.5)	(21.9)
Results from operating activities	**-**	(1.2)	(1.6)
Income tax expense	**-**	-	-
Results from operating activities net of income tax	**-**	(1.2)	(1.6)
Loss on sale of discontinued operation	**-**	(0.3)	(0.5)
Loss for the period	**-**	(1.5)	(2.1)

9. Finance costs

	6 Months to 30.06.08 £m	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Interest expense:			
Interest payable on bank borrowings	**8.9**	9.5	19.1
Interest payable on loan notes	**4.8**	4.5	9.4
Debt issuance costs	**0.4**	0.5	1.1
Vehicle stocking plan interest	**15.1**	15.8	32.9
Interest payable on finance leases	**0.3**	-	0.6
Interest on pension scheme obligations	**9.5**	9.0	17.9
Less interest capitalised	**-**	-	(0.1)
	39.0	39.3	80.9
Fair value loss – interest rate swaps	**-**	-	0.1
Unwinding of discounts in contract hire residual values	**2.1**	1.0	2.5
Total finance costs	**41.1**	40.3	83.5

10. Finance income

	6 Months to 30.06.08 £m	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Fair value gains – interest rate swaps	**0.3**	**-**	-
Interest receivable on bank deposits	**1.1**	0.5	1.3
Interest on pension scheme assets	**10.8**	11.0	22.1
Exceptional interest income on VAT refund (note 6)	**8.3**	-	-
Total finance income	**20.5**	11.5	23.4

11. Based upon the anticipated profit on ordinary activities before taxation for the full year, the effective tax rate for 2008 is estimated at 38.4% (2007 : 7.1%). The effective rate for 2008 is higher than the current UK tax rate due to the relatively high value of expenses recognised in the income statement that are not tax deductible (namely goodwill impairment and depreciation on showrooms). The impact of the Finance Act 2007 resulted in a one-off reduction on the deferred tax liability for 2007 due to the removal of balancing adjustments on the disposal of industrial buildings and a reduction in the tax rate from April 2008 onwards from 30% to 28%. The amount of this reduction in 2007 was £5.9m and due to its one-off nature was deemed exceptional.

12. A final dividend in respect of 2007 of 2.0p (2006 : 2.0p) per ordinary share amounting to £12.7 million was paid on 7 May 2008. An interim dividend of 0.5p (2007 : 2.0p) net per ordinary share will be paid on 3 October 2008 to shareholders appearing on the register at the close of business on 5 September 2008.

13. Earnings per share

	6 Months to 30.06.08 pence	6 Months to 30.06.07 pence	12 Months to 31.12.07 pence
Basic earnings per share - continuing operations	**2.0**	4.6	6.8
Basic earnings per share - discontinued operation	**-**	(0.2)	(0.3)
Basic earnings per share	**2.0**	4.4	6.5
Effect of adjusting items	**(0.5)**	(0.9)	(2.4)
Adjusted earnings per share	**1.5**	3.5	4.1
Diluted earnings per ordinary share - continuing operations	**2.0**	4.5	6.7
Diluted earnings per ordinary share – total	**2.0**	4.3	6.4

The calculation of basic, diluted and adjusted earnings per share is based on:

Number of shares (millions)	**30.06.08 number**	30.06.07 number	31.12.07 number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**636.0**	634.9	635.2
Weighted average number of dilutive shares under option	**1.2**	9.8	6.6
Diluted weighted average number of shares used in diluted earnings per share calculation	**637.2**	644.7	641.8

Earnings	**6 Months to 30.06.08 £m**	6 Months to 30.06.07 £m	12 Months to 31.12.07 £m
Continuing operations	**13.0**	29.3	43.2
Discontinued operation	**-**	(1.5)	(2.1)
Earnings for basic and diluted earnings per share calculation	**13.0**	27.8	41.1
Adjusting items:			
Profit on business and property disposals	**(2.1)**	(7.3)	(18.0)
Goodwill impairment	**6.8**	6.8	6.8
Other impairment	**2.5**	-	-
Exceptional VAT refund (note 6)	**(6.6)**	-	-
Exceptional interest income on VAT refund (note 6)	**(8.3)**	-	-
Exceptional deferred tax credit (note 11)	**-**	(5.9)	(7.7)
Tax effect of adjusting items	**4.1**	0.6	4.0
Earnings for adjusted earnings per share calculation	**9.4**	22.0	26.2

The directors consider that the adjusted earnings per share figures provide a better measure of comparative performance.

References to profit before tax and exceptional items in this statement are calculated from the earnings for adjusted earnings per share calculation above, excluding tax.

14. Acquisitions and disposals

During the period the group has disposed of 3 motor vehicle dealerships and the trade and assets of the Extra Leasing business. These sales generated proceeds of £3.1 million and a profit on disposal of £0.7 million. In addition the group sold properties generating proceeds of £5.3 million and profits of £1.4 million.

Capital expenditure in relation to new property and development of existing properties amounted to £6.8 million. Other capital expenditure and disposals relate principally to motor vehicles.

15. Assets held for sale

The group holds a number of freehold properties that are currently being marketed for sale which are expected to be disposed of during the next 12 months. Impairment losses of £2.5 million have been recognised in the income statement for the six months to 30 June 2008 (2007 : £nil) on remeasurement of these properties to the lower of their carrying amount and their fair value less costs to sell.

In addition the non current assets of a motor vehicle dealership have also been classified as being held for sale. This business, part of the Stratstone segment, was sold during July 2008. Proceeds on sale of this business were £3.4 million. No impairment

losses have been recognised on the classification of this operation being held for sale.

During the period to 30 June 2008 non-current assets classified as held for sale disposed of realised a profit of £1.1 million.

The major classes of assets comprising the assets held for sale are:

	30.06.08	30.06.07	31.12.07
	£m	£m	£m
Goodwill	**0.6**	-	-
Property, plant and equipment	**55.1**	53.1	59.7
	55.7	53.1	59.7

16. Cash and cash equivalents

	30.06.08	30.06.07	31.12.07
	£m	£m	£m
Bank balances and cash equivalents	**71.5**	76.0	52.6

17. Net borrowings

	30.06.08	30.06.07	31.12.07
	£m	£m	£m
Cash and cash equivalents (note 16)	**71.5**	76.0	52.6
Current interest bearing loans and borrowings	**(27.4)**	(8.4)	(81.8)
Non-current interest bearing loans and borrowings	**(326.7)**	(345.9)	(297.2)
Derivative financial instruments	**(5.0)**	(11.3)	(5.6)
	(287.6)	(289.6)	(332.0)

18. Reserves

	Share capital	Share premium	Hedging and other reserves	Translation differences	Accumulated profit	**Total**
	£m	£m	£m	£m	£m	**£m**
Balance at 1 January 2007	32.8	56.8	15.1	(0.3)	201.6	**306.0**
Total recognised income and expense for 2007	-	-	-	(0.1)	60.9	**60.8**
Dividends	-	-	-	-	(25.4)	**(25.4)**
Share based payments	-	-	-	-	(1.6)	**(1.6)**
Disposal of own shares in share trusts	-	-	-	-	1.0	**1.0**
Acquisition of own shares in share trusts	-	-	-	-	(1.2)	**(1.2)**
Balance at 31 December 2007	32.8	56.8	15.1	(0.4)	235.3	**339.6**
Balance at 1 January 2008	32.8	56.8	15.1	(0.4)	235.3	**339.6**
Total recognised income and expense for 6 months to 30 June 2008	-	-	1.4	(0.1)	9.2	**10.5**
Dividends	-	-	-	-	(12.7)	**(12.7)**
Share based payments	-	-	-	-	0.2	**0.2**
Disposal of own shares in share trusts	-	-	-	-	0.1	**0.1**
Balance at 30 June 2008	32.8	56.8	16.5	(0.5)	232.1	**337.7**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

19. Pension Scheme Obligations

The net liability for defined benefit obligations has decreased from £13.8 million at 31 December 2007 to £8.3 million at 30 June 2008. The decrease of £5.5 million comprises contributions of £9.4 million, a credit to the income statement of £1.3 million and a net actuarial loss of £5.2 million. The net actuarial loss has arisen in part to changes in the principal assumptions used in the valuation of the scheme's assets and liabilities over those used at 31 December 2007. The assumptions subject to change are the

discount rate 6.8% (2007 : 6.0%), Inflation rate 3.9% (2007 : 3.2%) and the rate of increase in pensions in payment to 4.0% to 2.5% (2007 : 3.7% to 2.3%).

20. Related Party Transactions

There have been no new related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the group during that period and there have been no changes in the related party transactions described in the last annual report that could do so.

21. Contingent liabilities

During the period, following a change in case law, the group received a refund of VAT amounting to £14.9 million including interest. In common with other companies in the industry the group is in discussion with HM Revenue and Customs over a number of issues arising from recent developments in case law, the treatment of partial exemption within our finance and insurance operations and the VAT treatment of sales of vehicles to certain disabled customers. Additional amounts of VAT receivable and payable may be recognised in future periods in relation to these outstanding matters and, although these amounts, if any, could potentially be significant it is not possible at present to quantify them. Accordingly, no further gain or loss has been included in these interim financial statements.

22. Events after the balance sheet date

During July 2008 property and business sales realised proceeds of £7.0 million.

Responsibility Statement

We confirm to the best of our knowledge:

(a) The condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union;
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therin)

By order of the Board,

TG Finn
Chief Executive,

DR Forsyth
Finance Director

Independent Review Report to Pendragon PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement, Condensed Consolidated Statement of Recognised Income and Expense and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
Birmingham
28 August 2008