PENDRAGON
PLC

Interim Management Statement

This Interim Management Statement by Pendragon PLC covers the period from 1 July 2011 to 18 October 2011. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2011.

Summary

Despite the increasingly challenging macro-economic environment and continued economic uncertainty the underlying trading performance remains in line with our expectations for the full year.

Trading Update

Aftersales remains the core area of profitability. The Group is committed to enhancing profitability in this area through the Vehicle Health Check programme together with a number of other initiatives. In the third quarter of 2011, aftersales turnover declined by just over 2%, in line with the national car parc reduction. Gross profit margin in the quarter improved by 110 basis points over the prior year, with gross profit flat for the quarter.

The Group's successful used car strategy has been further demonstrated in the quarter with significant volume growth over the prior year. In the third quarter, like for like used car volumes were up by 18.0%. No national data for the third quarter of 2011 is currently available but the most recent data from Experian showed a 1.1% reduction in volume during the second quarter of 2011. During July and August the Group had observed a decline in margin against the prior year. However, used car margin has recovered strongly in September and we expect to see the normal seasonal patterns in used car margin in the fourth quarter. Overall like for like used retail gross profit in the nine months to date was 1.2% ahead of the prior period.

In the new car segment, for the brands we represent within Stratstone, national retail registrations fell by 11.3% in the quarter, whereas our new retail sales fell by only 10.3%. For the brands we represent within Evans Halshaw, national retail registrations fell by 13.3% in the quarter whereas our new retail sales fell by only 10.8%. New retail margin has been maintained in the period.

The California business continues to outperform the prior year as a result of used and new performance and we foresee this continuing during the remainder of the year. The support businesses continue to generate steady profit streams and we believe that they will outperform the prior year.

Financial Update

Working capital management and net debt were broadly in line with our expectations for the period, accordingly we expect the Debt:EBITDA ratio at the year end to be line with the target of 2.0 set at the time of the rights issue.

Outlook

Despite the increasingly challenging macro-economic environment and continued economic uncertainty, underlying trading performance remains in line with our expectations for the full year. Used performance continues to be a differentiator for the Group and we believe this will continue in the final quarter with further recovery in used margin. The new retail car market is challenging, particularly for some of our franchises in the volume sector. However, we expect stronger performance from some of our prestige franchises in the fourth quarter.

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