



INTERIM MANAGEMENT STATEMENT

This Interim Management Statement by Pendragon PLC covers the period from 1 July 2013 to 27 October 2013. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2013.

SUMMARY

Following continued performance improvement, the Group is now anticipating to be materially ahead of expectations for the full year. The Group is pleased with progress across all areas with gross and departmental profit ahead in each of our key sectors of aftersales, used and new. The improved performance of the Group is due to a combination of the strategic initiatives which we have embedded in the business, and improved market conditions.

TRADING UPDATE

The Group is focussed on growing aftersales, used vehicles and new vehicles to enhance profitability of the business.

The aftersales sector encompasses the service, maintenance and repair of motor vehicles and is determined by the size and age of the national vehicle parc. Following a period of decline, the national parc of vehicles under three years old has been increasing due to growth in the new vehicle market. The Group's key measure of aftersales growth is the movement in retail labour sales activity. In the period, the Group increased retail labour sales by 2.9% and overall gross profit increased by 6.4% on a like for like basis.

The used sector comprises the selling of vehicles from one party to another for all vehicles except newly registered vehicles. The used market has been stable, with a market opportunity of 6.7 million vehicles for the rolling 12 months to the 30 June 2013 (the latest available data). The Group continues to differentiate itself in this area achieving a 17th successive quarter of growth in volume and continues to grow market share. In the period, the Group's like for like used units increased by 9.7% with year to date growth of 8.9%. Gross margin remained stable in the period.

The new sector consists of the first registration of cars and commercial vehicles. The new car market has been strong in the UK for the whole year. For the nine months ended 30 September 2013, new retail registrations increased by 16.7% and the total market increased by 10.8%. In the same nine month period for the brands that the Group represents in the UK, the new retail car market increased by 19.1% and the total car market increased by 11.1%. Overall, for our UK businesses, our retail volume increased by 19.4% and our overall new volume increased by 15.6% for the nine month period.

The California business has had a strong year, largely due to the success of Land Rover. The business has grown in all departments, in particular within the new department.

Quicks has recorded a small increase in volume in the third quarter, offset by a slight decline in margin. Overall, the year to date loss in this business is £1.6m less than the prior year.

The Support businesses of Pinewood, Contracts and Quickco continue to generate steady profit streams for the Group.

We remain focussed on our retail proposition directly with our customers and enhancing the online experience for them at stratstone.com, evanshalshaw.com and quicks.co.uk. Online website visits are up 23.5% over the prior year for the nine months ended 30 September 2013.

FINANCIAL UPDATE

The Group's balance sheet remains in a strong position following the comprehensive refinancing and debt reduction as reported at the interim results. The Group is expected to have a debt : underlying EBITDA ratio of less than 1.5 times at 31 December 2013. The Group is extremely well placed, with a strong balance sheet and long-term financing secured.

OUTLOOK

The Group has continued to make significant progress during the year. We are pleased that the processes and initiatives that the Group put in place over the last five years are driving profitability.

Market conditions have been favourable this year. Whilst the outlook to next year remains promising, we expect that aftersales recovery, driven by new car sales, will continue to be modest and the used car market will remain broadly flat. The SMMT's expectation for new car sales in 2014 is expected to be updated shortly; currently the SMMT predict a growth rate of 1% in 2014.

Profitability in 2013 is expected to be materially ahead of expectations for the full year and we are cautiously optimistic about the prospects for 2014.

ENQUIRIES

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