



INTERIM MANAGEMENT STATEMENT

This Interim Management Statement for Pendragon PLC, the largest and leading automotive retailer in the UK, covers the period from 1 January 2014 to 29 April 2014. Unless otherwise stated, figures quoted in this statement are for the three months ended 31 March 2014.

HIGHLIGHTS

- Improved profitability has continued into quarter one 2014 and we therefore expect our underlying profit to be comfortably ahead of expectations for 2014.
- Our market leading internet position in the used vehicle sector has delivered improved gross profitability of 19% (like for like), contributing to nearly half of the gross profit improvement of the Group in the period.
- Aftersales gross profitability has increased by 6% (like for like) resulting from our self-help initiatives and the continuing upward market trend.
- New gross profitability has increased by 13% (like for like), reflecting our large and balanced portfolio.
- In the period we grew gross profit by 12% and benefitted from operating leverage with operating profit growing by 31%. Comparators will become tougher during the remainder of the year.
- Visitors to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 16.4%.

TREVOR FINN, CHIEF EXECUTIVE, COMMENTED:

“The key areas of our business are performing ahead of expectations in the first quarter of 2014. Our profits have again grown in our used and new vehicle and aftersales departments. An improvement in operating leverage boosted the bottom line. The highlight of the quarter is our market leading internet position in the used vehicle sector, as we achieved a 19th successive quarter of growth in used volume, coupled with an increase in margin.

We therefore expect our 2014 underlying profit to be comfortably ahead of expectations for 2014.”



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TRADING UPDATE

We operate our core business in the used, aftersales and new vehicle sectors under the brands of Stratstone.com, Evanshalshaw.com and Quicks.co.uk. We also have a number of support businesses in the associated markets of dealer IT systems, vehicle leasing and parts.

We are seeing the positive impacts of the investment in our business model transformation expensed in 2013 which has benefitted operating leverage in quarter one 2014. Gross profit has grown by 12.5% in the period but our operating profit has increased by 30.5%.

The development of our online presence continues to bear fruit and we are pleased to report that visitors to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 16.4% in the period. We expect to have 15 million website visitors by the year end, which will be more than double that recorded in 2010. The Group achieved a milestone in January 2014, with over one million visitors to Evanshalshaw.com.

The used sector comprises the selling of vehicles from one party to another for all vehicles except newly registered vehicles. The UK used market grew by 0.9%, with a market opportunity of 6.8 million vehicles for the 12 months ended 31 December 2013 (the latest available data) following the peak of the 7.6 million unit market in 2006. We expect continued stronger growth in the used car market in 2014. We achieved a 19th successive quarter of growth in volume, with like for like used volume up by 5.2% in the quarter. In the period, the Group's like for like gross margin improved by 50 basis points, so overall used gross profit increased by a significant 19.4% on a like for like basis. Profitability from our used car sales represents nearly half of our gross profit improvement for the Group in the period.

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.

Our overall gross profit within aftersales has increased by 5.8% on a like for like basis. Our key performance indicator for aftersales is retail labour sales growth. In 2013, the Group's retail labour sales increased by 1.3% on a like for like basis, the first increase since 2008. In the first quarter of 2014, the Group's retail labour sales increased further by 3.6% on a like for like basis. The key segment of the less than three year old vehicle parc grew by 4% in 2013 and we expect this to continue to grow in 2014. Our aftersales activities are underpinned by initiatives such as the selling of service plans, value pricing and Vehicle Health Checks.

The new sector consists of the first registration of cars and commercial vehicles.

The new car market continues to perform strongly in the UK, with registrations up 13.7% in the period. For the brands we represent from Stratstone.com and Evanshalshaw.com, the market increased by 12.4%. The new retail market registrations for the brands we represent was up 17.7% in the period. Our overall new sales volume increased by 9.3% for the quarter and our UK retail sales volume increased by 6.4%. Our data relates to sales, whereas the UK market data relates to registrations. Our new car margin improved by 50 basis points over the prior year. We improved our like for like gross profit by 12.5% in the period.



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TRADING UPDATE *CONTINUED*

Our California business continues to perform strongly, with the continued success of the Land Rover franchise and we expect this to be maintained in 2014. Quicks is performing marginally ahead of the prior year and grew used volumes by 9.4% in the period.

Our Support businesses of Pinewood, Contracts and Quickco continue to generate steady profit streams for the Group and overall are in line with the prior year. We are expecting the Quickco business to perform somewhat below last year due to a change in commercial terms with its major manufacturer partner.

FINANCIAL UPDATE

Our balance sheet remains strong and we expect the debt : underlying EBITDA ratio to remain comfortably at the lower end of our target range of 1.0 to 1.5 times. At 31 December 2013 our debt : underlying EBITDA ratio was 1.2 times. The target range has been set in the light of our expected ongoing cash flow generation and is designed to give the flexibility to maintain shareholder value growth by returning cash to shareholders, whilst at the same time allowing us to assess and pursue appropriate expansion opportunities or otherwise continue with debt reduction.

OUTLOOK

As the largest and leading automotive retailer in the UK, we have delivered strong results in the first quarter of 2014. Overall, our business is delivering against our strategy of growth within the used and aftersales sectors, maintaining a balanced portfolio in new whilst delivering first class customer service. We are particularly pleased to report strong operational gearing in the period, which will help to underpin positive momentum in 2014. Given the significant progress, we expect that we will be comfortably ahead of expectations for 2014.

ENQUIRIES

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