

Interim Results

Wednesday 30 July 2003

Peter Smith

Chairman

Andy Harrison

Chief Executive

- Profit before tax* up 30% from £33.2m to £43.1m
 - excluding £6.7m additional Leyland margin, up 10%
- EPS on this basis up 30% from 20.9p to 27.2p
- Net cashflow £52m
- Debt reduced to £103m - (December 2002 £155m)
- Dividend increased by 5.4% to 9.7p

*pre exceptionals and goodwill amortisation

Consumer

- Roadside sales up 8%
- Non-roadside sales up 12% *
- Profits increase by 15% to £25.7m *

Business Services

- LVL profits up by 16%
- RAC Business Solutions sales up 12%
- New contract wins : revenues of £482m

Manufacturer Support Services

- Delivering cash value from Paccar contracts
- Solid performance from Hyundai - registrations up 11%

* Like for like - excludes Autocentres

Profits:

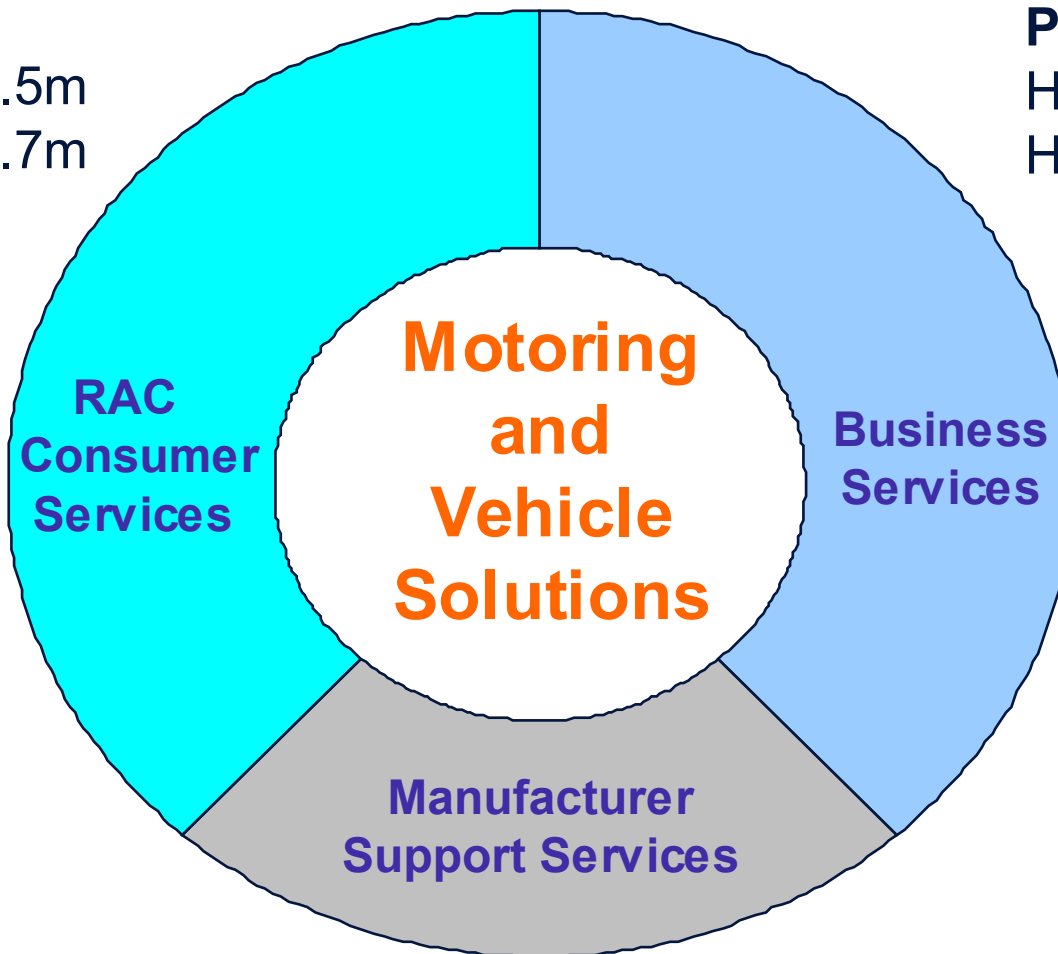
H1 2002 £21.5m

H1 2003 £25.7m

Profits:

H1 2002 £8.8m

H1 2003 £8.7m



**Motoring
and
Vehicle
Solutions**

**RAC
Consumer
Services**

**Business
Services**

**Manufacturer
Support Services**

Profits:

H1 2002 £10.6m

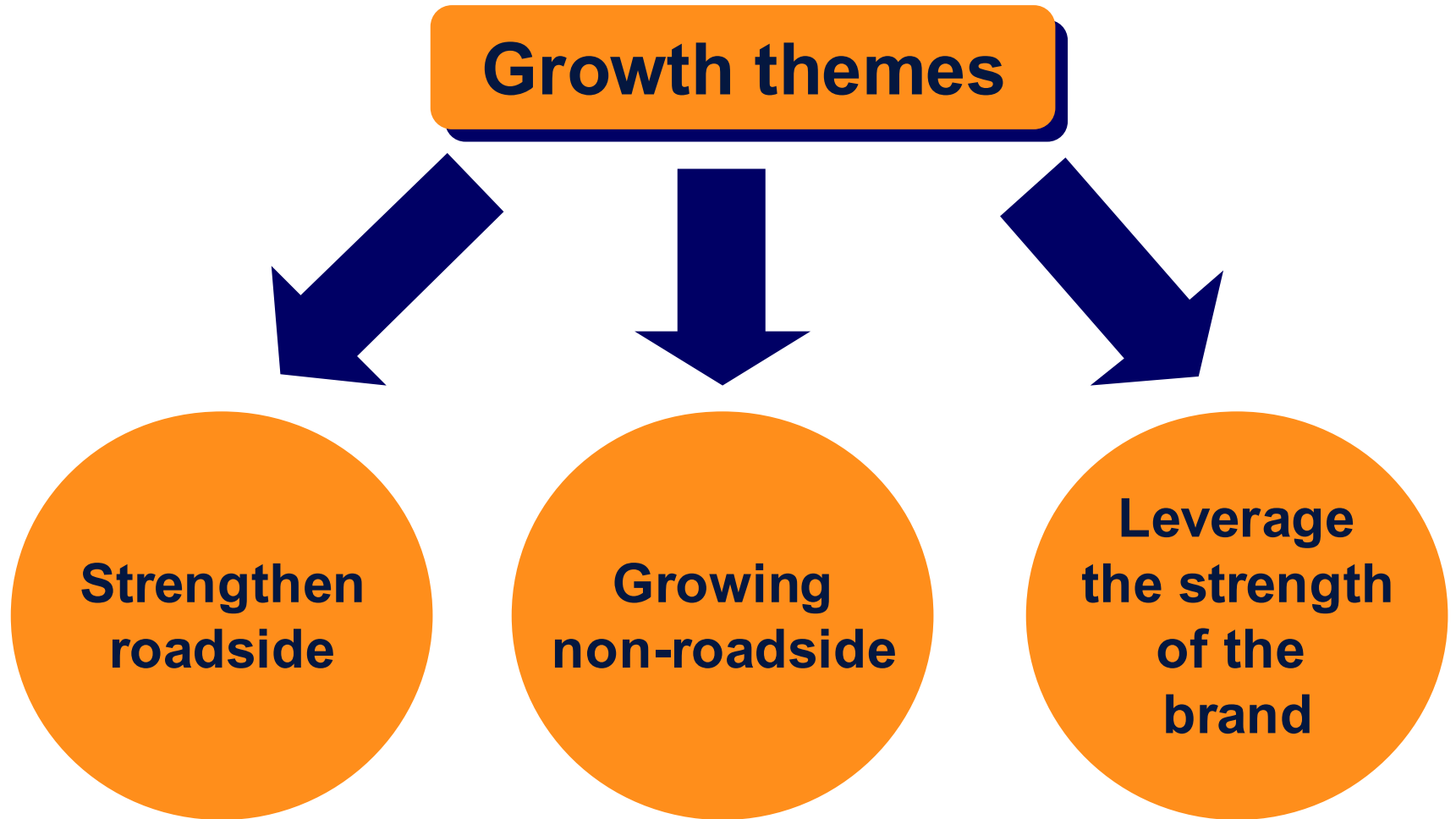
H1 2003 £17.5m*

* including £6.7m additional
Leyland margin

£m	H1 <u>2002</u>	H1 <u>2003</u>	<u>Growth</u>
Revenue			
Roadside	89.2	96.6	8%
Non-roadside*	25.0	28.1	12%
RAC Auto Windscreens	49.6	48.9	-1%
Total*	163.8	173.6	6%
Profits*	22.3	25.7	15%

* Like for like - excludes Autocentres





	<u>H1</u> <u>2002</u>	<u>H1</u> <u>2003</u>	<u>Growth</u>
Revenue	£89.2m	£96.6m	8%
Membership	2.08m	2.19m	5%
Renewal rate	83%	83%	-

- Average revenue per member increases by 4%
- RAC Solutions launched July 2003
- Better service delivery
 - iCAD and rapid deployment trailers working well
 - Improved fix rates, response times and customer satisfaction

BSM

Sales up 14% to £16.1m (H1 2002 £14.1m)

- profits increase by 27%
- number of instructors increases by 11%

Legal Services

Sales up 32% to £4.9m (H1 2002 £3.7m)

- profits increase by 24%
- 1.05m legal expense policies sold (up 14%)
- 9.6k personal injury claims handled (up 25%)

Financial Services

Sales: H1 2002 £1.6m : H1 2003 £1.5m

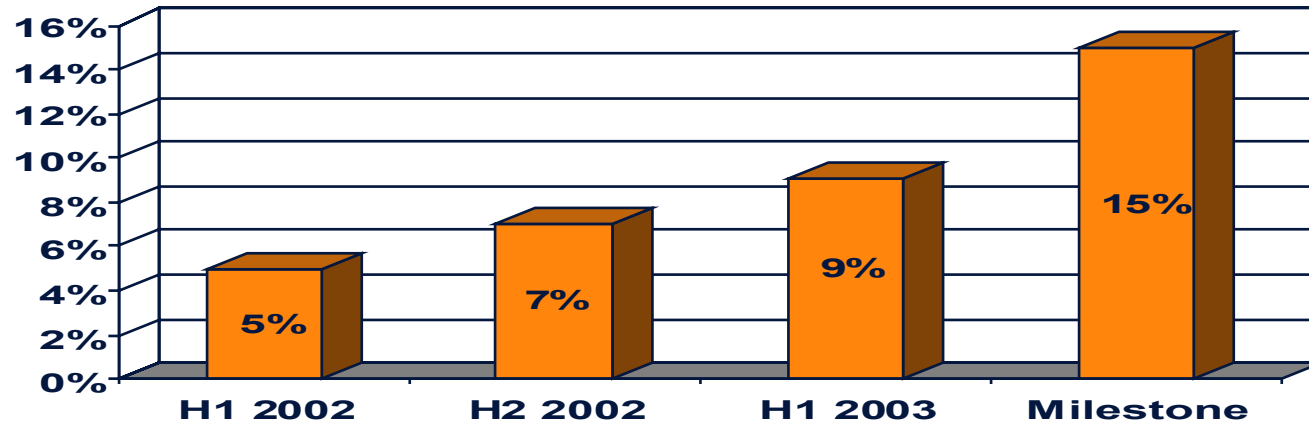
- remodeled arrangement with Axa commenced January 2003
- infrastructure now in place
- RAC Insure launched - full panel offering

RAC Auto Windscreens

Sales: H1 2002 £49.6m : H1 2003 £48.9m

- sales flat, profits down 4%
- senior management changes implemented

Customers buying more than one product:



CCM

- Customer data warehouse in place
- Implementation testing now underway
- Legacy systems to be retired late Autumn
- £1.1m benefits already delivered; £1.7m dual running costs

Business Services - trading profit

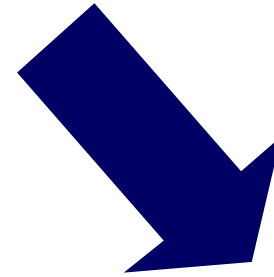
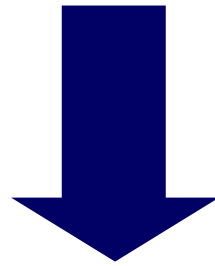
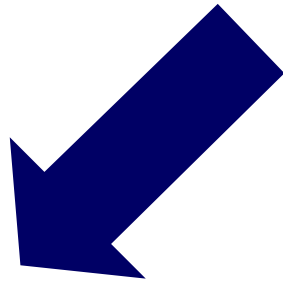
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£m	<u>H1 2002</u>	<u>H1 2003</u>
RAC Business Solutions	0.4	0.8
Lex Vehicle Leasing	8.2	9.5
Lex Industrial Solutions	0.2	-1.6
Manufacturer Support Services	10.6	17.5 *
	19.4	26.2

* including £6.7m additional Leyland margin



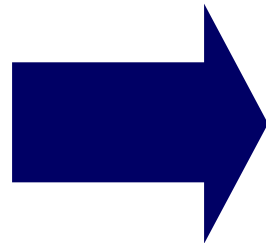
Growth themes



**Grow
individual
businesses**

**Grow
big
relationships**

**Leverage
our
capabilities**



Target sectors



Growing our major customers - MoD

Sales: 1999 £ 11m - 2003 £72m (annualised)

	RAC Consumer	RAC Business Solutions	Lex Vehicle Leasing	Lex Transfleet	Lex Auto Logistics
White Fleet					
- Contract hire			▶	▶	
- Fleet mgmt		▶	▶	▶	
Driver training	▶				
Parts supply					▶
And potentially:					
- 'C' Vehicles		▶		▶	▶
- Airside Support		▶		▶	▶

Growing our major customers - NU

Sales: 1999 £ 18m - 2003 £45m (annualised)

	RAC Consumer	RAC Business Solutions	Lex Auto Logistics
Breakdown		▶	
Claims Management		▶	
Driver Training	▶		
Legal Services	▶		
Accident repair centres, parts supply			▶
Windscreens	▶		

£m	H1 <u>2002</u>	H1 <u>2003</u>	<u>Growth</u>
Revenue	70.3	78.7	12%
Profit	0.4	0.8	Doubled

- Extending Norwich Union
- Supports breakdown infrastructure

£m	<u>H1</u> <u>2002</u>	<u>H1</u> <u>2003</u>	<u>Growth</u>
Revenue	95.2	102.5	8%
Profit	8.2	9.5	16%

- Margin improvement reflects higher quality business
- Fleet increases 4% to 99,600 (H2 2002 95,700)
- New systems investment delivering benefits

Lex Vehicle Leasing

- Only 69% of allocated provision utilised for the 11,100 vehicles returned in H1
- Remaining provision of £19m expected to fully cover current fleet
- Pricing new contracts assuming 10% reduction in residual values over next 3 years

Dividend value creation

- H1 2003 dividend £7m (H1 2002 £6m)
- RAC has received £65m of net dividends over 10 years
- Annual dividend represents 25% post tax return on RAC equity

£m	H1 <u>2002</u>	H1 <u>2003</u>
Revenue	104.0	103.2
Profit	0.2	-1.6

- Lex Transfleet continues strong progress
 - BA ground fleet services now operational - £230m, revenues over 10 years covering 6300 units
- Lex Mechanical Handling
 - restructuring and cost reduction in remaining businesses to minimise losses

- Paccar
 - DAF contract ended June 2003 - total Paccar income similar to 2002
 - additional Leyland margin £6.7m
 - expected to continue, at a declining level, to at least 2005
- Good progress in winning new business
 - parts supply for British Airways Ground Fleet Services
 - Unity - parts supply for NU accident repair network
- Good contract potential in a range of sectors

Hyundai

- Registrations up 11% in a flat market
- Increased market share (1.2% - H1 2002 1.1%)
- Improved model mix, margins sustained
- Parts and finance businesses continue to grow

£m	<u>H1 2002</u>	<u>H1 2003</u>
PBEIT	38.3	48.4
Interest	-5.1	-5.3
PBT(pre exceptionals and goodwill amortisation)	33.2	43.1
Operating exceptionals	-0.6	-
Goodwill amortisation	-3.6	-2.8
Exceptional items	-9.0	-24.9
PBT	20.0	15.4

	<u>H1 2002</u>	<u>H1 2003</u>
Interest cover	7.5	9.1
Interest cover – pre Leyland margin	7.5	7.9
Net debt/EBITDA	1.8	1.3
Tax rate on PBT*	28%	28%
EPS*	20.9p	27.2p
Dividend per share	9.2p	9.7p

* pre exceptionals and goodwill amortisation

£m	<u>H1 2002</u>	<u>H1 2003</u>
Operating profit before goodwill	26.5	37.1
Interest	-5.2	-5.9
Tax paid	-5.6	-3.1
Working capital	32.6	13.7
	48.3	41.8
Capital expenditure		
- net capex	-17.0	-18.0
- depreciation	12.7	14.3
	-4.3	-3.7
Net cash flow – non contract hire	44.0	38.1

Cash flow

£m	H1 <u>2002</u>	H1 <u>2003</u>
Non contract hire	44.0	38.1
Contract hire subsidiaries	-0.5	-3.9
Associates & joint ventures - dividends	7.5	8.9
Operating cash flow	51.0	43.1
Dividends paid	-15.1	-15.7
Net acquisition/disposal of businesses	3.8	22.4
Other	0.2	2.5
Cash inflow after financing	39.9	52.3

Strong cash flow

Balance sheet

£m	<u>Dec 2002</u>	<u>June 2003</u>
Fleet assets	143	42
Goodwill	506	503
Other fixed assets/investments	238	236
Working capital/other	-187	-199
Capital employed	700	582
Asset finance	-127	-50
Net capital employed	573	532
Net debt	-155	-103
Shareholders' funds	418	429

Closing net debt is after offsetting £34m of ring fenced cash and investments

- Continue to deliver growth in
 - RAC Consumer
 - Business Services; new contracts
- Complete RAC systems investment and deliver benefits
- Fix Mechanical Handling
- Implement pension changes

- **Continue to deliver growth in RAC Consumer**
 - Sales up 6%, profits up 15%
- **Continue to deliver growth in Business Services**
 - BA Ground Fleet Services,
 - LVL profits grow by 16%
- **Complete RAC systems investment and deliver benefits**
 - iCAD, CLAS and CCM delivering benefits
- **Fix Mechanical Handling**
 - disposals, restructuring in remaining businesses
- **Implement pension changes**
 - completed successfully

- Consumer
 - roadside: product innovation
 - non-roadside: continuing momentum
 - further systems benefits
- Business Services
 - extending successful record of contract wins
 - group capability a winning differentiator
 - LVL in good shape

**Full year performance
in line with expectations**

Additional Material
Interim Announcement
30 July 2003

£m	As reported	Additional Leyland margin	CCM /iCAD	Adjusted
Consumer	25.7		1.1	26.8
Business Solutions	0.8		0.6	1.4
LVL	9.5			9.5
Industrial Solutions	-1.6			-1.6
Manufacturer Support Services	17.5	-6.7		10.8
Central costs/other	-3.5			-3.5
Interest	-5.3			-5.3
Adjusted Underlying Profit	43.1	-6.7	1.7	38.1

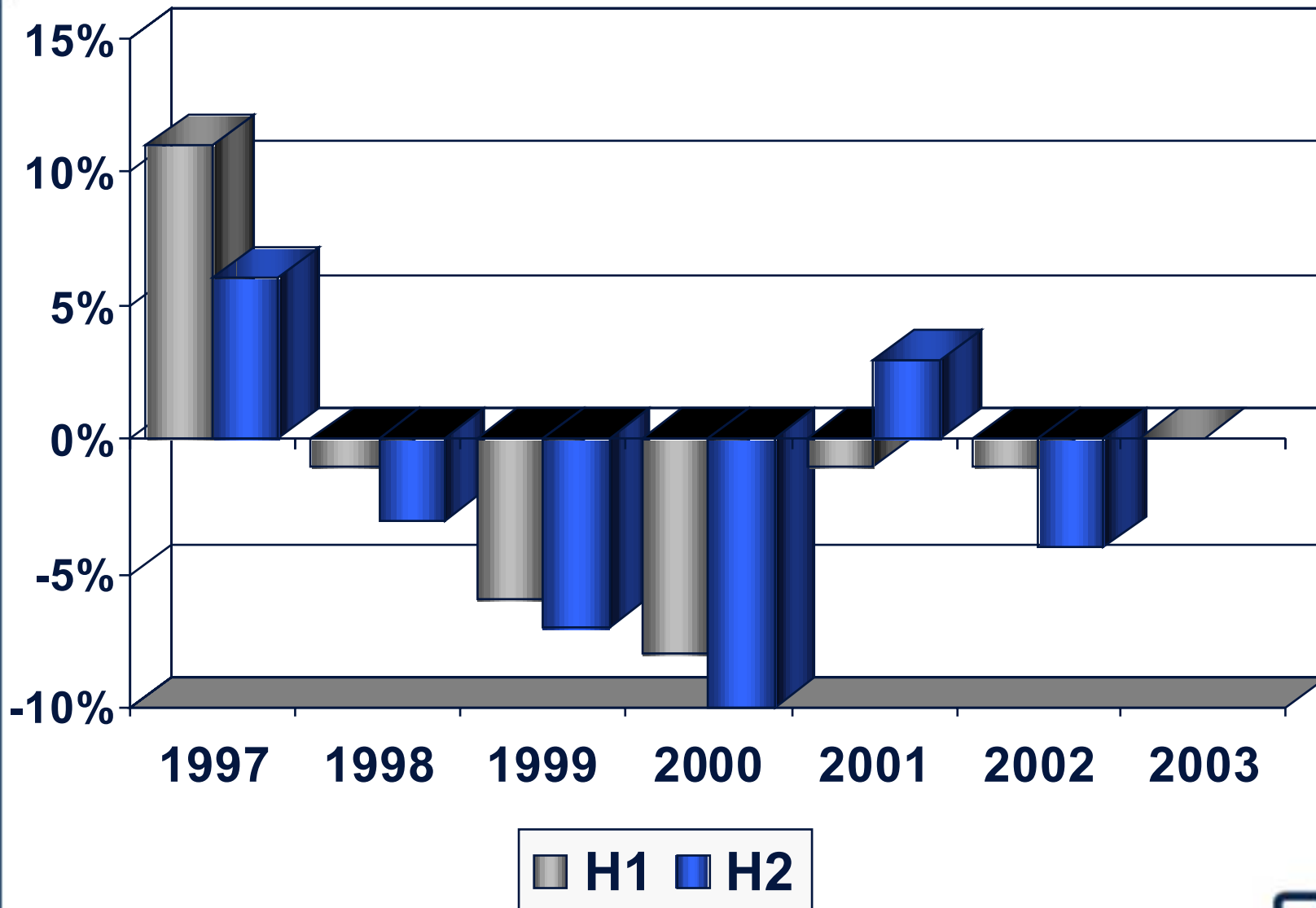
£m	As reported	CCM / iCAD	Adjusted
Consumer	21.5	0.5	22.0
Business Solutions	0.4	0.2	0.6
LVL	8.2		8.2
Industrial Solutions	0.2		0.2
Manufacturer Support Services	10.6		10.6
Central costs/other	-2.6		-2.6
Interest	-5.1		-5.1
Adjusted Underlying Profit	33.2	0.7	33.9

Joint ventures - profile

£m	H1 2002		FY 2002		H1 2003	
	LVL	Transfleet	LVL	Transfleet	LVL	Transfleet
Turnover	190.5	76.9	395.8	170.8	205.0	92.8
PBT	17.9	2.0	38.2	4.8	20.3	2.0
Fleet assets	755.5	153.0	814.6	158.1	868.5	145.0
Net Debt	538.4	110.3	590.5	113.2	613.7	103.6
Shareholder funds	71.0	22.0	77.2	21.0	77.0	21.0

all at 100%

Annual % change in the CAP composite



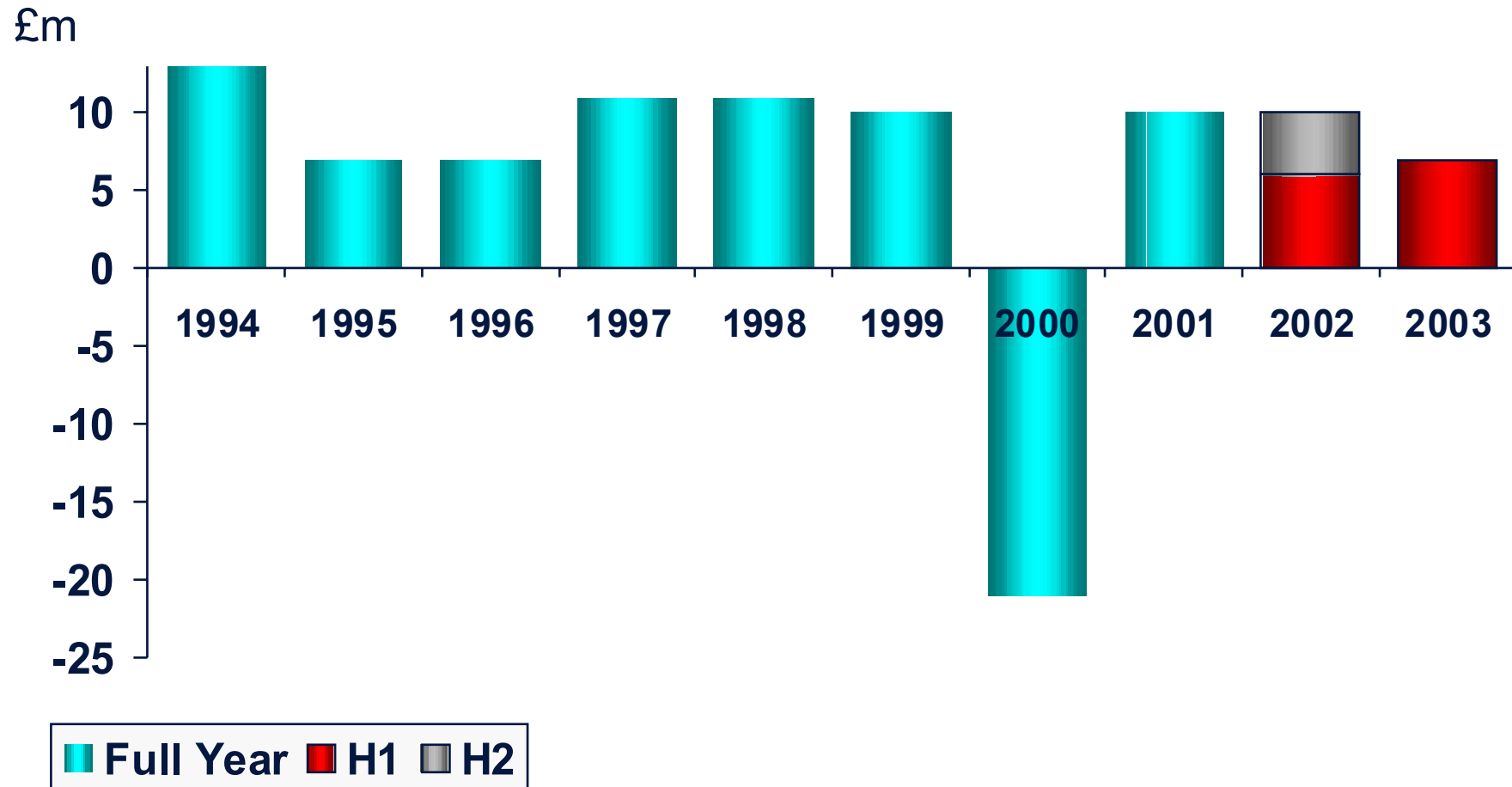
Lex Vehicle Leasing - residual value provision

£m	Provision made	Provision used	Provision remaining
Cars returned to 31 Dec. 9.4	2002	31.9	-22.5
Cars returned YTD June 2003	4.9	-3.4	1.5
Cars still to be returned	8.2	-	8.2
Total	45.0	-25.9	19.1

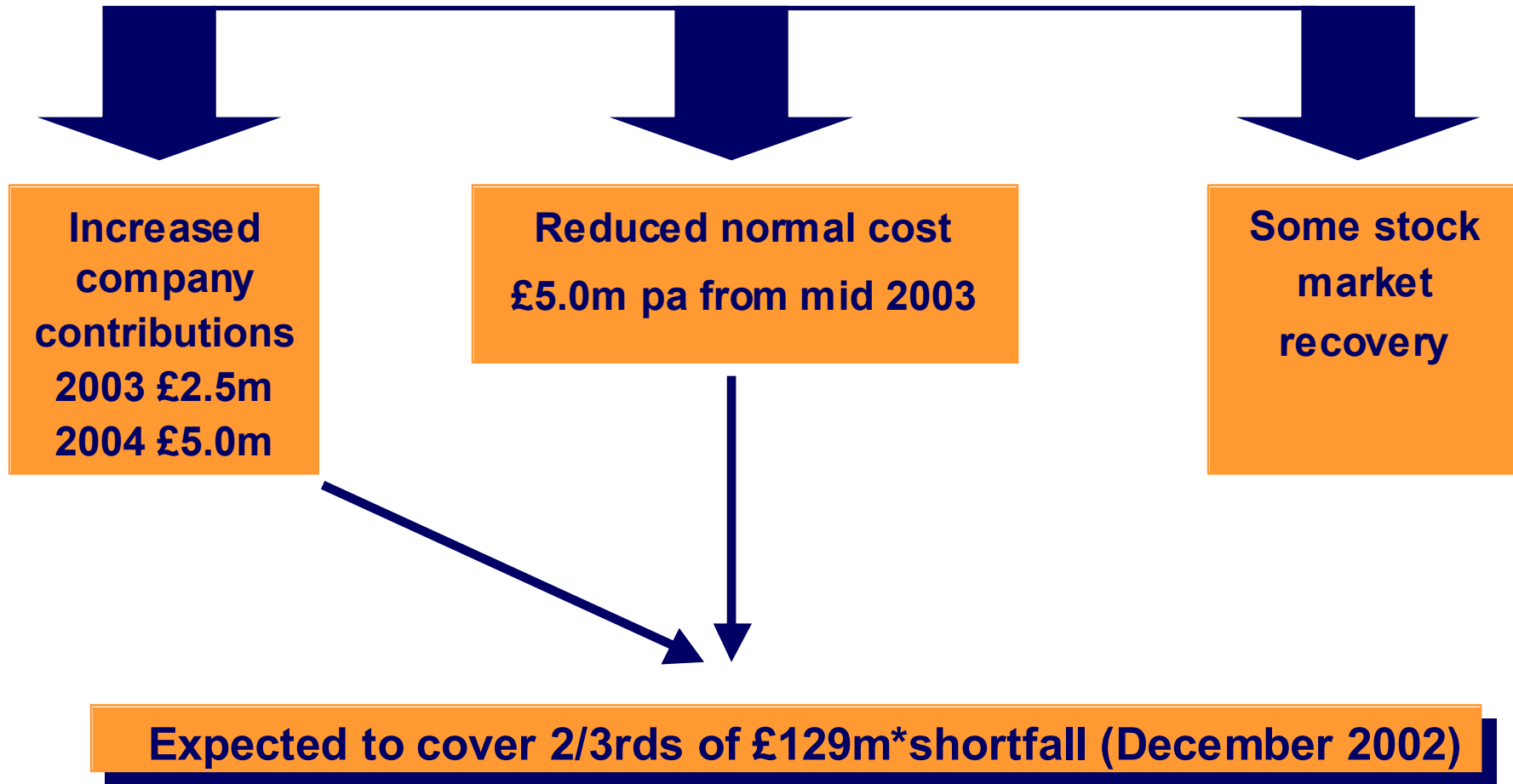
RAC share (50%)

RAC

Lex Vehicle Leasing - dividend value creation



Cumulative contribution to RAC £65m - (RAC share)



* Net of deferred tax

RAC Business Solutions

- Best Accident Management Provider, Fleet Excellence Awards
- Top Fleet Software Provider 2003, RAC Software Solutions - Fleet Excellence Awards
- Commendation for Vehicle Recovery services, Fleet Excellence Awards

RAC Consumer Services

- Commendation for Windscreens, RAC Auto Windscreens - Fleet Excellence Awards

BSM

- Prince Michael International Road Safety Award 2003

Lex Commercials

- Motor Transport magazine UK commercial vehicle dealer of the year 2003

Lex Auto Logistics

- Logistics provider of the year 2003, Institute of Transport Management

Lex Vehicle Leasing

- Service Supplier of the Year 2003, Fleet Excellence Awards
- Best Contract Hire Company 2003, Fleet Excellence Awards
- Commendation for Fleet Management Provider 2003, Fleet Excellence Awards
- Best personal leasing product, Institute of Transport Management (3rd year running)

Hyundai

- Hyundai Getz, Budget Car of the Year 2003 - What Car? Magazine

Lex Transfleet

- UK Van Rental Company of the Year 2003

Isuzu Truck

- Best Practice in Leadership and Customer Service, Department of Trade and Industry