

Preliminary Results

Wednesday 25 February 2004

Peter Smith
Chairman

Andy Harrison
Chief Executive

Richard Pennycook
Finance Director

- Strong revenue growth in Consumer and Business Services
- Continuing profit growth and strong cash flow
- Simplification and focus
- Benefits from investment in service, systems and people
- Dividend up 5.7% to 24.3p

Our best year yet - 2003 revenue growth

Consumer Services

Roadside	9%
Motoring Services	13%
Windscreens	1%
<hr/>	<hr/>
Total	7%

Business Services

LVL	5%
Business Sols	10%
Mfrs. Support	3%
Industrial Sols	14%
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Total	6%



Plus new business wins:

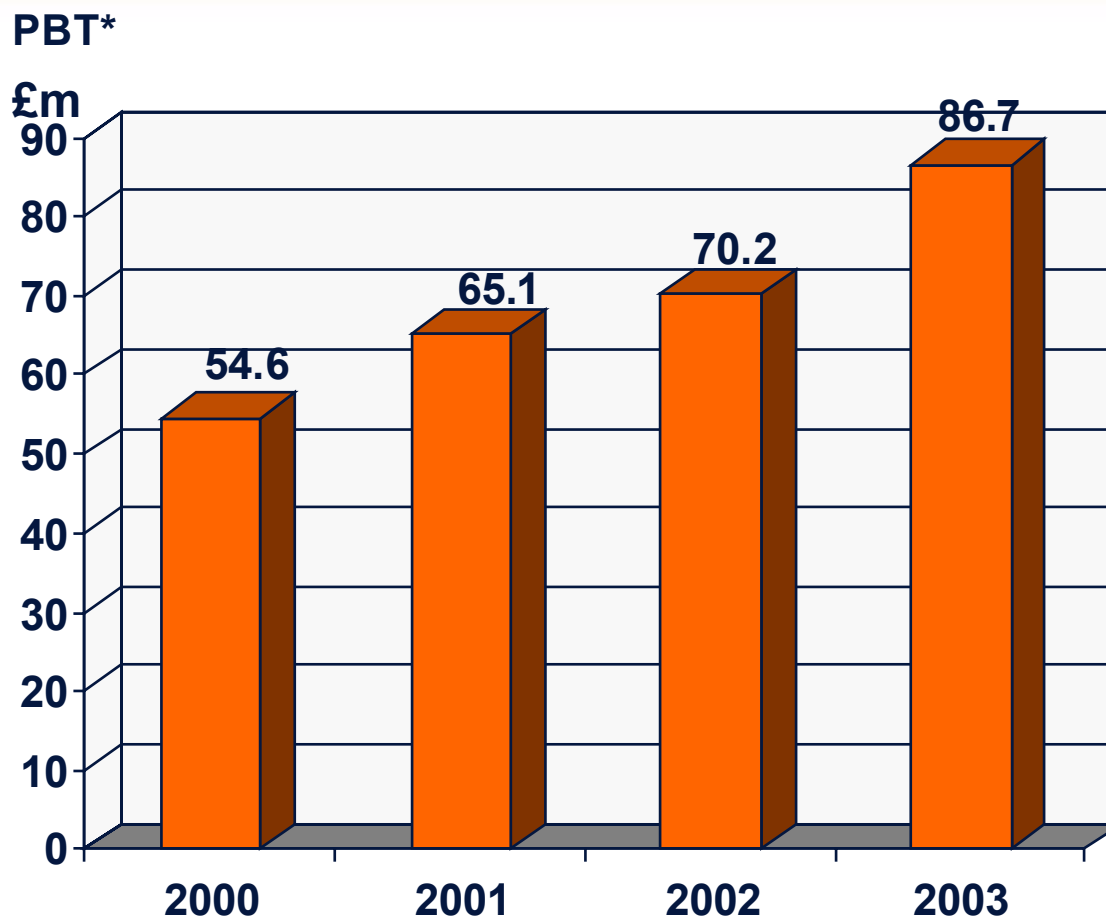
- Defence: C Vehicles
- Vehicle Manufacturers: Ford
- Airside: BA
- Lifetime revenues: £1.7bn*

Continuing operations

*total contract revenue



Our best year yet - profits and cash flow



2003 PBT*
Up 24%

Net Debt**	2000	2001	2002	2003
	227	334	282	154

2003 reduction in
net debt £128m

*Pre goodwill amortisation and exceptionals

**Including asset finance

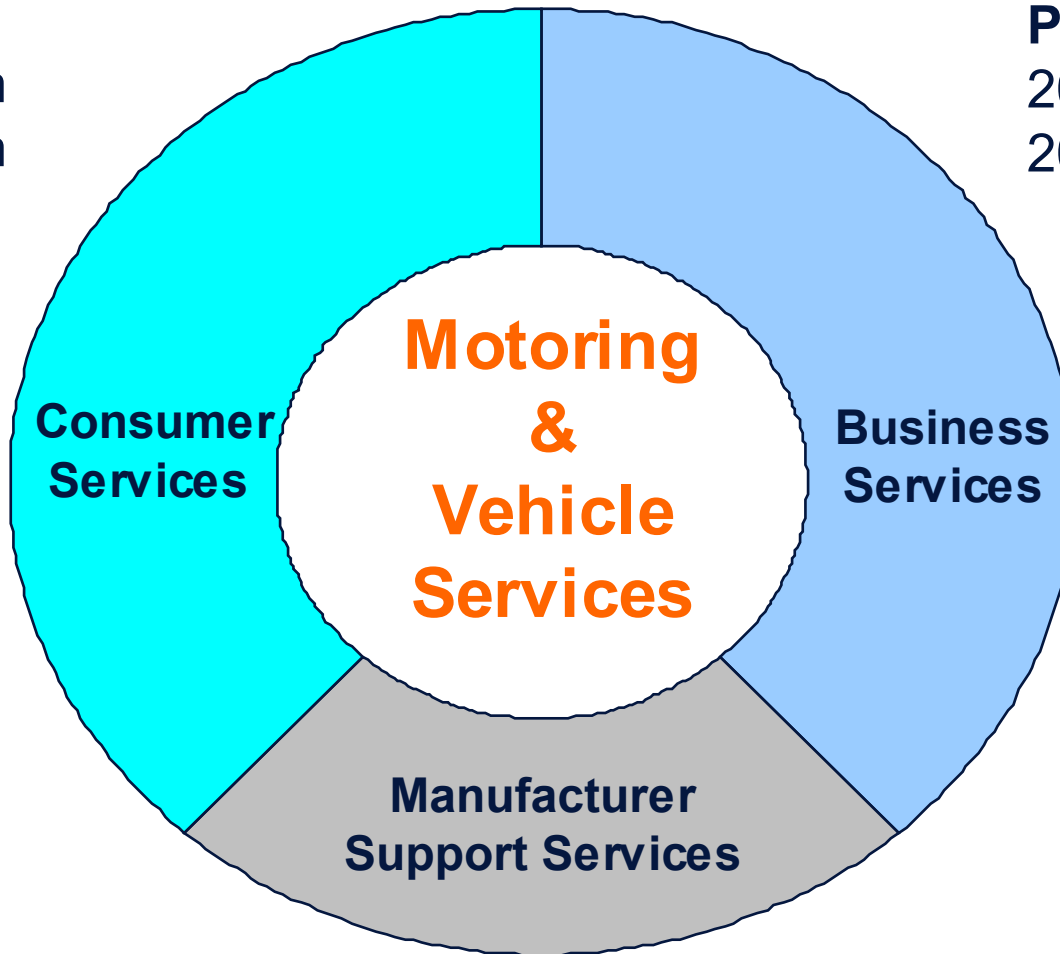
RAC plc - divisional trading profit

Profits:

2002 £42.4m
2003 £51.3m

Profits:

2002 £10.6m
2003 £19.3m



Profits:

2002 £31.6m
2003 £31.2m

RAC total operations



<u>£m</u>	<u>2002</u>	<u>2003</u>	<u>%</u>
Revenue			
- Roadside	183.1	198.7	9
- Motoring Services	51.0	57.5	13
- RAC Auto Windscreens	96.0	96.9	1
Total Revenue	330.1	353.1	7
Profit	43.2	51.3	19

Continuing operations

3 Themes



**Strengthen
Roadside**

**Grow
Motoring
Services**

**Leverage the
brand and
customer base**

	<u>2002</u>	<u>2003</u>	<u>%</u>
Revenue	£183.1m	£198.7m	9
Membership	2.11m	2.19m	4

Consistent membership growth over 4 years

– membership renewal rate 83% (2002, 83%)

Strong service performance

– higher fix rate

– faster response times

– Roadside customer satisfaction 86.3% (2002, 84.9%)

Rapid deployment trailers a big success

– 900 now in operation

– improving service and efficiency

RAC Solutions in line with plan

- 320k members have already migrated
- car check has 93% approval rating

Part of wider product range

- target right product to each segment



RAC - “Always there”

Legal Services

Sales: 2002 £8.1m 2003 £10.3m

- 27% sales increase - 4 years of outstanding growth
- Profits increase by 36%
- 2.1m legal expense policies sold (up 20%)
- 19.4k personal injury claims handled (up 8%)

Financial Services

Sales: 2002 £2.5m 2003 £3.2m

- Run rate improving - CCM benefits to come
- Planned increase in marketing spend

BSM

Sales: 2002 £28.5m 2003 £31.8m

- 12% sales increase - 3 years of double-digit growth
- Profits increase by 17%
- Number of instructors increases by 10%

RAC Auto Windscreens

Sales: 2002 £96.0m 2003 £96.9m

- A challenging year; supplier recall in Q4
- Profits down 15% - currently soft market
- New team focussed on business improvement

- CCM systems platform implemented, legacy systems retired
- Marketing efficiency - £3m pa, being delivered
- Customer value benefits will build steadily
- Customers buying > 1 product

Dec 02*

11%

Dec 03

13%

Revised target

20%

** Restated for improved data accuracy*

Business Services - trading profit

£m	<u>2002</u>	<u>2003</u>	<u>%</u>
RAC Business Solutions	0.9	1.4	56
Lex Vehicle Leasing	17.5	19.6	12
Lex Industrial Solutions	-3.1	-1.4	
Manufacturer Support Services	31.6	31.2	-1
Business Services	46.9	50.8	8

Continuing operations

New Contracts Won:

- **BA Ground Fleet Services:**
 - 6,300 units, £230m revenue - 10 years
 - Implementation completed successfully
 - Further opportunities for growth
- **Ford:**
 - 20k vehicles initially
 - £1bn revenue - 7 years (and 3 year run off)
 - Real growth opportunity

Preferred Bidder:

- **MoD : C Vehicles:**
 - 2,500 units, £500m revenue - 15 years
 - Contract to be awarded - Q4 2004
 - Full implementation - April 2006

£m	<u>2002</u>	<u>2003</u>	<u>%</u>
Revenue	146.3	160.8	10
Profit	0.9	1.4	56

- Revenues up 10%
- New motor manufacturer wins
- Increasing fleet business
- New services introduced to insurance sector

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2002/03 growth</u>
Fleet (000)	93.7	95.7	105.4	10%
£m				
Revenue	192.4	197.9	207.2	5%
Reported PBT	15.7	17.5	19.6	12%

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2002/03 growth</u>
Fleet (000)	93.7	95.7	105.4	10%
£m				
Revenue	192.4	197.9	207.2	5%
Reported PBT	15.7	17.5	19.6	12%
Provision utilisation	-12.6	-9.9	-6.2	-
Net PBT	3.1	7.6	13.4	76%
Dividend	9.8	10.0	13.3	33%

£m	<u>2002</u>	<u>2003</u>	<u>%</u>
Revenue	102.9	117.0	14%
Loss	-3.1	-1.4	55%

Lex Mechanical Handling

- Reduced trading losses
- Harvey and Birchwood sale - £95m gross from disposals
- Havelange disposal completed January 2004
- Other negotiations in progress

<u>£m</u>	<u>2002</u>	<u>2003</u>	<u>%</u>
Revenue	606.7	627.9	3
Profit	31.6	31.2	-

Lex Auto Logistics

- DAF loss partly offset by additional Leyland margin
- New growth coming through:
 - BA Ground Fleet Services
 - Unity - accident repair network

Hyundai

- Registrations up 10% to 32.2k
- Increased market share - 1.3% (2002:1.1%)

Isuzu

- Disposal in progress

- Strong revenue growth in Consumer and Business Services
- Continuing profit growth and strong cashflow
- Simplification and focus
- Benefits from investment in service, systems and people
- Dividend up 5.7% to 24.3p

Richard Pennycook

Group Finance Director

Revenue summary

£m	<u>2002</u>	<u>2003</u>	<u>%</u>
Consumer Services	330.1	353.1	7
Business Solutions	146.3	160.8	10
LVL	197.9	207.2	5
Industrial Solutions	102.9	117.0	14
Manufacturer Support Services	606.7	627.9	3
Other	5.8	3.3	
Total – continuing operations	1,389.7	1,469.3	6

Operating profit summary

£m	<u>2002</u>	<u>2003</u>	<u>%</u>
Consumer Services	43.2	51.3	19
Business Solutions	0.9	1.4	56
LVL	17.5	19.6	12
Industrial Solutions	-3.1	-1.4	
Manufacturer Support Services	31.6	31.2	-1
Group overheads/other	-3.6	-5.7	
Total continuing operations	86.5	96.4	11

Profit & Loss

£m	<u>2002</u>	<u>2003</u>	<u>%</u>
PBIT	81.0	96.1	19
Interest	-10.8	-9.4	-13
PBET	70.2	86.7	24
Goodwill amortisation	-29.3	-5.6	
Operating exceptionals	-9.3	-30.2	
Exceptional items	-8.5	-25.2	
PBT	23.1	25.7	11
Taxation	-13.1	-16.2	24
PAT	10.0	9.5	-5

Goodwill amortisation and exceptional items

£m	<u>2002</u>	<u>2003</u>
Exiting from Mechanical Handling	-30.1	-53.7
RAC Auto Windscreens - integration	-2.9	-
Goodwill amortisation	-5.6	-5.6
Disposal of Autocentres	-10.3	-
Other	1.8	-1.7
	-47.1	-61.0

£m	<u>2002</u>	<u>2003</u>
Operating profit before goodwill	47.6	38.9
Interest paid	-9.6	-10.5
Tax paid	-10.3	-13.6
Working capital	32.4	-4.5
Depreciation & capital expenditure - net	4.6	36.3
Dividends from jvs and associates	16.2	15.2
Operational cash flow	80.9	61.8

£m	<u>2002</u>	<u>2003</u>
Operational cash flow	80.9	61.8
Disposals/ (acquisitions)	-3.4	90.0
Dividends paid	-25.7	-26.9
Other movements	-0.3	3.0
Net reduction in debt	51.5	127.9
Closing debt	282.2	154.3
Average debt in year	295.0	211.0

£m	<u>2002</u>	<u>2003</u>
Additions		
Mechanical Handling	-36.7	-19.2
BSM vehicles	-29.1	-33.1
Rest of Group	-45.8	-37.4
Total	-111.6	-89.7
Disposals		
Mechanical Handling	5.5	5.1
BSM vehicles	26.8	30.7
Rest of Group	8.5	12.6
Total	40.8	48.4
Net capital expenditure	-70.8	-41.3
Depreciation	73.9	77.2
Loss on disposal	1.5	0.4
Depreciation & capital expenditure – net	4.6	36.3

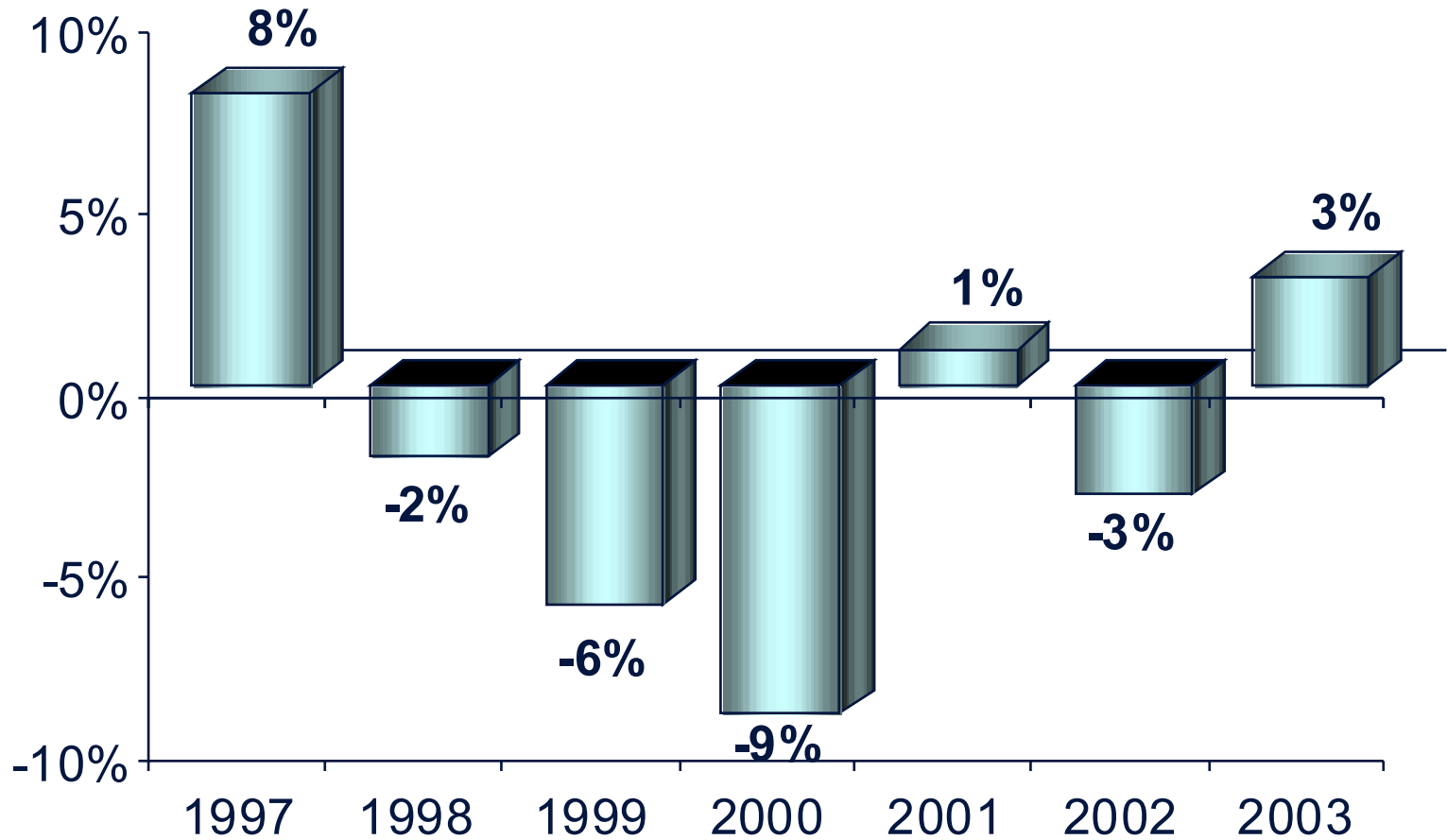
Balance sheet

£m	<u>2002</u>	<u>2003</u>
Fleet assets	143	10
Goodwill	506	501
Other fixed assets/investments	222	222
Working capital/other	-187	-180
Capital employed	684	553
Net debt	-282	-154
Shareholders' funds	402	399

Closing net debt is after offsetting £38m of ring fenced cash and investments

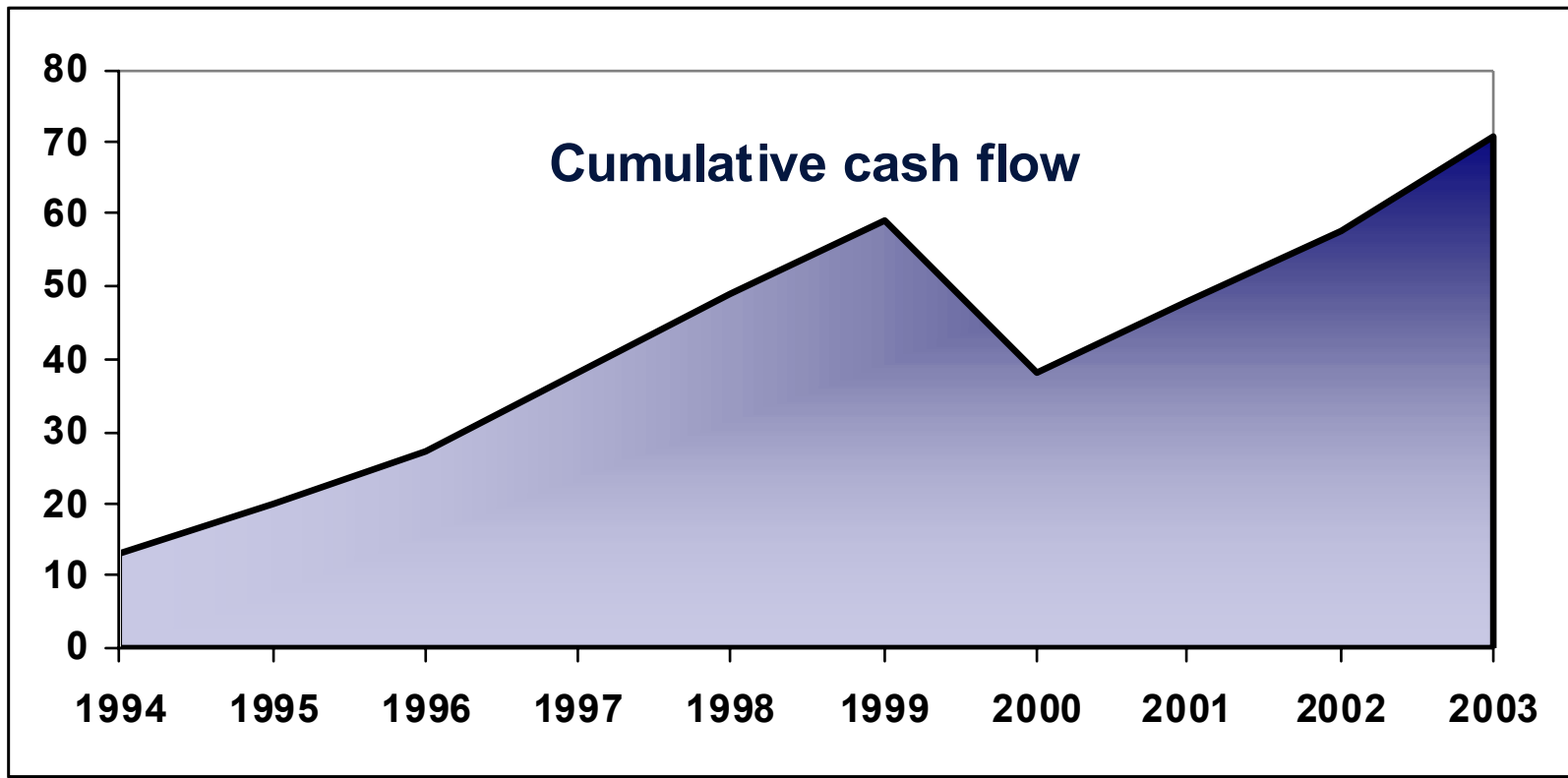
	<u>2002</u>	<u>2003</u>
Interest cover	7.5	10.2
Net debt/EBITDA	2.0	1.3
Underlying tax rate	28%	28%
EPS (p) (pre exceptionals)	43.9	54.4
Dividend per share (p)	23.0	24.3
Dividend cover	1.9	2.2

Used car market - annual % change in the CAP composite



Currently pricing in 10% reduction over next 3 years

£m



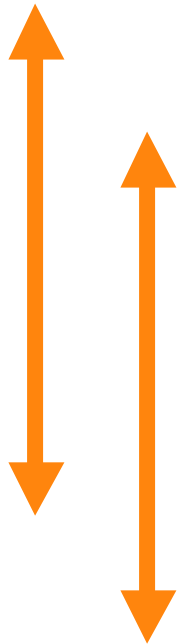
- 2003 dividend up 33%
- 34% dividend post tax return on equity
- £71m of net cash returns received over 10 years



- Driving our principal services
- Growing new propositions
- By leveraging our brands and customer base

2003 - c70% of profit contribution

Consumer



Business

	<u>2003 Revenue Growth</u>	<u>Future potential</u>
Driving tuition	12%	Market growth of 5-7%
Roadside	12%	Grow membership and value per unit
Windscreens	Flat	Modest
Legal	27%	Rapid share gain
Fleet mgmt & contract hire	8%	Steady share gain

Profit contribution growth c20%

- Financial Services
- Legal Services (Accident care)
- Defence
 - C Vehicles
- Insurance
 - Unity
 - Claims services
- Vehicle manufacturers
 - Ford
 - Customer support services

Continuing growth

Leveraging our brands, customer base & capabilities



Additional Material

Preliminary Announcement

25 February 2004

Like for like PBIT reconciliation 2002/2003

£m	<u>2002 Actual</u>	<u>Paccar</u>	<u>Asset Write offs</u>	<u>Double Running Costs</u>	<u>2002 Like for Like</u>
Consumer	45.2			-2.8	42.4
Business Solutions	2.3			-1.4	0.9
LVL	17.5				17.5
Industrial Solutions	-0.6		-7.2		-7.8
Business Services	19.2	-	-7.2	-4.2	10.6
Man Support Services	23.2	8.4			31.6
Group overhead/Other	-3.6				-3.6
	84.0	8.4	-7.2	-4.2	81.0
Additional Leyland income	8.4	-8.4			-
Asset write offs	-7.2		7.2		-
CCM double running	-4.2			4.2	-
PBIT	81.0	-	-	-	81.0

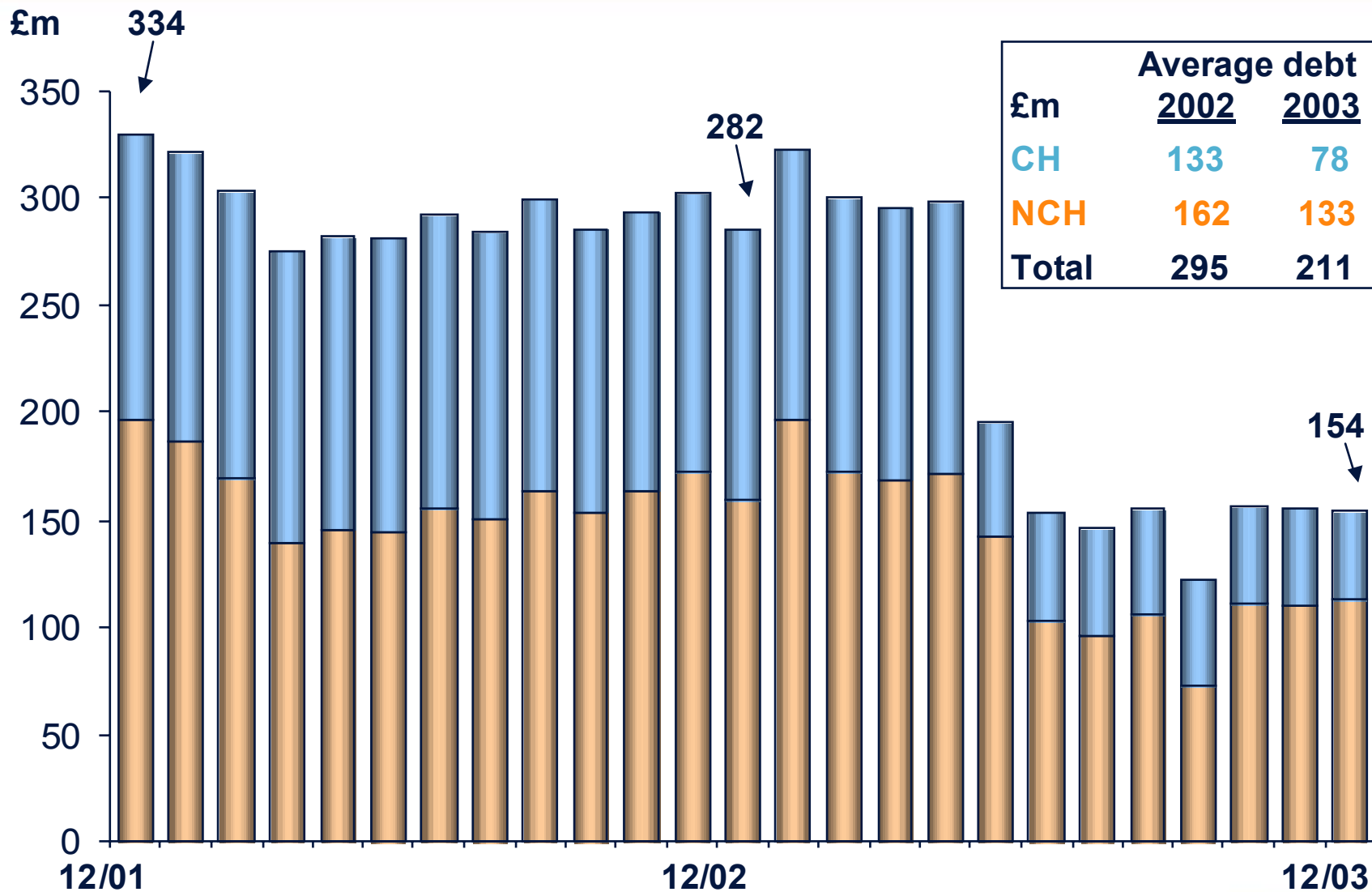
Cash flow - non contract hire

£m	<u>2002</u>	<u>2003</u>
Operating profit before goodwill	62.4	70.1
Interest	-9.6	-10.5
Tax paid	-10.2	-14.4
Working capital	35.5	-3.1
	78.1	42.1
Depreciation & capital expenditure - net	-14.0	-1.4
Net cash flow – non contract hire	64.1	40.7

Cash flow

£m	<u>2002</u>	<u>2003</u>
Non-contract hire	64.1	40.7
Contract hire subsidiaries	-7.0	-6.9
Associates & joint ventures - dividends	16.2	15.2
Operational cash flow	73.3	49.0
Dividends paid	-25.7	-26.9
Net acquisition/disposal of businesses	-4.3	16.9
Other	0.9	3.5
Net cash flow after financing	44.2	42.5

Average debt



£m	2002			2003		
	Contract Hire	Non-Contract Hire	Total	Contract Hire	Non-Contract Hire	Total
Capital expenditure	-36.7	-74.9	-111.6	-19.2	-70.5	-89.7
Disposals	5.5	35.3	40.8	5.1	43.3	48.4
Net capital expenditure	-31.2	-39.6	-70.8	-14.1	-27.2	-41.3
Depreciation	49.3	24.6	73.9	52.3	24.9	77.2
(Profit)/loss on disposals	0.5	1.0	1.5	-0.5	0.9	0.4
Depreciation & capex -net	18.6	-14.0	4.6	37.7	-1.4	36.3

Sales: 1999 £11m - 2003 £76m

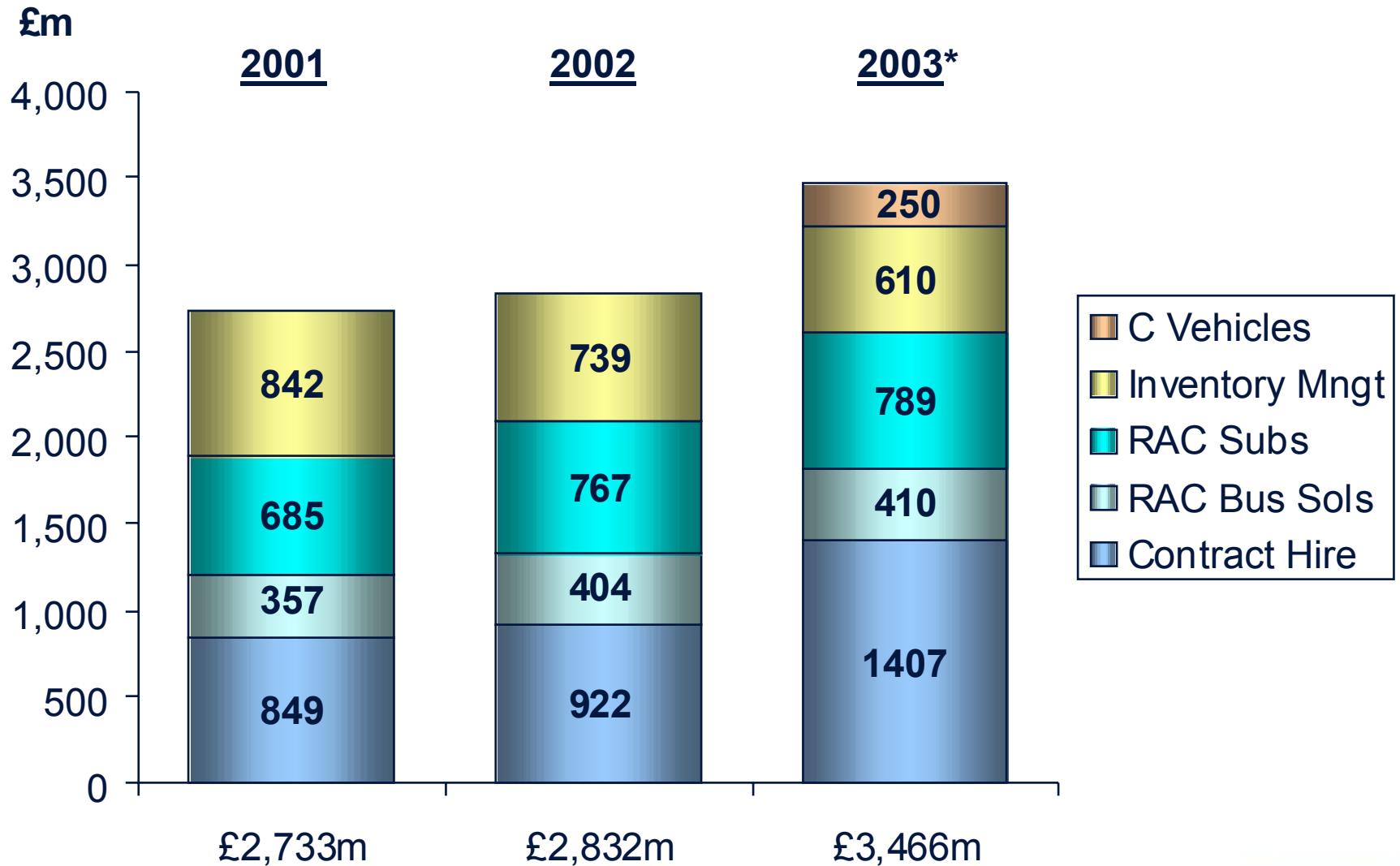
	Consumer	Business Solutions	LVL	Transfleet	LAL
White Fleet					
- Contract hire			☐	☐	
- Fleet management		☐	☐	☐	
RAF White Fleet					
- Contract hire			☐	☐	
- Fleet management		☐	☐	☐	
Driver training	☐				
Parts supply					☐
And potentially:					
- C Vehicles				☐	☐
- Airside Support				☐	☐

Services to our major customers - NU

Sales: 1999 £18m - 2003 £46m

	Consumer	Business Solutions	Lex Auto Logistics
Breakdown		□	
Claims Management		□	
Legal Services	□		
Accident repair centres, parts supply			□
Windscreens	□		

Growing long term business

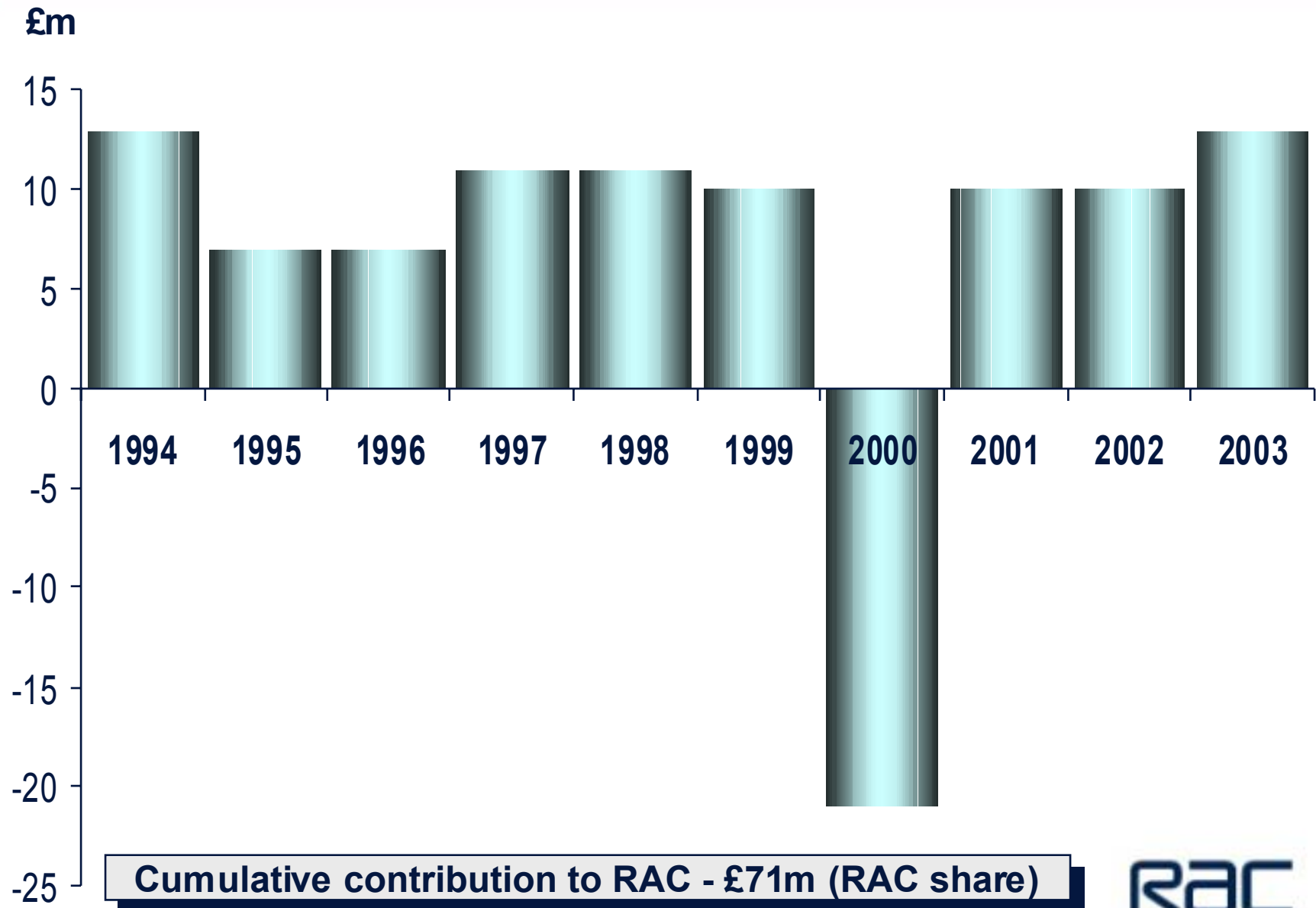


* Includes C Vehicles - currently preferred bidder



£m	<u>2002</u>	<u>2003</u>
RAC Equity		
Lex Vehicle Leasing	38.6	40.1
Transfleet	10.5	9.6
Hyundai Car Finance	6.1	5.9
Debt (RAC share)		
Lex Vehicle Leasing	295.2	321.4
Transfleet	56.6	53.4
Hyundai Car Finance	75.0	87.3

Lex Vehicle Leasing - dividend value creation



Lex Vehicle Leasing - 2000 residual value provision

48

£m	Provision		
	<u>Made</u>	<u>Used</u>	<u>Balance</u>
Cars returned to 31 Dec 2002	31.9	-22.5	9.4
Cars returned in 2003	8.5	-6.2	2.3
Cars still to be returned	4.6	-	4.6
Total	45.0	-28.7	16.3

RAC Share (50%)

The RAC logo is located in the bottom right corner of the slide. It consists of the letters 'RAC' in a bold, blue, sans-serif font.

RAC plc

Medium Sized Pension Scheme of the Year,
Pensions magazine

RAC Business Solutions

Best Accident Management Provider, Fleet
Excellence Awards

Top Fleet Software Provider 2003, RAC
Software Solutions - *Fleet Excellence Awards*

RAC Consumer Services

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

Lex Auto Logistics

Logistics provider of the year, Institute of
Transport Management

Lex Commercials

Motor Transport UK commercial vehicle dealer
of the year

Lex Vehicle Leasing

Service Supplier of the Year, Fleet Excellence
Awards

Best Contract Hire Company, Fleet Excellence
Awards

Best personal leasing product, Institute of
Transport Management

What Van? Fleet's Leasing and Contract Hire
Company of the Year

Hyundai

Hyundai Getz, Budget Car of the Year - *What Car?*

Lex Transfleet

UK Van Rental Company of the Year, Institute of
Transport management

Institute of Transport Management, Fleet Support
Services Company of the Year