
Good morning everyone. Welcome to the presentation of our results for the six months to 31 October 2003.


For those of you who have not met us before, my name is Steve Smith and I am CEO of Northgate. With me today are Phil Moorhouse – MD of the UK Rental business – and Ged Murray, Group Finance Director.


As you may recall, we announced in July that having achieved the profit target of our previous 5-year Strategy for Growth, we were putting in place a new Strategic Plan to take us up to April 2006.

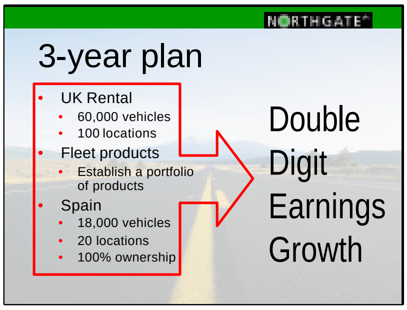
The format of today's presentation, which covers the first 6 months of the new plan, is as follows:

1. I will remind you briefly of the objectives and key targets of our 3-year Plan.

2. Phil will then review how the UK Rental business has performed in the 6 months.

3. Then Ged will go through the numbers and, in particular, will explain the improvement in operating margin in the UK and the dynamics of the Fualsa business.

4. I will conclude with a brief summary of the highlights of the period under review and a reminder of our future plans.




In March 2003, the Northgate Board approved a new 3-year Strategy for Growth for the Company based on three key areas of the business – UK Rental, Spain and non-rental products. This period takes us to April 2006, close to the point of time when our option to acquire full control of Fualsa lapses.

The cornerstone of the business will remain UK Rental since we remain firmly of the view that the UK market is far from mature and that there remains significant potential for us to continue to grow our business here.

**The key areas of the plan for the UK are:**

•Mature existing network – currently we have some 17 locations which have traded for less than 24 months;

•Extend the network to approximately 100 locations, i.e. about 10 additional sites per annum, being mainly the smaller branches;

•Acquisition of small/medium size rental companies when the opportunity arises. The structure of the rental market shows that almost 50% of the market is served by businesses operating fleets of 500 or less. As you may recall, we have acquired 3 such businesses in the last 24 months and then a slightly larger private business, Target, in October 2002.

•By April 2006, on achievement of our targets, we should have a fleet size in the UK approaching 60,000 – operating at 90% utilisation of course!

**Looking to Spain.**

Growth in Fualsa will be generated by:

•An extension of the network to over 20 locations from the 8 sites as at 30 April 2003, and a resultant increase in market share;

•The development of a rental product similar to NORFLEX;

•The broadening of the customer base away from its current construction bias through a marketing campaign to non-renters along the lines of the campaign we ran in the UK when we launched NORFLEX.

Whilst accepting that we are working in a different culture, we have had experience of these areas within Northgate over the last 10 years and, hopefully, can use the knowledge we have gained to good effect.

The third leg of our plan involves the development of non-rental products, some of which we have already launched e.g. Vehicle Insight (our telematics product) and Van in a Box (a one-stop shop particularly aimed at the owner driver market).

Through the provision of these other products and services, we believe there are opportunities to cross sell to Northgate's existing customer base, thereby differentiating us from our competitors and, at the same time, producing a contribution to our bottom line.

**So, in conclusion, the successful implementation of our plan will see us achieve:**

1) a vehicle fleet of 60,000 in the UK and 18,000 in Spain;

2) a network of 100 locations in the UK and 20 in Spain;

3) 100% ownership of Fualsa; and

4) an established portfolio of non-rental products.

By achieving these targets we would expect to meet our overall objective of double-digit annual growth in earnings per share to April 2006.

To see how we have started off, I would now like to pass you over to Phil Moorhouse who will review the performance of the UK rental business for the six months to October 2003.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Phil Moorhouse
Managing Director
UK Rental
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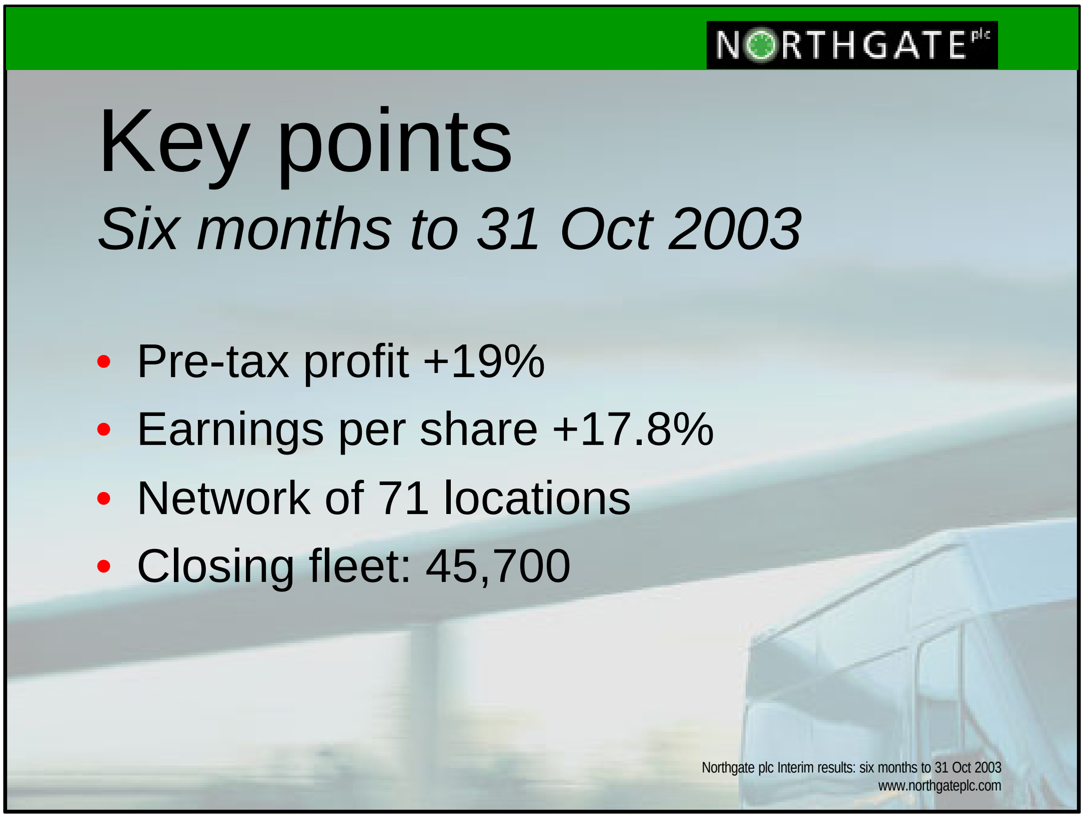
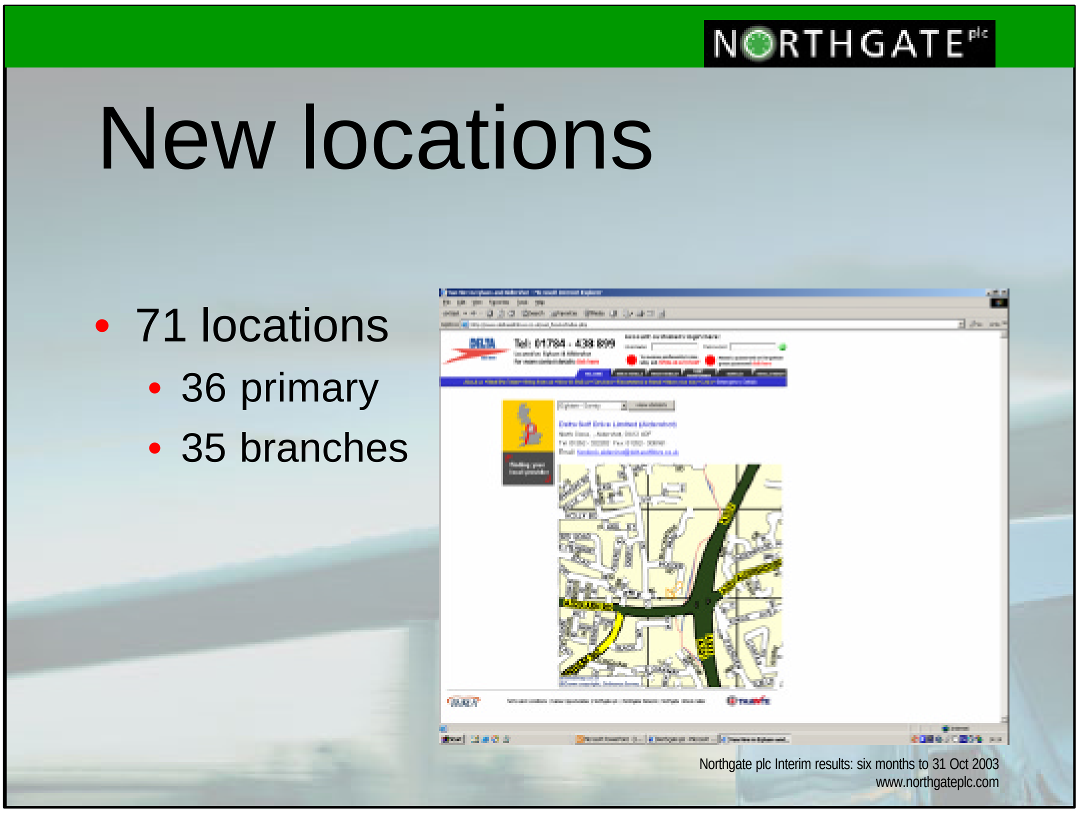



Thank you Steve. Ged will be talking through the figures later in the presentation - what I would like to do is summarise some of the key issues behind the figures.

The background to the period under review has been a challenging one in terms of trading, which we referred to in our AGM Statement on 9 September 2003 despite which our headline figures show pre-tax profit and earnings per share increased by 19% and 17.8% respectively. The depot network now consists of 71 locations across the UK and Ireland. The fleet closed at 45,700 at 31 October.

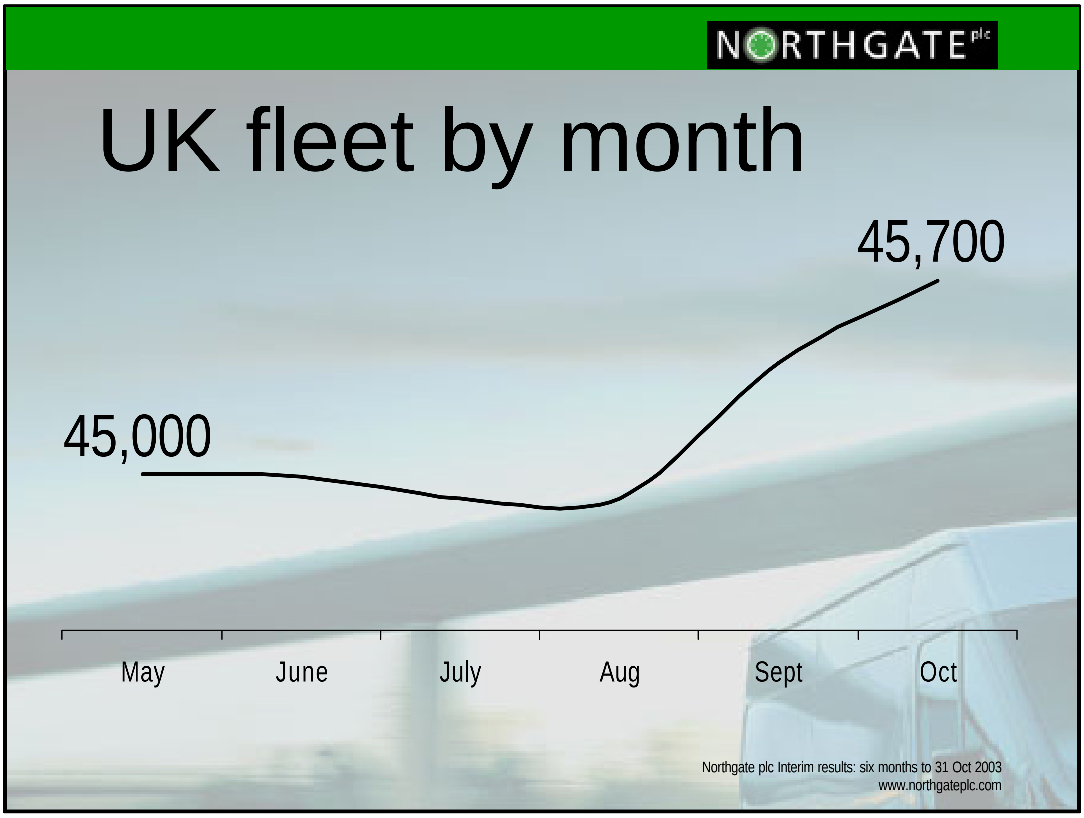



We are currently operating from some 36 primary and 35 branch locations. Having taken the decision to defer new openings – the network increased by only one location during this period. We have, though, continued to search for new locations such that we have around 9 new sites under active consideration – several of which should open in the second half of the year. We are confident that the opportunity to increase these Greenfield locations is significant and these will be primarily the smaller branch locations.

As Steve has already mentioned, 16 sites within the network have been open for a period of less than two years and have some way to go before reaching maturity.

As reported last year, there was some consolidation of our businesses within the North East which is now complete – if there are any other appropriate opportunities we will take them.

As well as looking for new Greenfield sites there may well be selected opportunities to acquire other businesses where price expectations are at realistic levels.




The picture as regards fleet growth in the period is different to that of our historic pattern. This graph shows that the fleet in fact fell by some 1,000 vehicles from our year-end position to around 44,000 by the end of August 2003.

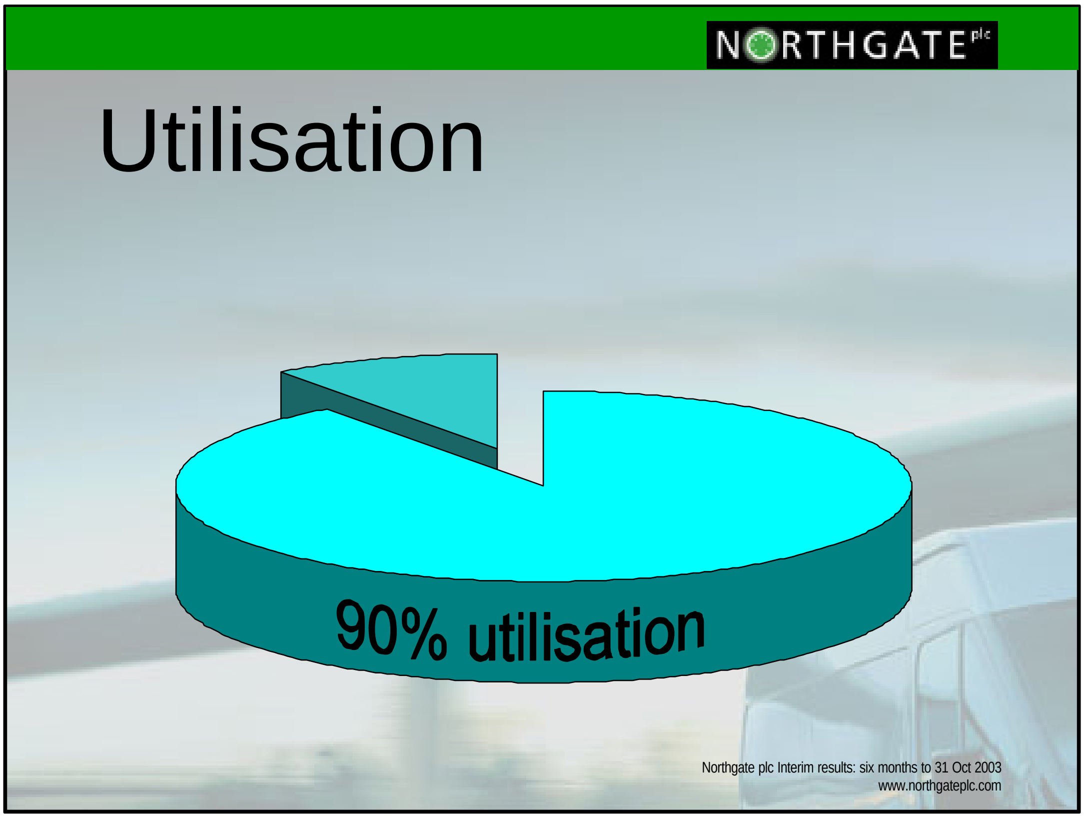
We were hit in the early part of the year by a weaker economy and the loss of a handful of volume accounts to the contract hire sector as a result of some particularly aggressive pricing activity from those suppliers. We resisted the temptation to discount rates purely to maintain fleet as this would have impacted our margins adversely.

Undoubtedly market conditions have improved in the second quarter, but also increased marketing and our own sales activity have contributed to that turnaround.

Our sales force has continued over the past six months to generate new business and we have continued to open significant numbers of new trading accounts.

I am pleased to say that by the end of October the fleet reduction had been reversed to show growth in the second quarter of some 1,700 units or 4%, bringing the fleet to 45,700 by the 31 October.

I can confirm that growth has continued beyond 31 October and we remain confident of our ability to meet our future growth plans.




Just by way of a reminder, utilisation is the key measure within the Northgate business and by a combination of managing vehicle flows or increased sales activity, we seek to maintain a 90% average across the Group.

Same old boring slide I'm afraid – utilisation averaged 90% during the period which I think confirms our commitment to this key performance indicator. We will maintain utilisation, even if that means reducing the fleet size.

There is a range of utilisation across the business generally following the maturity of the locations, some of the more mature sites can operate at 91/92%, giving some idea of the opportunity to push utilisations forward a little as the network matures.


I am pleased to say that hire rates have remained relatively stable over the period under review, despite a slower economy towards the end of our last financial year and the first quarter of our current one. In addition to the high volume contract hire deals referred to earlier in this presentation, competition remains aggressive in the traditional rental market. Our view remains that front-end customer price increases will be modest, although for new converts to the rental market price is not always the key issue, giving some opportunity to offset the more aggressive pricing in the traditional rental market.

Low inflation and relatively low interest rates do however create an environment where opportunities for price increases are limited. The benefits of course do come through in the cost lines and our net margins.


As growth was less than expected in the first quarter we reviewed both our costs and sales and marketing activity. This resulted in a targeted reduction of our cost base across the business and a 12 week advertising campaign running in both trade and business press aimed at generating growth.

The campaign had two themes:


"The sting in the Tail" - aimed at highlighting the disadvantages of contract hire;

"Why Rental (Norflex)" is the best method of vehicle acquisition in times of uncertainty.

No doubt you'll ask me how successful the marketing campaign was – someone once told me that half of marketing works, the other doesn't - you just never know which half!

As we have said in earlier presentations, investment in the depot network has been substantial in recent years. Improvement in our margins should be evident as we channel more volume through that infrastructure without the proportionate increase in the cost base.


You will remember that part of our three year strategy was to develop non-rental but vehicle-related products through Northgate Vehicle Solutions Ltd.

I can confirm that our first step earlier in the year to relocate the business to Darlington was completed successfully and we have positioned that business to generate a contribution to the Group and to differentiate us from the competition.

Our vehicle monitoring product, which we have branded “Insight”, has just been fitted to the 1000th vehicle and continues to grow.

We also continue to increase the uptake of the Norfleet parts service, which harnesses Group buying power both internally and externally.

We are actively marketing our Van in a Box scheme aimed at the owner/driver market where we can provide a ‘One Stop Shop’ for these customers.


Finally, the market for used vehicles continues to be relatively stable. We aim to set our depreciation (and therefore charge to the hire company) at a level which enables us to at least break even on disposal. This prudent policy has enabled us to generate a modest profit per unit which, when combined with a higher level of disposals, has improved the contribution from this area of the business. As the scale of our disposal operation has continued to increase we have further developed our disposal channels. We are able to sell to trade customers, dealers and, more recently, selectively sell into the retail market.

Our Norcom facility has been relocated to give us an enhanced distribution channel and also the opportunity to continue to handle increasing disposal volumes efficiently. We are now operating four disposal sites in the UK: Darlington, Banbury, Kent and Carnaby (near Bridlington).

We are confident, going forward, of maintaining our balanced position in this sector of the business.

At this point I would like to hand you over to Ged…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Gerard Murray
Group Finance
Director
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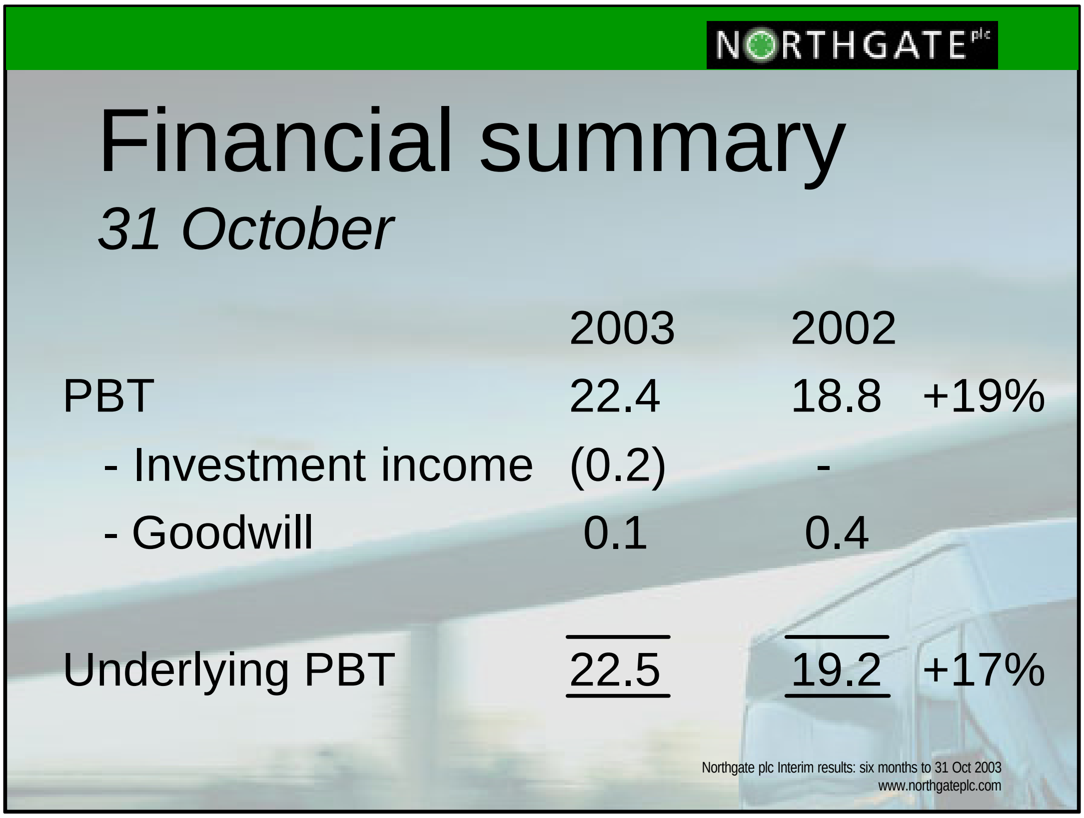
Thank you Phil – good morning everybody. As Phil has already illustrated in his presentation, the early part of the period was characterised by limited fleet growth but the combination of cost control, successful fleet management in the UK and an expanding fleet in Fualsa has generated:

PBT growth of 19%

Eps growth of 17.8%

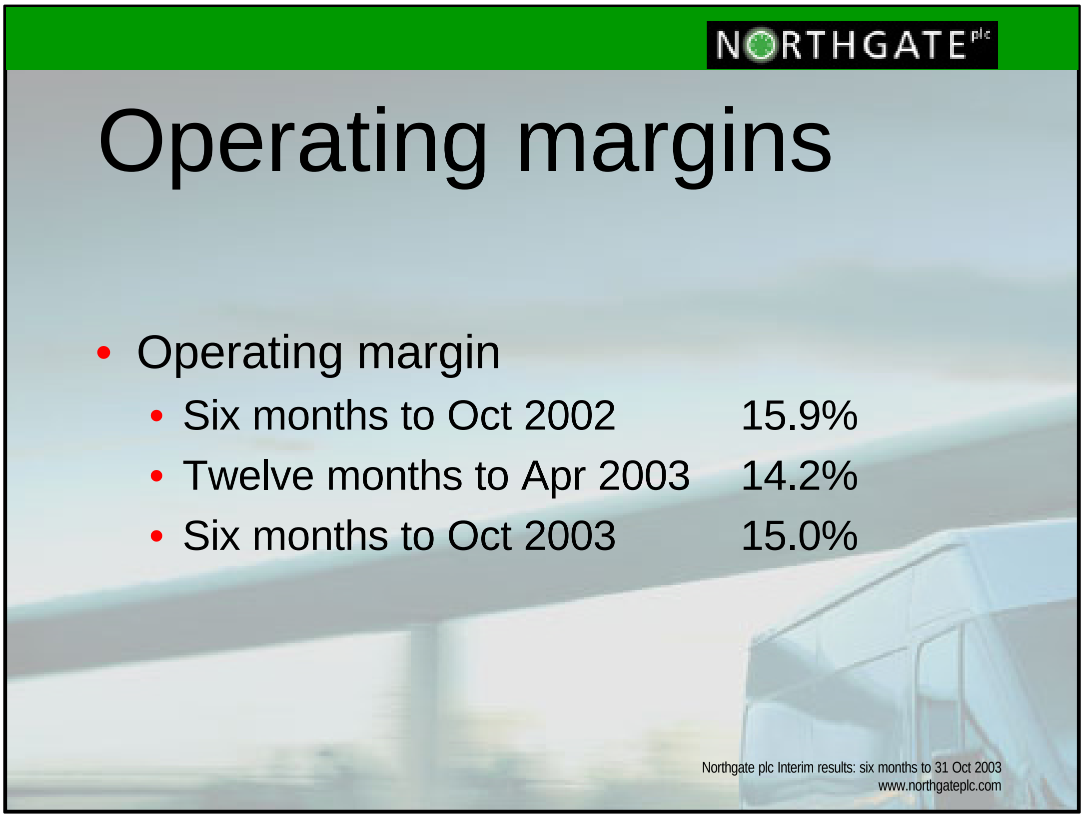
The lower than expected fleet growth means that gearing is also lower than originally forecast and interest cover has improved from 3.4 times at April 2003 to 3.8 times at October 2003.




You may recall that at the year-end we had some exceptional income and costs. I have prepared the same analysis for 31 October 2003.

We have received £0.2m of investment income - which is the final stage in the realisation of historic overseas investments held by one of our subsidiaries. In the period this income has been offset by goodwill amortisation. Thus the underlying PBT is the same as the declared PBT.

The prior period has a larger goodwill charge of £0.4m relating to specific acquisitions where the associated goodwill was written off immediately. Hence the underlying PBT has increased by 17%.




You will recall that when we announced our full year results to April 2003 our reporting operating margin had declined to 14.2%. There were special factors impacting – primarily:

One off costs incurred during the year (insurance, CRO relocation costs and goodwill written off over one year referred to above)

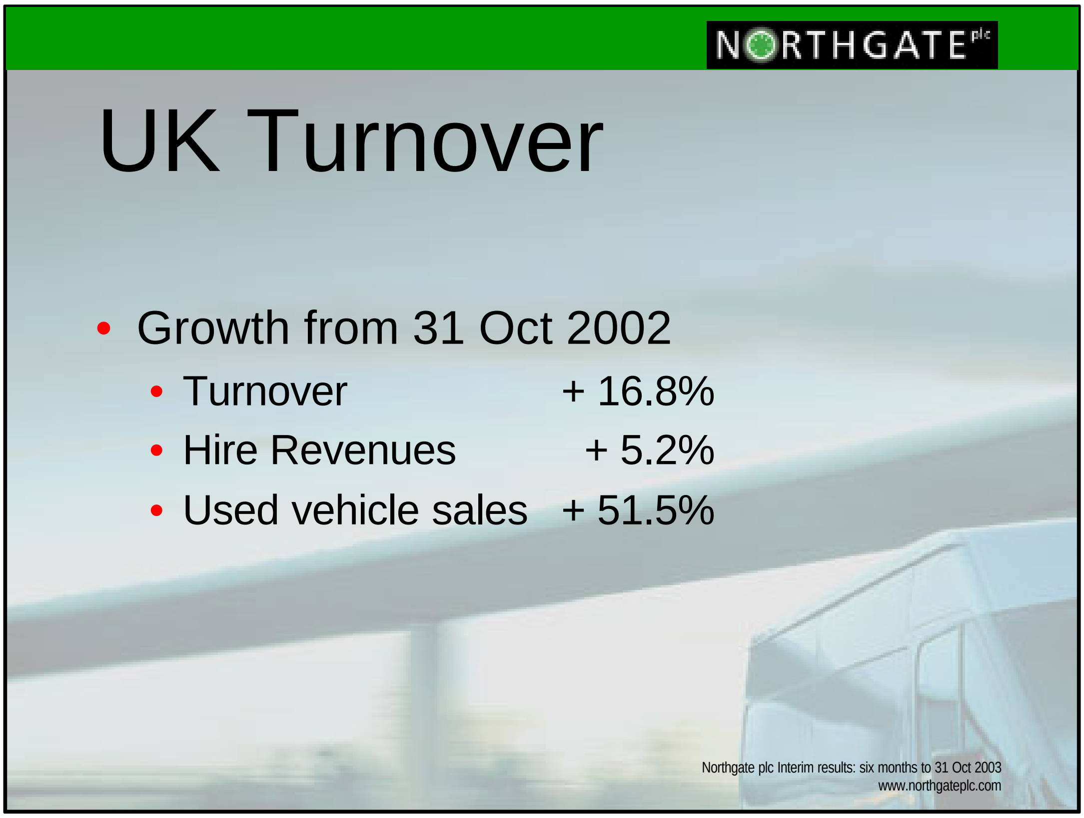
Establishment costs of continuing to grow the network; and

The turnover mix since used vehicle sales (our lowest margin business) was growing significantly faster than hire revenues – thus reducing our reported operating margin.

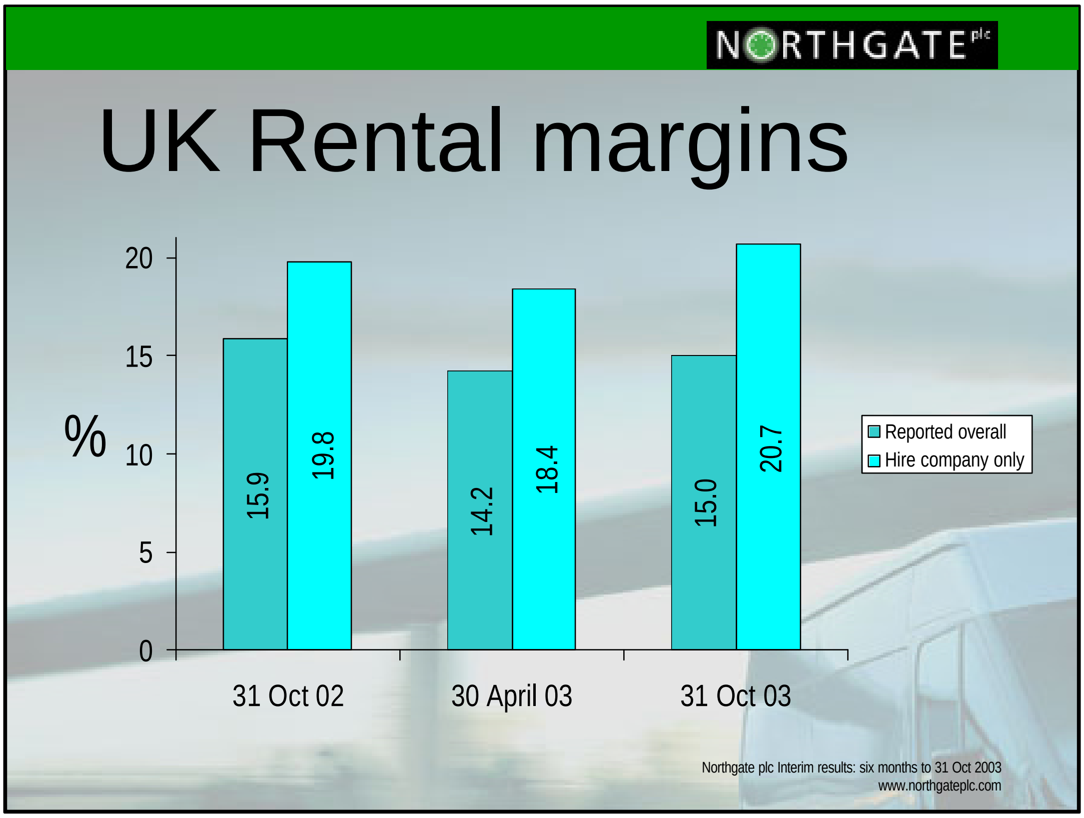
We communicated to you at this time that the one off costs would not occur again – the benefits of earlier network investment would offset any further costs of network development – and we expected to return to a reported operating margin of 15%.

I am pleased to report that this objective has been achieved since our reported operating margin for the UK is 15%.

The turnover mix issue still exists and indeed masks improvements in margin that have been achieved within the hire companies.

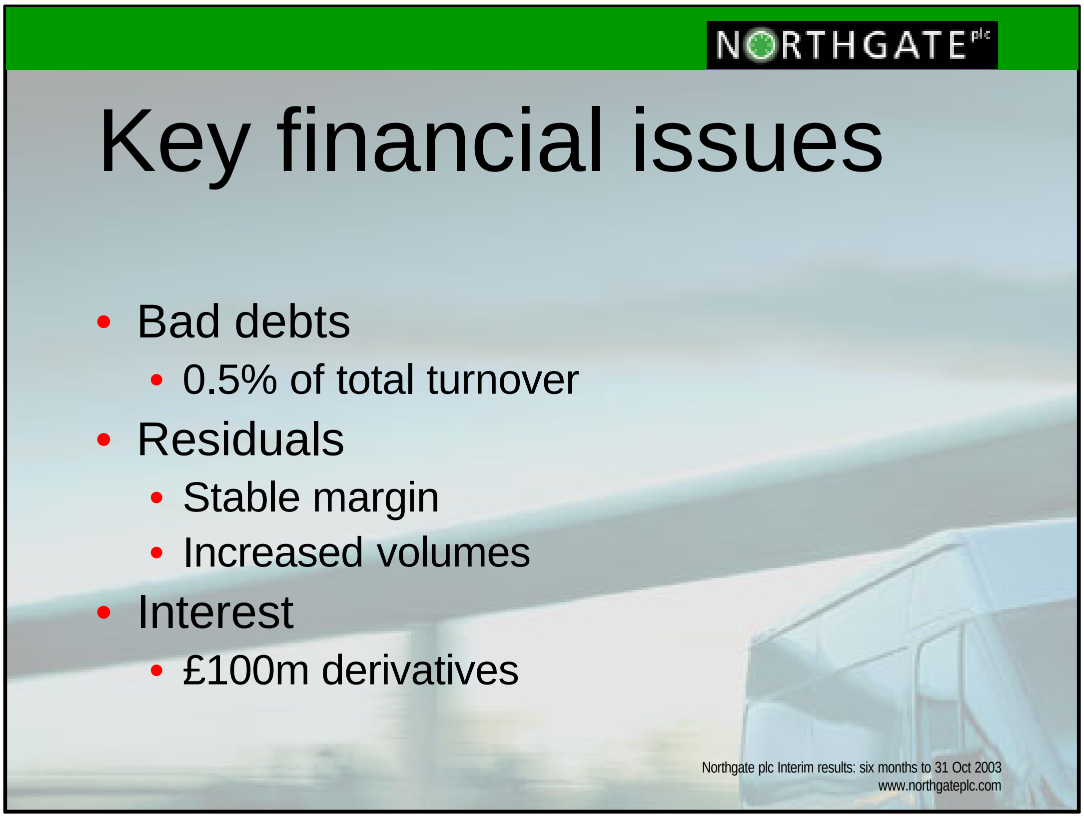



Total turnover has increased by just under 17% and this has been driven by vehicle sales increasing by 51.5% and hire revenues by 5.2%.




If we were to just look at underlying hire company operating margins without vehicle sales – hire company margins have actually improved from 19.8% in 2002 to 20.7% as at October 2003.

The improvement is even more marked when compared to April 2003 because a number of the one off costs referred to in the last financial year were second period weighted. That is why we see the hire company margin improving from 18.4% for full year to April 2003 to 20.7% for the 6 months to October 2003.



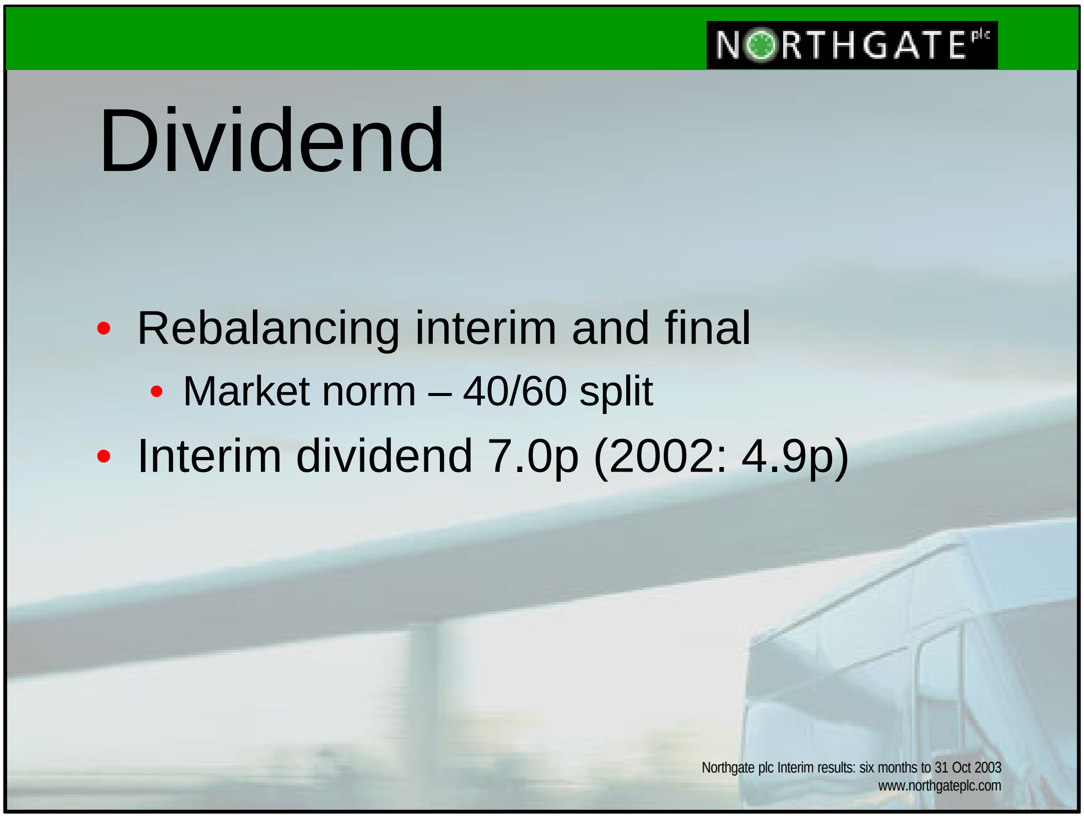

Back in July we looked at the key drivers at the back end of our business model – being bad debt, residuals and interest costs.

Our bad debt experience has historically been between 0.3% and 0.7% of turnover. I am pleased to say that we are in the middle of this range at 0.5%.

Phil has already reported to you that disposal margins have been similar to the prior period. But with increased volumes the level of contribution from vehicle disposal has increased. It should be remembered that our business model is far more flexible than contract hire even if residuals are weak – because we have the option to age the fleet by deferring the disposal date whilst maintaining a revenue against the vehicle.

We have seen the interest curve turn upwards during the last six months. We have already reported to you the action that we took in May/June of this year to cover £100m of our debt with £45m of 5 year swaps and £55m of 5 year zero premium collars.

So, all in all, no material items to report within these key areas.

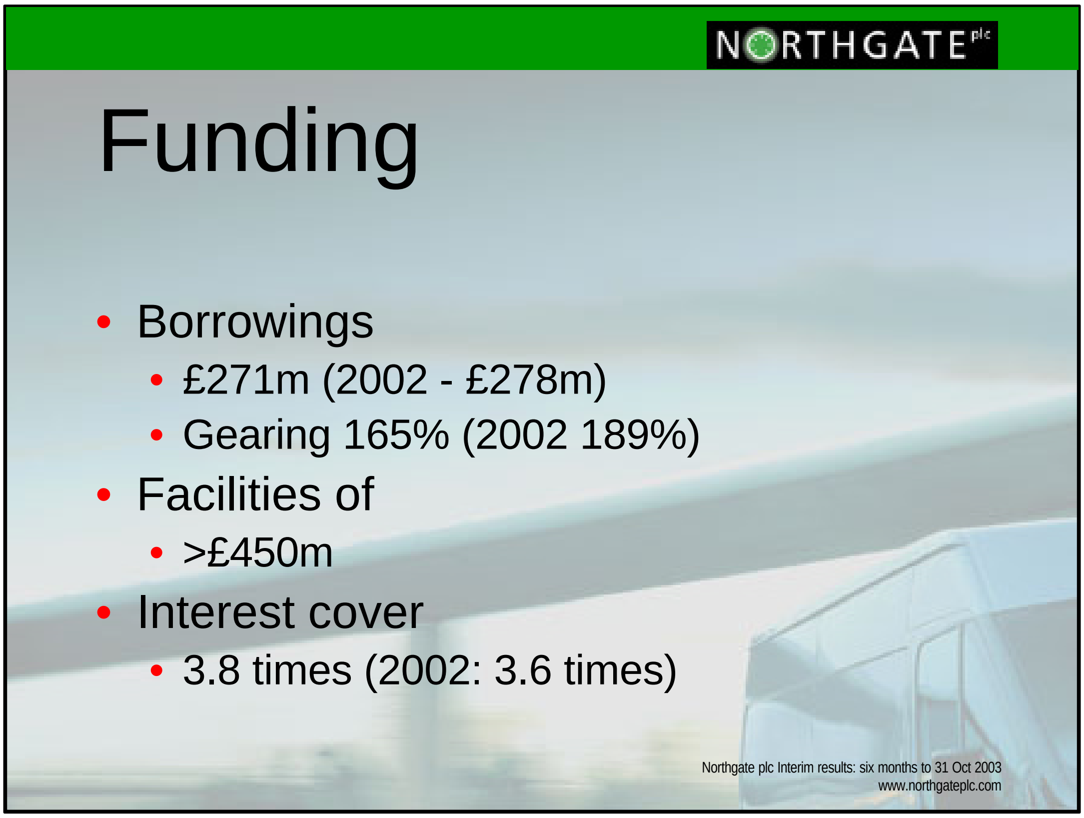



We have observed that the norm for companies of similar size to ourselves reflects a 40/60 split between interim and final dividend payments. Whilst not broadcasting this as the company's future dividend policy, it is the Board's intention to move towards this norm.

Consequently the interim dividend of 7.0p represents an increase of 43%, which on a full year proforma basis is equivalent to a 9% increase.

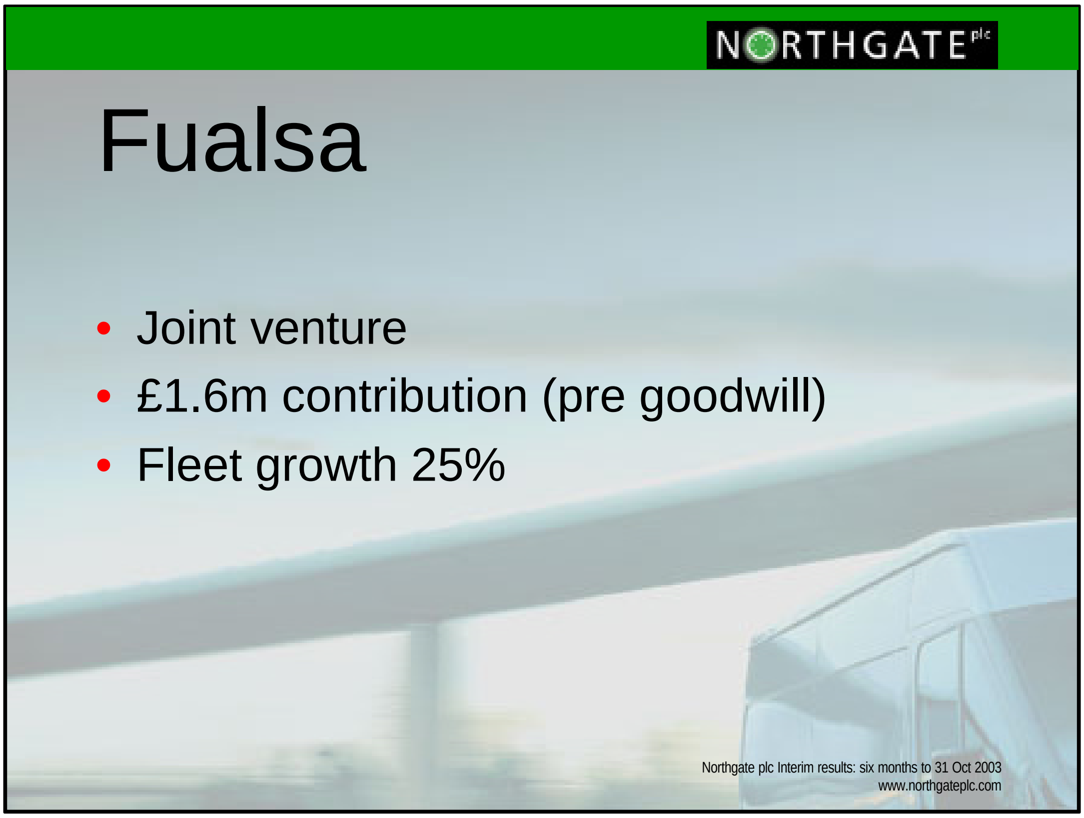

The balance sheet of the Group has not produced any great surprises. The net book value (NBV) of the fleet has increased by 2% from April 2003 to £374m with £114m of additions and £58m from disposals. Debtor days are at 42 days compared to 44 days in 2002 and, as mentioned previously, bad debt charge is 0.5% of total turnover.

There has been a slight reduction in stocks – particularly in vehicles held for disposal compared to the year-end position.




Finally, let's take a look at the Group's funding position.

The fleet compared to October 2002 has grown by 2% and net debt has reduced by £7m to £271m at 31 October 2003 which translates to 165% gearing. This leaves comfortable facility headroom of c£180m for future expansion.

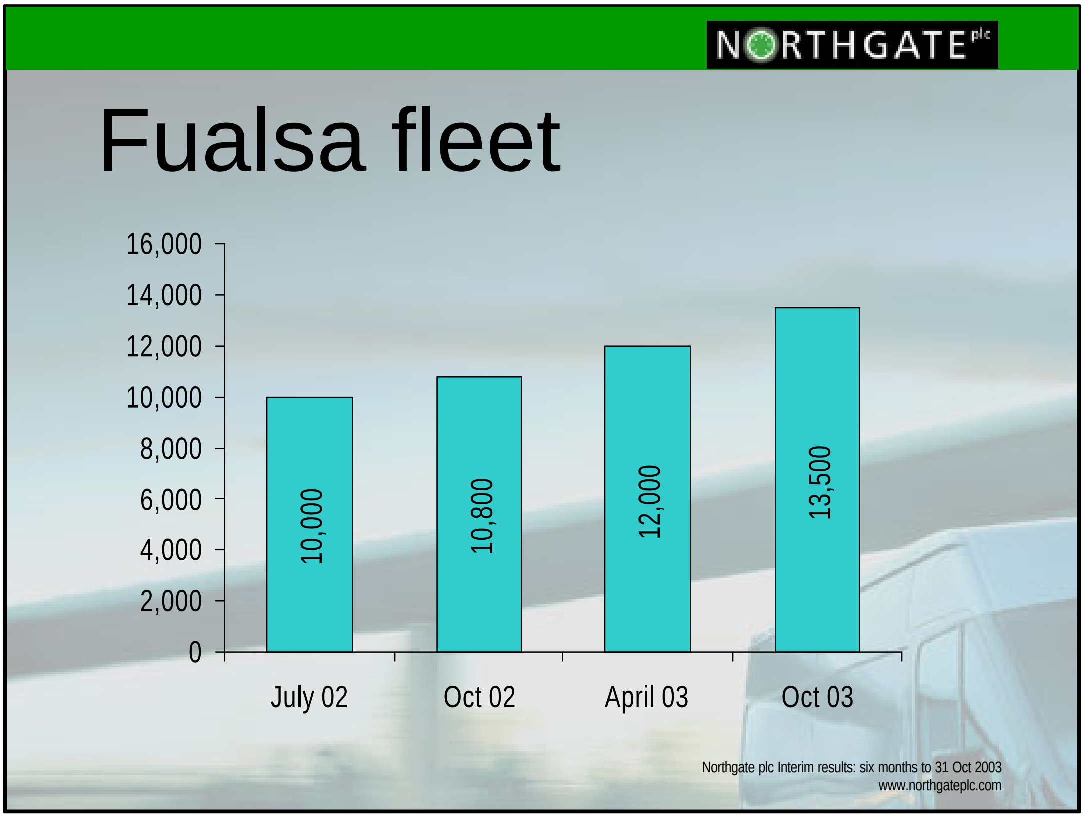



Turning now to our joint venture with Fualsa. We are delighted to report a £1.6m contribution pre-goodwill up from £0.5m in the prior period. It has to be said that the prior period represented only 4 months from the date of the initial investment in July 2002.

The main driver to this growth has been fleet growth – 25% year on year and 35% in the 16 months since our investment.

In addition, we do have non-recurring profits on the disposal of vehicles acquired before January 2001 estimated to be £0.57m. Experience has shown that the rate of depreciation used previously was too prudent and hence a more appropriate rate was applied for vehicles purchased after 1 January 2001. The period that we are reporting on has a significant number of pre 2001 vehicles being disposed of. As at 31 October 2003, the vast majority of the pre 2001 vehicles have been disposed of and the effect of the change in depreciation is to bring the profits on disposal closer to those experienced in the UK.

We highlighted in July that we expect the Fualsa margin to gravitate towards that in the UK because of the investment required in the network to provide future growth. We have a couple of sites that are near capacity – particularly Madrid. The planned expansion in Madrid and Santander and subsequent investments will have a modest impact on the reported operating margin as we go forward. .


NORTHGATE plc
Fualsa fleet
16,000
14,000
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July 02
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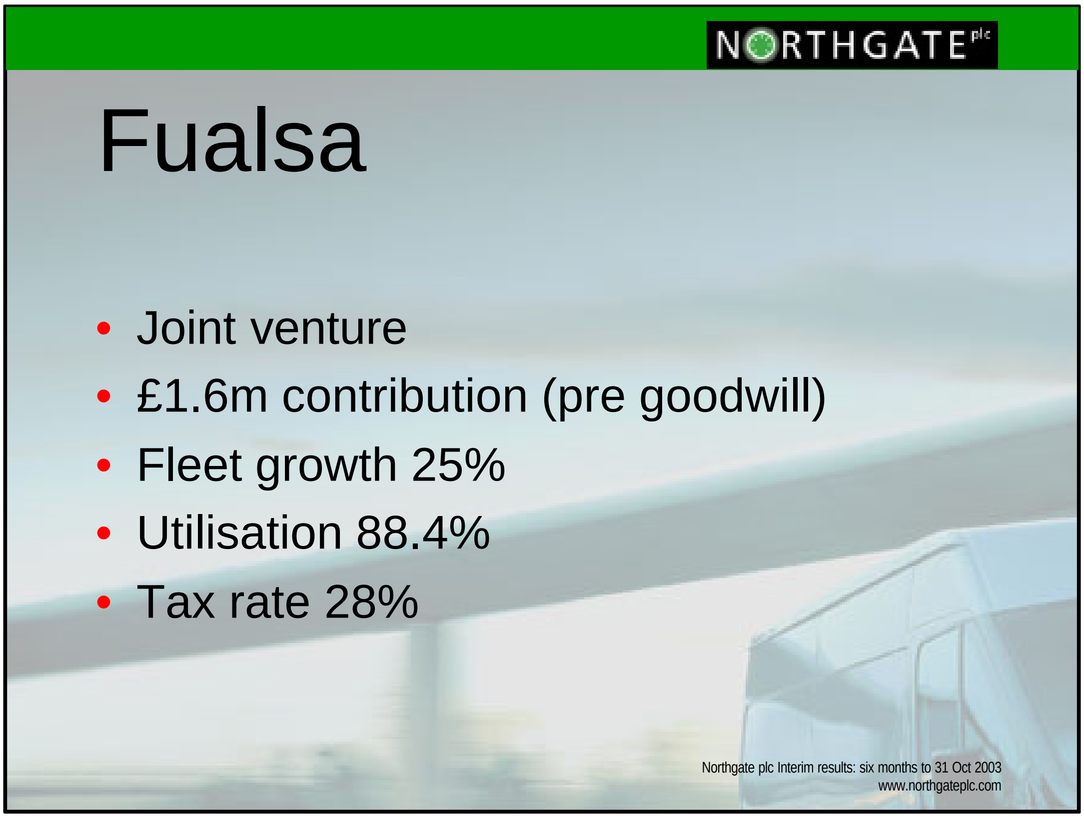
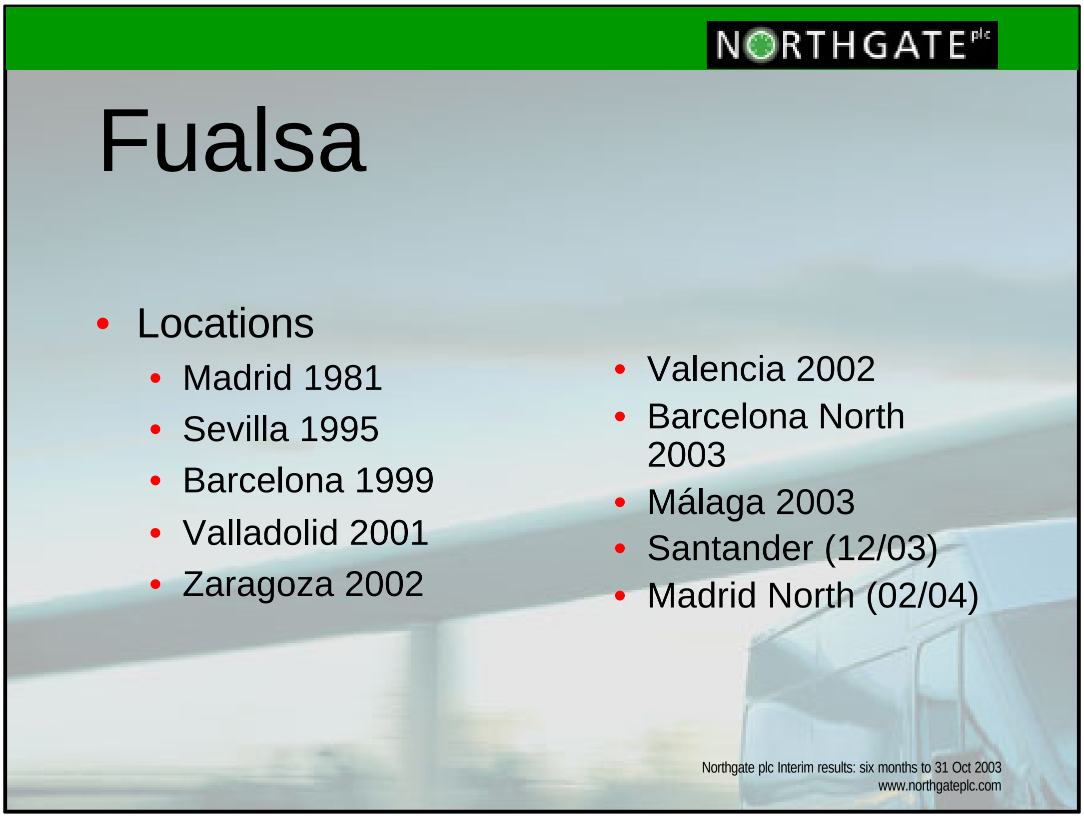



Fualsa continues to benefit from specific tax allowances relating to its sector, which is why the tax rate is below the standard 35%.




We continue to extend and develop the network such that we now have 10 locations. In the period, as well as new locations being sourced for Santander which became operational in December and North Madrid which becomes operational next month, we have relocated to larger premises in Valladolid to create additional capacity to further grow the business as we move into the New Year.

## Fualsa

- Consideration

| | Equity | Max consideration |
|---|---|---|
| | % | €M |
| July 2002 | 40 | 15.4 |
| **May 2004** | **40** | **22.3** |
| May 2006 | 20 | 14.9 |

- Option mechanism
  - PAT x 8.5 multiple based on average calendar year profits for two preceding years to investment date

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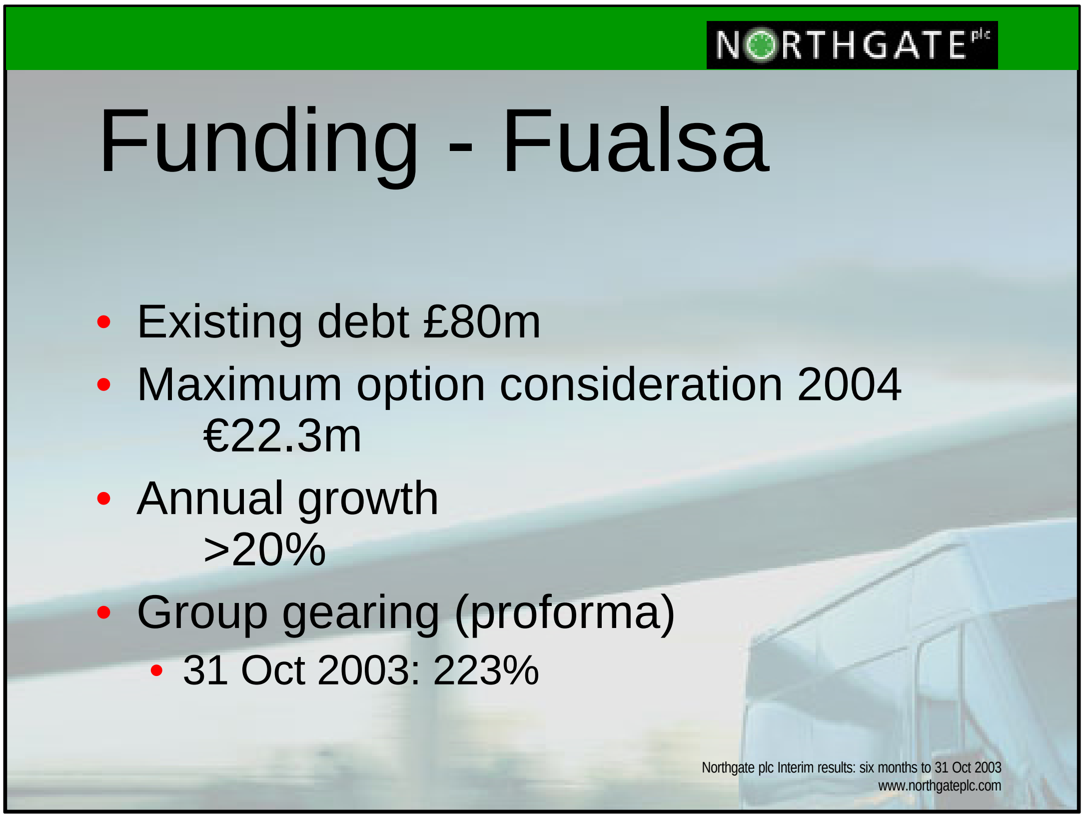
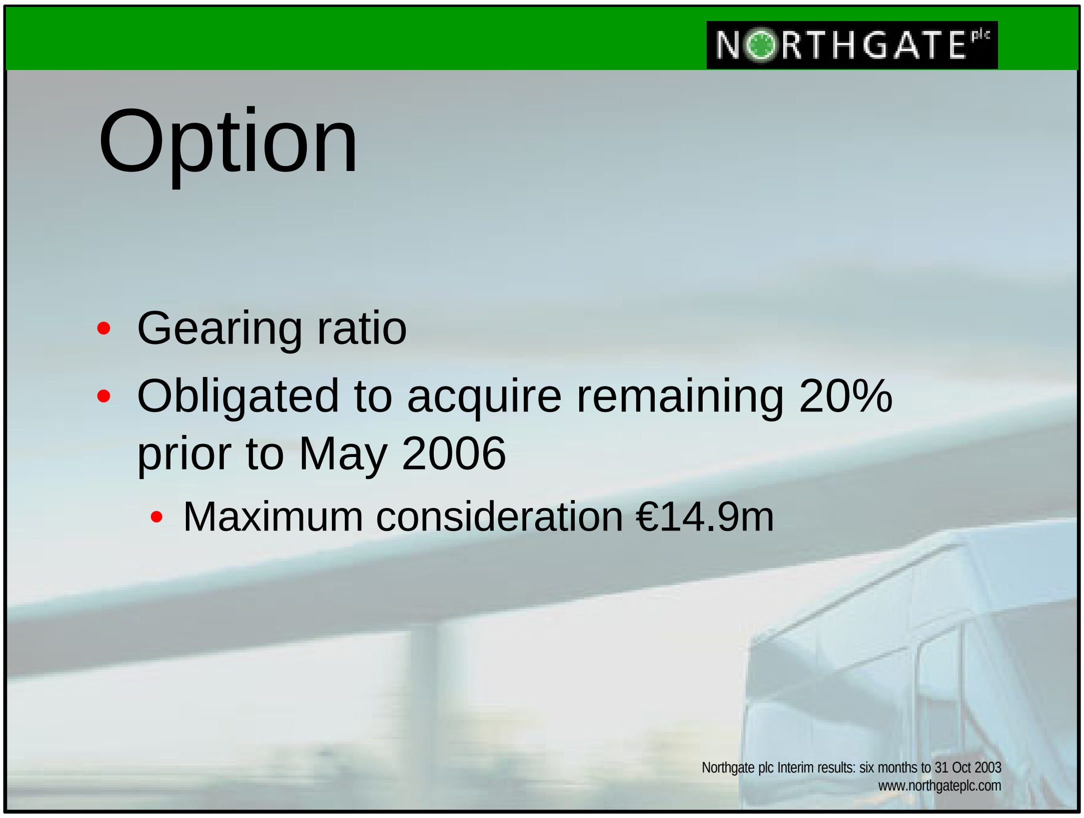
The continued excellent performance of the business and the considerable potential that exists for the future, highlights the quality of this investment. It is highly probable, therefore, that the Group will exercise its option to purchase a further 40% of the equity in Fualsa by May 2004. Based on the expected results for Fualsa for the year to 31 December 2003, it is likely that the consideration to be paid in acquiring this 40% will reach the maximum payable under the terms of the purchase contract of €22.3m. This will then oblige us to purchase the 20% balance on or before May 2006, again the price being determined by a multiple of 8.5 times post-tax profits – this time, the average for December 04 and December 05 – being a maximum €14.9m.



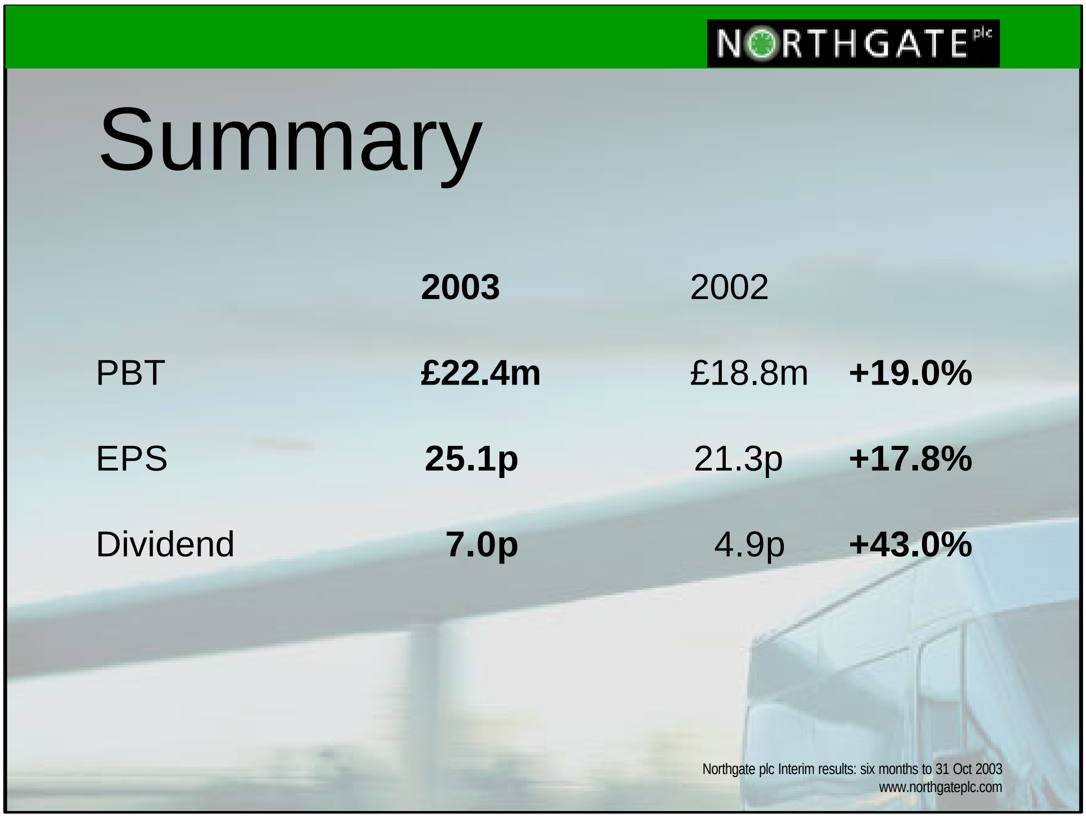

The fleet growth of 35% since July 2002 means that the net debt in Fualsa's balance sheet has grown to £80m and the annual growth rate of the fleet is currently in excess of 20%. If we were to combine Fualsa as a subsidiary as at 31 October 2003, the Group's gearing would increase from the declared 165% to 223%.




Projecting forward this growth rate against the October 2003 position means that our projected gearing ratio post exercise of the first option could exceed 250% within our three-year plan period. In order to maintain flexibility during this period, the Board proposes to raise new funds by way of a 5% cash placing. The details of the placing have been communicated today by way of a separate press release. Hoare Govett Limited is acting as financial adviser, broker and underwriter to the placing which will close later today.

Impact on gearing, post the placing and the exercise of the option, will be to reduce the profoma consolidated gearing – including Fualsa - within the Group's balance sheet to under 200%.

So that concludes the finance issues. I will put this slide up to remind you of the headlines and hand you back to Steve now…




Thanks Ged. So, as you can see from the summary slide that Ged has finished with, we are delighted to have made an excellent start to our three-year Plan. Despite challenging market conditions PBT increased by 19% and Eps by almost 18%. Whilst the interim dividend has increased by over 40% this mainly reflects the Board's intention to move towards the market norm of a 40:60 split vis-à-vis interim and finals. As Ged said, adjusting for the change in split produces a dividend increase of 9.5% for the period.

The cash placing that we have announced today will help us to maintain our flexibility as we go forward in a period where we believe that there will be continued consolidation within the sector.

It will also give us the capability to purchase the remaining 60% of Fualsa and fund any small acquisitions which might become available. We therefore do not expect to require further funding for the duration of the 3-year plan, unless our growth rates significantly exceed our current forecast or a significant acquisition arises.


Finally we need to look to the future. We are encouraged by the resumption of fleet growth in the UK of approximately 4% in the quarter to 31 October. Our focus on marketing has clearly assisted this and our concentration on our cost base has helped us to improve our underlying hire company operating margin. We expect this improvement to be at least maintained as we go forward.

Trading since 1 November has been good and we look forward to seeing these results reflected in your forecasts for the year.

Although only 8 months into our 3-year plan we are pleased with the progress to date and remain comfortable with the targets we have set and our overall objective of double-digit earnings growth in the plan period.

Thank you for your attention. We would now be pleased to take any questions you may have.