

**FirstGroup plc**  
**Preliminary results**  
**for 12 months to 31 March 2008**

**Wednesday 14 May 2008**

# **Moir Lockhead Chief Executive**

# Overview

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- **Record results from strong trading across the Group including the significant contribution from Laidlaw acquisition on 1 October 2007**
- **North America:**
  - Integration progressing very well
  - Better than expected synergies \$150m per annum from April 2009
  - Well positioned for further growth
- **UK Bus and Rail focus on service quality and performance driving growth**
- **Equity issue will strengthen capital structure providing greater flexibility**

**Nick Chevis**  
**Finance Director**

# Highlights

## Year to 31 March 2008

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- **Record Group results**

- Revenue £4.7bn up 27%
- Operating profit<sup>1</sup> £360m up 39%
- Operating margin<sup>1</sup> 7.6% up 0.6%
- EBITDA<sup>2</sup> of £561m up 41%
- Adjusted EPS<sup>1</sup> 40.9p up 21%

- **Record earnings for all divisions**

- **North America synergies run rate \$100m p.a.**

- **UK Rail strong passenger income growth**

- **UK Bus margin increase 1.4% to 11.0%**

1. Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties
2. Operating profit plus depreciation

# Financial Highlights

## Year to 31 March 2008

<b>Revenue</b>	<b>£4,707.6m</b>	<b>Up 27%</b>
<b>EBITDA<sup>2</sup></b>	<b>£560.8m</b>	<b>Up 41%</b>
<b>Operating profit<sup>1</sup></b>	<b>£360.1m</b>	<b>Up 39%</b>
<b>Profit before tax<sup>1</sup></b>	<b>£249.0m</b>	<b>Up 27%</b>
<b>Net debt</b>	<b>£2,161m</b>	<b>Up 319%</b>
<b>Adjusted basic EPS<sup>1</sup></b>	<b>40.9p</b>	<b>Up 21%</b>
<b>Dividend per share</b>	<b>17.05p</b>	<b>Up 10%</b>
<b>EBITDA<sup>2</sup>: interest cover</b>	<b>5.0x</b>	<b>Down 21%</b>

1. Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties
2. Operating profit plus depreciation

# UK Bus

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- **Margin up 1.4% to 11.0%**
- **Strong trading performance – operating profit up 18.4%**
- **Passenger revenue up 5%**
- **Focus on service quality, operational performance, efficient working practices and turnaround strategy**

# UK Bus

## Margin growth drivers

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- **Margin enhancement through**
  - Quality
  - Service provision
  - Low lost mileage
  - Route rationalisation
  - Targeted investment

# UK Rail

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- **Operating profit up 10.3%**
- **Double digit growth in passenger revenue**
- **Successful launch of Scotland – Manchester Airport services at TPE**
- **FGW remedial plan**
- **FSR 3 year extension**

# Revenue analysis UK Rail

## Year to 31 March 2008

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	£m
<b>2006/07 Revenue</b>	<b>1,824.1</b>
<b>Passenger revenue growth</b>	<b>128.8</b>
<b>Other growth (railfreight etc)</b>	<b>13.1</b>
<b>Net subsidy reduction</b>	<b>(33.6)</b>
<b>Other</b>	<b>4.6</b>
 	<hr/>
<b>2007/08 Revenue</b>	<b><u>1,937.0</u></b>

# Rail Passenger Income Growth

## Year to 31 March 2008



### Continued strong growth across all our TOCs<sup>1</sup>

	%
<b>FGW</b>	<b>9.6</b>
<b>FCC</b>	<b>13.5</b>
<b>FTPE</b>	<b>13.2</b>
<b>FSR</b>	<b>8.3</b>
<b>Hull</b>	<b>11.9</b>
<b>Total</b>	<b>10.8</b>

<sup>1</sup>Adjusted for FGW flooding (2006/07), Blackpool services (2006/07) & Scottish services (2007/08) at TPE

# UK Rail

## Revenue growth drivers

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- **Performance**
- **Investing for future revenue growth**
- **Ticket gates**
- **Capacity**
- **New services**
- **Positive national trends**

# North America

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- **Integration of Laidlaw businesses**
- **Significant synergies achieved**
- **Student margin improved by 0.4% to 11.3%**
- **Student bidding season**
- **Greyhound value opportunities**
- **Positive outlook**

# North America (cont)

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- **First Student**
  - Margin improvement to 11.3%
  - Contract retention
  - Integration synergies and depot consolidation
- **First Transit**
  - Margin improvement to 5.9%
  - Cost reductions and increased efficiencies
  - New business wins
- **Greyhound**
  - Significant value opportunities
  - Encouraging passenger revenue trends
  - Other revenue initiatives
  - Seasonal business
- **First Services**
  - Contract wins in fleet maintenance & mobile technology

# North America

## EBIT synergies achieved

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- **Administration salaries and costs, branch & facilities consolidation, insurance costs and procurement initiatives**
- **Synergies contributed \$30m in period to 31 March 2008**
- **Annualised synergies achieved at year-end approximately \$100m**

# North America

## EBIT bridge

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	\$m
<b>2006/07 EBIT</b>	<b>130.5</b>
<b>Impact of Laidlaw (excluding synergies)</b>	<b>139.3</b>
<b>DOJ contract attrition</b>	<b>(11.0)</b>
<b>Synergies</b>	<b>30.0</b>
<b>Fuel</b>	<b>(8.2)</b>
<b>Operating / Snow days</b>	<b>(2.9)</b>
<b>Other</b>	<b>2.6</b>
<b>2007/08 EBIT</b>	<b>280.3</b>

# Non-recurring items and intangible amortisation

## Year to 31 March 2008

	2008	2007
	£m	£m
Laidlaw integration	55.5	1.0
UK Rail	16.8	21.3
Europe	3.7	4.8
UK Rail bid costs	3.5	14.5
Property (gains)/losses	(5.8)	3.7
Bank facility costs re Laidlaw deal	4.5	-
Total non-recurring	<u>78.2</u>	<u>45.3</u>
Intangible asset amortisation	<u>18.9</u>	<u>10.3</u>
	<u><u>97.1</u></u>	<u><u>55.6</u></u>

# Cash flow

## Year to 31 March 2008

	£m	£m
EBITDA		560.8
Bid costs/non-recurring items		(74.1)
Working capital		(21.5)
Other		5.6
Cash generated by operations		<u>470.8</u>
Investment in the business		
Capex	(270.1)	
Release of captive insurance assets	115.7	
Acquisitions	<u>(1,764.2)</u>	
		(1,918.6)
Interest, Tax and other		<u>(86.7)</u>
		(1,534.5)
Shareholders		
Dividends (incl Minorities)		<u>(80.6)</u>
Net cash outflow		(1,615.1)
Foreign exchange movements		(27.6)
Other non-cash movements		(2.1)
Opening net debt		<u>(516.2)</u>
Closing net debt		<u><u>(2,161.0)</u></u>

# Funding and Tax

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- **Debt**
  - EBITDA:interest cover 5.0x
  - Committed facility headroom at 31 March 2008 £587m
  - \$2,250m term loan maturing February 2010
  - £520m revolver maturing March 2010
  - Debt maturity extension over next 12 months
- **Taxation**
  - Low cash tax rate set to continue
  - Effective P&L tax rate 23.4% (2007: 26.1%)
  - P&L tax benefit from Laidlaw acq'n; HMRC approved
- **Pensions**
  - IAS 19 surplus increased to £89m

# Capital structure and equity placing

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- **Acquired Laidlaw International, Inc. in October 2007 for \$3.5 billion**
- **Debt portion of \$3 billion was financed from committed bank facilities of \$3.75 billion - of which \$2.25 billion was on a 3 year term facility due February 2010**
- **Group now refinancing this portion of acquisition debt through a number of initiatives**
- **Equity issue by way of placing of up to 10% of new shares is one element of that financing strategy**
- **Equity issue will strengthen the capital structure of the Group at a time when it continues to invest for growth and to enhance shareholder value**

# Crude oil hedge position

	UK			North America “at risk”		
	2007/08	2008/09	2009/10	2007/08*	2008/09	2009/10
Usage (barrels'm)	2.7	2.7	2.7	2.4	2.4	2.4
% Hedged	100%	100%	10%	-	100%	10%
Hedge rate	\$66.69	\$75.73	\$84.98	\$77.04	\$83.76	\$84.32
<b>North America “At risk” volumes comprise:</b>						<b>2008/09</b>
Gross usage (barrels'm)						4.3
Less: provided by customer, pass through cost, or protected by contract escalator						(1.9)
“At risk” volume						2.4
* Annualised figure (including Laidlaw for full year) based on hedged and unhedged volumes.						

# 2007/08 Summary

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- **Record results**
- **North America exceeding expectations**
- **UK Bus margin improvement**
- **Continued strong passenger income in UK Rail**
- **Positive outlook**

**Dean Finch**  
**Chief Operating Officer –**  
**North America**

**Integration &**  
**growth prospects**

# Highlights

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- **Excellent progress on integration**
- **Significant synergies :**
  - \$100m current run rate
  - \$150m per annum from April 2009
- **Further margin improvement despite fuel cost pressure**
- **Created a national sales platform to build on growth prospects**
- **Significant opportunities emerging at Greyhound**

# Integration progress

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- **Key priority of customer retention achieved**
- **Integrated businesses to single management team and HQ operation and harmonised systems**
- **Completed first phase of branch consolidation - more to come in phase 2**
- **Excess fleet – well advanced with plan to reduce by 2,000 buses no impact to service**
- **Procurement review progressing well – first phase of contracts completed**

# Synergies achieved

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Synergies delivering ahead of plan – 4% of combined costs

- Closure of Laidlaw corporate office (\$30m)
- Procurement savings:
  - \$20m opex
  - \$20m capex
  - \$10m insurance
- Branch Consolidation Phase 1 – (\$10m)
- Transit Overheads ( \$15m)
- Student Overheads (\$20m)
- Tax efficient investment structure (\$30m)
- Total annual synergies achieved: c.\$100m EBIT and \$50m cash from capex and tax

# Synergy prospects

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- **Further opportunity in Phase 2 from :**
  - Further procurement synergies
  - Branch consolidation
  - Revenue synergies

**More to come: EBIT synergies \$150m per annum from April 2009**

# First Student

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- **Focus on customer relationships – more than 1,500 customers surveyed**
- **Strong contract retention >90%**
- **Divestment process complete – less than 3% of combined business**
- **New bus growth despite attrition/divestment**
- **18 locations consolidated – progressing further opportunities**
- **Increased operating margin by 40bps – targeting further improvement**
- **Excellent cash generation - maintenance capex less than 50% of EBITDA**

# Greyhound

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- **Good quality asset with clear opportunities to increase value for shareholders**
- **Significant cost reduction and revenue growth opportunities**
- **Real progress already made to On Time Performance**
- **Early initiatives are yielding results**
- **Achieving yoy revenue growth**

# Greyhound progress update: revenue initiatives

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- **Revenue initiatives: will deliver >\$30m per annum**
- **A number of initiatives already implemented including:**
  - New BoltBus services
  - Priority seating charge
  - Excess baggage charges
  - Yield management and ticketing initiatives
  - New charging structure for call centre and online bookings
  - Web partnerships and refocused site to encourage online ticket sales
  - Peak and holiday time fares strategy
  - Rebalanced refund structure
  - Updated arrangements for restricted and unrestricted tickets

# Greyhound progress update: cost initiatives

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- Identified and implemented a number of cost initiatives: will deliver \$30-40m per annum in savings
  - Reduced cost of sale
  - Reduction in agents commission rates and arrangements
  - Integration of US subsidiaries
  - Consolidation to one HQ operation
  - Call centre relocated
  - Initiatives to improve safety and reduce insurance costs

# Summary

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- Integration progressing well
- Synergies better than expected
- National sales platform established  
good prospects for growth
- Greyhound clear revenue and cost  
opportunities – encouraged by results of  
early initiatives
- Significant opportunity to increase value  
across North American operations

# **Moir Lockhead Chief Executive**

# Summary

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- **Delivering strategy to increase shareholder value by profitable growth in core markets**
- **Balanced portfolio of business c.50% of Group revenues contracted**
- **Good growth prospects in all our businesses**
- **Established national platform in both UK and North America**
- **New trading year started well**

**FirstGroup plc**  
**Preliminary results**  
**for 12 months to 31 March 2008**

**Wednesday 14 May 2008**

**Appendices**  
**Preliminary results**  
**for the 12 months to**  
**31 March 2008**

# Profit and Loss Account (1)

## Year to 31 March 2008



	2008 £m	2007 £m
Group revenue	<u>4,707.6</u>	<u>3,708.8</u>
Group operating profit <sup>1</sup>	360.1	259.2
Interest	<u>(111.1)</u>	<u>(63.4)</u>
Pre-exceptional pre-tax profit <sup>1</sup>	249.0	195.8
Intangible asset amortisation	(18.9)	(10.3)
Bid costs/other non-recurring items <sup>2</sup>	<u>(78.2)</u>	<u>(45.3)</u>
Profit before tax	<u><u>151.9</u></u>	<u><u>140.2</u></u>

1. Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties

2. Including property disposal profits

# Profit and Loss Account (2)

## Year to 31 March 2008

	2008	2007
	£m	£m
Profit before tax	151.9	140.2
Tax	<u>(18.6)</u>	<u>(38.1)</u>
Profit after tax	133.3	102.1
Minority interests	(12.9)	(10.4)
Profit for the period	<u><u>120.4</u></u>	<u><u>91.7</u></u>
Adjusted EPS <sup>1</sup>	40.9p	33.7p
Adjusted cash EPS	86.8p	68.6p
EBITDA	£560.8m	£398.9m

1. EPS adjusted for amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties

# H1/FY split

	H1 2007/08 £m	H1 2006/07 £m	Variance £m	FY 2007/08 £m	FY 2006/07 £m	Variance £m
<b>Revenue</b>						
UK Bus	540.1	521.9	18.2	1,104.9	1,073.7	31.2
North America	358.5	372.0	(13.5)	1,651.1	802.9	848.2
UK Rail	863.6	817.6	46.0	1,937.0	1,824.1	112.9
Group items	6.7	4.2	2.5	14.6	8.1	6.5
	<u>1,768.9</u>	<u>1,715.7</u>	<u>53.2</u>	<u>4,707.6</u>	<u>3,708.8</u>	<u>998.8</u>
<b>Operating profit</b>						
UK Bus	47.6	39.5	8.1	122.0	103.0	19.0
North America	17.2	17.9	(0.7)	139.5	68.2	71.3
UK Rail	48.2	43.9	4.3	120.0	108.8	11.2
Group items	(9.9)	(9.1)	(0.8)	(21.4)	(20.8)	(0.6)
	<u>103.1</u>	<u>92.2</u>	<u>10.9</u>	<u>360.1</u>	<u>259.2</u>	<u>100.9</u>
Interest	(28.6)	(32.3)	3.7	(111.1)	(63.4)	(47.7)
Profit before one-offs	<u>74.5</u>	<u>59.9</u>	<u>14.6</u>	<u>249.0</u>	<u>195.8</u>	<u>53.2</u>
Intangible asset amortisation	(4.9)	(4.7)	(0.2)	(18.9)	(10.3)	(8.6)
Property profits	6.9	1.4	5.5	5.8	(3.7)	9.5
Bid costs	(5.2)	(7.3)	2.1	(7.2)	(19.3)	12.1
Restructuring costs/US exceptionals	0.0	(9.6)	9.6	(72.3)	(22.3)	(50.0)
Interest on Short-term facility	0.0	0.0	0.0	(4.5)	0.0	(4.5)
Profit before tax	<u>71.3</u>	<u>39.7</u>	<u>31.6</u>	<u>151.9</u>	<u>140.2</u>	<u>11.7</u>
Taxation	(9.4)	(9.9)	0.5	(18.6)	(38.1)	19.5
Minority interest	(5.8)	(4.9)	(0.9)	(12.9)	(10.4)	(2.5)
Profit attributable to equity holders	<u>56.1</u>	<u>24.9</u>	<u>31.2</u>	<u>120.4</u>	<u>91.7</u>	<u>28.7</u>

# Divisional analysis

## Year to 31 March 2008

	2007/08			2006/07		
	Turnover	Operating profit	Operating profit	Turnover	Operating profit	Operating profit
	£m	£m	%	£m	£m	%
UK Bus	1,104.9	122.0	11.0	1,073.7	103.0	9.6
UK Rail	1,937.0	120.0	6.2	1,824.1	108.8	6.0
North America	1,370.3	130.7	9.5	802.9	68.2	8.5
Greyhound	280.8	8.8	3.1	0.0	0.0	
Other	14.6	(21.4)		8.1	(20.8)	
	<b>4,707.6</b>	<b>360.1</b>	<b>7.6</b>	<b>3,708.8</b>	<b>259.2</b>	<b>7.0</b>

# UK Bus revenue

	<b>2008</b>	<b>2007</b>	
	<b>£m</b>	<b>£m</b>	<b>Change</b>
Passenger revenue	770.3	733.7	5.0%
Other revenue	334.6	340.0	-1.6%
	<b>1,104.9</b>	<b>1,073.7</b>	<b>2.9%</b>

# FirstGroup America

## Year to 31 March 2008



\$m	Student	Transit	G'hound	Services	Total
Revenue	<u>1,859.5</u>	<u>641.0</u>	<u>565.8</u>	<u>252.7</u>	<u>3,319.0</u>
EBITDA	365.1	49.0	45.4	15.0	474.5
EBITDA %	19.6%	7.6%	8.0%	5.9%	14.3%
Depreciation	<u>154.2</u>	<u>11.3</u>	<u>27.7</u>	<u>1.0</u>	<u>194.2</u>
EBIT	<u>210.9</u>	<u>37.7</u>	<u>17.7</u>	<u>14.0</u>	<u>280.3</u>
EBIT %	11.3%	5.9%	3.1%	5.5%	8.4%

# Interest charge

## Year to 31 March 2008

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	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Bond and bank borrowings	107.3	59.8
Loan notes	1.5	1.4
Finance lease interest	5.9	4.7
Notional interest	11.3	6.9
Investment income	(14.9)	(9.4)
Net finance cost	<u>111.1</u>	<u>63.4</u>

# Taxation

## Year to 31 March 2008

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	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Current tax	9.4	5.5
Deferred tax <sup>1</sup>	9.2	32.6
	<u>18.6</u>	<u>38.1</u>
Effective tax rate - %	23.4	26.1
Cash tax rate - %	4.4	3.9

<sup>1</sup> Including non-recurring credit of £8.6m in 2008

# Capital Expenditure

## Year to 31 March 2008

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	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
UK Bus	70.9	161.7
North America	106.4	48.1
UK Rail	130.0	110.0
Group items	3.1	1.8
	<hr/> <b>310.4</b> <hr/>	<hr/> <b>321.6</b> <hr/>

# Share capital (excluding treasury shares)

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	Million
Opening	434.0
Average	434.8
Closing	436.6

# UK Rail bonds

	<b>Mar-08</b>	<b>Mar-07</b>
	<b>£m</b>	<b>£m</b>
<b><u>Rail Bonds</u></b>		
FTPE Performance Bond	5.7	5.7
GBR Performance Bond	0.5	0.5
GBR MetroNet Bond	0.8	0.8
FSR Performance Bond	25.0	25.0
FSR Season Ticket Bond	3.5	2.5
FSR Maintenance Bond	36.9	40.0
FCC Performance Bond	10.0	4.8
FCC Season Ticket Bond	34.6	30.8
FGW Performance Bond	20.7	10.2
FGW Season Ticket Bond	14.4	11.8
	<b>152.1</b>	<b>132.1</b>

# UK Rail subsidy profile

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	<b>FGW</b>	<b>FTPE</b>	<b>FSR</b>	<b>GBRf</b>	<b>FCC</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
2007/8	49.3	117.4	286.3	1.6	(44.3)	410.3
2008/9	13.3	118.6	307.9	1.6	(69.7)	371.7

# UK Rail Ring-Fenced Cash

	<b>Mar-08</b>	<b>Mar-07</b>
	<b>£m</b>	<b>£m</b>
First TransPennine Express	42.2	29.5
First ScotRail	23.5	38.9
First Greater Western	36.9	24.5
First Capital Connect	53.2	46.2
GBRf	0.5	0.5
<b>Total Rail Ring Fenced Cash</b>	<b>156.3</b>	<b>139.6</b>

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