

**Preliminary results
for the year to
31 March 2003**

Wednesday 14 May 2003

Moir Lockhead
Chief Executive

Business achievements

- **Focused strategy delivering results**
- **Sales growth across all divisions**
- **Operating profits in line with expectations**
 - Abnormal cost increases of £25m absorbed
 - Fare increases held at RPI or below
- **Dividend up 7%**
- **£17m cash returned through share repurchase**
- **Opportunities to grow in North America and UK**

Iain Lanaghan
Finance Director

Introduction

- **Strong financial performance**
- **EBITDA £315m**
- **Invested £106m in the business**
- **Debt reduced by £28m**
- **Proactive approach to funding and risk management**
 - Fuel
 - Interest
- **New pension arrangements in place**
- **BBB stable credit rating reiterated by S&P**

Financial Highlights

Year to 31 March 2003

Group Turnover £2,291m	up 6%
Operating profit¹ £216.1m	up 1%
Profit before tax¹ £159.8m	up 2%
EBITDA² £315.3m	up 2%
Full year debt reduced by £28.1m to £624.4m	
Adjusted basic EPS 26.8p	up 4%
Full year dividend per share 11.0p	up 7%

1. Before goodwill amortisation and exceptional items
2. Operating profit before goodwill amortisation and exceptional items plus depreciation

Divisional analysis

Year to 31 March 2003

	Turnover £m	Op profit ¹ £m	Margin %
UK Bus	859.4	111.7	13.0
UK Rail	842.3	61.3	7.3
N America	582.4	61.3	10.5
Lease interest ²	-	(6.7)	-
Other ³	6.9	(11.5)	-
TOTAL	<u>2,291.0</u>	<u>216.1</u>	9.4

1. Before goodwill amortisation and exceptional items

2. Financing elements of UK Passenger Carrying Vehicle operating lease costs

3. Tram operations, central management, Group information technology and other items

Turnover analysis UK Bus

Year to 31 March 2003



	£m
Year to 31/03/02	811.5
London new business	25.3
Volume growth	10.2
Fare increases	13.3
Other	(0.9)
Year to 31/03/03	<u>859.4</u>

Turnover analysis UK Rail

Year to 31 March 2003



	£m
Year to 31 March 2002	802.9
Volume growth	20.3
Fare increases	7.5
Reduction in FGW grant	(8.1)
GCC/other	19.7
Year to 31 March 2003	<u>842.3</u>

Turnover analysis N America

Year to 31 March 2003



	£m	\$m
Year to 31 March 2002	542.9	778.9
Increase in:		
First Student	49.6	76.4
First Transit	24.1	37.0
First Vehicle	5.6	8.7
Foreign exchange movements	(39.8)	-
Year to 31 March 2003	<u>582.4</u>	<u>901.0</u>

Cashflow

Year to 31 March 2003

		£m
EBITDA		315.3
Invested in the business		
Capex	(82.2)	
Acquisitions/disposals	(23.8)	
	<u> </u>	(106.0)
Return to shareholders		
Dividends paid	(44.0)	
Share repurchases	(17.1)	
	<u> </u>	(61.1)
Interest and Tax		
Interest	(31.0)	
Tax	(23.6)	
	<u> </u>	(54.6)
Working capital		(82.7)
Foreign exchange and Other		17.2
		<u> </u>
Net cash flow		28.1
		<u> </u>
Net Debt at 31 March 2003		624.4
Net Debt at 31 March 2002		652.5

Pensions

- **Bus schemes reorganised**
 - existing members DB (Final salary) benefits capped
 - new employees DB (Career average/Money Purchase)
 - funding being shared (60/40) with higher contributions
- **Rail schemes**
 - no liability beyond end of franchise
 - new franchise negotiations to reflect pension funding
- **Funding requirements included in results**
 - P&L charge (SSAP24) £26.1m
 - Discretionary cash contributions £14.0m
- **FRS 17 deficit - UK Bus £184.2m, US £10.1m, Rail £20.4m**

Hedging

- **Fuel**
 - UK
 - all requirements to 2005 covered by cap @ \$21.70 (Brent)
 - US
 - 50% of at risk covered by 3-4 year caps @ avg \$24.25 (WTI)
- **Interest rate swaps**
 - UK interest fixed by 2013 bond at $6\frac{7}{8}\%$
 - Old \$ swaps cancelled - exceptional charge 03/04 £19m
 - New \$ swaps at 2.845% - P&L saving of £10m in 03/04

Financial summary

- **Sound group finances**
- **Continuing to grow and invest**
- **Tight control of costs**
- **Optimising funding and risk management**
- **Business strategy underpinned by strong cash generation**

Bruce Ballard
President & CEO
FirstGroup America

North America Business Review

- **Continued strong performance**
 - Revenue growth +16%, EBITDA +12%
 - Reinforced focus on cost control
- **Student**
 - Revenue up 15%, EBITDA +12%
 - In-fill acquisitions (6 small co.'s) and new contracts
- **Transit**
 - Revenue up 17%, EBITDA + 5%
 - Expanding value added markets (Dyntek call centre)
- **Services**
 - Revenue up 13%, EBITDA +25%
 - continued client sales
 - L&E Mobile

North America Strategy

- **Operationally self funding**
- **Student**
 - active new business pipeline
- **Transit**
 - selective acquisitions
 - non traditional transit services
- **Services**
 - cross selling
 - new markets
- **Outlook for continued expansion very encouraging**

Dr Mike Mitchell
Chief Operating Officer
UK

UK Bus

- **Margin 13%**
 - Wage cost pressure offset by engineering and driver efficiencies
- **London growth spectacular**
 - Passenger growth now >10% pa
 - Opportunities for more TfL tender work
- **Volume growth outside London +1.5%**
 - Two year growth in Glasgow and Manchester 13%
 - Rural networks and Demand Responsive Transport
- **Yorkshire showcase**
 - Major project with PTEs, LAs and DfT

UK Rail

- **Achieved profit target**
- **Rail volumes up: >5% FGW, 4% FGE**
- **Improving performance**
 - **Current PPM scores 81% on FGW, 91% on FGE**
- **Re-franchising update**
- **New trains introduced**
- **>100 Bus/Rail Integration schemes**

Moir Lockhead
Chief Executive

Market Dynamics

- **North America**

 - Fragmented market – consolidation opportunities

 - Add-ons to existing business – call centres

 - Developing new strands – services

- **UK Bus**

 - Resilient, growing, modal shift

 - Opportunities for more pro-active marketing

 - Operational efficiencies, new technology

- **UK Rail**

 - Regulated, management contracts

 - Focus on service delivery – core skill

Future Agenda

- **Focus on extending North American operations**
- **Continue top line growth in UK bus**
- **Gain TPE and Thames, bid for Northern and Scotrail**
- **Manage costs**
- **Deliver market expectations**
- **Continue to create shareholder value**
- **Good start to the year**

**Preliminary results
for the year to
31 March 2003**

Appendices

Profit and Loss Account (1)

Year to 31 March 2003



	2003 £m	2002 £m	increase
Group turnover	<u>2,291.0</u>	<u>2,164.1</u>	5.9%
Group operating profit ¹	216.1	215.0	0.5%
Interest	(56.3)	(56.3)	
Associates/JVs share of losses	-	(2.0)	
Pre-exceptional pre-tax profit ¹	<u>159.8</u>	<u>156.7</u>	2.0%
Goodwill	(25.8)	(29.3)	
Exceptional items	<u>(0.6)</u>	<u>(19.5)</u>	
Profit before tax	<u><u>133.4</u></u>	<u><u>107.9</u></u>	23.6%

1. Before goodwill amortisation and exceptional items

Profit and Loss Account (2)

Year to 31 March 2003

	2003 £m	2002 £m	increase
Profit before tax	133.4	107.9	23.6%
Tax on operating profit	<u>(35.8)</u>	<u>(33.9)</u>	
Profit after tax	97.6	74.0	31.9%
Minority interests	(0.1)	(0.1)	
Dividends	<u>(45.5)</u>	<u>(43.1)</u>	
Profit for the year	<u><u>52.0</u></u>	<u><u>30.8</u></u>	68.8%
Adjusted EPS ¹	26.8p	25.8p	3.9%
Adjusted cash EPS	50.6p	48.5p	4.3%
EBITDA ²	315.3	310.1	1.7%

1. EPS adjusted for goodwill amortisation and exceptional items

2. Operating profit before goodwill, exceptional items plus depreciation

FirstGroup America

Year to 31 March 2003



\$m	Student	Transit	Vehicle	Total
Sales	<u>570.8</u>	<u>253.0</u>	<u>77.2</u>	<u>901.0</u>
EBITDA	134.3	18.7	6.5	159.5
EBITDA %	23.5%	7.4%	8.4%	17.7%
Depreciation	<u>55.7</u>	<u>7.7</u>	<u>1.0</u>	<u>64.4</u>
EBIT	<u>78.6</u>	<u>11.0</u>	<u>5.5</u>	<u>95.1</u>
EBIT %	13.8%	4.3%	7.1%	10.6%

Interest charge

Year to 31 March 2003

	2003	2002
	£m	£m
Bond and bank facilities	47.6	43.8
Loan notes	1.9	2.1
Leases and HP	6.5	11.0
	<u>56.0</u>	<u>56.9</u>
Income from short term deposits	(2.6)	(2.8)
Notional interest	2.9	2.2
	<u>56.3</u>	<u>56.3</u>
EBITDA: interest cover	5.6	5.5

Capital Expenditure

Year to 31 March 2003

	2003	2002
	£m	£m
UK Bus	37.6	23.5
North America	60.6	121.8
Rail/Other	8.2	8.1
	<hr/> 106.4 <hr/>	<hr/> 153.4 <hr/>

Taxation

Year to 31 March 2003

	2003	2002
	£m	£m
Current tax	27.2	25.6
Deferred tax	<u>8.6</u>	<u>8.3</u>
Tax charge	<u>35.8</u>	<u>33.9</u>
Tax rate on profit before goodwill and exceptional items	30%	31%
Cash tax rate	20%	24%