

FirstGroup plc
Interim results
for the six months to 30 September 2005

Wednesday 9 November 2005

Moir Lockhead Chief Executive

Delivering value for shareholders

- **Solid financial performance in challenging trading environment**
 - Revenue up 14%
 - Impact of additional fuel costs £13.0m
 - Dividend up 10%
- **Strong performance from UK Rail division**
- **Growth and margin enhancement in North America**
- **UK Bus strong underlying revenue growth and improved operational performance**

Dean Finch
Finance Director

Introduction

- **Solid underlying financial performance**
- **Strong performances from TPE & ScotRail**
- **North America turnover +26% & earnings +32%**
- **EBITDA £135m +2%**
- **Dividend up 10%**
- **Rail re-franchising activity**
- **Continued investment for growth**

Financial Highlights

Six months to 30 September 2005

| | | |
|--------------------------------------|------------------|-------------|
| Turnover | £1,376.5m | +14% |
| EBITDA¹ | £135.3m | +2% |
| Operating profit² | £81.4m | -5% |
| Profit before tax² | £55.5m | -13% |
| Adjusted basic EPS | 9.2p | -16% |
| Dividend per share | 4.55p | +10% |
| EBITDA: interest cover | 5.2x | |

1. Operating profit as defined below plus depreciation
2. Before intangible asset amortisation, bid costs and profit on disposal of fixed assets

Divisional analysis

Six months to 30 September 2005

| | Turnover £m | Op profit ¹ £m | Margin % |
|--------------------|-----------------------|------------------------------|-------------|
| UK Bus | 493.6 | 40.7 | 8.2 |
| UK Rail | 526.0 | 34.3 | 6.5 |
| N America | 353.3 | 19.0 | 5.4 |
| Lease interest | - | (4.5) | - |
| Other ² | 3.6 | (8.1) | - |
| TOTAL | <u>1,376.5</u> | <u>81.4</u> | 5.9 |

1. Before intangible asset amortisation, bid costs and profit on disposal of fixed assets

2. Tram operations, central management and other items

UK Bus - turnover analysis

Six months to 30 September 2005

| | On bus | Other | Total |
|----|--------------|--------------|--------------|
| | £m | £m | £m |
| Q1 | 120.2 | 124.6 | 244.8 |
| Q2 | 124.3 | 124.5 | 248.8 |
| | <u>244.5</u> | <u>249.1</u> | <u>493.6</u> |

On bus revenue growth year on year

Q1 4.2%

Q2 7.6% (5.7% strike adjusted)

UK Bus

Six months to 30 September 2005



| | Sales £m | EBIT £m |
|---|--------------|-------------|
| Half year 2004/05 | 473.1 | 49.4 |
| Additional sales at last year's margin (10.4%) | 20.5 | 2.1 |
| | <u>493.6</u> | <u>51.5</u> |
| Fuel costs | - | (8.0) |
| Engineering costs | - | (4.3) |
| Other | - | 1.5 |
| Half year 2005/06 | <u>493.6</u> | <u>40.7</u> |

Managing fuel costs

- **Route profitability**
- **Yield management**
- **Bus utilisation**
- **Focused growth**
- **Efficiency measures**

UK Rail - turnover analysis

Six months to 30 September 2005

| | £m |
|-----------------------------|--------------|
| Six months to 30/09/04 | 446.6 |
| Franchise won (ScotRail) | 185.7 |
| Franchise transferred (FNW) | (117.2) |
| Other growth | 19.4 |
| Terrorism in London | (8.5) |
| | <hr/> |
| Six months to 30/09/05 | 526.0 |
| | <hr/> <hr/> |

N America - turnover analysis

Six months to 30 September 2005

| | £m | \$m |
|---------------------------------|--------------|--------------|
| Six months to 30 September 2004 | 284.3 | 514.6 |
| Increase in: | | |
| First Student | 30.7 | 58.0 |
| First Transit | 14.8 | 26.9 |
| First Services | 26.1 | 47.7 |
| Foreign exchange movements | (2.6) | - |
| Six months to 30 September 2005 | <u>353.3</u> | <u>647.2</u> |

FirstGroup America

Six months to 30 September 2005



| \$m | Student | Transit | Services | Total |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| Sales | <u>324.6</u> | <u>209.7</u> | <u>112.9</u> | <u>647.2</u> |
| EBITDA | 51.0 | 12.2 | 10.8 | 74.0 |
| EBITDA % | 15.7% | 5.8% | 9.6% | 11.4% |
| Depreciation | <u>30.5</u> | <u>5.9</u> | <u>1.7</u> | <u>38.1</u> |
| EBIT | <u>20.5</u> | <u>6.3</u> | <u>9.1</u> | <u>35.9</u> |
| EBIT % | 6.3% | 3.0% | 8.1% | 5.5% |

First Student

Six months to 30 September 2005



| | Sales \$m | EBIT \$m | Margin % |
|-------------------------|---------------------|--------------------|-------------|
| Six months to 30/09/04 | 266.6 | 15.6 | |
| Operating days | 15.4 | 4.0 | |
| Cardinal acquisition | 21.4 | 1.7 | |
| Growth/efficiency/other | 21.2 | 2.9 | |
| | <u>324.6</u> | <u>24.2</u> | 7.5 |
| Fuel | - | (3.7) | |
| Six months to 30/09/05 | <u><u>324.6</u></u> | <u><u>20.5</u></u> | 6.3 |

Cashflow

Six months to 30 September 2005

| | £m | £m |
|--|--------------|----------------------|
| EBITDA | | 135.3 |
| Share based payment charge/loss on fixed asset disposals | | 1.9 |
| Bid costs | | (10.0) |
| Working capital - pension deficit payments | | (15.7) |
| Working capital - other | | (11.5) |
| Operational cashflow | | <u>100.0</u> |
| Investment in the business – Capex | (104.3) | |
| - Acquisitions | <u>(3.5)</u> | (107.8) |
| Interest and Tax – Interest | (35.1) | |
| - Tax | <u>0.7</u> | (34.4) |
| | | <u>(42.2)</u> |
| Dividends (including paid to minority shareholders) | | (36.5) |
| | | <u>(78.7)</u> |
| Other items | | (1.7) |
| Net cash outflow | | <u><u>(80.4)</u></u> |

Movement in net debt

Six months to 30 September 2005

| | £m |
|---|----------------|
| Opening net debt | (663.1) |
| Net cash outflow | (80.4) |
| Foreign exchange/non-cash movements | (17.4) |
| Fees on issue of bond and loan facility | 1.0 |
| Closing net debt | <u>(759.9)</u> |

Crude oil hedge position

- **Fully hedged on UK 2005/06 requirement @ c.\$38 per barrel**
- **UK 12% hedged for 2006/07 @ \$50; annual consumption 2.5m barrels**
- **North America 28% hedged for 2006/07 @ \$28; annual consumption 0.7m barrels**

Financial Summary

Six months to 30 September 2005

- **Solid performance in difficult trading conditions**
- **Continued strong dividend growth**
- **Investment for growth**
- **Efficient balance sheet and strong financial structure**

Business Review

UK Rail

Dean Finch

UK Rail

- **Current operations:**
 - Excellent first 12 months of First ScotRail
 - Delivered integrated timetable for FGW / FGWL
 - First TransPennine Express strong passenger growth continues
- **Performance:**
 - Strong revenue growth
 - Excellent performance despite impact of July terrorist attacks
- **Re-franchising**
 - Submitted bids for Integrated Kent, Thameslink /Great Northern and Greater Western

Business Reviews

North America & UK Bus

Moir Lockhead

North America

- **Excellent growth**
- **Record H1 earnings**
 - Revenue up by 26% at constant exchange rates
 - Operating profit up 32% at constant exchange rates despite additional fuel costs
 - Dollar margin enhancement
- **Student**
 - Dollar revenue up by 22% and Dollar operating profit up by 31%
 - Retained over 90% of contracts up for renewal
 - Continuing to grow market share

North America (cont)

- **Transit**

- Retained important contracts
- Successfully growing light transit business

- **Services**

- US Dollar revenue up by 73%, operating profit increased by 112%
- First Vehicle Services continue to win new business in public and private sector
- Commenced large First Services contract for US Navy

UK Bus

- **Strong underlying revenue growth**
- **Operating profit impacted by additional fuel costs**
- **Operational performance improved**
 - Improved performance in London league tables
 - Lost mileage and driver turnover lowest for 2 years
- **Managing increased fuel charges through cost reduction and pricing**
- **Driving further process efficiencies and higher productivity**

Strategy

- **Investing for growth in our core businesses (over £100m in H1)**
- **Continue to explore new markets**
- **Returning cash to shareholders through progressive dividend policy (10%) and, where appropriate share repurchase**
- **Maintain efficient balance sheet**

Summary

- **Good prospects in all markets**
- **UK Rail strong performance in longer term franchises**
- **Excellent opportunities in re-franchising**
- **North America continued expansion**
- **UK Bus strong underlying revenue growth and improved operational performance**
- **Current trading in line with our expectations**

**FirstGroup plc
Interim results
for the six months to 30 September 2005**

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Appendices
Interim results
for the six months to
30 September 2005

Profit and Loss Account (1)

Six months to 30 September 2005



| | 2005 £m | 2004 £m |
|---|--------------------|--------------------|
| Group turnover | <u>1,376.5</u> | <u>1,207.3</u> |
| Group operating profit ¹ | 81.4 | 85.6 |
| Interest | <u>(25.9)</u> | <u>(21.9)</u> |
| Pre-exceptional pre-tax profit ¹ | 55.5 | 63.7 |
| Intangible asset amortisation | (2.0) | (0.4) |
| Exceptional items ² | <u>1.8</u> | <u>1.0</u> |
| Profit before tax | <u><u>55.3</u></u> | <u><u>64.3</u></u> |

1. Before intangible asset amortisation, bid costs and profit on disposal of fixed assets

2. Including property disposal profits

Profit and Loss Account (2)

Six months to 30 September 2005

| | 2005 | 2004 |
|---------------------------|---------------|---------------|
| | £m | £m |
| Profit before tax | 55.3 | 64.3 |
| Tax on operating profit | <u>(15.2)</u> | <u>(17.6)</u> |
| Profit after tax | <u>40.1</u> | <u>46.7</u> |
| | | |
| Adjusted EPS ¹ | 9.2p | 10.9p |
| Adjusted cash EPS | 22.8p | 22.7p |
| EBITDA ² | £135.3m | £133.0m |

1. EPS adjusted for intangible asset amortisation, bid costs and profit on disposal of fixed assets

2. Operating profit before intangible asset amortisation, bid costs and profit on disposal of fixed assets plus depreciation

Interest charge

Six months to 30 September 2005

| | 2005 | 2004 |
|----------------------------------|-------------|-------------|
| | £m | £m |
| Bonds, Bank Loans and overdrafts | 27.8 | 21.0 |
| Leases and HP | 0.5 | 1.1 |
| | <u>28.3</u> | <u>22.1</u> |
| Finance income | (5.2) | (1.5) |
| Notional interest | 2.8 | 1.3 |
| | <u>25.9</u> | <u>21.9</u> |
| EBITDA : interest cover | <u>5.2</u> | <u>6.1</u> |

Taxation

Six months to 30 September 2005



| | 2005 £m | 2004 £m |
|--|-------------|-------------|
| Current tax | 2.6 | 10.0 |
| Deferred tax | 12.6 | 7.6 |
| Tax charge | <u>15.2</u> | <u>17.6</u> |
| Tax rate on profit before intangible asset amortisation and bid costs | 27.5% | 27.5% |
| Cash tax rate | 5% | 16% |

Capital Expenditure

Six months to 30 September 2005

| | 2005 | 2004 |
|---------------|--------------|-------------|
| | £m | £m |
| UK Bus | 55.8 | 13.9 |
| North America | 52.9 | 26.1 |
| Rail/Other | 4.4 | 7.3 |
| | <u>113.1</u> | <u>47.3</u> |

UK Rail income/subsidy profile

| | Passenger/other income | Grant | Total |
|-----------------|-----------------------------------|--------------|--------------|
| FGW | 176.1 | - | 176.1 |
| FGWL | 58.7 | - | 58.7 |
| ScotRail | 93.4 | 92.3 | 185.7 |
| TPE | 41.0 | 41.7 | 82.7 |
| Other | 22.8 | - | 22.8 |
| Total | 392.0 | 134.0 | 526.0 |