

**FirstGroup plc  
Interim results  
for the six months to 30 Sept 2004**

**Wednesday 3 November 2004**

# **Moir Lockhead Chief Executive**

# Delivering value for shareholders

---

- **Focused strategy delivering value for shareholders**
- **EPS +10%**
- **Dividend +10%**
- **Winning new rail franchises**
- **Expanding in North America**
- **UK Bus growth continues**

**Dean Finch**  
**Finance Director**

# Introduction

---

- **Strong underlying financial performance**
- **Operating profit up 8%**
- **Adjusted basic EPS up over 10%**
- **Dividend up 10%**
- **EBITDA £131m up 5%**
- **Debt reduced by £17m despite £43m outflow on FGE**

# Financial Highlights

## Six months to 30 September 2004

<b>Sales</b>	<b>£1,207.3m</b>	<b>+7%</b>
<b>EBITDA<sup>1</sup></b>	<b>£131.4m</b>	<b>+5%</b>
<b>Operating profit<sup>2</sup></b>	<b>£84.0m</b>	<b>+8%</b>
<b>Profit before tax<sup>2</sup></b>	<b>£62.1m</b>	<b>+9%</b>
<b>Net debt<sup>3</sup></b>	<b>£692.6m</b>	<b>- £16.9m</b>
<b>Adjusted basic EPS</b>	<b>10.6p</b>	<b>+10%</b>
<b>Dividend per share</b>	<b>4.125p</b>	<b>+10%</b>
<b>EBITDA: interest cover</b>	<b>6.0x</b>	<b>+2%</b>

1. Operating profit as defined below plus depreciation
2. Before goodwill, rail bid costs and profit on disposal of fixed assets
3. Compared to 30 September 2003

# Divisional analysis

## Six months to 30 September 2004

---

	Turnover £m	Op profit <sup>1</sup> £m	Margin %
UK Bus	473.1	45.4	9.6
UK Rail	446.6	34.3	7.7
N America	284.3	14.7	5.2
Lease interest	-	(4.5)	-
Other <sup>2</sup>	3.3	(5.9)	-
<b>TOTAL</b>	<b><u>1,207.3</u></b>	<b><u>84.0</u></b>	<b>7.0</b>

1. Before goodwill, rail bid costs and profit on disposal of fixed assets

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

# UK Bus - turnover analysis

## Six months to 30 September 2004

---

	£m
<b>Six months to 30/09/03</b>	<b>443.0</b>
<b>Volume growth/fare increases</b>	<b>18.6</b>
<b>London new business</b>	<b>9.5</b>
<b>Aircoach Dublin</b>	<b>4.0</b>
<b>South Yorkshire strike</b>	<b>(4.0)</b>
<b>Other</b>	<b>2.0</b>
<b>Six months to 30/09/04</b>	<b><u>473.1</u></b>

# UK Rail - turnover analysis

## Six months to 30 September 2004

---

	£m
Six months to 30/09/03	395.4
Franchises won (TPE & FGWLink)	130.6
Franchises transferred (FGE)	(79.0)
FGW Revenue	16.8
FGW subsidy	(4.6)
FNW Revenue	(13.9)
Other	<u>1.3</u>
Six months to 30/09/04	<u><u>446.6</u></u>

# N America - turnover analysis

## Six months to 30 September 2004

---

	£m	\$m
Six months to 30 September 2003	286.1	460.9
Increase in:		
First Student	8.7	16.3
First Transit	11.5	20.8
First Services	9.2	16.6
Foreign exchange movements	(31.2)	-
Six months to 30 September 2004	<u>284.3</u>	<u>514.6</u>

# FirstGroup America

## Six months to 30 September 2004



<b>\$m</b>	<b>Student</b>	<b>Transit</b>	<b>Services</b>	<b>Total</b>
<b>Sales</b>	<b><u>266.6</u></b>	<b><u>182.8</u></b>	<b><u>65.2</u></b>	<b><u>514.6</u></b>
<b>EBITDA</b>	<b>40.0</b>	<b>13.3</b>	<b>4.6</b>	<b>57.9</b>
<b>EBITDA %</b>	<b>15.0%</b>	<b>7.3%</b>	<b>7.1%</b>	<b>11.3%</b>
<b>Depreciation</b>	<b><u>25.5</u></b>	<b><u>6.1</u></b>	<b><u>0.3</u></b>	<b><u>31.9</u></b>
<b>EBIT</b>	<b><u>14.5</u></b>	<b><u>7.2</u></b>	<b><u>4.3</u></b>	<b><u>26.0</u></b>
<b>EBIT %</b>	<b>5.4%</b>	<b>3.9%</b>	<b>6.6%</b>	<b>5.2%</b>

# First Student results normalised

## Six months to 30 September 2004



	Sales \$m	EBIT \$m	Margin %
As reported	266.6	14.5	5.4
Operating days (58 vs 63)	11.4	4.6	1.6
Hurricanes	1.1	0.5	0.1
Fuel	-	0.7	0.2
One-off dilapidations	-	0.9	0.3
<b>TOTAL</b>	<b>279.1</b>	<b>21.2</b>	<b>7.6</b>

# Cashflow

## Six months to 30 September 2004

	£m	£m
<b>EBITDA</b>		<b>131.4</b>
<b>Rail bid costs</b>		<b>(2.7)</b>
<b>Working capital outflow</b>		<b>(91.4)</b>
<b>Operational cashflow</b>		<b>37.3</b>
<b>Investment in the business – Capex</b>	<b>(12.5)</b>	
<b>- Acquisitions</b>	<b>(18.6)</b>	<b>(31.1)</b>
<b>Interest and Tax – Interest</b>	<b>(26.1)</b>	
<b>- Tax</b>	<b>3.0</b>	<b>(23.1)</b>
		<b>(16.9)</b>
<b>Dividends</b>		<b>(31.5)</b>
		<b>(48.4)</b>
<b>One off items – share buy backs</b>		<b>(11.8)</b>
<b>Net cash outflow</b>		<b>(60.2)</b>

# Movement in net debt

## Six months to 30 September 2004

---

	£m
Opening net debt	(630.7)
Net cash outflow	(60.2)
Foreign exchange movements	(1.0)
Amortisation of debt costs/share	(0.7)
Closing net debt	<u>(692.6)</u>

# Crude oil hedge position

---

- Fully hedged on UK 2004/05 requirement
- 30% of 05/06 UK requirement currently hedged
- Re-profiling existing hedge to cover 70% of UK requirement at c.\$32 per barrel
- 70% of 05/06 US requirement hedged at \$28 per barrel
- Target to be fully hedged by 31 March 2005

# Financial Summary

## Six months to 30 September 2004

---

- **Excellent H1 growth and good start to H2**
- **Performance reflected in strong dividend growth**
- **Bids for ICEC and IKF franchises to be submitted in H2**
- **Continued in-fill acquisitions in North America**
- **Focus on growth and cost control**
- **Efficient balance sheet and strong financial structure**

**Moir Lockhead  
Chief Executive**

**Business Reviews**

# North America

---

- **First Student on target for over 1,000 buses**
- **Retained over 90% of existing school business up for renewal**
- **Transit further expansion in call centre management and para transit**
- **Services – strategic acquisition of SKE and organic growth in vehicle maintenance**

# UK Rail

---

- **Strong underlying performance**
- **New franchises performing ahead of expectations**
- **Scotrail – successful transition**
- **Well placed on ICEC and IKF bids**
- **Preparing for Greater Western bid next year**
- **Strengthened rail team**

# UK Bus

---

- **Further growth in London**
- **Management team restructured**
- **Focus on service reliability**
- **Investment in engineering processes to reduce lost mileage**
- **Focused investment in growth areas with partnerships – ‘ftr’**
- **Develop contract business – ie. Rail replacement and yellow school bus**

# Summary

---

- **Excellent H1 results**
- **Step change in dividend policy**
- **Strong performance in rail**
- **US on target for over 1,000 buses**
- **Driving growth in UK bus**
- **H2 started well**

# **Interim results for the six months to 30 September 2004**

## **Appendices**

# Profit and Loss Account (1)

## Six months to 30 September 2004



	2004 £m	2003 £m
Group turnover	<u>1,207.3</u>	<u>1,127.7</u>
Group operating profit <sup>1</sup>	84.0	78.1
Interest	<u>(21.9)</u>	<u>(21.3)</u>
Pre-exceptional pre-tax profit <sup>1</sup>	62.1	56.8
Goodwill	(12.9)	(13.0)
Exceptional items <sup>2</sup>	<u>1.0</u>	<u>(20.1)</u>
Profit before tax	<u><u>50.2</u></u>	<u><u>23.7</u></u>

1. Before goodwill, rail bid costs, exceptional items and profit on disposal of fixed assets

2. Including property disposal profits

# Profit and Loss Account (2)

## Six months to 30 September 2004

	2004	2003
	£m	£m
Profit before tax	50.2	23.7
Tax on operating profit	<u>(12.3)</u>	<u>(4.6)</u>
Profit after tax	37.9	19.1
Dividends	(16.4)	(15.5)
Minority interests	(2.7)	-
Profit for the period	<u>18.8</u>	<u>3.6</u>
Adjusted EPS <sup>1</sup>	10.6p	9.6p
Adjusted cash EPS	22.4p	21.0p
EBITDA <sup>2</sup>	£131.4m	£125.0m

1. EPS adjusted for goodwill amortisation, rail bid costs, exceptional items and profit on disposal of fixed assets

2. Operating profit before goodwill, rail bid costs, exceptional items and profit on disposal of fixed assets plus depreciation

# Interest charge

## Six months to 30 September 2004

	2004	2003
	£m	£m
Bonds, Bank Loans and overdrafts	21.0	19.1
Leases and HP	1.1	1.8
	<u>22.1</u>	<u>20.9</u>
Income from short term deposits	(1.5)	(1.0)
Notional interest	1.3	1.4
	<u>21.9</u>	<u>21.3</u>
EBITDA : interest cover	<u>6.0</u>	<u>5.9</u>

# Rail bid costs and exceptional items

## Six months to 30 September 2004

---

	2004	2003
	£m	£m
Interest rate swap cancellations	-	18.7
UK Bus restructuring	-	3.6
UK Rail bid costs	2.7	3.1
North America	-	0.8
Property gains	(3.7)	(6.1)
	<u>(1.0)</u>	<u>20.1</u>

# Taxation

## Six months to 30 September 2004



	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>
<b>Current tax</b>	<b>10.0</b>	<b>1.9</b>
<b>Deferred tax</b>	<b>2.3</b>	<b>2.7</b>
<b>Tax charge</b>	<b><u>12.3</u></b>	<b><u>4.6</u></b>
<b>Tax rate on profit before goodwill and exceptional items</b>	<b>27.5%</b>	<b>30%</b>
<b>Cash tax rate</b>	<b>16%</b>	<b>17%</b>

# Capital Expenditure

## Six months to 30 September 2004

---

	2004	2003
	£m	£m
UK Bus	13.9	25.9
North America	26.1	50.0
Rail/Other	7.3	5.9
	<hr/>	<hr/>
	<b>47.3</b>	<b>81.8</b>
	<hr/> <hr/>	<hr/> <hr/>

# UK Rail income/subsidy profile

	<b>Passenger/other income</b>	<b>Grant</b>	<b>Total</b>
<b>FGW</b>	<b>170.4</b>	<b>7.1</b>	<b>177.5</b>
<b>FGWL</b>	<b>52.4</b>	<b>0.7</b>	<b>53.1</b>
<b>FNW</b>	<b>32.3</b>	<b>84.9</b>	<b>117.2</b>
<b>TPE</b>	<b>41.4</b>	<b>36.1</b>	<b>77.5</b>
<b>Other</b>	<b>21.3</b>	<b>-</b>	<b>21.3</b>
<b>Total</b>	<b>317.8</b>	<b>128.8</b>	<b>446.6</b>

# IFRS

---

- **Impact review completed**
- **Transition work underway**
- **Pro-forma 04/05 accounts available for review in May 05**
- **High impact standards likely to be:**
  - IAS19 Pensions**
  - IAS39/32 Financial Instruments and presentation**
  - IFRS 2 Share based payments**
  - IFRS 3 Business combinations**
  - IFRS 1 First time adoption of IFRS**
  - IAS 1 Presentation of Financial Statements**