FirstGroup plc
Preliminary results
for the year to 31 March 2006

Wednesday 17 May 2006

Moir Lockhead
Chief Executive

Delivering shareholder value

- Strong financial performance despite £31m impact of fuel cost increases
  - –Turnover up 13%
  - –Operating profit up 7%
  - –EBITDA up 9%
  - –Adjusted basic EPS up 7%
  - –Dividend up 10%
  - –£23m of share buy backs
- Excellent performance from UK Rail division and secured additional revenue of >£1.0bn pa for 10 yrs
- Further growth in North America
- Robust performance and strong revenue growth in UK Bus

Dean Finch
Finance Director

Highlights of results
Year to 31 March 2006

- Excellent H2
- Record operating profit and EBITDA despite impact of fuel costs
- UK Rail – record earnings and excellent growth
- North America – absorbed fuel and insurance; new season seeing margin growth
- UK Bus – strong revenue growth and passenger growth returning
- Pension deficit reduced by 40%

Financial Highlights
Year to 31 March 2006

Sales	**£3,030.9m**	**Up 13%**
EBITDA[2]	**£351.7m**	**Up 9%**
Operating profit[1]	**£229.7m**	**Up 7%**
Profit before tax[1]	**£176.4m**	**Up 6%**
Net debt	**£704.4m**	**Up 6%**
Adjusted basic EPS	**30.9p**	**Up 7%**
Dividend per share	**14.1p**	**Up 10%**
EBITDA[2]: interest cover	**6.6x**	**Down 1%**

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

UK Bus
EBIT bridge

	£m	£m
2004/05 EBIT		115.2
Growth/fares	16.8	
Service revisions	4.7	
Engineering costs	(12.0)	
		9.5
Extra week	1.8	
Insurance reserve build up	(1.2)	
		0.6
Fuel costs		(15.5)
Other		(1.2)
2005/06 EBIT		108.6

UK Bus (continued)

- Expect continued growth and margin focus building on service quality
- Strong focus on route profitability and efficiencies
- Fare increases sticking and trend continues
- Above inflation pay pressures controlled by efficiencies and pension cost controls
- Investing for growth and partnership with LA's

Turnover analysis UK Rail
Year to 31 March 2006

	£m
2004/05 Turnover	1,059.7
Franchise additions - ScotRail	221.6
Franchise reductions – FNW	(170.1)
GWT/Link passenger revenue (before London bombings)	40.8
GB Railfreight/Hull Trains	9.5
Terrorist bombings	(8.7)
FTPE/Other	12.1
2005/06 Turnover	1,164.9

Rail Passenger Income Growth
Year to 31 March 2006

	%
FGW/Link (adjusted for bombings)	9.5
FTPE	12.9
FSR	9.3
Hull	42.8

- FGW 07 budget requires 8% growth
- Both FGW and FCC budgeted to exceed Y1 bid models

North America EBIT bridge

	$m
2004/05 EBIT	115.4
Fuel	(10.0)
Insurance	(8.4)
53rd week	4.0
Operating days	5.2
Growth and acquisitions	13.8
Other	0.2
2005/06 EBIT	120.2

North America (continued)

- Contract renewals reflect increased fuel price
- Strong focus on below average margin contracts
- Growth opportunities remain excellent

Cash flow
Year to 31 March 2006

First transforming travel

	£m	£m
EBITDA		351.7
Bid costs		(28.5)
Working capital outflow		(27.1)
Other		2.5
Operational cash flow		298.6
Investment in the business		
Capex	(168.9)	
Acquisitions	(12.4)	
		(181.3)
Interest and Tax		(59.8)
		57.5
Returns to shareholders		
Dividends/Share buy-backs	(82.2)	
SAYE exercise receipts	8.4	
		(73.8)
Net cash outflow		(16.3)
Foreign exchange movements		(23.1)
Other non-cash movements		(1.9)
Opening net debt		(663.1)
Closing net debt		(704.4)

Funding and risk management

- Debt
  - New £520m five year bank facility from March 2005 at better pricing
  - BBB credit rating reaffirmed November 2005 and May 2006
- Taxation
  - Low cash tax rate set to continue
  - Over $250m tax allowances carried forward
- Pensions
  - IAS 19 deficit reduction of £89m pre tax to £132m

Crude oil hedge position

- Impact of fuel mitigated - UK operations fully hedged in 2005/06
- 38% of 2006/07 UK requirement (2.6m barrels p.a.) hedged at c. $59 per barrel (2005/06 100% hedged at $38 per barrel)
- 36% of 2006/07 US requirement (0.7m barrels p.a.) hedged at c. $35 per barrel (2005/06 64% hedged at $27 per barrel)
- Closely monitoring fluctuating forward prices

Business Review
UK Rail

Dean Finch

UK Rail

- Rail division profits increased 23%
- Strong volume growth continues
- Performance:
  - -PPM >90% at FSR, FTPE and Hull Trains
  - -FGW focused effort with Network Rail to tackle performance issues
    - ➢ Refurbished trains from October 2006
    - ➢ Re-modelling Reading station

UK Rail
New franchises

- Award of GW and TL/GN secured longer term revenues of £1.0bn per annum
- Confident bids based on extensive and detailed market research
- Excellent start up of both franchises on 1 April
- Strong revenue growth trend ahead of bid model - solid platform to deliver on growth plans
- Now bidding for South Western Franchise

Great Western
Timetable development

- 10-yr strategy maximising the opportunity (services grown by 38%)
- Little ‘white space’ remaining on network
- Future developments – accelerating journey times and enhancing capacity
- Detailed consultation led to enhanced specification and amended franchise agreement

Business Reviews
North America & UK Bus

Moir Lockhead

North America

- Further growth across the businesses
  - –Turnover up 20% in dollar terms
  - –Operating profit impacted by fuel and insurance
- Student
  - –Now operate >21,000 yellow buses
  - –Contract retention strong >90%
  - –Integration of Cardinal acquisition – platform for synergies and expansion in Canada
  - –Successful bidding season - renewed and won contracts at improved margins

North America (cont)

- Transit
  - –US Dollar revenue up by 13.5% and operating profit increased by 9.4%
  - –Successful strategy to grow in light transit market
- Services
  - –US Dollar operating profit up by 40%
  - –Excellent performance driven by strong trading, successful integration of SKE and improved margin
  - –Potential for further expansion particularly in large federal market

UK Bus

- Robust performance against background of increased costs
- Strong revenue growth trend – accelerating in Q4 to +7.7% yoy
- Increased passenger journeys across network
- Focus on operational performance – mileage operated highest in 4 yrs and driver shortage now eliminated
- Partnership approach delivering growth
- First ‘ftr’ service launched in York in May 06
- Concessionary fares – early indications encouraging

Summary

- Good prospects in all markets
- UK Rail excellent performance and well placed to deliver on new franchises
- Further opportunities in North America – continued growth with a focus on margin enhancement
- UK Bus – robust generator of cash, operational efficiencies delivering benefits
- Current trading in line with our expectations

Appendices

Preliminary results for the year to 31 March 2006

Profit and Loss Account (1)
Year to 31 March 2006

	2006 £m	2005 £m
Group turnover	3,030.9	2,693.4
Group operating profit[1]	229.7	214.8
Interest	(53.3)	(48.3)
Pre-exceptional pre-tax profit[1]	176.4	166.5
Intangible asset amortisation	(4.5)	(2.2)
Bid costs/other exceptional items[2]	(14.5)	(8.6)
Profit before tax	157.4	155.7

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

Profit and Loss Account (2)
Year to 31 March 2006

	2006	2005
	£m	£m
Profit before tax	157.4	155.7
Corporation tax	(40.0)	(41.1)
Profit after tax	117.4	114.6
Minority interests	(9.9)	(6.5)
Profit for the period	107.5	108.1
Adjusted EPS[1]	30.9p	28.9p
Adjusted cash EPS	61.9p	55.8p
EBITDA	£351.7m	£322.4m

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

H1/H2 split

	2005/06						2004/05						Variance					
	H1 £m		H2 £m		Total £m		H1 £m		H2 £m		Total £m		H1 £m		H2 £m		Total £m	
Revenue																		
UK Bus	493.6		537.6		1,031.2		473.1		487.6		960.7		20.5		50.0		70.5	
UK Rail	526.0		638.9		1,164.9		446.6		613.1		1,059.7		79.4		25.8		105.2	
North America	353.3		473.0		826.3		284.3		381.5		665.8		69.0		91.5		160.5	
Other	3.3		5.2		8.5		3.3		3.9		7.2		0.0		1.3		1.3	
	1,376.2		1,654.7		3,030.9		1,207.3		1,486.1		2,693.4		168.9		168.6		337.5	
Operating profit		%		%		%		%		%		%		%		%		%
UK Bus	40.7	8.2	67.9	12.6	108.6	10.5	49.4	10.4	65.8	13.5	115.2	12.0	(8.7)	(2.2)	2.1	(0.9)	(6.6)	(1.5)
UK Rail	34.3	6.5	45.3	7.1	79.6	6.8	32.7	7.3	31.8	5.2	64.5	6.1	1.6	(0.8)	13.5	1.9	15.1	0.7
North America	19.0	5.4	48.1	10.2	67.1	8.1	15.3	5.4	47.1	12.3	62.4	9.4	3.7	(0.0)	1.0	(2.2)	4.7	(1.3)
Financing element of leases	(4.5)		(5.7)		(10.2)		(4.5)		(4.5)		(9.0)		0.0		(1.2)		(1.2)	
Other	(8.1)		(7.3)		(15.4)		(7.3)		(11.0)		(18.3)		(0.8)		3.7		2.9	
	81.4	5.9	148.3	9.0	229.7	7.6	85.6	7.1	129.2	8.7	214.8	8.0	(4.2)	(1.2)	19.1	0.3	14.9	(0.4)
Interest	(25.9)		(27.4)		(53.3)		(21.9)		(26.4)		(48.3)		(4.0)		(1.0)		(5.0)	
Profit before one-offs	55.5		120.9		176.4		63.7		102.8		166.5		(8.2)		18.1		9.9	
Intangible asset amortisation	(2.0)		(2.5)		(4.5)		(0.4)		(1.8)		(2.2)		(1.6)		(0.7)		(2.3)	
Property gains	11.8		2.2		14.0		3.7		(0.4)		3.3		8.1		2.6		10.7	
Bid costs	(10.0)		(18.5)		(28.5)		(2.7)		(9.2)		(11.9)		(7.3)		(9.3)		(16.6)	
Other exceptional costs	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	
Profit before taxation	55.3		102.1		157.4		64.3		91.4		155.7		(9.0)		10.7		1.7	
Corporation tax	(15.2)		(24.8)		(40.0)		(17.6)		(23.5)		(41.1)		2.4		(1.3)		1.1	
Profit after tax	40.1		77.3		117.4		46.7		67.9		114.6		(6.6)		9.4		2.8	
Minority interests	(4.6)		(5.3)		(9.9)		(2.7)		(3.8)		(6.5)		(1.9)		(1.5)		(3.4)	
Profit for the financial period	35.5		72.0		107.5		44.0		64.1		108.1		(8.5)		7.9		(0.6)	

Divisional analysis
Year to 31 March 2006

	2005/06			2004/05		
	Turnover £m	Operating profit £m	Operating profit %	Turnover £m	Operating profit £m	Operating profit %
UK Bus	1,031.2	108.6	10.5	960.7	115.2	12.0
UK Rail	1,164.9	79.6	6.8	1,059.7	64.5	6.1
North America	826.3	67.1	8.1	665.8	62.4	9.4
Financing element of leases		(10.2)			(9.0)	
Other	8.5	(15.4)		7.2	(18.3)	
	3,030.9	229.7	7.6	2,693.4	214.8	8.0

Turnover analysis UK Bus

Year to 31 March 2006

	£m
2004/05 Turnover	960.7
Fares and volume	47.0
Extra week	18.6
Industrial action	4.1
Other	0.8
2005/06 Turnover	1,031.2

FirstGroup America
Year to 31 March 2006

$m	Student	Transit	Services	Total
Sales	806.9	432.2	236.9	1,476.0
EBITDA	163.3	30.6	24.5	218.4
EBITDA %	20.2%	7.1%	10.3%	14.8%
Depreciation	82.5	12.0	3.7	98.2
EBIT	80.8	18.6	20.8	120.2
EBIT %	10.0%	4.3%	8.8%	8.1%

Turnover analysis N America

Year to 31 March 2006

	£m	$m
2004/05 Turnover	665.8	1,230.2
Increase in:		
First Student	74.0	132.5
First Transit	28.8	51.5
First Services	34.5	61.8
Foreign exchange movements	23.2	-
2005/06 Turnover	826.3	1,476.0

Interest charge
Year to 31 March 2006

First transforming travel

	2005 £m	2004 £m
Bonds, Bank Loans and overdrafts	54.9	44.9
Leases and HP	0.8	2.2
	55.7	47.1
Income from short term deposits	(8.5)	(4.3)
Notional interest	6.1	5.5
	53.3	48.3
EBITDA : interest cover	6.6x	6.7x

Bid costs and other exceptionals
Year to 31 March 2006

	2006 £m	2005 £m
UK Rail bid costs	26.1	11.4
Other bid costs	2.4	0.5
Property gains	(14.0)	(3.3)
	14.5	8.6

Taxation
Year to 31 March 2006

	2006 £m	2005 £m
Current tax	(3.3)	19.0
Deferred tax	43.3	22.1
Tax charge	40.0	41.1
Tax rate on profit before goodwill and exceptional items	26%	27%
Cash tax rate	(2.0%)	12%

Capital Expenditure
Year to 31 March 2006

	2006	2005
	£m	£m
UK Bus	102.4	70.4
North America	65.6	36.5
UK Bus Property	15.4	11.7
Rail/Other	25.7	16.7
	209.1	135.3

Share capital
(excluding 6.6m treasury shares at 31/03/06)

	Million
Opening	393.6
Average	392.6
Closing	392.0

Working capital outflow

	£m
Additional pension payments	(33.7)
FCC cash in	21.0
US growth	(13.3)
Other	(1.1)
Net working capital outflow	(27.1)

UK Rail bonds

Rail Position	Mar-06 £m	Mar-05 £m
GWT Performance Bond	16.5	16.5
GWT Season Ticket Bond	6.0	5.6
GER Performance Bond	0.0	3.0
NWT Performance Bond	0.0	5.8
TPE Performance Bond	5.7	5.7
GBR Performance Bond	0.5	3.3
Thames Season Ticket Bond	5.0	4.4
Scotrail Performance Bond	11.2	11.2
Scotrail Season Ticket Bond	2.3	2.7
Scotrail Maintenance Bond	43.0	43.0
	90.2	**101.2**

Rail Franchising Opportunities

First transforming travel

New Franchise	Estimated % of Rail market based on Passenger Revenue	Turnover First 06/07 estimate (£m)	Turnover Published Source (£m) (source : est. based on 2005 RIM)	Date Current Franchise due to expire
South Western (SWT + Island Line)	11.1%	490	450	4 February 2007
Cross Country (Virgin Cross Country, Central Trains)	5.6%	245	225	11 November 2007
East Midlands (Midland Mainline, Central Trains)	3.9%	160	150	11 November 2007
West Midlands (Central Trains, Silverlink)	3.9%	160	150	11 November 2007
North London Line (Silverlink)	1.3%	55	50	11 November 2007