

**Preliminary results
for the year to 31 March 2002**

Wednesday 15 May 2002

Moir Lockhead
Group Chief Executive

Business Highlights

- **Continued growth in sales, operating profit and cashflow**
- **UK bus - volumes up 1.4%**
- **UK rail - recovery continues**
- **US bus - firm foundation for growth**
- **“Transforming Travel”**
- **Successful £300m 11-year bond issue**

Focused strategy

- **UK Bus**
 - Top line growth through improved marketing and service delivery
- **UK Rail**
 - Extend operations through new and renewed franchises
- **North America**
 - Capitalise on opportunities through organic growth and acquisitions
- **Sound finances and management**
 - Invest for growth
 - Pay down debt
 - Buy back equity

Iain Lanaghan
Group Finance Director

Financial Highlights

- **Sales¹ £2,164.1m up 7.2%**
- **Operating profit² £219.2m up 5.9%**
- **Profit before tax³ £156.7m up 5.3%**
- **Cash generation⁴ of £314.3m up 7.2%**
- **Debt reduced by £8m to £653m**
- **Adjusted basic EPS 25.8p up 10%**
- **Dividend per share up 10%**

1. Continuing operations

2. Continuing operations before ESOP, goodwill and restructuring and other exceptional items

3. Before goodwill and other exceptional items

4. Group operating profit from continuing operations, before ESOP, goodwill, restructuring and other exceptional costs plus depreciation

Profit and Loss Account (1)

Year to 31 March 2002



	2002 £m	2001 £m	increase
Group turnover ¹	2,164.1	2,019.1	7%
Group operating profit ²	219.2	207.0	6%
Discontinued operations	-	11.5	
Interest	(56.3)	(64.5)	
ESOP/Associates/ Joint ventures	(6.2)	(5.2)	
Pre-exceptional pre-tax profit ³	156.7	148.8	5%
Goodwill	(29.3)	(27.8)	
Disposals (BIA/New World/Property)	-	69.4	
Restructuring ⁴ /FNW franchise amendment	(17.9)	(53.6)	
Profit before tax	109.5	136.8	

1. Continuing operations

2. Continuing operations before ESOP, goodwill, restructuring and other exceptional costs

3. Before goodwill, restructuring and other exceptional costs and excluding disposal profits

4. Including property disposal profits

Profit and Loss Account (2)

Year to 31 March 2002



	2002 £m	2001 £m	increase
Profit before tax	109.5	136.8	
Tax on operating profit	(33.9)	(33.4)	
Tax on disposals	-	(21.8)	
Minority interests	(0.1)	(3.9)	
Profit for the year	<u>75.5</u>	<u>77.7</u>	
Adjusted EPS ¹	25.8p	23.4p	10%
Adjusted cash EPS	48.5p	44.1p	10%
Cash generation ²	314.3m	293.3m	7%

1. EPS adjusted for goodwill amortisation, restructuring and other exceptional costs and disposal profits

2. Group operating profit from continuing operations, before ESOP, goodwill, restructuring and other exceptional costs plus depreciation

Divisional analysis

Year to 31 March 2002

	Turnover £m	Op profit ¹ £m	Margin %
UK Bus	811.5	105.7	13.0
UK Rail	802.9	66.8	8.3
N America	542.9	60.8	11.2
Lease interest	-	(3.4)	-
Other	6.8	(10.7)	
TOTAL	<u>2,164.1</u>	<u>219.2</u>	10.1

1. Before ESOP, goodwill and restructuring and other exceptional costs

Turnover analysis UK Bus

Year to 31 March 2002



	£m
Year to 31 March 2001	788.6
Extra week (2001)	(14.1)
Industrial action (2001)	2.5
	<hr/>
	777.0
Volume growth (1.4%)	10.9
Fare increases	11.1
London new business	12.5
	<hr/>
Year to 31 March 2002	<u>811.5</u>

Turnover analysis UK Rail

Year to 31 March 2002



	£m
Year to 31 March 2001	761.2
Increased FNW subsidy	32.9
Decreased subsidies FGW/FGE	(8.4)
Passenger income	19.4
Other	(2.2)
Year to 31 March 2002	<u>802.9</u>

North America

Year to 31 March 2002

\$m	Student	Transit	Vehicle	Total
Sales	<u>494.5</u>	<u>216.0</u>	<u>68.4</u>	<u>778.9</u>
EBITDA	120.1	17.8	5.2	143.1
EBITDA %	24.3%	8.2%	7.6%	18.4%
Depreciation	<u>49.0</u>	<u>6.2</u>	<u>0.3</u>	<u>55.5</u>
EBIT	<u>71.1</u>	<u>11.6</u>	<u>4.9</u>	<u>87.6</u>
EBIT %	14.4%	5.4%	7.2%	11.2%

Exceptional costs

Year to 31 March 2002

	£m
Provisions - totaljourney & Prepayment Cards	8.0
North America	
- restructuring	5.3
- industrial action	1.5
Rail bid costs	2.0
UK restructuring	2.1
Property disposals	(1.0)
Total	<u>17.9</u>

Financial issues

- **FRS17**
- **Insurance**
- **National Insurance**

Movement in Net Debt

Year to 31 March 2002

		£m
Opening balance at 1 April 2001		(660.7)
Operating cashflow	347.3	
Capex	(154.7)	
Rolling stock	6.6	
Sale of tangible fixed assets	7.8	
Dividends paid	(40.7)	
Net interest/minority dividend	(60.7)	
Corporation tax paid	(37.6)	
	<hr/>	68.0
FNW Franchise amendment	(37.0)	
Acquisitions	(14.0)	
Share buy backs	(7.7)	
Other	(1.1)	
	<hr/>	(59.8)
		<hr/>
Closing balance at 31 March 2002		<u>(652.5)</u>

Dr Mike Mitchell
Chief Operating Officer
UK

Implications of Potters Bar

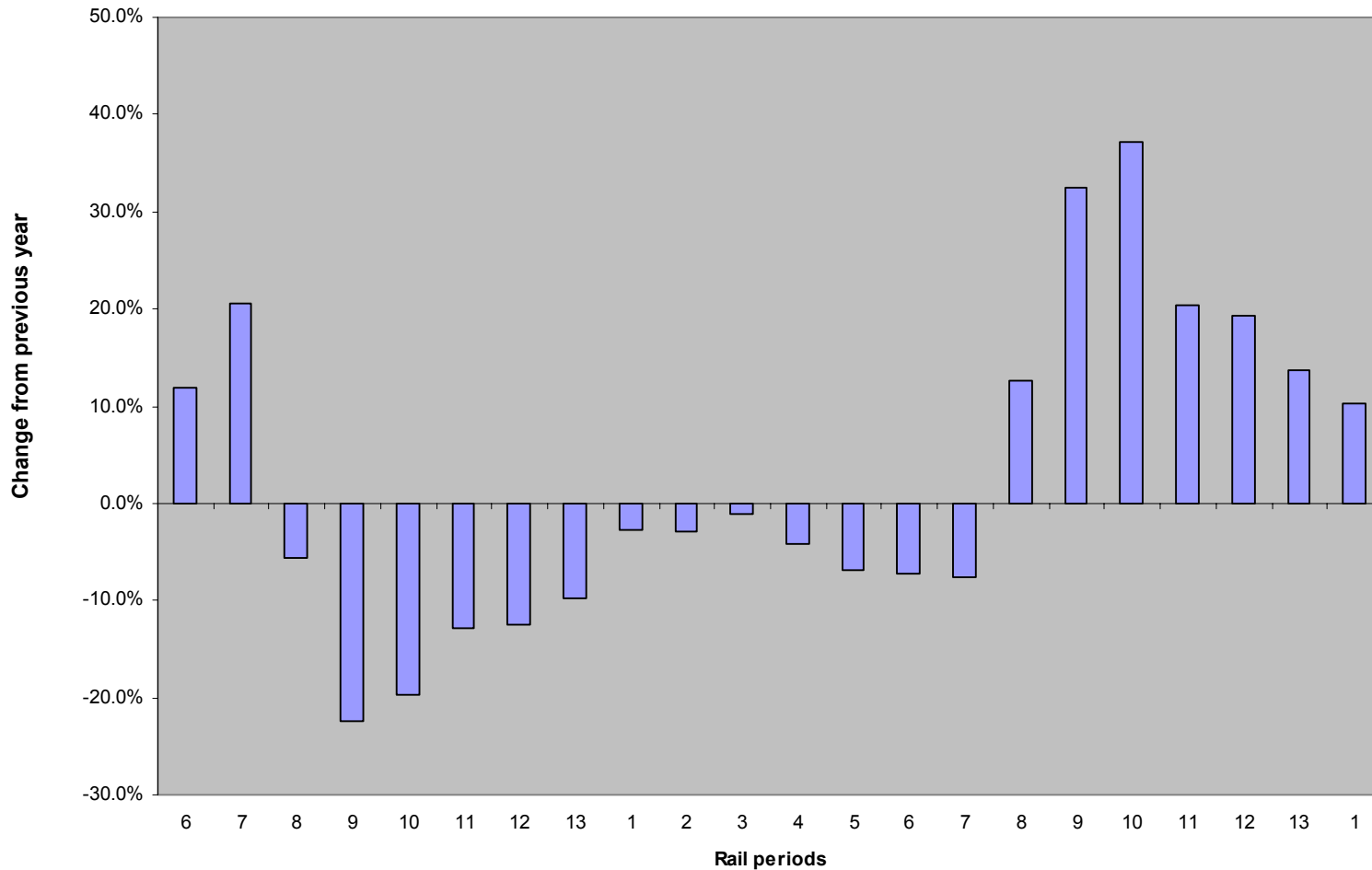
- **Initial HSE investigation has concluded that the immediate cause of derailment was a failure of the points at the south end of Potters Bar Station.**
- **Railtrack have now examined 800 high speed points and have found no similar defects. Accident therefore appears to be a tragic “one-off”**
- **Not therefore likely to be another “Hatfield” with extended period of disruption**
- **Do not expect any significant impact on our franchises**

UK Rail

- **Hatfield recovery continuing**
- **Railtrack**
 - **Greater focus on engineering**
 - **Uncertainty over period of Administration**
 - **Work still needed to reduce total number of speed restrictions**
- **SRA franchise programme restarting**
- **New Rolling Stock**

UK Rail

Passenger revenue by period



Refranchising

- **Opportunities for London Termini consolidation**
- **Results of Trans-Pennine awaited**
 - One of three short-listed**
- **Bidding:**
 - Greater Anglia (FGE/Anglia/part of WAGN)**
 - Northern (FNW/ATN)**
 - Wales & Borders (Cardiff/Wales/part of FNW)**

UK Bus

- **Overall Volume growth + 1.4%**
- **Overgrounds delivering**
- **London market expansion**
- **Marketing focus**
- **Driver turnover down by 7% and staff shortage halved**
- **Quality Partnership expansion**

Robbie Duncan
Acting President
North America Division

North America

Business review

- **Very successful growth year**
 - 1800 school buses added in the year through bid wins and in-fill acquisitions: Maine, Wisconsin, Oregon
 - Net new business exceeding \$30m won in First Transit
 - Now represented in 44 states in US & Canada
 - Over 90% contract retention
- **Senior management appointments complete**
- **Consolidation of operations & admin teams in Cincinnati**
- **Continued focus on cost monitoring and control**

First Student Business review

- **Unprecedented year of growth**
- **Improving driver recruitment**
- **Tightened controls on driver costs**
- **Review of central & location overheads progressing**

First Transit / Vehicle Business review

- **90% of contracts renewed**
- **Over \$30m (14%) net annualised revenue won in year in US**
- **\$8m para-transit contract just won in Ottawa, Canada**
- **Expansion into new states:**
 - **First Transit - Arkansas and Wyoming**
 - **First Vehicle – District of Columbia, Massachusetts**
- **First Vehicle targeting faster growth**

North America

Moving forward

- **Bidding season underway**
- **Cashflow over \$140m**
- **In-fill acquisitions**
- **Conversions**

Moir Lockhead
Group Chief Executive

Summary

- **Clear focused strategy**
 - Invest for growth
 - Pay down debt
 - Buy back equity
- **Good opportunities for growth**
- **Sound financial position**
- **Good start to the new year**

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for the year to 31 March 2002**

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Preliminary results for the year to 31 March 2002

Appendices

Interest charge

Year to 31 March 2002

	2002 £m	2001 £m
Loans and overdrafts	45.9	52.3
Leases and HP	11.0	14.8
	<u>56.9</u>	<u>67.1</u>
Income from short term deposits	(2.8)	(4.4)
Notional interest	2.2	0.6
	<u>56.3</u>	<u>63.3</u>
Share of interest of joint venture	-	1.2
	<u>56.3</u>	<u>64.5</u>
Cash generation: interest cover	<u>5.6x</u>	<u>4.5x</u>

Taxation

Year to 31 March 2002

	2002 £m	2001 £m
UK Corporation tax	24.3	20.0
Tax on disposals	-	21.8
Overseas tax	1.3	1.1
Deferred tax	8.3	12.3
Tax charge	<u>33.9</u>	<u>55.2</u>
Effective tax rate	<u>31%</u>	<u>40%</u>

Capital Expenditure

Year to 31 March 2002

	2002	2001
	£m	£m
UK Bus	23.5	63.9
North America	121.8	72.9
Rail	3.2	6.6
Other	4.9	1.6
	<u>153.4</u>	<u>145.0</u>
Airport	-	5.9
	<u>153.4</u>	<u>150.9</u>

Bond issue

- **£300m 2013 6.875% corporate bond**
- **Credit rating BBB stable**
- **Significantly oversubscribed**
- **Interest rate competitive (195bp over gilts)**
- **Retire expensive bank facilities and reduce number of lenders**
- **Increases flexibility**

FGW passenger revenue

Comparing 2001 with 2000 and 1999

