

FirstGroup plc
Preliminary results
for the year to 31 March 2005

Wednesday 11 May 2005

Moir Lockhead Chief Executive

Delivering value for shareholders

- **Strong financial performance**
 - Turnover up 8.6%
 - Adjusted basic EPS up 3.3%
 - Dividend up 10%
 - £30m of share buy backs
- **Excellent result from UK Rail division**
- **Expanding in North America**
- **UK Bus good revenue growth**

Dean Finch
Finance Director

Highlights of results

Year to 31 March 2005

- **Strong sales growth**
- **Rail division – over 50% of current earnings underpinned for 10 years**
- **Strong US Dollar earnings**
- **First Student growth now >20,000 school buses**
- **First Services – doubled size of business**
- **First Transit – profitable retention of key contracts**
- **UK Bus – revenue growth and focus on service reliability – foundation for margin improvement**

Introduction

- **Divisional headlines:**
 - Rail performance strong
 - North America good results impacted by less trading days and FX
 - Bus strong revenue – profit impacted by strike and increased maintenance and reliability investment
- **Profit before tax up 5.0%**
- **Adjusted basic EPS up 3.3%**
- **No exceptional charges other than bid costs**
- **Low cash tax charge**
- **Dividend up 10%**

Introduction (continued)

- **Strong predictable cash flows – EBITDA £319m**
 - **EBITDA up 4% overall**
 - **North America EBITDA up 9% in US\$ terms**
- **c£170m invested in the business**
- **Net debt £663m, up £32m**
- **£115m of share buy backs over last 5 years**
- **Strong financial position – new medium term bank facility**

Financial Highlights

Year to 31 March 2005

Sales	£2,693.4m	Up 9%
EBITDA	£319.2m	Up 4%
Operating profit¹	£211.6m	Up 4%
Profit before tax	£128.9m	Up 5%
Net debt	£663.1m	Up 5%
Adjusted basic EPS	28.2p	Up 3%
Dividend per share	12.815p	Up 10%
EBITDA²: interest cover	6.6x	Down 8%

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

2. Operating profit as defined plus depreciation

Divisional analysis

Year to 31 March 2005

	Turnover £m	Op profit ¹ £m	Margin ¹ %
UK Bus	960.7	107.1	11.1
UK Rail	1,059.7	67.7	6.4
N America	665.8	61.2	9.2
Lease interest ²	-	(9.0)	-
Other ³	7.2	(15.4)	-
TOTAL	<u>2,693.4</u>	<u>211.6</u>	7.9

1. Before goodwill amortisation, bid costs and other 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 2005

	£m
Year to 31/03/04	906.2
Service enhancements/volume	22.6
Fares	31.9
South Yorkshire strike	(5.8)
Other	5.8
Year to 31/03/05	<u>960.7</u>

UK Bus results normalised

Year to 31 March 2005

	Sales £m	EBIT £m	Margin %
As reported	960.7	107.1	11.1
South Yorkshire strike	5.8	5.0	0.5
Engineering improvements	-	7.0	0.7
Other	-	(0.2)	-
TOTAL	966.5	118.9	12.3

Turnover analysis UK Rail

Year to 31 March 2005



	£m
Year to 31 March 2004	945.0
Franchise additions - GWT Link	118.7
- ScotRail	183.1
- TPE	<u>136.4</u>
	438.2
Franchise reductions - FGE	(194.6)
- FNW	(105.7)
- Anglia	<u>(32.3)</u>
	(332.6)
Other	9.1
Year to 31 March 2005	<u><u>1,059.7</u></u> ₁₂

Turnover analysis N America

Year to 31 March 2005



	£m	\$m
Year to 31 March 2004	620.7	1,051.6
Increase in:		
First Student	30.2	57.7
First Transit	27.1	50.3
First Services	37.9	70.6
Foreign exchange movements	<u>(50.1)</u>	<u>-</u>
Year to 31 March 2005	<u>665.8</u>	<u>1,230.2</u>
Growth:		
Acquisitions		82.1
Organic		96.5
		<u>178.6</u> ¹³

North America results normalised

Year to 31 March 2005



	Sales	EBIT	Margin
	£m	£m	%
As reported	665.8	61.2	9.2
Operating days	8.6	2.8	0.4
SUTA costs	-	3.6	0.5
Fuel	-	0.9	0.1
TOTAL	674.4	68.5	10.2

Cash flow

Year to 31 March 2005

	£m	£m
EBITDA		319.2
Bid costs		(11.9)
Working capital outflow		(62.0)
Other		(0.7)
Operational cash flow		244.6
Investment in the business		
Capex	(97.2)	
Acquisitions	(37.2)	
	<u></u>	(134.4)
Interest and Tax		
Interest	(33.7)	
Tax	(16.1)	
	<u></u>	(49.8)
		60.4
Returns to shareholders		
Dividends	(48.0)	
Share buy-backs	(29.7)	
	<u></u>	(77.7)
Net cash outflow		(17.3)

Movement in net debt

Year to 31 March 2005

	£m
Opening net debt	(630.7)
Net cash outflow	(17.3)
Debt assumed on acquisition	(20.6)
Foreign exchange movements	7.0
Amortisation of debt costs	(1.5)
Closing net debt	<u>(663.1)</u>

Funding and risk management

- **Debt**
 - New £520m five year facility at better pricing
 - BBB credit rating reaffirmed February 2005
- **Taxation**
 - Low Cash tax rate will continue
 - Over \$200m tax allowances carried forward
- **Pensions**
 - Non-rail FRS 17 deficit reduction of £31m pre tax
 - Cash payments in excess of profit and loss charge £12m

Crude oil hedge position

- **UK operations benefited from fully hedged position**
- **Over 80% of 2005/06 UK requirement (2.5m barrels p.a.) hedged at c. \$36 per barrel (2004/05 \$25 per barrel)**
- **64% of 2005/06 US requirement (0.7m barrels p.a.) hedged at c. \$27 per barrel (2004/05 \$27 per barrel)**
- **Closely monitoring fluctuating forward prices**

International Financial Reporting Standards

- **Pensions**
- **Goodwill**
- **Intangible assets**
- **Dividends**
- **Taxation**
- **Financial Instruments**
- **Share-based payments**

No material impact on group operating profit

Business Review

UK Rail

Dean Finch

UK Rail

- **New franchises:**
 - Successful start up of First ScotRail
 - FGW Link integrated well
 - First full year of First TransPennine Express
- **Performance:**
 - Turnover now over £1bn
 - Rail division profits increased by £17.9m
 - Strong revenue growth ScotRail and TPE
 - Successful revenue protection FGW and FGWL
 - Train performance improving

Rail re-franchising update

- **Experienced bidding team**
- **Shortlisted for 4 enlarged rail franchises**
 - Integrated Kent
 - Greater Western
 - Thameslink/Great Northern
 - Docklands Light Rail
- **Worth up to £1.1bn of turnover per annum**

Business Reviews

North America & UK Bus

Moir Lockhead

North America

- **Continued growth across the businesses**
 - Turnover up 17% at constant exchange rates
 - Operating profit up 3.7% at constant exchange rates
- **Student**
 - Retained over 90% of contracts up for renewal
 - Cardinal acquisition now operate >20,000 buses
 - Current bidding season started well
- **Transit**
 - Retained NY call centre and further contracts won
 - Successfully growing light transit business
 - One of the largest providers of airport shuttle buses

North America (cont)

- **Services**

- **EBIT increased by 96%**

- **First Vehicle Services 100% contract retention**

- **Successful integration of SKE**

- **Platform for growth in large Federal Services market: one of largest procurers of support services in North America**

UK Bus

- **Strong revenue growth +6%**
- **Growth in urban Quality Partnership areas**
- **Developed contract services business**
- **Launched 'f t r'**
- **Investment in service reliability**
- **Lost mileage reduced**
- **Driver shortage reduced by c.30%**

Summary

- **Continued growth in all markets**
- **10% dividend growth supported by share buy back programme**
- **Strong performance in UK Rail**
- **Developing proposals for new franchises**
- **Continued expansion in US**
- **Driving growth and service delivery in UK Bus**
- **Current trading in line with expectations**

Appendices
Preliminary results
for the year to
31 March 2005

Profit and Loss Account (1)

Year to 31 March 2005



	2005 £m	2004 £m
Group turnover	<u>2,693.4</u>	<u>2,479.0</u>
Group operating profit ¹	211.6	204.1
Interest	<u>(48.3)</u>	<u>(42.8)</u>
Pre-exceptional pre-tax profit ¹	163.3	161.3
Goodwill	(25.8)	(25.9)
Bid costs/other exceptional items ²	<u>(8.6)</u>	<u>(12.6)</u>
Profit before tax	<u><u>128.9</u></u>	<u><u>122.8</u></u>

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

2. Including property disposal profits

Profit and Loss Account (2)

Year to 31 March 2005

	2005	2004
	£m	£m
Profit before tax	128.9	122.8
Corporation tax	<u>(32.7)</u>	<u>(30.6)</u>
Profit after tax	96.2	92.2
Minority interests	(6.5)	(0.9)
Dividends	<u>(50.6)</u>	<u>(47.3)</u>
Profit for the period	<u><u>39.1</u></u>	<u><u>44.0</u></u>
Adjusted EPS ¹	28.2p	27.3p
Adjusted cash EPS	55.1p	52.4p
EBITDA	£319.2m	£307.1m

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

H1/H2 split

	2004/05			2003/04			Variance		
	H1 £m	H2 £m	Total £m	H1 £m	H2 £m	Total £m	H1 £m	H2 £m	Total £m
Revenue									
UK Bus	473.1	487.6	960.7	443.0	463.2	906.2	30.1	24.4	54.5
UK Rail	446.6	613.1	1,059.7	395.4	549.6	945.0	51.2	63.5	114.7
North America	284.3	381.5	665.8	286.1	334.6	620.7	(1.8)	46.9	45.1
Other	3.3	3.9	7.2	3.2	3.9	7.1	0.1	0.0	0.1
	<u>1,207.3</u>	<u>1,486.1</u>	<u>2,693.4</u>	<u>1,127.7</u>	<u>1,351.3</u>	<u>2,479.0</u>	<u>79.6</u>	<u>134.8</u>	<u>214.4</u>
Operating profit									
UK Bus	45.4	61.7	107.1	46.2	65.0	111.2	(0.8)	(3.3)	(4.1)
UK Rail	34.3	33.4	67.7	22.1	27.7	49.8	12.2	5.7	17.9
North America	14.7	46.5	61.2	18.0	45.5	63.5	(3.3)	1.0	(2.3)
Financing element of leases	(4.5)	(4.5)	(9.0)	(4.1)	(4.2)	(8.3)	(0.4)	(0.3)	(0.7)
Other	(5.9)	(9.5)	(15.4)	(4.1)	(8.0)	(12.1)	(1.8)	(1.5)	(3.3)
	<u>84.0</u>	<u>127.6</u>	<u>211.6</u>	<u>78.1</u>	<u>126.0</u>	<u>204.1</u>	<u>5.9</u>	<u>1.6</u>	<u>7.5</u>
Interest	(21.9)	(26.4)	(48.3)	(40.0)	(21.5)	(61.5)	18.1	(4.9)	13.2
Profit before one-offs	62.1	101.2	163.3	38.1	104.5	142.6	24.0	(3.3)	20.7
Goodwill amortisation	(12.9)	(12.9)	(25.8)	(13.0)	(12.9)	(25.9)	0.1	0.0	0.1
Property gains	3.7	(0.4)	3.3	6.1	13.5	19.6	(2.4)	(13.9)	(16.3)
Bid costs	(2.7)	(9.2)	(11.9)	(3.1)	(3.6)	(6.7)	0.4	(5.6)	(5.2)
Other exceptional costs	0.0	0.0	0.0	(4.4)	(2.4)	(6.8)	4.4	2.4	6.8
Profit before taxation	50.2	78.7	128.9	23.7	99.1	122.8	26.5	(20.4)	6.1
Corporation tax	(12.3)	(20.4)	(32.7)	(4.6)	(26.0)	(30.6)	(7.7)	5.6	(2.1)
Profit after tax	37.9	58.3	96.2	19.1	73.1	92.2	18.8	(14.8)	4.0
Minority interests	(2.7)	(3.8)	(6.5)	0.0	(0.9)	(0.9)	(2.7)	(2.9)	(5.6)
Dividends	(16.4)	(34.2)	(50.6)	(15.5)	(31.8)	(47.3)	(0.9)	(2.4)	(3.3)
Profit for the financial period	<u>18.8</u>	<u>20.3</u>	<u>39.1</u>	<u>3.6</u>	<u>40.4</u>	<u>44.0</u>	<u>15.2</u>	<u>(20.1)</u>	<u>(4.9)</u>

FirstGroup America

Year to 31 March 2005



\$m	Student	Transit	Services	Total
Sales	<u>674.4</u>	<u>380.7</u>	<u>175.1</u>	<u>1,230.2</u>
EBITDA	153.9	29.8	16.2	199.9
EBITDA %	22.8%	7.8%	9.3%	16.2%
Depreciation	<u>72.6</u>	<u>12.8</u>	<u>1.3</u>	<u>86.7</u>
EBIT	<u>81.3</u>	<u>17.0</u>	<u>14.9</u>	<u>113.2</u>
EBIT %	12.1%	4.5%	8.5%	9.2%

North America

First Transit change in mix



<u>Revenue \$m</u>	2005	2004
Heavy Transit	228	221
Paratransit	45	38
Call Centres	29	25
Airports	19	11
Transit management	14	11
Other	10	6
	<u>345</u>	<u>312</u>

Non Heavy Transit – segments all growing

Interest charge

Year to 31 March 2005

	2005	2004
	£m	£m
Bonds, Bank Loans and overdrafts	44.9	39.0
Leases and HP	2.2	3.3
	<u>47.1</u>	<u>42.3</u>
Income from short term deposits	(4.3)	(2.4)
Notional interest	5.5	2.9
	<u>48.3</u>	<u>42.8</u>
EBITDA : interest cover	<u>6.6x</u>	<u>7.2x</u>

Bid costs and other exceptionals

Year to 31 March 2005

	2005 £m	2004 £m
Interest rate swap cancellations	-	18.7
UK Bus restructuring	-	5.9
UK Rail bid costs	10.9	5.9
North America	-	0.9
Other bid costs	1.0	0.8
Property gains	(3.3)	(19.6)
	<u>8.6</u>	<u>12.6</u>

Taxation

Year to 31 March 2005

	2005	2004
	£m	£m
Current tax	19.0	21.3
Deferred tax	<u>13.7</u>	<u>9.3</u>
Tax charge	<u>32.7</u>	<u>30.6</u>
Tax rate on profit before goodwill and exceptional items	27.2%	30%
Cash tax rate	15%	17%

Working capital movement

Year to 31 March 2005

	£m
UK pensions > P&L charge	(12)
UK Rail S18.1 payments	(17)
TPE start up reversal	(12)
Growth/other	(21)
Working capital outflow	<u><u>(62)</u></u>

Capital Expenditure

Year to 31 March 2005

	2005	2004
	£m	£m
UK Bus	70.4	64.9
North America	36.5	65.8
UK Bus Property	11.7	24.8
Rail/Other	16.7	9.2
	<u>135.3</u>	<u>164.7</u>

Share capital

(excluding 5.2m treasury shares at 31/03/05)

	Million
Opening	403.0
Average	399.2
Closing	393.6

UK Rail bonds

	March 05	March 04
	£m	£m
GWT Performance Bond	16.5	16.5
GWT Season Ticket Bond	5.6	5.2
GER Performance Bond	3.0	9.5
NWT Performance Bond	5.8	7.0
TPE Performance Bond	5.7	5.7
Anglia Performance Bond	3.3	3.3
Thames Season Ticket Bond	4.4	4.3
Anglia Season Ticket Bond	-	2.7
GER Season Ticket Bond	-	33.3
Scotrail Performance Bond	11.2	-
Scotrail Season Ticket Bond	2.7	-
Scotrail Maintenance Bond	43.0	-
	101.2	87.5

Franchise	Type	Turnover £m (estimated)	Bid Status	Anticipated award dates
Integrated Kent	Commuter/ high speed	325	Shortlisted	2005/06
DLR	Light rail metro	30	Shortlisted	End 2005
Greater Western	InterCity and commuter	450	Shortlisted	2005/06
Thameslink/GN	Inner urban Commuter/ outer urban fast service	300	Shortlisted	2005/06