

FirstGroup plc
Interim results
for the six months to 30 September 2006

Wednesday 8 November 2006

Moir Lockhead Chief Executive

Delivering value for shareholders

- **Strong Group performance:**
 - Revenue up 25%
 - Adjusted operating profit up 13% despite £23m fuel cost increase
 - EBITDA up 14%
 - Dividend increased by 10%
- **Rail - excellent performance; new franchises ahead of expectations**
- **North America – continued growth despite fuel**
- **UK Bus – strong trading result driven by revenue growth and operational performance**

Dean Finch
Finance Director

Highlights

- **Strong performance from Rail division**
- **UK Bus margin improvement**
- **Adjusted operating profit £92m up 13%**
- **Adjusted EPS 10.1p up 10%**
- **EBITDA £154m up 14%**
- **Dividend up 10%**
- **Continued investment for growth**

Financial Highlights

Six months to 30 September 2006

Turnover	£1,715.7m	+25%
EBITDA¹	£154.5m	+14%
Operating profit²	£92.2m	+13%
Profit before tax²	£59.9m	+8%
Adjusted basic EPS	10.1p	+10%
Dividend per share	5.0p	+10%
EBITDA: interest cover	4.8x	

1. Operating profit as defined below before depreciation
2. Before intangible asset amortisation, bid costs, non-recurring items and profit on disposal of fixed assets

Divisional analysis

Six months to 30 September 2006

	Turnover £m	Op profit ¹ £m	Margin %
UK Bus ²	521.9	39.5	7.6
UK Rail	817.6	43.9	5.4
N America	372.0	17.9	4.8
Other ³	4.2	(9.1)	-
TOTAL	1,715.7	92.2	5.4

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

2. Operating profit is stated after deducting the financing element of operating leases

3. Tram operations, central management and other items

UK Bus

- **Good trading result**
- **Operating profit increased despite additional fuel costs of £16.7m**
- **Increased revenue as a result of additional passenger journeys including concessionary fares and pricing**
- **Operational performance significantly improved – highest timetabled mileage operated, addressed issue of driver shortage, staff turnover lowest on record**
- **Delivering strong growth where partnership approach is working effectively**

Margin improvement measures

- Volume growth over and above concessions
- Route profitability
- Yield management
- Bus utilisation
- Focused growth
- Efficiency measures

**Delivering margin enhancement despite
additional fuel cost**

Significant opportunity if fuel cost stabilises

UK Bus - turnover analysis

Six months to 30 September 2006

	Passenger revenue	Other	Total
	£m	£m	£m
Q1	174.5	84.8	259.3
Q2	178.9	83.7	262.6
	<u>353.4</u>	<u>168.5</u>	<u>521.9</u>

Passenger revenue growth year on year

Q1 6.8%

Q2 7.6%

UK Rail

- **Excellent performance – adjusted operating profit up 28%**
- **New franchises performing ahead of our expectations at time of bid**
- **Strong volume growth across all our TOCs**
- **Driving improved performance - PPM trends >90% for all operations except FGW where we are working closely with Network Rail to improve**

UK Rail

- **Pipeline of activity to further enhance earnings:**
 - FTPE: new trains, Anglo Scottish services
 - FGW: train refurbishment, additional capacity
 - FCC: revenue protection
 - Hull Trains: 7th path
 - Thameslink: 18-24 trains per hour
- **New franchise opportunities – East Midlands and New Cross Country**

UK Rail - turnover analysis

Six months to 30 September 2006

	£m
Six months to 30/09/05	526.0
Franchise won (Capital Connect)	153.8
Franchise enlarged (FGW)	66.8
ScotRail grant (NR track access)	33.3
Growth	40.9
Other	(3.2)
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Six months to 30/09/06	817.6
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UK Rail – passenger revenue growth Six months to 30 September 2006



First Great Western	12.5%
First Capital Connect	11.7%
First TransPennine Express	13.9%
First ScotRail	8.9%
Hull Trains	40.3%

North America

- **Good underlying performance and pipeline of acquisitions / new contract wins**
- **First Student**
 - **Successful bidding season**
 - **Contract retention over 97%**
 - **Focus on margin enhancement through contract bidding, cost control and productivity enhancements**
 - **Programme to mitigate increased fuel costs through contract renewal cycle**

North America (cont)

- **Transit**

- Margin enhancement through successful cost control programme
- New business won in paratransit, transit management and shuttle bus markets

- **Services**

- Retained all business that came up for renewal
- Won new contracts in vehicle maintenance, mobile technologies and support services
- Won re-bid of substantial Services contract with US Navy - \$450m revenues over 10 yrs

FirstGroup America

Six months to 30 September 2006



\$m	Student	Transit	Services	Total
Sales	<u>352.3</u>	<u>216.0</u>	<u>121.0</u>	<u>689.3</u>
EBITDA	49.5	13.8	9.9	73.2
EBITDA %	14.1%	6.4%	8.2%	10.6%
Depreciation	<u>34.5</u>	<u>4.2</u>	<u>1.3</u>	<u>40.0</u>
Op Profit	<u>15.0</u>	<u>9.6</u>	<u>8.6</u>	<u>33.2</u>
Op Profit %	4.3%	4.4%	7.1%	4.8%

First Student

Six months to 30 September 2006



	Sales \$m	Op profit \$m	%
Half year 2005/06	324.6	20.5	6.3
Insurance	-	(2.9)	
Growth/efficiency/other	<u>27.7</u>	<u>2.3</u>	
	352.3	19.9	5.6
Fuel costs	<u>-</u>	<u>(4.9)</u>	
Half year 2006/07	<u><u>352.3</u></u>	<u><u>15.0</u></u>	4.3

Cashflow

Six months to 30 September 2006

	£m	£m
EBITDA		154.5
Bid costs/non-recurring items		(16.9)
Working capital outflow - pensions		(26.2)
Working capital inflow - other		43.7
Other		3.3
Operational cash flow		<u>158.4</u>
Investment in the business		
Capex and acquisitions	(125.2)	
UK Bus lease restructuring	<u>(84.0)</u>	
		(209.2)
Interest and Tax		<u>(39.8)</u>
		(90.6)
Dividends (including paid to minorities)		<u>(43.2)</u>
Net cash outflow		(133.8)
Foreign exchange movements		21.9
Other non-cash movements		(0.3)
Opening net debt		<u>(704.4)</u>
Closing net debt		<u><u>(816.6)</u></u>

Crude oil hedge position

- **100% of 2006/07 UK requirement (2.6m barrels p.a.) hedged at \$67 per barrel**
- **75% of 2007/08 UK requirement (2.7m barrels p.a.) hedged at current forward rates (mid \$60s)**
- **100% of 2006/07 second half North American requirement (0.7m barrels p.a.) hedged at \$60 per barrel**
- **Closely monitoring forward prices**

Financial Summary

Six months to 30 September 2006

- **Strong performance from UK Rail and UK Bus**
- **UK Rail passenger income growth particularly strong**
- **North American margin improvement plans in place**
- **Continued strong dividend growth**
- **Investment for growth**

Moir Lockhead Chief Executive

Summary

- **UK Rail – long term rail revenues now secured**
 - Strong volume and income growth
 - Further opportunities in re-franchising
- **UK Bus – focus on revenue growth, cost control and operational performance delivering strong trading**
- **North America – delivering consistent growth with good opportunities for further expansion**
- **Current trading in line with our expectations**
- **Confident about further opportunities for growth in our core businesses and to develop in markets**

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Appendices
Interim results
for the six months to
30 September 2006

Profit and Loss Account (1)

Six months to 30 September 2006



	2006 £m	2005 £m
Group turnover	<u>1,715.7</u>	<u>1,376.5</u>
Group operating profit ¹	92.2	81.4
Net interest	<u>(32.3)</u>	<u>(25.9)</u>
Pre-tax profit ¹	59.9	55.5
Intangible asset amortisation	(4.7)	(2.0)
Bid costs/non-recurring items ²	<u>(15.5)</u>	<u>1.8</u>
Profit before tax	<u><u>39.7</u></u>	<u><u>55.3</u></u>

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

2. Including property disposal profits

Profit and Loss Account (2)

Six months to 30 September 2006

	2006	2005
	£m	£m
Profit before tax	39.7	55.3
Tax on operating profit	<u>(9.9)</u>	<u>(15.2)</u>
Profit after tax	<u>29.8</u>	<u>40.1</u>
Adjusted EPS ¹	10.1p	9.2p
Adjusted cash EPS	25.9p	22.8p
EBITDA ²	£154.5m	£135.3m

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

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

N America - turnover analysis

Six months to 30 September 2006

	£m	\$m
Six months to 30 September 2005	353.3	647.2
Increase in:		
First Student	14.3	27.7
First Transit	3.4	6.3
First Services	4.6	8.1
Foreign exchange movements	(3.6)	-
Six months to 30 September 2006	372.0	689.3

UK Bus

Six months to 30 September 2006

	Sales £m	Op profit £m
Half year 2005/06	493.6	36.2
Additional sales at last year's margin (7.3%)	<u>28.3</u>	<u>2.1</u>
	521.9	38.3
Fuel costs	-	(16.7)
Bus lease refinancing	-	3.2
Margin improvement measures	-	<u>14.7</u>
Half year 2006/07	<u>521.9</u>	<u>39.5</u>

Interest charge

Six months to 30 September 2006

	2006	2005
	£m	£m
Bonds, Bank Loans and overdrafts	30.3	27.8
Leases and HP	2.5	0.5
	<u>32.8</u>	<u>28.3</u>
Finance income	(4.0)	(5.2)
Notional interest	3.5	2.8
	<u>32.3</u>	<u>25.9</u>
EBITDA : interest cover	<u>4.8</u>	<u>5.2</u>

Taxation

Six months to 30 September 2006

	2006 £m	2005 £m
Current tax	0.4	2.6
Deferred tax	<u>9.5</u>	<u>12.6</u>
Tax charge	<u>9.9</u>	<u>15.2</u>
Tax rate on profit before intangible asset amortisation, bid costs, non-recurring items and profit on disposal of fixed assets	25.5%	27.5%
Cash tax rate	3%	5%

Capital Expenditure

Six months to 30 September 2006



	2006	2005
	£m	£m
UK Bus (inc. £84.0m lease restructuring)	124.4	55.8
North America	35.7	52.9
Rail/Other	38.9	4.4
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	199.0	113.1
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