



Berenberg Conference Presentation

March 2022





Overview

First Rail - the UK's largest rail operator



Fleet of
3,800
rail vehicles operated



550,000
passenger journeys
a day in 2021/22



Our TOCs operate
27%
of the UK passenger
rail market



17,500
employees across all six
of our train companies

- c.£11bn addressable UK passenger operator revenue in 2019-2020
- There are 23 Train Operating Companies (TOCs) in the UK and 3 open access operations
- First Rail operates four TOCs contracted by Government, as well as the Lumo and Hull Trains open access operations and Croydon tram operation
- The First Rail team is focused on delivery for passengers, securing longer dated National Rail Contracts and continuing to deliver progress on successful open access operations, demonstrating what innovation can deliver as the industry evolves
- Additional services: Evorail, Mistral and FCC delivered over £5m of adjusted operating profit in H1 FY 2023
- We continue to play our part in the industry wide sustainability agenda – we aim to remain a leader in this area, helping the Government deliver its ambition to remove all diesel-only trains from service in the UK by 2040



First Bus – the UK's second largest regional bus operator


887,000
passengers a day in 2021/22
despite the pandemic


4,900
buses operated


Transforming our bus fleet
to zero emissions by
2035


More than
13,500
employees


Over half of our fleet has
“tap on tap off”
payment technology
and ticket options

- First Bus operates around a fifth of local bus services outside London, and serves **two-thirds of the UK's 15 largest conurbations** as well as a number of Business to Business ('B2B') services across the UK
- A leader in **digital transformation** – using real time passenger information to better understand our passengers and their journeys and continuously improve our timetables, pricing and routes to provide the best possible customer experience
- Using our data to introduce **new ticketing options** that better match our pricing to demand and customer preferences
- c.70% of ticket transactions** now via contactless, mobile or digital payment methods, including the First Bus app and ‘tap on tap off’ payment technology is installed on over half of our fleet
- Committed to operating a **wholly zero emission bus fleet by 2035**; First Bus and its local authority partners have successfully secured **government funding assistance for almost 500 zero emission vehicles** and related infrastructure
- First Bus' flagship **Caledonia depot** in Glasgow is the **UK's largest rapid Electric Vehicle charging hub** with 160 rapid-charging points and plans to expand capacity to 350 charging points
- Trialling **adjacent revenue streams** from depot electrification - successful trials to allow third-party businesses to use charging infrastructure during the day are underway at Caledonia



Building on our sustainability foundations

Responsible business remains intrinsic to our operating model – and key to our future

Business model highly aligned to long-term environmental and social objectives

- Public transport is critical long-term infrastructure, central to levelling up, urbanisation and decarbonisation agendas as well as creating green jobs throughout our supply chain
- FirstGroup's bus and rail services are already low carbon relative to other transport options and we actively support modal shift from cars and aircraft – and our zero emission commitments increase our EU Green Taxonomy eligibility year by year
- FirstGroup has a clear social purpose – we provide easy and convenient mobility, improving quality of life by connecting people and communities

Continuously improving the sustainability of the Group

- Committed to operating a zero emissions bus fleet by 2035, with no purchases of new diesel buses after 2022. Helping to deliver the UK Government's goal to remove all diesel only trains from service by 2040
- Science-based target aligned with a 1.5°C ambition set to reduce Scope 1 and 2 emissions submitted for validation; currently finalising our approach to Scope 3 emissions through engagement with key supply chain partners
- Carried out an in-depth scenario analysis and quantitative financial impact assessment of our most material climate-related risks and opportunities, in accordance with TCFD recommendations
- Focused on creating a more diverse and inclusive business; expanding our successful programmes to support career progression of women and employees from minority ethnic groups
- FirstGroup Board now Hampton-Alexander and Parker Review compliant
- £300m sustainability-linked RCF linked to (a) reduction of Scope 1, 2 and 3 carbon emissions per £m of revenue, and (b) growth of zero emissions bus fleet
- Climate-related measures added to long-term incentive plans, supporting the integration of sustainability issues into business planning and decision-making

Selected FirstGroup credentials and ratings:



**World
Benchmarking
Alliance**

3rd out of the world's 90
largest transport companies;
1st in the UK



CLEAN200™

Top 200 cleanest publicly-
listed firms worldwide

ISS ESG

'ESG Prime' rating from
ISS ESG – top decile

MSCI

'Leader' in managing ESG
risks and opportunities, AA
rating



ESG score: 'Robust' Ranked
5th of 21 in Travel and
Tourism



FTSE4Good
100th percentile in sector
Constituent for 20
consecutive years



Recognised for contribution
to global green economy



**Dow Jones
Sustainability Indexes**
Moved up to 89th percentile in
sector



SUSTAINALYTICS

ESG risk: 'low',
Ranked 21st of 363 in sector
globally



CDP
DISCLOSURE INSIGHT ACTION
Longstanding
participant in CDP



Financial performance

H1 2023 Financial review summary

- **Resilient financial performance in H1 2023, with increases in volumes, revenue, adjusted profit and margin**
 - First Rail earnings driven by the strong growth of open access; First Bus earnings lower reflecting cost inflation and the transition towards a more commercial model
 - Underlying cash generation in line with expectations
 - Substantial increase in Group adjusted attributable profit, in line with management expectations
- **Progress made monetising further sources of value from exiting North America**
 - £15.8m cash received in period from Greyhound in H1 2023
 - £122m property sale proceeds received and £75m on-market share buyback programme launched on 19 December 2022
 - c.£74m estimated value of First Transit earnout expected to be received in FY 2024 following completion of sale by EQT Infrastructure
 - Overall pension position stronger than at start of year following increases in gilt yields and de-risking actions in the US legacy schemes
- **Outlook**
 - Clear plans to adapt and strengthen our operations in response to current political, economic and industrial relations environment
 - Strong balance sheet and further sources of value to come underpin balanced capital allocation policy

Financial summary

Significant overall financial progress in H1 2023

£m	H1 2023 (continuing)	H1 2022 (continuing)	H1 2023 change vs H1 2022 (continuing)	FY 2022 (continuing)
Revenue	2,212.4	2,139.1	+73.3	4,591.1
Group attributable adjusted profit ¹	30.8	13.3	+17.5	36.2
Adjusted ²				
- Operating profit	66.1	51.8	+14.3	106.7
- Profit/(loss) before tax	41.0	(6.3)	+47.3	24.8
- Earnings per share p ³	4.4p	(0.4)p	+4.8p	1.6p
Dividend per share p	0.9p	-	+0.9p	1.1p
Adjusting items (operating profit)	(4.0)	0.4	(4.4)	16.1
Statutory operating profit	62.1	52.2	+9.9	122.8
Adjusted net cash/(debt) ⁴	7.3	603.9	(596.6)	(3.9)

¹ Earnings from continuing operations adjusted for First Rail management fees – see p.9 for more detail.

² Before net adjusting items described in more detail on p.28.

³ Weighted average number of shares reduced from 1,203.4m to 739.8m between H1 2023 and H1 2022, reflecting the tender offer completed in December 2021; as a result EPS figures are not directly comparable between the two periods.

⁴ 'Adjusted net cash/(debt)' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and ring-fenced cash).

First Rail financial performance

H1 2023 contribution to attributable net income increasing, with open access ahead of plan

£m	H1 2023	H1 2022	Change
Management fee-based revenue ¹	1,743.3	1,729.8	+13.5
Open access revenue	32.7	6.6	+26.1
Gross additional services revenue	52.8	39.1	+13.7
Inter-divisional eliminations	(44.1)	(28.9)	(15.2)
Total First Rail division revenue	1,784.7	1,746.6	+38.1

Management fee-based adj. op profit ¹	43.4	46.8	(3.4)
Open access adj. op profit/(loss)	6.7	(10.4)	+17.1
Additional services adj. op profit	5.3	2.8	+2.5
Total First Rail division adj. op profit²	55.4	39.2	+16.2

GWR	11.0	9.0	+2.0
SWR	2.7	3.2	(0.5)
WCP (incorporating Avanti)	2.0	3.3	(1.3)
TPE	3.4	2.0	+1.4
Attributable net income from management fee-based operations¹	19.1	17.5	+1.6

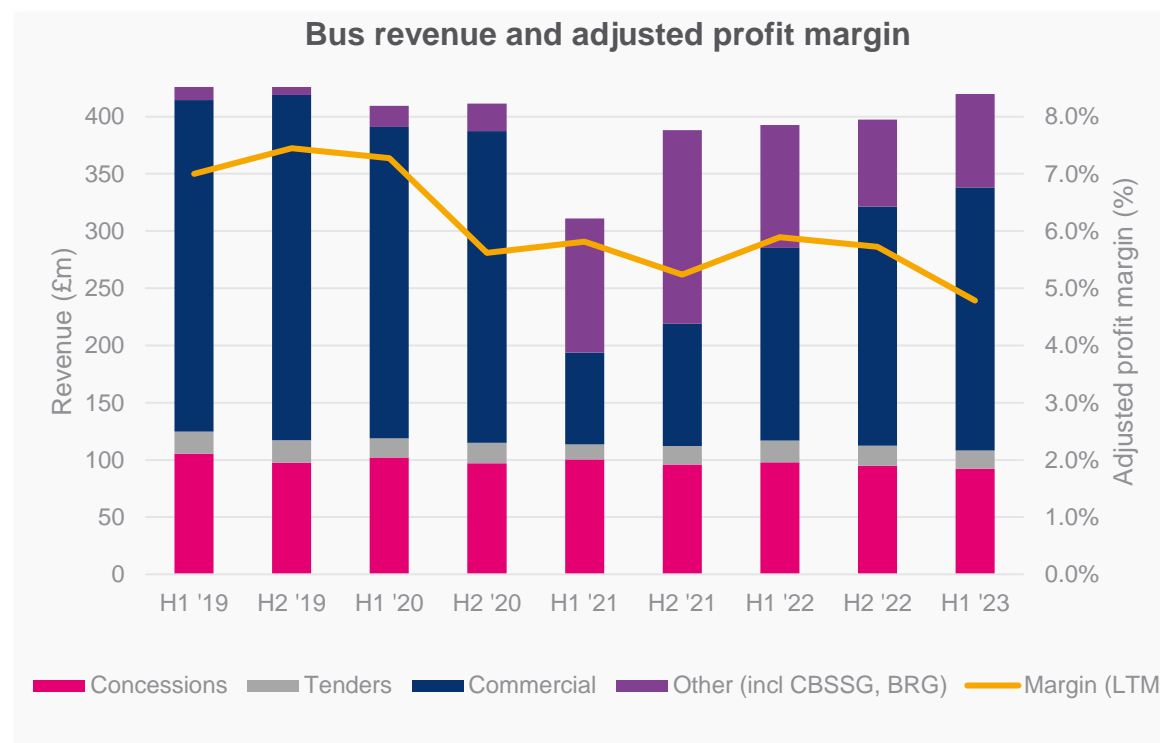
- The four management fee-based operations recorded performance fees at management's best estimate in aggregate for H1 2023
 - Passenger volume changes and industrial action have limited impact on fee income under the terms of the management fee-based contracts
 - Attributable net income from management fee-based operations is Group's share of the relevant fee income available for dividend distribution from them (see also p.9 and 23)
 - The additional leases recognised under IFRS 16 for the new GWR contract now expected to increase adjusted profit by c.£22m in FY 2023 rather than by £30m as previously guided – no impact on cash flow or attributable net income
- Open access (comprising Hull Trains and Lumo operations) revenue was ahead of our expectations in H1 2023
 - Ahead of plan to drive c.£20m+ improvement in divisional earnings year-on-year over FY 2022, despite higher electricity costs than budgeted
- Additional services (comprising Mistral Data, contact centres, consulting, evo-rail, London Trams) also delivered increased earnings

First Bus H1 2023 financial performance

Earnings outturn reflects the transitional period the industry is working through

- **Revenue** +9% vs H1 2022, reflecting improving volumes and yields, partly offset by lower grant receipts
- **Margin** reflects changes in the pandemic recovery funding towards a more commercial model in England and higher cost inflation
- Under previous pandemic funding scheme¹ which ended in September 2021, service levels were funded on a cash break-even basis with allowable pensions/financing costs recorded 'above the line'; these accounted for c.£25m in H1 2022
- Current Bus Recovery Grant – which subsidises routes to recover further while partially constraining our commercial flexibility – was recently extended and currently in place until July 2023
- Industry-wide driver shortages remain elevated in H1 2023 – recruitment, retention and wage agreements a key focus
- Significant fuel hedging in place – H2 2023 97% and FY 2024 63% hedged

£m	H1 2023	H1 2022	Change
Revenue	427.7	392.5	+35.2
Adj. operating profit ²	20.7	26.8	(6.1)
Margin %	4.8%	6.8%	(200)bps
Mileage (m)	87	95	(8)



Substantial increase in Group adjusted attributable profit

Our planning and dividend policy focuses on underlying fees from rail contracts to look through IFRS 16 distortions

£m	H1 2023	H1 2022	Change
Group adjusted attributable profit comprises:			
- First Bus adjusted operating profit	20.7	26.8	(6.1)
- Attributable net income from rail management fee-based operations ¹	19.1	17.5	+1.6
- Adjusted operating profit from rail open access and additional services	12.0	(7.6)	+19.6
- Group central costs (operating profit basis)	(10.0)	(13.9)	+3.9
	41.8	22.8	+19.0
- Cash interest (pro forma continuing) and tax	(11.0)	(9.5)	(1.5)
	30.8	13.3	+17.5

- Group adjusted attributable profit in line with management expectations in H1 2023
- Demonstrating the resilient earnings base and solid cash conversion which provides a robust foundation to drive future value
- ‘Cash interest’ shown on a pro forma continuing basis, principally relating to £200m 6.875% 2024 bond and finance leases, and excluding notional and IFRS 16 lease liability interest
- 19% UK corporation tax, increasing to 25% for FY 2024
- Interim dividend of £6.7m declared, in line with announced policy of 3x cover by Group adjusted attributable profit and c.1/3 interim 2/3 final dividend split

FY 2023 financial outlook

First Bus

- While clearly sensitive to consumer spending and inflation trends, expect sequential progress in H2 2023, improved performance driven by recent higher passenger volumes and driver resource pressures easing in certain locations

First Rail

- Expect higher profit from open access operations with the four management fee-based operations to deliver aggregate financial performance broadly in line with management expectations

Central

- On track to realise further c.£5m in previously announced central cost savings (ahead of original target)

Technical

- IFRS 16 adjustment to adj op profit and EBITDA for new GWR contract now expected to be +£22m and +£250m (rather than +£30m and +£260m as previously guided) – but no impact on actual fee income, cash flow or Group adjusted attributable profit
- P&L net interest cost now c.£65m of which c.£20m is cash; 19% UK corporation tax

Cash flow

- c.£90m in net cash capital expenditure to support transition of bus fleet to zero emissions
- Anticipated adjusted net cash position in range of £70-80m at end of FY 2023



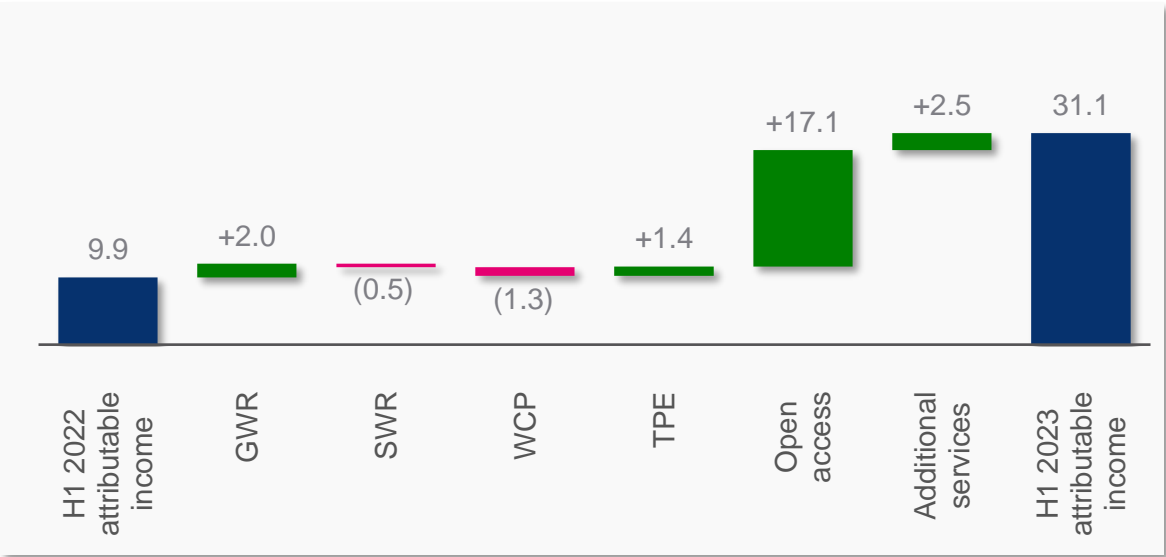
Operational performance

First Rail's management fee-based operations

Focused on operational delivery for passengers in a challenging environment

- Industrial action across the rail sector has caused significant disruption for our passengers, although financial impact to date has been relatively limited
- Robust plans in place to increase the availability of trained drivers and restore services to levels passengers rightly expect on Avanti and TPE
- All management fee-based operations focused on delivering increasing performance fee metrics for passengers, government and shareholders in order to extend contract tenure

H1 2023 attributable net income bridge



First Rail management fee-based operations	Status	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
South Western Railway (SWR)	NRC AGREED up to May 2025											
TransPennine Express (TPE)	NRC AGREED up to May 2025 (including 2yr extension period); 4+4yr contract PIN issued Mar 2022 (includes Transpennine Route Upgrade project)											
Great Western Railway (GWR)	NRC AGREED up to June 2028 (including 3yr extension period)											
West Coast Partnership (Avanti)	Emergency Recovery Measures Agreement EXTENDED to October 2023; NRC TO BE AGREED ; up to 10yr contract PIN issued Aug 2021											

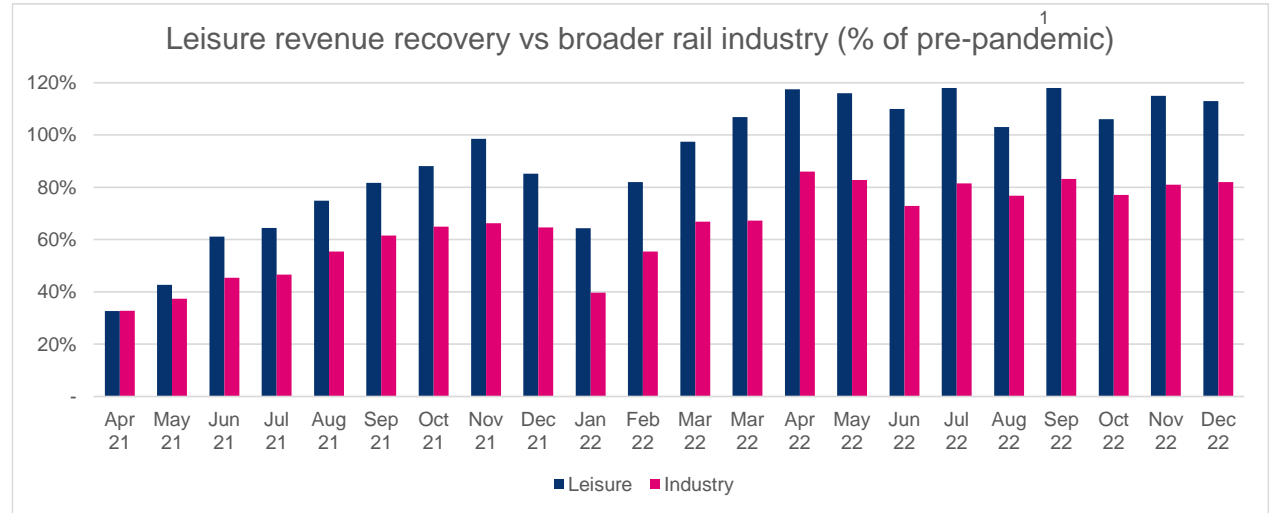


Lumo and Hull Trains

Our open access success demonstrates the potential for leveraging private sector experience and expertise to enhance modal shift and bring more passengers back to rail

Both open access operations are primarily focused on leisure travel which has experienced faster growth than the rest of the industry since 2020

- Following its launch in October 2021, **Lumo** has consistently exceeded our expectations, with strong passenger bookings and promising yields
 - Now fully operational (5 trains a day) – recently served its millionth passenger in its first year
 - Lumo launch has increased modal shift from airlines onto East Coast main line for all operators
 - Track access contract to May 2033
- **Hull Trains** launched operations in September 2000
 - In 2019 Hull Trains welcomed the first of its five Hitachi Paragon trains into passenger service following a £60m investment programme
 - Hull Trains is currently operating more services (94 services per week vs. 92 services per week in 2019) and more seats than ever before – in December 2022 Hull Trains increased the number of 10 car services (typically a 5 car service) to match growing passenger demand
 - Hull Trains also performed ahead of expectations in H1 2023 having returned to a full-time schedule in April 2022
 - Both Hull Trains and Lumo currently have no outstanding industrial relations issues
 - Track access contract to December 2032



First Rail H2 2023 priorities

- **Delivery for passengers at heart of the business**

- Robust plans in place to deliver the level of service expected by our stakeholders in light of current challenges
- Avanti and TPE focused on return to a full schedule as new timetable is launched in December
- Progress National Rail Contract for West Coast Partnership (Avanti)

- **Continue to deliver progress on open access operations including ability to increase capacity**

- Open access model is higher risk and higher reward than management fee-based contracts, with greater control over several commercial levers
- Lumo and Hull Trains' success demonstrates the potential of agile, commercially-oriented management to catalyse modal shift and innovate for passengers while also creating jobs and reducing emissions

- **Broad base of opportunities to develop existing capabilities into standalone businesses**

- Scaling potential of additional services businesses in rail to be considered

- **Continue to play our part in industry wide sustainability agenda**

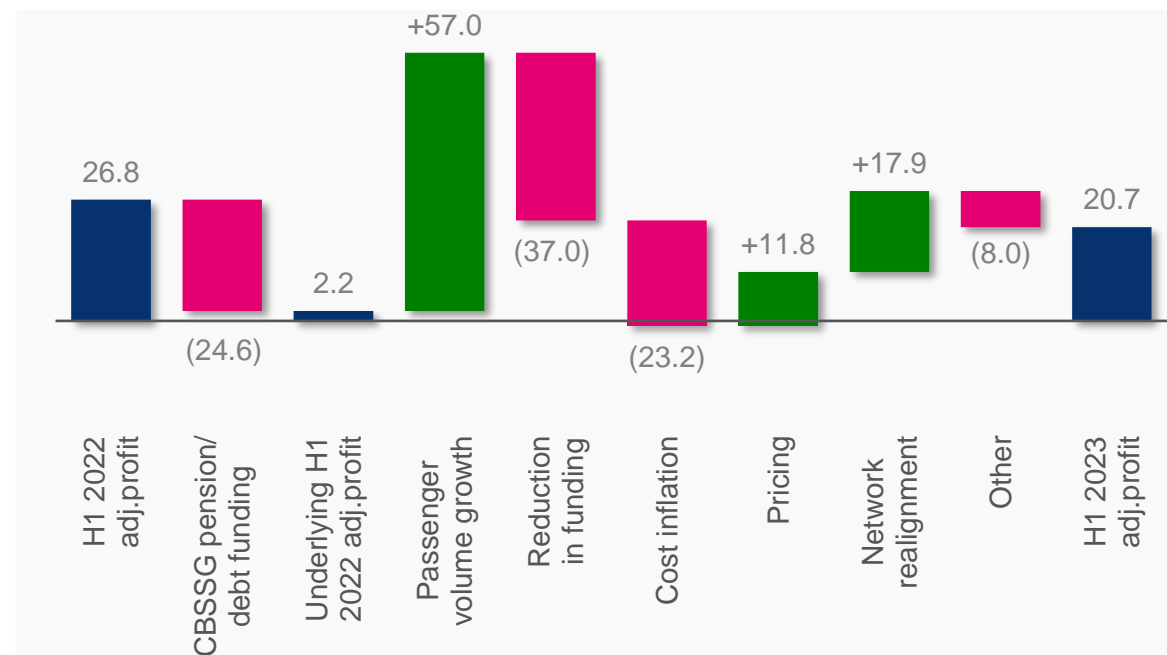
- We aim to remain a leader in this area helping the Government deliver its ambition to remove all diesel-only trains from service in the UK by 2040
- Given industry structure, progress on zero emissions and rest of sustainability agenda requires whole-railway sector cooperation

First Bus H1 2023 operating performance

Although constrained by changes in the funding model, inflation and related pressures in the near term, we are reshaping our business to improve margin as the sector transitions to a more commercial model

- **Passenger volumes** increasing, led by commercial (+32% vs. H1 2022); recent passenger volumes (H2 2023) at 83% of 2020 equivalent levels (commercial: 87%; concessionary: 75%)
- **Funding mechanism** continues to evolve: pandemic recovery funding in England extended to Jul 2023; £2 fare cap pilot Jan-Jul 2023
- **Price increases within funding scheme caps** and changes in passenger travel and ticket purchasing behaviour beginning to improve yield
- **Significant cost inflation and driver shortages** impact mitigated by fuel hedging, wage agreements and efficiency measures (c.£20m in annualised overhead, operational, energy and other efficiencies embedded since 2019, with more to follow in H2 2023 and beyond)
- **Network realignment** has begun, to better align to current levels of passenger demand
- **Other actions to realign operations** to new reality under way: First Scotland East sold in September and ceased services in Southampton withdrawn in February 2023; regional management structure reorganised
- **Electric Vehicle (EV) fleet expanded** with largest order outside of London to be fully in service by FY 2024
- **Growth capital:** Bristol Metrobus, 5yr SPS contract extension, Airporter acquisition, agreement to acquire Ensign Bus Company and bus franchising activities

H1 2023 adjusted operating profit bridge



First Bus H1 2023 KPIs

	Revenue per mile	Passenger volumes	B2B revenue (£m)	% EV fleet
H1 2023	£4.60	187.9m	55.0	4.0%
H1 2022	£4.10	145.9m	31.5	1.5%
Change	+12%	+29%	+75%	+2.5ppts

Business to Business ('B2B')

We are well-placed to make use of our assets and capabilities to develop, diversify and grow within our core markets

First Bus operates a number of B2B services across the UK:

- **Somerset Passenger Services**

- Transport for construction workers at Hinkley Point C nuclear power station
- Remaining 50% of JV not owned purchased in H1 2023
- 5 year extension to SPS contract agreed in H1 2023

- **Workplace shuttles**

- A number of contracts in place including for a large sales and distribution company
- Pipeline of organic and inorganic opportunities to both extend and win further contracts in this large segment of the B2B market (e.g. recent acquisition of Ensignbus)

- **Airport-City express coach services**

- Aircoach in Ireland – now seven daily routes in Northern Ireland, connecting the north west to Belfast International Airport, Dublin Airport and Dublin city centre
- Airporter acquired in October 2022

- **Rail replacement services**

- First Bus provides bespoke solutions for a number of Train Operating Companies



First Bus fleet and infrastructure transition

As we progress towards our 2035 decarbonisation target we are identifying opportunities to accelerate the growth of our EV fleet and generate adjacent revenue streams

- First Bus is committed to operating a **zero-emission fleet by 2035** and to not purchase any new diesel buses after 2022
- As a result of successful bids we will have more than 600 electric vehicles, c.14.5% of our fleet by March 2024
- By March 2024, following successful applications, all six of our regions will have zero emission vehicles in operation
- We are working with a number of electric bus manufacturers and working closely with each to optimise the operational performance of each product
- First Bus is currently procuring power and power infrastructure in a further seventeen locations (additional to the eight sites that currently operate electric buses)
- First Bus is also identifying opportunities to generate adjacent revenue streams created by the transition of our fleet and depot infrastructure to electricity - pilot schemes are underway at Caledonia with Police Scotland and DPD

Caledonia Depot, Glasgow



- UK's largest EV charging hub with 150 new electric buses supported by Scottish Ultra-low Emission Bus scheme and other funding
- Selected Hitachi Europe as prime strategic partner to support depot transformation with:
 - bus batteries 'as a service' provision
 - smart charging software
 - other decarbonisation technology

First Bus H2 2023 priorities

- **Delivery of sequential progress in revenue and profit, although sensitive to broader consumer and inflation trends**
 - Increasing agility to optimise pricing, networks and timetables to passenger demand, particularly once recovery funding tapers off
 - Further cost savings, operating efficiencies and fuel hedging as we right size to actual passenger volumes will help mitigate the impact of the broader inflationary environment
 - Benefits of National Bus Strategy funding to encourage modal shift and make bus services the preferred choice for towns and cities
- **Continued investment to advance depot infrastructure and accelerate fleet decarbonisation**
 - As a result of successful co-funding bids, we will have more than 600 electric vehicles, c.14.5% of our fleet by March 2024
- **Use of broad base of opportunities to develop beyond core regional bus business**
 - B2B, franchising, electrification-related earnings streams, organic and inorganic growth in the UK
- **Continued focus on being a trusted partner to our stakeholders**
 - Local authorities have new resources to tackle congestion, air quality and levelling up challenges – and look to us for help
 - At the forefront of the zero emission fleet transition; excellent relationships with vehicle manufacturers and co-funding sources facilitating our decarbonisation agenda – with opportunities for new revenue streams

Strong foundations for future value creation

- **Leading positions in bus and rail in the UK**

- Government policy, demographics and environmental and social trends support public transport growth
- First Bus: continued investments in digital to support our pricing, network and other changes now underway, aligning services with passenger needs as recovery funding tapers
- First Rail team focused on earning further National Rail Contracts while our open access success demonstrates what innovation can deliver as the industry evolves

- **Clear strategy and balanced capital allocation policy**

- Strategy focused on continuous improvement in operational delivery, targeted investment in adjacent growth opportunities and playing a leading role in decarbonisation of public transport
- Capital allocation balanced between growth and progressive shareholder returns
- Capital deployed or allocated to bus B2B, franchising and depot/fleet electrification opportunities in the period
- H1 2023 Interim dividend of 0.9p per share; potential for additional distributions as the contingent values from exiting North America are realised

- **Well-positioned to navigate uncertainties in our markets with clear opportunities to create further value**

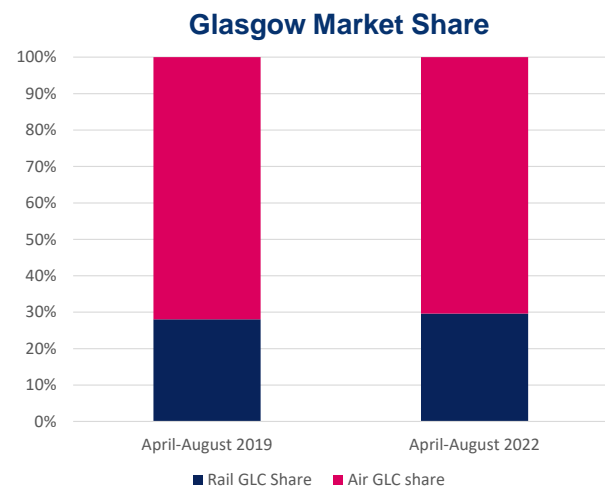
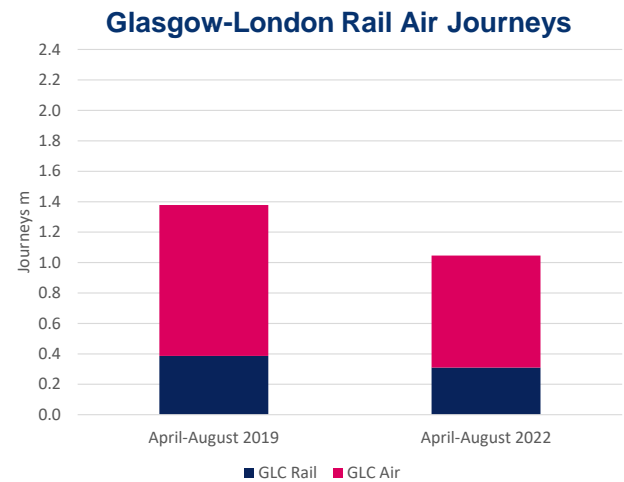
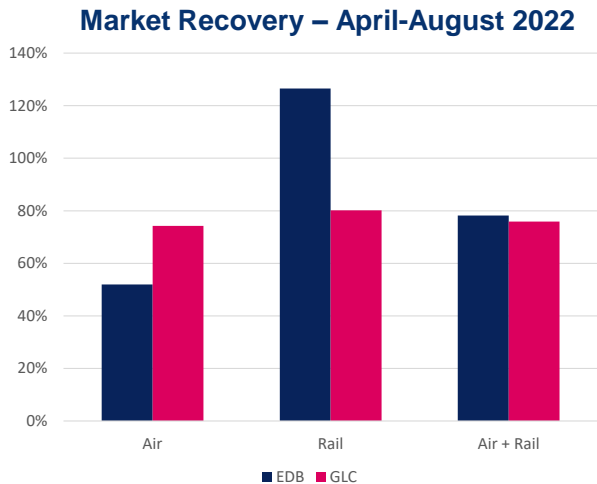
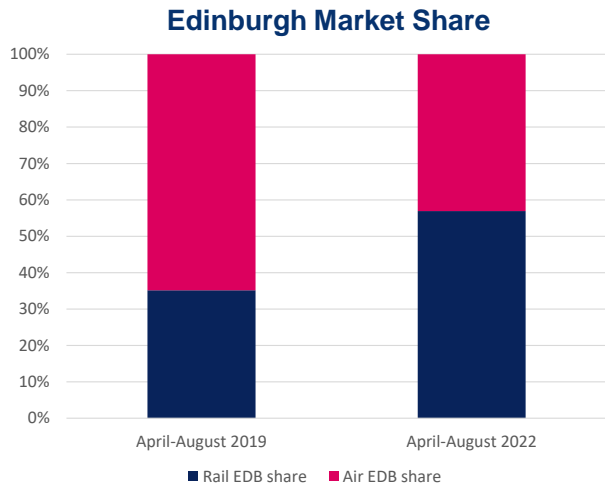
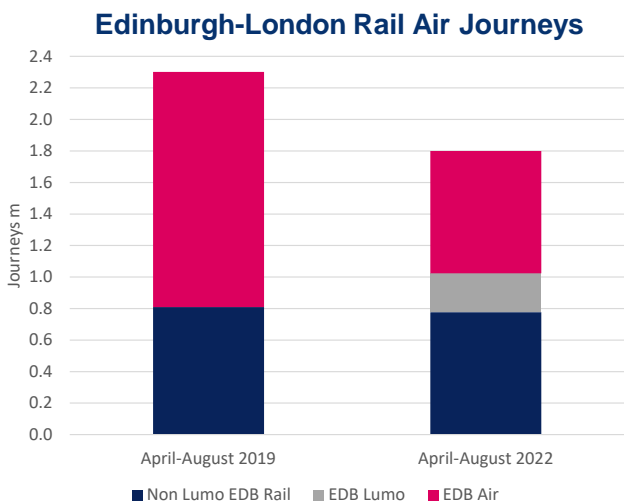
- A leading public transport operator based in the UK, with decades of experience and expertise...
- ...committed to net zero and at the forefront of the sustainability and economic growth agendas in our markets...
- ...with a robust plan to enhance our current portfolio of operations and clear opportunities to deploy growth capital



Appendix

Lumo – contributing to shift from air travel to rail

- April-August 2022: strong passenger demand on Lumo contributed to Rail overtaking Air travel between London and Edinburgh with **Rail taking a 57% share of the Rail Air market** (vs. 35% pre-pandemic)
- Lumo has contributed to a **recovery in Rail travel between London and Edinburgh of over 125%** vs. the equivalent pre-pandemic period in April-August 2019 (Glasgow-London: 30% Rail share is broadly in line with pre-pandemic share of 28%)



Source: Civil Aviation Authority data April-August 2022.
LENNON sales data.



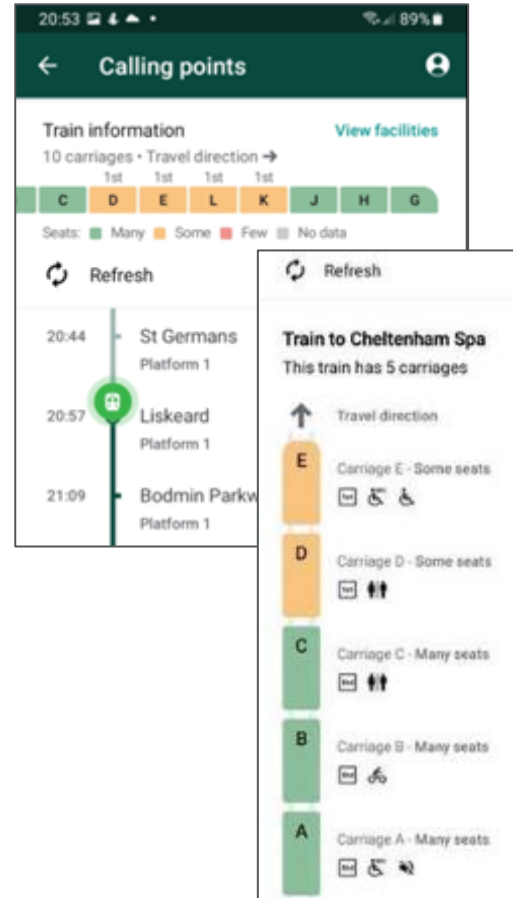
- Innovative track-to-train superfast rail-5G solution uses trackside poles to deliver over 1GB per second of internet broadband as a guaranteed service
- Rail-5G requires a fraction of the power of mobile 4G or 5G but communicates data up to 100 times faster than mobile 4G
- Developed by rail experts specifically for the railways - also delivers fibre to stations and depots
- Successful trial in Northern Spain – installation completed in less than 6 months on a 200mph railway
- Installation of trackside poles and solution on SWR network has commenced
- Discussions are in progress with a number of national and international operators. Poor mobile data and on-board Wi-Fi continues to be a common complaint in passenger surveys



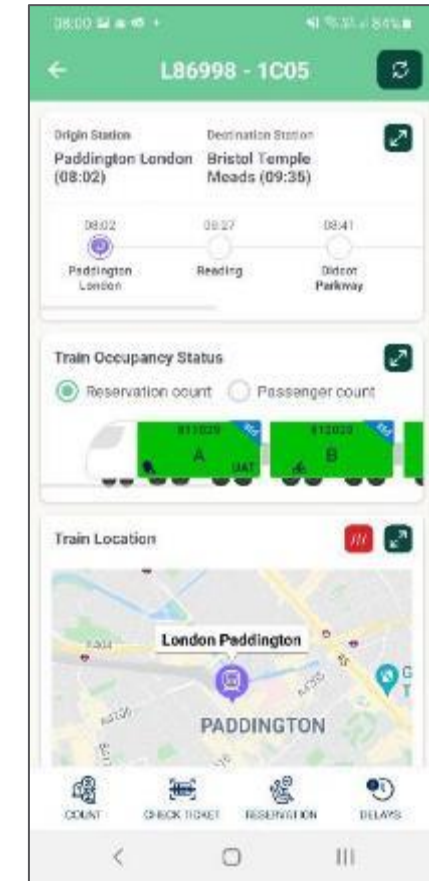
Mistral

- Launched in 2021 – 14 products delivered via monthly subscriptions as a Software as a Service solution
- Products range from revenue management and business intelligence, to single views of train operations and customer transactions that enable real-time integration and the sharing of complex data
- New safety application developed and installed on SWR network in H1 2023 - identifies areas of potential low rail-wheel adhesion, based on real-time wheel slip reported data
- Products use cloud services to enable performance, resilience, security and scalability with data separated for each customer
- Mistral can be deployed for any TOC and can operate with any fleet of trains - opportunities to sell products to other UK and international rail industry customers

Customer App – Coaches, orientation, occupancy, facilities



Solano Staff App - Two way interface, provides crew with plan, and train service data, accepts occupancy observations



H1 2023 Group cash flow

Underlying cash flow in line with expectations – with further progression in H2 2023

- Rail management fees transfer up to Group as dividends following signing of subsidiary statutory accounts and hence are typically received in H2 once agreed with DfT
- Growth investments include £4.5m to support Bristol Metrobus contract takeover and remaining payment for Somerset Passenger Services (SPS) of £1.6m; Airporter acquired after period end
- Disposal proceeds comprise the sale of First Scotland East and agreement of 'Battery as a Service' contracts
- Greyhound legacy cash flows include property sales and subsidy receipts
- Other movements comprise FX hedge settlements and share purchases offset by excess funding returned from LGPS scheme in Scotland

£m	First Bus	Rail management fees	Rail open access and additional services	Group items	H1 2023 Total
EBITDA ¹	42.8	-	12.6	(9.6)	45.8
Management fees	-	4.7	-	-	4.7
Capital expenditure	(30.9)	-	(1.3)	-	(32.2)
Working capital	15.3	-	(6.7)	(14.2)	(5.6)
Interest and tax	-	-	-	(11.1)	(11.1)
Underlying cash generation	27.2	4.7	4.6	(34.9)	1.6
Growth investments					(6.1)
Disposal proceeds					21.4
FY 2022 dividend					(8.2)
Greyhound legacy cash flows					15.8
Other movements					(13.3)
Movement in adjusted net debt²					11.2
Adjusted net debt² at 26 Mar 2022					(3.9)
Adjusted net cash² at 24 Sep 2022					7.3

Balance sheet and contingent sources of value

The Group now has a strong balance sheet and pension position, no significant legacy liabilities and increasing clarity on the remaining sources of value from the North American disposals

First Bus and Group pensions

Accounting position (IAS 19), £m	24 Sep 2022	Contributions / de-risking	Valuation and other	26 Mar 2022
First Bus/Hull Trains schemes	16.7	0.3	(101.2)	117.6
Group scheme	26.6	0.2	(11.4)	37.8
Local Government Pension Schemes (LGPS)	20.8	(10.7) ¹	(10.6)	42.1
	64.1	(10.2)	(123.2)	197.5

¹ Includes £11.8m received for a refund of a surplus.

- Period end accounting surplus reflects cash contributions made following the North American disposals and the significant rise in gilt yields during 2022
- As a precautionary measure, the £95m placed in escrow for the First Bus Scheme was loaned to it in October on a short-term basis to assist with liquidity management in the exceptional period of gilt volatility following period end
- Funding shortfall (basis to determine distribution of funds from escrow following 1 April 2024 triennial valuation) currently materially lower than at start of period
- No deficit reduction payments required in FY 2023 (was £30m in FY 2021)

Residual Greyhound assets and liabilities

- Following property portfolio sale, exit at aggregate net value of \$160m+ since start of FY 2023 will be substantially complete – ahead of expectations
- Portfolio sale completion/receipt of proceeds of £122m in December 2022; profit on sale of c.\$80m to be booked in H2 2023
- Remaining legacy assets (deferred consideration, residual real estate, CARES/ARP funds) and liabilities (insurance/pension liabilities and other provisions) valued at net c.\$20m

First Transit earnout

- Earnout consideration estimated at £74m following recently announced sale of the business by EQT Infrastructure to Transdev
- Final amount to be determined in the period following completion, expect proceeds to be received in FY 2024
- US Dollar exposure to both First Transit earnout and Greyhound property proceeds now hedged at \$1.15

Appendix: Accounting for Rail

FirstGroup includes alternative measures in the accounts that adjust for the underlying economics of the rail contracts:

- 'Adjusted net debt' excludes rail ring-fenced cash and IFRS 16 right of use assets
- 'Adjusted profit after tax' defined as First Bus and non-contracted First Rail adjusted operating profit, plus contracted Rail dividends, minus central costs, minus treasury interest, minus tax
- First Bus and non-contracted First Rail EBITDA, plus contracted First Rail dividends, minus central costs are used going forward as the primary basis to measure the Group's leverage policy
- Under the NRCs, the businesses are fully consolidated in the Group accounts with the net cost of operations and capex to be funded in advance by the DfT
- The Group receives an annual dividend from the train operating companies reflecting the post-tax net management and performance fees. These dividends are paid following the completion of the audited accounts of the train operating companies, settlement by the DfT of the management and performance-based fees and subsequent approval of dividend payment by the DfT

Appendix: First Rail accounting

£m	H1 2023	H1 2022	Change
Revenue from management fee-based operations	1,743.3	1,729.8	+13.5
Revenue from open access and additional services	85.5	45.7	+39.8
Inter-divisional eliminations	(44.1)	(28.9)	(15.2)
Total Rail division revenue	1,784.7	1,746.6	+38.1
Attributable net income from management fee-based operations	19.1	17.5	+1.6
Gross up for tax, minorities and IFRS 16	24.3	29.3	(5.0)
Adj. operating profit/(loss) from open access and additional services	12.0	(7.6)	+19.6
Total Rail division adj. operating profit¹	55.4	39.2	+16.2

- Inter-divisional eliminations: Majority of gross additional services revenue is currently secured from our management fee-based operations
- Attributable net income from management fee-based operations is the cash fee income attributable to the Group from these businesses – with adjusted operating profit in the accounts grossed up from this level by taxation, minority interests and IFRS 16
 - Fee income is expected to remain broadly constant during the life of these contracts

Appendix: Reconciliation to First Rail-adjusted metrics

£m	H1 2023 Group adjusted attributable profit	Movements			H1 2023 Adjusted earnings after tax
		Adjusted First Rail earnings to IFRS 16 basis	Gross up tax and minority interests	Actual interest and tax	
First Bus adjusted operating profit	20.7	-	-	-	20.7
Attributable net income from First Rail management fee-based operations	19.1	17.4	6.9	-	43.4
First Rail adjusted operating profit from open access and additional services	12.0	-	-	-	12.0
Group central costs (operating profit basis)	(10.0)	-	-	-	(10.0)
	41.8	17.4	6.9	-	66.1
Cash interest	(8.3)	(20.0)	-	3.2	(25.1)
Tax	(2.7)	-	(4.9)	1.5	(6.1)
Minority interest	-	-	(2.0)	-	(2.0)
	30.8	(2.6)	-	4.7	32.9

Appendix: Divisional adjusted operating profit

£m	Revenue		Operating profit ¹		Operating margin ¹	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
First Bus	427.7	392.5	20.7	26.8	4.8%	6.8%
First Rail	1,784.7	1,746.6	55.4	39.2	3.1%	2.2%
Group items ²	-	-	(10.0)	(14.2)	n/a	n/a
Continuing total	2,212.4	2,139.1	66.1	51.8	3.0%	2.4%
Discontinued – First Student, First Transit, Greyhound US	2.7	970.6	(8.4)	121.3	n/a	n/a
Total Group	2,215.1	3,109.7	57.7	173.1	2.6%	5.6%

Appendix: Divisional EBITDA

£m	Revenue		EBITDA ¹		EBITDA margin ¹	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
First Bus	427.7	392.5	51.0	55.5	11.9%	14.1%
First Rail	1,784.7	1,746.6	305.6	304.2	17.1%	17.4%
Group items ²	-	-	(8.7)	(12.4)	n/a	n/a
Continuing total	2,212.4	2,139.1	347.9	347.3	15.7%	16.2%
Discontinued – First Student, First Transit, Greyhound US	2.7	970.6	(8.4)	131.6	n/a	n/a
Total Group	2,215.1	3,109.7	339.5	478.9	15.3%	15.4%

£m	H1 2023	H1 2022	Change
- First Bus EBITDA ³	42.8	47.6	(4.8)
- Attributable net income from rail management fee-based operations ⁴	19.1	17.5	+1.6
- EBITDA from rail open access and additional services ³	12.6	(7.4)	+20.0
- Group central costs (EBITDA basis ³)	(9.6)	(13.0)	+3.4
Group EBITDA adjusted for First Rail management fees	64.9	44.7	+20.2

- Group EBITDA adjusted for First Rail management fees is basis for medium term leverage target of less than 2x adjusted net debt⁵

¹ Adjusted operating profit less capital grant amortisation plus depreciation.

² Central management, other items and retained Greyhound results

³ Pre-IFRS 16 basis.

⁴ Pre-IFRS 16 basis net of tax and minority interests.

⁵ Adjusted net debt excludes IFRS 16 right of use lease liabilities and ring-fenced cash (both predominantly in First Rail).

Appendix: Other key profit and loss items

- **Group items:** central costs £4.2m lower than prior year, reflecting changes implemented following North American disposals
- **Net finance costs:** interest on £200m 6.875% 2024 bond and £50m of finance leases, as well as IFRS 16 notional amounts going forward
- **Tax:** limited cash tax expected from FY2023 due to accelerated tax depreciation and brought forward pension contribution deductions and losses
- **Non-controlling interests:** represent First Rail minority partners in SWR and WCP
- **EPS** – based on 739.8m weighted average number of shares in issue (H1 2022: 1,203.4m prior to the tender offer in December 2021)
- **Discontinued operations:** legacy Greyhound US business in H1 FY23
- **Non-GAAP adjustments** – see p.28

£m	H1 2023	H1 2022
Adjusted profit/(loss)¹		
First Bus	20.7	26.8
First Rail	55.4	39.2
Group items	(10.0)	(14.2)
Continuing adj. operating profit ¹	66.1	51.8
Net finance costs	(25.1)	(58.1)
- Cash interest	(5.1)	(37.9)
- IFRS 16-related finance costs ²	(20.0)	(20.2)
Profit/(loss) before tax	41.0	(6.3)
Tax	(6.1)	4.0
Non-controlling interests	(2.0)	(2.6)
Attributable profit/(loss)	32.9	(4.9)
EPS p	4.4p	(0.4)p
Statutory profit/(loss)		
Continuing operations	66.1	51.8
Discontinued operations	(8.4)	121.3
Non-GAAP adjustments	(24.2)	471.4
Operating profit	33.5	644.5
Net finance costs	(24.8)	(128.0)
Profit before tax	8.7	516.5
Tax	(7.3)	(3.2)
Non-controlling interests	(2.0)	(2.6)
Profit after tax	(0.6)	510.7
EPS p	(0.1)p	42.4p

Appendix: Net adjusting items

£(24.2)m in net adjusting items in H1 2023, principally the charge on the First Transit earnout receivable

£m	H1 2023	H1 2022
Amortisation charges	-	(0.4)
Continuing		
Loss on sale of First Scotland East	(3.7)	-
Reorganisation costs	(1.9)	-
Greyhound Canada	1.6	(3.6)
Rail termination sums net of impairment reversal	-	4.0
Discontinued		
First Transit earnout charge relative to carrying value	(27.9)	-
Gain on disposal of Greyhound US properties	7.7	-
Gain on sale of FS/FT	-	28.8
Recycling of translation reserves relating to FS/FT	-	450.6
Other costs associated with the disposal of FS/FT	-	(31.5)
Partial reversal of prior year impairments of Greyhound	-	55.4
Other costs associated with the disposal of Greyhound	-	(2.9)
Employment taxes relating to FS/FT	-	(6.6)
North America insurance provisions	-	(22.4)
Other non-GAAP adjusting items	(24.2)	471.8
Total non-GAAP adjustments	(24.2)	471.4

- Continuing adjusting items consist of the loss on disposal of the First Scotland East business; reorganisation costs incurred, and the results of the legacy Greyhound Canada business ahead of its closure
- Discontinued adjusting items comprise the non-cash charge in relation to the First Transit earnout relative to its carrying value as at the previous balance sheet date, and the gain on disposal of certain Greyhound US properties during H1 2023
- Gain of c.\$80m on sale of Greyhound property portfolio to be booked in H2 2023 on completion (expected December 2022)

Appendix: IFRS 16 (leases)

- As at 24 September 2022, £1.8bn of leased assets were recognised as Right Of Use assets on the balance sheet. Rail track access payments, leases of <1 year, low values were excluded

£m, Total Group	H1 2023			H1 2022
	Under IAS17	IFRS 16 effect	Under IFRS 16	Under IFRS 16
Adjusted				
EBITDA	63.2	+276.3	339.5	478.9
Operating profit	39.3	+18.4	57.7	173.1
Net finance costs	(4.8)	(20.0)	(24.8)	(69.4)
PBT	34.5	(1.6)	32.9	103.7
EPS (diluted)	3.6p	(0.2)p	3.4p	6.6p
Reported net debt/(cash)	(346.3)	+1,821.3	1,475.0	234.2
Adjusted net debt /(cash)	(7.3)	n/a	n/a	n/a

- As at 24 September 2022, £1.8bn of IFRS 16 lease liabilities were recognised in reported net debt, of which 98% related to the First Rail division (principally rolling stock associated with the management fee-based rail operations)
- Additional leases recognised under IFRS 16 for the new GWR contract are now expected to increase EBITDA and adjusted profit by c.£250m and c.£22m in FY 2023 rather than by c.£260m and c.£30m respectively as previously guided

Appendix: Diesel hedge position as at 7 November 2022

	UK		
	H2 2023	FY 2024	FY 2025
'At risk' volume (litres 'm)	44m	88m	87m
% hedged	97%	63%	10%
Diesel rate (\$/barrel)	\$84	\$92	\$107
Equivalent cost per litre	40p	46p	59p

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at \$1.31, \$1.26 and \$1.15 : £1.00 in H2 2023, FY 2024 and FY 2025 respectively
- The 'At risk' position above excludes volumes relating to the rail management fee-based operations where fuel exposure is protected through the relevant contractual arrangements with DfT and Lumo which has an all-electric fleet

Appendix: Net finance costs and taxation

£m	H1 2023	H1 2022
Bonds	6.9	15.4
Bank borrowings	1.6	14.9
Senior unsecured loan notes	-	3.2
Lease and asset-backed financial liabilities interest	20.7	24.6
Notional interest on long-term provisions	0.5	3.4
Notional interest on pensions	(2.8)	5.8
Notional interest – other	0.1	2.4
Investment income	(2.2)	(0.3)
Adjusted net finance costs	24.8	69.4
Total make-whole costs (bonds & facilities)	-	50.0
Write-off of unamortised bridge, bond and facility costs	-	8.6
Net finance costs	24.8	128.0

Taxation, £m	H1 2023	H1 2022
Current tax	0.5	1.8
Deferred tax	6.8	1.4
Tax charge	7.3	3.2
Tax paid	0.4	12.2
Tax rate on adjusted profit before tax %	18.5%	20.8%

Appendix: Total capital expenditure and acquisitions

£m	Cash		Fixed asset / software additions (including acquisitions)	
	H1 2023	H1 2022	H1 2023	H1 2022
First Bus	46.8	8.7	46.1	9.9
First Rail	14.7	25.1	16.3	18.7
Group items	-	0.4	-	0.2
Continuing	61.5	34.2	62.4	28.8
Discontinued	-	105.4	-	110.9
Total	61.5	139.6	62.4	139.7

- During the period we entered into leases with capital values in First Bus of £19.3m (H1 2022: £1.9m)
- First Rail management fee-based operations' capex is consolidated in the accounts but is fully funded under the contractual agreements in place
- Schedule excludes IFRS 16 Right of Use Assets

Appendix: Pensions

£m	Surplus/(Deficit)			Cash contributions			P&L charge ¹		
	Sep 2022	Mar 2022	Sep 2021	6m to Sep 2022	12m to Mar 2022	6m to Sep 2021	6m to Sep 2022	12m to Mar 2022	6m to Sep 2021
First Bus, Group and Hull	64.1	197.5	61.2	(10.1)	245.5	239.4	4.1	8.3	5.1
North America	(3.9)	(10.9)	(47.4)	4.0	102.0	79.1	0.9	(25.6)	(25.3)
First Rail (TOCs)	n/a	n/a	(3.8)	26.6	57.9	26.8	26.6	57.9	26.9
Total	60.2	186.6	10.0	20.5	405.4	345.3	31.6	40.6	6.7

- Note – figures in table include continuing and discontinued operations

Important notice

This presentation includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including (but not limited to) the terms anticipates, believes, could, estimates, expects, intends, may, plans, projects, should or will, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include, without limitation, all matters that are not historical facts. They appear in a number of places throughout this presentation and include, but are not limited to, statements regarding FirstGroup plc ("FirstGroup") and its intentions, beliefs or current expectations concerning, among other things, the business, results of operations, prospects, growth and strategies of the Group.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group, and the developments in the industries in which it operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this presentation. In addition, even if the results of operations of the Group and the developments in the industries in which it operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this presentation reflect FirstGroup's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to FirstGroup and its operations, results of operations and strategy. Investors should not place reliance on such forward-looking statements.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), the Group is not under any obligation and the Group expressly disclaims any intention or obligation (to the maximum extent permitted by law) to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Percentages in this presentation have been rounded and accordingly may not add up to 100 per cent. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this presentation may vary slightly from the actual arithmetic totals of such data.

Unless otherwise stated, no statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group.

This presentation is not a circular or a prospectus and it does not, and is not intended to, constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

No representation or warranty, express or implied, is given regarding the accuracy of the information or opinions contained in this presentation and no liability is accepted by FirstGroup or any of its directors, members, officers, employees, agents or advisers for any such information or opinions. This information is being supplied to you for information purposes only and not for any other purpose. The distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of laws of any such other jurisdiction.