First

FirstGroup plc
Half-yearly results

For the six months to
30 September 2018

Tuesday 13 November 2018

Chairman overview

- Clear divisional strategies in place across the Group to mobilise value
- Encouraging progress made in the first half of the financial year
- Matthew Gregory appointed as Chief Executive – right person to drive forward our plans at pace
- Board strengthened further with addition of Steve Gunning as non-executive director
- Clear divisional focus while maintaining strong challenge and creating more strategic flexibility at the Group level
- Strong focus on service throughout the Group, to provide greater ease and convenience for our customers

Summary

- First half growth in revenue, adjusted operating profit and adjusted EPS
  - Road divisions progressing, partially offset by lower Rail contribution, as expected
  - Cash performance in line
  - No change to Group FY outlook
- Key developments in the period:
  - Strong First Student bid season and September school start up went well
  - First Bus passenger revenue growth and margin momentum continued, underpinned by contactless roll out and other customer-focused actions
  - Greyhound review completed and improvement plan underway; withdrew from Western Canada in October

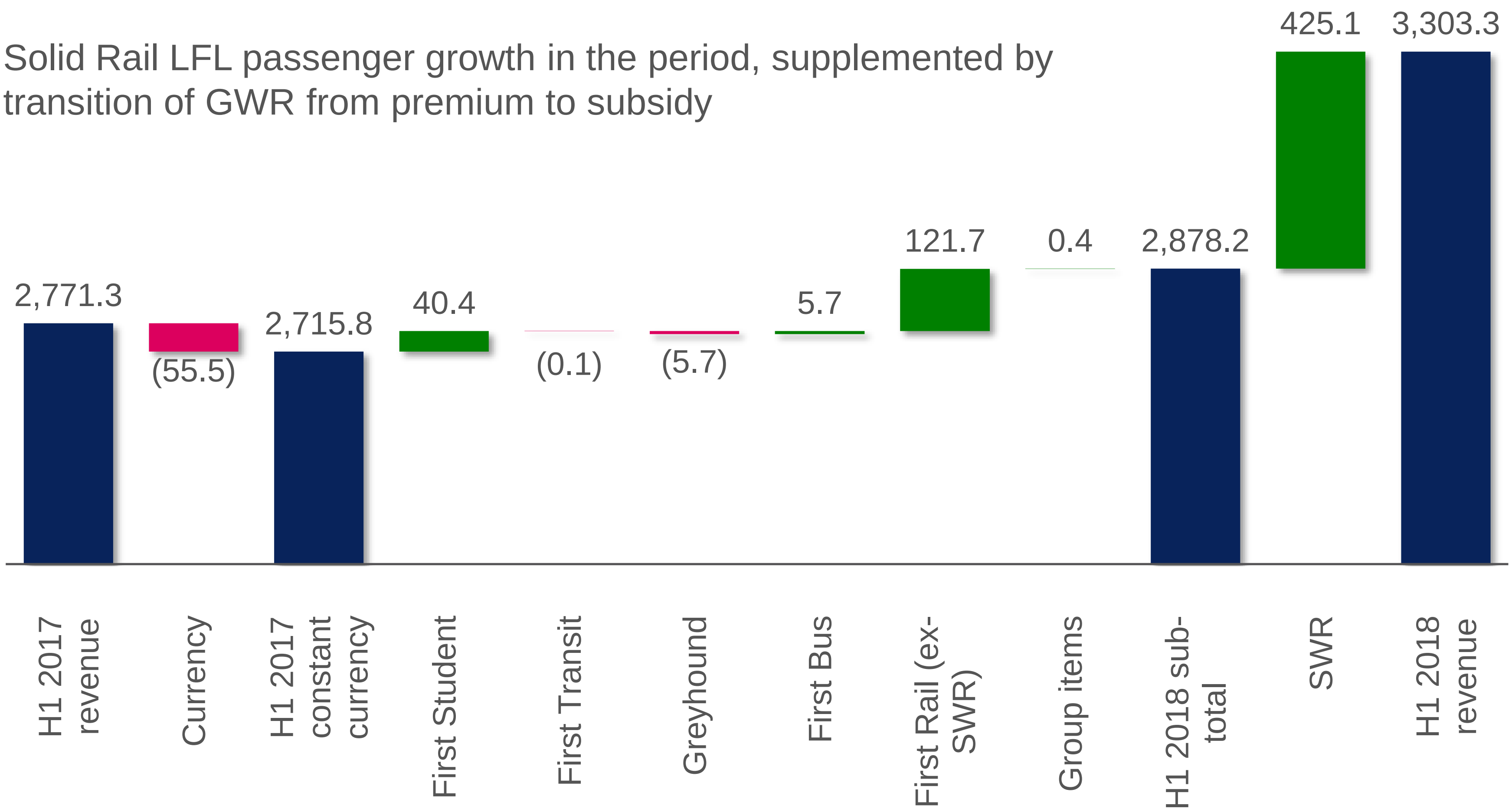
Financial summary

£m	H1 2018	H1 2017	Change	Change in CC[1]	Road divisions change, in CC[1]	SWR-adjusted change in CC[2]
Revenue	**3,303.3**	2,771.3	+19.2%	+21.6%	+2.0%	+6.0%
Adjusted[3]						
- EBITDA	**255.1**	278.2	(8.3)%	(5.5)%		
- Operating profit	**92.4**	89.4	+3.4%	+9.2%	+17.9%	+19.7%
- Margin %	**2.8%**	3.2%	(40)bps	(30)bps	+40bps	+40bps
- Net finance costs	**(50.4)**	(58.9)	(14.4)%			
- Profit before tax	**42.0**	30.5	+37.7%	+63.4%		
- Effective tax rate %	**22.5%**	30.0%	(750)bps			
- Attributable profit	**34.9**	22.4	+55.8%	+83.2%		
- EPS p	**2.9p**	1.9p	+52.6%	+81.3%		
Net cash inflow	**50.6**	21.9	+131.1%			
Net debt[4]	**1,047.7**	1,179.9	(11.2)%	(11.6)%		
Net debt: EBITDA x	**1.6x**	1.7x				
Ring-fenced cash adjusted net debt: EBITDA x	**2.2x**	2.2x				

[1] Change in constant currency ('CC') is based on retranslating H1 2017 foreign currency amounts at H1 2018 rates
[2] Change excluding SWR franchise revenue (which became part of First Rail in August 2017), in constant currency
[3] Before other intangible asset amortisation charges and certain other items
[4] Net debt is stated excluding accrued bond interest

Revenue performance

- Group revenue growth +6.0% in constant currency excluding SWR franchise
- Road divisions growth +2.0% in constant currency, led by First Student and First Bus
- Solid Rail LFL passenger growth in the period, supplemented by transition of GWR from premium to subsidy



Adjusted[1] operating profit

- Road divisions' margin improved 40bps in constant currency, with progress from First Student, First Bus and First Transit more than offsetting challenges in Greyhound
- Rail profit slightly lower with margin rebased as previously indicated; solid profitability in GWR partially offset by challenging trading conditions for SWR
- TPE trading in line with our revised expectations

[1] Before amortisation charges and certain other items

First Student

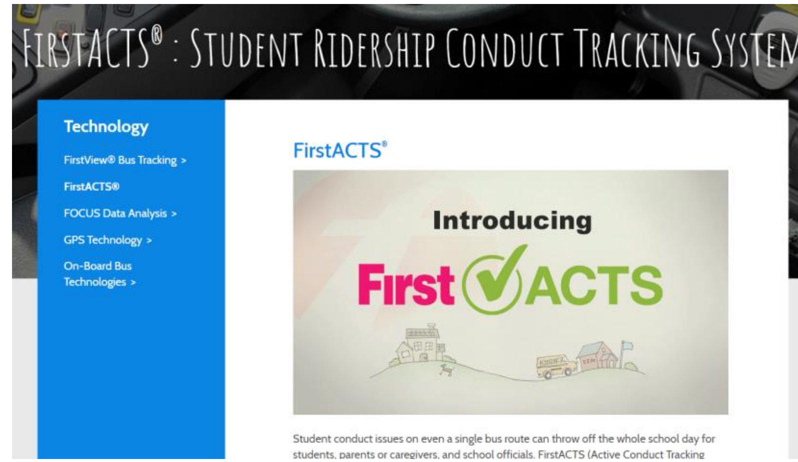
- Strong bid season; on track for net increase in fleet to c.42,500 and growth in our market share for the first time in a number of years
  - 92% retention on contracts due for renewal improved significantly on 83% in prior season
  - Price increases continue to offset cost inflation associated with driver shortages
  - New business wins of 1,580 buses mainly from share shift also ahead of target
  - Small acquisition (70 buses) in the period; pipeline of opportunities growing
- School start up has gone well; driver shortages remain a continuing challenge but our planning and processes ensured we maintained record customer satisfaction
- FY margin benefit from pricing, cost efficiencies (especially in maintenance) and other management actions, as well as operating days and weather make up days

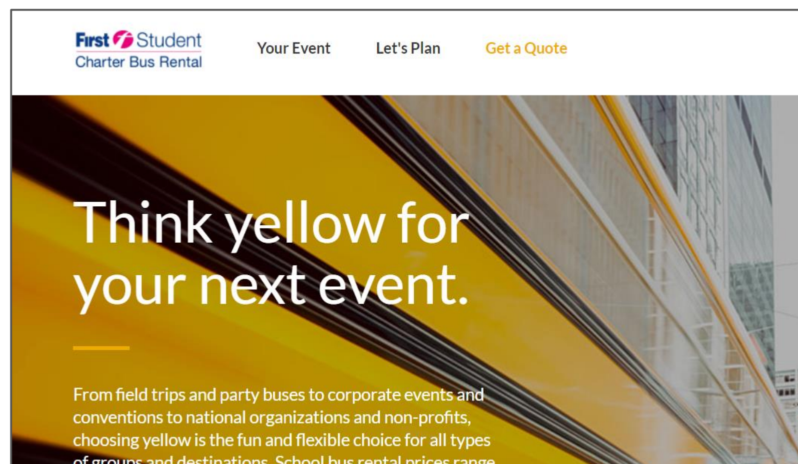
6 months to 30 Sep	$m		Change in constant fx[2]
	2018	2017	
Revenue	**1,038.5**	982.8	+5.5%
Adjusted[1] operating profit	**36.6**	18.1	+113.9%
Adjusted[1] operating margin	**3.5%**	1.8%	+160bps

[1] Before amortisation charges and certain other items
[2] Based on retranslating H1 2017 foreign currency amounts at H1 2018 rates

First Student

- Leveraging our market leadership to grow through higher contract retention, technology innovation for our customers and selective bolt-on acquisitions





First Transit

- Bid discipline maintained – focused on customer needs and shareholder returns
  - Main wins in fixed route, paratransit in the first half
  - Customers are recognising continued driver cost challenges in contract pricing – and in negotiated variations in some cases
  - 18 new contracts and 96% retention on business due for renewal in the period
- Reduction in Canadian oil sands business resulted in rebased margin, as expected
  - Non-recurrence of hurricane impact from prior year
- Experienced management team continue to raise productivity and cost efficiency; continuing to find growth from new opportunities and adapting our business model

6 months to 30 Sep	$m		Change in constant fx[2]
	2018	2017	
Revenue	**691.3**	692.0	-
Adjusted[1] operating profit	**32.5**	26.7	+23.2%
Adjusted[1] operating margin	**4.7%**	3.9%	+90bps

[1] Before amortisation charges and certain other items
[2] Based on retranslating H1 2017 foreign currency amounts at H1 2018 rates

First Transit

- Maintaining leadership in our core lines of business while piloting new business models and serving our customers in adjacent business areas

Milo shared autonomous vehicle, Arlington, TX

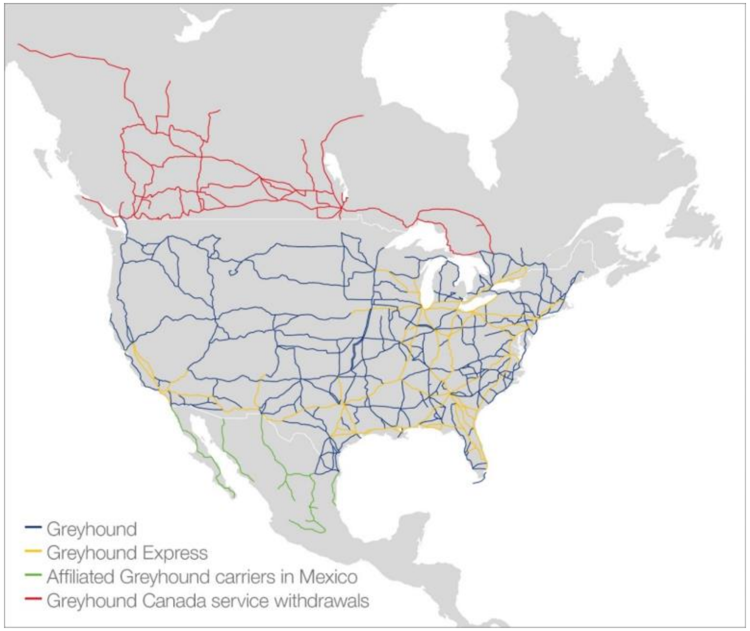
Paratransit operations in Vancouver, BC


University of Rochester, N.Y., shuttle service


A-train commuter rail, Denton County, TX

Greyhound

- First half LFL revenue (0.7)%
- Short haul continues to outperform long haul where airline competition is greatest
- Profitability impacted by maintenance and other costs, including fuel
- Targeted reinvestment and refurbishment of fleet underway
- Withdrawal from Western Canada in October



6 months to 30 Sep	$m		Change in constant fx[2]
	2018	2017	
Revenue	**455.4**	463.0	(1.6)%
Adjusted[1] operating profit	**12.9**	30.5	(55.8)%
Adjusted[1] operating margin	**2.8%**	6.6%	(360)bps

[1] Before amortisation charges and certain other items
[2] Based on retranslating H1 2017 foreign currency amounts at H1 2018 rates

Greyhound review

- Capture maximum value from our nationwide network and iconic brand in a challenging operating environment

- Low cost airlines are a challenge; competitive situation varies significantly across the network
- Short and long haul businesses share fleet and infrastructure
  - 'Override' effects of national network has meaningful value
- Clear path to turning around performance, which is being executed at pace:

- Pricing levers
- Sales channels, marketing and loyalty
- Bolt and Express efficiencies
- Management / organisation
- Maintenance / other costs

At least mid-single digit margin in medium term

First Bus

- LFL passenger revenue growth +1.5% with commercial revenue per mile +5.2%, underpinned by +0.7% commercial passenger volume growth
- Momentum behind margin improvement:
  - Stabilised volumes
  - Ongoing back office and other efficiencies
- First of the UK's principal bus operators to offer contactless for customers on all our networks; further app and ticket enhancements ongoing to simplify bus travel and bring customers back to the bus
- Focusing our investment strategy on strong partnerships with local authorities; successfully leveraging them to secure additional sources of funding

6 months to 30 Sep	£m		Change in constant fx[2]
	2018	2017	
Revenue	**433.9**	428.2	+1.3%
Adjusted[1] operating profit	**24.8**	15.8	+57.0%
Adjusted[1] operating margin	**5.7%**	3.7%	+200bps

[1] Before amortisation charges and certain other items

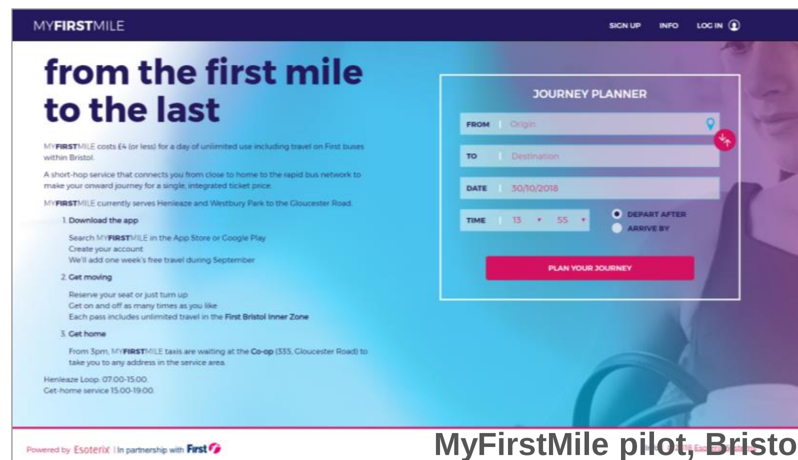
[2] Based on retranslating H1 2017 foreign currency amounts at H1 2018 rates

- Frictionless customer offering to drive patronage; margin enhanced through further efficiencies in local and divisional cost base

Euro VI bus with particulate filter launch, Glasgow


Contactless and mTicketing nationwide

Electric park and ride bus fleet, York



MyFirstMile pilot, Bristol

First Rail

- LFL passenger revenue growth +5.5%; division delivered a solid financial contribution in the period driven by GWR
- LFL passenger volumes (1.9)%, mainly reflecting the transfer of certain GWR services to Transport for London in May 2018 and changing work patterns
- Very disappointed with level of service experienced by passengers in the period
  - Despite infrastructure challenges we are working hard to deliver improved services for our customers
  - Look forward to contributing fully to Government review of the rail industry
- Engaged in discussions with DfT to work through potential commercial and contractual amendments to reflect timetable deferrals and related issues, in accordance with current franchise agreements

6 months to 30 Sep	£m		Change
	2018	2017	
Revenue	**1,224.2**	677.4	+80.7%
Adjusted[1] operating profit	**29.3**	31.1	(5.8)%
Adjusted[1] operating margin	**2.4%**	4.6%	(220)bps

[1] Before amortisation charges and certain other items

First Rail

- Growth from new capacity and service improvements for passengers in all of our rail businesses

New GWR Intercity Express Train 'Paddington Bear'

New ticket options for SWR Touch smartcard users


Hull trains' new fleet to be introduced in 2019


TPE class 185 train, Manchester Airport station

Non-GAAP adjustments

£m	H1 2018	H1 2017
Amortisation charges	**(17.6)**	(32.0)
Restructuring and reorganisation	**(28.5)**	-
Notional interest on TPE provision	**(0.5)**	-
Ineffectiveness on financial derivatives	**-**	(0.4)
Other non-GAAP adjusting items	**(29.0)**	(0.4)
Total non-GAAP adjustments	**(46.6)**	(32.4)

- Charge of £0.5m (2017: £nil) in the period for notional interest on the unwinding of the TPE onerous contract provision
- £28.5m charge for restructuring/reorganisation costs including early lease terminations and net of surplus property disposals, relating to Greyhound's withdrawal from Western Canada. Net cash cost of £2.9m in the period
- Group estimates that disposal proceeds from surplus properties in Western Canada will largely offset the cash costs of restructuring, over time:

Withdrawal from Western Canada (£m)	**H1 actual**	H2 estimate	FY 2019 estimate	Future years	Estimated total
Restructuring charge	**(29.1)**	-	(29.1)	-	(29.1)
Gains on disposal of related properties	**0.6**	4.9	5.5	5.0	10.5
Net P&L impact	**(28.5)**	4.9	(23.6)	5.0	(18.6)
Cash costs of restructuring	**(3.7)**	(11.6)	(15.3)	(9.9)	(25.2)
Proceeds from disposal of related properties	**0.8**	7.9	8.7	10.8	19.5
Net cash costs	**(2.9)**	(3.7)	(6.6)	0.9	(5.7)

Income statement – continued

£m	H1 2018	H1 2017	Reported change	Change in constant fx
Adjusted[1]				
Operating profit	**92.4**	89.4	+3.4%	+9.2%
Net finance costs	**(50.4)**	(58.9)	(14.4)%	
Profit before tax	**42.0**	30.5	+37.7%	+63.4%
Tax	**(9.4)**	(9.2)		
- Effective tax rate %	**22.5%**	30.0%	(750)bps	
Non-controlling interests	**2.3**	1.1		
Attributable profit	**34.9**	22.4	+55.8%	+83.2%
EPS p	**2.9p**	1.9p	+52.6%	+81.3%

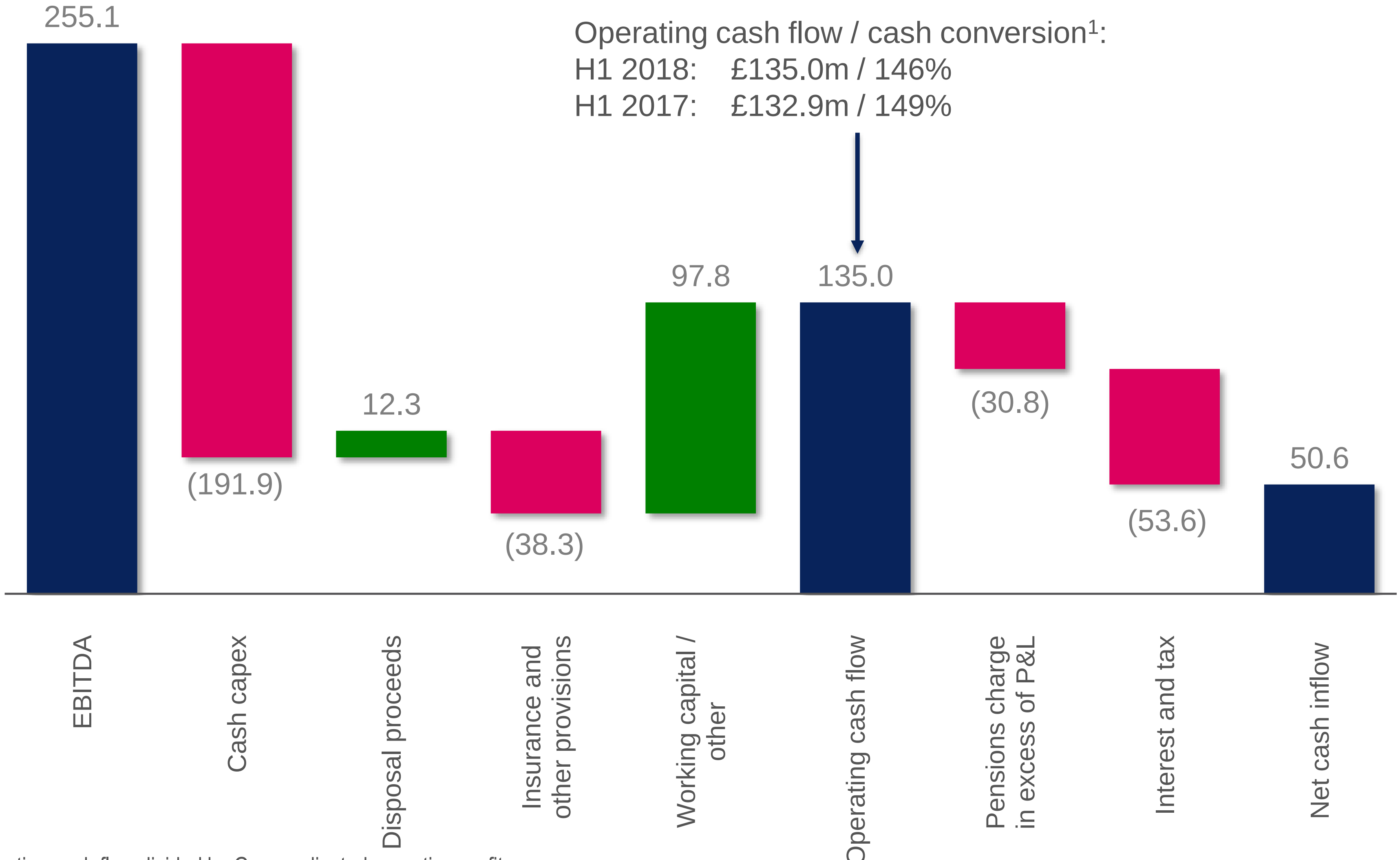
→ Refinancing, lower net debt

→ Reduction in US federal tax rates

→ Now mainly SWR

[1] Before amortisation charges and certain other items

Net cash flow (£m)



[1] Operating cash flow divided by Group adjusted operating profit

Financial position

- Strong liquidity, stable financing position: net debt £1,047.7m (Mar 2018: £1,070.3m)
- Headroom under committed facilities plus free cash: £727.3m (Mar 2018: £766.4m)
- Net debt: EBITDA ratio 1.6x (Sep 2017: 1.7x), or 2.2x adjusted for Rail ring-fenced cash (Sep 2017: 2.2x)
- Bank debt recently amended and extended; next bank refinancing November 2023
- Long term facilities in place – average maturity 4.0 years (Mar 2018: 4.1 years)
- Rated investment grade by Standard & Poor's and Fitch
- >40% of net debt denominated in US Dollars via currency swaps and US private placement borrowing; 80% at fixed interest rates
- Next bond maturity Jan 2019; aiming to rebalance further to shorter term / floating debt and USD over time

Defined Benefit (DB) pension schemes

£m	Accounting position as at 30 Sep 2018				Cash contributions
	Assets	Liabilities	Rail offsets	**Accounting deficit**	**FY 2018**
First Bus scheme	1,235.6	(1,373.3)	-	**(137.7)**	**31.8**
Group scheme	156.5	(148.0)	-	**8.5**	**6.4**
First Bus LGPS schemes	1,069.7*	(1,026.7)	-	**43.0**	**24.2**
UK (ex-Rail) total	2,461.8	(2,548.0)	-	**(86.2)**	**62.4**
First Rail schemes	2,143.2	(3,027.5)	881.9	**(2.4)**	**31.5**
North America schemes	486.0	(626.2)	-	**(140.2)**	**17.6**
Total Group DB schemes	5,091.0	(6,201.7)	881.9	**(228.8)**	**111.5**

- UK schemes valued every three years (next valuations: Group scheme currently underway, main Bus scheme in 2019, LGPS schemes in 2019 and 2020)
- FirstGroup plc funding guarantees in place for the First Bus and Group schemes; deficit reduction plans fully agreed
- Based on most recent actuarial valuations, the combined funding deficit of First Bus and Group schemes, taking into account the parent company guarantees, is approx. £200m higher than the accounting basis
- First Bus and Group schemes closed to future accrual, three Local Government Pension Schemes (LGPS) closed to new members

* Adjusted for irrecoverable surplus

Going forward

- Conditions in our markets remain challenging, but H1 performance underpins confidence in our unchanged outlook for the full year
  - Expecting broadly stable Group operating earnings in constant currency, with Road improvement and smaller Rail contribution
- Getting on with our clear divisional strategies to create shareholder value in a sustainable and flexible way
- Focused on improving earnings, cash and returns across the Group

We provide easy and convenient mobility, improving quality of life by connecting people and communities

First

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Half-yearly results

For the six months to
30 September 2018

Tuesday 13 November 2018

Appendices

Financial results

£m	H1 2018	H1 2017	Change
Revenue	**3,303.3**	2,771.3	+19.2%
EBITDA[1]	**255.1**	278.2	(8.3)%
EBITDA margin %	**7.7%**	10.0%	(230)bps
Operating profit[2]	**92.4**	89.4	+3.4%
Operating profit margin %	**2.8%**	3.2%	(40)bps
Net finance costs	**(50.4)**	(58.9)	(14.4)%
Profit before tax[2]	**42.0**	30.5	+37.7%
Non-GAAP adjustments	**(46.6)**	(32.4)	
Loss before tax	**(4.6)**	(1.9)	(142.1)%
Tax	**(4.6)**	2.9	n/m
(Loss)/profit after tax	**(9.2)**	1.0	n/m
Basic EPS p	**(0.6)p**	0.2p	n/m
Adjusted EPS p	**2.9p**	1.9p	+52.6%

[1] Adjusted operating profit less capital grant amortisation plus depreciation
[2] Before other intangible amortisation charges and certain other items

Divisional performance

	Revenue		Change ex SWR, in constant fx[1]	Operating profit[2]		Change ex SWR, in constant fx[1]	Operating margin[2]		Change ex SWR, in constant fx[1]
	H1 2018	H1 2017		**H1 2018**	H1 2017		**H1 2018**	H1 2017	
£m									
First Student	**775.2**	763.1	+5.5%	**24.6**	14.8	+113.9%	**3.2%**	1.9%	+160bps
First Transit	**519.6**	536.4	-%	**24.4**	20.9	+23.2%	**4.7%**	3.9%	+90bps
Greyhound	**342.6**	358.8	(1.6)%	**10.2**	23.5	(55.8)%	**3.0%**	6.5%	(360)bps
First Bus	**433.9**	428.2	+1.3%	**24.8**	15.8	+57.0%	**5.7%**	3.7%	+200bps
Group items	**7.8**	7.4		**(20.9)**	(16.7)				
Road divisions	**2,079.1**	2,093.9	+2.0%	**63.1**	58.3	+17.9%	**3.0%**	2.8%	+40bps
First Rail	**1,224.2**	677.4	+18.0%	**29.3**	31.1	+22.8%	**2.4%**	4.6%	+20bps
Total Group	**3,303.3**	2,771.3	+6.0%	**92.4**	89.4	+19.7%	**2.8%**	3.2%	+40bps
$m[3]									
First Student	**1,038.5**	982.8		**36.6**	18.1		**3.5%**	1.8%	
First Transit	**691.3**	692.0		**32.5**	26.7		**4.7%**	3.9%	
Greyhound	**455.4**	463.0		**12.9**	30.5		**2.8%**	6.6%	
North America	**2,185.2**	2,137.8		**82.0**	75.3		**3.8%**	3.5%	

[1] Growth excluding SWR franchise revenue (which became part of First Rail in August 2017), in constant currency
[2] Before other intangible amortisation charges and certain other items
[3] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

First Student

$m	H1 2018	H1 2017	Change in constant currency[1]
Revenue	**1,038.5**	982.8	+5.5%
Operating profit[2]	**36.6**	18.1	+113.9%
Margin %	**3.5%**	1.8%	+160bps

$m	Revenue	Operating profit[2]
H1 2017	**982.8**	**18.1**
Operating days	21.6	8.7
H1 weather make-up vs PY	5.6	3.2
Pricing above inflation	14.0	14.0
Net growth	(10.3)	(5.2)
Management initiatives	-	10.6
Pay above inflation	-	(9.3)
Inflation / FX / other	24.8	(3.5)
H1 2018	**1,038.5**	**36.6**

1 Change in constant currency is based on retranslating H1 2017 foreign currency amounts at H1 2018 rates
2 Before amortisation charges and certain other items

First Transit

$m	H1 2018	H1 2017	Change in constant currency[1]
Revenue	**691.3**	692.0	-
Operating profit[2]	**32.5**	26.7	+23.2%
Margin %	**4.7%**	3.9%	+90bps

$m	Revenue	Operating profit[2]
H1 2017	**692.0**	**26.7**
Growth / new business / pricing	(16.7)	(1.4)
Hurricane impact	1.1	6.1
Management initiatives	-	1.3
Inflation / FX / other	14.9	(0.2)
H1 2018	**691.3**	**32.5**

[1] Change in constant currency is based on retranslating H1 2017 foreign currency amounts at H1 2018 rates
[2] Before amortisation charges and certain other items

Greyhound

$m	H1 2018	H1 2017	Change in constant currency[1]
Revenue	**455.4**	463.0	(1.6)%
Operating profit[2]	**12.9**	30.5	(55.8)%
Margin %	**2.8%**	6.6%	(360)bps

$m	Revenue	Operating profit[2]
H1 2017	**463.0**	**30.5**
Revenue	0.4	(0.4)
Cost inflation	-	(9.6)
Canada	(8.0)	1.4
Property gain	-	6.5
Fuel	-	(4.5)
Cost actions / other	-	(11.0)
H1 2018	**455.4**	**12.9**

[1] Change in constant currency is based on retranslating H1 2017 foreign currency amounts at H1 2018 rates
[2] Before amortisation charges and certain other items

First Bus

£m	H1 2018	H1 2017	Change in constant currency[1]
Revenue	**433.9**	428.2	+1.3%
Operating profit[2]	**24.8**	15.8	+57.0%
Margin %	**5.7%**	3.7%	+200bps

£m	Revenue	Operating profit[2]
H1 2017	**428.2**	**15.8**
Revenue	5.6	5.6
Cost inflation	-	(12.1)
Management actions	-	10.5
Fuel	-	3.3
Other	0.1	1.7
H1 2018	**433.9**	**24.8**

[1] Change in constant currency is based on retranslating H1 2017 foreign currency amounts at H1 2018 rates
[2] Before amortisation charges and certain other items

First Rail

£m	H1 2018	H1 2017	Change
Revenue	**1,224.2**	677.4	+80.7%
Operating profit[1]	**29.3**	31.1	(5.8)%
Margin %	**2.4%**	4.6%	(220)bps

Like-for-like passenger revenue, six months to	Sep 2018	Mar 2018	Sep 2017	Mar 2017
Great Western Railway (GWR)	**4.6%**	3.6%	1.6%	0.5%
TransPennine Express (TPE)	**9.4%**	10.2%	9.7%	7.1%
Hull Trains	**5.6%**	(0.3)%	8.0%	8.2%
Total	**5.5%**	4.8%	3.2%	1.9%

- Like-for-like volume decreased by 1.9% in six months to September 2018, principally reflecting the transfer of some GWR services to Transport for London

[1] Before amortisation charges and certain other items

Current diesel hedge position

Year to 31 March	UK			North America		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Annual volume (barrels 'm)	1.9m	1.9m	1.2m	1.4m	1.3m	1.3m
% hedged	87%	65%	30%	62%	40%	17%
Crude rate ($/barrel)	$59.52	$64.49	$67.53	$58.13	$60.34	$66.46
Diesel rate ($/barrel)	$74.63	$76.54	$79.19	$76.01	$78.58	$81.45
Equivalent cost per litre	34.9p	34.8p	35.8p	47.8¢	49.4¢	51.2¢

	First Bus	First Rail	First Student	First Transit	Greyhound	**Total**
Annual volume (barrels 'm)	0.9m	1.0m	0.7m	0.1m	0.6m	**3.3m**

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.35, $1.38 and $1.39 : £1.00 in 2018/19 to 2020/21
- North America annual volume excludes c.2.2m barrels provided by customers or protected by contract escalators
- The decrease in expected annual volume consumption in 2020/21 reflects the end of the minimum GWR franchise term

Foreign exchange

- Lower US Dollar compared to March balance sheet date:

	30 Sep 2018	31 Mar 2018	30 Sep 2017
Closing rate for the balance sheet US$	**$1.30**	$1.40	$1.35
Closing rate for the balance sheet CAN$	**$1.68**	$1.81	$1.67

- Higher US Dollar compared to prior period effective rate:

	Six months to 30 Sep 2018	Year to 31 Mar 2018	Six months to 30 Sep 2017
Effective rate US$ earnings	**$1.38**	$1.34	$1.27
Effective rate CAN$ earnings	**$1.84**	$1.75	$1.96

- "Certain" and "highly probable" foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the company does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant

Net finance costs and taxation

Net finance costs, £m	H1 2018	H1 2017
Bonds	30.2	41.3
Bank borrowings	5.4	3.3
Loan notes	0.5	0.5
Senior unsecured loan notes	4.4	1.0
Finance lease interest	1.5	2.4
Notional interest on long term provisions	5.6	5.6
Notional interest on pensions	3.9	5.2
Investment income	(1.1)	(0.4)
Net finance costs	**50.4**	**58.9**

Taxation, £m	H1 2018	H1 2017
Current tax	1.4	0.8
Deferred tax	3.2	(3.7)
Tax charge/(credit)	4.6	(2.9)
Tax paid	4.3	7.1
Tax rate on adjusted profit before tax %	22.5%	30.0%

EBITDA by division

	Revenue		EBITDA[1]		EBITDA margin[1]	
	H1 2018	H1 2017	**H1 2018**	H1 2017	**H1 2018**	H1 2017
£m						
First Student	**775.2**	763.1	**111.5**	104.1	**14.4%**	13.6%
First Transit	**519.6**	536.4	**34.2**	31.4	**6.6%**	5.9%
Greyhound	**342.6**	358.8	**23.7**	40.1	**6.9%**	11.2%
First Bus	**433.9**	428.2	**52.8**	47.4	**12.2%**	11.1%
Group items	**7.8**	7.4	**(19.7)**	(15.7)		
Road divisions	**2,079.1**	2,093.9	**202.5**	207.3	**9.7%**	9.9%
First Rail	**1,224.2**	677.4	**52.6**	70.9	**4.3%**	10.5%
Total Group	**3,303.3**	2,771.3	**255.1**	278.2	**7.7%**	10.0%
$m[2]						
First Student	**1,038.5**	982.8	**152.3**	133.4	**14.7%**	13.6%
First Transit	**691.3**	692.0	**45.5**	40.2	**6.6%**	5.8%
Greyhound	**455.4**	463.0	**31.0**	51.9	**6.8%**	11.2%
North America	**2,185.2**	2,137.8	**228.8**	225.5	**10.5%**	10.5%

[1] Adjusted operating profit less capital grant amortisation plus depreciation

[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

Capital expenditure

£m	H1 2018	H1 2017
Passenger carrying vehicles (PCV)	203.0	128.2
IT including transformation and software	1.4	7.4
Equipment	9.9	8.4
Facilities and depot development	6.7	2.5
Acquisitions	2.3	2.9
Road divisions capital investment	**223.3**	**149.4**
First Rail	46.3	56.5
Total capital investment[1]	**269.6**	**205.9**
Net creditor movement	(37.5)	(11.9)
Funded by operating lease	(40.2)	-
Gross cash capex	**191.9**	**194.0**

- Disciplined investments in vehicle fleet and IT programmes continue
- Expect Road capital investment before acquisitions of c.£350-360m in 2018/19
- First Rail cash capex (largely funded through franchise agreements) expected to increase significantly in 2018/19, reflecting franchise commitments
- Operating leases with a capital value of £40.2m signed in the period
- Meaningful IFRS 16 (Leases) impact from financial year to March 2020: detailed update at full year

[1] Including assets acquisitions

Total capital expenditure and acquisitions

First

£m	Cash		Fixed asset/software additions (including acquisitions)	
	H1 2018	H1 2017	**H1 2018**	H1 2017
First Student[1]	**103.8**	72.4	**160.5**	123.8
First Transit	**10.8**	9.2	**10.8**	9.4
Greyhound	**15.7**	14.4	**9.1**	11.6
First Bus	**14.8**	39.7	**2.7**	3.4
First Rail	**46.8**	57.1	**46.3**	56.5
Group items	**-**	1.2	**-**	1.2
Total	**191.9**	194.0	**229.4**	205.9

- In addition during the period we entered into operating leases for new vehicles with capital values of £40.2m (First Student £7.8m, First Transit £3.4m, Greyhound £10.2m and First Bus £18.8m)

[1] Includes £2.3m cash and £1.5m fixed asset additions for the acquisition of CG Pearson business, an Ontario-based provider of school and charter transportation services

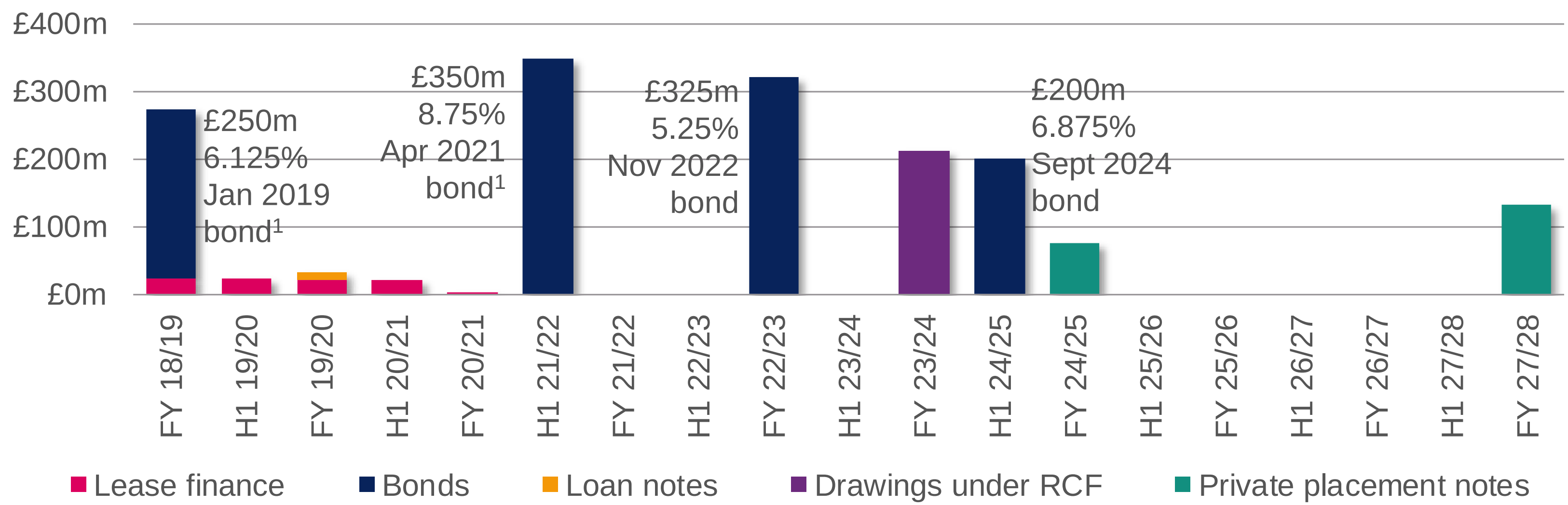
First Rail commitments and bonds

30 September 2018, £m		GWR	TPE	SWR 70% share	Total
First Rail commitments					
Parent company support (PCS) total commitment	A	30.0	186.3	82.6	298.9
- Of which, unbonded commitment (non-cash)	*B*	*30.0*	*101.9*	*51.8*	*183.7*
- Of which, PCS bond (non-cash)	*C*	*-*	*84.4*	*30.8*	*115.2*
Performance bond (non-cash)	D	10.0	15.0	10.5	35.5
Season ticket bond (cash collateralised)	E	30.0	2.9	54.9	87.8
Total First Rail bonds (C+D+E)		**40.0**	**102.3**	**96.2**	**238.5**
PCS and performance bond – 'downside' (A+D)		**40.0**	**201.3**	**93.1**	**334.4**

First Rail ring-fenced cash		GWR	TPE	SWR 70% share	Total
Ring-fenced cash as at 30 September 2018		232.7	59.2	161.9	453.8
- Current expected end of franchise date		*Mar 2020*	*Mar 2023*	*Aug 2024*	
- Estimated end of franchise cash outflows		*118*	*34*	*86*	*238*

- PCS and performance bond (A+D) combined represent the maximum committed funding obligations accruing to the Parent in respect of franchise losses or non-performance over their contract lives
  - As at 30 September 2018, approximately £56m of this maximum committed funding had been utilised
- Monies that cash-collateralise the season ticket bonds are part of the First Rail ring-fenced cash
- The additional cash in the First Rail ring-fence represents cash to be spent by the franchise or returned to the Parent over the life of the franchise

Financial position



- Strong liquidity and stable financing position with net debt of £1,047.7m
  - Headroom under committed facilities plus free cash: £727.3m (Mar 2018: £766.4m). £587m (Mar 2018: £603m) of undrawn facilities under committed bank revolving credit facility (RCF) expiring November 2023 following a two and a half year extension agreed in November 2018. Free cash of £140.3m (Mar 2018: £163.4m) excludes First Rail and other ring-fenced cash and deposits of £454.7m (Mar 2018: £392.3m)
  - Long term facilities in place – average maturity 4.0 years (Mar 2018: 4.1 years)

[1] The Jan 2019 and April 2021 bonds have been swapped to floating rates and hence have a lower effective rate net of these swaps

Pensions

£m	Accounting deficit			Cash contributions			P&L charge[1]		
	Sep 2018	Mar 2018	Sep 2017	**Sep 2018**	Mar 2018	Sep 2017	**Sep 2018**	Mar 2018	Sep 2017
North America	**(140.2)**	(162.7)	(185.6)	**17.7**	17.6	13.3	**4.4**	10.3	5.3
UK (ex Rail)	**(86.2)**	(108.4)	(108.6)	**22.9**	62.4	33.3	**5.3**	21.5	10.2
First Rail	**(2.4)**	(2.6)	(2.0)	**17.3**	31.5	11.1	**17.4**	31.8	11.2
Total	**(228.8)**	(273.7)	(296.2)	**57.9**	111.5	57.7	**27.1**	63.6	26.7

- £228.8m Group DB accounting deficit decreased by £44.9m due to release of irrecoverable surplus, additional cash contributions and higher real discount rates in North America partly offset by unfavourable fx movements

[1] Service costs excluding interest for defined benefit schemes

ROCE

	Group ROCE	Road divisions ROCE
As at 30 September 2017	**7.9%**	**5.8%**
Foreign exchange	(0.7)%	(0.6)%
ROCE at constant currency	**7.2%**	**5.2%**
SWR	0.5%	-
Rail divisions trading	(0.5)%	-
TPE contract provision	0.3%	-
Greyhound impairment	0.7%	0.4%
53rd week	0.3%	0.2%
Tax rate / other	0.7%	0.5%
As at 30 September 2018	**9.2%**	**6.3%**

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