FirstGroup plc

Half-yearly results for the 26 weeks to 25 September 2021

Thursday 9 December 2021

Agenda

1. Overview
2. Financial review
3. Business review

First

A transformed business

- Refocused on our leading public transport operations in bus and rail following sale of North American businesses and the £500m return of value to shareholders
- Resilient financial performance in period; no change to FY22 expectations, recognising there is uncertainty around the pace of recovery in light of the evolving circumstances of the pandemic
- Passenger volume recovery ongoing, with renewed government commitment to strengthening public transport becoming a reality
- First Bus on track to deliver 10% margin in the first full year after pandemic-related restrictions end, with c.£20m in annualised cost efficiencies delivered since 2019
- Cash generative businesses support intention to commence regular dividends within next 12 months and strong balance sheet provides flexibility to capture opportunities ahead
- Future value to be realised including from First Transit earnout (up to c.£180m) and Greyhound property disposals and other receipts (estimated c.£120m net from FY23 onwards)

Agenda

1. Overview
2. **Financial review**
3. Business review

Financial review agenda

- **Continuing operations (First Bus, First Rail and Group items) performed in line with our expectations**

- **Substantial corporate activity since the start of the period:**
  - Three North American divisions sold for combined EV of $4.6bn, c.£2.2bn in debt and other liabilities have been repaid or de-risked and £500m returned to shareholders
  - Greyhound disposal, tender offer and other actions have taken place since 25 September balance sheet date
  - Further Greyhound liability de-risking and pension escrow transfer expected to follow before financial year end

- **Capital structure reorganised with new financial framework for investment, gearing and shareholder returns**
  - Alternative performance measures introduced to better reflect cash flow characteristics of the management fee-based rail contracts
  - £676.4m of liquidity (principally free cash and undrawn new £300m, multi-year sustainability-linked RCF) as at 6 December 2021

- **While uncertainty remains around pace of recovery in light of the changing circumstances of the pandemic, we are reiterating our expectations for FY22, our medium term volume and margin expectations in First Bus and our intention to commence regular dividends within the next twelve months**

Financial summary

Resilient financial performance continues

£m	H1 2022 Continuing	H1 2022 Discontinued	H1 2022 Total	H1 2022 change vs H1 2021 (Continuing)
Revenue	**2,139.1**	970.6	3,109.7	**+86.0**
Adjusted[1]				
- Operating profit	**51.8**	121.3	173.1	**(3.9)**
- Margin %	**2.4%**	12.5%	5.6%	
- Net finance costs[2]	**(58.1)**	(11.3)	(69.4)	**+13.2**
- (Loss)/Profit before tax	**(6.3)**	110.0	103.7	**+9.3**
- EPS p	**(0.4)p**	7.0p	6.6p	**-**
Adjusting items	**0.4**	471.0	471.4	
Statutory operating profit	**52.2**	592.3	644.5	
Group Rail management fee-adjusted Attributable Loss	**(1.2)**	n/a	(10.4)	**9.2**
Adjusted Net Debt/(Cash)[3]			**(613.9)**	**+2,155.1**

1 Before net adjusting items described on p.26
2 Includes lease interest on Right of Use assets of £22.9m. Make-whole costs of £50.0m and the write-off of unamortised bridge, bond and facility costs of £8.6m are both adjusting items and hence are not included in adjusted net finance costs
3 'Adjusted net debt' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and First Rail ring-fenced cash)

Continuing operations – First Bus

In-line results, with majority of period under government arrangements to procure essential bus services

- Passenger revenue +46% vs H1 2021 reflecting improved volumes, partly mitigated by lower pandemic-related funding
- c.85% of service mileage operated vs equivalent 26-week period in 2019, supported by government grant funding
- Recruitment and retention plans underway in response to industry-wide driver shortages
- Data-driven pricing strategy being rolled out, including fare increases for first time since 2019, offsetting inflation
- Hedging in place to allows flexibility to respond to changes in global fuel prices

£m	H1 2022	H1 2021	Change
Revenue	**392.5**	311.0	+81.5
Adj. operating profit[1]	**26.8**	17.4	+9.4
Margin %	**6.8%**	5.6%	+120bps

Bus grant funding mechanisms

- Various arrangements established by Westminster and devolved governments in 2020 to procure essential bus services, otherwise many would have ceased given reduced demand following social distancing rules and travel restrictions
- Recoverable costs under these CBSSG and similar schemes included all reasonable operational costs and depreciation, as well as pension funding and debt finance costs allocatable to the bus services
- England's CBSSG scheme ended on 1 Sep; since then, England has moved to more commercial operations with rebuilding volumes partially supported by Bus Recovery Grant funded to Mar 2022; both only allow for managed changes to service provision and fares
- CBSSG-like schemes still in place in Scotland and Wales, alongside more restrictive travel and other guidance

[1] Before net adjusting items described on p.26
[2] Based on retranslating H1 2021 foreign currency amounts at H1 2022 rates

Continuing operations – First Rail

In-line results, reflecting expected performance fee recoveries and the initial open access losses

£m	H1 2022	H1 2021	Change
Revenue	**1,746.6**	1,741.9	+4.7
Rail attributable net income from management fee-based TOCs[2]	**17.5**	20.4	(2.9)
Rail adj. operating (loss)/Profit excluding management fee-based TOCs	**(7.6)**	2.4	(10.0)
Gross up for tax, minorities, IFRS 16	**29.3**	36.6	(7.3)
Adj. operating profit[1]	**39.2**	59.4	(20.2)

£m	Rail revenue from management fee-based TOCs	Rail attributable net income from management fee-based TOCs[2]
GWR	633.3	9.0
SWR	464.9	3.2
WCP	436.1	3.3
TPE	195.5	2.0

- The four management fee-based Train Operating Companies (TOCs) provided service under emergency agreements put in place by Government through much of the period
  - SWR and TPE moved to the first National Rail Contracts in Jun 2021
  - Current GWR and WCP agreements were extended to Mar and Oct 2022 respectively during the period
- New contract structure means the increase in like-for-like passenger revenue had no impact on fee income
- Rail attributable net income from management fee-based TOCs is Group's share of the relevant fee income available for dividend distribution (see also p.9)
- Rail adj. op profit in the H1 accounts also reflects:
  - As guided, Lumo start-up costs and Hull Trains' rebuilding demand resulted in a £(10.4)m loss from open access operations in the period; both are expected to contribute to profit in FY23
  - First Rail also generated £2.8m in other Rail earnings not directly procured by DfT (including contact centre business, Mistral Data, Tramlink and consulting)

[1] Before net adjusting items described on p.26
[2] See also page 9 – Group's Rail management fee-adjusted alternative performance measures.

Group performance measures adjusted for rail management fees

Increasing focus on the underlying cash generated from the rail fee income attributable to the Group

£m	H1 2022
Group's Rail management fee-adjusted EBITDA comprises:	
- First Bus EBITDA	47.6
- First Rail EBITDA not from management fee-based TOCs	(7.4)
- Rail attributable net income from management fee-based TOCs[1]	17.5
- Group central costs (EBITDA basis)	(13.0)
	44.7
Group's Rail management fee-adjusted Attributable Profit/(Loss) comprises:	
- First Bus adjusted operating profit	26.8
- First Rail adjusted operating profit not from management fee-based TOCs	(7.6)
- Rail attributable net income from management fee-based TOCs[1]	17.5
- Group central costs (operating profit basis)	(13.8)
- Cash interest	(28.4)
- Tax	4.3
	(1.2)

- Rail attributable net income from management fee-based TOCs[1] represents the Group's share of the management fee income available for dividend distribution from the GWR, SWR, TPE and WCP (incorporating Avanti) contracts with DfT
- 'Cash interest' relates to all borrowings and finance leases but excludes notional interest and interest on IFRS16 lease liabilities
  - Following significant debt redemption in H1, annualised cash interest is expected to be c.£22m per annum
- Under IFRS16 the rail fleet leases stay on balance sheet despite the new arrangements as the TOCs remain the counterparty to the lease not DfT
- The Group will continue to focus on Adjusted Net Debt, which excludes IFRS16 right of use lease liabilities and the First Rail ring-fenced cash

[1] IAS 17 basis net of tax and minority interests

First

Group cash flow

Net cash position at period end mainly reflects the extensive corporate activity underway at the balance sheet date

- First Bus cash positive after capex, includes CBSSG cash receipts relating to prior periods
- Management-fee based Rail TOC dividends from FY21 and prior anticipated to be received in H2 once agreed with DfT
- Cash interest costs reflect interest payments on borrowings that were largely repaid following the disposal of FS & FT
- Taxation payments are in the UK and principally relate to the management fee-based rail TOCs, with Bus utilising accelerated tax allowances
- Discontinued cash flows for FS & FT are for the buyer’s account under the sale and purchase agreement
- £1.8bn in debt repaid in the period (£0.7bn for 2021 and 2022 bonds, £0.3bn in CCFF, £0.8bn in USPP and other indebtedness)

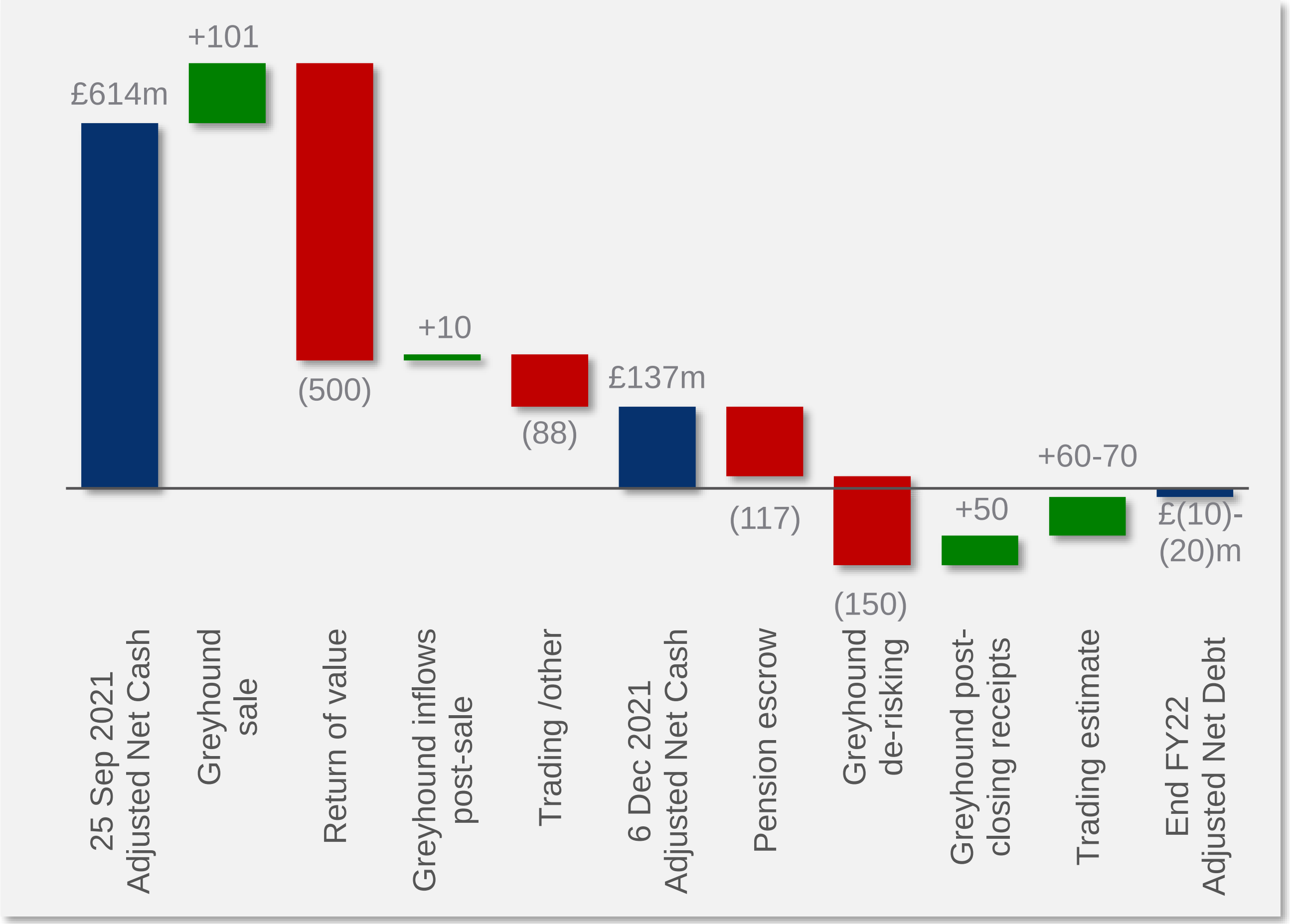
£m	Adjusted Net Debt	*First Rail ring-fenced cash*	*IFRS 16 leases*	*Statutory net debt*
Net debt at 27 Mar 2021	(1,414.3)	*638.5*	*(1,850.0)*	*(2,625.8)*
- First Bus	52.2	-	-	*52.2*
- First Rail	(3.4)	*(120.2)*	-	*(123.6)*
- Group items	(24.3)	-	-	*(24.3)*
Continuing divisional cash generation	24.5	*(120.2)*	-	*(95.7)*
Interest, tax	(90.6)	-	*(22.9)*	*(113.5)*
Foreign exchange	(6.5)	-	*(1.7)*	*(8.2)*
IFRS 16 lease movements	-	-	*508.2*	*508.2*
Underlying cash movement	(72.6)	*(120.2)*	*483.6*	*290.8*
Net cash proceeds from FS & FT	2,323.3	-	-	*2,323.3*
Debt transferred with FS & FT	220.0	-	-	*220.0*
Bond make-whole costs	(58.6)	-	-	*(58.6)*
Cash contribution to UK pensions	(220.0)	-	-	*(220.0)*
Discontinued/non-core ops	(35.3)	-	-	*(35.3)*
Greyhound pension de-risking	(73.7)	-	-	*(73.7)*
Exceptional costs	(54.9)	-	-	*(54.9)*
Net (debt)/cash at 25 Sep 2021	**613.9**	***518.3***	***(1,366.4)***	***(234.2)***

First

Balance sheet and future sources of value

Well-capitalised business, no longer encumbered by pension deficit repayments or any significant contingent liabilities, with further value to be realised over time

c.£10-20m Adjusted Net Debt expected by end of FY22



Future sources of value update (FY23 and later)

- First Transit earn out
  - Potential maximum of c.£180m, estimated fair value £102m
  - Value based on sale of First Transit or independent valuation mechanism if not sold by July 2024
- Greyhound retained assets and liabilities
  - £18m remaining unconditional deferred consideration
  - Remaining properties market value c.£113m
  - Other rental, CARES and ARP funding receipts c.£16m
  - c.£(27)m in legacy liabilities, principally closure of Canada and final pensions de-risking
- Pensions escrow
  - Up to £95m relating to First Bus scheme may become available depending on 2024 valuation
  - Up to £22m relating to Group scheme may become available depending on 2030 valuations

Financial framework

Expect to build momentum in current financial year, providing a solid foundation for delivering our financial framework objectives – including commencing regular dividends within the next 12 months

FY22	▪ First Bus: no change to current year expectations which reflect the current pandemic-related restrictions and government funding schemes in place, some further passenger volume improvement, and pricing strategy expected to offset effects of driver shortages and other cost headwinds ▪ First Rail: performance driven by fees from contractual arrangements in place (no revenue risk), offset by expected losses in open access operations ▪ Other: central costs c.£5m lower reflecting sale completion approx. mid-year; interest c.£100m (of which c.50% cash); 19% UK corporation tax rate
FY23+ revenue	▪ First Bus: planning for a range of post-pandemic scenarios; central case envisages passenger volumes recover to c.80–90% of pre-pandemic levels during first twelve months after pandemic-related restrictions end, with further growth thereafter ▪ First Rail: opportunities to build on the base business of four management fee-based TOCs with no revenue risk
FY23+ profitability	▪ First Bus: targeting a 10% margin in the first full financial year after pandemic-related restrictions end ▪ First Rail: profitability driven by fixed fees plus delivery against performance targets under NRCs while adding earnings in affiliated rail opportunities, including transition into profit of open access operations ▪ Other: central costs c. £10m+ p.a. lower from FY23; interest c.£50m p.a. (of which c.40% cash); UK tax rate (19% increasing to 25% in FY24)
FY23+ investment	▪ First Bus: c.£90m per annum mainly driven by zero-emission bus fleet commitments ▪ First Rail: expected to continue to be cash capital-light under the NRCs
Leverage	▪ Less than 2.0x adjusted net debt: Rail management fee-adjusted EBITDA[1] in the medium term
Dividend policy	▪ Intention to commence regular dividends to shareholders within the next 12 months ▪ Targeting annual dividend 3x covered by Rail management fee-adjusted Attributable Profit, assuming normalisation of trading conditions post-pandemic

[1] See page 9 for definition of new rail management fee-adjusted EBITDA and Attributable Profit measures

Agenda

1. Overview
2. Financial review
3. **Business review**

Strong platform for further value creation

Disposals have created a focused group, strengthened the balance sheet, released cash to shareholders and will enable further value creation over time

FirstGroup investment case

- Leading positions in bus and rail transport in the UK
- Inflection point for growth, underpinned by supportive government and social policies
- Digital innovation to attract more customers, enhance business efficiency and flexibility
- First Bus: ready to complete trajectory to 10% margin in first full financial year after pandemic-related restrictions end
- First Rail: well-placed for lower risk, long term and cash generative rail operations
- Opportunities from adjacent markets in UK bus and rail and new geographies over time
- Critical enabler of society's sustainability goals, accelerating the transition to a zero-carbon world

Balance sheet and shareholder distribution plans

- Intention to commence regular dividends within next 12 months
- Dividend c.3x covered by Rail management fee-adjusted Attributable Profit

Other sources of further value over time

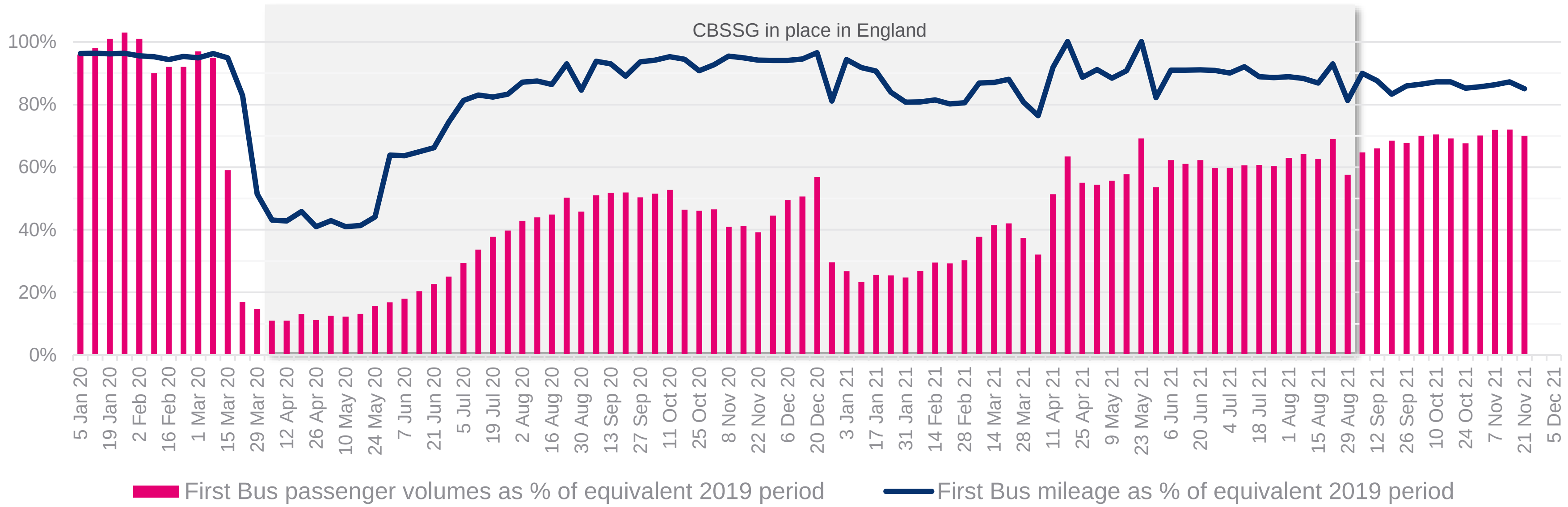
- Up to c.£180m First Transit earn out (estimated fair value £102m)
- c.£120m Greyhound net property proceeds from FY23 onwards
- Up to £117m UK pensions escrow release

First

First Bus: a regional bus market leader

Passenger volumes have been rebuilding, faster in England than Scotland and Wales

Our key focus in light of the inherent operating leverage of the business



- Recent volumes c.71% of equivalent period in 2019, higher in some areas and times of the week – but volatile in light of the evolving pandemic circumstances and their effects on passenger behaviour
- Some evidence of a slowdown in rate of recovery in recent weeks; travel guidance and activity levels in Scotland and Wales and in many education settings across the UK remain somewhat restricted
- Planning assumption remains that 80-90% of pre-pandemic volumes will be reached during the twelve months following end of pandemic-related restrictions

First Bus

- Second largest regional bus operator, serving two thirds of the UK's 15 largest conurbations
- A leading operator in majority of its markets, including major urban areas such as Glasgow, Bristol and Leeds

c.20% share of UK regional bus market

£780m LTM revenue

Janette Bell
MD First Bus

First Bus margin improvement plan

On track to deliver 10% margin in first full financial year after pandemic-related restrictions end

Key levers to drive delivery (in addition to operating leverage)

A+B. Passenger volume reset and network realignment post-pandemic:

- Carefully observing demand patterns using our new digital tools to optimise routes/timetables plans – will flex with evolving passenger behaviour

C. Efficiency actions:

- c.£20m in annualised overhead, operational and other efficiencies (c.20% fixed / 80% variable) achieved since 2019
- Further engineering savings expected to come through

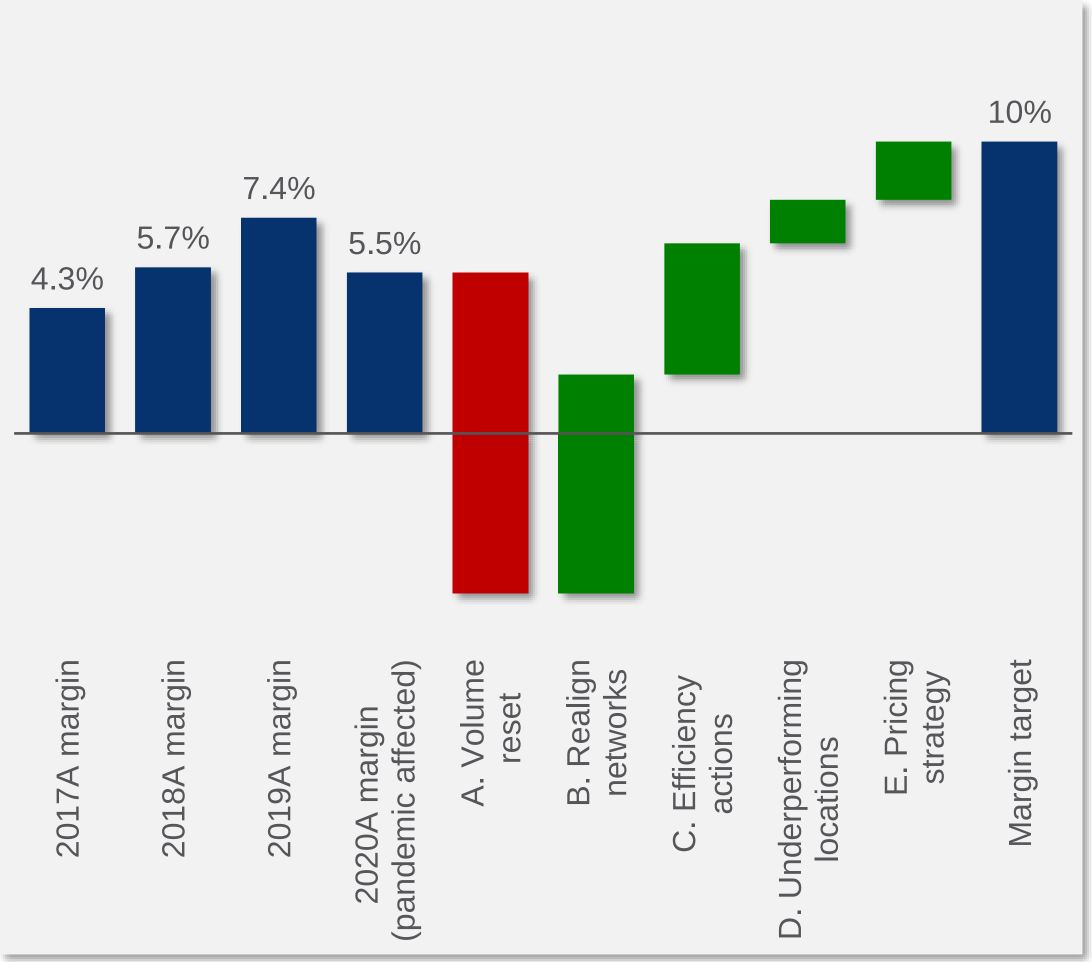
D. Underperforming locations:

- Future demand may no longer support commercial operations on some routes
- Local transport authority support to be put in place (e.g. from National Bus Strategy funds) or will be reconfigured

E. Data-driven pricing:

- Increasingly sophisticated optimisation of fare basket – first price increases since 2019 being progressively introduced and recovering cost inflation
- Also rolling out daily and weekly fare capping across network in response to customer preferences

Margin improvement plan trajectory



Consistent support for essential services and decarbonisation

National and local governments continue to demonstrate willingness to support service provision as volumes recover, while underpinning investment to strengthen bus networks longer term

England (71% of LTM First Bus revenue)

- **Travel restrictions eased progressively since summer; now operating commercially, supported by Bus Recovery Grant funded to 31 Mar 2022**
- Local authorities have submitted ambitious plans for funding to strengthen the economic, environmental and social impact that bus networks can have in their areas
  - £1.2bn of funding for Bus Service Improvement Plans (BSIPs) in 2021 spending review will be allocated by DfT in coming months
  - First Bus worked with partner local authorities throughout summer to assist in submitting BSIPs by end of October deadline
  - BSIPs typically include action on bus priority, funded fares reductions, frequency/ network enhancements and capped ticketing
  - Vast majority in First Bus areas to be delivered through Enhanced Partnerships; work now progressing to formally establish these by the Government's Apr 2022 target
- £355m for zero emission buses in 2021 spending review coming through:
  - ZEBRA fast-track: First Leicester awarded £13m in funding for 68 EVs in Oct 2021
  - ZEBRA standard scheme bids underway, preparing further bidding opportunities as the Government's funding schedule progresses

Scotland (22% of LTM First Bus revenue)

- **Scottish scheme similar to CBSSG funded to 31 Mar 2022 with further extension under discussion – WFH guidance remains in place**
- £500m Bus Partnership Fund supports LTAs to deliver bus priority infrastructure to tackle congestion in partnership with operators; initial allocation of £19.2m to First Bus' Scottish markets
- Free bus travel to be extended to all under-22's from 31 Jan 2022
- First Bus has submitted bids for the latest ScotZEB scheme to support purchase of new ultra low-emission buses and related infrastructure; decision awaited

Wales (4% of LTM First Bus revenue)

- **Welsh scheme similar to CBSSG funded to 31 Jul 2022 – WFH guidance remains in place**
- Welsh Government currently working with bus operators and local authorities on detailed strategy to deliver on long-term ambitions for bus to support climate change and economic strategy

First

Taking First Bus forward

First Bus continues to develop and build on its strong platform

B2B contracted buses

- First Bus is currently a leader in rail replacement and events, with c.7% of £1.4bn B2B addressable market
- Approach recently reorganised to focus on capturing further opportunities and grow share of business-to-business services market

- **SPS buy-out:** up to £10m for 50% of JV not already owned providing shuttle services to Hinkley Point C (£37m revenues p.a.)

UN CLIMATE CHANGE CONFERENCE UK 2021
IN PARTNERSHIP WITH ITALY

- **First Bus at COP 26:** official delegate shuttle provider under contract with the event hosts; 135,000 zero-emission passenger journeys provided during the conference fortnight

Arrival buses partnership

- Partnering with Arrival to trial their state of the art vertically integrated, composite-based electric bus technology
- Prototype bus unveiled in November; targeting a product that is locally assembled and cost-competitive with diesel
- First Bus and Arrival targeting testing and validation in Spring 2022
- Partnership is a major opportunity to make a significant step forward with our net-zero fleet commitments

Hitachi Europe / Glasgow Caledonia

- Caledonia on track to be UK's largest EV charging hub with 150 new electric buses in Glasgow by FY23
- Supported by Scottish Ultra-low Emission Bus scheme and other funding
- Selected Hitachi Europe as prime strategic partner in November. Hitachi to support depot transformation with:
  - bus batteries 'as a service' provision
  - smart charging software
  - other decarbonisation technology

First Bus is committed to operating a zero-emission fleet by
2035

First Bus will not purchase further diesel buses after
2022

First

First Rail: the leading passenger rail operator

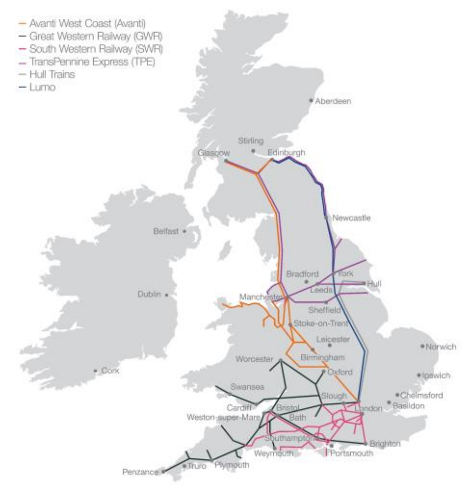
Management fee-based portfolio is delivering for passengers and shareholders, as the transition to the new model railway begins to take shape

- Delivering in-line passenger and other performance metrics on the management fee-based TOCs:
  - Therefore accruing for the fixed fee plus a substantial proportion of performance fees on our four concession-style management fee-based operations (which have no revenue risk)
  - Working with DfT and industry partners to monitor ongoing demand changes and ensure that future service provision is fit for purpose
- SWR and TPE National Rail Contracts (NRCs) in place and working well
- GWR and Avanti NRCs now expected to be up to six and ten years long respectively (current agreements recently extended to Mar and Oct 2022)

First Rail management fee-based TOCs	Status	FY22	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												
Great Western Railway (GWR)	EMA to Mar 2022; NRC TO BE AGREED												
West Coast Partnership (Avanti)	ERMA to Oct 2022; NRC TO BE AGREED												

First Rail

- UK's largest rail operator, many years experience running all types of passenger rail
- Four management fee-based operations – GWR, SWR, TPE, West Coast Partnership (Avanti West Coast and HS2 shadow operator) – and two open access routes (Hull Trains and Lumo)



27%
share of UK passenger rail revenues

£3.6bn
LTM revenues

Steve Montgomery
MD First Rail

Taking rail forward

First Rail continues to develop ancillary revenue opportunities (£46m of revenues not generated from management fee-based train operations in H1) and enhance its environmental profile

Open Access

- Both open access operations primarily focused on the leisure traveller; leisure travel back to 90%+ of pre-pandemic levels nationally
- **Lumo** launch in October was very encouraging, with strong passenger bookings
  - 5 trains a day when fully operational, c.£35m+ revenue p.a. expected from FY24
- **Hull Trains** also performing modestly ahead of our expectations in the period
- Open access operations expected to record a c.£20m loss in current financial year before making a profit contribution from FY23 as previously announced

evo-rail onboard Wi-Fi solution

- Next generation track to train connectivity solution, developed in house with our technology partner
- First solution of its kind in operation; progressing installation on SWR
- Trials underway or in negotiation in a number of international markets

TransPennine Route Upgrade

- Recently awarded development partner work to support delivery of infrastructure upgrade project
- c.£5m in fees over two years

GWR/SWR/Lumo zero-emission train introductions

- More than 30 electric or bi-mode train vehicles added to the fleet since start of year
- 70%+ of First Rail's passenger kilometres powered by electric traction

Delivering the strategy, unlocking the Group's potential

- Refocused on our leading public transport operations in bus and rail
- Future value to be realised including from First Transit earnout, pension escrow and Greyhound property disposals and other receipts, in addition to the £500m recently returned to shareholders
- Resilient financial performance in period; no change to FY22 management expectations, recognising there is uncertainty around the pace of recovery in light of the evolving circumstances of the pandemic
- On track to deliver 10% First Bus margin in first full year after pandemic-related restrictions end
- Passenger volume recovery ongoing, with renewed government commitment to strengthening public transport that provides convenient, low-carbon connections becoming a reality
- Cash generative businesses support intention to commence regular dividends within next 12 months
- Strong balance sheet provides flexibility to capture opportunities ahead

First

FirstGroup plc

Half-yearly results for the 26 weeks to 25 September 2021

Appendix: Divisional adjusted operating profit

	Revenue		Operating profit[1]		Operating margin[1]	
	H1 2022	H1 2021	**H1 2022**	H1 2021	**H1 2022**	H1 2021
£m						
First Bus	**392.5**	311.0	**26.8**	17.4	**6.8%**	5.6%
First Rail	**1,746.6**	1,741.9	**39.2**	59.4	**2.2%**	3.4%
Group items	**-**	-	**(13.8)**	(13.7)	**n/a**	n/a
Continuing total	**2,139.1**	2,052.9	**52.2**	63.1	**2.4%**	3.1%
Greyhound (non-core)	**-**	0.2	**(0.4)**	(7.4)	**n/a**	n/a
Continuing and non-core total	**2,139.1**	2,053.1	**51.8**	55.7	**2.4%**	2.7%
First Student	**479.5**	404.4	**88.2**	(50.3)	**18.4%**	(12.4)%
First Transit	**299.7**	484.5	**20.7**	13.4	**6.9%**	2.8%
Greyhound	**191.4**	159.6	**12.4**	(8.4)	**6.5%**	(5.3)%
Discontinued total	**970.6**	1,048.5	**121.3**	(45.3)	**12.5%**	(4.3)%
Total Group	**3,109.7**	3,101.6	**173.1**	10.4	**5.6%**	0.3%
$m[2]						
First Student	**669.5**	509.6	**123.7**	(66.7)	**18.5%**	(13.1)%
First Transit	**417.7**	613.9	**28.9**	17.1	**6.9%**	2.8%
Greyhound (discontinued)	**265.6**	202.7	**17.2**	(9.8)	**6.5%**	(4.8)%
Greyhound (non-core)	**-**	0.3	**(0.7)**	(9.5)	**n/a**	n/a
North America	**1,352.8**	1,326.5	**169.1**	(68.9)	**12.5%**	(5.2)%

[1] Before net adjusting items described on p.26
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

First

Appendix: Divisional EBITDA

	Revenue		EBITDA[1]		EBITDA margin[1]	
	H1 2022	H1 2021	**H1 2022**	H1 2021	**H1 2022**	H1 2021
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First Bus	**392.5**	311.0	**55.5**	48.1	**14.1%**	15.5%
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Group items	**-**	-	**(12.2)**	(11.9)	**n/a**	n/a
Continuing total	**2,139.1**	2,052.9	**347.5**	370.0	**16.2%**	18.0%
Greyhound (non-core)	**-**	0.2	**(0.2)**	(7.1)	**n/a**	n/a
Continuing and non-core total	**2,139.1**	2,053.1	**347.3**	362.9	**16.2%**	17.7%
First Student	**479.5**	404.4	**88.2**	65.0	**18.4%**	16.1%
First Transit	**299.7**	484.5	**20.7**	30.9	**6.9%**	6.4%
Greyhound	**191.4**	159.6	**22.7**	6.2	**11.9%**	3.9%
Discontinued total	**970.6**	1,048.5	**131.6**	102.1	**13.6%**	9.7%
Total Group	**3,109.7**	3,101.6	**478.9**	465.0	**15.4%**	15.0%
$m[2]						
First Student	**669.5**	509.6	**123.7**	79.2	**18.5%**	15.5%
First Transit	**417.7**	613.9	**28.9**	39.3	**6.9%**	6.4%
Greyhound (discontinued)	**265.6**	202.7	**31.4**	8.5	**11.8%**	4.2%
Greyhound (non-core)	**-**	0.3	**(0.3)**	(9.1)	**n/a**	n/a
North America	**1,352.8**	1,326.5	**183.7**	117.9	**13.6%**	8.9%

[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

Appendix: Other key profit and loss items

- **Group items:** changes initiated during the period to reflect the portfolio rationalisation; expect to deliver c.£10m reduction in FY23
- **Net finance costs:** principally £200m 6.875% bond, finance leases and IFRS 16 notional amounts going forward
- **Tax:** limited cash tax expected from FY23 as majority of UK businesses expect to reflect accelerated tax depreciation and pension contribution
- **Non-controlling interests:** represent First Rail minority partners in SWR and WCP
- **EPS** – 476m shares were acquired in recent tender offer; weighted average number of shares in issue therefore expected to be c.1,100m in FY22 and c.740m in FY23
- **Discontinued operations:** First Student, First Transit contribution to 21 July, Greyhound sold c.1 month after the period end
- **Non-GAAP adjustments** – includes the gain on disposal of First Student and First Transit, partial reversal of impairment charges on Greyhound and other items – see p.26

£m	H1 2022	H1 2021
Adjusted[1]		
First Bus	**26.8**	17.4
First Rail	**39.2**	59.4
Greyhound legacy	**(0.4)**	(7.4)
Group items	**(13.8)**	(13.7)
Continuing adj. operating profit[1]	**51.8**	55.7
Net finance costs	**(58.1)**	(71.3)
- Cash interest	***(37.9)***	*(41.6)*
- IFRS 16-related finance costs[2]	***(20.2)***	*(29.7)*
Loss before tax	**(6.3)**	(15.6)
Tax	**4.0**	1.6
Non-controlling interests	**(2.6)**	(3.0)
Attributable loss	**(4.9)**	(17.0)
EPS p	**(0.4)p**	(1.4)p
Statutory		
Continuing operations	**51.8**	55.7
Discontinued operations	**121.3**	(45.3)
Non-GAAP adjustments	**471.4**	(26.8)
Operating profit/(loss)	**644.5**	(16.4)
Net finance costs	**(128.0)**	(83.7)
Profit/(loss) before tax	**516.5**	(100.1)
Tax	**(3.2)**	11.7
Non-controlling interests	**(2.6)**	(10.9)
Profit after tax	**510.7**	(99.3)
EPS p	**42.4p**	(8.3)p

[1] Before net adjusting items described on p.26
[2] notional interest and lease interest on IFRS 16 Right of Use assets

Appendix: Net adjusting items

£471.4m credit from net adjusting items in period, mainly reflecting portfolio rationalisation and uses of proceeds

£m	H1 2022 Cont.	H1 2022 Disc.	H1 2022 total
Amortisation charges	-	(0.4)	(0.4)
Greyhound Canada closure	(3.6)	-	(3.6)
Rail termination sums net of impairment reversal	4.0	-	4.0
Gain on sale of FS/FT	-	28.8	28.8
Recycling of translation reserves relating to FS/FT	-	450.6	450.6
Other costs associated with the disposal of FS/FT	-	(31.5)	(31.5)
Partial reversal of prior year impairments of Greyhound	-	55.4	55.4
Professional fees relating to Greyhound	-	(2.5)	(2.5)
Strategy costs	-	(0.4)	(0.4)
Employment taxes relating to FS/FT	-	(6.6)	(6.6)
North America insurance provisions	-	(22.4)	(22.4)
Other non-GAAP adjusting items	0.4	471.4	471.8
Total non-GAAP adjustments	0.4	471.0	471.4

- Rail termination sums reflect final 'true-up' of the pre-pandemic TPE and SWR franchises
- 'Discontinued' adjusting items principally relate to the sale of First Student and First Transit (FS/FT) and Greyhound
- One-off charge for accelerated state and federal employment taxes in relation to First Student and First Transit
- Remaining Greyhound pension and insurance liabilities expected to be de-risked in H2

In addition to the above, total make-whole costs (bonds and facilities) of £50.0m and write-off of unamortised bridge, bond and facility costs of £8.6m are included in net finance costs.

First

Appendix: IFRS 16 (leases)

- As at 25 September 2021, £1.4bn of leased assets were recognised as Right Of Use assets on the balance sheet. Rail track access payments, leases of <1 year, low values excluded; no retrospective restatement

£m	H1 2022			H1 2021
	Under IAS17	IFRS 16 effect	**Under IFRS 16**	Under IFRS 16
Adjusted				
EBITDA	170.6	+308.3	**478.9**	465.0
Operating profit	124.1	+49.0	**173.1**	10.4
Net finance costs	(46.5)	(22.9)	**(69.4)**	(83.7)
PBT	77.6	26.1	**103.7**	(73.3)
EPS	4.4p	2.2p	**6.6p**	(5.3)p
Reported net debt/(cash)	(1,132.2)	1,366.4	**234.2**	2,946.1
Adjusted Net Debt /(Cash)	(613.9)			

Appendix: Diesel hedge position as at 6 December

	UK		
	FY22	FY23	FY24
Annual volume (barrels 'm)	0.7m	0.6m	0.7m
% hedged	73%	63%	14%
Crude rate ($/barrel)	$58.97	$62.68	$74.92
Diesel rate ($/barrel)	$69.12	$70.21	$78.63
Equivalent cost per litre	32.4p	33.0p	36.4p

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.34, $1.34 and $1.36 : £1.00 in FY22 to FY24
- The fuel hedge position above excludes volumes relating to the rail management fee-based TOCs, where fuel exposure is protected through the relevant contractual arrangements with DfT

Appendix: Net finance costs and taxation

£m	H1 2022	H1 2021
Bonds	15.4	27.5
Bank borrowings	14.9	9.2
CCFF (commercial paper)	-	0.9
Senior unsecured loan notes	3.2	4.7
Lease interest	24.6	36.7
Notional interest on long-term provisions	3.4	2.5
Notional interest on pensions	5.8	3.8
Notional interest – other	2.4	-
Investment income	(0.3)	(1.6)
Adjusted net finance costs	69.4	83.7
Total make-whole costs (bonds & facilities)	50.0	-
Write-off of unamortised bridge, bond and facility costs	8.6	-
Net finance costs	128.0	83.7

Taxation, £m	H1 2022	H1 2021
Current tax	1.8	6.6
Deferred tax	1.4	(18.3)
Tax charge	3.2	(11.7)
Tax paid	12.2	0.8
Tax rate on adjusted profit before tax %	20.8%	18.4%

Appendix: Total capital expenditure and acquisitions

£m	Cash		Fixed asset / software additions (including acquisitions)	
	H1 2022	H1 2021	**H1 2022**	H1 2021
First Student	**72.6**	28.7	**94.7**	110.0
First Transit	**21.8**	18.6	**13.5**	16.1
Greyhound	**11.0**	0.8	**12.3**	1.4
First Bus	**8.7**	10.2	**11.9**	9.7
First Rail	**25.1**	70.4	**44.9**	58.8
Group items	**0.4**	0.7	**0.9**	0.4
Total	**139.6**	129.4	**178.2**	196.4

- In addition, during the period we entered into leases with capital values in First Student of £8.4m (H1 2021: £24.5m), First Transit of £1.3m (H1 2021: £10.4m), Greyhound of £1.4m (H1 2021: £0.4m), First Bus of £1.9m (H1 2021: £0.4m) and Group items £0.7m (H1 2021: £0.2m)
- First Rail management fee-based TOC capex is consolidated in the accounts but is fully funded under emergency arrangements and the new National Rail Contracts
- Schedule excludes IFRS 16 Right of Use Assets

[1] Service costs excluding interest for defined benefit schemes

Appendix: Pensions

£m	Deficit			Cash contributions			P&L charge[1]		
	Sep 2021	Mar 2021	Sep 2020	**6m to Sep 2021**	12m to Mar 2021	6m to Sep 2020	**6m to Sep 2021**	12m to Mar 2021	6m to Sep 2020
North America	**(47.4)**	(129.4)	(236.7)	**79.1**	34.1	0.9	**(25.3)**	9.5	4.4
First Bus	**61.2**	(163.6)	(118.7)	**239.4**	44.0	16.7	**5.1**	9.1	5.3
First Rail	**(3.8)**	(3.3)	(4.5)	**26.8**	56.9	25.9	**26.9**	57.2	26.0
Total	**10.0**	(296.3)	(359.9)	**345.3**	135.0	43.5	**6.7**	75.8	35.7

- Note – figures in table include continuing and discontinued operations
- Material improvement in North America and First Bus funding levels as a result of contributions paid into pension arrangements following sale of North American operations
- Strong asset performance and committed contributions in H2 are expected to eliminate the remaining shortfall in legacy Greyhound pension plans. Investment risk is being significantly reduced and preparation has commenced for terminating and winding up these arrangements
- In H2 £117m will be paid into a Limited Partnership escrow arrangement under the terms agreed with the Group and Bus schemes in the UK. Contributions, other than to meet expenses, have ceased to these schemes, and funds may be released back to the Company if they are not required by the schemes to achieve a low-dependency funding target in the coming years
- Discussions as to the long-term funding of the Rail Pension Scheme are ongoing with the Pensions Regulator and DfT as part of the Rail Industry Reform Group project

[1] Service costs excluding interest for defined benefit schemes

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