FirstGroup plc

Results for the six months to 30 September 2020

Thursday 10 December 2020

Overview

- **Demonstrating our resilience – performing ahead of our expectations earlier in the year**
  - Average passenger volumes improving at varying rates but still substantially reduced
  - Revenue impact mitigated by recoveries from clients and governments for provision of vital services
  - Positive EBITDA, adjusted operating profit and cash flow delivered by robust cost control and other actions
- **Balance sheet reinforced through prudent action taken at the appropriate times**
  - Secured CCFF drawdown, bridge loan for 2021 bond and other financing in March/April
  - Took rapid action to reprofile capital expenditure programme and bear down on opex throughout period
  - 2021 covenant amendments secured in November, having comfortably met September 2020 tests as expected
- **Progress in strategy to deliver improved shareholder value from all parts of the portfolio**
  - North American contract businesses: discussions with credible potential buyers who have a long term perspective, which the company and its advisers are exploring and evaluating
  - First Bus will be critical enabler for UK's economic, social and environmental agendas
  - Resolution of UK rail portfolio's near- and longer-term challenges now within sight; system moving towards greater focus on delivery for passengers and better balance of risk and reward
- **Despite the ongoing impact of the pandemic we now have greater clarity for our businesses, based on current government and customer arrangements and the expected trajectory of service restoration**

Financial review
for the six months to 30 September 2020

Financial review agenda

- Robust performance in difficult trading environment during our seasonally weaker H1 period
  - Adjusted op. profit £10.4m; reduction (ex Avanti) held to £99.1m despite £838.2m revenue reduction
  - Achieved through provision of essential services to clients and governments, cost savings, and other management action
- Capex discipline – customer commitments maintained, significant reprofiling or leasing
- Net debt and cash flow stronger than expected in period, September 2020 covenant tests comfortably met
- £805m in liquidity (committed undrawn headroom under bank facilities plus free cash, excluding Rail ring-fenced cash) – broadly stable since April, recognising variability in working capital flows
- Rail franchise termination sum process concluded for SWR and Avanti

Financial summary

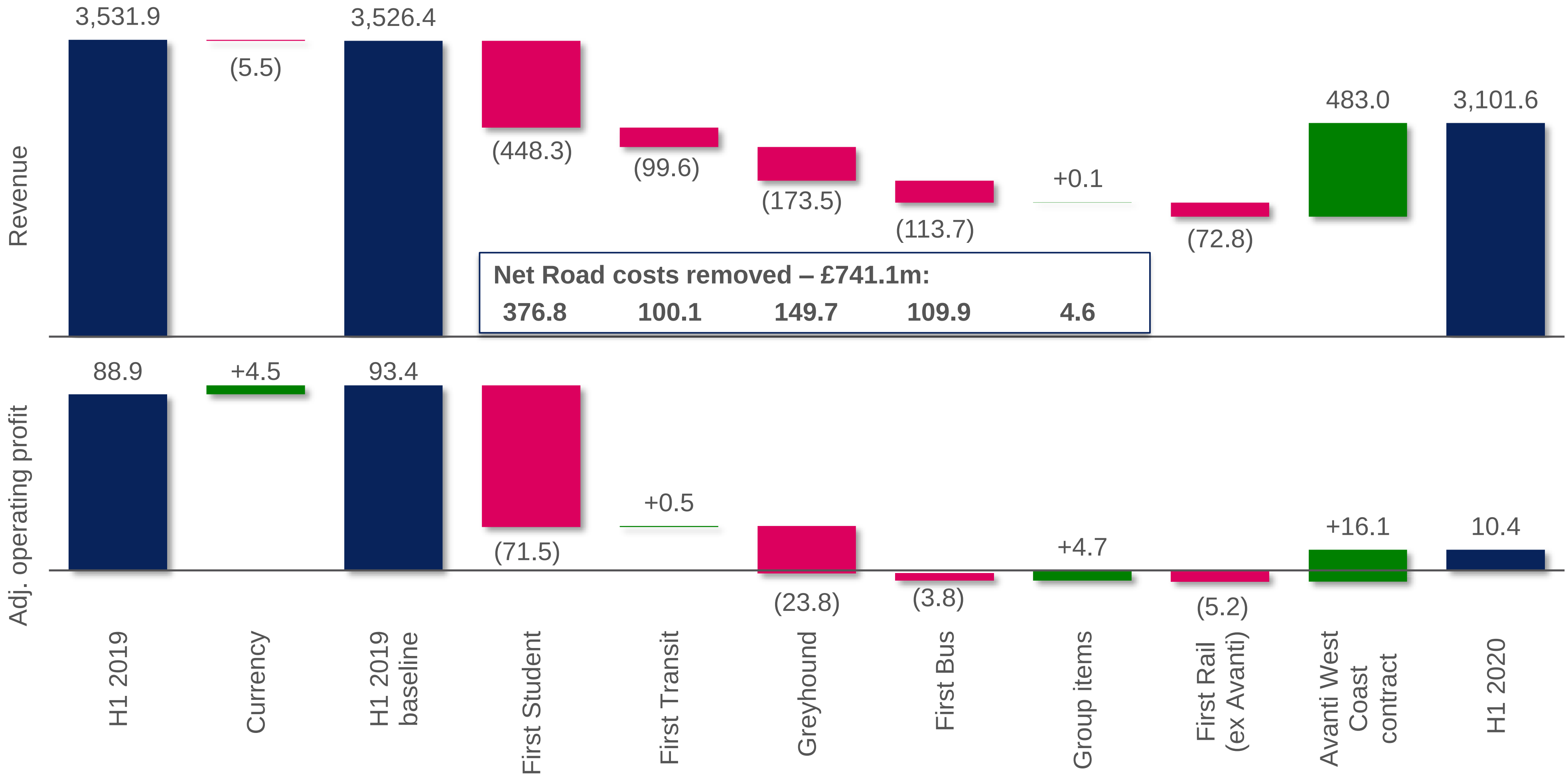
£m	H1 2020	H1 2019	Change	Change in CCy ex-Avanti[1]
Revenue	**3,101.6**	3,531.9	(430.3)	(838.2)
Adjusted[2]				
- EBITDA	**465.0**	434.2	+30.8	(56.1)
- Operating profit	**10.4**	88.9	(78.5)	(99.1)
- Margin %	**0.3%**	2.5%	(220)bps	(280)bps
- Net finance costs	**(83.7)**	(69.0)	(14.7)	(8.1)
- (Loss)/profit before tax	**(73.3)**	19.9	(93.2)	(107.2)
- Effective tax rate %	**18.4%**	14.6%		
- Attributable (loss)/profit	**(63.6)**	17.0	(80.6)	(88.1)
- EPS p	**(5.3)p**	1.4p	(6.7)p	(7.3)p
Bonds, bank and other debt net of cash	**815.2**	1,062.0	(246.8)	
IFRS 16 right of use lease liabilities – Road	**272.1**	296.1	(24.0)	
IFRS 16 right of use lease liabilities – Rail	**1,867.9**	726.0	+1,141.9	
Net debt: LTM EBITDA (bank covenant basis)	**1.5x**	1.5x	-	
Adjusted cash in/(out)flow	**231.7**	(78.0)	+309.7	

1 Change in constant currency ('CCy') is based on retranslating H1 2019 foreign currency amounts at H1 2020 rates

2 Before other intangible asset amortisation charges and certain other items

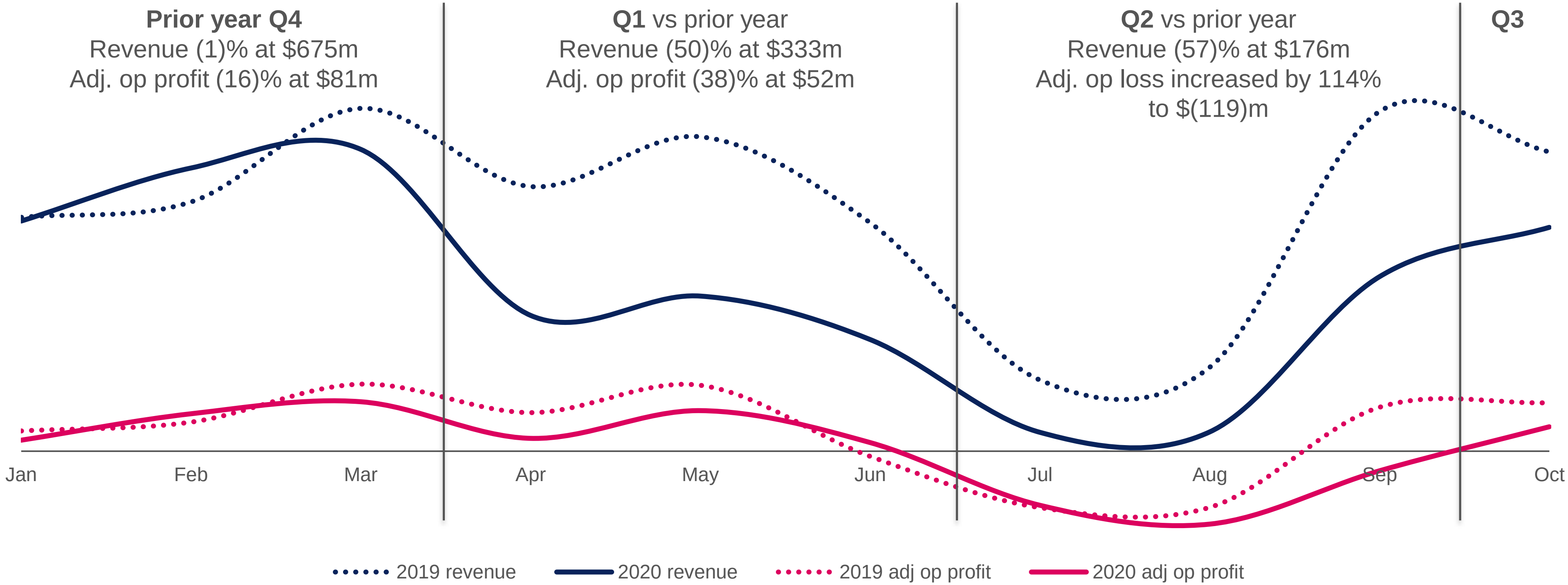
Group revenue and adjusted operating profit

- £838.2m reduction in Group revenue (ex-Avanti rail franchise), net of government funding for essential services and recoveries from North American contract customers
- Mitigated to £99.1m adj op profit reduction (ex-Avanti) through cost control and other management actions



Effect of First Student's seasonality in first half

- Always highly seasonal due to the school summer holidays in July and August, magnified this year by the pandemic
- School closures began in mid-March, almost no schools opened again during rest of spring term
- By Q1, revenue recoveries agreed with customers, cost reductions and other actions were mitigating impact
- Q2 normally loss-making given school summer holidays – and pandemic increased the effect, with no summer charter revenue and delays to restart of many schools in late August/September
  - Overall, H1 revenue reduced by $568.7m, adj. op profit impact limited to $91.6m



First Transit and Greyhound in H1

First Transit

- Revenue (17.0)% – relatively high % of contracts where service levels were maintained despite lower passenger activity
- Adj. op profit increased – revenue impact mitigated through:
  - Variable and fixed cost savings, other management action including use of appropriate fiscal support
  - Some contractual variations with customers
  - Non-recurrence of prior year legal judgment costs

$m	H1 2020	H1 2019	Change
Revenue	**613.9**	740.6	(126.7)
Adj. operating profit[1]	**17.1**	16.2	+0.9
Margin %	**2.8%**	2.2%	+60bps

$m	Revenue	Adj. op profit[1]
H1 2019	**740.6**	**16.2**
Net revenue reduction	(126.7)	(126.7)
Drivers and fuel	-	+99.3
Maintenance, insurance, depreciation and other	-	+20.8
Fixed cost savings	-	+4.0
PY legal judgements	-	+3.5
H1 2020	**613.9**	**17.1**

Greyhound

- Revenue (52.0)% – passenger demand reduction, partially mitigated by $65.0m in 5311(f) funding for rural services in H1
- Revenue impact mitigated by commercial and pricing initiatives to enhance yield, variable cost reductions, $31.1m in fixed cost actions
  - Included suspension of c.60% of mileage while maintaining national network connections during shelter in place phase

$m	H1 2020	H1 2019	Change
Revenue	**202.9**	422.0	(219.1)
Adj. operating profit[1]	**(19.3)**	10.1	(29.4)
Margin %	**(9.5)%**	2.4%	(1190)bps

$m	Revenue	Adj. op profit[1]
H1 2019	**422.0**	**10.1**
Revenue reduction	(284.1)	(284.1)
5311(f) funding in H1	+65.0	+65.0
Drivers and fuel	-	+69.6
Maintenance, insurance, depreciation and other	-	+89.0
Fixed cost savings	-	+31.1
H1 2020	**202.9**	**(19.3)**

[1] Before other intangible amortisation charges and certain other items

UK divisions are contracted services businesses currently

- Given UK social distancing rules and impact of government travel advice on passenger volumes, running networks at scale would have been unviable commercially and could have ceased
- Westminster and devolved governments recognised the essential nature of public transport to local economies and communities and put in place a series of measures to procure crucial bus and rail services

First Bus

- Revenue (26.8)%, mitigated by CBSSG-R and related schemes, continuation of concession and tender funding
- Recoverable costs under the schemes include all reasonable operational costs and depreciation, pension funding and debt finance costs reasonably allocated to English local bus services
- Adj. op profit is shown in accounts before several of these (e.g. debt finance costs and pension deficit contributions)
- Breakeven operating cash flow before capex in the period
- Schemes have the effect of smoothing out normal seasonality
- £2.7m fixed cost efficiencies in period

£m	H1 2020	H1 2019	Change
Revenue	**311.0**	424.5	(113.5)
Adj. operating profit[1]	**17.4**	21.2	(3.8)
Margin %	**5.6%**	5.0%	+60bps

First Rail

- Revenue (0.2)% (excluding Avanti), reflecting Emergency Measures Agreements (EMA) with government
- EMAs in place throughout H1 indicated fee of up to 2% of expected cost base
- Rail adj. op profit in H1 accounts also reflects:
  - +£16.1m first time contribution from Avanti
  - +£12.0m settlement of historical claims, mainly GWR
  - +£16.8m for rail operating leases under IFRS 16 (which cease with their associated train operating contracts), offset by £28.0m increase in net financing costs

£m	H1 2020	H1 2019	Change
Revenue	**1,733.6**	1,323.5	+410.1
Adj. operating profit[1]	**59.4**	48.5	+10.9
Margin %	**3.4%**	3.7%	(30)bps

[1] Before amortisation charges and certain other items

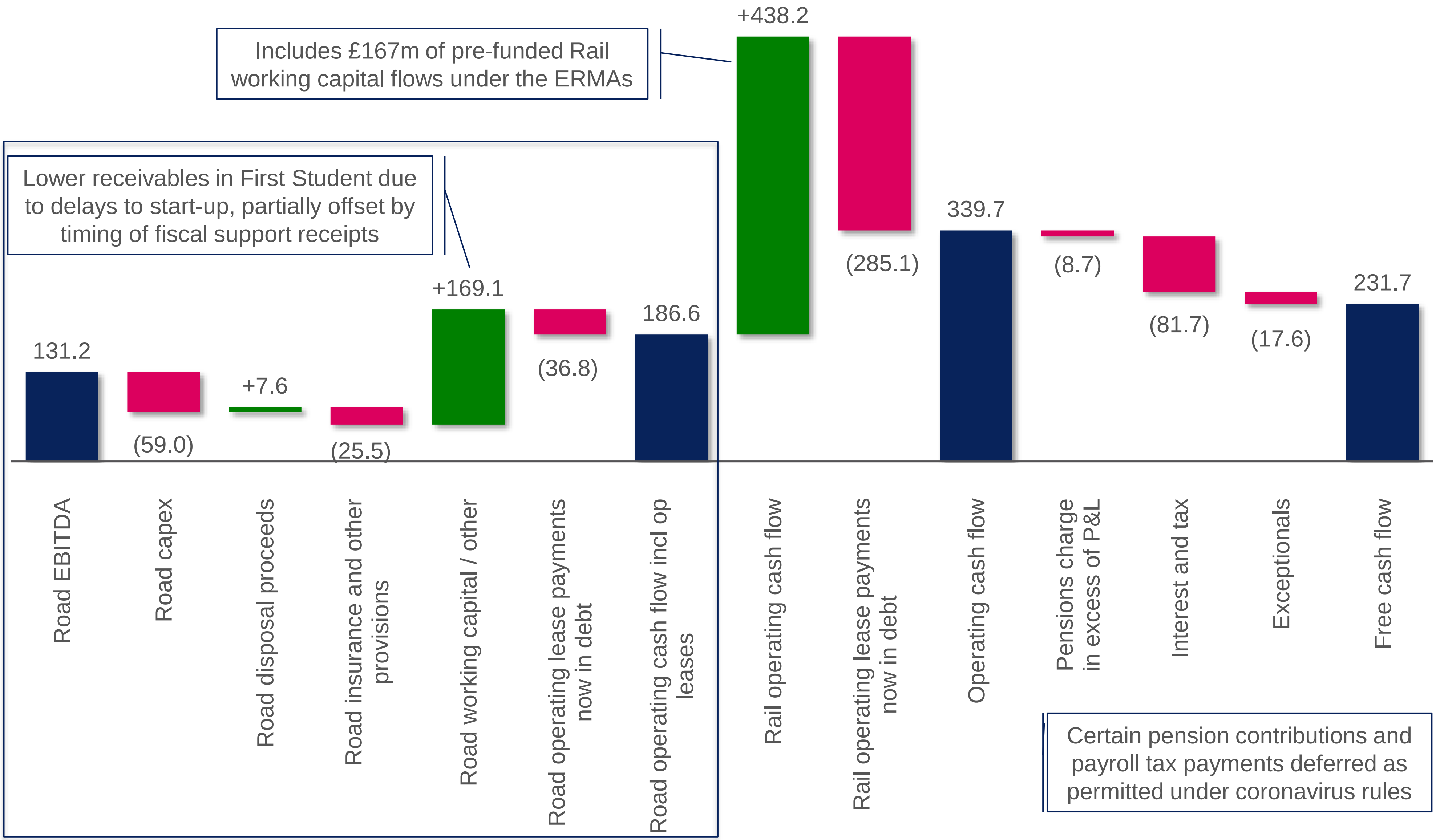
First Rail franchise termination sums

- Termination sums for SWR (£33.2m) and Avanti (nil) now agreed with DfT; expected to be paid in March 2021
- Mechanism means it is considered unlikely that the performance bonds will need to be applied
- Maximum remaining cash exposure following these agreements reduces from £294.2m to £159.5m
- TPE termination sum process with DfT expected to conclude at end of January 2021
- Rail Termination Sum charge of £18.3m recognised in period is estimate for fully discharging the contingent capital risk, net of IFRS 16 Right of Use asset impairments release from the shortened duration of the franchises

£m	Avanti 70% share	SWR 70% share	TPE	Total
Maximum remaining cash exposure as at 31 March 2020	**106.4**	**44.4**	**143.4**	**294.2**
Parent company support (PCS) and additional funding commitments not required	(92.4)	-	*TBD*	(92.4)
Performance bond (limited exposure risk)	(14.0)	(11.2)	(17.1)	(42.3)
Maximum remaining cash exposure following Avanti and SWR agreements; TPE to be determined	**-**	**33.2**	**126.3**	**159.5**

Notes: GWR is currently operating under EMA until at least 26 June 2021, and its Direct Award signed in March 2020 provides for a revenue rebasing exercise as required. Any termination sum for TPE may be subject to discounting. The operations also have season ticket bond commitments, but these are covered by cash resources within each TOC.

Group cash flow (£m)



Capital expenditure

£m	H1 2020	H1 2019
First Student	134.5	189.4
First Transit	26.6	15.0
Greyhound	1.8	32.8
First Bus	10.1	12.0
Group items	0.6	2.1
Road divisions capital investment	**173.6**	**251.3**
Funded by lease/long-term supplier credit	(114.6)	(106.7)
Road cash capex	**59.0**	**144.6**
First Rail capital investment	**113.3**	**120.3**
Funded by lease	(42.9)	(68.4)
First Rail cash capex	**70.4**	**51.9**
Group total capital investment	**286.9**	**371.6**
Funded by lease/long-term supplier credit	(157.5)	(175.1)
Group cash capex	**129.4**	**196.5**

- Almost all of the Road capex in the period was already committed
  - Approximately £176m of our budgeted Road capital expenditure has been deferred in the first half, of which c.£50m is a permanent reduction. The majority of the net deferral of £126m will be incurred in the 2022 financial year
- Rail capex fully funded under EMA/ERMA

Actions taken to reinforce balance sheet

- Series of actions taken at the outset of pandemic including:
  - £250m bank bridge facility in April for part-refinancing £350m April 2021 bond
  - UK CCFF scheme – £300m issuance to enhance liquidity (rolled over for 12 months in December)
  - Committed supplier financing arrangements of $195m and £75m in new vehicle leasing facilities
- Covenant amendments agreed in Nov with lending banks and USPP investors for Mar and Sept 2021 testing dates
  - Amended for prudence rather than need
  - Net debt: EBITDA was 1.5x (H1 2019: 1.5x) on banking covenants basis at period end
  - Net debt:EBITDA covenant amended to <5.5x for Mar 2021 and <4.5x for Sep 2021 (<3.75x normally). Fixed charge covenant amended to >1.0x (>1.4x normally) at both testing dates
  - Pleased with the ongoing support shown by our lenders and USPP investors
- UK pensions progress with UK Bus scheme 2019 valuation and funding agreed, Aberdeen LGPS pensioner buy-in
- £805m of current liquidity, broadly stable since April
- Will continue to take all prudent and appropriate action to ensure we maintain a robust financial position
- Uncertainties arising from the pandemic remain, but substantial progress made in addressing our key risks

Business review

First Student business review

- In seasonally weaker H1 – Q1 was profitable despite near-total school closure through revenue recoveries from customers and extensive cost actions; Q2 incurred higher than normal losses over school summer holiday period
- As a consequence of the evolving situation, many school districts continue to review and alter their back-to-school plans even as the school year is underway, supported by our cross-functional team of experts
  - Many schools delayed home-to-school restart this term, but by mid-November two thirds of our fleet was operating full time or supporting a combination of in-person and online teaching; with the recent increase in coronavirus cases this has fallen to c.59%
  - Revenue recovery is currently c.75% of pre-pandemic home-to-school levels from a combination of services in operation and agreements with customers not yet fully operational
  - Currently only 14% of our buses are neither operating for customers nor recovering some revenue
- Non-committed capex reviewed and reprofiled. Fixed cost efficiencies of £4.5m in period
- Good bid season – fleet maintained at 43,000; 87% retention on 'at risk' or 95% of total fleet; major wins in Indianapolis and Charleston; conversion in Pennsylvania; two contract wins for Hopewell special ed business
- M&A pipeline strong: 30 bus bolt-on acquisition in Ontario, Canada in period, another signed this month
- Continue to innovate to support our strong customer proposition
  - Expansion of FirstView® bus tracking app, FirstACTS and First Feedback services growing, scale-testing DriverHub, 6% of our fleet powered by alternative fuels and electric vehicle pilots underway

First Student: looking ahead

Near-term opportunities

- Bolt-on M&A or contracts share shift from less robust competitors
- Running additional routes to maintain social distancing
- Driver recruitment / retention processes strengthened
- Additional outsourcing of vehicle fleets or services
- Forefront of alternative fuels in our marketplace
- Further fiscal stimulus / faster vaccine rollout

Near-term challenges

- Agreeing and implementing start-up requirements of each individual school at the appropriate time
- Pace of charter restoration uncertain
- Managing return to work of our driver population; ensuring driver availability as activity levels increase

Medium-term divisional strategy

- Sustainable and resilient returns from our market-leading multi-year contract portfolio in the home-to-school market
- Opportunities for organic and M&A-led growth, entry into adjacent markets and complementary service provision

First Transit business review

- Passenger activity continues to vary considerably by sub-segment; although many are essential services so provision has been maintained – average service levels in the 60-80% range throughout pandemic

- Agreements made with significant number of customers where service levels have changed meaningfully:
  - Mixture of additional payments, changes to mix of fixed and variable cost, altered productivity requirements etc.
  - Based on current service levels and agreed terms, delivering c.86% of pre-pandemic expected revenue

- Increased adjusted operating profit and margin through cost efficiencies, job retention and other fiscal support schemes open to all businesses and non-recurrence of legal settlements in prior period

- 91% contract retention YTD with major retentions in Houston, TX ($225m fixed route revenue over 5 years), Hartford, CT ($55m paratransit revenue over 3 years)

- Strong repeat business supplemented by new business wins in our traditional markets, including for MARTA in Atlanta ($88m paratransit revenue over 3 years)

- First Transit also continues to innovate and extend its profile in developing areas:
  - Portland eBike contract in partnership with Nike and Lyft
  - San Bernardino last mile microtransit service
  - Fort Carson Army Base 'stackable' autonomous vehicle (AV) pilot
  - JAUNT Mobility as a Service (MaaS) platform launch in partnership with Moovit
  - Lyft paratransit partnership expansion

First Transit: looking ahead

Near-term opportunities

- Contracts available from more challenged competitors
- Driver recruitment / retention issues likely to ease in short term
- “Jaunt” MaaS offering launched this summer
- Increased interest in transition to autonomous and electric vehicles
- Further fiscal stimulus / faster vaccine rollout

Near-term challenges

- Potential for lower passenger demand resulting in reduced service levels
- Restoration of full services may be delayed, e.g. for university and airport shuttle
- Cost management as service levels increase
- Diminished willingness to invest in future mobility experiments in the short term
- Potential for customer funding pressures due to lower tax revenues

Medium-term divisional strategy

- Well-established platform to capture long-term growth in evolving transit management markets
- Winning MaaS and Shared AV opportunities and leveraging our partnerships with Transportation Network Companies (TNCs) and others

Greyhound business review

- Greyhound initially reduced services to c.40% of pre-pandemic levels, sufficient to maintain its community-critical national network – almost all coach competitors ceased operation for a period
- US revenue increased from c.20% of pre-pandemic levels in April to c.45% in October through improved volumes and yields, but has since flattened out at c.41%
- US CARES Act allocated emergency grants to states to specifically support continued rural intercity bus services
  - Given its scale and unique national network, Greyhound has secured more than $100m of this funding (of which $65.0m was recognised in H1)
- Significant cost actions undertaken including suspension of services in Canada with closure of the US border; closely monitoring demand patterns to shape and size future network. $31.1m in fixed cost reductions in period
- Operational and maintenance improvement programmes and retirement of older fleet resulted in improvements to punctuality, emissions and other non-financial metrics
- Programme of property rationalisation continues; moved six operations to intermodal transport hubs or new more appropriate facilities in the period

Greyhound: looking ahead

Near-term opportunities

- Reshape and optimise networks with demand
- Breadth of network offering compared to peers
- Core travel purpose – visiting friends and family – to recover faster than business trips, for example
- Further fiscal stimulus / faster vaccine rollout

Near-term challenges

- Pace of volume recovery and travel preferences
- Sustaining network profitability at lower levels of demand
- Tough competitive environment, including low pump prices

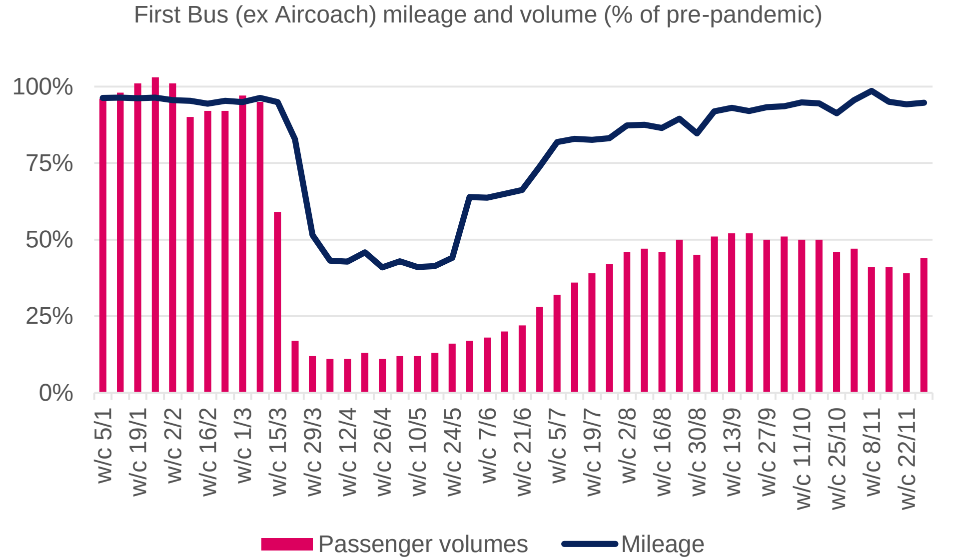
Divisional strategy

- Access intercity bus funding via states; maximise performance potential from revenue, cost and fleet management plans
- Capture maximum value from our brand and nationwide network
- Continue to rationalise surplus property for value
- Committed to divestment of Greyhound, discussions ongoing alongside capacity management and securing ongoing funding

Passenger volume trends in UK divisions

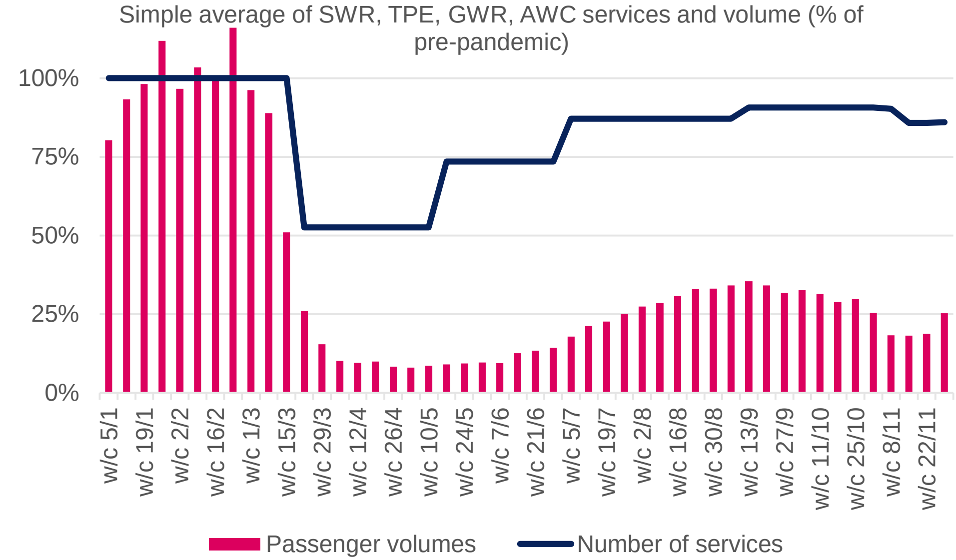
- Terms of current government procurement of essential services in both UK divisions mean neither is sensitive to passenger volumes at present, but both are being operated and managed at close to full capacity

First Bus



- Overall First Bus UK mileage has flexed considerably; now c.95% of pre-pandemic levels
- Social distancing rules limit bus capacity to c.50% of normal; commercial passenger volume was down 72% over the period
- Demand rebuilt relatively robustly after first national lockdown to around 60% of pre-pandemic levels in some areas
- Almost half of regional bus passengers in 2019 were in education or commuting and many cannot work from home

First Rail



- Service levels determined by government; broadly been maintained at c.60-90% through pandemic
- Social distancing rules limit rail capacity to less than 50% of normal; overall volume was down 80% over the period
- Demand restoration for rail more muted than for bus after first national lockdown
- Greater proportion of rail commuters able to work from home; less long-distance discretionary travel in current environment

First Bus business review

- In March and April operated at c.40% of normal capacity in accordance with initial English regional bus-wide service arrangement with UK Government
- CBSSG 'Restart' scheme in May procured services at higher capacities as initial lockdown restrictions eased, to enable socially distanced travel. In June and July, Scotland and Wales committed to similar schemes
- Capacity currently agreed with Government c.95%, volumes c.50% of pre-pandemic levels but CBSSG Restart, together with commitments on BSOG, concessionary fares and tenders, enable First Bus to sustain these levels
  - Arrangements in place until such time as no longer needed, with eight week notice period
  - Proposals for 'recovery partnerships' will build on successful collaborations between local authorities, DfT and operators – tailored local agreements with ring-fenced funding and new bus priority measures to support key routes and sustain networks
- Our digital strategy has created more agile business and the ability to optimise networks to future demand patterns:
  - Modelling return to commercial service with passenger data and insight not previously available
  - Continuing to improve operational performance and driver management
  - Customer proposition enhanced – including real-time bus capacity on mobile app, cashless, tap and cap
- Progress on commitment to zero carbon by 2035 – including EVs for York Park&Ride, Glasgow, West Yorkshire – and on air quality with 1,000th EURO VI emissions retrofit completing in the next few weeks

First Bus: looking ahead

Near-term opportunities

- Reshape networks to respond to demand as it increases post-pandemic, and encourage new users
- Align services/resources to meet changing passenger needs – e.g. shallower morning and evening peaks
- Build on our leading position in lower emissions buses to transition to zero-carbon public transport
- Recognition of public transport's key role in UK Government's economic, social and environmental agendas
- Further fiscal stimulus / faster vaccine rollout

Near-term challenges

- Managing social distancing on buses
- Transitioning from current government-assisted funding model as volumes increase
- Passenger travel trends uncertain – working from home, online shopping

Medium-term divisional strategy

- Manage transition beyond current industry funding support arrangements
- Prioritise partnerships with local authorities and government to transition to low- and then zero-emissions fleet
- Frictionless customer offering to drive volumes – bus offers flexible travel options to support local (particularly urban) communities' congestion, air quality, value for money and convenience goals
- Deliver further benefits from cost efficiency programme

First Rail business review

Rail operation	2019/20 fare income (ORR)	Current contract status	Expiry date	DfT option to extend (up to)	What then?
West Coast Partnership (Avanti)	£1,169m	ERMA	31 Mar 22	6 months	Agree national rail contract (NRC) direct award to Apr 26+2 year ext.
South Western Railway (SWR)	£984m	ERMA	31 Mar 21	6 months	Agree NRC direct award to Apr 23+2 year ext.
TransPennine Express (TPE)	£257m	ERMA	31 Mar 21[1]	6 months	Agree NRC direct award to Apr 23+2 year ext.
Great Western Railway (GWR)	£1,009m	EMA	26 Jun 21	21 months	Revert to franchise terms, with FRM/rebasing, to Apr 23+1 year ext.

- Emergency Measures Agreements (EMAs) or Emergency Recovery Agreements (ERMAs) currently in place:
  - Operator's revenue, cost and contingent capital risk waived until at least end March 2021
  - Operators paid a fixed management fee, with potential to earn additional performance-based fee
- As part of ERMAs, process under way with DfT to terminate franchises by agreement – SWR and Avanti now agreed, TPE process extended to end of January 2021 by DfT
- Hull Trains 'open access' operations not eligible for EMA or ERMA regimes; service provision has been halted or adjusted based on demand throughout pandemic

[1] TPE ERMA has potential to be in place until 19 Sep 21 if termination assessment concludes that no default would have taken place over the franchise term.

First Rail: looking ahead

Medium term industry expectations

- DfT progressing toward new management contract-style direct awards:
  - Expecting similar financial construct to ERMAs with a base fee and ability to earn further sums for outperforming on punctuality and other passenger-focused metrics – increased emphasis on delivering for passengers
  - More appropriate balance of risk and reward for operators, government and taxpayer
  - Incumbent TOCs to deliver passenger rail services for a number of years following end of ERMAs
- Supportive national policy agenda for modal shift to public transport

Medium-term divisional strategy

- Deliver enhanced services in accordance with our contractual agreements
- Work alongside government and industry partners to shape longer term industry structure, focused on passengers
- Seek appropriate balance of risk and reward in any future commitments

Group strategy

Progressing plans to rationalise the portfolio as best means to unlock material value for all shareholders

- First Student and First Transit both well-invested long-term contract businesses, market leaders with excellent customer relationships and opportunities for multi-year growth
  - H1 performance demonstrates their resilience and essential nature
  - Discussions with a number of credible potential buyers who have a long term perspective, which we and our advisers are exploring and evaluating

UK businesses have a significant platform to create sustainable value

- First Bus is a market leader in UK regional bus services, which remains the best value for money and most flexible and responsive mass transport solution to support local communities' congestion, air quality and zero-carbon agendas – as well as the connectivity integral to the national government's 'levelling up' ambitions
- Our ambitious plans to transition to zero carbon and digital innovation are strong differentiators
- First Rail operates the largest portfolio of UK passenger rail services as the system transitions to a structure focused on delivery for passengers, with a more appropriate balance of risk and reward for all parties
- Ongoing business to be robustly-capitalised, capable of sustainable cash generation

Summary

- Proud of the extraordinary effort and commitment from all our employees to maintain vital transport services during these challenging times
- Although outlook remains uncertain due to the pandemic, we now have greater clarity for our businesses based on current government and customer arrangements, and the expected trajectory of service restoration
- H1 EBITDA, adjusted operating profit and cash ahead of our expectations earlier in the year – resilient performance despite pandemic's widespread impact on travel
- Balance sheet reinforced through prudent actions taken at the appropriate times
- Attractive long-term fundamentals – public transport will play a key role in delivering economic, social and environmental agendas including the transition to a zero-carbon economy
- Progress in strategy to deliver improved shareholder value from all parts of the portfolio

First

FirstGroup plc
Results for the six months to 30 September 2020

Financial results

£m	H1 2020	H1 2019	Reported change
Adjusted[1]			
Operating profit	**10.4**	**88.9**	(78.5)
Net finance costs	**(83.7)**	**(69.0)**	(14.7)
(Loss)/profit before tax	**(73.3)**	**19.9**	(93.2)
Tax	**13.5**	**(2.9)**	+16.4
- Effective tax rate %	**18.4%**	**14.6%**	
Non-controlling interests	**(3.8)**	**-**	(3.8)
Attributable (loss)/profit	**(63.6)**	**17.0**	(80.6)
EPS p	**(5.3)p**	**1.4p**	(6.7)p
Statutory			
Non-GAAP adjustments	**(26.8)**	(207.0)	+180.2
Operating loss	**(16.4)**	(118.1)	+101.7
Net finance costs	**(83.7)**	(69.0)	(14.7)
Loss before tax	**(100.1)**	(187.1)	+87.0
Tax	**11.7**	14.2	(2.5)
Non-controlling interest	**(10.9)**	-	(10.9)
Loss after tax	**(99.3)**	(172.9)	+73.6
EPS p	**(8.3)p**	(14.3)p	+6.0p

→ Additional lease costs under IFRS 16 for Avanti West Coast and new trains in GWR

→ Minority interests held by Rail franchise partners (in SWR and AWC)

→ Strategy costs, Rail Termination Sums, amortisation of other intangible assets

[1] Before other intangible asset amortisation charges and certain other items

Divisional performance

	Revenue		Operating profit[1]		Operating margin[1]	
	H1 2020	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019
£m						
First Student	**404.4**	851.6	**(50.3)**	16.8	**(12.4)%**	2.0%
First Transit	**484.5**	588.7	**13.4**	12.7	**2.8%**	2.2%
Greyhound	**159.8**	335.4	**(15.8)**	8.1	**(9.9)%**	2.4%
First Bus	**311.0**	424.5	**17.4**	21.2	**5.6%**	5.0%
Group items	**8.3**	8.2	**(13.7)**	(18.4)		
Road divisions	**1,368.0**	2,208.4	**(49.0)**	40.4	**(3.6)%**	1.8%
First Rail	**1,733.6**	1,323.5	**59.4**	48.5	**3.4%**	3.7%
Total Group	**3,101.6**	3,531.9	**10.4**	88.9	**0.3%**	2.5%
$m[2]						
First Student	**509.6**	1,078.3	**(66.7)**	24.9	**(13.1)%**	2.3%
First Transit	**613.9**	740.6	**17.1**	16.2	**2.8%**	2.2%
Greyhound	**202.9**	422.0	**(19.3)**	10.1	**(9.5)%**	2.4%
North America	**1,326.4**	2,240.9	**(68.9)**	51.2	**(5.2)%**	2.3%

[1] Before other intangible amortisation charges and certain other items
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

EBITDA by division

	Revenue		EBITDA[1]		EBITDA margin[1]	
	H1 2020	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019
£m						
First Student	**404.4**	851.6	**65.0**	127.7	**16.1%**	15.0%
First Transit	**484.5**	588.7	**30.9**	29.0	**6.4%**	4.9%
Greyhound	**159.8**	335.4	**(0.9)**	35.2	**(0.6)%**	10.5%
First Bus	**311.0**	424.5	**48.1**	54.3	**15.5%**	12.8%
Group items	**8.3**	8.2	**(11.9)**	(16.0)		
Road divisions	**1,368.0**	2,208.4	**131.2**	230.2	**9.6%**	10.4%
First Rail	**1,733.6**	1,323.5	**333.8**	204.0	**19.3%**	15.4%
Total Group	**3,101.6**	3,531.9	**465.0**	434.2	**15.0%**	12.3%
$m[2]						
First Student	**509.6**	1,078.3	**79.1**	164.3	**15.5%**	15.2%
First Transit	**613.9**	740.6	**39.3**	36.8	**6.4%**	5.0%
Greyhound	**202.9**	422.0	**(0.6)**	44.0	**(0.3)%**	10.4%
North America	**1,326.4**	2,240.9	**117.8**	245.1	**8.9%**	10.9%

[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

First Student

$m	H1 2020	H1 2019	Change in CCy[1]
Revenue	**509.6**	1,078.3	(52.6)%
Operating profit[2]	**(66.7)**	24.9	n/m
Margin %	**(13.1)%**	2.3%	(1,490)bps

$m	Revenue	Operating profit[2]
H1 2019	**1,078.3**	**24.9**
Revenue reduction net of recoveries	(568.7)	(568.7)
Drivers and fuel	-	+407.3
Maintenance, insurance depreciation and other	-	+65.3
Fixed cost savings	-	+4.5
H1 2020	**509.6**	**(66.7)**

[1] Change in constant currency is based on retranslating H1 2019 foreign currency amounts at H1 2020 rates
[2] Before other intangible amortisation charges and certain other items

First Transit

$m	H1 2020	H1 2019	Change in CCy[1]
Revenue	**613.9**	740.6	(17.0)%
Operating profit[2]	**17.1**	16.2	+3.6%
Margin %	**2.8%**	2.2%	+60bps

$m	Revenue	Operating profit[2]
H1 2019	**740.6**	**16.2**
Revenue reduction net of recoveries	(126.7)	(126.7)
Drivers and fuel	-	+99.3
Maintenance, insurance depreciation and other	-	+20.8
Fixed cost savings	-	+4.0
Prior year legal judgements	-	+3.5
H1 2020	**613.9**	**17.1**

[1] Change in constant currency is based on retranslating H1 2019 foreign currency amounts at H1 2020 rates
[2] Before other intangible amortisation charges and certain other items

Greyhound

$m	H1 2020	H1 2019	Change in CCy[1]
Revenue	**202.9**	422.0	(52.0)%
Operating profit[2]	**(19.3)**	10.1	n/m
Margin %	**(9.5)%**	2.4%	(1,230)bps

$m	Revenue	Operating profit[2]
H1 2019	**422.0**	**10.1**
Revenue reduction	(284.1)	(284.1)
5311(f) funding	+65.0	+65.0
Drivers and fuel	-	+69.6
Maintenance, insurance, depreciation and other	-	+89.0
Fixed cost savings	-	+31.1
H1 2020	**202.9**	**(19.3)**

[1] Change in constant currency is based on retranslating H1 2019 foreign currency amounts at H1 2020 rates
[2] Before other intangible amortisation charges and certain other items

First Bus

£m	H1 2020	H1 2019	Change in CCy[1]
Revenue	311.0	424.5	(26.8)%
Operating profit[2]	17.4	21.2	(18.0)%
Margin %	5.6%	5.0%	+60bps

£m	Revenue	Operating profit[2]
H1 2019	424.5	21.2
Discontinued	(15.6)	-
Net revenue reduction	(97.9)	(97.9)
Drivers and fuel	-	+81.6
Maintenance, insurance, depreciation and other	-	+9.8
Fixed costs	-	+2.7
H1 2020	311.0	17.4

1 Change in constant currency is based on retranslating H1 2019 foreign currency amounts at H1 2020 rates
2 Before other intangible amortisation charges and certain other items

First Rail

£m	H1 2020	H1 2019	Change
Revenue	**1,733.6**	1,323.5	+31.0%
Operating profit[1]	**59.4**	48.5	+22.5%
Margin %	**3.4%**	3.7%	(30)bps

Like-for-like passenger revenue, six months to	Sep 2020	Mar 2020	Sep 2019	Mar 2019
Great Western Railway (GWR)	**(85.6)%**	(1.3)%	5.7%	5.6%
TransPennine Express (TPE)	**(84.6)%**	(5.5)%	4.7%	6.9%
South Western Railway (SWR)	**(88.0)%**	(8.8)%	4.1%	8.4%
Hull Trains	**(96.3)%**	7.0%	4.1%	4.0%
Total	**(86.0)%**	(5.1)%	4.9%	7.0%

- Like-for-like volume decreased by 80.1% in the six months to September 2020

[1] Before other intangible amortisation charges and certain other items

Current diesel hedge position

Year to 31 March	UK			North America		
	2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Annual volume (barrels 'm)	1.5m	1.7m	1.7m	0.6m	1.2m	1.4m
% hedged	62%	41%	9%	73%	21%	5%
Crude rate ($/barrel)	$63.33	$61.73	$50.38	$63.26	$65.35	$60.15
Diesel rate ($/barrel)	$75.97	$73.62	$62.88	$79.04	$80.98	$76.04
Equivalent cost per litre	35.4p	34.8p	30.2p	49.7¢	50.9¢	47.8¢

	First Bus	First Rail	First Student	First Transit	Greyhound	**Total**
Annual volume (barrels 'm)	0.6m	0.9m	0.3m	0.1m	0.2m	**2.1m**

- 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, $1.33 and $1.31 : £1.00 in 2020/21 to 2022/23
- North America annual volume excludes c.1.5m barrels provided by customers or protected by contract escalators

Foreign exchange

- Higher US Dollar compared to March balance sheet date:

	30 Sep 2020	31 Mar 2020	30 Sep 2019
Closing rate for the balance sheet US$	**$1.27**	$1.25	$1.23
Closing rate for the balance sheet CAN$	**$1.71**	$1.74	$1.63

- Exchange rates comparable to prior period effective rate:

	Six months to 30 Sep 2020	Year to 31 Mar 2020	Six months to 30 Sep 2019
Effective rate US$ earnings	**$1.30**	$1.29	$1.34
Effective rate CAN$ earnings	**$1.72**	$1.72	$1.84

- "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 2020	H1 2019
Bonds	**27.5**	28.2
Bank borrowings	**9.2**	8.7
Loan notes	**-**	0.6
CCFF (Commercial paper)	**0.9**	-
Senior unsecured loan notes	**4.7**	4.7
Lease interest	**36.7**	17.4
Notional interest on long term provisions	**2.5**	5.9
Notional interest on pensions	**3.8**	4.7
Investment income	**(1.6)**	(1.2)
Net finance costs	**83.7**	69.0

Taxation, £m	H1 2020	H1 2019
Current tax	**6.6**	0.5
Deferred tax	**(18.3)**	(14.7)
Tax credit	**(11.7)**	(14.2)
Tax paid	**0.8**	2.0
Tax rate on adjusted profit before tax %	**18.4%**	14.6%

Total capital expenditure and acquisitions

£m	Cash		Fixed asset / software additions (including acquisitions)	
	H1 2020	H1 2019	**H1 2020**	H1 2019
First Student[1]	**28.7**	84.1	**110.0**	135.9
First Transit	**18.6**	16.4	**16.1**	14.9
Greyhound	**0.8**	28.2	**1.4**	26.5
First Bus	**10.2**	13.9	**9.7**	6.8
First Rail	**70.4**	51.9	**58.8**	49.8
Group items	**0.7**	2.0	**0.4**	2.0
Total	**129.4**	196.5	**196.4**	235.9

- In addition, during the period we entered into leases in the Road divisions with capital values in First Student of £24.5m (H1 2019: £48.9m), First Transit of £10.4m (H1 2019: £0.1m), Greyhound of £0.4m (H1 2019: £6.2m), First Bus of £0.4m (H1 2019: £5.2m) and Group items £0.2m (H1 2019: £0.1m)

Greyhound net asset value

As at 30 September 2020	$m	£m
Non-current assets	219.9	172.5
Net current liabilities (ex pensions, self-insurance, leases below)	(0.5)	(0.4)
Finance leases included in net debt	(25.6)	(19.7)
IFRS 16 right of use assets	23.2	18.2
IFRS 16 lease liabilities included in net debt	(87.8)	(68.9)
	129.1	**101.7**
Legacy pension deficit (IAS 19 basis)	(232.1)	(182.1)
Legacy self-insurance provision	(140.6)	(110.3)
	(243.6)	**(190.7)**

Defined Benefit pensions

- Net pension deficit (IAS 19 accounting basis) of £313.4m (Mar 2020) increased to £359.9m (Sep 2020), principally due to declining yields, partially offset by higher investment returns than expected

£m	*First Bus and Group schemes*	*First Bus LGPS schemes*	**UK (non-Rail) total**	**North America schemes**	**Total non-Rail DB schemes**
Accounting position as at 30 Sep 2019	*(204)*	*49*	(155)	(172)	(327)
Income statement cost	*(8)*	*(4)*	(12)	(14)	(26)
Employer contributions	*18*	*10*	28	3	31
Change in assumptions – demographic, financial	*(49)*	*10*	(39)	(59)	(98)
Excess return on assets[1]	*91*	*(20)*	71	(13)	58
Other items – experience, FX	*7*	*(19)*	(12)	19	7
Accounting position as at 30 Sep 2020	*(145)*	*26*	**(119)**	**(236)**	**(355)**

- Over the period, the Group has made progress in liquidity management and investment risk management
  - Canadian plans are currently being merged, to facilitate more effective funding strategy and improve efficiencies
  - Following the successful transfer of all Strathclyde obligations to the Aberdeen LGPS fund in 2019, we are very pleased with the recent annuity buy-in that has locked down all pensioner risk in that fund
  - Consultation underway to close the Hull Trains Rail Section so that new liabilities are no longer being created
- To enhance liquidity some cash funding payable in H1 was deferred to H2, reflected in H1 balance sheet
- The last First Bus Scheme funding valuation concluded before the Government consultation on changes to RPI. We are studying the impact of consultation results published on 25 November 2020

[1] Excess return on assets includes adjustment for irrecoverable surplus in LGPS schemes

Pensions

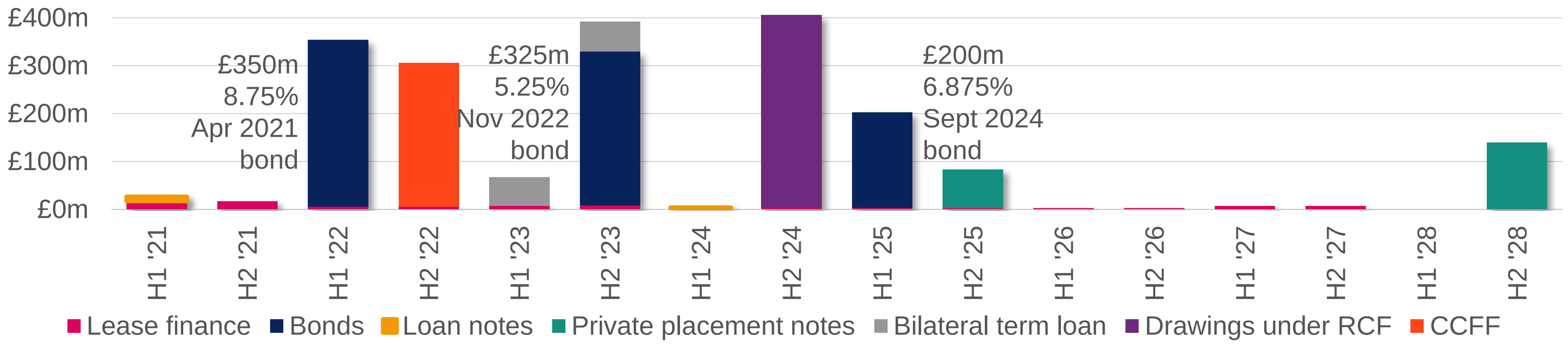
£m	Deficit			Cash contributions			P&L charge[1]		
	Sep 20	Mar 20	Sep 19	6m to Sep 20	12m to Mar 20	6m to Sep 19	6m to Sep 20	12m to Mar 20	6m to Sep 19
North America	**(236.7)**	(218.5)	(172.5)	**0.9**	20.6	**19.1**	**4.3**	8.7	4.5
First Bus	**(118.7)**	(92.6)	(154.8)	**16.7**	37.8	**25.2**	**5.3**	10.7	6.4
First Rail	**(4.5)**	(2.3)	(3.8)	**25.9**	45.6	**18.3**	**25.9**	45.7	18.4
Total	**(359.9)**	(313.4)	(331.1)	**43.5**	104.0	**62.6**	**35.5**	65.1	29.3

- First Bus Scheme 2019 valuation was finalised in H1, reducing the period for reaching full funding on a Technical Provisions basis to an expected 10 yrs. A framework for reaching a long-term funding target whilst progressively de-risking was also agreed with the trustees
- Aberdeen LGPS 2020 valuation will be finalised in H2, and is expected to remain in surplus following the annuity buy-in
- The next funding valuations in the UK will be the Group Scheme (2021) and Bus Scheme & English LGPS (2022)
- The Bus and Group Schemes are supported by parent company funding guarantees
- Only a small number of remaining active members in the two LGPS funds continue to accrue benefits in the UK bus division
- Rail Pension Scheme trustee expects to conclude the 2019 valuation by the statutory deadline of 31 March 2021. Rail Pension Scheme IAS 19 accounting position as at 30 September 2020 £(4.5)m (Sep 2019: £(3.8)m)

[1] Service costs excluding interest for defined benefit schemes

Liquidity and financing position

- Net debt: EBITDA was 1.5x (Mar 2020: 1.3x, Sep 2019: 1.5x) on bank covenant basis at half year end
- Net debt (ex-IFRS 16 operating leases) £815.2m (Sept 2019: £1,062.0m) at half year, with committed headroom under bank facilities plus net free cash: £965.6m (Sept 2019: £496.6m). Group also has £150m accordion on bank RCF and other uncommitted undrawn facilities
- The Group's three bonds outstanding have no financial covenants
- Investment grade credit rating of BBB- (with negative outlook) from S&P and Fitch
- Average maturity of bonds, loan notes and bank facilities (excl. IFRS 16 leases) is 2.8 years (Sept 2019: 3.8 years)
- c.91% of net debt ex-IFRS16 and RFC including swaps and forwards denominated in USD; c.61% gross debt at fixed interest rates



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