

# Interim Results

For the six months ended 30 June 2005

28 July 2005

# Phil White

## Chief Executive

# HALF YEAR HIGHLIGHTS

- Strong financial performance
- Growth in earnings and dividend
- Delivering premier league performance
- Innovation driving passenger growth
- Disposal of Public Transit to Connex
- Record bid season in North America
- Shareholder value enhanced

# Adam Walker

## Finance Director

# FINANCIAL HIGHLIGHTS (1)

- Strong financial results
  - Margin improvement
  - Costs controlled
  - Cash flow generation
  - Shareholder value
- IFRS restatement presented in June

# FINANCIAL HIGHLIGHTS (2)

- Turnover £1.1bn (2004\*: £1.2bn)
- Normalised operating profit up 26.5% to £67.3m (2004\*: £53.2m)
- Normalised profit before tax of £58.1m up 47.5% (2004\*: £39.4m)
- Normalised diluted EPS of 31.3p up 44.9% (2004\*: 21.6p)
- Interim dividend of 10.0p up 7% (2004 : 9.35p)
- Net debt of £143.3m (2004 : £136.6m)
- Operating cash flow of £105.1m (2004 : £150.0m)

\* Restated under IFRS

# GROUP INCOME STATEMENT

	2005 £m	2004* £m
<b>Revenue</b>	<b>1,077.7</b>	<b>1,157.9</b>
<b>Normalised operating profit</b>	<b>67.3</b>	<b>53.2</b>
Loss from associates	(4.4)	(4.3)
Interest	(4.8)	(9.5)
<b>Normalised profit before tax</b>	<b>58.1</b>	<b>39.4</b>
Exceptional items	(0.3)	(5.3)
Goodwill & intangible asset amortisation	(18.3)	(17.2)
<b>Profit before tax</b>	<b>39.5</b>	<b>16.9</b>
Taxation	(14.7)	(7.2)
<b>Profit after tax</b>	<b>24.8</b>	<b>9.7</b>
(Loss)/Profit from discontinued operations	<b>(57.5)</b>	4.6
	<b>(32.7)</b>	14.3

\* Restated under IFRS

# DIVISIONAL OPERATING PROFIT AND MARGIN

	Operating profit		Operating margin	
	2005 £m	2004* £m	2005 %	2004* %
Coaches	4.1	2.1	4.5	2.4
Buses	18.2	19.6	14.3	17.0
Trains	27.1	15.0	3.7	1.8
North America - continuing	22.6	20.6	18.3	17.8
Central functions	(4.7)	(4.1)	-	-
	<b>67.3</b>	<b>53.2</b>	<b>6.2</b>	<b>4.6</b>

\* Restated under IFRS



# TRAINS FINANCIAL PERFORMANCE

- MML - impact of CTRL blockade; introduction of new trains
- Central - 6% passenger growth; new trains introduced
- Wessex - improved financial performance
- Gatwick - strong passenger growth reduces losses
- 'one' - 6-month contribution; passenger revenue on budget; integration on track
- Silverlink - new trains introduced; routes transferred to Central
- c2c - top line focus
- GN - strong passenger growth

# DIVISIONAL CASH FLOW

	UK Coaches £m	UK Buses £m	UK Trains £m	North America £m	Central Functions £m	Total £m
Normalised operating profit	4.1	18.2	27.1	22.6	(4.7)	67.3
Normalised operating profit from discontinued operations	-	-	-	2.7	-	2.7
Depreciation/ amortisation of FA grants/ profit on disposal/ share based payments	2.4	7.6	6.5	10.9	1.0	28.4
EBITDA	6.5	25.8	33.6	36.2	(3.7)	98.4
Working capital movement	1.1	(0.1)	20.1	2.9	12.9	36.9
Eurostar	-	-	-	-	(1.7)	(1.7)
Net cash inflow from operations	7.6	25.7	53.7	39.1	7.5	133.6
Net capital expenditure	(0.6)	(2.1)	(13.1)	(12.6)	1.0	(27.4)
Operating cash flow before one-offs	7.0	23.6	40.6	26.5	8.5	106.2
Other items						(1.1)
Operating cash flow						105.1

# MOVEMENT IN NET DEBT

	2005 £m
Net Debt at 1 January	(136.6)
Operating cash flow	105.1
Interest	(13.9)
Taxation	(10.3)
Dividend	(28.1)
Shares and investments	(27.2)
<b>Cash inflow before acquisitions and disposals</b>	<b>25.6</b>
Acquisitions and disposals	(19.9)
Currency translation	(12.4)
<b>Net Debt at 30 June</b>	<b>(143.3)</b>

# IFRS

- Restatement of 2004 results published 27 June
- Treatment of RPS under IAS 19
- One-off impact to UK Bus under IFRS 2 in 2005
- Overall financial impact minimal
- No significant earnings volatility anticipated



# COACHES

- Strong passenger growth of over 5%
- Further roll-out of best value fares
- Continued migration to direct distribution channels
- Investment in coach station facilities
  - Heathrow
  - Digbeth
- Development of new DDA coach
- Consolidation of operating bases





# BUSES

- Relationships with local councils
- Growth from new service initiatives
- National concessionary fare scheme
- Driver recruitment campaign
- Acquisition of Tellings Golden Miller's London operations
- £1.3m kick-start financing for Travel Dundee





# TRAINS

- Premier league operational performance

# RAIL PERFORMANCE

Percentage of trains arriving on time	2004/5 Q3 %	2003/4 Q3 %
Midland Mainline	89.8	68.5
C2c	92.4	83.6
'one'	86.9	-
Silverlink	83.3	77.7
Wagn	86.6	79.8
Central Trains	67.2	67.8
Gatwick Express	83.4	78.6
Wessex Trains	83.1	79.6

# TRAINS

- Premier league operational performance
- Passenger growth of 4%
- Joint performance initiatives with Network Rail
- Rail bidding in full swing
- DfT franchise remapping
- SRA/ DfT discussions relating to MML, Central, Silverlink and Gatwick





# NORTH AMERICA

- Strategic Review
- Disposal of Public Transit operation
- Record bid season completed
- Renewal rates remain high
- Process re-engineering project underway
- Relocation of Head Office

# SUMMARY

- Disposal of Public Transit
- Half year in line with expectations
- Strong cash flow and low debt facilitate growth opportunities
- Seeking acquisitions in core businesses
- Strategy to enhance shareholder value
  - Top line growth
  - Investment in facilities
  - Customer service initiatives
  - Dividend policy
  - Buy-back programme
  - Accretive acquisitions

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