


Go-Ahead Half Year Results

for the six months ended 31 December 2011

23 February 2012

HALF YEAR RESULTS OVERVIEW

- Robust trading in the first half; results in line with management expectations
- Continued growth in bus volumes across all companies, helped by roll-out of smartcards
- Strong underlying rail performance with passenger journey growth in all franchises
- Underlying profit growth; previous first half included £9m of one-off rail contract management benefits
- Strong cash management and robust balance sheet
- Decrease in underlying net debt despite significant investment in new buses
- Maintained interim dividend at 25.5p
- Remain cautious about wider economic outlook

KEITH DOWN

Group Finance Director

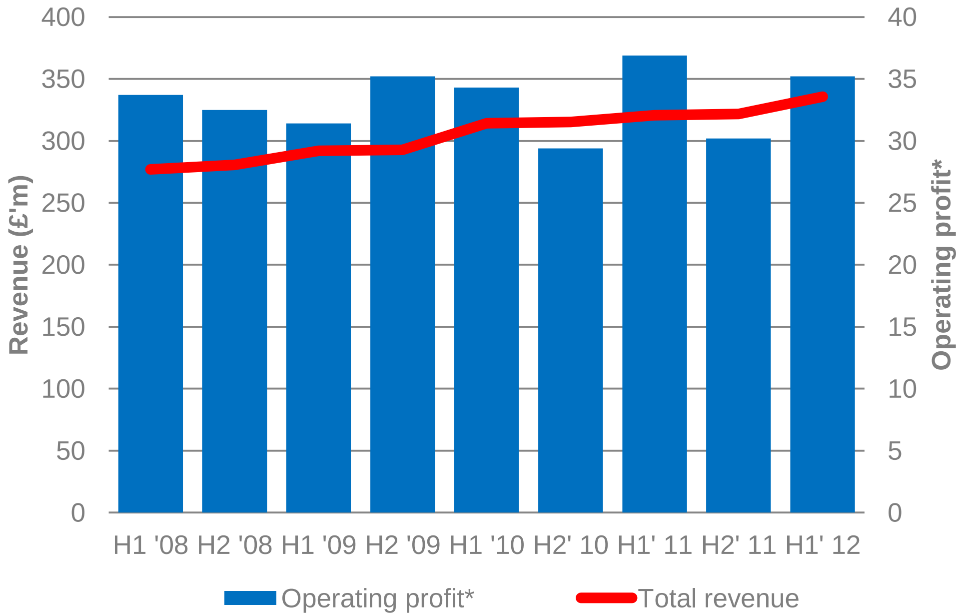
ROBUST TRADING IN BUS AND RAIL

	Operating profit* H1'11 £'m	One-off benefits H1'11 £'m	Like-for-like Variance £'m	Operating profit* H1'12 £'m
Deregulated bus	18.5	–	(0.5)	18.0
Regulated bus	18.4	–	(1.2)	17.2
Total bus	**36.9**	–	(1.7)	**35.2**
Rail	22.1	(9.0)	3.4	16.5
Total	**59.0**	**(9.0)**	**1.7**	**51.7**

- Overall trading for the Group in line with management expectations
- Group revenue up 5.9%
- Underlying operating profit* up £1.7m. Previous first half included £9m one-off rail contract management benefits
- Record half year bus profits last year

* Before amortisation and exceptional items

BUS HALF YEARLY TRENDS

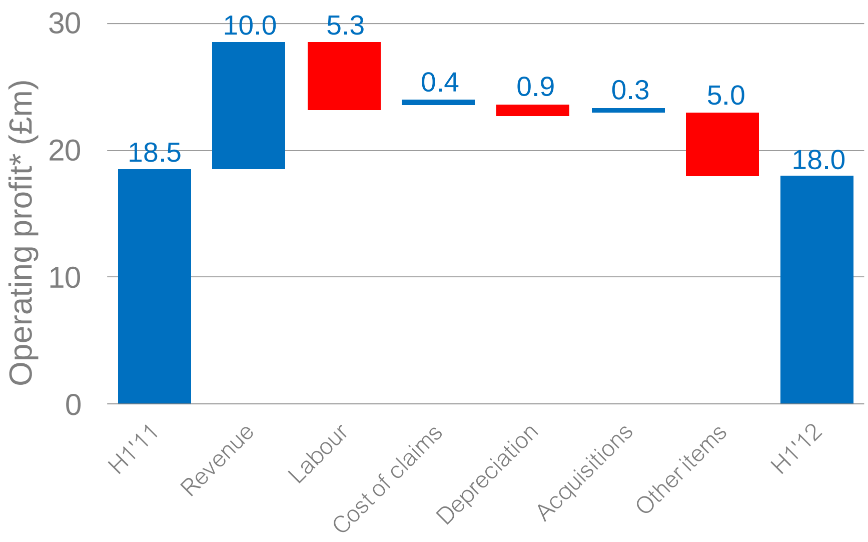


Lfl change#	H1'12	H1'11	FY 11
Deregulated (outside of London)			
Revenue	5.0%	5.2%	5.1%
Passengers	3.6%	1.8%	2.3%
Regulated (London)			
Revenue	3.0%	(4.9%)	(2.3%)
Mileage	1.8%	0.4%	(0.6%)
QICs	£3.1m	£4.4m	£8.0m

- All companies reported underlying growth – from both concessionary and fare paying passengers
- Continuing trend in uptake of period passes – reduces average yield per passenger but provides opportunity for long term growth through customer loyalty
- Regulated mileage up as expected. QICs down due to tougher targets and roadworks
- Invested heavily in new buses, reflecting contract wins in London and enhancing deregulated operations – leased 120 buses, purchased 198 buses

* Before amortisation and exceptional items
# Like-for-like excludes acquisitions. H1'11 also adjusts for the 26 weeks in H1'10

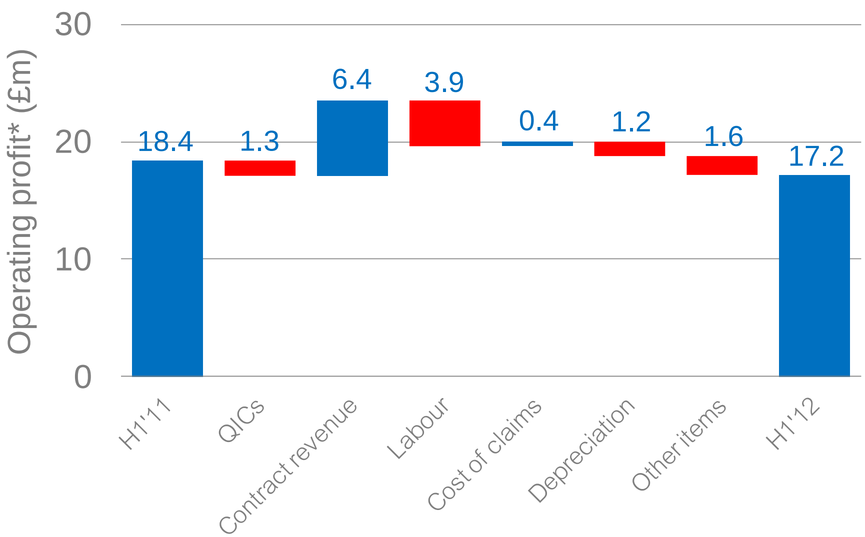
DEREGULATED BUS PROFIT BRIDGE: H1'12 v H1'11



- Operating profit* down £0.5m to £18.0m
- Strong organic revenue growth, partly offset by increase in labour costs
- Expected contribution from acquisitions – Thames Travel £0.3m
- No change in underlying fuel costs
- Reduction in insurance claim costs
- Increased costs resulting from implementation of a new contract
- Taking necessary management action to mitigate costs going forward
- Operating margin reduced from 12.8% to 11.7%. In line with FY'11 margin

* Before amortisation and exceptional items

REGULATED BUS PROFIT BRIDGE: H1'12 v H1'11



- Operating profit* down £1.2m to £17.2m
- Good contribution from new contracts, partly offset by labour costs
- Reduction in insurance claim costs
- QICs down £1.3m
- No change in underlying fuel cost
- Operating margin reduced from 10.5% to 9.5%. In line with FY'11 margin

* Before amortisation and exceptional items

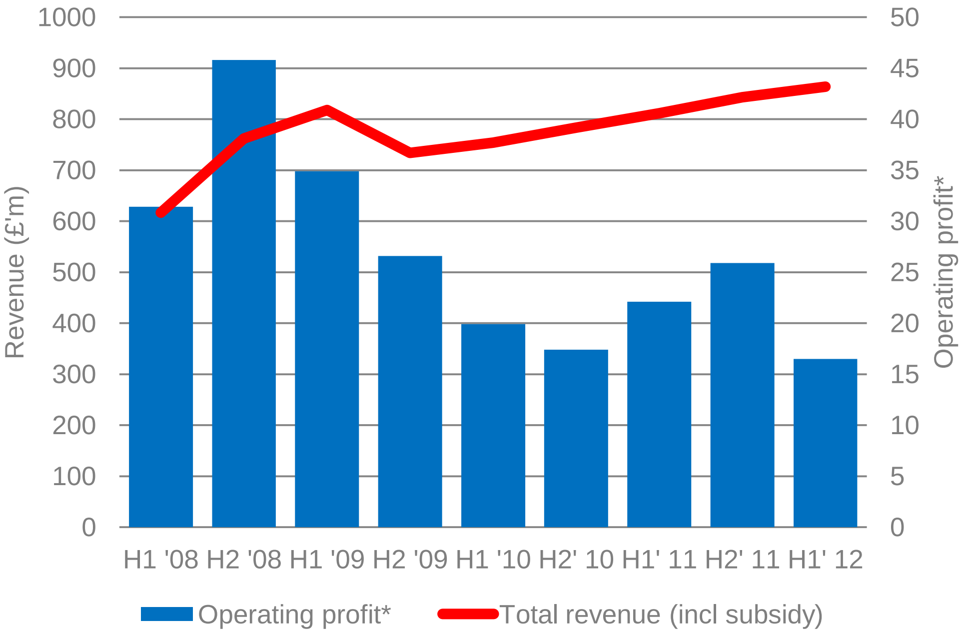
BUS: FUEL

Fuel hedging prices	FY’09	FY’10	FY’11	FY’12	FY’13	FY’14
% hedged	Fully	Fully	Fully	Fully	74%	39%
Price (pence per litre)	43	47	41	41	49	51
Usage (m litres pa)	110	115	115	115	116	116
£’m cost	47	54	47	47	57*	59*

- FY’12 - fuel fully hedged at same price as FY’11
- FY’13 - expected increase in fuel costs of c£10m
- Bus Service Operators Grant (BSOG) - 20% reduction from April 2012
  - FY’12 impact c£1.6m, reduction partly offset by smartcard subsidy
  - FY’13 impact c£9.6m
- FY’13 headwinds manageable - around 3% of bus revenue
  - Contract tender bids in London now reflect BSOG reduction
  - Yield benefits to offset reduced subsidy

* Assuming hedging completed at same average price

RAIL: HALF YEARLY TRENDS

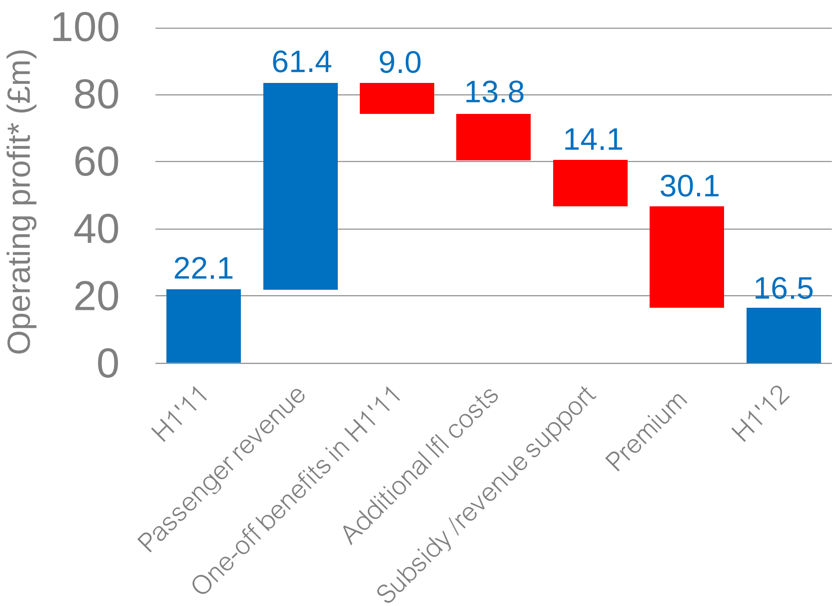


Lfl change#	H1'12	H1'11	FY'11
Southern			
Revenue	+9.0%	+7.1%	+8.6%
Passengers	+3.1%	+3.4%	+2.3%
Southeastern			
Revenue	+8.8%	+12.0%	+8.4%
Passengers	+3.3%	+5.6%	+5.0%
London Midland			
Revenue	+14.0%	+7.1%	+8.6%
Passengers	+11.5%	+4.3%	+7.2%

- Strong passenger and revenue growth, especially In London Midland our smallest franchise
- Southern**:** Profits in line with management expectations (eligible for revenue support September 2013)
- Southeastern**:** Remains in 80% revenue support
- London Midland: Eligible for revenue support but not required due to strong performance. Passenger growth expected to fall in second half as we lap strong prior year comparatives

* Before amortisation and exceptional items
# Like-for-like in H1'11 adjusts for the 26 weeks in H1'10

RAIL OPERATING PROFIT* BRIDGE H1'12 v H1'11



- Lfl passenger revenue increased by 9.6%, offsetting changes in subsidy/premium
- Prior period included £9m of one-off contract management benefits
- Reduced subsidy in Southeastern and London Midland in line with bid
- Premium increase in Southern in line with bid
- From April 2012, overall the rail division will be a net contributor to the DfT

* Before amortisation and exceptional items

SUMMARY INCOME STATEMENT

£'m	H1'12	H1'11	*Variance*
Revenue	1,199.5	1,132.2	*67.3*
Operating profit*	**51.7**	**59.0**	***(7.3)***
Net finance costs	(7.7)	(8.3)	*0.6*
Profit before tax*	**44.0**	**50.7**	***(6.7)***
Amortisation	(4.8)	(5.1)	0.3
Exceptional items	-	(0.6)	*0.6*
Profit before tax	**39.2**	**45.0**	***(5.8)***
Tax	(8.6)	(9.7)	*1.1*
Profit for the year	**30.6**	**35.3**	***(4.7)***
Profit from discontinued operations	-	1.2	*(1.2)*
Non-controlling interests	(4.3)	(5.3)	*1.0*
Profit attributable to members	**26.3**	**31.2**	***(4.9)***

Adjusted, continuing eps (p)	**67.4**	**77.1**	**(9.7)**
Total dividend per share (p)	**25.5**	**25.5**	**–**

→ Finance costs down due to hedging movement

→ No exceptional items this year
Comparative relates to accelerated depreciation of articulated London buses

→ Effective tax rate 26.8% (FY'11 26.2%)

→ Aviation

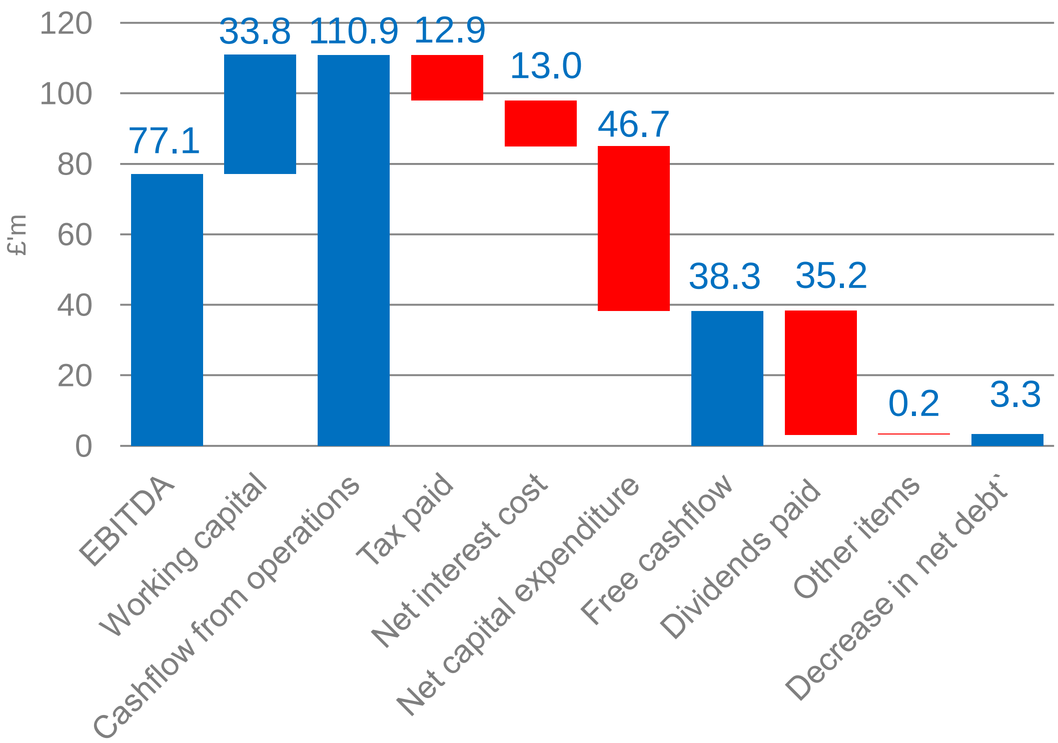
→ 35% Keolis rail holding

→ In line with profits before tax

→ Dividend maintained
Payable13 April

* Before amortisation and exceptional items

CASHFLOW ANALYSIS#

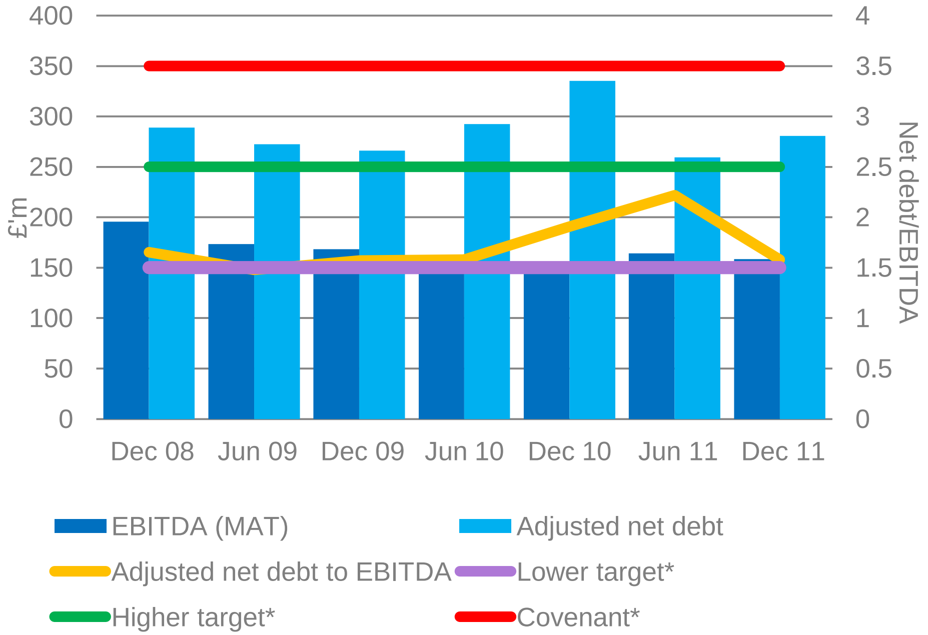


- Cashflow analysis excludes a temporary rolling stock deposit which was reimbursed in January 2012
- **Positive working capital movements,** primarily due to timing of rail contract payments.
- Expect around half working capital movements to reverse in H2'12
- **Increased bus capital expenditure:** £42.8m (H1'11: £13.9m) - new contract wins in London and enhancing dereg fleet. FY'12 expect c. £65m
- Rail capex £4.5m (H1'11: £10.6m). FY'12 expect c. £15m

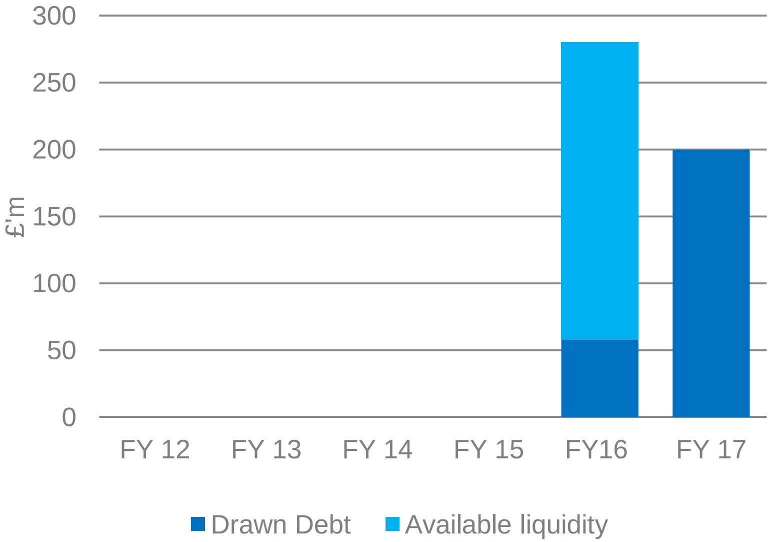
Cashflow analysis excludes the temporary rolling stock deposit which was reimbursed in January 2012

BALANCE SHEET AND LIQUIDITY

Adjusted Net Debt to EBITDA



Liquidity



- Adjusted net debt / EBITDA 1.77x, well within target range of 1.5x - 2.5x
- BBB- / Baa3 (stable) rating

- £198m of available liquidity
- Average duration over 5 years, balanced between bank and bond markets

* Targets and covenant refer to adjusted net debt to EBITDA

PENSIONS

Pensions (£'m)	H1' 12	H1' 11	FY'11
Assets	512.4	459.7	469.8
Liabilities	(554.3)	(530.3)	(529.7)
Net deficit	(41.9)	(70.6)	(59.9)
Less tax	10.5	19.0	15.6
Post tax deficit	(31.4)	(51.6)	(44.3)

Bus pensions:

- Net operating cost £2.2m (H1'11: £2.5m)
- 61% of assets held in bonds / cash (July 2011: 56%)
- Discount rate: 5.0% (H1'11 : 5.5%)
- +/- 0.1% discount rate = -/+ c£9.5m deficit

Rail pensions:

- Net operating cost of £14.4m (H1'11: £17.1m)
- Rail schemes to move from RPI to CPI
- Expect income statement benefit of £5m in 2012/13
- Assume cash contributions will also be reduced in due course
- Net deficit £12.3m (DfT guarantee any deficit after franchise end)
- Actuarial valuation taking place this year

DAVID BROWN

Group Chief Executive

Go-Ahead

H1'12 - STRONG PASSENGER GROWTH

- H1'12 – strong underlying volume growth in deregulated bus, against a flat market:
  - Growth across all companies – value for money fares
  - Strategic focus on more vibrant urban areas in South East
  - Innovative local marketing
  - Smart-ticketing – beginning of journey
- UK rail market – 2011 UK passenger numbers grew by 6%
  - Good underlying passenger and revenue growth in our three franchises in H1'11
  - London Midland volumes up 11.5%
  - Southeastern's high speed service - good growth
  - Increase in off-peak reduced-price tickets; online sales up 112% YTD
  - Operationally strong – Southeastern record breaking performance
- Modal shift continues – increasing cost of private car

	Go-Ahead dereg bus volumes (Lfl)	England (excl London) bus volumes*
H1'12	**3.6%**	0.2%
FY'11	**2.3%**	(1.9)%
FY'10	**3.2%**	(1.3)%
FY'09	**2.9%**	0.6%

*DfT figures for England excl London have been adjusted to correspond with Go-Ahead financial years. Note H1'12 figure is based on Q1'12 (Jul –Sept) as Q2 data (Oct – Dec) is not yet available from DfT.

DEREGULATED BUS (REGIONAL)

HIGHLIGHTS

- Focus on vibrant urban areas in South East
- Potential for further bolt-on acquisitions

	H1'12	H1'11	FY'11
Operating margin	**11.7%**	12.8%	11.6%
Revenue growth (Lfl)	**5.0%**	5.2%	5.1%
Passenger growth (Lfl)	**3.6%**	1.8%	2.3%

- Deregulated operations are mainly commercial
- Strategic focus on more vibrant urban areas, mainly in South East
- High quality operator with modern bus fleet
- 91% customer satisfaction - only operator to conduct independent annual survey
- February 2012 announced acquisition of Carousel, small bus operation in High Wycombe; further potential for bolt-on acquisitions
- Continued roll-out of smart-ticketing – driving organic growth
- Benefits of local management; leveraging Group scale
- BSOG reduction and increase in fuel price manageable
- Expect H2'12 performance to be robust, despite impact of contract implementation costs

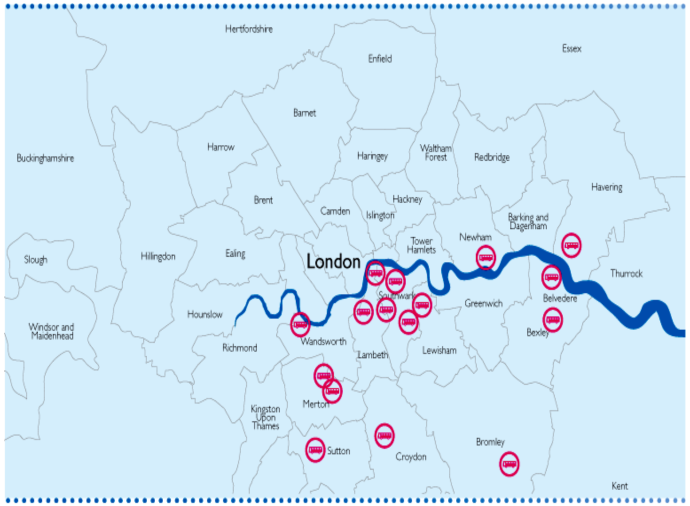
REGULATED (LONDON)

HIGHLIGHTS

- Sector leading margins
- High quality bus network vital to London

	H1'12	H1'11	FY'11
Operating margin	**9.5%**	10.5%	9.5%
Revenue growth (Lfl)	**3.0%**	(4.9)%	(2.3)%
Mileage growth (Lfl)	**1.8%**	0.4%	(0.6)%

- Our London bus operations remain market leading
- Good depot location
- FY'12 mileage expected to be around 3%
- High quality bus network vital to London
- Bus use linked to population growth
- Two Olympic contracts won



16 strategically located depots in London with 85% of capacity owned as freehold

North American Yellow School Bus

- In line with expectations – returning modest profit
- Continue to tender for contracts in the right areas at the right price

RAIL

HIGHLIGHTS

- UK's busiest operator
- Strong position in UK rail market

	H1'12	H1'11	FY'11
Operating margin	**1.9%**	2.7%	2.9%
Passenger revenue growth	**9.6%**	9.1%	8.5%
Passenger journey growth	**4.4%**	4.4%	4.2%

- 2012 marks the beginning of busy period for UK rail market
- Strong position with long-term partner Keolis
- Proven 15 year track record
- Busiest operator - 5,500 services a day
- Operate very busy and complicated networks
- We carry more passengers than most European countries
- Innovative - London Midland 110mph
- Alliancing with Network Rail:
    - Southeastern
    - Gatwick Airport Station now run by Southern
- Southern - Rail Business of the Year award
- Permanent bid team

CURRENT FRANCHISES:

	Govia split	Approx annual passenger revenue	Franchise renewal date
Southeastern	Go-Ahead 65% Keolis 35%	£500m	**March 2014**
Southern	Go-Ahead 65% Keolis 35%	£500m	**July 2015** Becomes part of Thameslink
London Midland	Go-Ahead 65% Keolis 35%	£200m	**September 2015**

SUBMITTED INITIAL BID DOCUMENTS FOR:

	Govia split	Approx annual passenger revenue	Franchise start date	Length of franchise
Thameslink	Go-Ahead 65% Keolis 35%	£1bn*	**September 2013**	**7 years**
Essex Thameside	Keolis 51% Go-Ahead 49%	£100m	**May 2013**	**15 years**

* Thameslink passenger revenue is expected to be around £1bn following the incorporation of Southern in July 2015

SUMMARY

FY’12 OUTLOOK

- Strong position in UK rail market with Keolis
- Look forward to shortlist announcement for Thameslink and Essex Thameside
- Remain cautious about wider economic outlook
- Whilst rail remains difficult to predict, expect H1’12 rail revenue growth to continue
- Expect robust performance in bus, despite impact of contract implementation costs
- Overall , anticipate FY’12 results in line with management expectations

INDUSTRY OUTLOOK

- Strong demand for public transport; good Government support for industry
- Rail franchise reform

OUR PRIORITIES

- Maintain strategic focus on bus and rail markets
- Drive organic growth through high quality services and targeted marketing
- Further bolt-on acquisitions in deregulated bus
- Strong financial discipline and maintaining dividend per share

APPENDIX

Go-Ahead

MODAL SHIFT CONTINUES

- The increasing costs of running a private car are impacting current motorists and potentially restricting the number of new drivers:
  - The cost of commuting by car rose 21% in 2011[1]
  - Insurance premiums for 17-20 year olds have risen 68% on average over the last five years, to £2,590[2]
  - Record numbers of young people now own a 16-25 Railcard, 60% up on five years ago[3]
  - The number of 17 to 22 year-olds taking their driving test has fallen by 19% since 2005 - a drop of more than 200,000 people[4]

1. Green Flag Survey – Nov 2011
2. Confused.com/Towers Watson – Jan 2012
3. ATOC – Jan 2012
4. BBC – Sept 2011

EUROPEAN PASSENGER VOUMES

	Annual passenger journeys (m)#
Germany	2,474
UK	1,421
France	1,123
Italy	590
Spain	537
Govia (Go-Ahead/Keolis)	**380**
Switzerland	369
The Netherlands	361
Poland	240
Belgium	239
Sweden	185
Denmark	182
18 other European countries	Below 180

Source Eurostat (2010 Q4 to 2011 Q3) – latest available data
Govia figure based on 2011/12 annual results