# PRELIMINARY RESULTS
## for the year ended 28 June 2008

Go-Ahead

# KEITH LUDEMAN

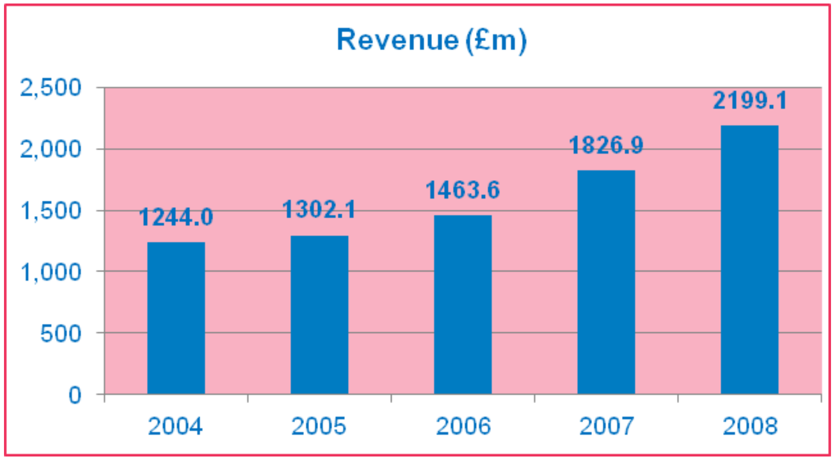
## Group Chief Executive

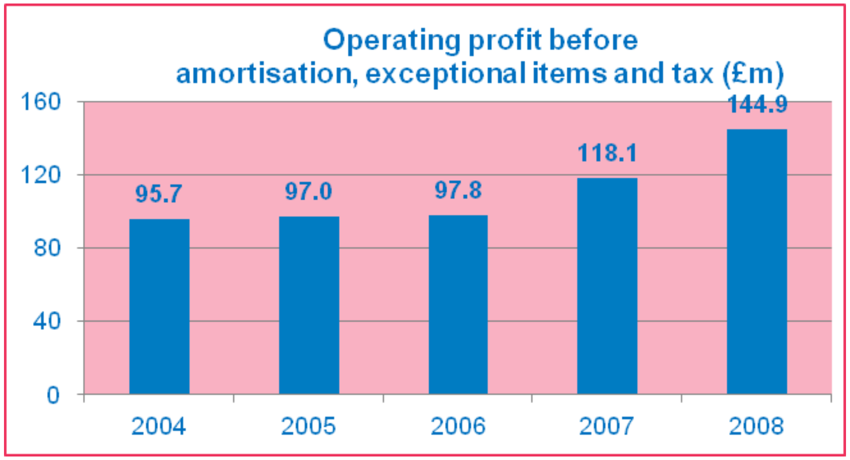
5 September 2008

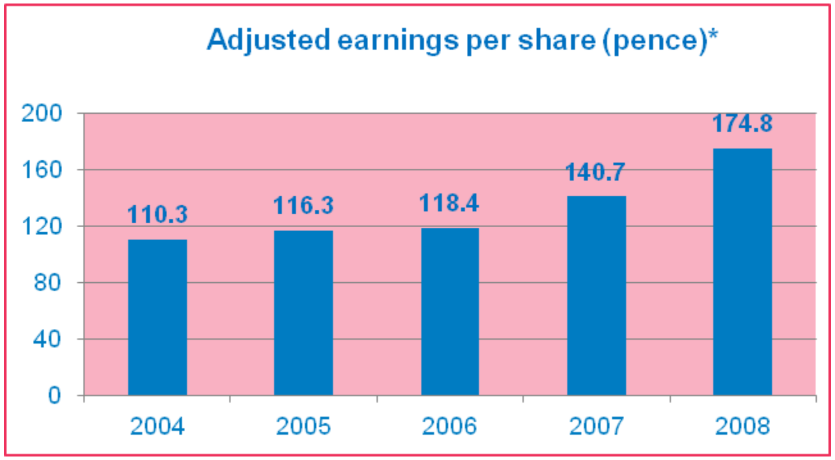
Go-Ahead

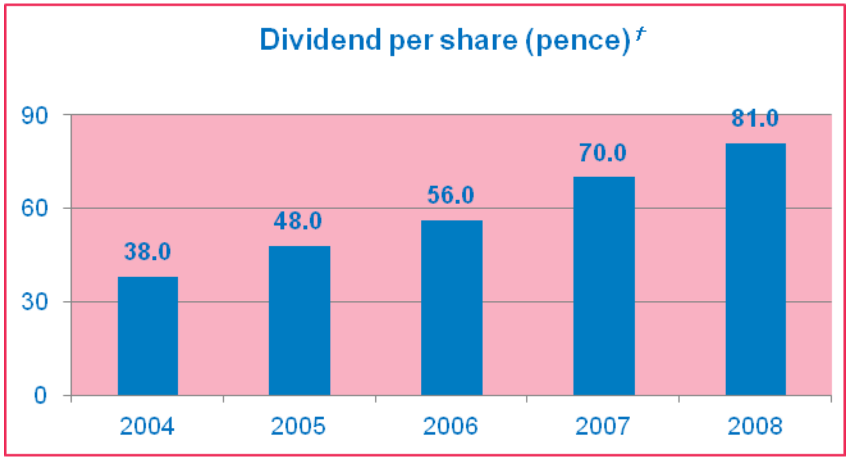
# 2007/08 – Another record year

Go-Ahead




Figures for 2005 to 2008 are based upon International Accounting Standards, 2004 is based upon UK GAAP
* before amortisation and exceptional items
† Includes interim dividen paid and final proposed dividend

# Highlights

Go-Ahead

Strategic developments:

- Addition of London Midland and Gatwick Express rail franchises
- Disposal of under-performing Go West Midlands bus operations
- Restructuring of aviation services
- De-risking our financing and pension schemes

Operational results:

- Increased operating profit* from all twelve of our business units
- Results above expectations: £7m rail settlements and accelerated demand growth
- Bus operating profit* margin up 1.0 ppt
- 100% bus fuel hedged to June 2009, 50% to June 2010
- Excellent levels of operating performance in rail, bus and aviation services
- Aviation services division restored to profit

* before amortisation and exceptional items

# Operating Profit* - Divisional Analysis

Go-Ahead

| Operating profit* | 2008 | 2007 | Variance | | Variance due to acquisitions / new franchise‡ | Organic growth |
|---|---|---|---|---|---|---|
| | | | | % | | |
| **Bus** | 66.2 | 55.8 | 10.4 | 18.6 | 1.5 | 8.9 |
| **Rail** | 77.2 | 66.1 | 11.1 | 16.8 | 6.3 | 4.8 |
| **Aviation services** | 1.5 | (3.8) | 5.3 | N/A | 0.3 | 5.0 |
| **Total** | 144.9 | 118.1 | 26.8 | 22.7 | 8.1 | 18.7 |
| **% growth** | | | 22.7% | | 6.9% | 15.8% |

* before amortisation and exceptional items
‡ includes full year contributions from prior year acquisitions

# Rail

Go-Ahead

Southern

- Strong growth: Passenger income +13.2%, passenger numbers + 6.7% (H1 6.1%)
- Record levels of operational performance: PPM over 90%, customer satisfaction 81%
- Improved network: Brighton-Southampton services, additional customer services, Gatwick Express
- Part of the Thameslink solution: Electrostar procurement, re-profiled profit share


Southeastern

- Strong growth: Passenger income +13.0%, passenger numbers +6.4% (H1 5.9%)
- Record levels of operational performance: PPM over 91%, customer satisfaction 79%
- December 2007 timetable
- High Speed Service preparation well advanced

London Midland

- Excellent start: Strong passenger/revenue growth; exceeding bid
- Good progress on meeting franchise obligations

**Revenue (£m)**

| | 2008 | 2007 |
|---|---|---|
| Southern | 557.1 | 518.6 |
| Southeastern | 581.6 | 550.9 |
| London Midland | 239.7 | - |
| Other | - | 1.8 |
| Total | 1,378.4 | 1,071.3 |

# London bus

Go-Ahead

Another year of significant growth:

- Revenue +12.4%, mileage operated +12.7%, passenger journeys +12.8%
- Half due to acquisitions (First Orpington and Blue Triangle)
- Rest due to tender wins and route enhancements
- Increased Quality Incentive bonuses: £13.7m (2007: £13.0m)
- Investment continued in people, systems and equipment
- Cost control, productivity focus maintained
- Margins held, despite higher fuel costs

# Deregulated bus

Go-Ahead

Go West Midlands sold February 2008:

- Underperforming operation

Improved operating profit in all five remaining businesses:

- Revenue +8.2%, passenger numbers + 2.9% (Q4 +4.9%)
- All delivering +99.5% mileage, 90% punctuality
- All continue to improve cost control, productivity
- Investment continued in buses, depots, people, equipment

Concessionary Fares scheme positive for Go-Ahead – 1 April 2008

**Revenue (£m)**

| | 2008 | 2007 |
|---|---|---|
| Go North East | 76.4 | 71.9 |
| Go South Coast | 66.8 | 61.3 |
| Metrobus# | 64.8 | 56.0 |
| Brighton & Hove | 45.4 | 42.7 |
| Oxford Bus Company | 30.1 | 28.4 |
| Go West Midlands† | 7.2 | 15.7 |
| Total | 290.7 | 276.0 |


\# Includes regulated and deregulated operations
† Sold in February 2008

# Aviation services

Go-Ahead

Ground handling:

- Revenue +12.7%, turnarounds +13.4%
- BA contract now working well, bmi contract extended to 2011
- Significant restructuring underway

Cargo:

- Revenue +4.2%, tonnages +4.7%
- Transfer of capacity from Gatwick to Heathrow

Meteor:

- Revenue +4.0%, transactions +9.7%
- Further diversification achieved: Nikaro +£0.3m profit
- Meet and Greet – new valet brand

**Revenue (£m)**

| | 2008 | 2007 |
|---|---|---|
| Ground Handling | 150.0 | 133.0 |
| Cargo | 45.9 | 44.1 |
| Meteor | 67.1 | 64.5 |
| Total | 263.0 | 214.6 |

# NICK SWIFT

Group Finance Director

5 September 2008

Go-Ahead

# Summary income statement:
*Strong finish to the year*

Go-Ahead

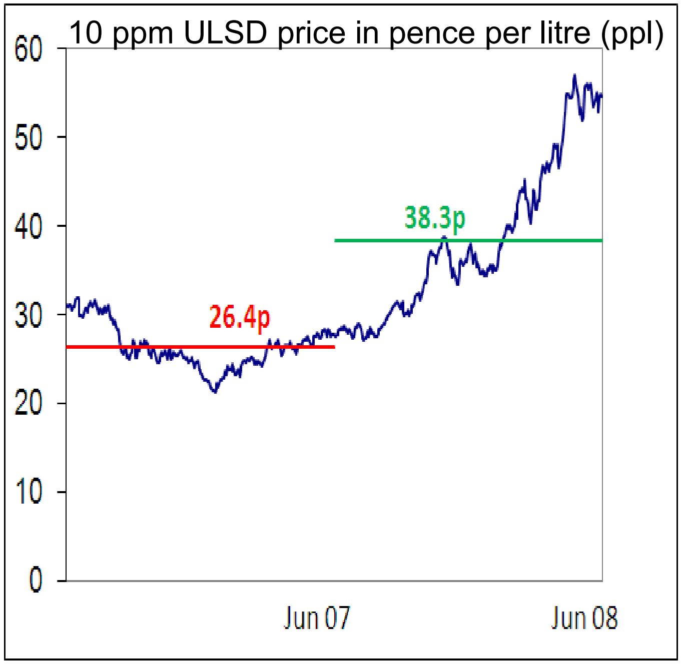
| £'m | 2008 | 2007 | Variance | % |
|---|---|---|---|---|
| Revenue | 2,199.1 | 1,826.9 | *372.2* | *20.4* |
| **Operating profit*** | **144.9** | **118.1** | ***26.8*** | ***22.7*** |
| Net finance costs | (13.8) | (8.0) | *(5.8)* | *72.5* |
| **Profit before tax*** | **131.1** | **110.1** | ***21.0*** | ***19.1*** |
| Amortisation | (11.6) | (8.4) | *(3.2)* | *38.1* |
| Exceptional items | (16.4) | (6.9) | *(9.5)* | *137.7* |
| **Profit before tax** | **103.1** | **94.8** | ***8.3*** | ***8.8*** |
| Tax | (26.3) | (23.6) | *(2.7)* | *11.4* |
| **Profit for the year** | **76.8** | **71.2** | ***5.6*** | ***7.9*** |

- Operating profit* ahead of expectations - rail settlements, strong demand
- Other items in line with expectation

* before amortisation and exceptional items

# Bus fuel:
*Reduced fuel risk*

Go-Ahead



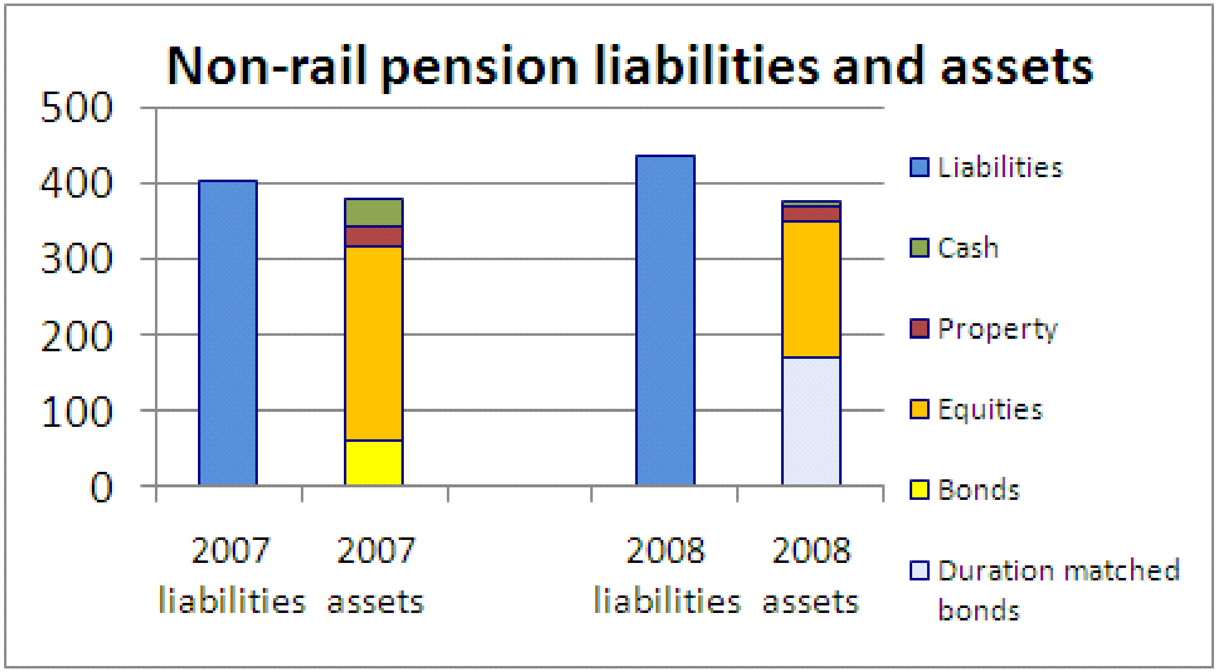

| | 2007 | 2008 | Variance | 2009 | Variance |
|---|---|---|---|---|---|
| Market price (ppl) | 26.4 | 38.3 | - | n/a | - |
| % hedged | - | 50% | - | 100% | - |
| Hedged price (ppl) | - | 29.0 | - | 43.0 | - |
| Cost to Go-Ahead (ppl) | 26.4 | 33.7 | 7.3 | 43.0 | 9.3 |
| Volume (approx, million litres) | 110 | 110 | - | 110 | - |
| Cost (£'m) | 29.0 | 37.0 | 8.0 | 47.3 | 10.3 |

- 100% hedged for 2008/09 at 43p; 50% for 2009/10 at 52p
- 2009 v 2008 cost increase of £10.3m equivalent to 1.8% of bus revenue
- Confident we will recover price increase in 2009 through consumption efficiency and fares
- Hedging policy to roll forward cover on a quarterly basis

# Pension costs:
*Reduced pension risk*

Go-Ahead

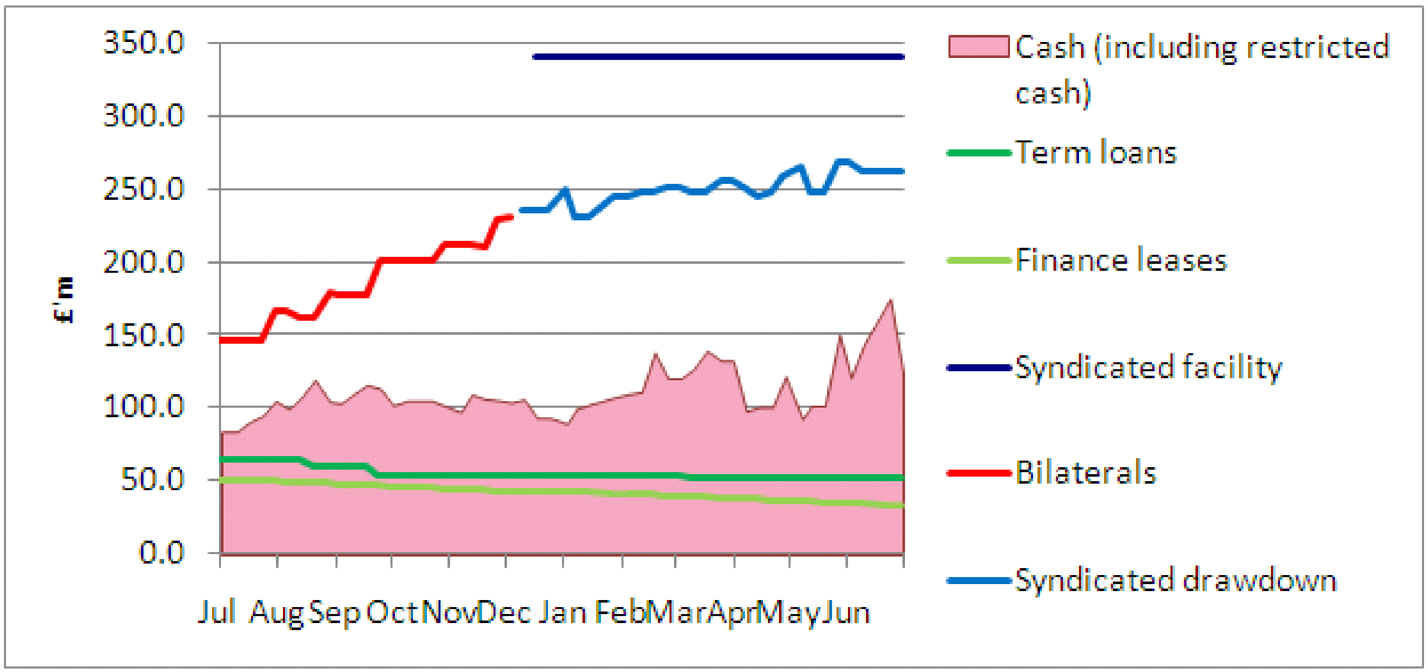
- Net non rail defined benefit pension cost £0.8m (2007: £5.5m) – expect £4m in 2009
- Non rail cash contributions of £16.0m (2007: £7.9m) – expect £8m in 2009
- Pre tax deficit £59.4m (2007: £24.5m) – sensitive to real discount rate +0.1% = +£8m
- Now de-risked to fund 40% of liability with duration matched bonds



# Finance costs:
*Reduced financing risk*

Go-Ahead

- Net finance costs £13.8m (2007: £8.0m) – expect c£15m in 2009
- Average net interest rate 6.4% (2007: 5.9%)
- 30% net debt fixed rate (2007: 65%)
- De-risked financing – five year facility to December 2012; £78m headroom at year end



# Exceptional items:
*Improved business structure*

Go-Ahead

| Exceptional items £'m | 2008 | 2007 |
|---|---|---|
| EC4T | - | (6.9) |
| Go West Midlands | (8.4) | |
| Aviation restructuring | (8.0) | - |
| **Exceptional items** | **(16.4)** | **(6.9)** |

- Go West Midlands consist of first half charge of £8.2m, plus onerous leases, deferred tax and net gain on sale in second half to total £8.4m
- Aviation restructuring expected to have a payback period of approximately one year. Includes £1.0m for cargo; rest is ground handling expected to be paid in H1 2008/09
- Both costs enhance the structural strength of our operations

# Other income statement items

Go-Ahead

**Amortisation:**

- Charge £11.6m (2007: £8.4m), increase due to London Midland
- Expect c£13m 2009

**Tax:**

- Tax charge 25.5% (24.4% excluding exceptionals)
- Effective tax rate for next year assumed to be 25-27%

**Minority interest**

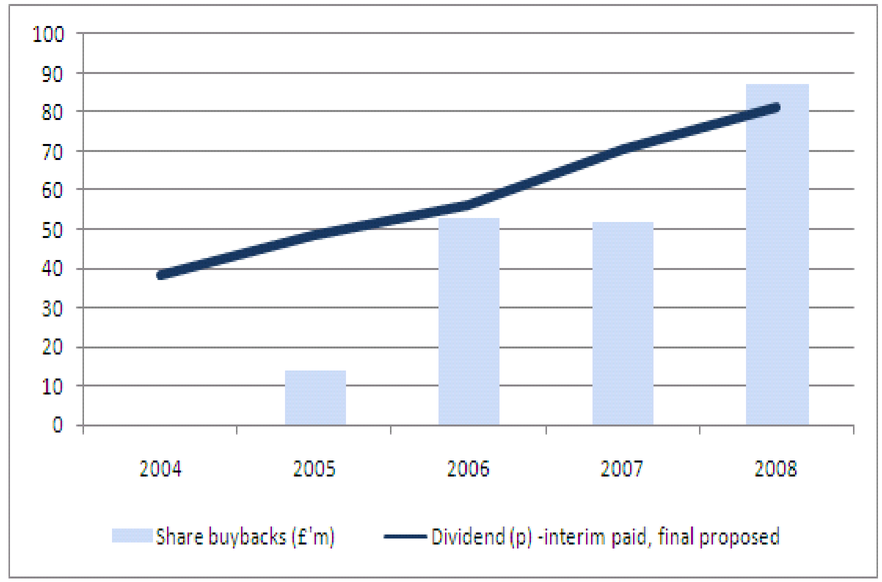
- £20.8m (2007: £12.6m) – increase reflects higher operating profit* and interest income
- Calculation in Appendix

* before amortisation and exceptional items

# Earnings per share, buybacks and dividends

Go-Ahead

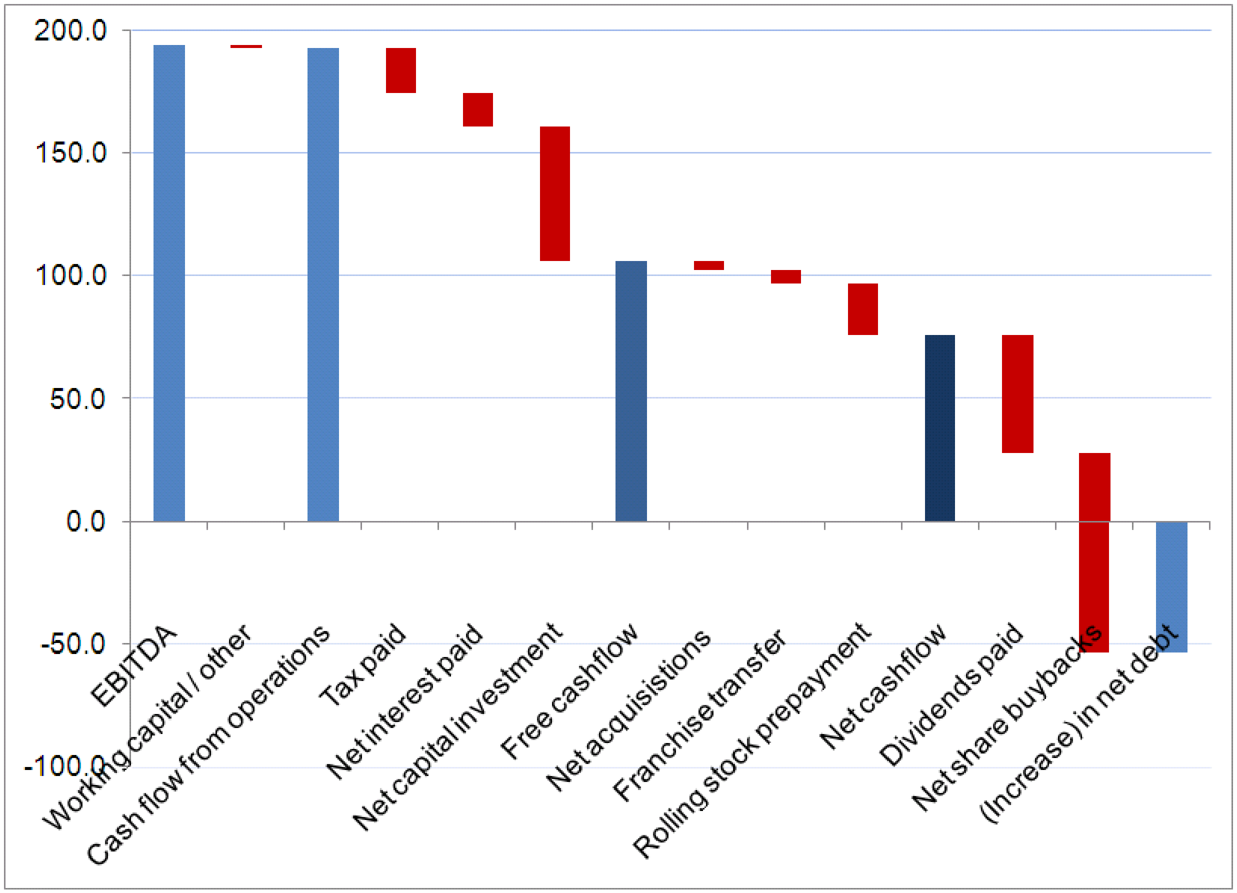
- Adjusted eps* 174.8p (+34.1p, 24.2%)
  - Due to earnings +20.3p
  - Due to fewer shares +13.8p
- 2008 dividend** 81.0p
  - +11.0p, 15.7%
  - Cover of 2.16x
  - Cover 2.06x adjusting for £7m rail operating profit*
- £87m buybacks (3.6m shares)
  - Weighted average 43.5m
  - Closing 42.9m




* before amortisation and exceptional items
** interim paid and final proposed

# **Summary cashflow statement:**
*Strong cashflow*

Go-Ahead

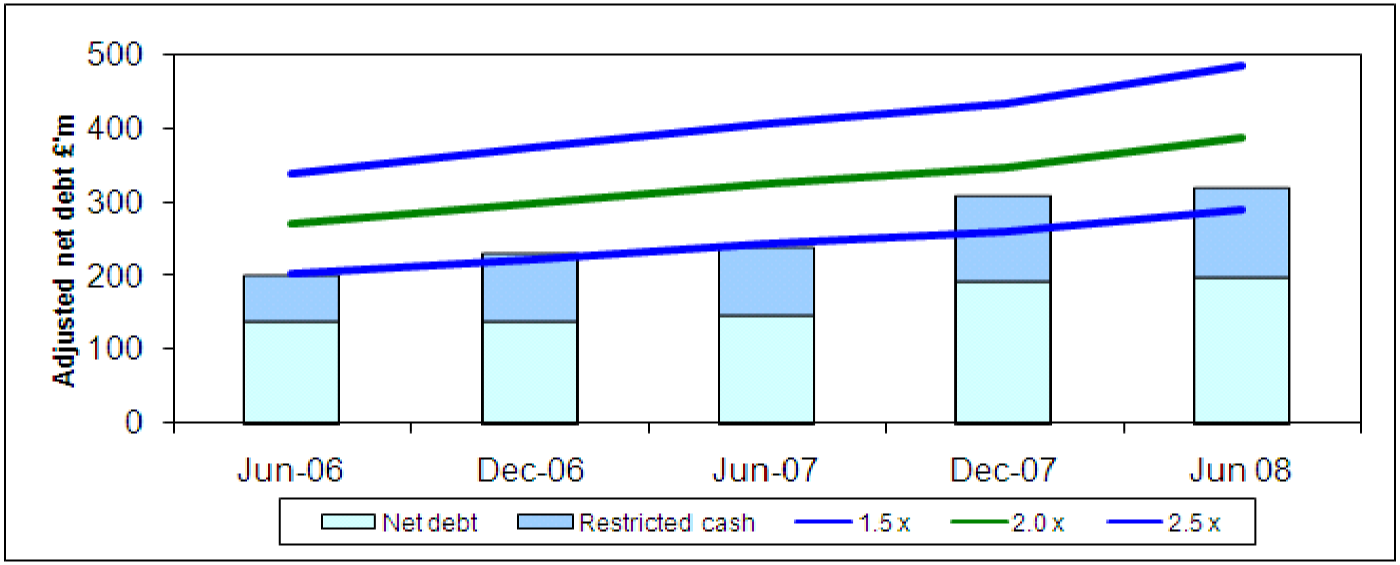



- Operating cashflow matches EBITDA
- Capex £54.7m – expect c£80m next year
- Rolling stock pre-payment £21.2m Southern rail
- Net cashflow before dividends and buybacks £75.6m
- Net debt increased to £197.8m (2007: £144.5m)

# Debt capacity:
*Strong balance sheet*

Go-Ahead

| **£'m** | **Jun 08** | **Jun 07** |
|---|---|---|
| Net debt | 197.8 | 144.5 |
| Add back restricted cash | 122.9 | 92.7 |
| Adjusted net debt | 320.7 | 237.2 |
| EBITDA (MAT basis) | 194.0 | 162.7 |
| **Adjusted net debt / EBITDA** | **1.65x** | **1.46 x** |



# Financial summary

Go-Ahead

- Earnings well ahead of expectations
- Significant reduction in risk and improvement in structure of the Group
  - Fuel
  - Pensions
  - Financing
  - Go West Midlands disposal
  - Aviation restructuring
- Strong cashflow
- Strong balance sheet

# KEITH LUDEMAN
## Group Chief Executive

5 September 2008


Go-Ahead

# Outlook: Rail

Go-Ahead

Good start to the year:

- High levels of operational performance and customer satisfaction
- Full year contribution from London Midland and Gatwick Express
- High levels of investment to drive growth
- Key timetable changes in December 2008 for London Midland and Southern, Southeastern March 2009

Uncertain economic outlook and particularly strong result in 2008:

- £7m operating profit from favourable industry settlements this year
- Average of 13% revenue growth in last two years
- Southern bid costs (result expected May 2009)

Well positioned:

- Modal shift – better, cheaper, greener

# Outlook: Overall Bus

Overall bus:

- Full year benefit of Go West Midlands disposal
- Fuel 100% hedged for year to June 2009
- Cost recovery through fares increases and energy consumption reduction
- Ongoing cost control initiatives
- Rise in capital expenditure on bus fleet

# Outlook: London Bus

Go-Ahead

- Full year impact of 2006/07 tender retentions (36/436) wins (24/453) and Orpington = 140 PVR
- Important Sutton Network retained – 6 routes (81 PVR).  All on new buses
- Route 12 (29 PVR) achieved 2 year extension
- Bexleyheath area 34 PVR lost, impact H2
- QIC 2 from October
- Good cost control, and high quality operational performance maintained

# Outlook: Deregulated Bus

Go-Ahead

- Group ethos is embedded in all subsidiaries:
  - Excellent customer service
  - Attention to operating detail
  - Continuous network development
  - High profile marketing
  - Good staff retention
  - Partnership with Government/Local Authorities
  - Investment in buses/technology
- Some examples
  - Accelerated new bus purchases in North East and South Coast
  - Park and Ride expansion in Oxford
  - 10 year University Bus contract awarded in Southampton
- New Concessionary Fares Scheme: full year impact
- Evidence of modal shift


# Outlook: Aviation services

Go-Ahead

Ground handling:

- Expect a challenging market
- Ongoing restructuring will help mitigate
- Priorities: service quality and cost control

Cargo:

- Less challenging
- Well placed to benefit from additional capacity and growth at Heathrow

Meteor:

- Diversification will continue
- End of Stansted contract in September 2008, but opportunities to replace earnings

# Overall strategy and outlook

Go-Ahead

- Our strategy is to focus on providing high quality passenger transport services in the UK
- We will target organic growth and value adding investment
- Maintain our strong balance sheet, cash flows and progressive dividend policy
- Retaining the Southern franchise is top priority
- Well placed for the year ahead, mindful of current economic uncertainty
- Demand for our services continues to increase
- Started the new year well, trading in line with the Board's expectations.

# Q&A

5 September 2008


Go-Ahead

# Conclusion

Go-Ahead

- Very pleased with 2008 results – right place, right time
- Demand for our services continues to increase
- New year started well.

# Appendices

5 September 2008

Go-Ahead

# Appendix I
# Amortisation:

Go-Ahead

| £'m | 2008 | 2007 | Variance |
|---|---|---|---|
| Rail goodwill | (2.4) | (2.4) | - |
| Non rail intangibles | (1.4) | (0.3) | (1.1) |
| Rail intangibles | (6.6) | (4.8) | (1.8) |
| Software | (1.2) | (0.9) | (0.3) |
| **Amortisation** | **(11.6)** | **(8.4)** | **(3.2)** |

- £3.2m increase in 2008 v 2007 amortisation mainly addition of London Midland franchise and full year of goodwill amortisation for Blue Triangle (acquired June 07)
- Expect amortisation cost next year of around £13m

# Appendix 2
# Minority Interest calculation:

Go-Ahead

| £'m | 2008 |
|---|---|
| Rail operating profit* | 77.2 |
| Add back group costs** | 5.7 |
| Net finance revenue | 8.7 |
| Rail amortisation | (9.3) |
| Profit before taxation | 82.3 |
| Tax | (23.0) |
| Profit after taxation | 59.3 |
| | |
| Minority interest (35%) | 20.8 |

* before amortisation and exceptional items

** certain group costs, including some head office costs, are allocated to the rail division for segmental reporting but are not deducted when calculating minority interest

# Appendix 3a: Adjusted earnings per share calculation

Go-Ahead

| £'m | 2008 | 2007 | Variance |
|---|---|---|---|
| Profit for the year | 76.8 | 71.2 | 5.6 |
| Less minority interests | (20.8) | (12.6) | (8.2) |
| Profit attributable to equity holders of the parent | 56.0 | 58.6 | (2.6) |
| Add back: | | | |
| Exceptional items after tax and minority interest** | 13.6 | 3.1 | 10.5 |
| Amortisation after tax and minority interest** | 6.4 | 4.7 | 1.6 |
| Adjusted earnings* | **76.0** | **66.4** | **9.6** |
| | | | |
| Weighted average number of shares in issue (m) | 43.5 | 47.2 | (3.7) |
| Adjusted earnings per share (pence) | 174.8 | 140.7 | 34.1 |

* before amortisation and exceptional items
** refer appendix 3b

# Appendix 3b:
# Adjusted earnings per share calculation

Go-Ahead

| **£'m** | **2008** | **2007** |
|---|---|---|
| Exceptional items before tax | (16.4) | (6.9) |
| Tax on exceptional items | 2.8 | 2.1 |
| Exceptional items after tax | (13.6) | (4.8) |
| Minority interest on exceptional items | - | 1.7 |
| Exceptional items after tax and minority interest | **(13.6)** | **(3.1)** |
| | | |
| Amortisation | (11.6) | (8.4) |
| Tax on amortisation | 2.7 | 1.7 |
| Minority interest on amortisation* | 2.5 | 2.0 |
| Amortisation after tax and minority interest | **(6.4)** | **(4.7)** |

* Calculated as rail amortisation of £9.3m (2007: £7.5m), less tax on rail amortisation of £2.3m (2007: £1.8m) equals £7.0m (2007: £5.7m) at 35% equals £2.5m (2007: £2.0m)

# Appendix 4
# Summary cashflow:

Go-Ahead

| Summary cashflow (£'m) | 2008 | 2007 | Variance |
|---|---|---|---|
| EBITDA | 194.0 | 162.7 | 31.3 |
| Working capital / other | (1.5) | 28.5 | (30.0) |
| **Cash flow generated from operations** | 192.5 | 191.2 | 1.3 |
| Tax paid | (18.1) | (11.5) | (6.6) |
| Net interest paid | (13.9) | (8.1) | (5.8) |
| Net capital investment | (54.7) | (54.9) | 0.2 |
| **Free cashflow** | **105.8** | **116.7** | **(10.9)** |
| Franchise transfer and rolling stock prepayment | (26.7) | - | (26.7) |
| Net acquisistions (incl. acquired debt) less disposals | (3.3) | (27.2) | 23.9 |
| Dividends paid | (48.1) | (43.6) | (4.5) |
| Share buybacks, less share issues | (81.0) | (51.6) | (29.4) |
| **(Increase) / decrease in net debt** | **(53.3)** | **(5.7)** | **(47.6)** |
| Closing (net debt) | (197.8) | (144.5) | |