

Embargoed until 7:00am on Thursday 13 January 2011

FIRSTGROUP PLC  
INTERIM MANAGEMENT STATEMENT

FirstGroup plc ("The Group") provides the following update on trading during the third quarter ("the period") from 1 October to 31 December 2010.

**Summary**

- Overall trading in line with management expectations
- Remain on course to achieve earnings and cash targets for the year
- Confident of achieving Group's target of 2.5x net debt: EBITDA by March 2011
- Continued proactive management of debt - \$1.4bn of new 5 year committed bank facilities signed to replace debt due to mature in February 2012

The Group provided an update on trading as part of its half-yearly financial results announcement on 3 November 2010. Since then, the trading environment has remained challenging. The prolonged and widespread disruption, particularly in the UK, caused by severe weather during the period impacted UK Bus and Rail profits by around £7m. However, the Group remains on course to achieve its earnings and cash targets for the year.

The inherent strength of the Group is demonstrated by the continued strong cash generation. Initiatives to increase cash generation within the Group and to deliver improvements in working capital continue to produce encouraging results. We remain confident of achieving our target ratio of 2.5x net debt:EBITDA by March 2011.

In December 2010 we announced that the Group had signed US\$1,400m of 5-year committed bank facilities to refinance US\$1,500m and £505m of existing revolving bank facilities that were due to mature in February 2012. The outcome of the re-financing supports the maturity of our debt portfolio, prudent levels of liquidity over the medium term and reflects the Group's ongoing proactive management of its debt arrangements. In addition the reduction in the amount of bank facilities, enabled mainly from headroom created by the two sterling bond transactions in 2009 and the competitive pricing on the new facilities will support efficient management of interest costs over the medium term.

**UK Bus**

UK Bus continues to deliver a steady performance with like-for-like passenger revenues increased by 2.1% during the third quarter. The actions we continue to implement to increase efficiencies, reduce costs and manage our local networks in line with passenger demand will enable the business to deliver good operating margin development. The reduction of 20% in Bus Service Operators Grant, announced in the UK Government's Comprehensive Spending Review, will take effect from April 2012 which allows us to implement mitigating actions to manage any impact through further efficiencies, network management and pricing. Similarly, the impact of the Government's revised guidance on concessionary fares reimbursement in England from April 2011 will have to be taken into account when planning future service provision and fares.

**UK Rail**

The continued strong demand for services has helped to deliver a further period of solid improvement across all of our passenger rail franchises. Like-for-like passenger revenues grew by 5.2% during the period. We are encouraged that investment in transport infrastructure, including the Thameslink Programme and Crossrail, has been protected. The Government's commitment to delivering additional capacity on the rail network recognises that transport is one of the key enablers in economic growth. As the

UK's largest rail operator and an experienced, long term player in the industry, we are supportive of the new franchising structure and look forward to bidding for new contracts in due course.

### **First Student**

The continued budgetary pressure experienced by school boards across North America remains a feature of the current school bus market. As previously reported, we expect full year revenue to be slightly reduced compared to prior year as a result of reduced charter activity and some route consolidations. Against the current economic backdrop the operating environment remains challenging and we continue to prioritise further cost savings and efficiencies to partially offset the pressure on margin.

### **First Transit**

Transit continues to perform in line with our expectations following a strong start to the year with a number of new contracts commencing during the first half. We continue to see revenue growth from our core transit activities albeit at a slightly lower rate. During the period we continued to win new business including a number of contracts to provide shuttle bus services including Rutgers University in New Jersey.

### **Greyhound**

We continue to make progress in transforming Greyhound's operations. Greyhound Express was launched in Chicago in December 2010 and has attracted good growth and positive customer feedback. Plans are being developed to roll the service out to further locations across the US. In Canada our actions to improve the performance of the business are delivering encouraging results.

During the period revenues were reduced by 2.5% as a result of continued economic conditions, high unemployment and the subsequent impact on consumer confidence. However, despite this tough trading backdrop our rigorous management of the network and cost base will enable the business to achieve an improved operating margin performance.

### **Outlook**

Overall trading remains in line with management's expectations. Our drive to increase cash generation within the Group is delivering results and, as previously reported, we continue to expect moderate earnings growth in the current financial year. This, together with the Board's confidence in the Group's ability to continue to deliver long term value for shareholders, supports the commitment to grow dividends by at least 7% per annum.

**A conference call for analysts and investors will be held at 9am today. Please call +44 207 291 0507 / 0512 in advance of the call to register and receive dial-in details.**

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