

Embargoed until 7:00am on Thursday 19 March 2009

## **FIRSTGROUP PLC**

### **PRE-CLOSE TRADING UPDATE**

Ahead of its year-end on 31 March 2009, FirstGroup plc ('The Group') has today issued the following trading update.

The Group has delivered another strong performance throughout the second half of the year and expects to announce full year results in line with management expectations.

The strength and resilience of our business is the result of our strategy to build a balanced portfolio of operations. 50% of Group revenues are secured under medium term contracts providing stability against a fast changing economic backdrop. Across our portfolio of businesses we have significant flexibility to manage our cost base which gives us the ability to respond quickly to changing market conditions.

During the period we have taken a significant number of actions, including a programme to reduce costs by more than £200m across the business to ensure that the Group remains robust in this more challenging economic environment. These management actions will ensure that the Group is well placed to continue to deliver a strong operating and trading performance.

UK Bus continues to perform strongly demonstrating both the resilience and flexibility of the business. A robust performance is expected to achieve like-for-like revenue growth of 7.3% during the year. In addition to a strong focus on cost control we are implementing actions within our deregulated bus operations to ensure that services match customer demand while continuing to promote bus travel as a good value, 'green' alternative to the car.

Despite the weaker economy UK Rail is delivering good revenue growth, albeit at a slower rate. Like-for-like passenger revenue growth is expected to increase by 7.6% during the year. Despite the high fixed cost nature of the rail industry we have already implemented cost reduction actions in the addressable cost base which, together with the revenue support and share mechanisms in place across our franchises, will substantially mitigate the impact of a weakening economy on our rail businesses. In particular First Great Western is receiving revenue support of 80% and, from 1 April 2009, First Capital Connect will be eligible to receive a similar level of support from the Department for Transport.

More than 75% of our North American revenues are derived from a contracted base with no exposure to changes in passenger revenue. Our school bus, transit

and services businesses provide a contracted stream of revenue with an order book representing \$11.5bn. With clear medium-term visibility these revenues remain resilient and stable despite global economic trends. We continue to see an unprecedented level of enquiries from the public sector for outsourced transit and school bus services. We regard this as additional revenue opportunity over and above our normal contract retention and anticipated growth. We continue to rigorously apply cost control measures across the business.

Greyhound, which contributes less than 10% of Group EBIT, will deliver year on year profit growth despite the reduction in revenue during the second half of the year as a result of the marked deterioration in the US economy. The highly flexible business model, with approximately 60% of the cost base being variable, has enabled us to rapidly match the supply to demand and we have reduced mileage by 7% in the US. This, combined with the significant cost actions we have taken, has ensured that profitability is improved. We will implement further actions to ensure Greyhound is in a position of strength during this recessionary period and has a solid base from which to continue to deliver profitable growth and strong cash generation.

We continue to generate strong cash flows and have financing secured through to 2012. The flexible nature of our businesses together with the actions we have implemented on cost and a strong focus on budgetary discipline will ensure that the Group is well placed to deliver its plans for cash generation and to reduce net debt.

The Group's foreign exchange policy manages the impact of currency fluctuations on adjusted post tax earnings and shareholders funds. US Dollar investments funded by Dollar debt are serviced by Dollar cash flows from our North American business. Over 80% of our Dollar cash flows come from our contract-backed businesses. On 10 March the Group announced that it has agreed a single technical amendment to its bank facilities to ensure consistency for all currency translation for covenant testing purposes.

The Group continues to benefit from a diverse revenue stream that is well balanced between contract-backed and passenger revenues. In those areas of our business that are dependent on passenger revenue we have already taken decisive action to reduce costs and to closely match supply to demand to ensure that we are in a strong position to continue to deliver profitable growth. The strength of our order book in North America demonstrates the success of our strategy to expand in the stable, resilient contract backed transportation market. As previously indicated, the Group will absorb a significant increase in its hedged fuel costs in 2009/10 which is set to recover the following year. While no business can be immune from this recessionary environment, we are well positioned to withstand the economic headwinds and remain confident in the underlying strength of our businesses.

The Group will announce preliminary results for the year to 31 March 2009 on Wednesday 13 May 2009.

A conference call for analysts and investors will be held at 9:00am today. Please call 020 7291 0507 or 0512 to register your details to join the call. A short presentation to accompany the call will be available on our website [www.firstgroup.com](http://www.firstgroup.com) ahead of the conference call.

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