

Embargoed until 7:00am on Wednesday 30 September 2009

## **FIRSTGROUP PLC PRE CLOSE TRADING UPDATE**

FirstGroup plc ('The Group') provides the following update on trading for the six months ended 30 September 2009, ahead of its half-year results to be announced on 4 November 2009.

### **Overall trading**

The Group provided an update on trading as part of its AGM and Interim Management Statement on 16 July 2009. Since then the Group's overall trading performance remains in line with management expectations.

A diverse portfolio of operations in which 50% of revenues are contract-backed, providing stability against a fast changing economic backdrop, underpins the continued performance of the Group. In those areas of our business where we are dependent on passenger demand we have utilised the flexible operating models that exist and reacted quickly to changing market conditions.

As previously announced, during this financial year the Group will absorb a significant increase in its hedged fuel costs which are set to recover by over £100m in 2010/11. Significant progress has been made in implementing the cost reduction programme that will achieve more than £200m of annual savings during the year. We identified scope to further reduce indirect headcount, in particular in North America, and have now reduced headcount by over 4,000 across the Group.

Strong cash generation is a key priority and the actions we have taken have ensured that we remain on course to achieve our cash generation targets of £100m per annum in 2009/10 and 2010/11, which will be applied to net debt reduction.

### **UK Bus**

Like-for-like passenger revenue is expected to increase by 2.3% during the period. We have taken action to protect revenue per mile while ensuring a continued focus on improving service quality, operational performance and cost efficiencies. We have utilised the flexible operating model outside of London to match our services to any changing demand and this, together with our cost reduction programme, has ensured that profitability has remained on course. Value for money is a key driver in this current economic environment and we continue to introduce ticketing and travel initiatives designed to promote the cost and environmental benefits of bus travel.

### **UK Rail**

Like-for-like passenger revenue growth is expected to be 1.7% during the period. The performance of our rail business is as we anticipated with trends being relatively stable over the period, particularly in the second quarter. Despite the clear impact of the weaker economy on the UK's railways, we continue to deliver revenue growth and are substantially insulated from the effects of the recession by the contractual revenue support mechanisms in place. We are currently receiving revenue support at the highest level of 80% for both of our London based franchises. With passengers continuing to seek value there has been a strong demand for advance purchase and discounted tickets during the period.

## **North America Contract Businesses**

Our North America contract business, providing a stream of revenues with medium-term visibility and no exposure to passenger demand, has performed well during the period with high contract retention rates over 90%. We are seeing the positive results of our margin enhancement programme in the Student and Transit businesses. We continue to successfully pursue the increased 'outsourcing' opportunity arising from the current weaker economic environment. We delivered a successful school start up period and were pleased to have won contracts for more than 400 buses that were previously operated in the public sector.

## **Greyhound**

Greyhound, which represents less than 10% of Group EBIT, has seen revenues fall as a result of the weak US economy and increased unemployment. Revenues during the period are expected to reduce by 20.3%. Revenue trends stabilised over the period and began to improve towards the end of the second quarter. We have taken action to protect revenue per mile by reducing services to match demand and removing surplus overheads. Management actions will further reduce the cost base, increase efficiencies while continuing to improve customer service and on-time performance. Greyhound now has a stronger foundation on which to build and is well placed to benefit from economic recovery in the future.

## **Balance sheet & Financing**

During the period we have made further progress with our strategy to extend our debt maturity profile and reduce reliance on bank debt. On 9 September we launched £200m of 15-year bonds with a coupon of 6.875%. The proceeds were used to repay existing bank debt and extended our average debt duration to 6.2 years. This, our fifth bond issue, was substantially oversubscribed from a high quality order book. We are very pleased by the continued support from fixed income investors demonstrating the confidence in the strength and resilience of the Group. The Group has no material refinancing requirement until February 2012.

## **Outlook**

We are encouraged by the Group's continued resilience in the first half of the year in delivering a good performance with overall trading in line with management expectations despite challenging economic conditions. We have demonstrated our ability to respond swiftly to changing patterns of passenger demand. This, together with the cost reduction programme we have implemented and a relentless focus on budgetary control, has ensured that we remain on course to achieve our cash generation and earnings targets. Undoubtedly the transport industry faces a challenging year ahead however, the Board remains confident in the underlying strength and resilience of the Group and its ability to continue to deliver long-term value for its shareholders.

**A conference call for analysts and investors will be held at 9:00am today. Please call +44 207 291 0507 / 0512 to register your details to join the call.**

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