

Embargoed until 7:00am on Wednesday 29 September 2010

FIRSTGROUP PLC PRE-CLOSE TRADING UPDATE

FirstGroup plc ("FirstGroup" or "the Group") reports the following update on trading for the six months ended 30 September 2010 ahead of its half-yearly results to be announced on 3 November 2010.

Summary

- Current trading in line with management's expectations
- On track to deliver moderate earnings growth target for the full year
- Strong cash generation – confident of achieving Group's target of 2.5x net debt:EBITDA by March 2011

Overall trading

The Group provided an update on trading as part of its Interim Management Statement on 8 July 2010. Since then overall trading for the Group has remained in line with management's expectations.

The Group continues to benefit from a balanced mix of contract-backed and passenger revenue operations in the UK and North America. During the first half of the year we retained our strong focus on increasing cash generation as well as maintaining and improving margins across the Group through rigorous cost control, closely matching service provision to demand and continuing to drive out further operating efficiencies.

UK Bus

Our UK Bus business has continued to perform steadily during the first half of the year with like-for-like passenger revenues increased by 1.3% during the period. While the trading environment in many towns and cities across the UK remains challenging, we continue to take action to reduce costs and manage our local networks, and where necessary reduce mileage in line with passenger demand. These actions will enable the business to deliver a robust operating margin performance. As volumes recover we retain the capability to increase the frequency of services and to grow our bus networks.

UK Rail

We are pleased with the performance of our UK Rail business which has seen a continued strengthening in passenger volumes across all of our rail franchises. Like-for-like passenger revenues grew by 4.4% in the period, despite the reduction in regulated fares from January 2010. First Class ticket sales are showing encouraging signs of improvement particularly with Advance purchase fares, and we are seeing growth across all of our franchises on Anytime, full flexible tickets. Across all of our franchises we continue to focus on lowering the addressable cost base which has achieved substantial savings in direct costs and reduced overheads.

North America First Student

Full year revenues in our Student business are expected to remain broadly in line with prior year. School boards continue to experience budgetary pressure as a result of lower tax revenues. We remain confident that, as the market leader in student transportation in North America, we have unrivalled scope to provide innovative and practical solutions and increase operating efficiencies to help customers overcome their budgetary constraints and enable First Student to maintain its industry-leading position.

In this lower-revenue growth environment we continue to prioritise cost reductions and efficiency improvements to protect operating margin. During the period we made good progress with our plan to roll out FOCUS software which provides fast, accurate data to enhance the management of our fleet and operations performance and labour costs.

During August and September we had a successful 'start up' to the new school year including a number of conversion contracts following the decision by their school boards to outsource the provision of school transportation.

First Transit

Our Transit business continued to perform well with US Dollar revenues increased by 4.5% during the period. Following a period of new business wins, First Transit successfully commenced the start up of a number of new contracts during the first half. First Transit has established an excellent reputation within its growing and diverse market. With good opportunities for further profitable expansion with minimal capital investment, we remain encouraged by the prospects for this business.

Greyhound

Greyhound continued to deliver growth, despite the challenging economic conditions and continued high unemployment in North America, with like-for-like passenger revenue increased by 1.6% during the period. A relentless and rigorous management of the network has delivered revenue per mile ahead of prior year and enables the business to achieve an improvement in operating margin performance.

Cash generation

During the first half of the year we made good progress to increase cash generation within the Group including initiatives that are delivering improvements in working capital. The net proceeds from the sale of GB Railfreight in June further contributed to our net debt reduction programme. We remain confident of achieving our target ratio of 2.5x net debt: EBITDA by March 2011¹.

Outlook

The Group has successfully built a leading position in all of its core markets providing both resilience and opportunity through the challenging economic environment. The Board is confident of the Group's prospects to continue to deliver safe, high quality services for customers and long term value for shareholders. The trading performance in the first half of the year is in line with management's expectations; our drive to improve cash generation is yielding good results and, as previously reported, we expect moderate earnings growth in the current financial year which supports the Board's commitment to dividend growth of at least 7% per annum.

Contacts FirstGroup plc:

Jeff Carr, Finance Director
Rachael Borthwick, Group Corporate Communications Director

Tel: +44 (0) 20 7291 0512 / mobile + 44 (0) 7771 945432

¹ Based on current US Dollar : Pound Sterling exchange rates