

Thursday 29 September 2011

FIRSTGROUP PLC
PRE-CLOSE TRADING UPDATE

FirstGroup plc ("FirstGroup" or "the Group") reports the following update on trading for the six months to 30 September 2011* ("the period") ahead of its half-yearly results to be announced on 9 November 2011.

The Group provided an update on trading as part of its Q1 update and AGM announcement on 15 July 2011. Since then overall trading for the Group during the first half of the current financial year has been in line with management's expectations.

UK Bus

Like-for-like passenger revenue for the period is expected to increase by 1.2% and we continued to deliver some improvement to operating margin. However, looking ahead as the macroeconomic environment has continued to soften, we anticipate more challenging trading conditions during the second half of the current financial year as lower economic activity continues to impact regional economies. Our focus remains to develop the opportunities that exist to transition to increased growth within our networks while maintaining our strong cost discipline.

UK Rail

The performance of our rail division continues to be strong. During the period increased demand for rail services led to good volume growth across all of our franchises and like-for-like passenger revenue is expected to increase by 9.0%. In August we extended the First TransPennine Express franchise for a further three years from February 2012, at an operating margin closer to the industry average. First Capital Connect will be refranchised in 2012/13 with a replacement franchise to commence from September 2013. This will facilitate the continued project delivery of the Thameslink Programme, in particular the introduction of new rolling stock funded by the Department for Transport (DfT), which will be completed after the expiry date of the existing franchise. We look forward to building on our market leadership position in rail and developing further opportunities once the DfT's new rail franchising programme commences next year.

First Student

During the period First Student's performance has developed in line with our expectations. We are encouraged by the good progress made in embedding the recovery plan to address performance and to strengthen the operating model. With good momentum achieved across the business we are now seeing positive early indicators. As we build the Student business for the future we continue to invest in substantial training at the local level creating more efficient and consistent practices.

As previously indicated, trading during the first six months of the current financial year reflected last year's disappointing performance. Consequently, US Dollar revenues during the period are expected to be reduced by 2.3% on a like-for-like basis. Our strategy to focus on contract retention delivered an improved performance during the recent bidding season for the 2011/12 school year. As a result retention was approximately 90% and we expect operating margin for the second half of the financial year to be broadly in line with the same period last year.

First Transit

Our Transit division continues to deliver growth during the period from its core business segments with US Dollar revenues expected to increase by 2.0% on a like-for-like basis. During the period we saw a particularly strong performance from our shuttle bus business with new contracts won to provide university bus services and volume added to existing contracts. We continue to develop a pipeline of opportunities and utilise our reputation and strong track record to retain contracts and win new business.

Greyhound

Revenue trends during the period continued to be encouraging with like-for-like passenger revenue expected to increase by 3.6%. Greyhound Express continues to perform well and we expanded the service to new locations in the midwest, northeast and southeast of the US. Against the background of slow economic recovery we continue to progress our plans to transform Greyhound. Our rigorous management of the network and cost base will enable the business to continue to deliver an improved operating margin. In Canada our plans to reduce uneconomic routes and modernise the network are progressing well and we are on track to deliver our profit recovery plan.

Outlook

The Board is committed to its key priorities of increased cash generation to support capital investment, debt reduction and dividend growth of at least 7% per annum. We continue to target a net cash inflow of £150m for 2011/12 including some further small asset and business disposals. The Group has diverse operations that are fundamentally strong and we have a clear focus on creating a stronger business. While we continue to address the immediate challenges presented by weak economic conditions in certain markets in which we operate, the Board is confident that the Group has good prospects to continue to deliver long term value for shareholders.

* The current financial year contains an additional week, therefore the period (six months to 30 September 2011) includes 27 weeks versus 26 weeks for the same period last year. Revenue growth data has been adjusted for the extra week.