

FIRSTGROUP PLC PRE-CLOSE TRADING UPDATE

FirstGroup plc ("the Group") provides the following update on trading for its financial year ending 31 March 2011 ("the year" or "the period") ahead of preliminary results due to be announced on 11 May 2011.

Summary

- The Group remains on course to achieve overall earnings and cash targets for the year and 2.5x net debt:EBITDA at March 2011
- Outperformance in UK operations, particularly Rail division, offset by further pressure on First Student's margin

Overall trading

The Group provided an update on trading in respect of the third quarter of its financial year on 13 January 2010. The Group remains on course to achieve its overall earnings and cash targets for the year and to achieve a net debt:EBITDA ratio of 2.5x at 31 March 2011.

The strength of the Group is underpinned by the diversity of its portfolio with separate areas of the business moving through the economic cycle at different times. We remain encouraged by improving trends in some of our markets however, the trading environment for First Student remains challenging.

The highly cash generative nature of the Group, together with the expectation of moderate earnings growth this financial year supports the Board's policy to increase dividends by at least 7% per annum alongside our net debt reduction programme.

UK Bus

A continued steady performance is expected to deliver like-for-like passenger revenue growth for the year of 1.4%. Good operating margin development is enabled through our actions to increase efficiencies, reduce costs and the proactive management of local networks to reflect passenger demand. As previously reported, we expect to manage the impact of the Government's Comprehensive Spending Review, in particular the reduction of Bus Service Operators Grant from April 2012, through mitigating actions including increased efficiencies. We also continue to progress negotiations with Local Authorities in England on concessionary fares reimbursement and to participate in the Competition Commission's review of the local bus industry.

UK Rail

Our UK Rail business has delivered a strong performance ahead of our expectations with like-for-like passenger revenue growth for the year expected to be 5.1%. We remain encouraged by the strong demand for services that has continued to develop throughout the course of the year. We are also encouraged by the Government's commitment to continued investment in transport infrastructure including the Thameslink Programme, the Intercity Express Programme and the electrification of part of the Great Western Main Line. We are the UK's largest train operator and an experienced, long term player in the industry. We continue to take an active role in shaping the future of our existing operations and we expect to play a significant role in franchise reform and in bidding for new contracts as the re-franchising process continues.

First Student

The trading environment for our Student business is challenging with school boards continuing to face significant budget pressure. Trading during the fourth quarter (Q4) of our financial year, particularly in February, has been disappointing and this has been further exacerbated by the impact of severe weather. Margins have been further pressured by cost increases including higher contract labour costs resulting partly from route changes as school boards look to reduce their overall transportation costs. We now anticipate the full year operating margin to be around 8%, which is closer to the industry average. With limited pricing opportunities we continue to prioritise further cost savings and efficiencies to partially offset these pressures. While it is still early in the new school bidding season our retention strategy has shown some encouraging results however we anticipate the pressure on margins will continue into 2011/12.

First Transit

Trading within our Transit division continues to develop in line with our expectations with full year revenue growth expected to be 2.4%. Following a strong start to the year, which included a number of new contract start ups, we continue to deliver encouraging revenue growth, albeit at a slower rate than during the first half of the year.

Greyhound

Like-for-like revenue for the year is expected to increase by 0.6%, with Q4 delivering an encouraging return to revenue growth. Against a challenging trading environment Greyhound has continued to apply a rigorous management of the network and cost base to enable the business to achieve an improved operating margin. During Q4 Greyhound has continued to expand its service offering with the roll out of Greyhound Express to additional markets in the Midwest and the expansion of BoltBus to create a new hub in New Jersey providing services between Newark and Washington and Baltimore.

Outlook

Looking ahead we are encouraged by improving trends in UK Rail and Greyhound and a continued steady performance in our UK Bus and Transit operations. We expect that our North American Student business will continue to see pressure on margins in the new financial year.

Building on our strong cash performance this year, we will continue to progress the opportunities to increase cash generation within the Group. The Board is committed to its key priorities of increased cash generation to support capital investment, debt reduction and dividends.

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A conference call for analysts and investors will be held at 9:00am today.

Please call +44 207 291 0507 / 0512 in advance of the call to register and to receive dial-in details.