# FirstGroup plc
# Pre-close Trading Update
## for the 12 months to 31 March 2010

**Wednesday 31 March 2010**

# Sir Moir Lockhead
# Chief Executive

# The market leader in transport

- #1 market leading positions in UK Bus, UK Rail, Student and Greyhound
- Portfolio mix of businesses providing strength and diversity
- Defensive and resilient business model with multiple growth drivers
- Significant potential for long term growth in all of our core markets
- Good opportunities to drive further operating efficiencies and improve cash generation and accelerate net debt reduction

# Overview 2009/10

- Overall performance in line with expectations despite tough economic backdrop and adverse impact of £16m from severe weather in Q4
- Cost reduction programme achieving >£200m of savings
- North America contract businesses – revenues broadly in line with prior year, focus on maintaining margin
- Greyhound – robust performance in toughest year, encouraging growth trends
- UK Bus – steady, resilient performance with cost control and mileage adjustments protecting margin
- UK Rail – strong performance, encouraging trends, profitability maintained in line with prior year
- Expect to deliver earnings and cash targets for the year

# Jeff Carr
# Finance Director

# UK Bus

- Steady and resilient performance, in line with expectations – albeit Q4 impacted by severe weather
- Like-for-like passenger revenue growth of 1.8% (1.8% in Q4)
- Margins maintained through cost control and network management
- Mileage reduction of 5% primarily through frequency adjustments
- Mitigating increased fuel cost through cost management and increased operating efficiencies
- Continued focus on operational performance and customer service:
  - Improved punctuality >90%
  - Overall customer satisfaction levels remain high at 90%

# UK Rail

- Strong performance ahead of expectations
- Passenger revenue growth of 2.1% (3.2% in Q4)
- Regulated fares reduced by 0.4% from Jan 2010
- All our rail franchises delivering good growth particularly FTPE and FSR
- Continued insulation from reduced demand - 80% revenue support at FGW and FCC
- Successful cost reduction programme underpinning performance
- PPM over 90% at FGW, FTPE and FSR - operating performance restored at FCC with PPM 89.5%
- Successful rail business – long term player, good position for new franchise round

First transforming travel

# North America contract businesses

- Revenues broadly in line with prior year despite unprecedented pressure on school budgets, continue to maintain market share
- Higher number of 'lost' days due to severe weather in Q4 resulting in slight reduction (50-60 bps) in FY operating profit margin
- Focused on margin protection – cost management a key priority, further scope to develop leaner more efficient cost base
- Strong contract retention >90% during year
- Student – despite margin pressure continues to generate sector leading returns. Winning new business for 10/11 including large conversion contract from public sector
- Transit – good opportunities for further growth. Now >$1.1bn revenue, good operating profit margins and minimal capex. Offers further expansion opportunities

First transforming travel

# Greyhound

- FY passenger revenue reduced by 14% in line with our expectations
- Encouraging trends – passenger revenue growth 1.1% in Q4
- Revenue per mile trending ahead of prior year
- Cost actions and mileage reductions deliver creditable margin and cash generation in toughest year
- Canada business now strengthened for future through agreements with Provinces
- Refurbishment programme for 300 existing vehicles will improve quality and reliability
- Improved operating leverage to benefit from future economic recovery

# Balance sheet

- Balance sheet remains robust
- Continue to generate strong cash flows
- Deleveraging is a key priority
- Confident of further opportunities to accelerate deleveraging through:
  - Strong capital discipline
  - Focus on working capital
  - Potential for small disposals of non-core assets
- Expect to achieve cash target of £100m this year

# Sir Moir Lockhead
# Chief Executive

# Summary

- Good performance during 2009/10 – earnings and cash targets on course
- Looking ahead to 2010/11 – encouraging growth trends at Greyhound and UK Rail; continued stability in UK Bus; pressure on US public spending expected to continue
- Focused on clear priorities:
  - Net debt reduction: further opportunities to increase cash generation within Group to accelerate deleveraging plans
  - Margin maintenance and improvement – scope for further cost reductions and operating efficiencies
- Confident in the underlying strength of our business and ability to continue to deliver long term value for shareholders

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