

FIRSTGROUP PLC PRE-CLOSE TRADING UPDATE

FirstGroup plc ("the Group") provides the following update on trading for its financial year ending 31 March 2010 ("the year" or "the period") ahead of preliminary results due to be announced on 12 May 2010.

Summary

- Overall performance is in line with management's expectations
- Group on course to deliver earnings and cash targets for the year including £100m cash generation to reduce net debt
- Achieved cost reductions of over £200m per annum – mitigating effect of recession on trading and increased hedged fuel costs this year

Overall trading

The Group provided an update on 14 January 2010 in respect of trading during the third quarter of our financial year. Since then, underlying performance has been in line with management's expectations and the Group is on course to achieve its earnings and cash targets for the year. We are pleased with this performance in the context of a challenging trading environment and despite the unusually severe weather which disrupted service across our networks in the UK and North America during the fourth quarter of our financial year ("Q4"). The effect of the severe weather is expected to adversely impact operating profit by approximately £16m.

We have continued to take action to mitigate the effects of recession and hedged fuel costs which increased by £100m this year. We have reduced costs across the Group by over £200m per annum through a number of actions including overhead reductions and increased operating efficiencies.

UK Bus

We remain encouraged by the performance which has remained steady during the second half of our financial year and is in line with our expectations. Like-for-like passenger revenue for the year is expected to increase by 1.8%. We have taken action to ensure the business maintains a robust trading performance despite continued economic pressures, higher unemployment and increased hedged fuel costs this year. Against this backdrop, the focus on operating margin has been underpinned by the successful implementation of our cost reduction plans together with targeted reductions in mileage across our networks to protect revenue per mile.

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 2.1%. We are encouraged by improving volume trends which helped deliver passenger revenue growth of 3.2% in Q4, despite the impact of reduced regulated fares from January 2010. The contractual arrangements within our franchises continue to ensure significant insulation from passenger revenues that are lower than the target revenues in our franchise bids. First Great Western and First Capital Connect are receiving revenue support at the 80% level. Notwithstanding the high fixed cost nature of rail, we successfully implemented a programme to substantially reduce the addressable cost base within our rail operations which has supported the outperformance.

North America contract businesses

Our North American contract businesses have an order book of more than \$11bn and generate annual revenues in excess of \$3.7bn.

We expect full year revenues for our North American contract businesses to be broadly in line with the prior year, at constant US:Canadian Dollar exchange rates. Contract retention rates remained high at over 90% during the year. We continue to win new business in First Student and First Transit including sizeable contracts to operate school buses in Wichita, Kansas and a 'conversion' contract in Detroit, Michigan that was previously operated within the public sector.

At First Student we have seen unprecedented levels of pressure on school board budgets particularly during the second half of our financial year. As previously reported, we have experienced a reduction in ancillary revenues, which primarily consist of charter and additional services to existing contracts. We believe that this should recover as the economy strengthens although we expect the pressure on school board budgets to continue during 2010/11. During Q4 the number of operating days lost as a result of the unusually severe weather was significantly higher than normal. As a result, operating profit for the full year will be slightly lower than our expectations.

Cost management continues to be a key priority and we have taken action to build on the scale and synergy benefits already achieved across the business to further reduce our costs. We believe that there is further scope within this business to develop a leaner and more efficient cost base and to deliver long term profitable growth.

First Transit, which generates over \$1.1bn of annual revenues, delivered a good performance during the year. Contract retention remained high and we were pleased to win new business and enter new markets through a range of fixed-route and light transit contracts during the year. We continue to develop opportunities to expand in the large North American Transit market which provides prospects to deliver further profitable growth with minimal capital investment.

Greyhound

Greyhound has delivered results in line with our expectations despite the clear impact of the weaker North America economy on trading. During the year like-for-like US Dollar revenue, at constant US:Canadian Dollar exchange rates, is expected to be reduced by 14.0%. Revenue trends continue to show encouraging progress with an increase of 1.1% during Q4.

Our network management and targeted mileage reductions have protected revenue per mile, which is now ahead of prior year, despite the difficult trading environment. The actions we have taken have underpinned the continued cash generation and profitability of the business. The lower cost base we have now achieved as a result of our sustained programme of management actions executed throughout the year has transformed the business. Greyhound is well placed with lower fixed costs and improved operating leverage to benefit as the economy recovers.

Outlook

We are pleased with the overall performance of the Group which is on track to achieve its earnings and cash targets despite the challenging economic conditions and increased hedged fuel costs in the year.

Looking ahead to the new financial year the global economic outlook remains uncertain and in particular we expect to see continued pressure on public spending budgets in North America. Against this backdrop we expect moderate earnings growth. Net debt reduction remains a key priority and we are confident in our ability to deliver our cash

target of at least £100m in 2010/11 to reduce net debt and to develop further opportunities to increase cash generation within the Group to accelerate our deleveraging plans.

The Board is confident that the inherent strength of our businesses, combined with the actions taken our management team to reduce costs and closely manage service provision against changing demand, will ensure that the Group continues to deliver long term value for shareholders.

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 receive dial-in details.

A presentation to accompany the call will be available on our website www.firstgroup.com ahead of the conference call.

Contacts FirstGroup plc:

Sir Moir Lockhead, Chief Executive

Tel: +44 207 291 0512

Jeff Carr, Finance Director

Tel: +44 207 291 0512

Rachael Borthwick, Corporate Communications Director

Tel: +44 207 291 0508 / +44 7771 945432