

FIRSTGROUP PLC TRADING UPDATE

- Current trading is in line with management's expectations, notwithstanding the recent omicron-related travel restrictions
- First Bus volumes have improved to more than 70% of pre-pandemic levels overall – and to around 75% in our operations in England – since the easing of the omicron-related government restrictions
- First Rail management fee-based operations are delivering performance metrics in line with our expectations, with our open access operations slightly ahead
- The Group's proactive management of Greyhound legacy assets and liabilities is ahead of plan, with the vast majority of insurance de-risking now completed and further property disposals achieved

Overall current trading for the continuing Group is in line with management's expectations as set out in our half-yearly results announcement of 9 December 2021. Although the restrictions implemented by Government as a response to the omicron variant temporarily reduced demand levels, we are encouraged by the improving passenger volume trends subsequently.

First Bus

Across our overall bus portfolio, passenger volumes have increased to more than 70% of 2020 equivalent levels, with higher volumes of around 75% in our operations in England. This follows the easing of restrictions put in place in response to the omicron variant, as well as the return to schools and universities after the Christmas and New Year period when demand is typically lower. The reductions in mileage that we were experiencing in certain areas have begun to ease as the number of employees self-isolating has reduced in recent weeks. Performance in our business-to-business segment is in line with our expectations with new contracts signed since December and a growing pipeline of opportunities.

Buses have a central role to play in achieving many of society's objectives. The UK Government's recently published Levelling Up White Paper reinforced the importance of public transport connectivity, and we also look forward to the Bus Service Improvement Plan funding decisions which are expected shortly from the Department for Transport ('DfT'). These will help local authorities and bus operators throughout England accelerate delivery of better, more reliable services for passengers, in line with the ambitions of the National Bus Strategy.

In early February, the Scottish Government announced a new £94m bus grant scheme, which includes an additional £40m to support passenger volume recovery. The new scheme starts from 1 April, replacing the existing pandemic support arrangements in Scotland which end on that date. Although all travel restrictions in England ended on 24 February, passenger volumes remain significantly below pre-pandemic levels and in order to maintain services and support the economic recovery, the industry is engaging with the DfT regarding an extension to the Bus Recovery Grant funding which is currently in place until early April 2022. The recovery grant scheme in Wales is currently funded to the end of July 2022.

First Rail

Our management fee-based rail operations are delivering performance metrics in line with our expectations overall for the second half of FY22. The DfT has confirmed that Avanti and GWR's performance measures were slightly above target for the first six months of FY22, with TPE and SWR's tracking in line with the annual targets under their respective National Rail Contracts. All four of our management fee-based rail operations moved to reduced timetables for a period following agreement with the DfT in order to better manage staff shortages caused by the omicron variant and ensure a reliable service for passengers.

Open access operations Hull Trains and Lumo, which are the only segment of our First Rail division with passenger revenue risk, are both currently marginally ahead of our expectations, supported by leisure travel demand which has been more resilient.

Proactive management of Greyhound legacy assets and liabilities

As part of the Greyhound sale in October 2021, we announced that the Group would retain its pensions and insurance legacy liabilities which we would de-risk, as well as Greyhound's property holdings which we would continue to monetise over time. We are pleased to update on significant progress made in both of these areas.

The Group has recently concluded a reinsurance risk transfer agreement that de-risks c.\$147m of Greyhound's legacy self-insurance reserves with a subsidiary of Randall & Quilter Investment Holdings Ltd ('R&Q'), a

leading non-life global speciality insurance company. Under the agreement, effective 1 December 2021, R&Q indemnifies the Group for these liabilities and any adverse developments on them up to a maximum of \$275m. The liabilities covered remain on the Group balance sheet but with an offsetting asset reflecting the risk transfer agreement. The cash cost to the Group of this agreement is modestly better than budgeted for in our guidance for FY22 Adjusted Net Debt¹ of c.£10-20m. As a result, the Group's exposure to Greyhound's legacy self-insurance liabilities has reduced to c.\$19m of older claims not covered by the risk transfer agreement or recently settled.

Since the half-yearly results in early December, we have also successfully completed as planned a further three Greyhound property sales, for c.\$32m, and are encouraged by the ongoing strengthening of the US commercial property market. In line with the Greyhound sale agreement we also continue to receive American Rescue Plan and CARES Act funding relating to pre-disposal losses and deferred consideration.

In summary, the Group is ahead of plan to realise the previously guided c.\$155m in net value from the legacy Greyhound assets and liabilities during FY23 and beyond.

Commenting, David Martin, Executive Chairman said:

"We now have a focused and simplified Group and continue to enhance our financial strength and resilience by proactively managing the legacy assets and liabilities associated with last year's portfolio rationalisation. We are pleased that passengers are returning to travel again following the easing of the omicron-related restrictions put in place in December. It demonstrates our conviction that there is significant latent demand for travel on our services and we look forward to providing vital connections for our customers as the recovery continues to build. Public transport has a key role to play in the UK's economic, decarbonisation and levelling up agendas and I remain confident that FirstGroup is very well placed to capture our many opportunities to create long term, sustainable value."

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Notes

¹ 'Adjusted Net Debt' excludes First Rail ring-fenced cash and IFRS 16 lease liabilities from net debt.

All '\$' amounts are United States dollars. 'FY22' refers to the 52 weeks to 26 March 2022.

Legal Entity Identifier (LEI): 549300DEJZCPWA4HKM93. Classification as per DTR 6 Annex 1R: 3.1.

FirstGroup plc (LSE: FGP.L) is a leading private sector provider of public transport services. With £4.3 billion in revenue and around 30,000 employees, our UK divisions transported nearly 700,000 passengers a day in the 52 weeks to 27 March 2021. First Bus is the second largest regional bus operator in the UK, serving two-thirds of the UK's 15 largest conurbations with a fleet of c.5,000 buses. First Rail is the UK's largest rail operator, with many years of experience running long-distance, commuter, regional and sleeper rail services. We operate a fleet of c.3,750 rail vehicles through four management fee-based train operating companies (Avanti, GWR, SWR, TPE) and two open access routes (Hull Trains and Lumo, our new East Coast service which launched in October 2021). We create solutions that reduce complexity, making travel smoother and life easier. Our businesses are at the heart of our communities and the essential services we provide are critical to delivering wider economic, social and environmental goals. We are formally committed to operating a zero-emission First Bus fleet by 2035 and to cease purchasing further diesel buses after 2022; and First Rail will help support the UK Government's goal to remove all diesel-only trains from service by 2040. Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.