

Wednesday 25 July 2012

FIRSTGROUP PLC
AGM STATEMENT AND INTERIM MANAGEMENT STATEMENT

FirstGroup ("the Group") will provide the following update on trading during the first quarter period ("the period" or "Q1") from 1 April to 30 June 2012 at the Group's Annual General Meeting in Aberdeen today.

Commenting, Tim O'Toole, Chief Executive, said:

"I am pleased to report that trading during the first quarter of the new financial year is in line with our expectations. As previously stated, 2012/13 is a year of transition for the Group. We remain encouraged by the progress in our North American operations. In UK Rail we continue to see strong passenger and revenue growth and are focusing on service quality and delivery, whilst developing future opportunities. In UK Bus we are executing our plan to reform the operating model and achieve sustainable growth. Notwithstanding the steady performance during the period we have accelerated our programme to reposition the portfolio and place the business on a firm footing to achieve sustainable growth in patronage and revenue. We are looking forward to the London 2012 Games where we are proud that our UK Bus division will be a major provider of spectator transport.

"The combined effect of the outlook for trading together with the actions to reposition the UK Bus portfolio is expected to result in the Group's net cash flow being broadly neutral in 2012/13. We have leading positions in a sector that is a key enabler of economic growth and we are confident that the actions we are taking will strengthen the business for the future. Therefore, reflecting its longer term view, the Board remains committed to its current policy of dividend growth of 7.0% through to the end of the financial year 2012/13."

First Student

In First Student, which has faced substantial pressure on its operating margin driven by constraints on school board budgets, good progress has been made in addressing performance and strengthening the operating model. The business is now set on the path to recovery and, although there remains work to be done, we are pleased that performance is in line with our expectations. During the current bid season we have focused on retention and reducing contract churn within our portfolio and we are on track to achieve our target retention rate of around 90%. We are also pleased to have secured new contracts to operate over 800 buses, including eight contracts converted from the public sector, with a number of further bids still active.

First Transit

Our Transit division continues to perform well with trading in line with our expectations. The business is generating good returns from a typically low capital requirement as we continue developing opportunities and encourage the conversion of further contracts to the outsourced market. During the period we were pleased to commence operation of a new transit management contract in Escambia, Florida.

Greyhound

We remain encouraged by Greyhound's performance with like-for-like revenue increased by 2.8%, with the slight reduction in the growth rate from the previous quarter reflecting lower fuel pump prices. Greyhound's US services maintained a strong performance and in particular our successful Greyhound Express product continues

to achieve higher growth. We see significant potential to continue to develop these non-stop, enhanced bus services. During May we began operating Greyhound Express in California and also increased our services in Texas bringing the offering to nearly 70 key markets across North America.

UK Bus

Despite challenging economic conditions that continue to impact a number of our urban operations, our UK Bus division delivered a steady performance in like-for-like passenger revenue which increased by 2.2%. During the period we saw an improvement in revenue trends from our Scotland and North of England businesses, whereas in keeping with industry trends, our businesses in the South have experienced a reduction in concessionary volumes.

We have a clear direction and are executing a detailed plan to recover performance and equip the business to achieve increased revenue and patronage growth and have seen some early positive signs in some of our markets. The majority of our UK Bus operations generate good returns with opportunities to improve further. However there is, as previously reported, scope to reposition our portfolio through a programme of selected asset and business disposals, to focus on those markets that offer the greatest potential for growth. Our strategy remains to bring those businesses to the market in select tranches to ensure stability for our employees and operations. We are confident of the opportunities to progress our disposal programme with potential purchasers with limited competitive overlaps.

UK Rail

Our UK Rail division saw another strong performance during the period with like-for-like passenger revenue increased by 8.2%. As the UK's largest rail operator with a diversified portfolio of long distance, regional and commuter services, we are pleased to be shortlisted for all four franchises currently out for tender. We remain focused on ensuring the quality of our existing services while continuing to develop opportunities from the re-franchising programme.

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