

Wednesday 17 July 2013

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") from 1 April to 30 June 2013 at the Group's Annual General Meeting in Aberdeen today.

Summary

- Overall trading in line with management's expectations
- Completion of £615m rights issue, providing a strong base to continue our transformation plans and invest to create sustainable long term value
- Recovery programmes in First Student and UK Bus on track
- Solid performance in First Transit
- Recent trends in core Greyhound continue with effects of a weak US economy being mitigated through ongoing cost management. Further profitable expansion of Greyhound Express
- Continued solid revenue growth in UK Rail and shortlisted for Caledonian Sleeper and Luas competitions
- Completed sale of London bus operations

First Student

Our recovery plan is on track and as we implement a more efficient operating model and uniform practices across the division we expect margins for the first half of the year to be ahead of the equivalent period last year. We are on track to achieve a retention rate of approximately 90%, with a focus on winning or retaining only those contracts that meet our returns criteria. We are increasingly well positioned to leverage our scale as the market leader and deliver sustainable returns and good cash flows.

First Transit

First Transit delivered a solid performance in the period. We are achieving good growth, using our knowledge, wide-ranging expertise and scale to pursue opportunities in our core markets. During the period we added to our market leading shuttle bus portfolio with further contract wins for university campuses at Chapman, Auburn and the University of Alabama at Birmingham. First Transit has won new business throughout the last year totalling more than \$130m worth of revenue, including ten conversion contracts.

Greyhound

Our core Greyhound operations continue to be impacted by softness in the US economy however, as a result of the continuation of cost actions we have taken to mitigate these effects, we anticipate full year profitability to remain in line with our business plan.

During the period like-for-like revenue reduced by 6.1% compared to the same period last year. However, Greyhound Express achieved good like-for-like revenue growth of 7.9%, and continues to deliver a strong performance particularly where services become established following the initial start-up phase. We are harnessing the experience from Greyhound Express and BoltBus to support our plans to modernise and improve the yield management capability of the core business.

UK Bus

During the period, like-for-like passenger revenue increased by 1.4%. We are seeing positive results from our transformation programme, particularly from those operations that are furthest along the process. As we continue to work through detailed local plans, we are pleased to see strong volume growth as a result of fares and network changes we initiated in areas such as Sheffield, Rotherham, Doncaster and Manchester. For the depots which have completed the first stage of the process, lost mileage and vehicle breakdowns have reduced by around a third. On 23 June we completed the previously announced sale of eight of our London bus depots for a combined consideration of approximately £80m.

UK Rail

Our UK Rail division delivered further solid performance during the period with like-for-like passenger revenue increased by 5.5%. We were pleased to be shortlisted for the Scottish Government's Caledonian Sleeper services and the Railway Procurement Agency's Luas light rail network in Dublin. We remain in discussion with the Department for Transport in respect of the proposed extensions to our First Great Western and First Capital Connect franchises.

Capital structure

During the period we completed the previously announced £615m rights issue to remove the constraints of our balance sheet and provide a strong base to continue our transformation plans and invest to create sustainable, long term value. We have a detailed programme to invest approximately £1.6bn across our five divisions over the next four years, to support growth and a return to target ROCE levels. As previously indicated, as a consequence of this period of increased investment, we expect that our cash flows will be broadly flat in the current year. Our expectation is that, through the actions we are taking, the business will be equipped to deliver improved growth and return to a profile of consistent returns and cash generation in the medium term.

Outlook

Commenting, Tim O'Toole, Chief Executive said:

"Trading during the period was in line with our expectations. While we continue to see challenging conditions in some of our markets, there is considerable long term opportunity across the Group and particularly from our recovery programmes in First Student and UK Bus. While there remains significant work to do, our confidence increases as we see the results of our actions taken to date.

"The task of returning the Group to the position of strength that our customers, employees, and shareholders expect will require hard work and persistent delivery for some time to come, and we are pleased by the support of our shareholders in the recent rights issue. This not only strengthens the Group with an appropriate capital structure, but also provides a strong base for the continued investment in our transformation programmes to create sustainable long term value. "

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