
FIRSTGROUP PLC

NOTICE OF GENERAL MEETING

On 17 May 2019, the Board of FirstGroup plc ('FirstGroup', the 'Group', or the 'Company') received a requisition notice from State Street Nominees Limited (acting as custodian for a company managed by Coast Capital), a shareholder holding around 10% of the Company's shares, requisitioning a general meeting to consider resolutions to remove six of the current Directors and replace them with seven of Coast Capital's own nominees.

Accordingly, in compliance with Listing Rule 9.6.1R, the Company will today submit a copy of the documents listed below to the UK Listing Authority and they will shortly be available for inspection via the National Storage Mechanism at <http://www.morningstar.co.uk/uk/NSM>. These documents will also be despatched or otherwise made available to shareholders today.

- Notice of General Meeting to be held at 2.00 p.m. on 25 June 2019 at De Vere Grand Connaught Rooms, 61-65 Great Queen Street, Holborn, London, WC2B 5DA (the 'Notice'); and
- Form of Proxy and Notice of Availability.

As required under the Disclosure Guidance and Transparency Rule ('DGTR') 6.3.5R(3), the Notice will also be available shortly on the Company's website at <http://www.firstgroupplc.com/general-meeting>.

As explained in the Notice, the Directors strongly believe that the Coast Capital Resolutions are not in the best interests of the Company, its shareholders as a whole or its wider stakeholders and recommend unanimously that FirstGroup shareholders vote against all of the Coast Capital resolutions.

The Notice includes a letter to shareholders from FirstGroup Chairman, Wolfhart Hauser, which includes the following information.

As previously planned, on 30 May 2019, FirstGroup set out a clear strategic direction alongside its results for the financial year to 31 March 2019. The Board believes that this strategy will deliver best value for the shareholders of the Company.

FirstGroup:

- has the right strategy to take the business forward
- has the right Board and the right team to execute it at pace
- has a diverse, independent Board
- has renewed the Board with the right experience for FirstGroup's future
- will, alongside delivering our strategy, continue to provide safe, sustainable and environmentally friendly travel solutions for the people and communities we serve

Coast Capital:

- proposes to take control of the Board with the removal of six current Directors and the appointment of seven non-independent directors
- proposes to appoint directors whose experience is not current and is not aligned to FirstGroup's business nor its future growth
- has put forward plans that are inconsistent, demonstrate a lack of understanding of FirstGroup and are rooted in the past
- has put forward irresponsible plans that would leave the Group with higher debt
- has put forward plans that are not in the best interests of shareholders as a whole or our wider stakeholders

The right strategy to take FirstGroup forward

On 30 May 2019, after seven months in the role, FirstGroup Chief Executive Matthew Gregory announced a clear path forward for the business, which the Board is confident will deliver enhanced sustainable value for shareholders, having regard to our responsibilities to our wider stakeholders:

- We plan to rationalise our portfolio with FirstGroup's future emphasis on First Student and First Transit, our core North American contracting businesses, which have the greatest potential to generate sustainable value and growth over time
- These businesses are already leaders in their markets and share increasingly similar characteristics and growth opportunities. Together First Student and First Transit generated over 60% of the Group's operating profits in 2018/19 and are already a solid, profitable platform for growth in the North American mobility

services sector. By focusing on our customers' needs and leveraging the latest technology, efficiency and safety practices as well as partnerships, we see significant potential for long term sustainable value and growth from the businesses

- Accordingly, a formal process to sell Greyhound has commenced and we will pursue structural alternatives to separate First Bus from the Group
- We have an existing portfolio of rail franchises in the UK which we will operate in accordance with their contractual terms. Any future commitments to UK rail will need to have an appropriate balance of potential risks and rewards for our shareholders

A copy of our strategy update is included in Appendix 3 to the circular, which is available on the Company's website at <http://www.firstgroupplc.com/general-meeting>. An audio file of Matthew explaining this strategy in more detail is available at <https://www.firstgroupplc.com/results-centre>.

The Board firmly believes that this is the right strategy to deliver the best value to all shareholders, having regard to our responsibilities to our wider stakeholders. It follows a full and comprehensive review over the past year of all appropriate means to mobilise the considerable value inherent in the Group, in a process which recognised the friction costs, regulatory procedures and stakeholder consultations which require careful consideration in the case of some potential options. The best team to navigate these complex issues is the current management team of the Company, which has deep experience of the Company and the industry in which it operates and takes all of its responsibilities with the utmost seriousness. In parallel with the portfolio rationalisation plans we will continue to drive forward the clear strategies now established in each of our divisions to ensure they deliver further progress and growth in the Company's existing and adjacent markets, underpinned by plans to enhance our cost base further.

FirstGroup has the right team to execute at pace

Matthew Gregory was appointed as Chief Executive in November 2018 after a thorough external and internal search was conducted. Matthew's experience includes 24 years of financial, commercial and operational experience all within UK-listed PLCs with extensive international operations. This sector experience includes public transportation, manufacturing and distribution, including the largest component distribution division of Essentra plc, where he had a track record of tripling revenue, quadrupling profit and increasing margins by over 500 bps through disciplined commercial and operational management. Matthew also has a wealth of North American and other international experience. His deep operational understanding of FirstGroup gained since his appointment as Chief Financial Officer in 2015 and his drive to unlock shareholder value makes him exactly the right person to implement the Board's strategic plans.

Under Matthew's leadership, in 2018/2019 FirstGroup has delivered:

- Underlying revenue growth of +5.7%, adjusted operating profit growth of 10.5% and EPS growth of 15.2%
- Adjusted operating profit ahead of expectations at £332.9m, led by growth and margin expansion in First Student and First Bus
- A withdrawal by Greyhound from its loss-making activities in Western Canada and the formulation of plans for improved operational and financial performance that started to show progress in the second half of 2018/19

This operational performance provides the foundation for the clear strategic direction for the business that is summarised above and detailed in our announcement of 30 May 2019 (which is included in Appendix 3 to the circular), and evidences our management team's drive and focus, under Matthew's leadership, to deliver value for shareholders. The Board has also bolstered the management team with the appointment of Ryan Mangold as Chief Financial Officer in May 2019 after a thorough process. Ryan was selected to bring further depth and capability in the areas required to deliver the Company's strategic plans.

Replacing this team with one that has no working knowledge of FirstGroup and very limited experience of the fast changing and dynamic markets in which the Group operates, in particular the North American transport contracting markets which form the core of the Group, would dramatically reduce the ability of the Company to execute these critical strategic changes.

FirstGroup has a diverse and independent Board that has been renewed with the right experience for FirstGroup's future

- This Board has a clear majority (64%) of independent non-executive Directors
- This Board has the right blend of skills and experience
- This Board meets all UK Corporate Governance requirements

The Board is focused on delivering shareholder value and is confident that the Company has the right Board with the right experience and plans in place to do so.

The composition of the current Board (and Board committees) is fully compliant with the UK Corporate Governance Code, including the requirements on independence and length of tenure. This is reflected in the strong support that shareholders showed for members of the Board who stood for re-election at the 2018 Annual General Meeting, who received an average vote FOR of 96.84%.

All but one of the current Directors has been appointed within the last five years, and six members of the Board have been appointed within the last two years. The average tenure of the FirstGroup Non-Executive Directors is three years compared to the average tenure of four years for a typical UK-listed public company.

The Board has continued to be renewed with the recent appointments of Independent Non-Executive Directors Steve Gunning and Julia Steyn as well as Ryan Mangold as Chief Financial Officer, all in 2019, following objective and rigorous selection processes.

The composition of the current Board has the right balance of skills as it looks to a future which will continue to be defined by the profound impact of technology on the development of mobility services, as evidenced by the emergence of ride sharing and autonomous vehicles.

A majority of the Board have experience in the transport and travel sectors. This includes Wolfhart Hauser, Matthew Gregory, Warwick Brady, Jimmy Groombridge, Steve Gunning, Martha Poulter, David Robbie and Julia Steyn.

The independent Directors have been carefully chosen to support the Company's management team with the developments in our strategic direction, bringing experience from across multiple industries, including adjacent industries competing increasingly with public transportation, such as technology, airlines, consumer brands, urban mobility and big data management. For example, Julia Steyn, who was appointed on 2 May 2019, brings extensive knowledge of the US transport industry. Together with the existing US government contracting experience of the Directors (including Matthew Gregory and Jim Winestock), this skillset will be invaluable as the Company focuses on First Student and First Transit, our market leading North American contracting businesses, and builds on the strong and profitable platform we have established in North American mobility services.

In addition, a majority of the Board, including in particular Wolfhart Hauser, Matthew Gregory, Warwick Brady, Steve Gunning, Ryan Mangold, Martha Poulter, David Robbie, Julia Steyn and Imelda Walsh, have extensive corporate finance, M&A or legal experience. This experience and skillset will be key to overseeing the execution of our portfolio rationalisation plan and securing best value for shareholders.

Your Board also has extensive and detailed experience in dealing with complex UK pension schemes, including the management, funding and strengthening of such pension schemes.

In summary, your diverse, independent Board has the extensive experience, skills and expertise for FirstGroup's future and delivering shareholder value:

- Transportation/travel
- Strategy
- Turnaround
- Technology
- Governance
- Pensions
- Safety
- Operations
- HR/employee engagement
- Finance/M&A

In addition, the Board has various current and complementary experience and skills in areas such as audit, data management, information technology, legal, logistics and marketing and brand management.

Full details of the current Board's experience and their specific skillsets are set out in the Directors' biographies in Appendix 1 to the circular.

Who is Coast Capital?

Coast Capital, founded in September 2017, is a small New York based hedge fund, self-styled as an activist investor. Based on its many interactions with Coast Capital to date and its claims and proposals, the Board believes that Coast Capital is an opportunistic, self-interested player that is only focused on short-term gains.

Coast Capital purports to be a significant long-term shareholder in FirstGroup. However, despite various claims made by Coast Capital, the Company was first formally notified of Coast Capital's shareholding only as recently as 12 April 2018 at which point it notified a holding of 1.57 per cent. of the Company's issued share capital.

Coast Capital is a fund with no track record or experience running any business similar to FirstGroup, and it has made a number of scatter-gun, inconsistent and unusual claims and proposals to the Company over the past 12 months. For example, in a letter to the Company in June 2018, Coast Capital suggested that the Company consider appointing four individuals to the Board, yet none of those individuals are being nominated by Coast Capital in this requisition.

A number of Coast Capital's other proposals are set out in a letter that your Chairman sent to Coast Capital in November 2018 (a copy of which is included in Appendix 2 to the circular), patiently and politely addressing a number of the proposals as being either transactions that simply reflect a lack of understanding of FirstGroup or are skewed to benefit only Coast Capital and not all shareholders. For example, Coast Capital has recently publicly referred to the Company's "proposed firesale of otherwise good assets", yet, as recently as last October, Coast Capital wanted exclusivity from FirstGroup for Coast Capital to purchase Greyhound at a purchase price which was much lower than Coast Capital's stated valuation of the business. Coast Capital also proposed that Coast Capital purchase a 'minority but controlling' stake in our First Student business.

Coast Capital's claims contain numerous factual inaccuracies and misunderstandings. This is notwithstanding the availability of information clearly set out in our public disclosures and numerous communications from the Company to Coast Capital in which we have given detailed, and clear, explanations of various matters that Coast Capital has requested. Despite this, Coast Capital's recent public statements show that Coast Capital continues to repeatedly misunderstand, or chooses to misunderstand or misinterpret, a number of basic points relating to FirstGroup and the markets in which it operates. For example, notwithstanding our clear explanations, Coast Capital's recent statements show a fundamental misunderstanding of the valuation of UK pension schemes on various accounting and actuarial bases and, as noted below, Coast Capital has repeatedly failed to appreciate the capital expenditure profile and cash generative capability of the Rail division.

Certain other claims made by Coast Capital have been withdrawn by Coast Capital after the Company reminded it of its legal obligations.

Coast Capital proposes to take control of the Board with the removal of six current Directors and the appointment of seven of its own non-independent nominees

Coast Capital is seeking to appoint its own nominees to the Board in a manner which circumvents established corporate governance best practice and the rigorous and transparent procedures followed by the Company. In particular, the Board is opposed to appointing any director who may favour one particular shareholder over and above the interests of shareholders as a whole. If the Coast Capital Resolutions are passed, only three directors out of a board of 12 members (25%) would be independent non-executive directors.

Furthermore, Coast Capital has stated that it and its nominees have already found a new, unnamed, CEO, who they would appoint if the Coast Capital Resolutions are passed. This is a further abuse of good corporate governance practice and due process.

Through its proposals, Coast Capital is seeking to take control of your Board and the Company. Your independent Directors firmly believe that this is wholly inappropriate and not in the best interests of shareholders as a whole, or our wider stakeholders.

Coast Capital proposes to appoint directors whose experience is not aligned to FirstGroup's business or future growth

The Board has concerns about the lack of recent experience and the past company involvement of a number of the directors proposed by Coast Capital. For example, in nominating Steve Norris as a director, Coast Capital has highlighted his experience as a non-executive director of Capital CityBus, a small privately-owned local bus operator in London which was sold in 1998, more than 20 years ago, as evidence of his suitability to run our First Bus division. First Bus has a fleet of around 5,700 buses and 16,500 employees. Therefore the scale of Capital CityBus's operations would be equivalent to less than 10% of the current operations of our First Bus division. Mr Norris was also chairman of Jarvis plc, a large public company in the rail engineering sector, for the six years before it went into administration, resulting in pension schemes being placed into the Pension Protection Fund. This experience has been omitted from the biographies published by Coast Capital.

Moreover, the proposed directors have limited recent experience in the segments within which FirstGroup operates and no experience in the North American transport contracting market, which will be our core business going forward.

Further, Coast Capital is proposing to:

- INCREASE the size of the Board
- REDUCE the diversity of the Board.

FirstGroup has been focused on renewing the Board to include individuals with skills relevant for the future direction of the Group. Coast Capital seems more focused on rekindling the past than preparing for the future.

Coast Capital has put forward plans that are inconsistent, demonstrate a lack of understanding of FirstGroup and the transport sector today and would leave the Group with higher debt

As noted above, Coast Capital has made a number of scatter-gun, inconsistent and unusual proposals to the Company over the past 12 months.

The latest plans put forward by Coast Capital are either based on financial engineering with no clear benefit to shareholders, such as its suggested sale and leaseback approach, or are vague assertions, based on old information and lacking in detail. Coast Capital's proposal to reduce the Company's pension obligations, or to "exit rail in full" without due regard to the contractual nature of the business, nor the employees or wider stakeholders within the business, are alarmingly naïve. These plans continue to demonstrate Coast Capital's lack of understanding of the Group and our businesses, notwithstanding the patient engagement that the Company's officers and Board members have undertaken with Coast Capital.

We have respectfully and constructively engaged with Coast Capital for over a year. Throughout, we have shown an open mind and a willingness to consider new ideas and proposals; but only those that are in the best interests of all shareholders, having regard to our wider stakeholders. We address a number of Coast Capital's plans below:

Financial engineering with no clear benefit to shareholders:

- A **substantial sale and lease back** of property would be irresponsible. It would increase the financial leverage of the Group at a time when the IFRS accounting rules have only recently changed to require this to be reflected as indebtedness. Furthermore, it would limit the strategic flexibility of the Group to respond to changes in market conditions and does not pay due regard to the operational nature of a number of these assets which are inherent in the value of the business.
- Initiating a **share buyback programme** funded through a loan from investors procured by Coast Capital would also irresponsibly increase financial leverage at a time of economic uncertainty and would reduce the Group's strategic flexibility to unlock value for shareholders. This appears to be at the same time as Coast Capital would propose to reduce gross debt by up to £1 billion, but with no clear explanation of how to achieve this. This inconsistency is a matter of significant concern.
- Introduction of a **dividend** at a time when the portfolio is undergoing transformational change would not be in the best interests of all shareholders. We believe that the more focused Group, as envisaged by our portfolio rationalisation plans, will be well placed to sustain a dividend in future and this will be considered by the Board at the appropriate time.

Taken together, these short term financial engineering strategies would increase the leverage of the Company to a point that the Board believes is reckless and imprudent. This would risk a downgrade of the Company's credit rating, which would have adverse impacts on the Company, including increased financing costs.

Naïve and vague assertions with no specific details around execution:

- The Company and the Trustees of the Group's **pension plans** regularly review the plans' funding requirements, ensuring flexibility and efficiency for the business while protecting the retirement security of thousands of current and former employees. Coast Capital's proposal to "solve" the plan funding with an upfront payment of £75m and changes to investment strategy shows a fundamental misunderstanding of our pension plans and the role of the Trustees under UK legislation.
- It remains unclear from Coast Capital's plan why a **gross debt** reduction of up to £1 billion is appropriate and Coast Capital has provided no specific details as to how this would be achieved. It would also apparently be achieved alongside the commencement of a share buyback programme and the introduction of a dividend, which demonstrates alarming inconsistencies in Coast Capital's thinking.
- Coast Capital's demand to **exit FirstGroup's Rail business** pays no regard to the contractual nature of these arrangements, the dynamic nature of the current environment nor to our customers, employees and wider stakeholders within this business.

- Coast Capital continues to show a fundamental lack of understanding of the **capital expenditure profile of the Rail division**, where cash capital expenditure is typically matched by franchise receipts, capital grants or other funding from third parties. Our UK Rail franchise portfolio has generated £330.9m in adjusted profit with net cash and dividends paid to the Group over the last five years.

In summary the Board believes it has the right strategy and the right team to deliver the best value to shareholders and that Coast Capital does not

The Board firmly believes that, based on the progress and momentum that has been built through the operational progress in the last 12 months, the clear strategic direction set out in the Company's announcement of 30 May 2019 will deliver best value to shareholders, and that the best team to execute these complex strategic transactions is the current management team. This is a team that has deep experience of the Company and the industry in which it operates, and is supported by a diverse, renewed and independent Board with the right skills and experience to support the Company's future direction. Replacing this team with one which has demonstrably outdated knowledge of FirstGroup's market places, and no experience in the increasingly valuable area of North American mobility services, would dramatically reduce the ability of the Company to execute these critical strategic changes.

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

FirstGroup plc (LSE: FGP.L) is a leading provider of transport services in the UK and North America. With £7.1 billion in revenue and around 100,000 employees, we transported 2.2 billion passengers last year. Whether for business, education, health, social or recreation – we get our customers where they want to be, when they want to be there. We create solutions that reduce complexity, making travel smoother and life easier.

We provide easy and convenient mobility, improving quality of life by connecting people and communities.

Each of our five divisions is a leader in its field: In North America, First Student is the largest provider of home-to-school student transportation with a fleet of 42,500 yellow school buses, First Transit is one of the largest providers of outsourced transit management and contracting services, while Greyhound is the only nationwide operator of scheduled intercity coaches. In the UK, First Bus is one of Britain's largest bus companies with 1.6 million passengers a day, and First Rail is one of the country's largest and most experienced rail operators, carrying 345 million passengers last year.

Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.