

Shareholder Questions and Answers – 2021 FirstGroup plc General Meeting

As announced in the Notice of Meeting, given the continued social distancing measures and health and safety guidance imposed by the UK Government as a result of the COVID-19 pandemic, the General Meeting was convened with the minimum quorum of Shareholders (which was facilitated by FirstGroup's management) in order to conduct the business of the General Meeting. The health and safety of Shareholders and colleagues is our utmost priority and Shareholders were strongly advised not to seek to attend the General Meeting in person.

Shareholders who wished to ask a question of the Board relating to the business of the General Meeting were able to do so in advance of the General Meeting by submitting questions via email. In addition, Shareholders were able to remotely follow the General Meeting via an audiocast on the Virtual Meeting Platform where they were able to submit questions relating to the business of the General Meeting during the meeting.

Questions 1-3 were submitted by Shareholders prior to the General Meeting and responded to by email. Question 4 was asked during the General Meeting and a summary of the Chairman's verbal response is included. Following the end of the Q&A session at the General Meeting, questions 5-8 were submitted by a guest to the General Meeting.

1. **"Can shareholders be assured that if this sale goes ahead the policy and direction of the group will change to similarly reward the people who have invested their hard earned savings in the business in likewise fashion to the employees of the group are who are being paid salaries and wages way above the market rate? This policy change can be highlighted and reinforced by the payment of a reasonable dividend to shareholders in this financial year and future years subject to a reasonable profit being made."**

Going forward, the Retained Group has a strong platform on which to create sustainable value, and is well-positioned to help deliver wider economic, social and environmental goals at a key inflection point for public transport in the UK. The Board intends to return c.£365m of cash (equivalent to 30 pence per share) to shareholders through the proposed return of value which will be executed during the current calendar year. The Board will keep the balance sheet position of the Group under review and will consider the potential for making further additional distributions to shareholders in due course including following resolution of legacy liabilities related to Greyhound, crystallisation of the First Transit earnout, and as UK end markets recover. Following completion of the sale, the Retained Group will be a sustainable and cash generative business with a well-capitalised balance sheet and an operating model that will support an attractive dividend for shareholders. The Board's intention is to pay regular dividends to shareholders commencing in FY23.

2. **"Page 22 of the 23 April 2021 presentation on the proposed transaction gave a pro forma Net Asset Value of the Retained Group of £646m. On page 45 of the circular, it gives a figure of £447.7m. Please can you reconcile these two numbers?"**

The two main items making up the £198m difference between the figures quoted on slide 22 of the Presentation and p.45 of the Circular are as follows:

- The presentation is pro forma for the proceeds of the Greyhound Property sales which took place in December 2021 after the base balance sheet date (there is a column for this on the table), whereas the basis on which the circular is prepared does not allow for that to be included.
- The conversion of the proceeds between USD and GBP is simplified in the Presentation compared with the Circular.

3. **"Why has the decision been taken to use a substantial sum of the money raised from this sale to reduce the deficit in the FirstGroup Pension Scheme? The Pension Scheme should surely stand or fall on its own and the bulk of the funds raised from the sale should be returned to the shareholders who provided the funds in the first instance to purchase these businesses and make the group be in the position it is today."**

In determining the use of proceeds from the transaction the Board focused on balancing five principal considerations: returning value to shareholders; addressing the substantial legacy liabilities of the Group; repaying the UK Government's CCFF loan; and making a responsible contribution to address the UK Bus Defined Benefit pension scheme deficit, recognising its funding plans had relied on a parent company guarantee supported by First Student and First Transit earnings. Finally, the Board sought to ensure the ongoing Group has adequate financial resources in the short term for a range of pandemic-related eventualities as well as a path to an appropriate balance sheet for the medium term, able to return to paying a dividend at the right time. The Defined Benefit pension scheme (which is now closed to new members) includes contractual commitments guaranteed by the scheme sponsor (First Bus) to pay salary-related benefits and/or any deficit recovery contributions if required.

4. "Has the Board requested independent advisors to provide an opinion that the sale of FSFT is for full value? If so, what did the advisors say?"

As stated in the shareholder circular we have received detailed financial advice from three global banks – Rothschild, JPMorgan and Goldman Sachs. These three financial advisers include our two sponsors who meet all the independence criteria required by the Financial Conduct Authority (FCA). They fully advised your Board on the deal and are in full support of it.

5. "Why is the process being rushed so much? 17 days only for investors to consider this transaction."

As stated in our public statement made on 18 May, the shareholder approval process for the transaction with EQT, including the timetable, is entirely in line with all applicable UK company law, market practice and regulation. The timetable was included in the shareholder circular which was approved by the FCA. The transaction was also announced more than a month prior to the General Meeting.

6. "Why was the SPA not shared with / sent to investors so that we could view full terms of agreement?"

As stated in the shareholder circular published on 10 May, the Purchase Agreement was made available for inspection at the Company's offices in London and Aberdeen in accordance with all appropriate regulations. At the same time the Company confirmed it would make alternative arrangements available to shareholders on request if they were unable to travel to or access either location due to the UK Government's restrictions in response to the COVID-19 pandemic. Two shareholders made such a request, and were duly afforded full access to the Purchase Agreement by arrangement in New York City.

7. "Why sell a transport business in the middle of a pandemic and before the important infrastructure and education investments being made in the US?"

As noted in our public statement made on 18 May, the sale followed a comprehensive and competitive process in order to seek the best possible price for First Student and First Transit, which was well-publicised for more than a year. Through the sale process, the businesses were widely marketed and the Group and its advisers actively engaged with more than 40 potential buyers. This process led to the agreed sale for a full strategic value, which looks beyond the pandemic and reflects the high quality and long-term nature of these assets.

The impact of COVID recovery and benefits from future potential investment programmes were taken into consideration by FirstGroup and potential buyers. Vendor due diligence, forecasting and the marketing process to bidders fully recognised the possibilities of potential regulatory, stimulus

and other legislative changes in the markets in which First Student and First Transit have been leaders for more than 20 years. Amongst other things, this included the potential for the US government to adopt a more pro-active stance with respect to climate change and the opportunities that would create. First Student is a leader in low and zero carbon school bus operation in the US and has a collaboration to accelerate school bus electrification with NextEra Energy, the world's largest generator of renewable energy from wind and sun. While recent legislative proposals are welcome and encouraging, they are focused on accelerating the adoption of electric vehicles by supporting the higher cost of acquiring and implementing them compared with diesel, and do not in themselves increase demand for school buses or mass transportation.

The contracted nature and visibility of school transport contracts means the restart of school bus service following the pandemic is less uncertain than in a number of other industries. As also noted in our public statement on 23 April, the proportion of First Student's bus fleet operating either full service or on a hybrid basis had increased, to 95% in the second week of April, and First Transit's service levels had remained broadly stable at around 85% of pre-pandemic revenues, providing a relatively high level of visibility to both buyer and seller.

8. "Has an independent fairness opinion been secured and has this opinion been shared with investors?"

Investors are referred to the answer to question 4 above.

27 May 2021