FIRSTGROUP PLC

PROPOSED SALE OF FIRST STUDENT AND FIRST TRANSIT

FirstGroup plc ("FirstGroup" or the "Group") is pleased to announce that it has entered into an agreement for the sale of First Student and First Transit to EQT Infrastructure (the "Transaction").

Summary

- c.£3.3bn ($4.6bn) headline enterprise value, including First Transit earnout of up to c.£170m
- Transaction fully recognises the long-term, strategic value of First Student and First Transit – headline multiple of 8.9x combined FY20 EBITDA (on a pre-IFRS 16 basis)
- c.£2,190m initial net proceeds (after deducting First Student and First Transit self-insurance liabilities valued at c.£390m and c.£505m in debt and debt-like items, net working capital and other adjustments) to be used in addressing longstanding liabilities, ensuring the Group has sufficient means for the future development of its retained businesses, and enabling a return of value to shareholders:
  - c.£1,345m to be used to reduce indebtedness (including £300m CCFF repayment to UK Government) and to derisk other liabilities (including for North American legacy pensions and self-insurance)
  - £336m contribution to the UK Bus and Group pension schemes (of which £116m to be held in escrow), enabling move to low dependency funding position
  - c.£100m initial pro forma Retained Group net debt to ensure adequate financial resources are available
  - c.£365m proposed return of value (30 pence per share) to shareholders during current calendar year
  - Potential for further distributions to shareholders in due course, including following resolution of Greyhound, crystallisation of the First Transit earnout, and as UK end markets recover
- Ongoing FirstGroup will be a leader in public transportation focused on the UK, with a strong platform on which to create sustainable value:
  - Well-capitalised and de-risked balance sheet
  - Cash generative operating model that will support an attractive dividend
  - Critical enabler of economic, social and environmental goals at key inflection point for public transport
- Transaction subject to FirstGroup shareholder approval; circular to be published as soon as practicable
- Sale completion expected in calendar H2 2021 following North American regulatory approval timetable
- Recent trading: Group expects adjusted operating profit for the 2021 financial year to be ahead of management's previous expectations; current liquidity in excess of £900m

David Martin, FirstGroup Chairman said:
"We are delighted to announce the sale of our North American contract divisions First Student and First Transit to EQT Infrastructure for $4.6bn. This transaction, which follows a strategic review by the Board of all options to unlock value, enables FirstGroup to address its long-standing liabilities, make a substantial contribution to its UK Bus and Group pension schemes and return value to shareholders, while ensuring the ongoing business has the appropriate financial strength and flexibility to deliver on its goals.

"On behalf of the Board, I would like to thank all of our employees for their hard work and commitment in dealing with the immense challenges of the past year, and commend the team for delivering on the Board's strategic objective to rationalise the portfolio."

Matthew Gregory, FirstGroup Chief Executive said:
"We are pleased to have agreed the sale of First Student and First Transit in a transaction which recognises their full strategic value. Both are resilient, high quality businesses with strong prospects for returning to normal levels of service following the pandemic. Our colleagues at First Student and First Transit have built excellent relationships with their customers over many years, and we are proud of their commitment and expertise. I would like to pay tribute to everyone in these businesses and acknowledge the vital role they play in their communities, both now and for many years to come.

"As economies begin to emerge from the pandemic restrictions and society begins the process of building back better, the vital role of public transport is clear. The services we provide are critical to economic activity and social objectives including 'levelling up', and play an important role in combating climate change and helping local communities flourish. Going forward, FirstGroup will be a more focused, resilient business that is in a strong position to deliver for bus and rail passengers in the UK, continue investing in its zero-emissions fleet strategy and play a key role in meeting society's broader ESG goals."

Investor and analyst briefing
A conference call for investors and analysts will be held at 9:00am today – attendance is by invitation. Please email corporate.comms@firstgroup.com in advance of the call to receive joining details. The presentation to be discussed on the conference call, together with a pdf copy of this announcement, will be available before the call at go to www.firstgroupplc.com/investors/reports-and-presentations.aspx. A playback facility will also be available there in due course.

Contacts at FirstGroup:
Faisal Tabbah, Head of Investor Relations
Stuart Butchers, Group Head of Communications
corporate.comms@firstgroup.com
+44 (0) 20 7725 3354

Contacts at Brunswick PR:
Andrew Porter / Simone Selzer, Tel: +44 (0) 20 7404 5959

Advisers:
Rothschild & Co
Joint Financial Adviser and Joint Sponsor
Avi Goldberg, Jessica Dale, Alice Squires – London
Lee LeBrun, Markus Pressdee, Jamie Anderson – New York

J.P. Morgan Cazenove
Joint Financial Advisor, Joint Corporate Broker and Joint Sponsor
Charles Harman, Richard Perelman, James Robinson, Ram Anand

Goldman Sachs International
Joint Financial Advisor and Joint Corporate Broker
Eduard van Wyk, Bertie Whitehead, Govind Shanbogue

Notes
Classification as per DTR 6 Annex 1R: 2.2. This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of FirstGroup is David Isenegger, Group General Counsel and Company Secretary. Legal Entity Identifier (LEI): 549300DEJZCPWA4HKM93.

FirstGroup plc (LSE: FGP.L) is a leading provider of transport services in the UK and North America. With £7.8bn in revenue in the year to 31 March 2020 and around 100,000 employees, we transported 2.1bn passengers. 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. Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.

Background to and reasons for the Transaction

Following the appointment of David Martin as Chairman in 2019 the Board conducted a strategic review to consider all options to realise value for shareholders. The Board formally announced the commencement of a sale process for the Group's North American contract businesses First Student and First Transit in March 2020 in order to unlock value and focus on its bus and rail divisions in the UK.

Having conducted a comprehensive and competitive process, the Board believes that the best value for shareholders is achieved by the combined sale of both First Student and First Transit. The Board unanimously believes that the Transaction is in the best interests of shareholders for the following reasons:

- the Transaction recognises the long-term strategic value of each of First Student and First Transit. These businesses have leading market positions, meaningful revenue and earnings growth potential and benefit from resilient contract-based business models as demonstrated by their robust performance through the COVID-19 pandemic;
- the Transaction implies a headline multiple of 8.9x the combined FY20 EBITDA of First Student and First Transit (on a pre-IFRS 16 basis);
- the Transaction value appropriately recognises the prospects for a recovery to normal levels of business activity which are currently being suppressed by the effects of the COVID-19 pandemic;
- the Transaction allows the Group to make a £336m contribution to UK defined benefit pension schemes and address other longstanding liabilities (including those relating to the Greyhound business) while ensuring the ongoing business is appropriately capitalised to continue investing for the future;
- the Transaction results in c.£365m being available to be returned to shareholders through a proposed return of value by the end of the calendar year, following realisation of the inherent value of First Student and First Transit and the financial consequences of their sale noted above; and
- the Transaction is in line with the Group's portfolio rationalisation strategy to exit its North American businesses and focus on the growth and value creation opportunities available to the Retained Group's leading bus and rail divisions in the UK. Greyhound remains non-core and the Group continues to pursue all exit options for it while de-risking its liabilities and actively managing its substantial property portfolio for value.

Information on First Student and First Transit

First Student is the largest provider of student transportation in North America, operating in 435 locations across 40 US states and seven Canadian provinces. First Student provides safe, reliable and cost-effective transportation services that help school districts focus on providing students with the best possible education. It also has a strong charter business for student and non-school trips. The business has a wholly-owned fleet of c.39,500 revenue-producing vehicles and operates a further c.2,500 leased or customer-owned vehicles.

First Transit is one of the largest private sector providers of public transit management and contracting services in North America, managing fixed route and shuttle bus services, paratransit operations, call centres for accessible transportation and other light transit activities. The business conducted over 300m passenger journeys in FY20 and owns or operates 12,500 vehicles. The business has a well-established platform with the ability to capture long-term growth in evolving transit management markets.

For the last full financial year to 31 March 2020, First Student and First Transit together recorded revenue of $3,959.8m (£3,109.1m) and EBITDA of $576.2m (£450.1m). For that period, adjusted operating profit was $241.6m (£186.7m) and operating profit was $92.7m (£67.1m). The value of the total assets the subject of the Transaction as at 30 September 2020 was $4,744.1m (£3,722.0m).

Principal terms of the Transaction

FirstGroup will, on the terms and subject to the conditions in the purchase agreement entered into with Recess Holdco Inc., a newly incorporated affiliate of EQT Infrastructure V Collect EUR SCSp and EQT Infrastructure V Collect USD SCSp (the "Purchaser") (the "Purchase Agreement"), sell to the Purchaser the entities comprising First Student and First Transit (the "Target Businesses").

The consideration payable by the Purchaser in cash at Completion is c.$3,065m (excluding the locked box adjustments and net of transaction costs). The Purchaser has also agreed to a deferred, contingent payment of up to $240m (c.£170m) which will allow FirstGroup to share in the future value of First Transit, calculated and payable on the third anniversary of closing the Transaction or a sale of First Transit by the Purchaser, if earlier. The full $240m would be received by FirstGroup on achievement of a First Transit enterprise value of c.$765m, with FirstGroup sharing in any upside above an enterprise value of $380m.

As part of the Transaction, First Student and First Transit self-insurance liabilities valued at c.$545m are transferred to the Purchaser, as well as c.$305m in long term debt relating to First Student and First Transit and debt-like items and other enterprise value adjustments of c.$400m (including pension and environmental liabilities relating to First Student and First Transit and working capital and other deductions). In summary, the net cash proceeds from the Transaction before the First Transit earnout are expected to be c.$3,065m (the "Net Disposal Proceeds"), equivalent to c.£2,190m, as shown below:

	$m	£m
Headline enterprise value	**4,555**	**3,255**
First Student and First Transit self-insurance provisions	(545)	(390)
First Transit earnout	(240)	(170)
Debt transferred to the Purchaser	(305)	(220)
Other EV adjustments including net working capital, pension, environmental liabilities, transaction costs	(400)	(285)
Net Disposal Proceeds	**3,065**	**2,190**

The Transaction constitutes a Class 1 transaction for FirstGroup under the Listing Rules and is, therefore, conditional on FirstGroup shareholders passing a resolution approving the Transaction (the "Resolution"). The Transaction is also conditional on among other things regulatory clearances from the US Surface Transportation Board, the Canadian Minister of Transport, provincial regulators in Ontario and Quebec and approval from the Vermont Department of Financial Regulation, as well as antitrust clearances in the United States and Canada (the "Closing Approvals"). The Purchaser has agreed to use its best efforts to obtain the Closing Approvals as soon as practicable and, in any event, on or before 22 January 2022. Completion of the Transaction is expected to occur in the second half of the 2021 calendar year.

The Purchase Agreement contains obligations on both sides to obtain the required approvals, as well as customary warranties, indemnities, termination fees and cost reimbursements.

The Purchaser has agreed to pay FirstGroup a termination fee of $250m if the Transaction fails to complete in certain specified circumstances, including where all conditions to Completion are fulfilled in accordance with the terms of the Purchase Agreement but the Purchaser fails to comply with its completion obligations under it.

FirstGroup has agreed to pay the Purchaser a termination fee of c.$14m if the Transaction fails to complete as a result of the Board modifying or withdrawing its recommendation that FirstGroup shareholders approve the Transaction and the Purchase Agreement is terminated by the Purchaser following such withdrawal or modification or if the Resolution fails to be approved.

In addition, for a limited time following completion of the Transaction, the Purchaser has agreed that the Target Businesses will provide certain transitional services to Greyhound.

Use of Net Disposal Proceeds and proposed return of value to shareholders

The Board will use the Net Disposal Proceeds to reduce the Group's financial indebtedness, discharge legacy liabilities and move its UK pension schemes to a low dependency funding position. The Board believes these measures will ensure the Group following completion of the Transaction (the "Retained Group") is in a strong position to create value for shareholders going forward. As a result, the Net Disposal Proceeds will be applied as follows:

Reducing the Group's financial indebtedness

The Group's net debt as at 31 March 2021 is expected to be c.£1.4bn, excluding the impact of Rail ring-fenced cash and IFRS 16 lease liabilities. As part of the Transaction, c.£220m of financial indebtedness will be transferred to the Purchaser along with the Target Businesses. The Board believes that substantially reducing the remaining financial indebtedness of c.£1.2bn will provide the Retained Group with significant balance sheet strength and flexibility to navigate the current period of uncertainty and pursue its strategy going forward. As a result, the Retained Group will retain the £200m 2024 bond along with c.£45m in First Bus finance leases, while repaying the remaining c.£935m of debt instruments and facilities including the £300m in commercial paper issued through the UK Government's Covid Corporate Financing Facility (CCFF) scheme. Make-whole costs of c.£65m in total will be incurred in relation to these repayments.

Discharge of certain significant liabilities

The Board believes the Transaction provides an opportunity for the Group to address certain significant legacy liabilities relating to the Greyhound business, fund short term capital requirements of the Retained Group as well as the payments in relation to the rail franchise termination agreements. Hence, the Board intends to retain c.£345m for the anticipated discharge of these liabilities over the near term. This will allow the Retained

Group to focus on growth opportunities in its core addressable markets instead of having to allocate further capital towards these liabilities.

Making contributions to UK Pension schemes
The Board has entered into memoranda of understanding with the First UK Bus Pension Scheme trustee and the FirstGroup Pension Scheme trustee (together the "Pension Trustees") to contribute in aggregate £336m of the Net Disposal Proceeds to improve funding and accelerate de-risking of these schemes. Of the aggregate amount, £220m in cash will be contributed into the First UK Bus Pension Scheme, and a further £95m held in escrow. It is expected that this contribution to the First UK Bus Pension Scheme (which had an accounting deficit of £171m as at 30 September 2020) will enable the Scheme to move to a low dependency funding position. The remaining £21m will be held in escrow by the FirstGroup Pension Scheme. Both amounts in escrow may be released back to the Group following the conclusion of subsequent triennial valuations and subject to scheme performance. The Transaction has no impact on the Railway Pension Scheme or the Local Government Pension Scheme in First Bus.

Proposed return of value to shareholders and Retained Group capital structure
Given the near-term uncertainty in the Retained Group's end markets, the Board believes it is prudent for the Group initially to maintain significant liquidity. Hence, of the remaining net proceeds of c.£510m, 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 intends to consult with major shareholders as to the most appropriate distribution mechanism for the return of value in due course.

The Board will keep the balance sheet position of the Retained Group under review and will consider the potential for making further additional distributions to shareholders in due course, subject to end market outlook and business performance, as well as further clarity on the crystallisation of the First Transit earnout and resolution of legacy liabilities related to Greyhound.

The expected use of proceeds is therefore summarised as follows:

	£m
Net Disposal Proceeds	**2,190**
Repayment of Government CCFF scheme funding	(300)
Reduction of the Group's other financial indebtedness	(635)
Make-whole costs towards repayment of Group debt instruments	(65)
Cash retained for Greyhound liabilities, rail termination sums and short term capital requirements	(345)
Sub-total before contribution to UK defined benefit pension schemes	**845**
Contribution to UK defined benefit schemes	(336)
Net proceeds available to the Retained Group	**509**
Cash in Retained Group	(144)
Of which, proposed return of value to shareholders in current calendar year	**365**

The Retained Group's pro forma capital structure will therefore comprise a cash balance of c.£145m, offsetting the £200m 2024 bond and c.£45m in First Bus finance leases described above. Accordingly, the Retained Group will have an initial pro forma net debt position as at 31 March 2021 of c.£100m (on a pre-IFRS 16 basis and excluding ring-fenced First Rail cash). As set out in the financial policy framework section below, the Board believes that the Retained Group will in due course support greater leverage as pandemic restrictions ease and UK end markets recover.

The future of FirstGroup – a leader in public transportation in the UK
FirstGroup is a leader in public transportation in the UK through its First Bus and First Rail divisions. 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. Following Completion and the proposed return of value, the Directors believe that 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.

Investment case of the Retained Group
On Completion, the Board expects FirstGroup to be a strong platform for further value creation based on the following considerations:

- **Leading positions in bus and rail transportation in the UK:** First Bus is a leader in regional bus operations outside London with a c.20 per cent. market share and strong positions in most of its local areas of operation. First Rail is the largest passenger rail operator in the UK by revenue with c.27 per cent. of the national passenger rail sector through four wholly or majority-owned operations, namely the West Coast Partnership (in which Trenitalia is a 30 per cent. minority shareholder and which comprises operation of

Avanti West Coast and the role of 'shadow operator' to the HS2 project), Great Western Railway ("GWR"; 100 per cent. owned), South Western Railway ("SWR"; in which MTR is a 30 per cent. minority shareholder) and TransPennine Express ("TPE"; 100 per cent. owned) as well as one open access rail service, Hull Trains, and a second, East Coast Trains, launching later in 2021. It also operates the Tramlink network on behalf of Transport for London.

- **Inflection point for growth, underpinned by supportive government and social policies:** public transport operators play a vital role in meeting local and national objectives, including net zero carbon, green jobs, reduced congestion, improved air quality, and the "levelling up" agenda, particularly in "left behind" towns and regions, as well as the recovery in economic and social activity following the COVID-19 pandemic. The importance of all of these agendas to the UK was clearly indicated in the National Bus Strategy published in March 2021, which recommits the UK government to £3bn in investment to improve bus services and support 4,000 new zero-emission buses across the country over the current Parliament. The Retained Group's services are key to supporting modal shift particularly from cars to sustainable, zero-carbon public transport, a key strand in meeting the UK's climate change goals.
- **Digital innovation to attract more customers, enhance business efficiency and flexibility:** enhancements seek to stimulate passenger growth by delivering FirstGroup's vision to provide easy and convenient mobility, improving quality of life by connecting people and communities. FirstGroup's public transport services offer efficient, cost effective and convenient travel options, both within and between the UK's congested towns and cities. Public transport is an attractive travel choice for customers, with increasingly sophisticated and easy-to-use journey planning tools (principally delivered via smartphone apps), simple and value-for-money ticket products catering to a wide range of needs, and reduced complexity and cost compared to other travel options.
- **First Bus: ready to complete trajectory to delivering a 10% margin in the first full financial year after pandemic-related social distancing restrictions on public transport end:** Although near-term passenger volume and revenue levels following the COVID-19 pandemic are difficult to forecast with any certainty at present, management are readying detailed plans to realign networks in several potential passenger volume scenarios. The Group's current expectation is that bus passenger volumes will recover to between 80 and 90% of pre-pandemic levels during first year after social distancing restrictions on public transport end (noting passenger volumes recovered to c.60 per cent. of pre-pandemic levels in some of First Bus' local areas when travel restrictions were partially eased during 2020). These plans will be adapted to align with demand and growth potential, significantly aided by the digital transformation of First Bus' capabilities in real-time passenger volume data capture. In the post-pandemic environment, it is possible that passenger demand on some routes may no longer support previous levels of commercial operations. The recently launched National Bus Strategy in England provides a clear framework and funding for bus operators and local government to promote bus use, and First Bus will work with local transport authorities to develop Bus Service Improvement Plans and future statutory partnerships. These will align services to the needs of local bus customers and enable access to the funding available to help deliver them in the coming years. Management expect that the revenue effect of any volume reductions will be mitigated over time by the targeted network changes, together with a new data-driven pricing strategy which is underway and other ticketing innovations. Margin performance will also benefit from operational and engineering efficiency actions already in place as well as £3m in divisional overhead and other cost improvements made since 2019, which will enhance the level of operational gearing to increased passenger activity.
- **First Rail: well-placed for lower risk, long term and cash generative rail operations:** As the largest incumbent operator with four UK passenger rail contracts expected to at least 2023, First Rail will benefit from the government's transition of the passenger rail industry's commercial structure to a lower-risk and more predictable National Rail Contract model. Under the proposed new model, it is expected that operators will be paid a fixed management fee with performance incentives for delivery against specific punctuality and other operational targets, and it is expected that there will be no passenger revenue risk and limited cost risk for operators, as well as no significant contingent capital requirements. Overall, the new model is expected to deliver a successful railway system that works better for passengers while generating more resilient and consistent returns for shareholders.
- **Opportunities from adjacent markets in UK bus and rail, and in new geographies over time**, leveraging the Group's considerable industry knowledge, skills and experience. For example, the Retained Group's rail division has set up open access operations (both with Hull Trains and with the East Coast Trains open access operation which is due to start services from London to Edinburgh later in 2021), developed and deployed new rail technology such as next generation on-board WiFi, on-train entertainment as well as integrated passenger information and analytics systems. First Rail also delivers high levels of customer satisfaction and efficiency through its integrated passenger contact centre which was built based on scalability and the latest technology. The bespoke customer service centre operates at a lower cost than First Rail's previous outsourcing arrangements and provides a single service for all customer queries across several First Rail operations. First Rail will also seek to build on its consultancy experience as 'shadow operator' to the HS2 infrastructure project since last year. First Bus is also building on its existing platform

of contracted fleet services for commercial customers in order to deliver revenue growth and capital efficiency.

- **Critical enabler of society's ESG goals, accelerating the transition to a zero-carbon world**: principally through facilitating modal shift from cars and through FirstGroup's commitments to transition its bus fleet to zero-carbon by 2035, to cease to purchase any new diesel buses after December 2022 and to support the UK Government's goal to remove all diesel-only trains from service by 2040. These commitments form part of the Group's Mobility Beyond Today sustainability framework and will increase its EU Green Taxonomy eligibility year by year. The Group has also committed to implementing the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations in its 2021 reporting, a year ahead of the regulatory mandate. FirstGroup is also the first UK road and rail operator to formally commit to setting a science-based target ("SBT") for reaching net zero emissions by 2050 or earlier, in accordance with the SBT initiative. Alongside top decile ratings in our sector globally from multiple ESG ratings providers, FirstGroup is a longstanding constituent of the FTSE4Good index and was recently recognised with a place in the 2021 Clean200 report, which ranks the world's largest publicly listed companies by their total clean energy revenues from products and services that provide solutions for the planet and define a clean energy future – the only passenger transport operator based in Europe to be listed in this year's report.

Financial policy framework of the Retained Group
The targeted financial policy framework for the Retained Group can be summarised as follows:

Metric	Objective
Revenue	• First Bus: Planning for a range of post-pandemic scenarios; central case envisages passenger volumes recover to between c.80 and 90% of pre-pandemic levels during first year after social distancing restrictions on public transport end, with further growth thereafter. • First Rail: opportunities to build on base business of four contracted operations with no revenue risk.
Profitability	• First Bus: targeting 10 per cent. margin in first full financial year after social distancing restrictions on public transport end. • First Rail: profitability driven by delivering against performance targets under the National Rail Contracts while adding earnings in adjacent rail opportunities. • Reduction in central costs of at least £10m per annum from FY23.
Investment	• First Bus: c.£90m per annum from FY23, mainly driven by the commitment to operating a zero-emission bus fleet by 2035. • First Rail: expected to continue to be cash capital-light under the National Rail Contracts.
Leverage	• Target leverage ratio of less than 2.0x net debt (pre-IFRS 16) / Bus and non-contracted Rail EBITDA, plus contracted Rail dividends, minus central costs.
Dividend	• Intention to pay regular dividends to shareholders commencing in FY23. • Subject to a normalisation of trading conditions post-pandemic, targeting annual dividend around 3x covered by new Adjusted Profit After Tax measure. • Adjusted Profit After Tax defined as Bus and non-contracted Rail adjusted operating profit, plus contracted Rail dividends, minus central costs, minus treasury interest, minus tax.

In summary, the Retained Group is expected to 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.

Greyhound
Greyhound remains non-core and FirstGroup continues to pursue all exit options for the business in order to conclude the Group's portfolio rationalisation strategy. Sale discussions are ongoing but the process has been affected by the pandemic's impact on this passenger volume-based business. The impact on Greyhound's financial performance and cash generation continues to be mitigated by tight cost control and recoveries of 5311(f) grants for operating key coach services under the US CARES Act. As noted above, c.$250m of the Net Disposal Proceeds will be utilised to buy out the legacy pension and substantially de-risk the self-insurance liabilities associated with Greyhound. The liability de-risking will result in Greyhound having a better capitalised balance sheet, which also includes its substantial property portfolio which the Group will continue to actively manage for value as part of Greyhound's network transformation plans. For the purposes of the Retained Group pro forma net debt position, c.£15m of finance leases attributable to Greyhound have been excluded.

FirstGroup Board
As a natural consequence of the Transaction and as the Group enters a new strategic phase, the composition and background of the Board will evolve. FirstGroup has separately announced today that Jane Lodge and Peter Lynas will be joining the Board as non-executive directors on 30 June 2021. David Robbie has also notified the Group that he will not seek re-election at the 2021 AGM and will stand down from the Board on 30 June 2021. The Nomination Committee, led by Chairman David Martin, will continue to oversee an orderly and

appropriate evolution of the Board in order to ensure it has the right balance of skills, experience and diversity for the Retained Group's future needs.

Current trading and liquidity position

Whilst some uncertainty remains due to the COVID-19 pandemic, the Board's visibility over the Group's performance has continued to improve since the half-yearly results announced on 10 December 2020. Due to strong cost control and other actions to manage the consequences of the pandemic, FirstGroup now expects adjusted operating profit for the 2021 financial year to be ahead of management's previous expectations.

Since the Group's last update in December 2020, the proportion of First Student's bus fleet operating either full service or on a hybrid basis has increased, to 95% in the second week of April, and First Transit's service levels have remained broadly stable. Greyhound volumes have improved modestly and the division is now operating just over half of its pre-pandemic mileage. Passenger volumes in First Bus and First Rail have also increased as UK lockdown restrictions have started to ease.

The Group has continued to take all prudent and appropriate action to maintain a robust financial position and strong liquidity. The Group's free cash (before rail ring-fenced cash) and committed undrawn banking facilities was c.£905m as at 22 April 2021. Since the last liquidity update in December 2020, the Group has repaid the £350m April 2021 bond mainly funded from drawdown of the £250m bridge facility entered into in March 2020, secured £102m in cash proceeds from the sale of Greyhound properties announced at the end of December 2020, while operating cash flow in the second half of the financial year was positive and ahead of our expectations. In March the Group renewed the £300m in commercial paper issued through the CCFF scheme for a further year and secured a further £300m committed bridge facility from the CCFF maturity in March 2022, thereby providing adequate financial resources for the short to medium term.

Goldman Sachs International is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Goldman Sachs International is acting exclusively for FirstGroup and no one else in connection with the Transaction and will not regard any other person (whether or not a recipient of this announcement) as a client in relation to the Transaction and will not be responsible to anyone other than FirstGroup for providing the protections afforded to Goldman Sachs International's clients nor for giving advice in relation to the Transaction or any other arrangement referred to in this announcement.

J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), and which is authorised in the United Kingdom by the Prudential Regulation Authority (the "PRA") and regulated by the PRA and the Financial Conduct Authority, is acting as financial adviser exclusively for FirstGroup and no one else in connection with the Transaction and will not regard any other person as its client in relation to the Transaction and will not be responsible to anyone other than FirstGroup for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to the Transaction or any other matter or arrangement referred to herein.

Exchange rates
Throughout this announcement, unless otherwise stated, the USD to GBP exchange rate used in this document is as derived from FactSet on the latest practicable date prior to this announcement, being $1.40 to £1.00.

Rounding
Percentages in this document have been rounded and accordingly may not add up to 100 per cent. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.