

FirstGroup plc

Extraordinary General Meeting

Friday 20 April 2007

Martin Gilbert
Chairman

**FirstGroup plc
Acquisition of
Laidlaw International, Inc.
Announced 9 February 2007**

Presentation to EGM

20 April 2007

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Moir Lockhead
Chief Executive

Acquisition of Laidlaw

- **Leading operator in large, fragmented North American transport market**
- **EPS enhancing, strong cash generation**
- **Considerable synergies of c.\$70m per annum**
- **Consideration: \$35.25 per share \$3.6bn¹**
 - Premium² of 11%
 - Historic EBITDA³ multiples of 7.7x (excl. synergies)
- **Excellent fit and consistent with strategy for growth**
- **Transaction subject to anti-trust clearance and shareholder approval**

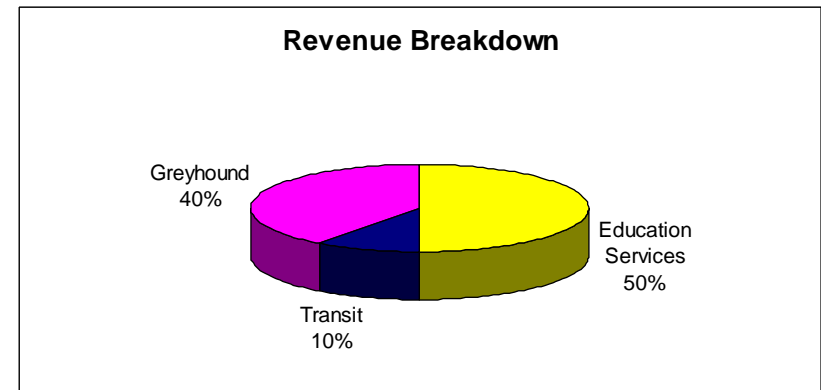
¹Net debt of \$716m as at 30 November 2006, Source: Laidlaw November 06 Form 10-Q

² Premium to closing share price as at 8 February 2007

³ Source: Laidlaw 2005/06 Form 10-k

Businesses to be acquired

- **Education Services** :
No. 1 in student transportation >40,000 buses
- **Transit**: Fixed route and ParaTransit contracting business
- **Greyhound**: Only national provider of scheduled intercity bus services in US and Canada



Laidlaw International, Inc.
Revenue: \$3.1bn¹
Operating Profit: \$250m¹

¹. Source: Laidlaw 2005/06 Form 10-k

Transaction rationale

- **Significantly enhances shareholder value**
- **Attractive margins - scope for further enhancement**
- **Stronger competitive platforms for school bus and transit**
- **Complementary businesses**
 - 60% is core to FirstGroup
 - strategic review of Greyhound
- **Underpins future growth**

Dean Finch
Finance Director

Synergy opportunities

- **Substantial synergy opportunity c.\$70m per annum from cost reductions including:**
 - Removal of ‘plc’ costs in US
 - Removal of cost duplication
 - Merger of ops in close proximity
 - Securing purchasing economies
 - Further operational efficiencies to come
- **Reduced capex from economies in bus fleet and properties**

Student transportation - combined business

- **Leading competitor in a fragmented market**
 - Student achieves best margin in Group
 - 63,000 buses –5 x larger than closest competitor (13,000 buses)
 - Opportunity for further growth
- **c.95% of revenues contracted, retention rate c.90%**
- **Attractive market – backed by Government spend**
- **Geographically diversified >1,500 contracts**

Strategy - student transport combined business

- **Immediate integration to extract synergies**
- **Target margin enhancement through cost control**
- **Further growth opportunities through:**
 - additional scale economies
 - providing value added services to existing and potential customers
 - Entry to new markets / states in US and Canada

Strategy - Transit combined business

- **Transaction makes us a major player in US Transit market**
- **Lock in synergies through cost control**
- **Leverage value through scale – improve offering to customer**
- **Opportunity for margin enhancement**
- **Strong position to expand in attractive Paratransit market**

Greyhound

- **Strategic review to be undertaken**
- **Highly recognised brand - attractive business with good growth prospects**
- **Major transformation of business in last 2 years driven by network rationalisation**
- **Further scope to improve underlying business through – yield management, revenue optimisation and protection and marketing**

Management

- **Established and proven management teams in both Student and Transit**
- **Leverage extensive management skills and experience in North American transport market**
- **Dean Finch responsible for integration**
- **David Leeder to manage and develop marketing and growth strategy for Greyhound**

Aggregated enlarged Group

	FirstGroup £m	Laidlaw £m	Combined Group £m
Turnover	3031	1648	4679
EBITDA	352	245	597
EBIT	230	132	362
Capex & Acqn	(175)	(156)	(331)
Net debt			(2320)

Source: FirstGroup Accounts 2006, Laidlaw 2005/06 Form 10-k

The aggregated turnover, EBITDA, EBIT, Capex & acquisitions and Net Debt figures have been calculated by aggregating the relevant line items for Laidlaw prepared under US GAAP with the corresponding line items for FirstGroup prepared under IFRS and consequently individual line items may or may not be comparable.

Aggregated business mix

	Turnover £'m	EBIT £'m
UK Bus (incl finance element of leases)	1,031	98
UK Rail	1,165	80
North America (excl synergies)	2,475	199
Other	8	(15)
Total	4,679	362
<i>North America as % total</i>	<i>53%</i>	<i>55%</i>
Source: <ul style="list-style-type: none"> • FirstGroup statutory accounts to 31 March 2006 • Laidlaw Form 10-k to 31 August 2006. Laidlaw results translated at \$1.90:£1.00		

The aggregated turnover and EBIT figures have been calculated by aggregating the relevant line items for Laidlaw prepared under US GAAP with the corresponding line items for FirstGroup prepared under IFRS and consequently individual line items may or may not be comparable.

Financing

New bank facilities:

- **\$2,250m 2 year term facility**
- **\$1,500m 5 year revolving credit facility**

New equity issuance:

- **\$750m (c. £375m) equity bridge facility**
- **£220m share placing, not conditional on the transaction completing**
- **c.£160m to be issued after completion, probably by way of rights**

Conditions

- **FirstGroup shareholder approval**
- **Laidlaw shareholder approval**
- **US anti-trust clearance**

Acquisition of Laidlaw Summary

- **Significantly enhances shareholder value**
- **Good timing - operationally and in terms of financial markets**
- **Strong track record of successfully acquiring and integrating businesses**
- **Consistent with our strategy and brings further opportunities for profitable growth**

Safety

‘Our number one priority’

- Safety is our number one priority.
- Our ethos is "If you cannot do it safely, don't do it"
- FirstGroup has pioneered and rolled out safety standards over and above the requirements of the national safety regulators
- Our Injury Prevention Programme (IPP) is innovative, unprecedented in our industry and designed to engage all our staff in safety and embed a safety culture in all of our operations.

Safety

Injury Prevention Programme (IPP)

- **Aim of IPP to ensure action is taken to report any matters of safety and to resolve them promptly in order to prevent any harm from occurring to anyone.**
- **Good safety behaviours are recognised and acknowledged through IPP safety contacts between managers and staff.**
- **IPP has been rolled out across all of our operations. We will roll it out to Laidlaw's operations too.**

Safety

US independent safety audits

- Specifically in the US, Daecher Consulting Group, Inc. employed to review workplace safety and compliance with US workplace safety laws across our operations in North America
- 44 audits conducted. Results very encouraging – Daecher's verdict included the following... *“As a result of our inspections... it is our opinion that overall OSHA compliance was substantial and obvious, and employees enjoyed safe and healthy work environments.”*
- Turning to “on the road” operational safety, in the US, First Student has the best safety rating of all of the three largest School bus operators (as assessed by the US Federal Motor Carrier Safety Administration)

Labour relations

- **FirstGroup has clear policy on Workplace Human Rights and Freedom of Association**
- **Group is committed to freedom of association through the secret ballot**
- **Policy in line with best practice and produced in consultation with independent Corporate Responsibility Auditors and key corporate governance teams within major UK institutional investors**

Labour relations

- **Management confident that adequate checks and controls are in place to monitor compliance with policy**
- **Robust monitoring systems in place including:**
 - **reviews by independent consultant John Lyons and former US Department of Labor Judge Daniel Roketenetz**
 - **confidential hotline to report violations**
 - **monthly reports to the PLC Board**
 - **reporting through Corporate Social Responsibility process**
- **FirstGroup and Laidlaw CEO's met with Unions last month - feedback is that our policy is understood**
- **We will roll out Group policies, including freedom of association through a secret ballot, to Laidlaw**

John Lyons
Independent Consultant
Labour Relations

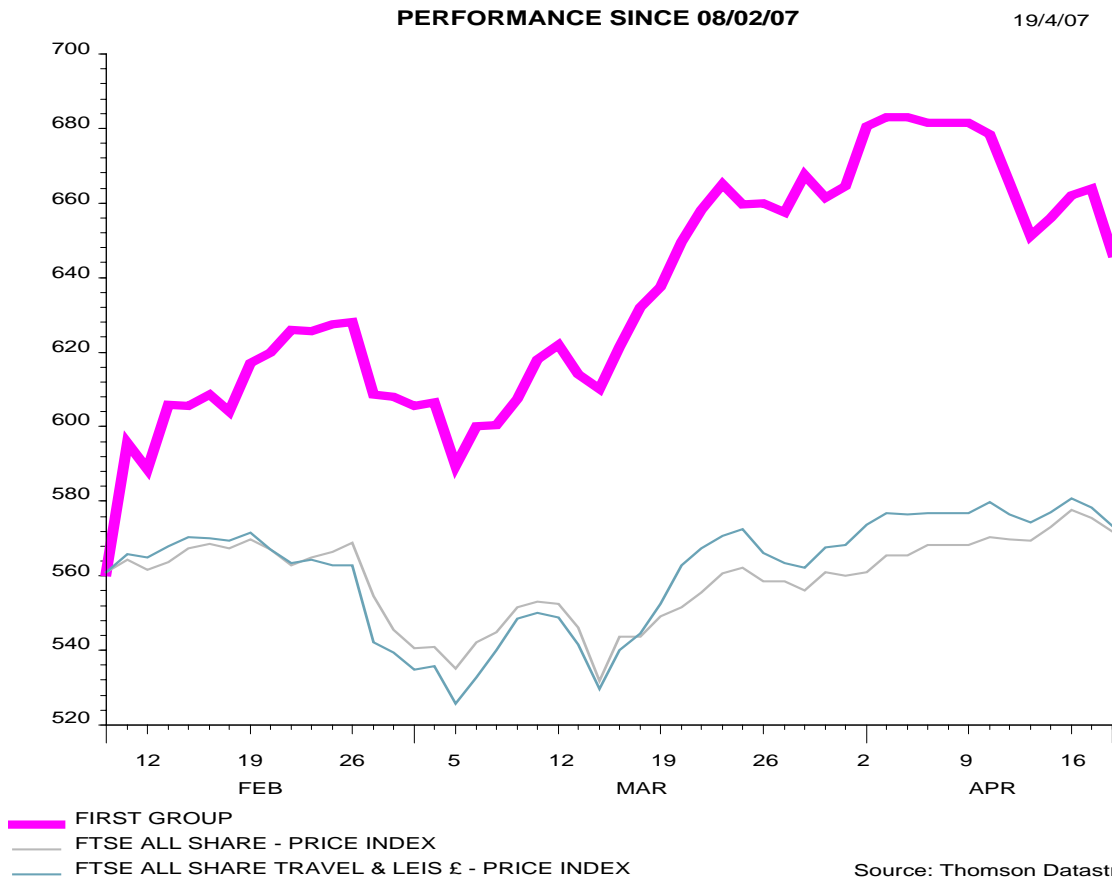
Moir Lockhead

Chief Executive

Market reaction to acquisition

- **Strong favourable reaction to the announcement**
- **Equity placing >3.5 x oversubscribed**
- **Share price has increased by over 15% since announcement of acquisition**

FirstGroup share price performance



Source: Thomson Datastream

Since the announcement of the proposed acquisition FirstGroup share price has outperformed the FTSE All Share index and the FTSE Travel and Leisure Sector

Share price on 8 Feb 2007 was 561p

Share price on 19 April 2007 - 647p

Press reaction to acquisition

- *“Analysts generally welcomed the deal, saying it made strategic and financial sense.”.....FT.com, 9 February 2007*
- *“...the attraction in taking over Laidlaw was undoubtedly the company’s strong position in the North American school bus market.”Financial Times, 10 February 2007*
- *“Other UK bus operators have come a cropper in the US. The 4 per cent rise in FirstGroup’s shares yesterday suggests investors are more optimistic about its American adventure.”*
- *The Lex Column, Financial Times, 10 February 2007*
- *“...investors will be relieved that FirstGroup used its considerable financial muscle to strike a big deal in familiar territory and not take a risk in continental Europe...”.....The Guardian, 10 February 2007*
- *“There is just room to welcome FirstGroup’s bold move to buy Greyhound and school bus operator Laidlaw International. The purchase is not without risks but to date FirstGroup has steered a skilful course in the US.”Daily Express, 10 February 2007*

Martin Gilbert

Chairman

Extraordinary General Meeting

Formal Business

Resolution 1

**Acquisition of entire
issued share capital of
Laidlaw International, Inc.**

Resolution 1

**Acquisition of entire issued share capital
of Laidlaw International, Inc.**

**Proxy votes cast in favour - 257,939,491
(99.43%)**

**Proxy votes cast against – 837,877
(0.32%)**

**Abstentions – 650,172
(0.25%)**

Resolution 2

**Increase of authorised
share capital**

Resolution 2

Increase of authorised share capital

Proxy votes cast in favour – 257,872,985

(99.40%)

Proxy votes cast against – 904,032

(0.35%)

Abstentions – 650,523

(0.25%)

Resolution 3

Authority to allot shares

Resolution 3

Authority to allot shares

**Proxy votes cast in favour – 256,659,610
(98.93%)**

**Proxy votes cast against - 1,973,362
(0.76%)**

**Abstentions - 794,568
(0.31%)**

Resolution 4

Authority to incur borrowings

Resolution 4

Authority to incur borrowings

**Proxy votes cast in favour – 257,579,745
(99.28%)**

**Proxy votes cast against - 951,670
(0.37%)**

**Abstentions – 896,125
(0.35%)**

**FirstGroup plc
Extraordinary General
Meeting**

Special Resolution

Resolution 5

Disapplication of pre-emption rights

Resolution 5

Disapplication of pre-emption rights

Proxy votes cast in favour- 253,892,683

(97.87%)

Proxy votes cast against - 4,440,956

(1.71%)

Abstentions - 1,093,901

(0.42%)

FirstGroup plc

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