

**FirstGroup plc
Acquisition of
Laidlaw International, Inc.**

9 February 2007

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**Moir Lockhead
Chief Executive
and
Dean Finch
Finance Director**

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**

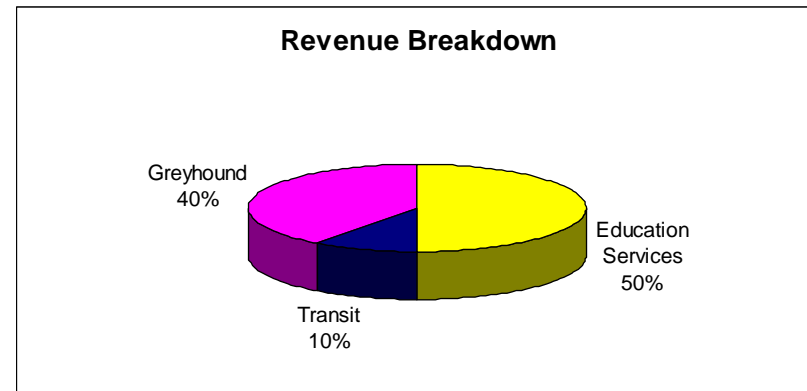
¹Net debt of \$716m as at 30 November 2006, Source: Laidlaw November 06 Form 10-Q

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**

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. **13**

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.

Laidlaw cash generation

	2008/09E ¹ £'m	
EBITDA inc synergies	311.5	
Capex	(139.1)	
Operating cashflow	172.4	
Cash tax	(12.8)	
	159.6	

¹ Management current estimate

Cash return on investment

All £'m	Excl. synergy	Incl. Synergy c.\$70m
EBIT	132	169
Depreciation	113	113
EBITDA	245	282
Cash tax (reflects utilisation of tax losses)	(5)	(5)
Cash return	240	277
Acquisition consideration (including deal costs)	1,966	1,966
Cash return on investment	12.2%	14.1%
Note: All \$ values translated at \$1.90: £1.00. Cash return reflects 2005/06 per Form 10-K.		

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**
- **c. £200m share placing, not conditional on the transaction completing**
- **£175m 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**

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APPENDICES**

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Combined Group - Student transport key stats



	Laidlaw Student Source : 05/06 Form 10-k Annual Report	FirstGroup Student 05/06 Source: FirstGroup accounts for the year to 31/3/06 and Management Estimates
Revenue EBITDA	Revenue \$1,579.5m EBITDA of \$294.5m	Revenue of \$807m EBITDA of \$163m
Revenue contracts, duration and renewal rates.	c. 95% of revenue is contracted ; generally 3-5 years, with extension options, renewal rate c. 90% overall.	c. 90% contracted; 1-5 years, including extension options, Annual renewal rate plus 90%
Part time and permanent staff	Total employees 44,900, 81% part-time	Total employees c. 24,000 staff, c. 89% part time
Fleet owned and leased or operated under contract. Average age.	41,000 buses Average age 5.8yrs	c. 22,000 buses Average age 5.8yrs
Property owned and leased or operated under contract	Approximately 150 owned, 300 leased.	17 owned, 319 leased.
Fuel % of revenues	Approximately 7%	Approximately 7%

Combined Group – Transit key statistics



	Laidlaw Transit Source 05/06 Form 10-K Annual Report	First Transit FY 05/06 Source: FirstGroup accounts for the year to 31/3/06 and Management Estimates
Revenue EBITDA	Revenue \$308.2m EBITDA \$19.7m	Revenue \$432.2m EBITDA \$30.6m
Revenue by sector	Para-transit (76%) ; fixed route (23%) and other 1%	Fixed route (56%), Corporate shuttle (16%), ParaTransit (19%), Call Centres (7%), Transit Management (2%)
Revenue contracts	130 contracts. Generally 3 yrs with extensions for 2	143 contracts. Generally 3 yrs with extensions for 2.
Staff	6,200 staff, 14% part time.	c. 6,000 staff, c. 15% part time
Fleet	1,000 owned, largely for para-transit. 2,400 operated under contract	800 owned. 1,800 operated under contract
Fuel % of revenues	7%. 70% subject to escalation clauses or pass through	6%. 57% with mechanism to mitigate fuel exposure

Greyhound – Key statistics



- **Provides intercity scheduled bus services – c. 70% share of the North American market**
- **Carrying 24 million passengers per annum to >2,400 destinations in US and Canada**
- **Also provides: package express services, charter bus services and food concessions at Greyhound terminals**
- **11,400 employees (4,400 drivers, 4,100 terminal staff, 900 mechanics, 2,000 management & admin)**

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