

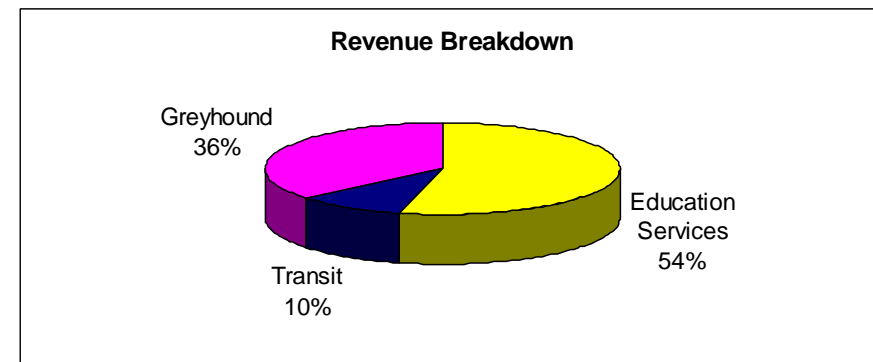
**FirstGroup plc
Closure of Acquisition
of Laidlaw International, Inc.
and Group Trading update**

Monday 1 October 2007

Moir Lockhead
Chief Executive

Businesses 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: \$3.2bn₁
EBITDA: \$498m₁
Operating Profit: \$269m₁

¹. Source: Laidlaw management estimates FY to 31 August 2007 (unaudited)

Overview of transaction

- Transformation deal
- Leading position in North American transportation market
- Lengthy process – excellent outcome
- Priority is to integrate quickly and efficiently
- Drive out synergies
- Dean Finch to lead integration and new combined business

Dean Finch
Chief Operating Officer –
North America

Acquisition headlines

- **Acquisition effective 1 October 2007**
- **Transformational deal**
 - £5.3bn annual Group turnover¹
 - £648m annual Group EBITDA¹ (excl. synergies)
- **Acquisition consideration now \$3.4bn**
- **Attractive acquisition multiple**
 - 6.8x 2006/07 EBITDA² (excluding synergies)
 - 5.9x 2006/07 EBITDA² (including \$70m synergies)
- **EPS enhancing**

1) FirstGroup results per Annual Report 2007, Laidlaw management estimates FY ending 31 August 2007 (unaudited)

2) Laidlaw management estimates FY ending 31 August 2007 (unaudited)

Acquisition update

- **Antitrust issues satisfactorily resolved**
- **No further equity issue currently planned**
- **Syndicated debt facility in place – April 2007**
- **Lower consideration through improved cash position \$200m**
- **Encouraging prospects on \$70m synergy**
- **Upside value potential in property portfolio \$200m+**
- **Expect to maintain Investment Grade credit rating**
- **Opportunity for cash release from Laidlaw captive insurance fund**
- **Low cash tax**
- **Integration plans progressing well – new team established**

Very attractive acquisition

Excellent business fit

Consistent with strategy for growth

Transaction rationale

- **Significantly enhances shareholder value**
- **Stronger competitive platforms for school bus and transit**
- **Attractive margins - scope for further enhancement**
- **Complementary businesses**
 - 60% is core to FirstGroup
 - Commenced strategic review of Greyhound – now have full access to business
- **Underpins future growth in North America**

Aggregated enlarged Group

	FirstGroup 2006/07 £m	Laidlaw 2006/07 £m	Combined Group 2006/07 £m
Turnover	3,709	1,580	5,289
EBITDA (excl. synergies)	399	249	648
EBIT (excl. synergies)	259	134	393
Capex & Acqn	(212)	(123)	(335)
Forecast Net debt at acquisition date			(2,372)

Source: FirstGroup Annual Report 2007, Laidlaw management estimates FY ending 31 August 2007 (unaudited) translated at \$2.00 : £1.00, management net debt estimates.

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 2006/07 £'m	EBIT 2006/07 £'m
UK Bus	1,074	103
UK Rail	1,824	109
North America (excl synergies)	2,383	200
Other	8	(21)
Total	5,289	391
<i>North America as % total</i>	<i>45%</i>	<i>51%</i>
Source: FirstGroup Annual Report 2007, Laidlaw management estimates to 31 August 2007 (unaudited), translated at \$2.00:£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.

Synergy opportunities

- **Confident of substantial synergy opportunity c.\$70m per annum from cost reductions including:**
 - Removal of Laidlaw 'plc' costs (listing costs, SOX)
 - Corporate office consolidation
 - Regional administration consolidation
 - Insurance premiums
 - Maintenance costs
 - Facility costs : branch consolidation
 - Operating payroll
 - Driver development
 - Procurement
 - Further operational efficiencies to come
- **Reduced capex from economies in bus fleet and properties**

Conditions

- Deal now unconditional
- Manageable ongoing undertakings in 11 States
- Financial outcome of agreement significantly less onerous than original assumptions
- Further limited divestments or contract terminations may occur
- Some potential antitrust issues addressed through outcome of 2007/08 renewals
- Current aggregated impact is 3% of combined school bus fleet

Outcome considerably less onerous than acquisition model

Asset base

- **Tangible fixed assets \$1.6bn NBV**
- **Insurance fund collateral \$0.3bn**
- **Value of attractive property portfolio higher than expected**
- **Upside property potential \$200m+**
- **Opportunity to rationalise overall property portfolio**
- **Dispose of under utilised properties**

Financing

New bank facilities:

- **\$2,250m term facility, extendable to 2010**
- **\$1,500m 5 year revolving credit facility**

Equity issuance:

- **£221m share placing February 2007**
- **No further equity issue currently planned**
- **Expect to maintain Investment Grade credit rating**

Financing

- **Terms of financing arrangement fixed at time of acquisition announcement**
- **Syndication across 25 banks in place since April 2007**
- **LIBOR US\$ interest rate fixed c. 5.25%**
 - \$1.25bn from April 2008 to March 2010
 - \$1.0bn from April 2008 to March 2011

Integration

- **Strong, experienced management team:**
 - Dean Finch, C.O.O. North America
 - Mark Lawton, C.F.O. North America
 - Doug Carty, Commercial Director North America
 - Carey Paster, President First Student
 - Michael Murray, President First Transit
 - David Leach, President Greyhound
 - Everton Bryan, President Services
- **Integration plans in place**
 - Enhance current safety focus
 - Adopt “best practice” from each organisation
 - Deliver annual synergies
 - Motivate and align goals of staff
 - Strengthen customer relationships

Moir Lockhead
Chief Executive

Acquisition of Laidlaw Summary



- **Transformational deal**
- **Significantly enhances shareholder value**
- **Better than expected deal metrics**
- **Integration plans in place**
- **Consistent with our strategy and brings further opportunities for profitable growth**

Nick Chevis
Acting Group Finance Director

Trading update

- **Good first half trading in line with management expectations**
- **Group margin improved**
- **UK Bus strong performance with margin increased by 1%**
- **Strong passenger revenue growth across all UK Rail portfolio**
- **North America – stable margin despite fuel pressure**
- **Laidlaw – strong performance at school bus**
- **Confident for future growth prospects and continued strong cashflows**

FirstGroup plc
Acquisition of
Laidlaw International, Inc.
APPENDICES

1 October 2007

Student transportation - combined business



- **Leading competitor in a fragmented market**
 - Student achieves best margin in Group
 - 62,000 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

Combined Group - Student transport key stats



	Laidlaw Student 2006/07 Source : Management estimates FY to 31 August 2007	FirstGroup Student 2006/07 Source: FirstGroup accounts for the year to 31/3/07 and Management Estimates
Revenue EBITDA	Revenue \$1,699.5m EBITDA of \$348.9m	Revenue \$850.5m EBITDA \$179.3m
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%

Strategy - Transit combined business



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

Combined Group – Transit key statistics



	Laidlaw Transit 2006/07 Source : Management estimates FY to 31 August 2007	First Transit 2006/07 Source: FirstGroup accounts for the year to 31/3/07 and Management Estimates
Revenue EBITDA	Revenue \$311.3m EBITDA \$32.1m	Revenue \$439.6 EBITDA \$29.8m
Revenue by sector	Para-transit (76%) ; fixed route (23%) and other 1%	Fixed route (55%), Shuttle (15%), ParaTransit (16%), Call Centres (9%), Transit Management (5%)
Revenue contracts	90 contracts. Generally 3 yrs with extensions for 2	140 contracts. Generally 3 yrs with extensions for 2.
Staff	6,200 staff, 14% part time.	7,200 staff, 15% part time
Fleet	1,350 owned, largely for para-transit. 3,800 operated under contract	800 owned. 2,000 operated under contract
Fuel % of revenues	6%. 70% subject to escalation clauses or pass through	6%. 60% with mechanism to mitigate fuel exposure

Greyhound

- **Strategic review being undertaken**
- **Five years of solid EBITDA¹ growth and margin improvement**
- **Network rationalisation - major transformation of business in last 2 years 'Elevate Everything'**
- **Further scope for revenue optimisation through yield management, revenue protection and improved marketing**
- **Opportunity to further reduce cost base**

¹ After adjustments for one-offs relating to 9/11 and Katrina settlements and Canada strike

Greyhound – Key statistics

- Provides intercity scheduled bus services – c. 70% share of the North American market
- Annual revenue \$1.15bn¹
- Carrying 24 million passengers per annum, 7.1bn passenger miles
- Serves 3,100 locations
- Over 8,000 employees
- Operating fleet 2,300 buses
- Also provides package express services, charter bus services and food concessions at Greyhound terminals

Laidlaw fuel hedging

- **Annual fuel volumes at risk 2.0m barrels*:**
 - Student 0.9m barrels
 - Transit 0.1m barrels
 - Greyhound 1.0m barrels
- **Fuel hedging**
 - 143,000 barrels hedged at \$74/barrel for H2 2007/08 (13.6% of volume at risk)
 - 48,000 barrels hedged at \$74/barrel for 2008/09 (2% of volume at risk)
 - intend to move to fully hedged position on “at risk” volumes

* Excludes volume protected by contract escalators

Fuel position

North America combined

- **Annual fuel volumes at risk 2.4m barrels*:**
 - Student 1.3m barrels
 - Transit 0.1m barrels
 - Greyhound 1.0m barrels
- **Fuel hedging**
 - 453,000 barrels hedged at \$71.5/barrel for H2 2007/08 (35% of volume at risk)
 - 273,000 barrels hedged at \$70.5/barrel for 2008/09 (11% of volume at risk)
 - intend to move to fully hedged position on “at risk” volumes

* Excludes volume protected by contract escalators

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