

**FirstGroup plc**  
**Annual General Meeting**  
**Thursday 10 July 2008**

# **Martin Gilbert**

## **Chairman**

**Business Review**

**Sir Moir Lockhead OBE**

**Chief Executive**

# Overview

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- **Record results from strong trading across the Group including the significant contribution from Laidlaw acquisition on 1 October 2007**
- **North America:**
  - Integration progressing very well
  - Better than expected synergies \$150m per annum from April 2009
  - Well positioned for further growth
- **UK Bus and Rail focus on service quality and performance driving growth**
- **Equity issue strengthened our capital structure providing greater flexibility**

# Highlights

## Year to 31 March 2008

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- **Strong Group results**
  - Revenue £4.7bn up 27%
  - Operating profit<sup>1</sup> £360m up 39%
  - Operating margin<sup>1</sup> 7.6% up 0.6%
  - EBITDA<sup>2</sup> of £561m up 41%
  - Adjusted EPS<sup>1</sup> 40.9p up 21%
- **Record earnings for all divisions**
- **North America synergies run rate \$100m p.a.**
- **UK Rail strong passenger income growth**
- **UK Bus margin increase 1.4% to 11.0%**

1. Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties
2. Operating profit plus depreciation

# Financial Highlights

## Year to 31 March 2008



<b>Revenue</b>	<b>£4,707.6m</b>	<b>Up 27%</b>
<b>EBITDA<sup>2</sup></b>	<b>£560.8m</b>	<b>Up 41%</b>
<b>Operating profit<sup>1</sup></b>	<b>£360.1m</b>	<b>Up 39%</b>
<b>Profit before tax<sup>1</sup></b>	<b>£249.0m</b>	<b>Up 27%</b>
<b>Net debt</b>	<b>£2,161m</b>	<b>Up 319%</b>
<b>Adjusted basic EPS<sup>1</sup></b>	<b>40.9p</b>	<b>Up 21%</b>
<b>Dividend per share</b>	<b>17.05p</b>	<b>Up 10%</b>
<b>EBITDA<sup>2</sup>: interest cover</b>	<b>5.0x</b>	<b>Down 21%</b>

1. Before amortisation charges, non-recurring bid costs, other non-recurring items and profit/(loss) on disposal of properties

2. Operating profit plus depreciation

# UK Bus

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- **Margin up 1.4% to 11.0%**
- **Strong trading performance – operating profit up 18.4%**
- **Passenger revenue up 5%**
- **Focus on service quality, operational performance, efficient working practices and turnaround strategy**

# UK Rail

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- **Operating profit up 10.3%**
- **Double digit growth in passenger revenue**
- **Successful launch of Scotland – Manchester Airport services at TPE**
- **FGW remedial plan**
- **FSR 3 year extension**

# Rail Passenger Income Growth

## Year to 31 March 2008

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**Continued strong growth across  
all our TOCs<sup>1</sup>**

	<b>%</b>
<b>FGW</b>	<b>9.6</b>
<b>FCC</b>	<b>13.5</b>
<b>FTPE</b>	<b>13.2</b>
<b>FSR</b>	<b>8.3</b>
<b>Hull</b>	<b>11.9</b>
<b>Total</b>	<b>10.8</b>

<sup>1</sup>Adjusted for FGW flooding (2006/07), Blackpool services (2006/07) & Scottish services (2007/08) at TPE

# North America

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- **Integration of Laidlaw businesses**
- **Significant synergies achieved**
- **Student margin improved by 0.4% to 11.3%**
- **Student bidding season started well**
- **Transit margin increased to 5.9% and new business wins**
- **Greyhound significant value opportunities**
- **Positive outlook**

# Capital structure and equity placing

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- Acquired Laidlaw International, Inc. in October 2007 for \$3.5 billion
- Debt portion of \$3 billion was financed from committed bank facilities of \$3.75 billion - of which \$2.25 billion was on a 3 year term facility due February 2010
- Group now refinancing this portion of acquisition debt through a number of initiatives
- Equity issue by way of placing of up to 10% of new shares is one element of that financing strategy
- Equity issue raised c. £230m has strengthened capital structure of the Group at a time when it continues to invest for growth and to enhance shareholder value

**Dean Finch**  
**Chief Operating Officer –**  
**North America**

**Integration &  
growth prospects**

# Highlights

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- **Excellent progress on integration**
- **Significant synergies :**
  - \$100m current run rate
  - \$150m per annum from April 2009
- **Further margin improvement despite fuel cost pressure**
- **Created a national sales platform to build on growth prospects**
- **Significant opportunities emerging at Greyhound**

# Integration progress

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- **Key priority of customer retention achieved**
- **Integrated businesses to single management team and HQ operation and harmonised systems**
- **Excess fleet – well advanced with plan to reduce by 2,000 buses no impact to service**
- **Procurement review progressing well – first phase of contracts completed**

# Synergies achieved

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- Synergies delivering ahead of plan – 4% of combined costs
- Closure of Laidlaw corporate office (\$30m)
- Procurement savings:
  - \$20m opex
  - \$20m capex
  - \$10m insurance
- Branch Operations (\$10m)
- Transit Overheads (\$15m)
- Student Overheads (\$20m)
- Tax efficient investment structure (\$30m)
- Total annual synergies achieved: c.\$100m EBIT and \$50m cash from capex and tax

# Synergy prospects

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- **Further opportunity in Phase 2 from :**
  - Further procurement synergies
  - Branch operations
  - Revenue synergies

**More to come: EBIT synergies \$150m per annum from April 2009**

# First Student

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- **Focus on customer relationships – more than 1,500 customers surveyed**
- **Strong contract retention >90%**
- **Divestment process complete – less than 3% of combined business**
- **New bus growth despite attrition/divestment**
- **Increased operating margin by 40bps – targeting further improvement**
- **Excellent cash generation - maintenance capex less than 50% of EBITDA**

# Greyhound

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- **Good quality asset with clear opportunities to increase value for shareholders**
- **Significant cost reduction and revenue growth opportunities**
- **Real progress already made to On Time Performance**
- **Early initiatives are yielding results**
- **Achieving yoy revenue growth**

# Greyhound progress update: revenue initiatives

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- **Revenue initiatives: will deliver >\$30m per annum**
- **A number of initiatives already implemented including:**
  - New BoltBus services
  - Priority seating charge
  - Excess baggage charges
  - Yield management and ticketing initiatives
  - New charging structure for call centre and online bookings
  - Web partnerships and refocused site to encourage online sales
  - Peak and holiday time fares strategy
  - Updated arrangements for restricted and unrestricted tickets
  - Rebalanced refund structure

# Greyhound progress update: cost initiatives

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- **Identified and implemented a number of cost initiatives: will deliver \$30-40m per annum in savings including:**
  - Reduced cost of sale
  - Reduction in agents commission rates and arrangements
  - Integration of US subsidiaries
  - Consolidation to one HQ operation
  - Call centre relocated
  - Initiatives to improve safety and reduce insurance costs

# Summary

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- **Integration progressing well**
- **Synergies better than expected**
- **National sales platform established good prospects for growth**
- **Greyhound clear revenue and cost opportunities – encouraged by results of early initiatives**
- **Significant opportunity to increase value across North American operations**

# **Sir Moir Lockhead OBE Chief Executive**

# Corporate Social Responsibility (CSR)

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- **Actively managing the opportunities and challenges of growth**
- **Key objective to continue to integrate our enlarged North American business**
- **Core values are safety and customer service**
- **Employees are our greatest asset**
- **Important role to play in lessening negative impact of travel on the environment**
- **Committed to reducing carbon emissions**

# Safety

## 'Injury prevention is a way of life'

- Goal is to prevent injuries to our staff and customers and prevent vehicle collisions
- Every First employee has responsibility for safety
- Aim to make safe behaviour a way of life
- Promote Injury Prevention to drive cultural change across the Group
- **"If you cannot do it safely, don't do it"**
- Lost time injuries reduced by 23% and vehicle collisions by 15% this year

# **Customer service – delivering the promise**

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- **We are committed to delivering the promise to our customers**
- **Improving service delivery monitoring**
- **Committed to reducing cancellations**
- **Partnership working with local authorities, Network Rail and our customers essential**
- **Investment a key factor in improving service performance and customer service excellence**
- **Ongoing communication and engagement with customers**

# Employees

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- **Employees key to Group's success**
- **Goal to be 'employer of choice'**
- **Committed to valuing our employees and delivering a positive work environment**
- **Helping employees achieve full potential**
- **Development and talent management programmes**
- **Employee engagement programme**

# Environment

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- **Climate change is a pressing issue**
- **Bus and rail travel produces fewer emissions than cars and helps reduce congestion**
- **Managing our environmental impacts – CO<sub>2</sub> emissions, energy, water and waste**
- **Published Climate Change Strategy last year**
- **Commissioned poll of attitudes to public transport and the environment**
- **This summer we launched ‘Fuel for Thought’ campaign to encourage car drivers to use our bus services**

# Community

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- **Our services support a strong economy and bring communities together**
- **We engage with communities to develop services to meet local needs**
- **We support the community through charitable donations and sponsorships and this year we:**
  - Established partnership with Save the Children
  - Corporate donations and fundraising activities raised £218,791 for charity
  - Launched a Charity Commission to evaluate requests and allocate funding for Save the Children
  - Appointed charity champions in each UK operating company

# Summary

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- **Delivering strategy to increase shareholder value by profitable growth in core markets**
- **Balanced portfolio of business c.50% of Group revenues contracted**
- **Good growth prospects in all our businesses**
- **Established national platform in both UK and North America**
- **New trading year started well**

# **Martin Gilbert**

## **Chairman**

# **Annual General Meeting**

## **Formal Business**

# **Resolution 1**

## **Annual Report & Financial Statements**

# **Resolution 1**

## ***Annual Report & Financial Statements***

**Proxy votes cast in favour – 315,929,104 (99.70%)**

**Proxy votes cast as discretionary – 550,162 (0.17%)**

**Proxy votes cast against – 314,603 (0.10%)**

**Abstentions – 100,448 (0.03%)**

# **Resolution 2**

## **Directors' Remuneration Report**

# **Resolution 2**

## ***Directors' Remuneration Report***

**Proxy votes cast in favour – 309,274,131 (97.60%)**

**Proxy votes cast as discretionary – 587,525 (0.19%)**

**Proxy votes cast against – 312,741 (0.10%)**

**Abstentions – 6,719,920 (2.11%)**

# Resolution 3

## Dividend

# Resolution 3

## *Dividend*

**Proxy votes cast in favour – 315,985,370 (99.71%)**

**Proxy votes cast as discretionary – 543,422 (0.17%)**

**Proxy votes cast against – 26,702 (0.01%)**

**Abstentions – 338,823 (0.11%)**

# **Resolution 4**

## **Re-election of Martin Gilbert**

# **Resolution 4**

## ***Re-election of Martin Gilbert***

**Proxy votes cast in favour – 315,348,825 (99.51%)**

**Proxy votes cast as discretionary – 575,194 (0.18%)**

**Proxy votes cast against – 894,423 (0.28%)**

**Abstentions – 75,875 (0.03%)**

# **Resolution 5**

## **Re-election of David Dunn**

# **Resolution 5**

## ***Re-election of David Dunn***

**Proxy votes cast in favour – 315,648,466 (99.61%)**

**Proxy votes cast as discretionary – 571,995 (0.18%)**

**Proxy votes cast against – 599,859 (0.19%)**

**Abstentions – 73,997 (0.02%)**

# **Resolution 6**

## **Re-election of Professor David Begg**

# **Resolution 6**

## ***Re-election of Professor David Begg***

**Proxy votes cast in favour – 315,604,372 (99.59%)**

**Proxy votes cast as discretionary – 576,711 (0.18%)**

**Proxy votes cast against – 633,594 (0.20%)**

**Abstentions –79,640 (0.03%)**

# **Resolution 7**

## **Re-appointment of Auditors**

# Resolution 7

## *Re-appointment of Auditors*

**Proxy votes cast in favour – 312,204,875 (98.52%)**

**Proxy votes cast as discretionary – 553,777 (0.17%)**

**Proxy votes cast against – 1,299,137 (0.41%)**

**Abstentions – 2,836,527 (0.90%)**

# **Resolution 8**

## **Remuneration of Auditors**

# **Resolution 8**

## ***Remuneration of Auditors***

**Proxy votes cast in favour – 315,199,611 (99.47%)**

**Proxy votes cast as discretionary – 569,172 (0.18%)**

**Proxy votes cast against – 1,070,392 (0.34%)**

**Abstentions – 55,142 (0.01%)**

# **Resolution 9**

## **Authority to reduce authorised share capital**

## **Resolution 9**

### ***Authority to reduce authorised share capital***

**Proxy votes cast in favour – 315,853,502 (99.67%)**

**Proxy votes cast as discretionary – 603,153 (0.19%)**

**Proxy votes cast against – 243,187 (0.08%)**

**Abstentions – 194,475 (0.06%)**

# **Resolution 10**

## **Authority to allot shares**

# **Resolution 10**

## ***Authority to allot shares***

**Proxy votes cast in favour – 310,459,351 (97.97%)**

**Proxy votes cast as discretionary – 607,018 (0.19%)**

**Proxy votes cast against – 5,684,322 (1.79%)**

**Abstentions – 143,626 (0.05%)**

# **FirstGroup plc Annual General Meeting**

## **Special Resolutions**

# **Resolution 11**

## **Disapplication of pre-emption rights**

# **Resolution 11**

## ***Disapplication of pre-emption rights***

**Proxy votes cast in favour – 315,515,508 (99.56%)**

**Proxy votes cast as discretionary – 609,976 (0.19%)**

**Proxy votes cast against – 564,738 (0.18%)**

**Abstentions – 204,095 (0.07%)**

## **Resolution 12**

**Authority to make market  
purchases of own shares**

## **Resolution 12**

### ***Authority to make market purchases of own shares***

**Proxy votes cast in favour – 315,978,888 (99.71%)**

**Proxy votes cast as discretionary – 613,955 (0.19%)**

**Proxy votes cast against – 234,116 (0.07%)**

**Abstentions – 67,358 (0.03%)**

# **FirstGroup plc Annual General Meeting**

## **Ordinary Resolution**

# **Resolution 13**

## **Authority to make Political Donations and incur Political Expenditure**

# **Resolution 13**

## ***Authority to make Political Donations and incur Political Expenditure***

**Proxy votes cast in favour – 312,541,703 (98.63%)**

**Proxy votes cast as discretionary – 582,006 (0.18%)**

**Proxy votes cast against – 3,181,292 (1.00%)**

**Abstentions – 589,316 (0.19%)**

# **FirstGroup plc Annual General Meeting**

## **Special Resolution**

# **Resolution 14**

## **Adoption of Articles of Association**

# **Resolution 14**

## ***Adoption of Articles of Association***

**Proxy votes cast in favour – 315,283,960 (99.49%)**

**Proxy votes cast as discretionary – 584,103 (0.18%)**

**Proxy votes cast against – 835,566 (0.26%)**

**Abstentions – 190,688 (0.07%)**

# **FirstGroup plc Annual General Meeting**

## **Ordinary Resolution**

# **Resolution 15**

## **Approval of Long Term Incentive Plan**

# Resolution 15

## *Approval of Long Term Incentive Plan*

Proxy votes cast in favour – 311,589,937 (98.33%)

Proxy votes cast as discretionary – 580,060 (0.18%)

Proxy votes cast against – 1,571,857 (0.50%)

Abstentions – 3,152,462 (0.99%)

**FirstGroup plc**  
**Annual General Meeting**  
**Thursday 10 July 2008**