national express

Full Year Results

Year ended
31 December 2012

28 February 2013

Cautionary statement

This Review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the Review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information. The user of these accounts should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside of the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements

Unless otherwise stated, all profit, margin and EPS data refer to normalised results, which can be found on the face of the Group Income Statement in the first column. The definition of normalised profit is as follows: Statutory result excluding profit or loss on the sale of business, exceptional profit or loss on sale of non-current assets and charges for goodwill impairment, intangible asset amortisation, exceptional items and tax relief thereon. The Board believes that the normalised result gives a better indication of the underlying performance of the Group.

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Overview

Sir John Armitt

Chairman

Overview

- A unique diversified portfolio of assets
  - Bus, Coach and Rail
  - Geographic access
- The right strategy in place
- Track record of successive margin growth
- Strength in delivering operational excellence
- Impressive cash generation, supported by prudent dividend and gearing policies
- Market opportunities for liberalisation and new contract concessions

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2012 Group Results

Jez Maiden

Group Finance Director

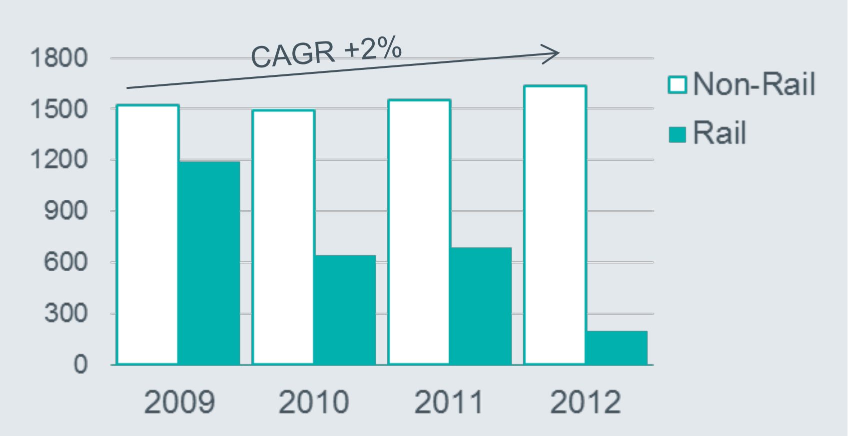
National Express delivered its 4 strategic objectives in 2012

Delivering operational excellence	Driving organic growth	Generating superior cash & returns	Delivering new opportunities
- Margin at 11.6% - best in class in 4 out of 5 divisions - Record Non-Rail profit[1] at £185m – 3rd successive year of growth	- Revenue up 7%[2] - New contracts secured – almost £2 billion in revenue	- Free cash flow[3] of £141m – investing for growth - Non-Rail pre-tax ROCE stable at 10.6%	- Delivery of $10m annualised synergies from Petermann school bus acquisition - $65m revenue US Transit business established

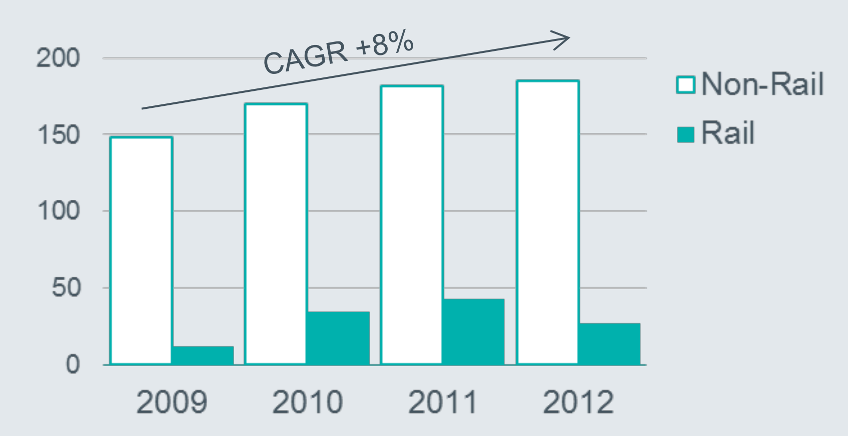
[1] *EBITA* [2] *Constant currency, adjusted for rail handover, including acquisitions* [3] *Pre rail handover*

3 successive years of Non-Rail profit growth

Revenue £m (2012)



Operating profit £m

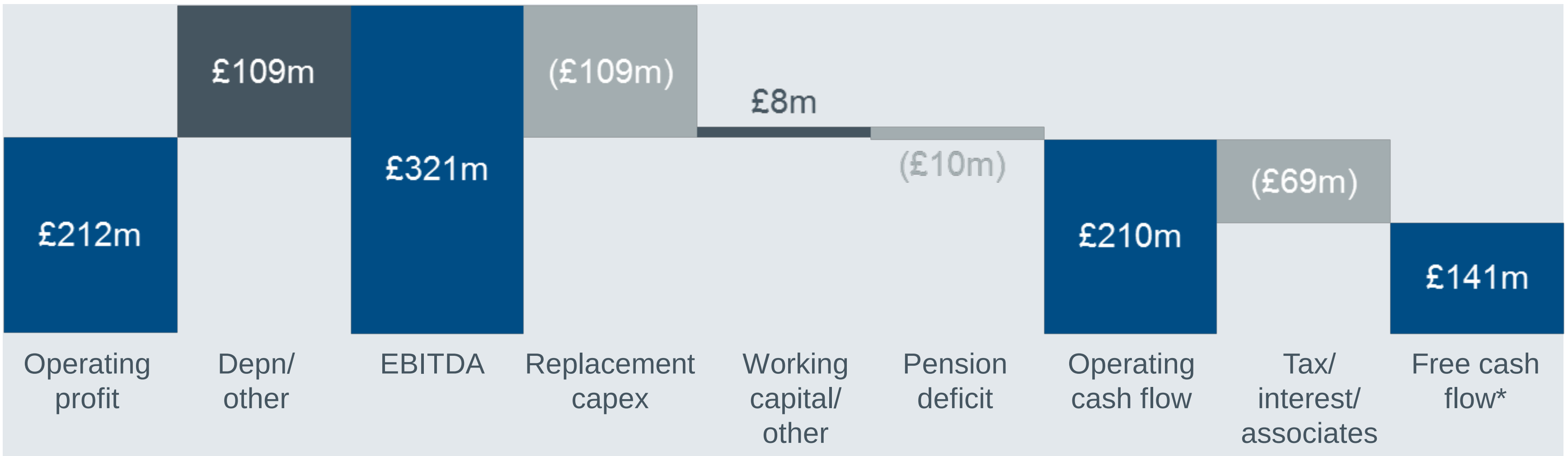


- Non-Rail
  - Delivery of margin progression
  - Return to commercial revenue growth[1]
  - Benefits of fleet investment programme
  - Strong capital deployment discipline

- Rail
  - Continued operation of flagship franchise – c2c – leader in service, passenger satisfaction and profitability
  - Retained & leveraged our bid capability in UK & Germany

[1] *Non-concession revenue in UK Coach*

We have driven strong free cash flow

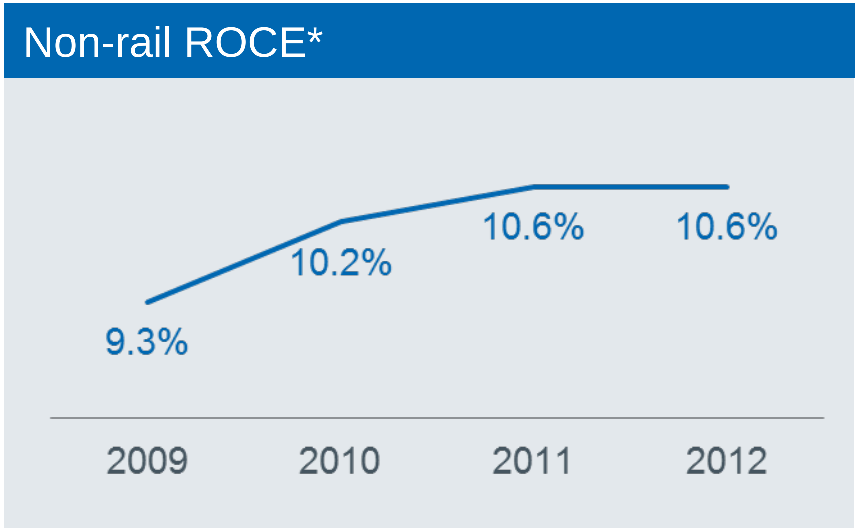


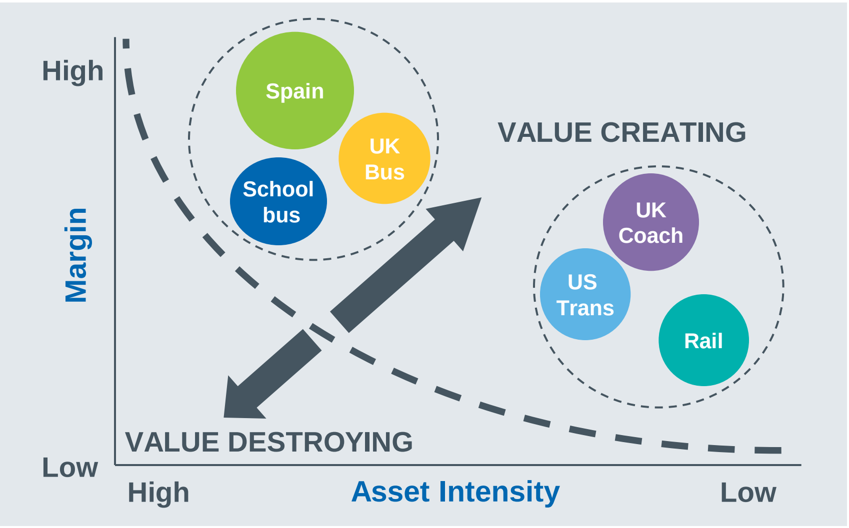
- Achievements
  - 99% conversion of operating profit into operating cash
  - Free cash flow of £141m
  - Well invested fleet – c.1,300 vehicles delivered in 2012
  - Working capital lower – €22m reduction in Spanish state receivables

- Future
  - Continue to drive strong free cash flow
  - Targeting £125m -150m pa free cash flow over 2013 & 2014
  - Target 2x gearing by end 2014

Pre rail handover

We are disciplined over capital deployment





- Non-rail pre-tax ROCE maintained at 10.6% in 2012
- Invested over £125m in organic capex and nearly £160m in bolt-on acquisitions in 2012

- Selected investment in asset intensive businesses, driving passenger growth and concession renewal
- Focus on "Capital Light" opportunities to access new markets & build existing operations

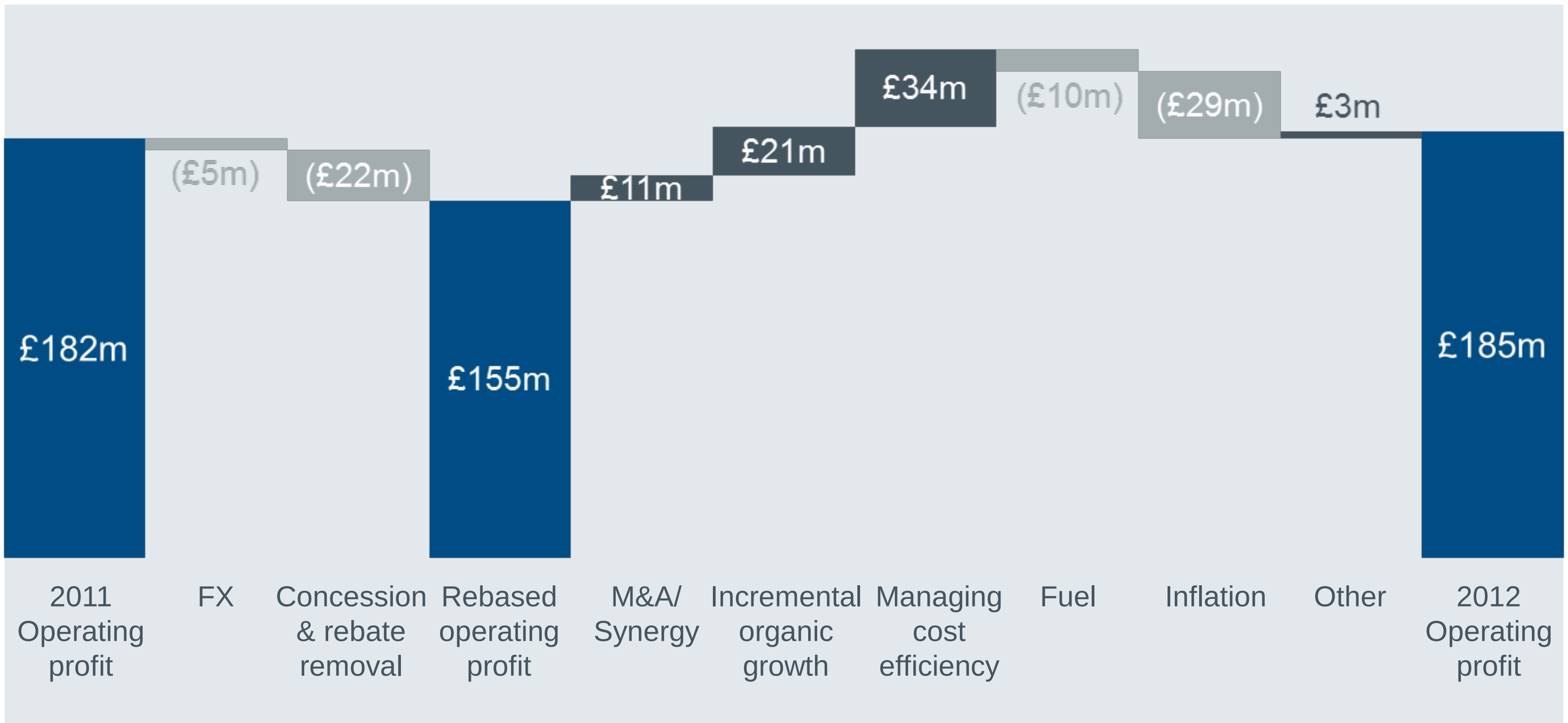
Focus on incremental return on capital

** Normalised operating profit excluding Rail/capital employed excluding Rail.*

A strong ROCE also reflects growth in Non-Rail profit

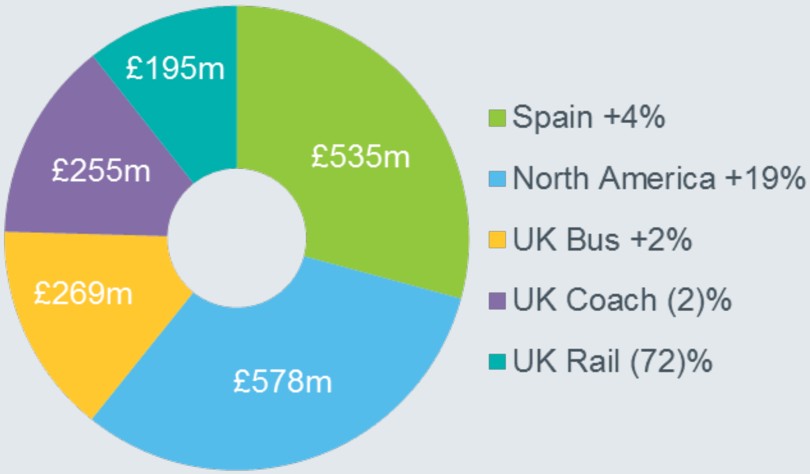
£m		2012	2011	Change
Revenue:	Non-rail	1,636.1	1,549.7	+5.6%
	Rail	195.1	688.3	(72)%
	Group	**1,831.2**	**2,238.0**	**(18)%**
Operating profit:	Non-rail	185.2	181.8	+1.9%
	Rail	26.7	43.4	(38)%
	Group	**211.9**	**225.2**	**(5.9)%**
Net finance costs		(49.2)	(46.4)	(6.0)%
Associates		1.4	1.4	-
Profit before tax		**164.1**	**180.2**	**(8.9)%**
Basic EPS:	Non-rail	21.6p	20.7p	+4.3%
	Rail	3.9p	6.3p	(38)%
	Group	**25.5p**	**27.0p**	**(5.6)%**

We have grown Non-Rail profit through acquisition, organic growth and efficiency



In 2012 each business grew commercial revenue & we delivered record Non-Rail profits

Revenue (£m/YOY change*)



Operating profit

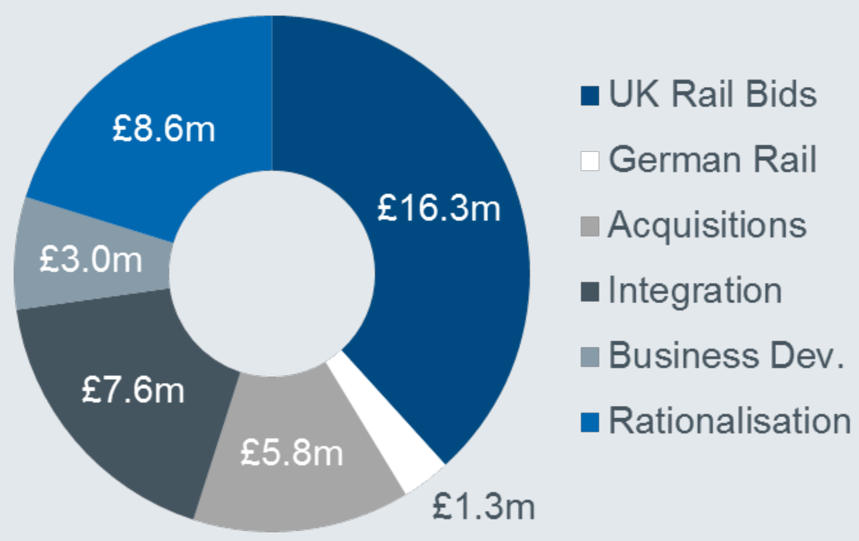
	2012	2011
Spain	€103.3m	€103.9m
North America	$94.0m	$76.9m
UK Bus	£34.1m	£32.7m
UK Coach	£20.6m	£34.9m
UK Rail	£26.7m	£43.4m
Central	£(12.4)m	£(14.6)m
Projects	-	£(9.2)m
Group	£211.9m	£225.2m

** year-on-year change shown in local currency*

2012 exceptional costs: investing to drive future profitability

- £42.6m exceptional charge in 2012
- Prepared 2 UK rail bids – c2c and GW
- Built German rail bid team – prequalified for 5 regional franchises, selected for two in Feb 2013
- Petermann and Transit integration will be completed ahead of target
- Business Development
  - Major investment in creating new passenger & contract pipeline
  - Significant resource re-targeted following UK Rail upheaval
  - Policy: each new business will move to "normalised operations" once revenue stream begins

Exceptional cost breakdown

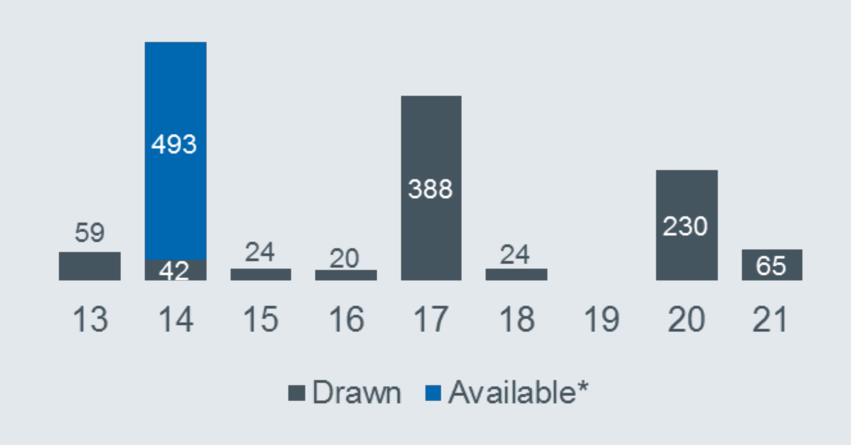


And we have retained a secure, robust financial position

Gearing Ratios	2012	2011	Covenant
Net debt/EBITDA	2.5x	1.9x	<3.5x
Interest cover	6.7x	7.2x	>3.5x

Ratings	Grade	Outlook
Moodys	Baa3	Positive
Fitch	BBB-	Stable

Strong debt maturity profile



- Net debt £828.2 million
- Strong financial strategy underpins future:
  - Prudent gearing & dividend policies
  - Commitment to IG rating
  - Strong risk planning – 2013 & ‘14 fuel hedged & full pension deficit plan in place
  - Almost £500m committed headroom*

** Available cash and undrawn committed facilities*

Delivering our strategy

Dean Finch

Group Chief Executive

We continue to deliver our 4 step strategy

Delivering operational excellence	Driving organic growth	Generating superior cash & returns	Delivering new opportunities
o Best-in-class margins o Improving safety, reducing costs o Award winning customer performance o Record non-rail profit	o Commercial revenue growth across UK o Resilient Spanish performance - new contracts secured o 19% growth in Morocco o 97% retention, 26 wins in School Bus	o Excellent cash generation o Sound debt & dividend policy o Growing ROCE, with disciplined capital deployment	o US Transit established o First German Rail contract delivered o German Coach launching in Spring o Growing pipeline of new opportunities

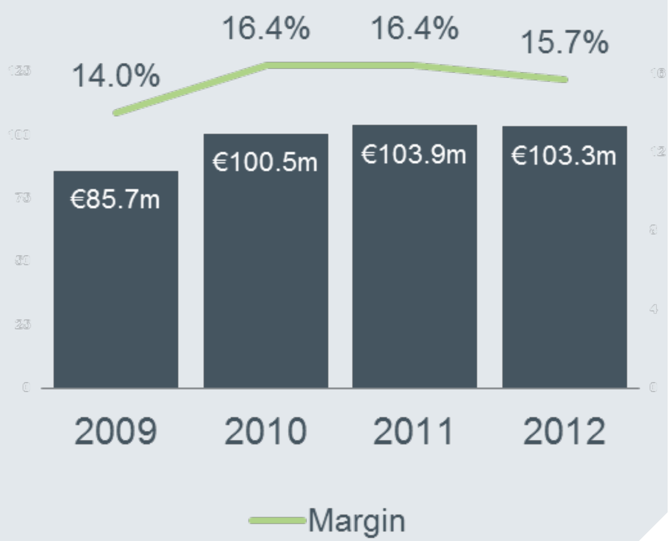
Cross-divisional operational excellence driving value growth

Spain has proven resilient to austerity pressures

Results

- 4% total revenue growth; outperforming private car and air
- Profit almost flat at €103.3m
- Excellent cash generation with significantly lower State and private receivables
- Underlying intercity revenue 2% lower - consumer austerity

Operating profit



Achievements

- Robust urban performance in Spain; 19% growth in Morocco
- Guadalajara urban contract won
- Successfully mitigated €9m fuel cost rise

Prospects

- Morocco: New contracts, develop intercity, extend Marrakech
- Urban Spain: start Guadalajara operations, bonus payments
- Intercity: Renew concessions, loyalty programme, benefit from airport tax increase, stable regions
- Lower overhead, rigorous cost control
- Other: rail liberalisation, international opportunities

Risks

- Recovery of higher fuel cost
- Threat from RENFE discounting promotions
- Weaker consumer demand
- Transport law review

North America has benefitted from greater scale in School Bus and the new Transit business

Results

- Record $94.0m operating profit
- 20bps margin increase to 10.2% - outperforming competitors & continuing to grow
- Underlying revenue growth & low contract churn

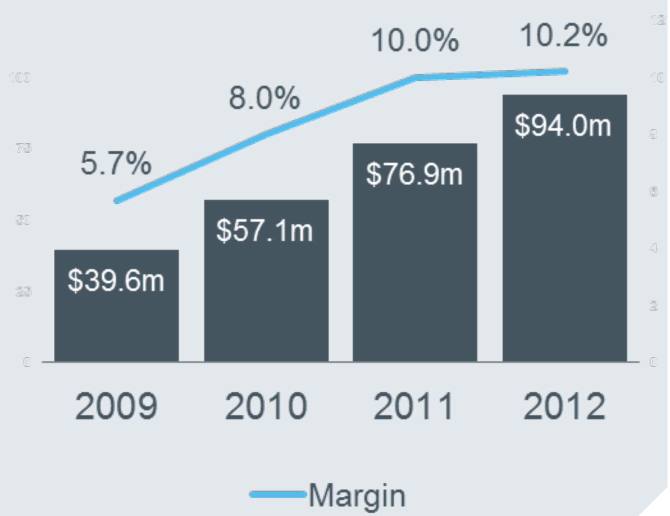
Achievements

- Improved pricing on renewals
- Entered 3 new states; 9% charter growth
- Progressive improvements in cost efficiency - GPS/Compass
- Successful integration of Petermann acquisition
- Launch of US Transit, with 2 bid wins

Prospects

- Focused growth in School Bus:
  - Primarily conversion ($200m current active bids), charter
  - Reposition portfolio to higher value business
  - Continued high customer retention rate
  - Further technology-driven savings – Oracle EAM, Compass
- Transit - $7.3bn market, $300m target opportunities

Operating profit



Risks

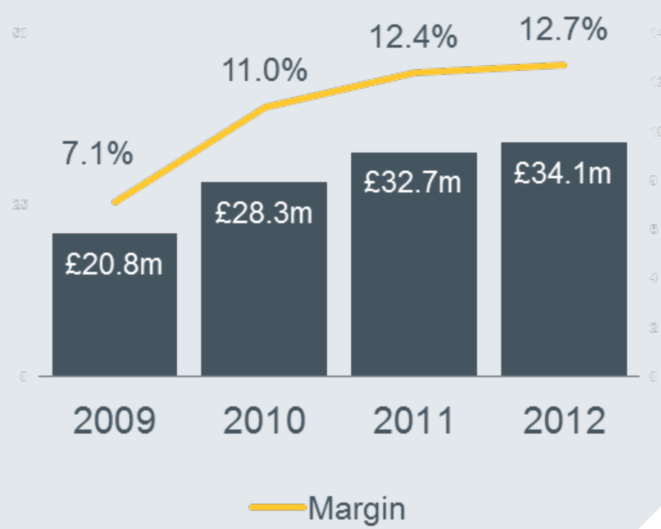
- Recovery of higher fuel cost
- Legislation/regulatory change
- Ancillary/discretionary route reductions

UK Bus has continued to grow both revenue & margin

Results

- Commercial revenue up 3%
- Operating profit up 4% to £34.1m
- Operating margin up 30bps to 12.7%
- Like-for-like passenger growth: commercial passenger increase of over 1,000 per week in W. Midlands

Operating profit



Achievements

- 200 new vehicles added to fleet in last 18 months
- 2 major network reviews - driving passenger growth & cost efficiency
- West Midlands concession agreement to 2015
- Absorbed BSOG cut without special fare rise

Prospects

- Continued focus on driving return to passenger growth
  - 115 new vehicles including 30 hybrids
  - Vehicle tracking technology improving punctuality and reliability
  - Introducing smart cards, mobile apps
  - Innovative fares and pricing, route-based marketing
- Growing student and corporate patronage
- Further efficiency in the cost base – outsourcing, fuel, overhead

Risks

- Recovery of higher fuel cost
- Economy still fragile – retail & employment
- Annualisation of BSOG cut
- Pension accounting impact only £2m

UK Coach was significantly hit by subsidy withdrawal but is growing again

Results

- Loss of £16m government concession subsidy
- 1m fewer concession passengers despite coachcard
- Mitigation plan unsuccessful - operating profit £20.6m

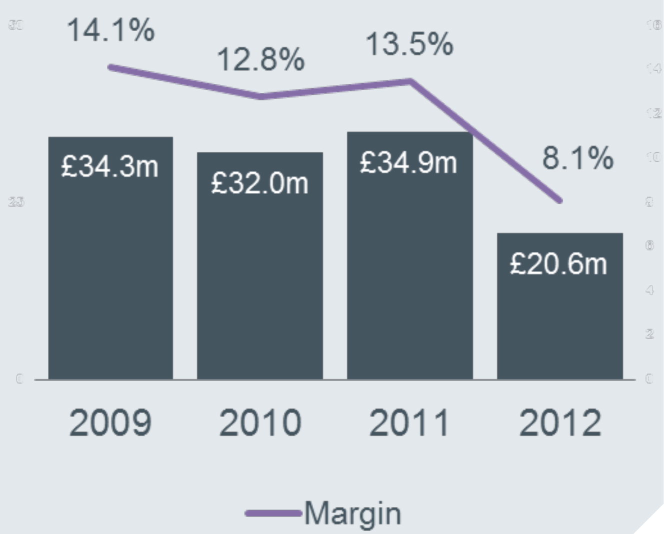
Achievements

- New initiatives generating growth - commercial revenue up 2%
- Value for money pricing - commercial volume +5%
- Growth in all non-concessionary Express segments
- Good Olympics contract at Kings Ferry

Prospects

- Improve the proposition
  - Service fundamentals: faster, more efficient network, new services
  - Mobile ticketing, CRM, Wifi
  - Focus on depot/partner cost base
  - Revenue Management System to protect market share, drive yield and volume growth
  - Strategic alliances and partnerships

Operating profit



Risks

- Competition – rail
- Government policy (BSOG elimination)

UK Rail has continued to outperform

Results

- Underlying passenger revenue up 7%
- Operating profit of £26.7m – strong margin generating profit share for UK government

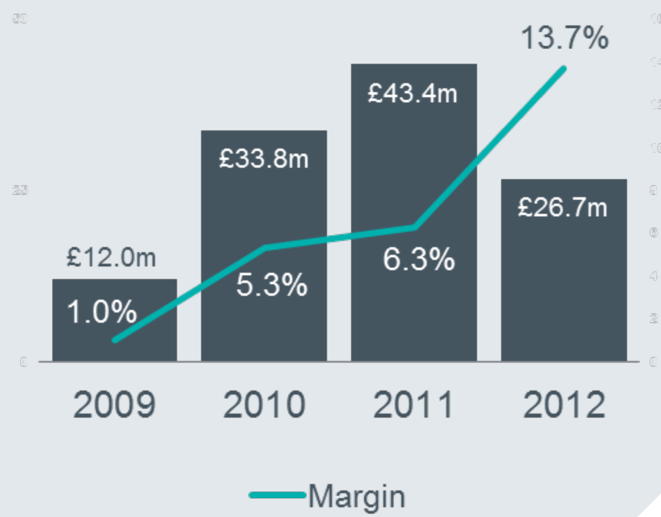
Achievements

- Continued excellent performance – punctuality 97.5% (MAA), >6 points above national average
- Best rail franchise for passenger satisfaction – 93%
- Multiple awards for delivery – excellent reference for German Rail expansion

Prospects

- Extension of c2c franchise by up to two years
- Essex Thameside bid may restart in Summer 2013; new pipeline of franchises to be published in Spring 2013
- Strong bidding pipeline for Germany - 35 tenders targeted - and already pre-qualified for three further tenders
- Other rail opportunities internationally – e.g. Spain

Operating profit



Risks

- Department for Transport bid delays
- London/City employment trends

Our existing and new market opportunities offer exciting prospects

US Transit

- Completed 3 acquisitions
- $7.3bn existing market revenue
- Rapid growth of ageing/disabled population (c5% CAGR 2010-15)
- Growing capital-light bid pipeline

German Rail

- €6bn accessible regional market
- Targeting pro-competition regional authorities
- Pre-qualified for 5 tenders in 2012
- Selected for first contracts – start end 2015

city2city

German Coach

- Market liberalised and licence received
- NX launches April 2013
- Low investment, partner model
- Exciting potential market development

Developing Opportunities

- Expand Alsa platform further in Morocco & Europe
- Leverage unique public transport skills in selected contract bid opportunities

National Express set to continue to create shareholder value

- Clear plan for 2013 and beyond:
  - Four out of five divisions will grow organically over next few years
  - Continued improvement in value generated by North America
  - Excited by multiple opportunities in new markets – investing in bid teams
  - Cash focus – moving to 2x gearing, creating opportunities for cash return or reinvestment

Driving returns and delivering growth

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Appendix

2012 underlying revenue growth

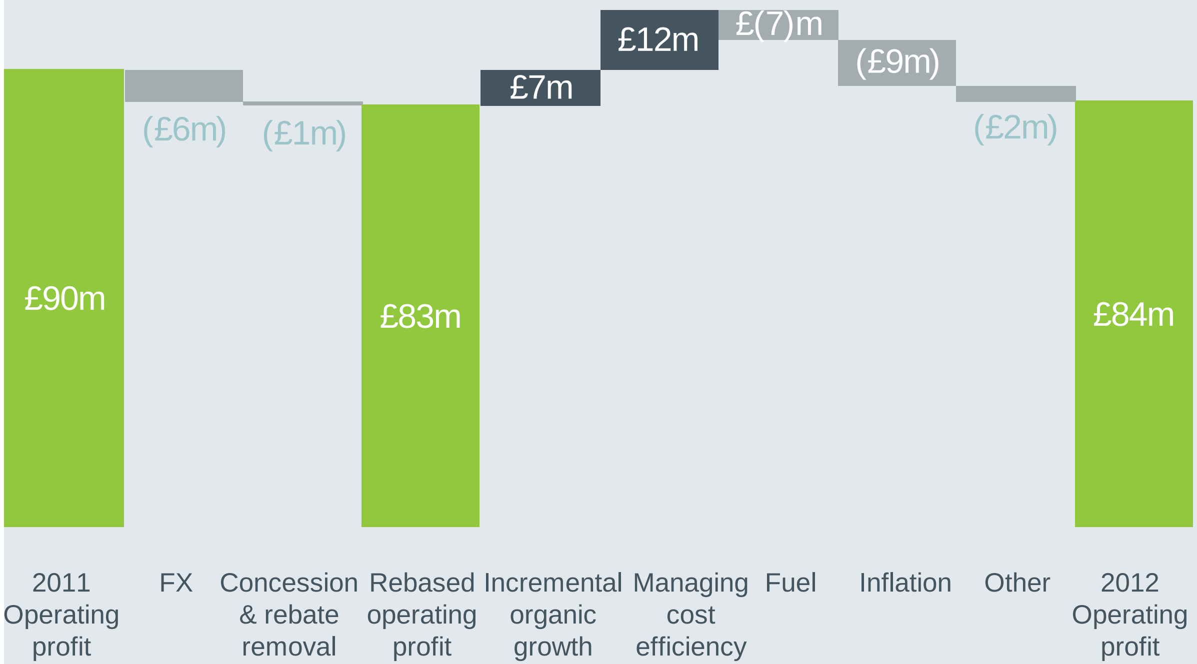
	Yield	Volume	Revenue	Network Efficiency*	LFL growth
Spain					
Urban – Spain	4%	-%	4%	3%	7%
Urban – Morocco	3%	15%	19%	(16)%	3%
Intercity	2%	(4)%	(2)%	4%	2%
Non-passenger			(16)%		
Total[1]			**4%**		
North America[1]			**19%**		
UK Bus					
Commercial	4%	(1)%	3%	1%	4%
Concession/other			(1)%		
Total[1]			**2%**		
UK Coach					
Core NE network	(4)%	5%	2%	(3)%	(1)%
Concession	(8)%	(32)%	(40)%		
Other			16%		
Total[1]			**(2)%**		
c2c			**7%**		

** Decrease / (increase) in mileage operated*

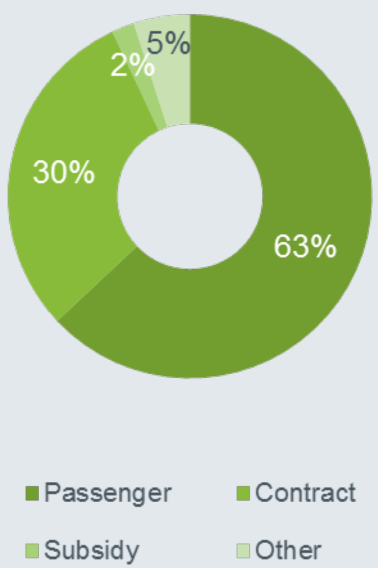
[1] Reported revenue

In Spain, profit in constant currency has remained flat

Spain

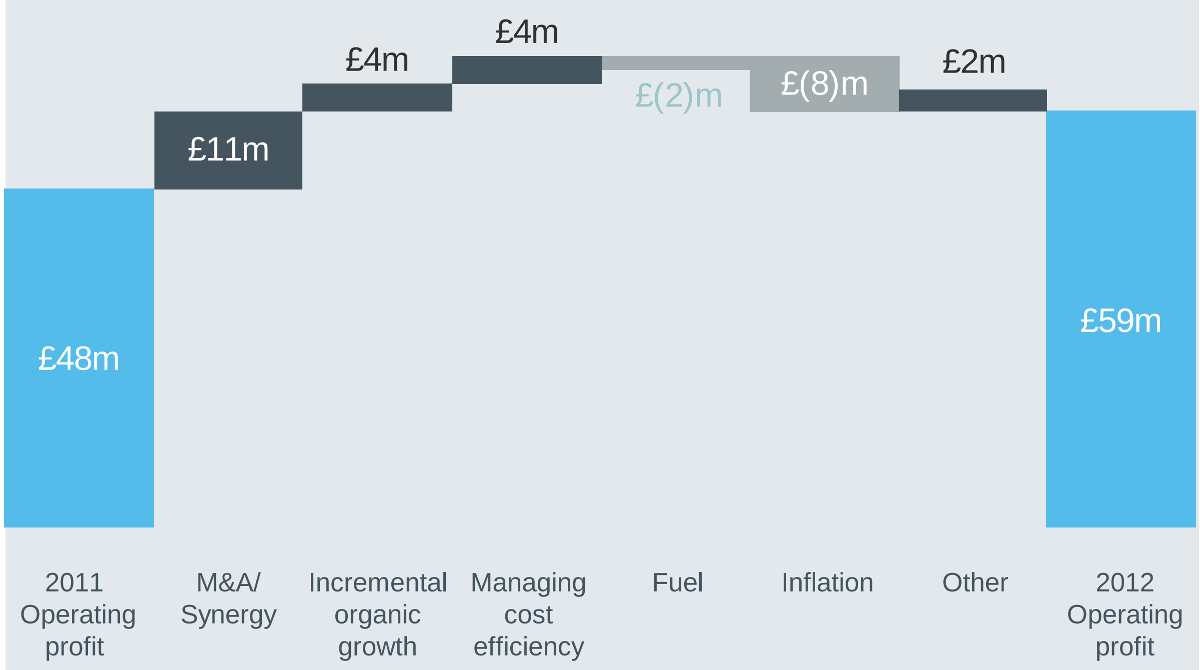


Revenue 2012

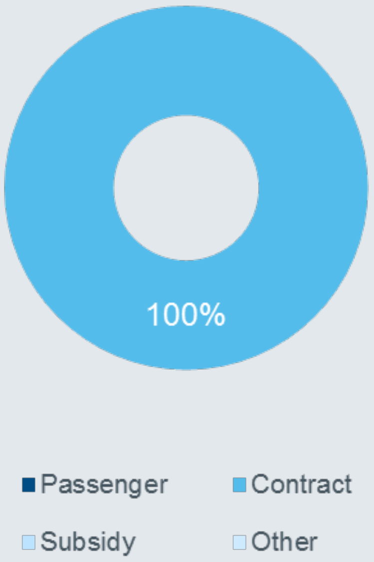


Strong profit growth in North America through successful acquisition

North America

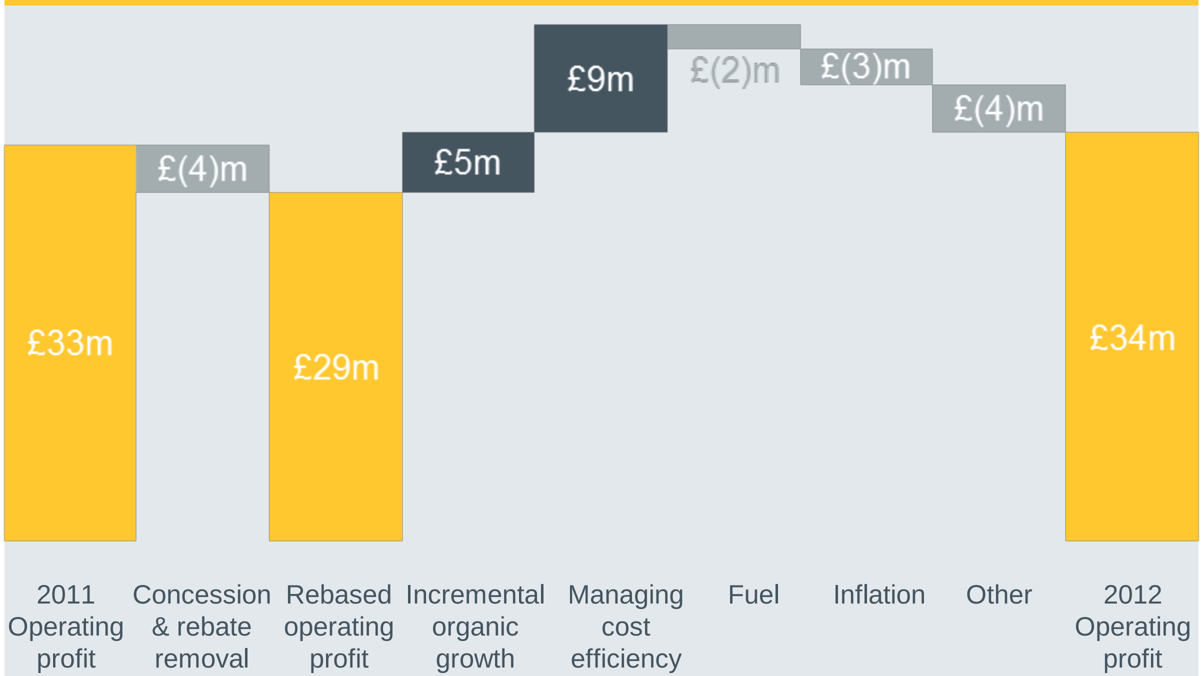


Revenue 2012

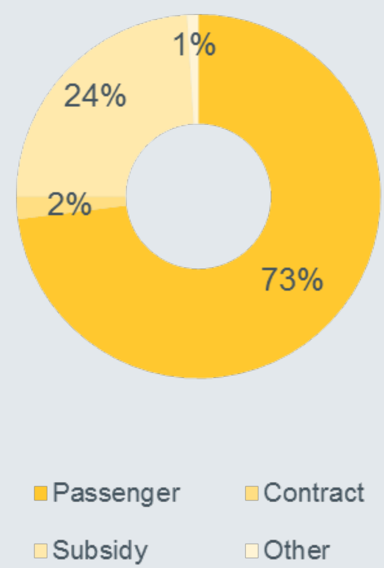


UK Bus profit increase delivered by organic growth and cost efficiency

Bus

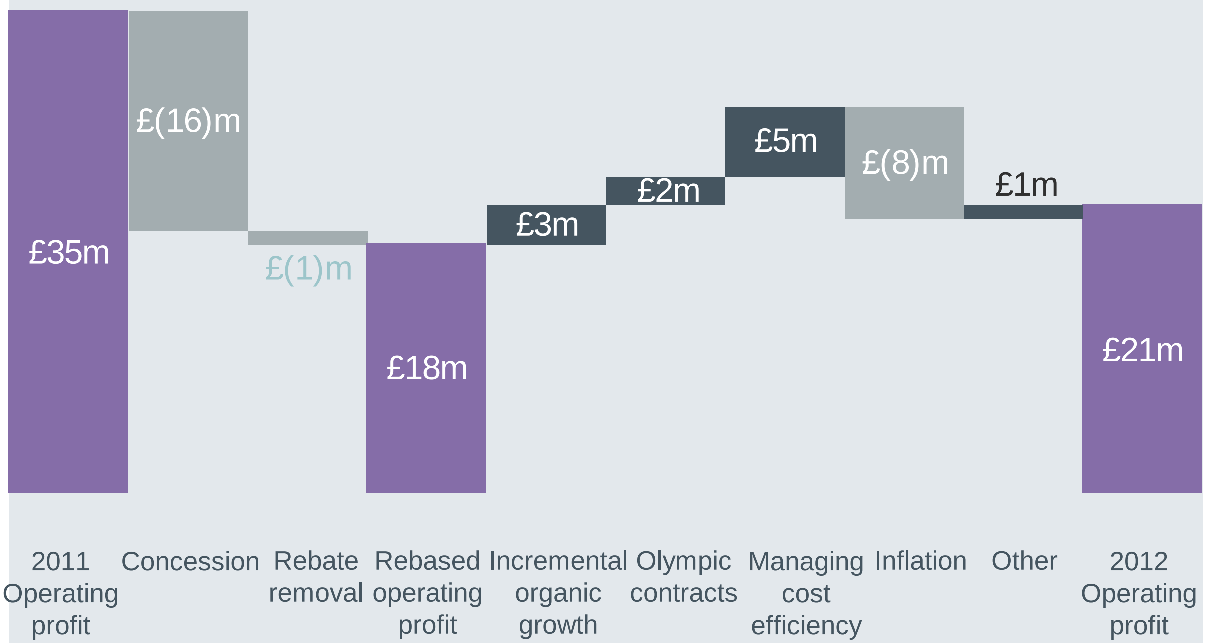


Revenue 2012

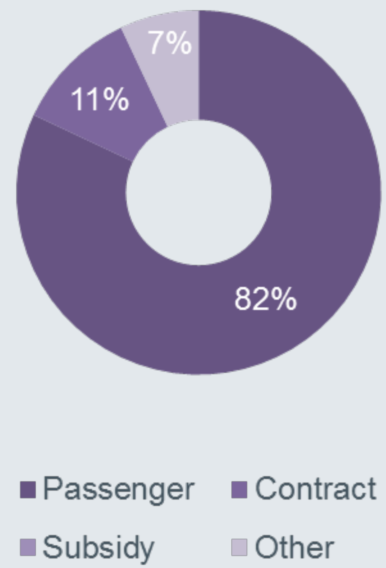


£16m impact of concession withdrawal on UK Coach

Coach



Revenue 2012



Risk management

Fuel fully hedged through 2014

Fuel Hedging

	2013	2014	2015
% hedged*	100%	100%	10%
Price per litre	49.4p	49.8p	49.1p

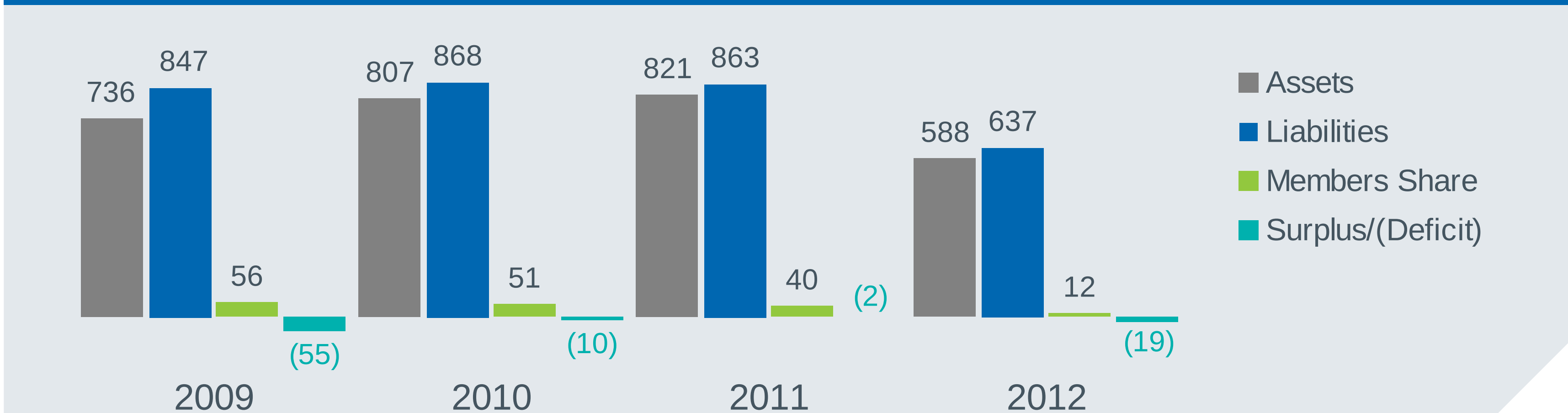
- Contracted revenue policy:
  - Extend cover for a minimum of 2 years
  - Longer hedging considered, subject to market liquidity & contract life
- Commercial revenue policy:
  - Minimum 15 months cover - provides a buffer for retail fare increases
- 2014 cover at unchanged cost to 2013

** Of addressable volume (c230 million litres)*

Risk management

Pension deficit plan in place through 2017

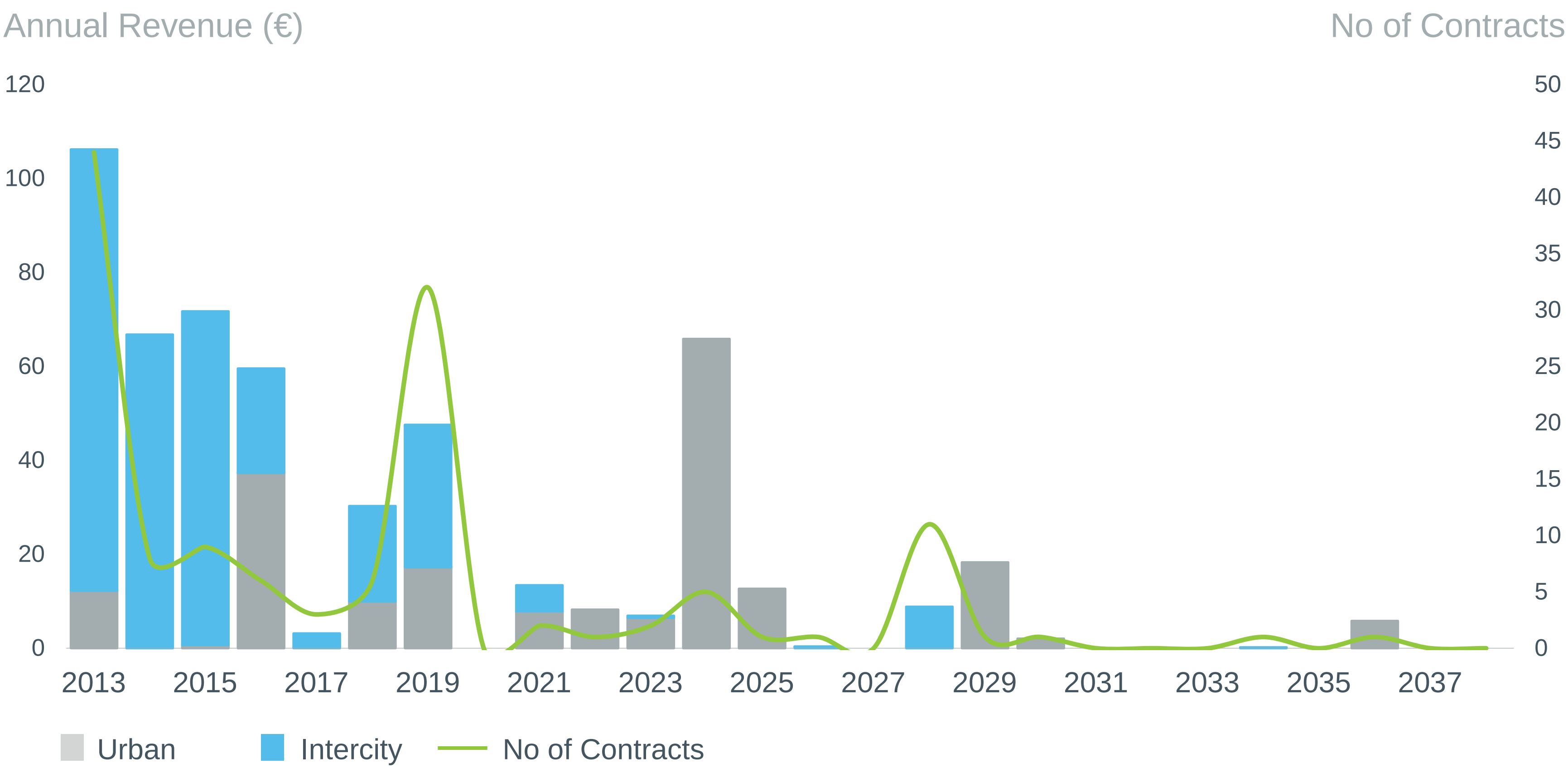
Pensions £m (IAS19)



£m	Surplus /(Deficit) 2012	Surplus /(Deficit) 2011	P&L (charge)/credit 2012	P&L (charge)/credit 2011
UK Bus	(32.9)	(16.8)	(1.3)	(1.9)
UK Coach	16.6	18.6	(0.2)	0.5
UK Rail	(1.8)	(2.2)	(1.9)	(6.8)
Other	(1.2)	(1.4)	-	-

Spain
Concession renewal profile

Concessions due for renewal in Spain by quantity and annual revenue (based on best view of regulatory timetable)



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National Express Group PLC