

Preliminary Results

For the year ended 31 December 2005

9 March 2006

Phil White

Chief Executive

2005 HIGHLIGHTS

- Earnings at the top end of market expectations
- Alsa – key strategic move
- Focus on high quality school bus earnings in North America
- Continued operational performance across UK Trains
- Continual growth in Coaches and London buses
- Further dividend growth of 7.5%; buy back programme recommenced

Adam Walker

Finance Director

FINANCIAL HIGHLIGHTS (1)

- Strong financial results
 - growth in operating profit
 - margin improvement
 - record EPS
 - acquisition of Alsa
 - continued investment in operations
 - balance sheet re-leveraged to enhance shareholder value

FINANCIAL HIGHLIGHTS (2)

- Revenue of £2.2bn (2004*: £2.4bn)
- Normalised operating profit up 8.5% to £155.5m (2004*: £143.3m)
- Normalised profit before tax up 10.7% to £135.3m (2004*: £122.2m)
- Normalised diluted EPS from continuing operations up 10.1% to 76.3p (2004*: 69.3p)
- Final dividend of 22.25p up 7.7% (2004: 20.65p)
- Net debt of £563.4m (2004: £136.6m)

* Restated for transition to IFRS

GROUP INCOME STATEMENT

	2005 £m	2004* £m
Revenue	2,216.0	2,354.5
Normalised operating profit	155.5	143.3
Loss from associates	(8.8)	(3.4)
Finance costs	(11.4)	(17.7)
Normalised profit before tax	135.3	122.2
Exceptional items	(7.8)	(7.7)
Goodwill and intangible asset amortisation	(38.2)	(35.7)
Loss on disposal of non-current assets	-	(0.9)
Profit before tax	89.3	77.9
Tax expense	(27.5)	(22.8)
Profit after tax	61.8	55.1
(Loss)/ profit from discontinued operations	(64.5)	3.5
	(2.7)	58.6

* restated for transition to IFRS

DIVISIONAL OPERATING PROFIT AND MARGIN

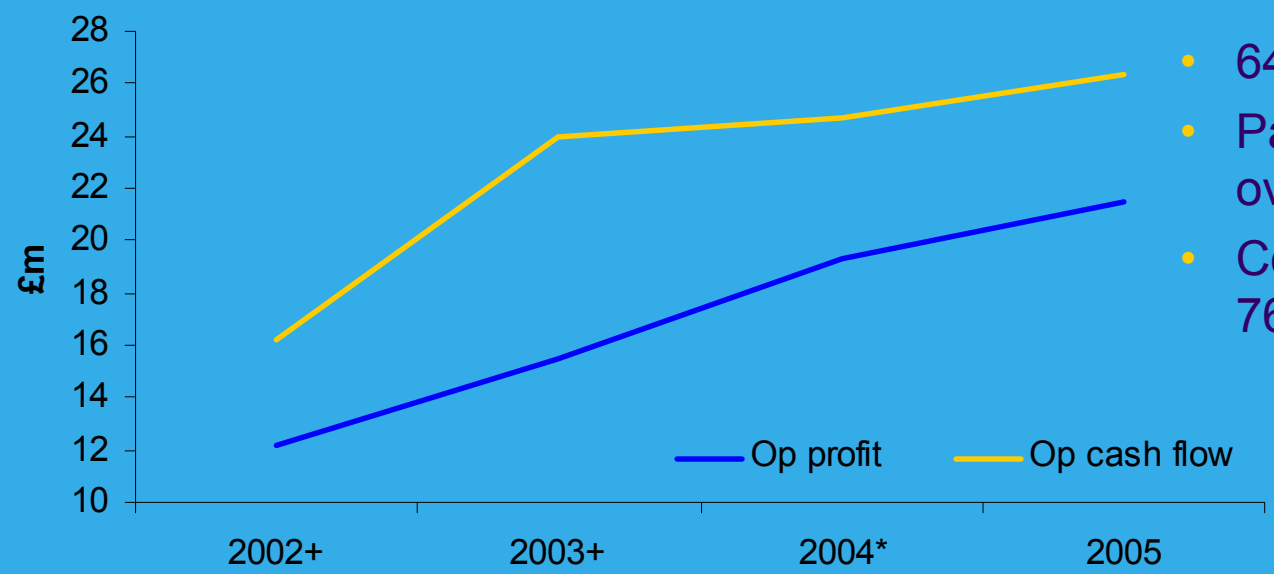
	Operating profit		Operating margin	
	2005 £m	2004* £m	2005 %	2004* %
Coaches	21.5	19.3	10.7	9.9
Buses	41.5	41.6	15.5	17.3
Trains	64.2	61.3	4.3	3.6
North America	35.0	29.6	14.5	13.9
Alsa	2.6	-	14.3	-
Central Functions	(9.3)	(8.5)	-	-
	155.5	143.3	7.0	6.1

ALSA

- Financial and reporting systems integration well underway
- Valuation of intangibles ongoing
- Growth targets - 5 to 6% per annum
- Stability of cash flow from long term concessions
- Ongoing investment to support growth
- Fuel hedged in 2006
- Favourable tax and funding environment

UK COACH

UK Coaches cash conversion



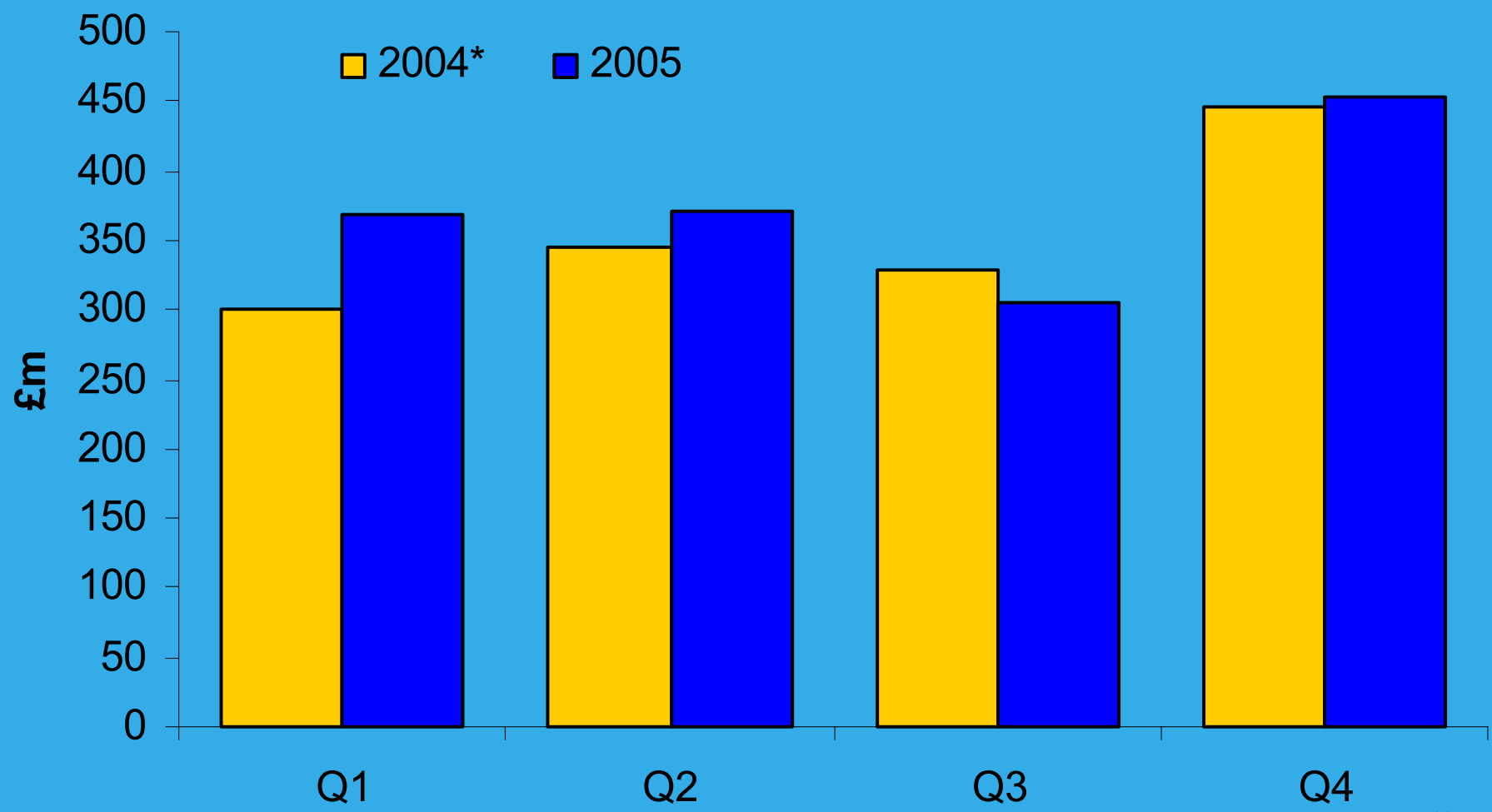
- 64% direct sales
- Passenger growth of 11% over 3 years
- Compound profit growth of 76% over 3 years

+ 2002-2003 not restated for IFRS
* restated for transition to IFRS

TRAINS FINANCIAL PERFORMANCE

- Midland Mainline - improved performance; passenger growth
 - Central Trains - substantial improvements in performance
 - Wessex - unaffected by July attacks
 - Gatwick - premium increase of £3.9m; remains loss-making
 - GN - passenger decline post July
 - Silverlink - route transfer
 - c2c - limited growth post July
 - 'one' - passenger decline post July
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- Overall decrease in subsidies year on year £8.5m

REVENUE ANALYSIS OF TRAINS BY QUARTER - 2005

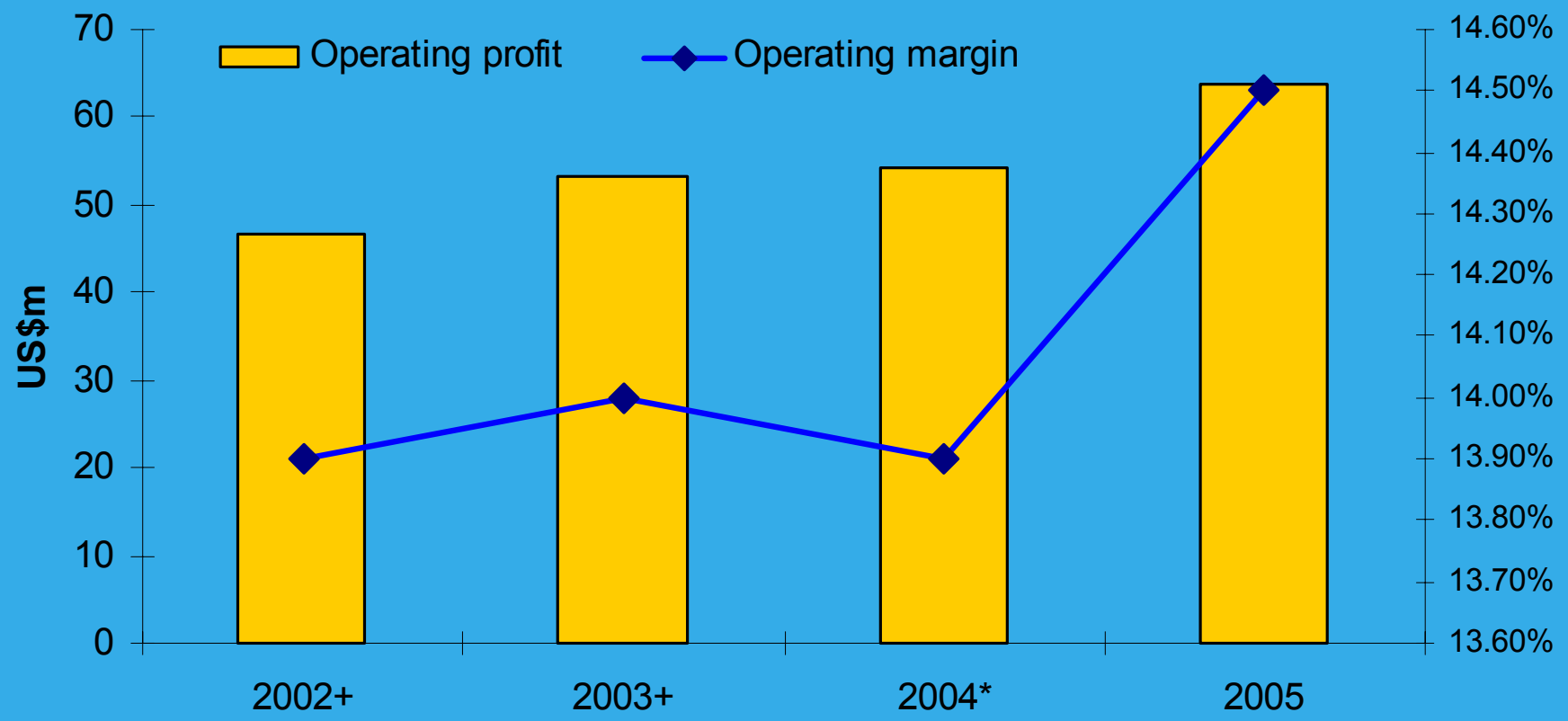


* restated for transition to IFRS (ScotRail is excluded from the 2004 numbers)

BUS

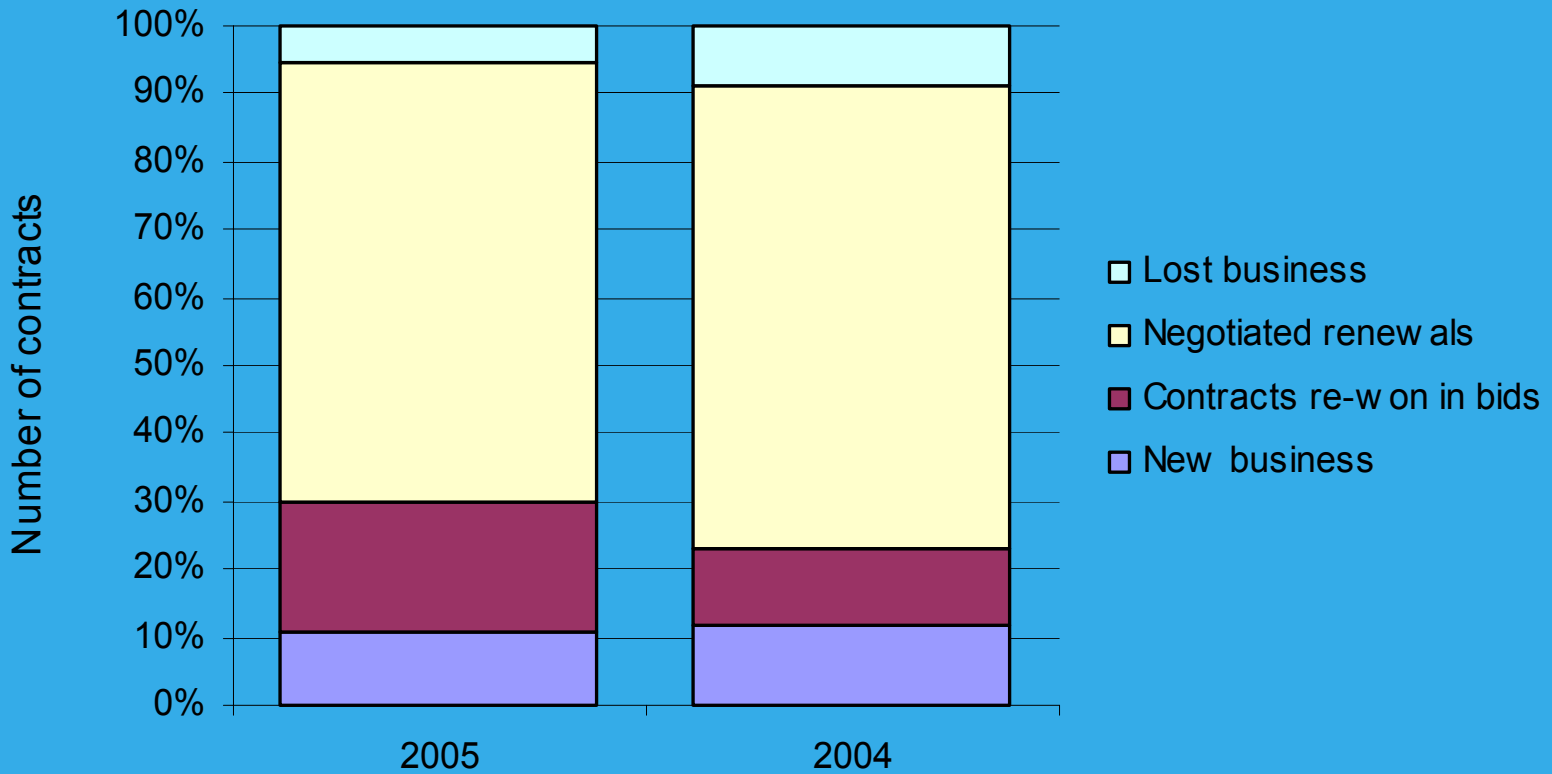
- Concessionary fares – third of passenger base
- Fuel increase of £7m to be absorbed in 2006
- Claims handling team restructured
- Acquisition of Tellings Golden Miller
- Margin improvement in London

NORTH AMERICA



+ 2002-2003 not restated for IFRS
 * restated for transition to IFRS

STUDENT BUS CONTRACTS RETENTION



DIVISIONAL CASH FLOW

	UK Trains £m	UK Bus £m	UK Coach £m	North America £m	Alsa £m	Central Functions £m	Total £m
Normalised operating profit	64.2	41.5	21.5	35.0	2.6	(9.3)	155.5
Normalised operating profit from discontinued operations	-	-	-	3.8	-	-	3.8
Depreciation/ amortisation of FA grants/ profit on disposal/ share based payments	14.8	13.3	4.9	23.1	0.9	1.3	58.3
EBITDA	79.0	54.8	26.4	61.9	3.5	(8.0)	217.6
Working capital movement	(20.2)	2.8	(0.1)	(2.0)	(4.1)	(3.5)	(27.1)
Eurostar	-	-	-	-	-	(1.7)	(1.7)
Ongoing net cash inflow from ops	56.8	57.6	26.3	59.9	(0.6)	(13.2)	188.8
Net capital expenditure	(24.8)	(44.5)	(8.2)	(33.3)	(0.6)	0.8	(110.6)
Ongoing operating cash flow	34.0	13.1	18.1	26.6	(1.2)	(12.4)	78.2
Exceptionals							(7.7)
Operating cash flow							70.5

MOVEMENT IN NET DEBT

	2005 £m	2004 £m
Net debt at 1 January	(136.6)	(307.8)
Operating cash flow	70.5	187.5
Interest	(22.0)	(20.3)
Tax	(26.7)	(3.2)
Share buy-back	(29.3)	-
Acquisitions and disposals	(359.1)	22.8
Financial investments and shares	8.4	2.6
Dividend	(41.6)	(36.4)
Currency translation	(27.0)	18.2
Net debt at 31 December	(563.4)	(136.6)



ALSA

BACKGROUND

- Leading coach and bus operator in Spain
- Owned by Cosmen family
- Annualised revenue of £218m
- 75% of revenue generated by coaches
- Cosmen continuity through shareholding in Group
- Experienced executive management team

ALSA

RATIONALE

- Operations principally in Spain
- Coach and bus operations – core NX skills
- Quality public transport business – growing
- Critical mass
- Strong cash flow and margins underpinned by long term concessions and contracts
- Added value through operational and marketing initiatives
- Track record of investment – fleet average age <6 years

ALSA

1st 100 DAYS

- Rationale for transaction stands
- They think like we do
- Depth in management teams
- Appetite for growth
- Identification of synergies
- Integration well underway
- Stakeholder support



COACHES

- Passenger growth return to pre-July levels
- Continuation of dynamic fares policy
- Segmentation analysis to broaden coaching market
- Significant investment programme in customer facilities
- Developing new products for specific customers
- Utilising new technology to improve operational efficiency
- Sharing best practice with Spain



TRAINS

- Industry leader on operational performance
- Impact on discretionary travel following July attacks
- Further extensions at Central Trains and Silverlink to the end of 2007
- Bidding focus in 2006 on franchises where we are already incumbent
- Customer service initiatives launched at MML



BUSES

- Operational performance underpins quality service
 - Driver recruitment
 - Technology
 - Route strategy
- Working with local authorities
 - Concessionary fares
 - Quality partnerships
 - Transport Innovation Fund
- Doubled the size of London operations



NORTH AMERICA

- Strategic focus on student transportation
- Record success at the bid table
- High retention levels
- Relocation to Chicago
- Strategic acquisition in Canada
- Re-engineering drive to improve efficiencies
- Strong growth prospects

CURRENT TRADING AND PROSPECTS

- Current trading in line with expectations
- Alsa integration on track
- Growth prospects
 - US bid season
 - Rail bidding
 - Top line growth in Coaches and Alsa
 - Investment in customer facilities
 - Acquisitions
- Shareholder returns
 - Dividend policy
 - Buy back

Preliminary Results

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