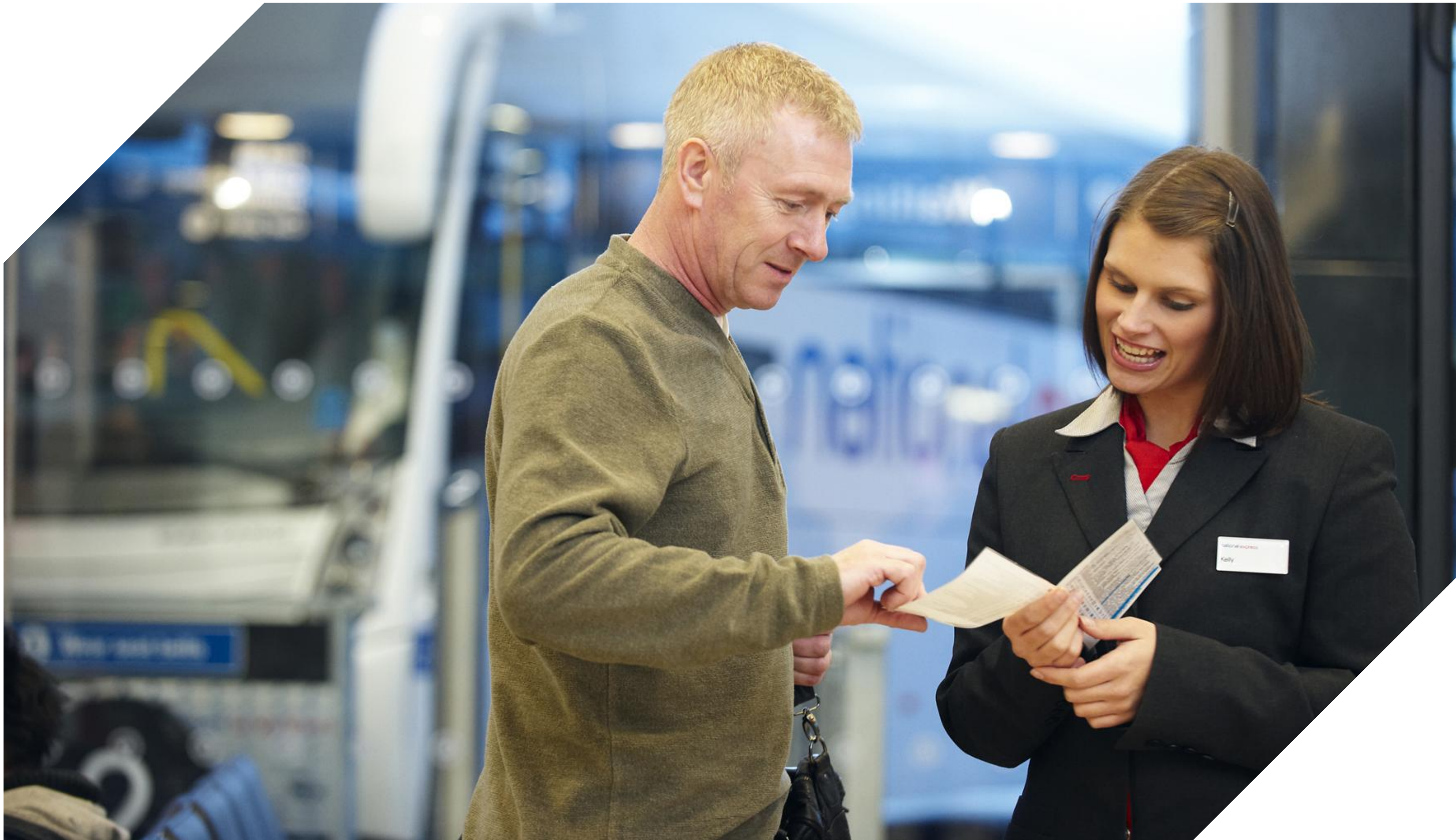
Full Year Results

For year ended 31 December 2009

25 February 2010



introduction

John Devaney

Chairman

2009
delivering key milestones

Key challenges

- Global recession
- East Coast rail losses
- Change of Chief Executive
- Potential bids

Delivering solutions

- Successful deleveraging
- Strong cash generation
- Costs cut
- Rail solution
- New CEO in place
- Refinancing underway

2010
focus on delivery

Build on simple strengths

- Deliver cost savings to drive margins
- Maximise cash generation
- Protect and grow revenue selectively

Build on platform created in 2009

- Drive down costs, especially in UK Bus & North America
- Flex operating mileage to economic conditions
- Further drive strong cash generation qualities
- Selective investment; build on recent success

financial review

Jez Maiden

Group Finance Director

2009
performance highlights

- Resilience in Business Performance
  - Adjusted to exclude East Coast: PBT* £142.5m versus £172.4m 2008
  - UK Coach operating profit* up 27%
  - Resilient performance in Spain – operating profit* down 8%
  - Weaker UK Bus & North America performance
  - Remaining rail franchises increased profitability*
- Excellent cash generation
  - Operating cashflow £281.3m – 176% profit conversion
  - Debt reduced to £657.9m
  - Successful £350m bond launched – Jan 2010
- Strong cost management
  - £50m annualised savings delivered
  - Operating mileage reduced 3-5%**

*Normalised, continuing basis in £   **UK & Spain Bus & Coach

2009
financial highlights

	2009	2008
Revenue	£2,711.1m	£2,767.0m
Normalised* profit before taxation from continuing operations	£116.2m	£202.4m
Normalised basic earnings per share	30.5p	48.9p
Operating cash flow*	£281.3m	£152.3m
Statutory (loss)/profit	(£52.7m)	£119.7m
Dividend	-	10.0p

*As defined in press release

Income statement

£m	2009	2008
Continuing Operations		
Revenue	2,711.1	2,767.0
Normalised operating profit	159.8	253.9
Net finance costs	(43.5)	(51.5)
Associates	(0.1)	-
Normalised profit before tax	116.2	202.4
Discontinued Operations	-	(8.3)
Normalised profit before tax	116.2	194.1
Tax (19.8%)	(23.0)	(49.5)
Normalised profit after tax	93.2	144.6

Divisional revenue year-on-year growth

Full Year	Underlying		
Local currency	Yield %	Volume %	Total %
Bus +	5	(3)	2
Coach ++	3	(2)	1
Rail +++	5	(4)	1
Spain	1	(6)	(5)
North America	N/A	N/A	2

+ West Midlands only
++ Express Coach only
+++ NXEA & c2c only

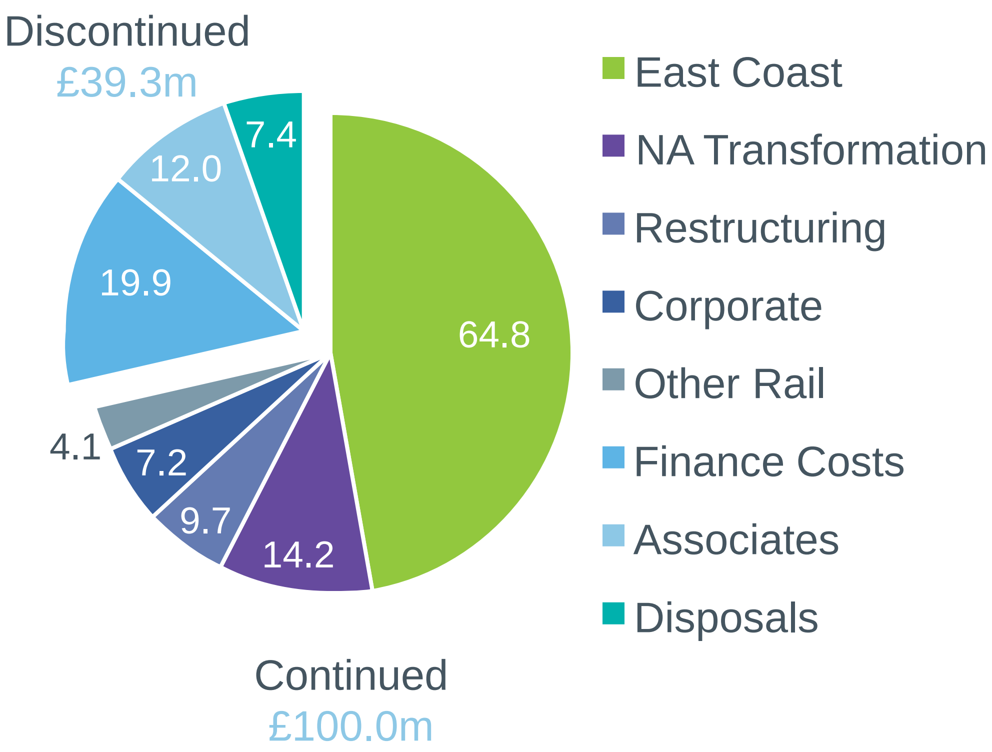
Divisional performance summary

Full year	Operating Profit (normalised)		
£m	2009	2008	Change
Bus	20.8	40.0	(19.2)
Coach	34.3	27.0	7.3
Rail	12.0	81.3	(69.3)
Total UK	67.1	148.3	(81.2)
Spain	76.5	83.3	(6.8)
North America	25.3	32.5	(7.2)
Centre	(9.1)	(10.2)	1.1
Group	159.8	253.9	(94.1)

- Rail profit impacted by East Coast
  - '09 £26.3m loss (H1 only)
  - '08 £30.0m profit
- Currency translation benefit £17.6m
- Fuel cost added £33m
- UK Bus pension costs increased £3.5m

Exceptional costs

£m



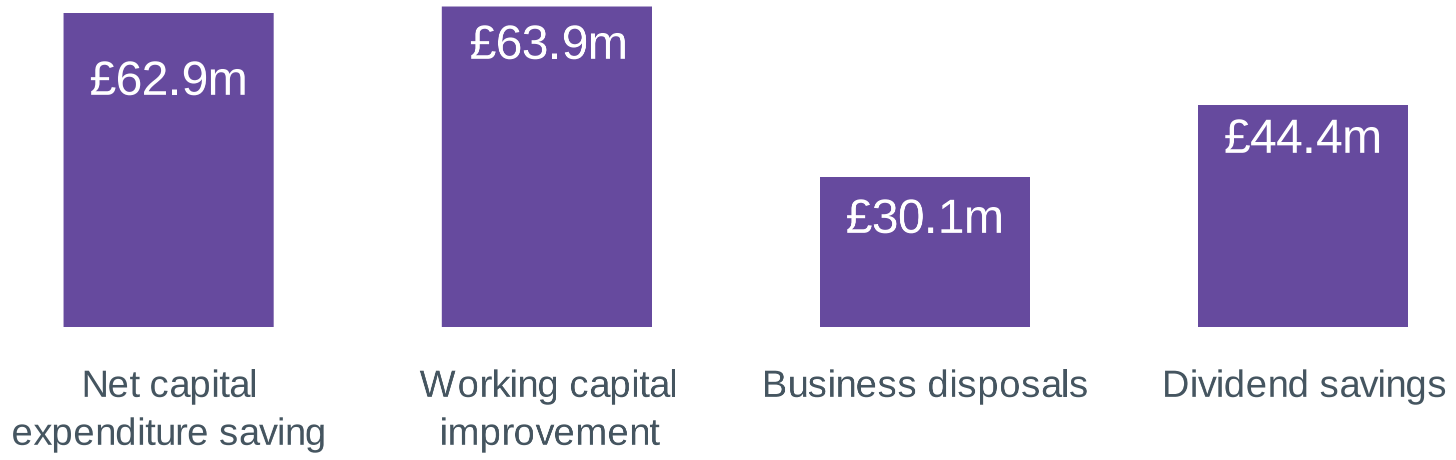
East Coast accounting

- H1 operating loss* £26.3m
- H2 operating loss £21.4m
  - charged to onerous contract provision
- Group loan limited to £40m
- Performance bond £31.4m
  - Paid Nov '09 – exceptional
- Final settlement awaiting reporting accountant review

* normalised

Excellent cash management performance

- Operating cashflow* £281.3m
- 176% conversion of operating profit to operating cashflow
- Over £200m incremental cash generation, double the targeted £100m



- Net debt £657.9m, £521.9m lower than 2008

* normalised

Excellent cash generation delivered

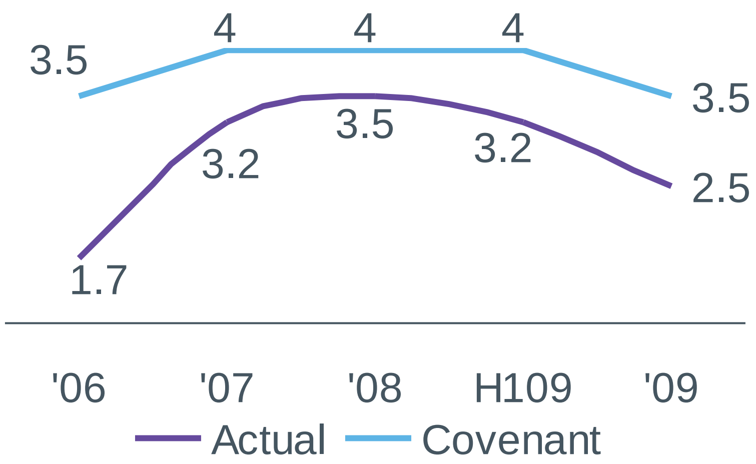
Full year £m	2009	2008
EBITDA*	**269.3**	**350.4**
Net capex	(51.9)	(114.8)
Net working capital mvt	63.9	(83.3)
Operating cash flow *	**281.3**	**152.3**
Exceptionals & discontinued operations	(68.8)	(38.4)
UK rail franchise exit	(32.3)	(2.0)
Net interest and tax	(46.2)	(55.7)
Other	(8.5)	(8.8)
Free cash flow	**125.5**	**47.4**
Acquisitions & disposals	30.1	(17.5)
Dividends and financials	(15.9)	(60.9)
Equity issuance	357.9	-
Net funds flow	**497.6**	**(31.0)**

- Net capex reduced to £51.9m (48% depreciation)
- Working capital reduced by £63.9m
  - Sustainable components from improved disciplines
- Disposal of Travel London – June 2009
- Successful rights issue – Dec 2009

*normalised

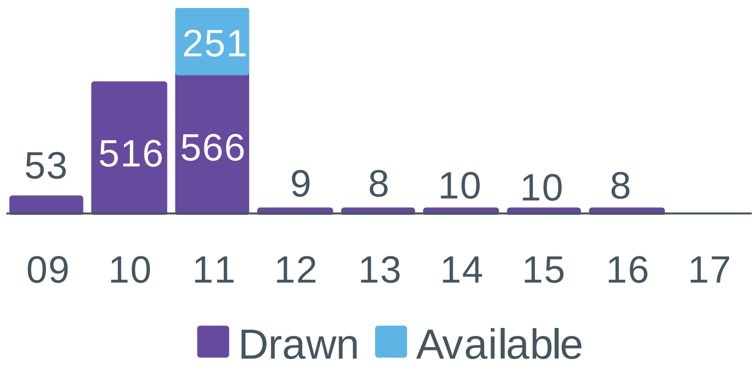
Strong progress in restructuring balance sheet

Gearing ratio



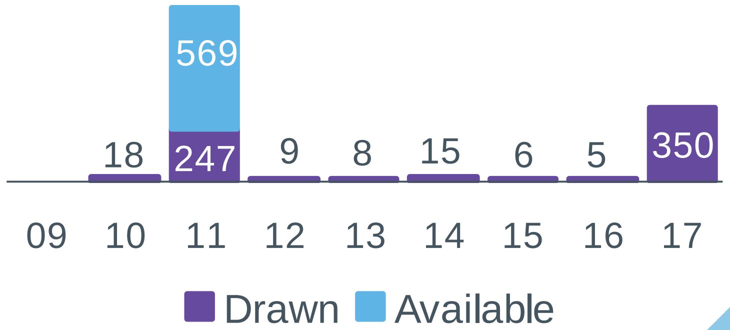
- Debt gearing ratio improved
- Successful bond issue has extended funding maturity
- Committed to investment grade rating

Net debt maturity – 31 Dec 08



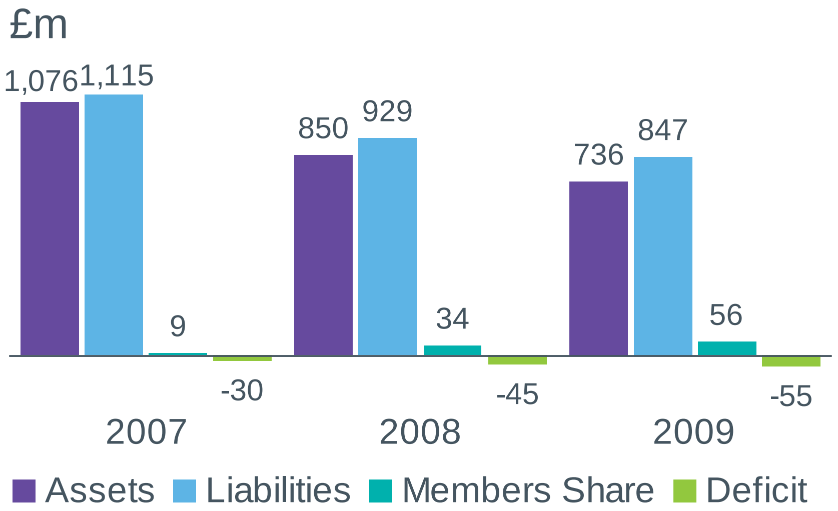
Net debt maturity – 31 Dec 09

(adjusted for £ bond issue)



Other financial areas

Pensions



- Reduced rail exposure
- Bus & coach deficit in line with H1
- Scheme valuations in 2010
- Existing deficit cash contributions £6.2m

Fuel

	2009	2010	2011	2012
% hedged		100%	76%	10%
Price per litre	49.7p	38.6p	39.2p	41.3p
YoY increase/ (decrease)	35%	-22%	2%	5%

- Expected volume (2010): 222 million litres

business unit performance

Ray O’Toole
Chief Operating Officer

Overview

- Good operational resilience
- Protected revenue
- £50m annual cost saving
- Record profit in UK Coach
- Good resilience in Spain
- Stabilised rail business
- Reduced profit in UK Bus and North America

UK Coach

Normalised operating profit
2009 £34.3m
2008 £27.0m

Delivered

- Profit growth +27%
- Successful strategic marketing
  - Driving yields +3%
  - Stansted route revenue +10%
  - Successfully defended key routes
- Reduced costs by £7m
- £15m flagship Birmingham Coach Station opened

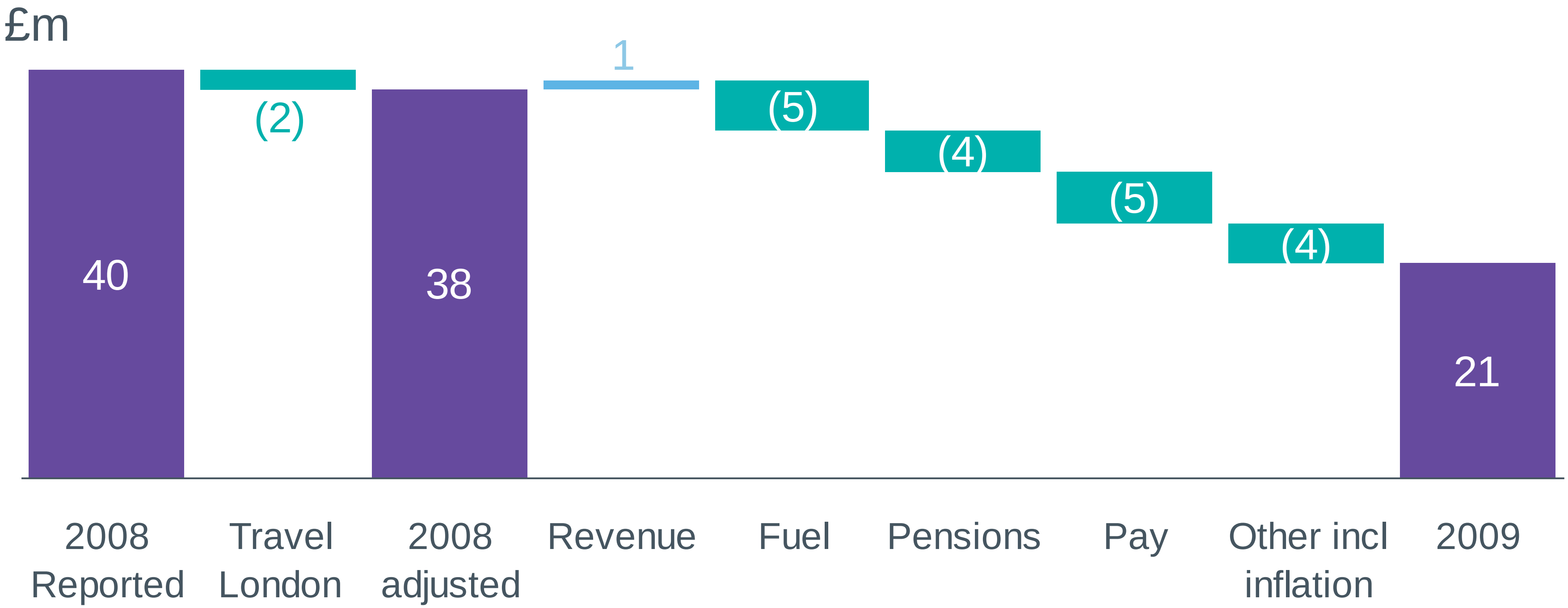
Focus

- Leverage core strengths
- Drive utilisation
- Continued innovation in service & quality
- Develop adjacent business lines

UK Bus - 2009 performance

Normalised operating profit
2009 £20.8m
2008 £40.0m

- Performance declined in 2009



- Unemployment in Birmingham – 12.8%
  - Some council wards up to 30%

UK Bus - action plan

Delivered

- Protected revenue
- Reduced operational mileage by 3%
- Reduced overheads

Focus

- Fuel hedged at lower cost
- New cost savings £9m in 2010
- Optimising network
- Consolidating operations to drive efficiency
- Headcount savings

UK Rail

Normalised operating profit
2009 £12.0m
2008 £81.3m

Delivered

- Rail business stabilised in Q4
- Two remaining franchises improved performance
- Revenue growth
  - c2c +4%
  - East Anglia +1%

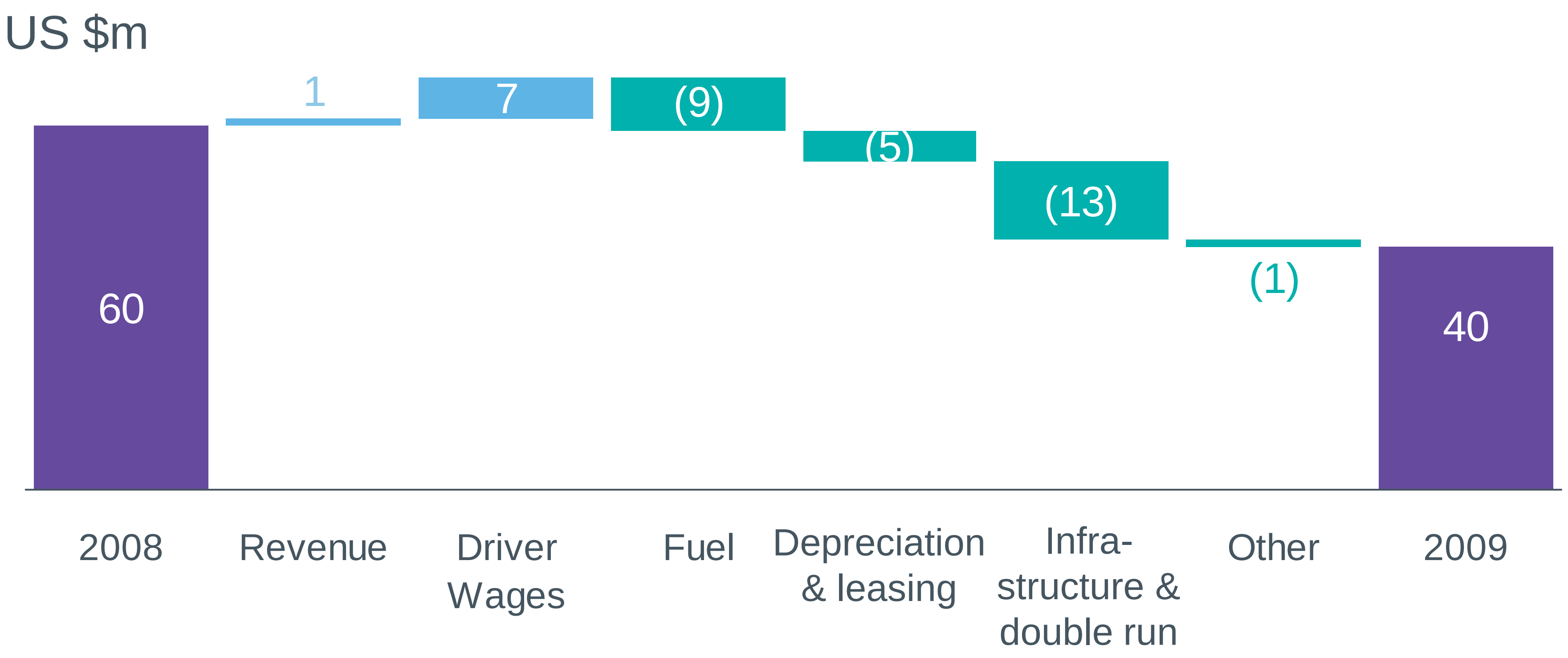
Focus

- Profitable delivery in 2010 and 2011

North America

Normalised operating profit
2009 £25.3m
2008 £32.5m

- Reduced profit – increased fuel and double running cost



- Good contract retention but net contract reduction

North America
business recovery programme

Progressed

- Centralised driver recruitment
- Standardised IT platform, including payroll
- Optimised maintenance

Refocused

- New leadership
- Consolidating corporate offices
- Reduced fleet – better utilisation and GPS technology
- Removed double running

- $40m target reduction in cost base by 2011 remains in place

Spain - 2009 performance

Normalised operating profit
2009 £76.5m
2008 £83.0m

- Good resilient performance
- Significant recession impact – unemployment 20%
- Leisure and discretionary travel affected
- Underlying revenue 5% lower
- 80% regional concessions extended

Spain

Delivered

- Cost savings €20m pa
- Reduced km by 5%
- Extensions to 61 regional concessions
- Continued service improvements

Focus

- Selective growth – e.g. urban and offshore
- Continued premium growth
- Expand sales channels
- Lower fuel costs in 2010

Summary

- Intense focus on operational management in 2010
- Continued momentum in UK Coach and Spain – despite tough economic backdrop
- Recovering margins priority for UK Bus and North America

Actions being taken will provide a solid platform to drive future returns

Q&A