national express

Half Year Results

For six months
ended 30 June 2011

28 July 2011

First half 2011
Successfully delivering our strategy

Dean Finch
Group Chief Executive

Successfully delivering our strategy

Delivering margin improvement across all businesses
- Group operating margin 10.5% (2010 : 9.0%)

Achieving **organic growth**
- Revenue up 6%

Securing **targeted expansion**
- New contracts won in North America and Spain

Successfully delivering our strategy
Highlights of a strong first half of 2011

Margin and revenue growth in **each** business

Driving profitable growth	Driving absolute profitability	Driving cash generation
• Operating profit* +23% to £117.6m • Profit before tax* up 26% to £95.5m	• No exceptional costs • Statutory profit nearly trebled	• Investing in growth • Gearing reduced to below 2x • Interim dividend reinstated

**normalised*

Successfully delivering our strategy
Driving momentum

Attractive economic platforms:

- Social and environmental benefits of Urban Bus
- Value offering of Coach to hard-pressed consumers
- Cost saving opportunity through outsourcing in North America School Bus

Strong momentum for the future:

- Further margin improvement
  - continued cost savings & efficiencies
- Revenue growth
  - driving volumes & services across businesses
- Strengthening the portfolio
  - securing concession / franchise retention
  - contract conversion & bolt-on focus
  - targeted investment in new opportunities

First half 2011
Strong earnings growth

Jez Maiden

Group Finance Director

First half 2011
Strong earnings growth

£m	Normalised H1 2011	Normalised H1 2010
Revenue	1,118.9	1,059.6
Operating profit*	117.6	95.7
Net finance costs*	(22.6)	(20.3)
Associates	0.5	0.3
Profit before tax*	**95.5**	**75.7**
Tax (23.9%)	(22.8)	(17.3)
Profit after tax*	**72.7**	**58.4**
Statutory profit	**54.7**	**19.4**
Basic earnings per share	**14.1**	**11.4**

**normalised*

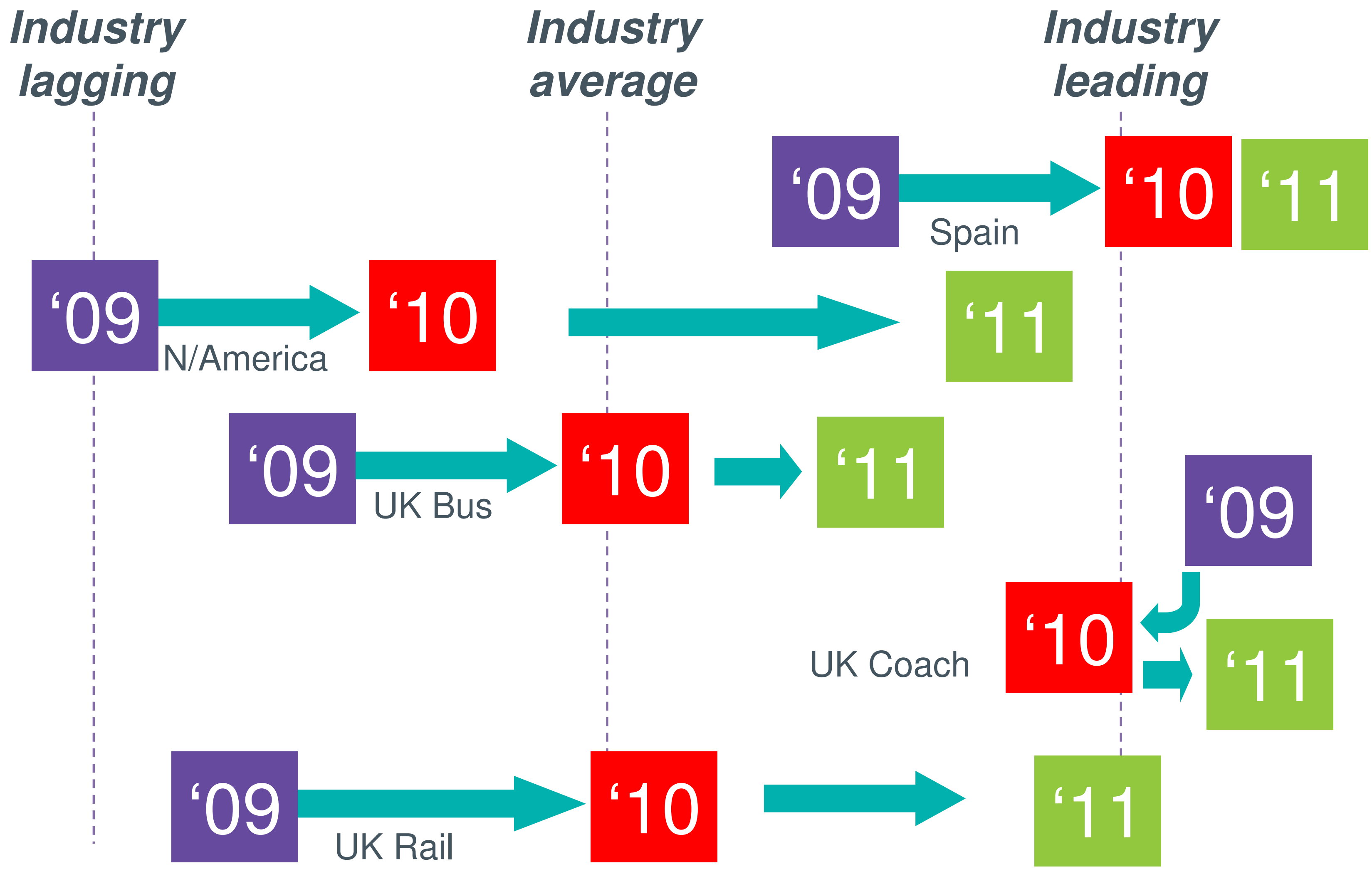
First half 2011
Profit growth in each division

First half year	Operating Profit (normalised)		
£m	H1 2011	H1 2010	Change
Bus	15.2	10.9	39%
Coach	11.7	10.3	14%
Rail	27.1	16.1	68%
Total UK	54.0	37.3	45%
Spain	38.6	33.0	17%
North America	34.6	31.0	12%
Centre	(6.9)	(5.6)	(23%)
Project costs	(2.7)	-	-
Group	117.6	95.7	23%

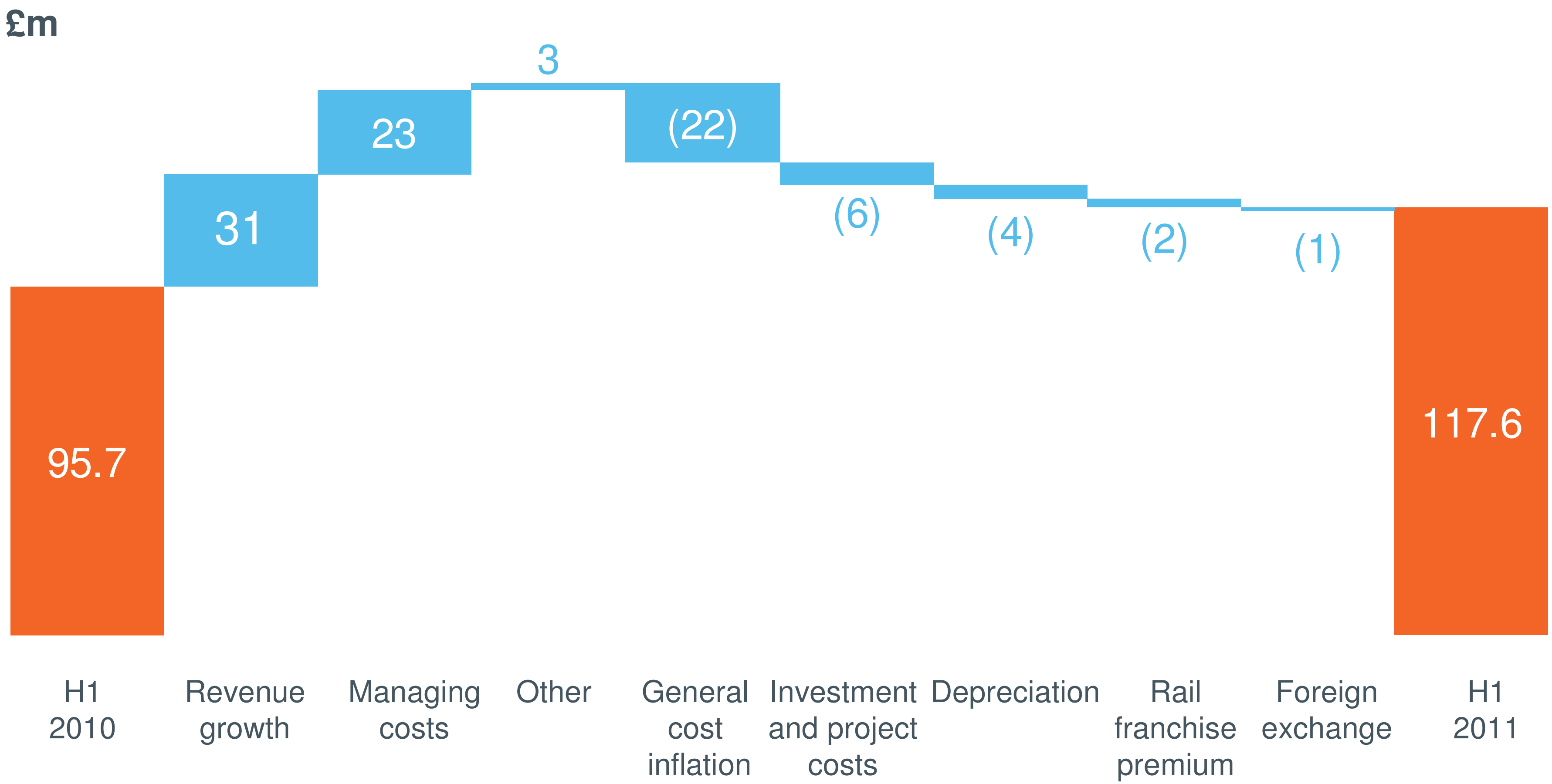
- Revenue growth in each division
- Yield management in UK Bus, UK Coach and Spain
- Increased volume, other than UK Bus
- Margin development through continuing cost base efficiency
- Increased corporate/project cost investment

First half 2011

Towards industry leading margins in all businesses

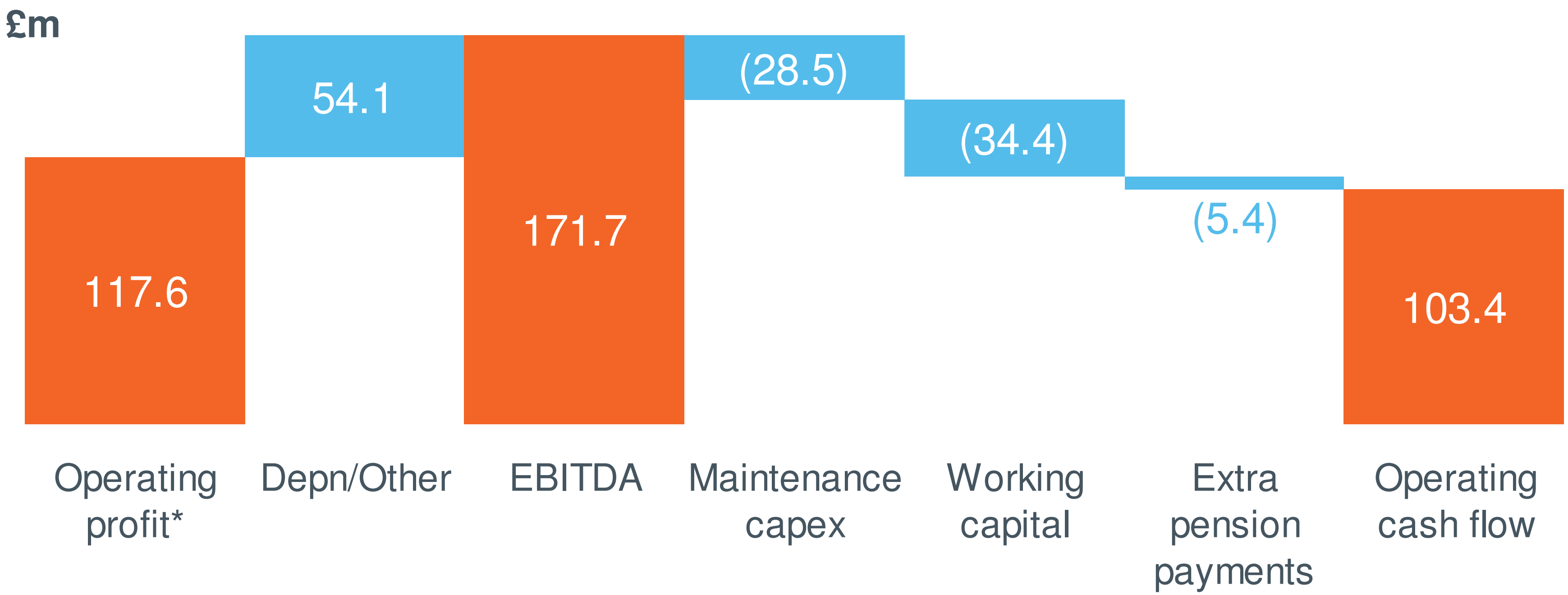


First half 2011
23% increase in operating profit*



*normalised

First half 2011
Good cash conversion supporting investment



- 88% conversion of operating profit* into cash
- Increase in maintenance capex; in line with fleet replacement programme
- Working capital increase due to:
  - Scheduled Spanish social security repayment
  - Small delay on receivables in Spain

**normalised*

First half 2011
Robust free cash flow as one-offs decline

£m	H1 2011	H1 2010
Operating cash flow	**103.4**	**127.2**
Rail franchise exit/discontinued	(5.2)	(9.3)
Exceptional cash	(4.7)	(19.4)
Payments to associates	(9.0)	(8.8)
Interest	(37.8)	(33.6)
Tax	(5.2)	(4.9)
Free cash flow	**41.5**	**51.2**
Growth capex	(12.6)	-
Equity, investments etc.	(9.6)	(4.8)
Dividends	(30.8)	-
Net funds flow	(11.5)	46.4

- Exceptional payments sharply reduced; residual 2010 spend
- Penultimate ICRRL (Eurostar) payment
- Higher interest payment reflects annual coupon of 2010 bond issues
- Cash tax expense remains well below ETR
- Growth capex resumed
- Net debt increased by £25m to £635m
- Gearing reduced to 1.9x

First half 2011
Dividend restored; risks well controlled

Dividend restored:

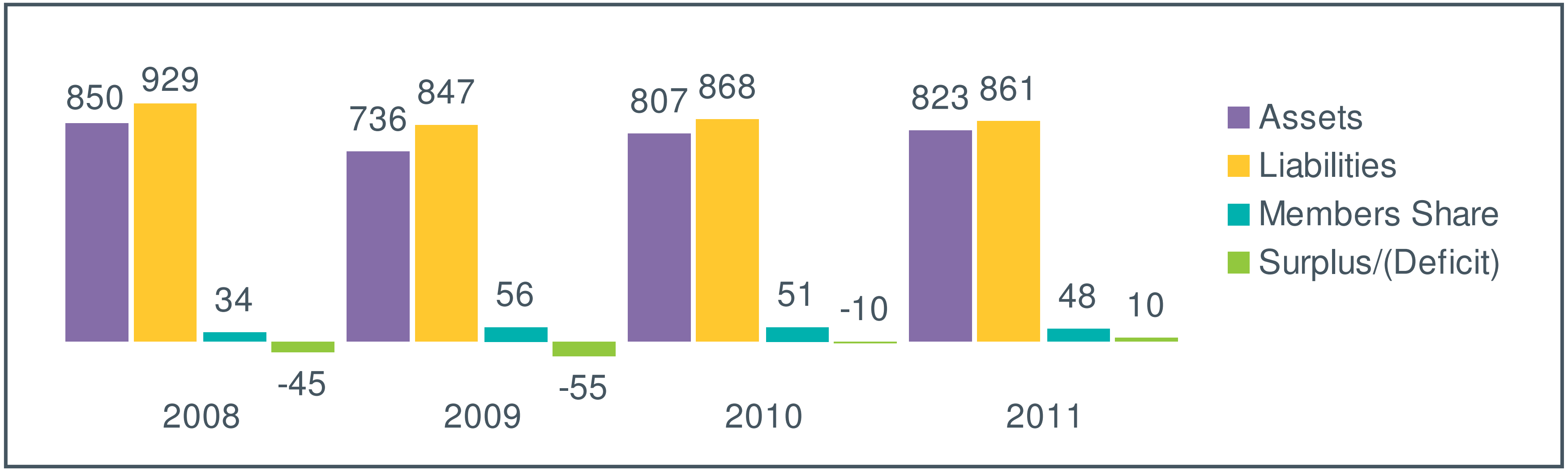
- Minimum 2x earnings cover (ex-rail)
- Paid out of free cash flow
- 3 pence/share interim dividend

Fuel Hedging

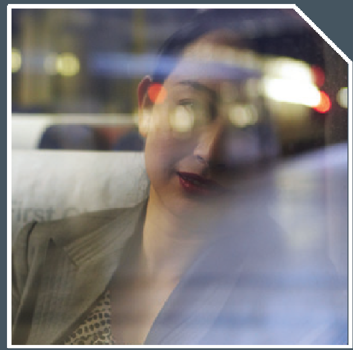
	2010	2011	2012	2013
% hedged		100%	85%	33%
Price per litre	39p	40p	44p	46p

Volume: 259 million litres

Pensions £m (IAS19)







Executing our strategy

Dean Finch

Group Chief Executive

Executing our strategy

Driving improvement in the existing core operations		Targeted additional growth	
1 Delivering margin improvement	**2 Achieving organic growth**	**3 Securing targeted expansion**	**4 Developing strategic opportunities**
• At least industry average margin achieved in each division • Relentless focus on cost base: taking out unprofitable mileage, improving productivity • Industry leadership: Spain, UK Coach, N America	• Revenue improvement in every division • Volume growth in Spain, N America and UK Rail • Attracting customers through better service and improved accessibility • Opportunities to leverage position in economic upturn	• New contracts won in Spain and N America worth c. £250m • Madrid Tourist Bus; Agadir add-on • Successful North America bid season, Vogel acquisition	• Same and similar modes of transport • Overlapping geographies • Advantages of scale with immediate synergies • Clearly defined financial objectives

Now embedded across Group → Early success delivered → Investing resource

Spain

Current position

- Robust margin in place
- Organic growth returning

	H1 2011	H1 2010
Revenue	£267.3m	£252.4m
Operating profit	£38.6m	£33.0m
Operating margin	14.4%	13.1%

First half 2011

- Flexible cost base; strong margin performance
- Intercity: 5% revenue growth
  - Improving volumes; Madrid radials & North
- Urban: 11% revenue growth
  - Resilient demand
  - Agadir continues to ramp up
- Madrid Tourist contract secured

Outlook

- Improved competitive environment:
  - Volume and pricing benefits set to continue
- Selected bid/bolt-on opportunities
- Platform for growth in liberalising Europe and beyond
- Concession renewal:
  - Tender process agreed – incumbent advantage maintained
  - Well placed to secure existing concessions

North America

Current position

- Completing margin turnaround
- Achieving organic and new bid growth

	H1 2011	H1 2010
Revenue	£264.7m	£253.7m
Operating profit	£34.6m	£31.0m
Operating margin	13.1%	12.2%

H1 2011

- Best in class margins; majority of $15m 2011 savings secured
- Strong revenue growth delivered:
  - 700 buses added in 2010/11
  - Incremental route & charter growth
  - 200 buses acquired through Vogel
- Excellent bidding season for 2011/12:
  - 98% retention: lower churn
  - Over 1,000 buses won, 9 conversions

Outlook

- Completion of $40 million cost savings programme by end 2011
  - Further benefits to come from GPS & procurement
- Disciplined bidding approach
  - Lower dependence on ‘share shift’
  - Remedial action on below target contracts
  - Better fleet utilisation & ‘cascading’
  - Clear return on capital focus
- Opportunities to develop through bolt-on and related acquisition

UK Bus

Current position

- Continued focus on margin improvement
- Above sector average revenue growth

	H1 2011	H1 2010
Revenue	£131.6m	£127.1m
Operating profit	£15.2m	£10.9m
Operating margin	11.6%	8.6%

H1 2011

- 6% commercial revenue growth in West Midlands
  - Rebalanced fare basket
- Weaker regional economy
- Driving further cost savings:
  - Network rationalisation
  - 2 year pay settlements
  - Engineering & procurement efficiencies

Outlook

- Limited scope for fare increases in 2012
  - Further efficiency initiatives to be executed in H2
- Investment in growth:
  - new fleet investment
  - customer service improvements
  - smart card technology
- Changes in government funding being navigated:
  - Concessionary fare settlement -2%
  - Plans in place to address higher fuel duty
- New management team fully in place
  - drive towards industry-leading margin

UK Coach

Current position

- Delivering industry-leading margin
- Powerful brand & investment achieving organic growth

	H1 2011	H1 2010
Revenue	£122.3m	£118.2m
Operating profit	£11.7m	£10.3m
Operating margin	9.6%	8.7%

H1 2011

- 7% revenue growth in the core business
  - Value fare proposition
  - Consistent good value pricing
  - Revenue growth in each core segment – particularly Airports and Regional
  - Commuter-orientated shorter haul routes
- Strong Eurolines growth
- Core growth offset by weaker contract volumes – prior year benefits from Gatwick Airport & volcano

Outlook

- Driving vision to deliver step change in customer experience
  - New routes & services
  - 24/7 customer support
  - Smarter marketing – successful £9 campaign
  - Leveraging technology
- Plans to mitigate removal of concessionary funding from November 2011
- Competitive position vs. Rail significantly enhanced
- Platform to expand European operations

UK Rail

Current position

- Efficient delivery of rail franchises – strong operational performance
- Volume growth driving earnings

	H1 2011	H1 2010
Revenue	£335.1m	£311.5m
Operating profit	£27.1m	£16.1m
Operating margin	8.1%	5.2%

H1 2011

- 8% revenue growth across the two franchises
  - Volume driven
  - Exposure to strong London/SE economy
- Strong profit growth across c2c and NXEA
- c2c is the top performing UK operator in the last 5 periods
- NXEA delivering £185m investment programme for the DfT & improving performance

Outlook

- c2c 2-year franchise extension – profit share basis
- Rail remains attractive value opportunity
  - Investing in EFQM at c2c
  - Continued focus on industry-leading operational excellence delivery

Business development framework

- Operations in the same or similar modes of transport
- Operations in overlapping locations or geographies
- Markets that present attractive growth opportunities
- Acquisitions that deliver immediate advantages of scale and meaningful synergies
- Clearly defined financial objectives

2011
Summary and outlook

- Successful first half delivered
- Driving margins further through cost improvement
- Continuation of good organic revenue growth
- Building pipeline of bid wins and new opportunities
- Strong momentum driving shareholder value

Q&A

Appendix

First half 2011
Summary divisional income statements

£m	Spain	N America	UK Bus	UK Coach	UK Rail
Revenue	267	265	132	122	335
Depreciation	17	22	8	2	3
Normalised op. profit	39	35	15	12	27
Driver wages*	27%	43%	35%	7%	8%
Capex	11	23	1	3	2
Fuel*	14%	8%	11%	2%†	5%

** As a percentage of revenue*
†Excludes third party operators

First half 2011
Net finance costs

Committed Facilities

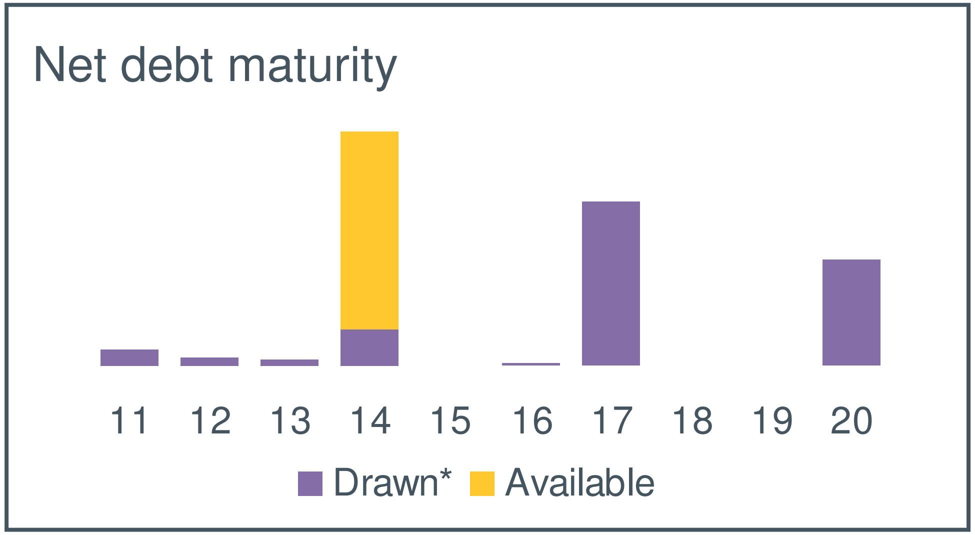
- 2017 6.25% £350 million Sterling bond
- 2020 6.625% £225 million Sterling bond
- £500m unsecured revolving credit facility committed until August 2014
  - Floating rate
  - LIBOR + 1.45% in H1 2011 (EBITDA ratchet)

£m	2011
Bond interest	(18.7)
Bank interest	(4.2)
Finance lease interest	(1.9)
Other interest and discounting	(0.7)
Interest paid	(25.5)
Interest received	2.9
Net finance cost	(22.6)

First half 2011
Financing

Gearing Ratios	30 June 2011	30 June 2010	Covenant
Net debt/EBITDA	1.9x	2.2x	<3.5x
Interest cover	7.0x	6.5x	>3.5x

Ratings	
Moodys	Baa3
Fitch	BBB-



- Gearing below our target level – 2.0x to 2.5x net debt/EBITDA
- Committed to investment grade rating
- No refinancing until 2014
- £465.9m committed headroom*

•Available cash and undrawn committed facilities

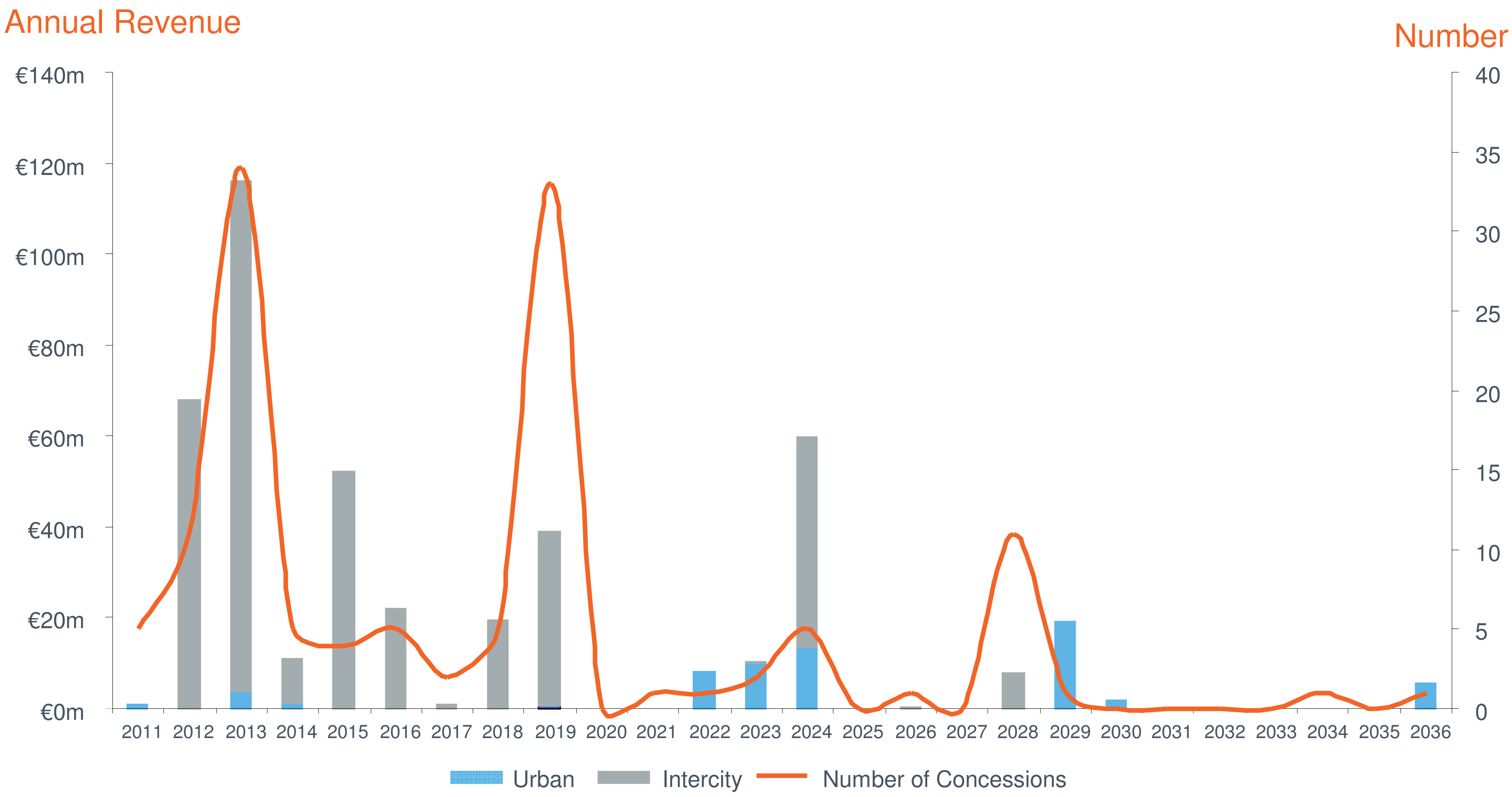
First half 2011

Other financial areas - pensions

£m	Asset / (Liability) 2011	Asset / (Liability) 2010	P&L charge 2011	P&L charge 2010
UK Bus	8.9	(68.8)	0.8	2.7
UK Coach	4.6	(5.0)	-	0.2
UK Rail	(2.3)	(1.7)	3.3	4.1
Other	(1.2)	(1.5)	(0.1)	0.2

First half 2011
Alsa concession profile

Concessions due for renewal in Spain by quantity and annual revenue

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National Express Group PLC