Preliminary Results

For the year ended 31 December 2007

28 February 2008

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Richard Bowker
Chief Executive

2007 HIGHLIGHTS

- Results at the top end of expectations
- Like for like growth of 9% across 3 geographies
- Acquisition of Continental Auto
- Won East Coast franchise – the jewel in the railway crown
- UK Integration launched
- Record North American bid season and Business Transformation project on course
- Dot2Dot successfully launched

Adam Walker
Finance Director

FINANCIAL HIGHLIGHTS

- Revenue up 4% to £2.6bn (2006: £2.5bn)
- Normalised operating profit up 11% to £205.6m (2006: £184.8m)
- Group operating margin increased to 7.9% (2006: 7.3%)
- Normalised profit before tax up 13% to £177.0m (2006: £156.1m)
- Tax rate 27.2% (2006: 25.1%)
- Normalised diluted EPS from continuing operations up 10% to 83.9p (2006: 76.5p)
- Total dividend of 37.96p up 9% (2006: 34.75p)
- 3 year dividend commitment – 10% growth per annum
- Operating cash flow of £196.7m (2006: £209.7m)
- Net debt of £910.8m (2006: £438.4m)

GROUP INCOME STATEMENT

	2007 £m	2006 £m
Revenue	2,615.4	2,525.5
Normalised operating profit	205.6	184.8
Profit/(Loss) from associates	0.4	(3.8)
Finance costs	(29.0)	(24.9)
Normalised profit before tax	177.0	156.1
Exceptional items	(15.8)	(20.9)
Goodwill and intangible asset amortisation	(27.5)	(48.0)
Profit on disposal	16.2	16.9
Profit before tax	149.9	104.1
Tax expense	(37.6)	(23.6)
Profit after tax	112.3	80.5
Loss from discontinued operations	(2.9)	(3.2)
	109.4	77.3

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FUEL HEDGING

Volumes hedged (million litres)	Forecast 2008	Forecast 2009
UK	57	24
North America	23	11
Spain	49	35
	129	**70**
Percentage of usage hedged (%)	58	31

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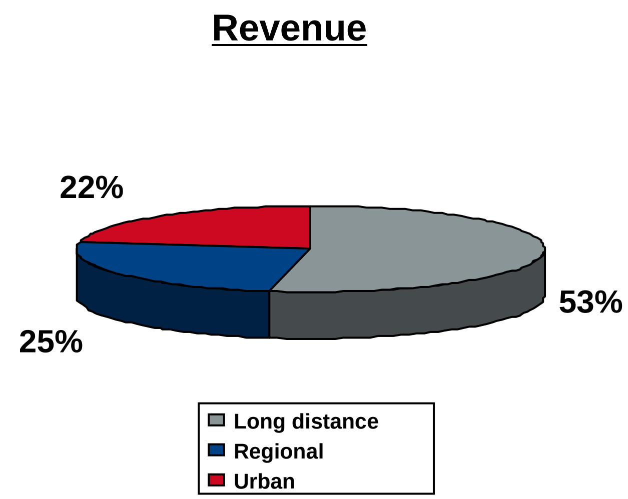
SPAIN

- Passenger growth of 4%
- Margin maintained at 17%
- Investment in fleet: €25m
- 3 month contribution from Continental Auto
  - Systems integration
  - Depot overlap
  - Reduction in fleet
  - Maintenance/service standards
  - Distribution costs
- Concessions extended so none expire before 2013
- Cash conversion of 91% (2006: 91%)

SPAIN

- Proportion of sales without revenue risk c.20%
- Differentiation of services
- Only 4% of revenue is private hire
- Managing the cost base
  - Contract negotiations
  - Third party operation
  - Value product
  - Labour costs
- Last economic slowdown in 2003
  - Minimal impact



UK COACH

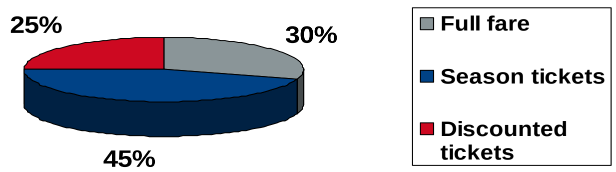
- Passenger growth of 3%
  (2006: 4%)
- Average fare: £10.09
  (2006: £9.67)
- Margin: 12.2% (2006: 11.4%)
- Proportion of internet sales: 35%
  (2006: 28%)
- Cash conversion: 85%
  (2006: 109%)

UK COACH

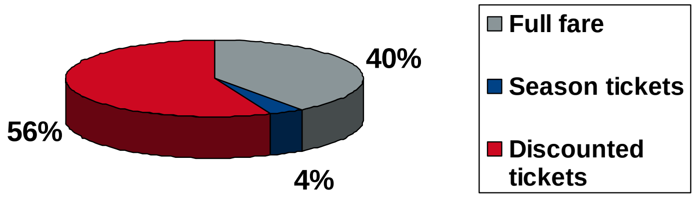
- Defensive nature of UK coaching
  - Little risk of modal shift
  - Airport revenue c.£20m
  - Flexibility of sub contract model
  - Deregulated operation
  - Revenue growth in last economic downturn (2001): 3.5%
- Strong in slowing economy – value proposition

TRAINS

Analysis of passenger revenue - NXEA



Analysis of passenger revenue - NXEC



- Passenger growth of 6%
- Margin 4.3% (after bid costs)
- Strong cash conversion
- Bid costs £7.5m
- Portfolio PPM 89.5% (2006: 87.9%)

- 1991 – What's changed?
  - BR
  - Commuter belt
  - Car usage/road space

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NATIONAL EXPRESS EAST COAST

- Bid revenue growth of c.10%
  - Volume
  - Fares
  - Initiatives
- Industry revenue growth on long distance in 2007: 13%
- Historic revenue growth rates on GNER: 10%
- Premium payment in 2008 of £57m

BUSES

- Passenger growth of 2%
- Margin: maintained at 13.5%
- Investment: £19m
- Concessionary fares scheme
- Growth on partnership routes: 10%
- Cash conversion: 67%
  (2006: 62%)
- London

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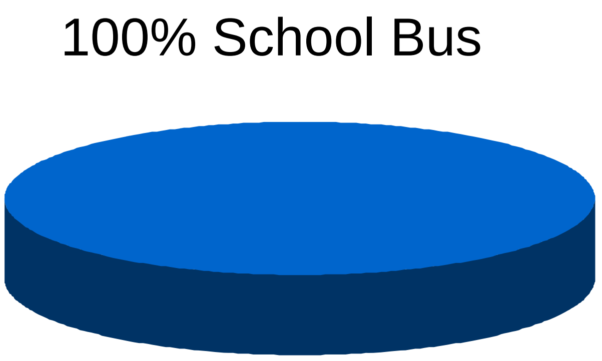
NORTH AMERICA

- Revenue growth in local currency: 18%
- New Contracts – annualised revenue of $38m
- Foreign exchange impact on profit: £3.0m
- Margin: 12.2% (2006: 13.8%)
- Expiry of fuel hedge
- Investment: $89.4m (2006: $68.6m)
- Disposal of Stewart Airport



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DIVISIONAL CASH FLOW

	UK Trains £m	UK Bus £m	UK Coach £m	North America £m	Spain £m	Central Functions £m	Total £m
Normalised operating profit	63.3	43.5	23.1	37.7	50.9	(12.9)	205.6
Depreciation/amortisation/ profit on disposal/share based payments	12.9	17.4	4.8	25.7	14.4	2.1	77.3
EBITDA	76.2	60.9	27.9	63.4	65.3	(10.8)	282.9
Working capital movement	43.1	(9.5)	(0.1)	(3.6)	1.5	(13.7)	17.7
Ongoing net cash inflow from ops	119.3	51.4	27.8	59.8	66.8	(24.5)	300.6
Net capital expenditure	(6.1)	(22.3)	(9.6)	(45.1)	(20.3)	(0.5)	(103.9)
Operating cash flow before one-offs	**113.2**	**29.1**	**18.2**	**14.7**	**46.5**	**(25.0)**	**196.7**
Franchise entry and exits							(31.9)
Operating cash flow							**164.8**

MOVEMENT IN NET DEBT

	2007 £m	2006 £m
Net debt at 1 January	**(438.4)**	**(563.4)**
Operating cash flow	164.8	182.0
Exceptional items and payments to associates	(9.0)	2.6
Interest	(23.5)	(20.6)
Tax	(18.8)	(9.0)
Acquisitions and disposals	(482.1)	(16.8)
Financial investments and shares	5.5	4.2
Dividend	(53.9)	(49.7)
Currency translation	(55.4)	32.3
Net debt at 31 December	**(910.8)**	**(438.4)**

£800m facility expires (June 2011)

€540m facility expires (February 2010)

A WORLD CLASS BUSINESS

- UK – Creating value through innovation

VALUE THROUGH INNOVATION

- Everything built on a base of “best in class” performance
- New product development and innovation e.g. Commuter Coach and events
- Revenue management, pricing strategy & yield, retail systems and website development
- CRM

CUSTOMER RELATIONSHIP MANAGEMENT

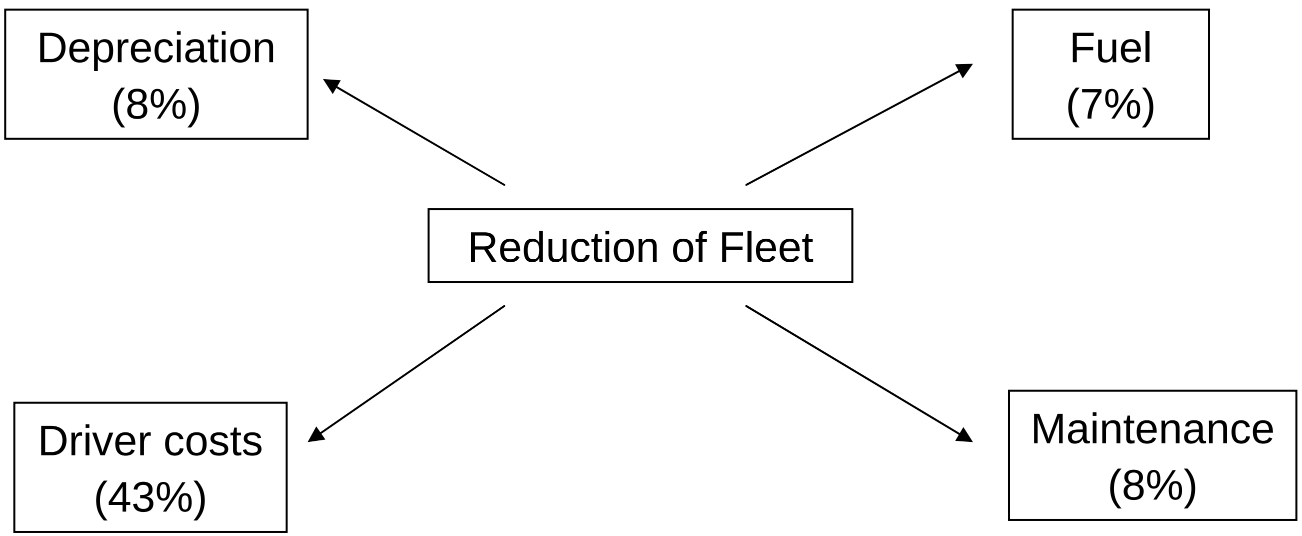
- One small part of the overall revenue growth strategy
- Worked very well in 2007: 150,000 customers
  and 17 campaigns = c.£1m net profit: ROI 100%
- Extending to East Coast, East Anglia and Coaches in 2008 – well over 2m customers
- Any return is purely incremental
- The spin off benefits are substantial e.g. product development, route planning and franchise bidding

A WORLD CLASS BUSINESS

- UK – Creating value through innovation
- North America – A transforming business

BUSINESS TRANSFORMATION

- Re-engineering processes
- Implementation of new systems
- Enhancing capability of bus
- Improving customer service



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BUSINESS TRANSFORMATION

- Indicative benefits, subject to pilot results and variations to overall scheme
- Cash flow benefit in 2009 of $20m-$25m
- Cash flow benefit in 2010 of $45m-$50m
- 50% of benefits will be reflected in EBIT
- Timeline:
  - 2006 - Board approval to implement
  - 2007 - Scope
  - 2008 - Zone 1 Pilot
  - 2009 - Zone 2 Pilot
  - 2010 - Full implementation

A WORLD CLASS BUSINESS

- UK – Creating value through innovation
- North America – A transforming business
- Spain – Leveraging our Number 1 position

SPAIN – LEVERAGING OUR NUMBER 1 POSITION

- The undisputed leader
- Continental Auto Integration going well
  - Sales
  - Maintenance
  - Systems
- Sales & Marketing – a major opportunity
  - Yield management
  - Loyalty
  - Supra
  - Low cost airlines
- Development opportunities in a liberalising market
  - Rail and Bus

NATIONAL EXPRESS EAST COAST

- Britain’s premier railway
- Some challenges e.g. current operational performance but good news – all upside!
- Team focused for 2008 on:
  - 100 day performance plan and beyond
  - Revenue management e.g. website, yield management, corporate sales, campaigns
  - Cost base – creating an efficient business

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SUMMARY

- 2007 – another successful year
- Good start to current year
- 3 geographies; 3 opportunities to enhance value:
  - UK Integration
  - North America Transformation
  - Spanish market position

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APPENDICES

APPENDICES

DIVISIONAL REVENUE

	2007 £m	2006 £m
Buses	322.3	300.8
Trains	1,472.1	1,497.6
Coaches	231.0	207.3
UK sales elimination	(16.0)	(13.2)
North America	308.0	283.7
Spain	298.0	249.3
	2,615.4	**2,525.5**

APPENDICES

DIVISIONAL OPERATING PROFIT AND MARGIN

	Operating profit		Operating margin	
	2007	2006	**2007**	2006
	£m	£m	**%**	%
Coaches	27.9	23.7	12.2	11.4
- Dot2Dot	(4.8)	-	-	-
Buses	43.5	40.7	13.5	13.5
Trains	63.3	49.1	4.3	3.3
North America	37.7	39.1	12.2	13.8
Spain	50.9	44.3	17.1	17.8
Central Functions	(12.9)	(12.1)	-	-
	205.6	184.8	**7.9**	7.3

APPENDICES
EXCEPTIONAL ITEMS

- NXEC mobilisation: £0.8m
- UK Integration: £4.2m
- North America Business Transformation: £8.2m
- Continental Auto Integration: £2.6m

APPENDICES

RECONCILIATION OF OPERATING CASH FLOW TO STATUTORY CASH FLOW

	£m
Cash generated from operations	272.1
Purchase of property, plant and equipment	(149.7)
Proceeds from disposal of property	22.9
Finance lease additions	(0.2)
Remove ICRRL payment	8.4
Remove exceptional cash flows	11.3
Operating cash flow	**164.8**

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APPENDICES

BALANCE SHEET

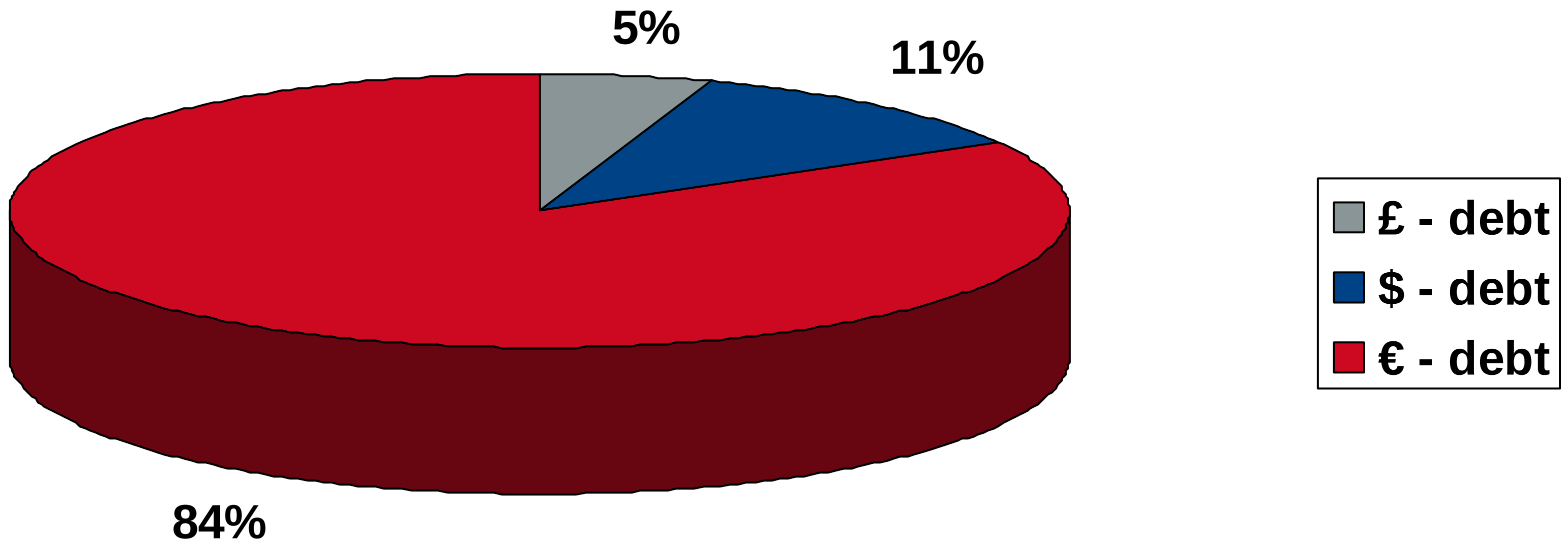
	2007 £m	2006 £m
Goodwill and intangibles	1,173.9	697.6
Property, plant & equipment	678.7	501.9
Other non-current assets	34.3	37.2
	1,886.9	**1,236.7**
Working capital	(416.9)	(339.0)
Non-current assets held for sale	-	17.7
Net debt	(910.8)	(438.4)
Provisions	(88.3)	(78.7)
Defined benefit pension liability	(29.8)	(52.8)
Net assets	**441.1**	**345.5**

APPENDICES

CURRENCY

	Closing Rate		Average Rate	
	2007	**2006**	**2007**	**2006**
US Dollar	1.98	1.96	2.00	1.85
Canadian Dollar	1.98	2.28	2.15	2.09
Euro	1.36	1.48	1.46	1.47

APPENDICES
GROUP DEBT



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APPENDICES

SUBSIDY / PREMIA PROFILE BY TOC

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
c2c	18.0	17.1	16.6	6.6			
NXEA	(85.1)	(100.7)	(115.7)	(131.4)	(149.7)	(170.9)	(44.1)
NXEC	(60.1)	(127.8)	(180.8)	(239.6)	(321.8)	(389.6)	(456.1)

Amounts represent nominal values

Preliminary Results

For the year ended 31 December 2007

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