national express

Full Year Results

Year ended
31st December 2011

29 February 2012

Delivering industry-leading performance

Dean Finch

Group Chief Executive

National Express is now a best in class public transport operator

- Record statutory profit before tax and amortisation of £180.2m (2010: £97.3m, 2009: £(23.1)m)
- No exceptional charges in 2011
- Group revenue growth of 5.3% to £2,238m
- Operating profit up 10.3% to £225.2m (2010: £204.2m)
- Sector leading operating margin of 10.1% - up from 5.9% in 2009
- Basic EPS up 14.4% to 27.0p
- Annual dividend growth of 5.6%; final dividend up 8.3%

All terms in this report are normalised except where otherwise stated

Turnaround now complete in every division

- Major recovery programme delivered within two years:
  - UK Bus margins improved from 7.1% to 12.4%
  - North America margins increase from 5.7% to 10.0%
- Record profits in UK Coach: £34.9m
- Industry leading margins in Spain, North America, UK Coach and UK Rail

Delivering organic growth in every division

- Revenue growth in every division
- Supported by volume growth:
  - Passenger volumes in Spain, UK Coach and UK Rail
  - Bus volume in North America
  - Volume growth in UK Bus by end of 2011
- Investing in new fleet
  - £132m spent in 2011; over 1,300 new vehicles

National Express

Strong platform to deliver shareholder value

Core bus & coach platform	Outstanding in Spain	North America growth potential	Multiple growth opportunities
o Strong margins o Cash generative o Growth potential o Value for money for customers	o Proven performer in recession o Margins protected with top line growth o Winning new business o Modal shift	o Delivering more conversion contracts o Robust return on capital established o Market opportunities	o Rail o Emerging markets o Developing Europe

Common group strengths

Strong financial platform

Operational excellence

Established team

Record profit delivery

Jez Maiden

Group Finance Director

2011
Turnaround has delivered strong results

£m	2011	2010	Change
Revenue	2,238.0	2,125.9	5%
Operating profit	225.2	204.2	10%
Net finance costs	(46.4)	(44.0)	(5)%
Associates	1.4	0.3	-
Profit before tax	**180.2**	**160.5**	**12%**
Exceptional charge/discontin'd	-	(63.6)	-
Intangible amortisation	(50.8)	(57.1)	11%
Tax	(26.8)	22.5	-
Statutory profit	**102.6**	**62.3**	**65%**
Basic earnings per share	**27.0**	**23.6**	**14%**

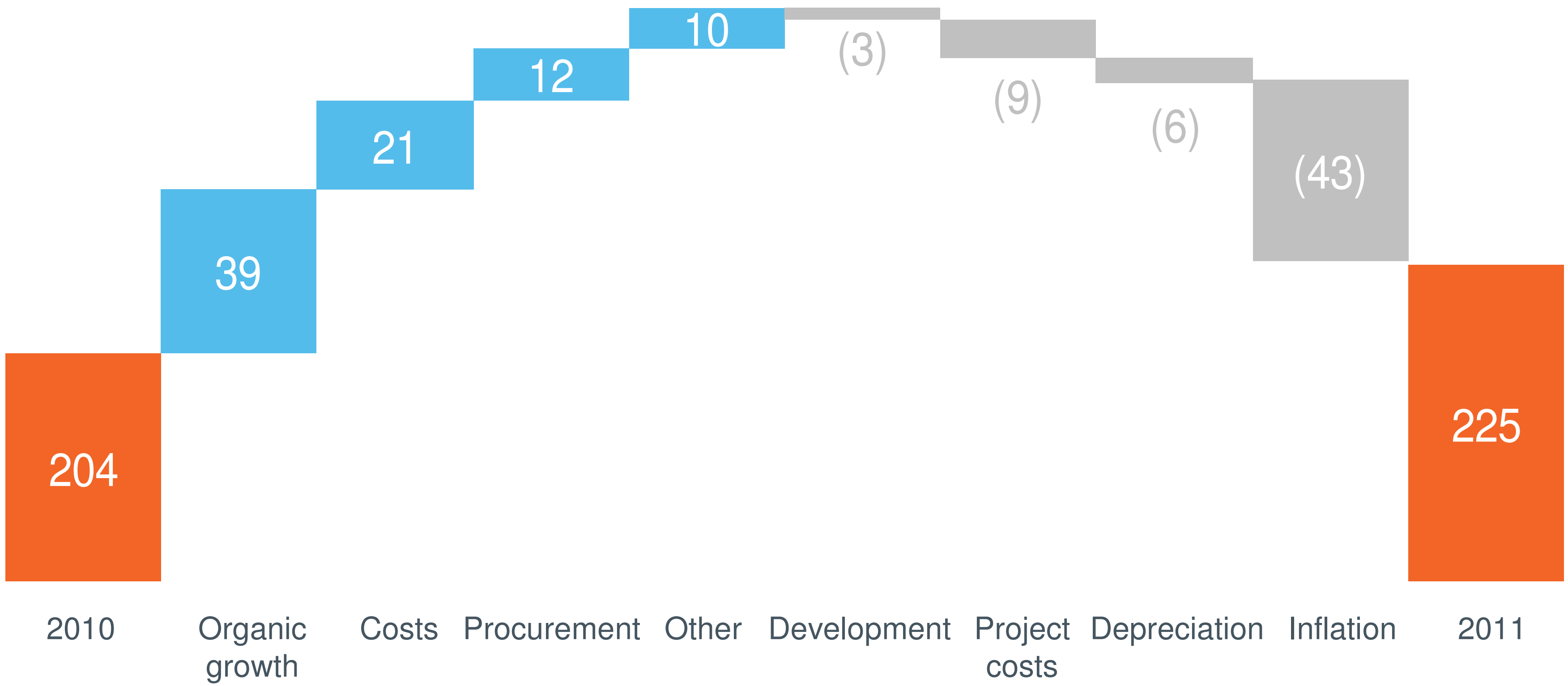
2011
Revenue and profit growth in each division

	Operating Profit		
£m	2011	2010	Change
Bus	32.7	28.3	16%
Coach	34.9	32.0	9%
Rail	43.4	33.8	28%
Total UK	111.0	94.1	18%
Spain	90.1	86.2	5%
North America	47.9	36.9	30%
Centre	(14.6)	(13.0)	(12%)
Project costs	(9.2)	-	-
Group	**225.2**	**204.2**	**10.3%**

- Revenue growth driven by yield management
- Volume growth in every business by year end
- Turnaround completed in UK Bus and North America
- Margin development through continuing cost base efficiency
- One off project-related costs, including settlement of US claim (£5m)

2011 Organic growth and cost management driving profit

£m

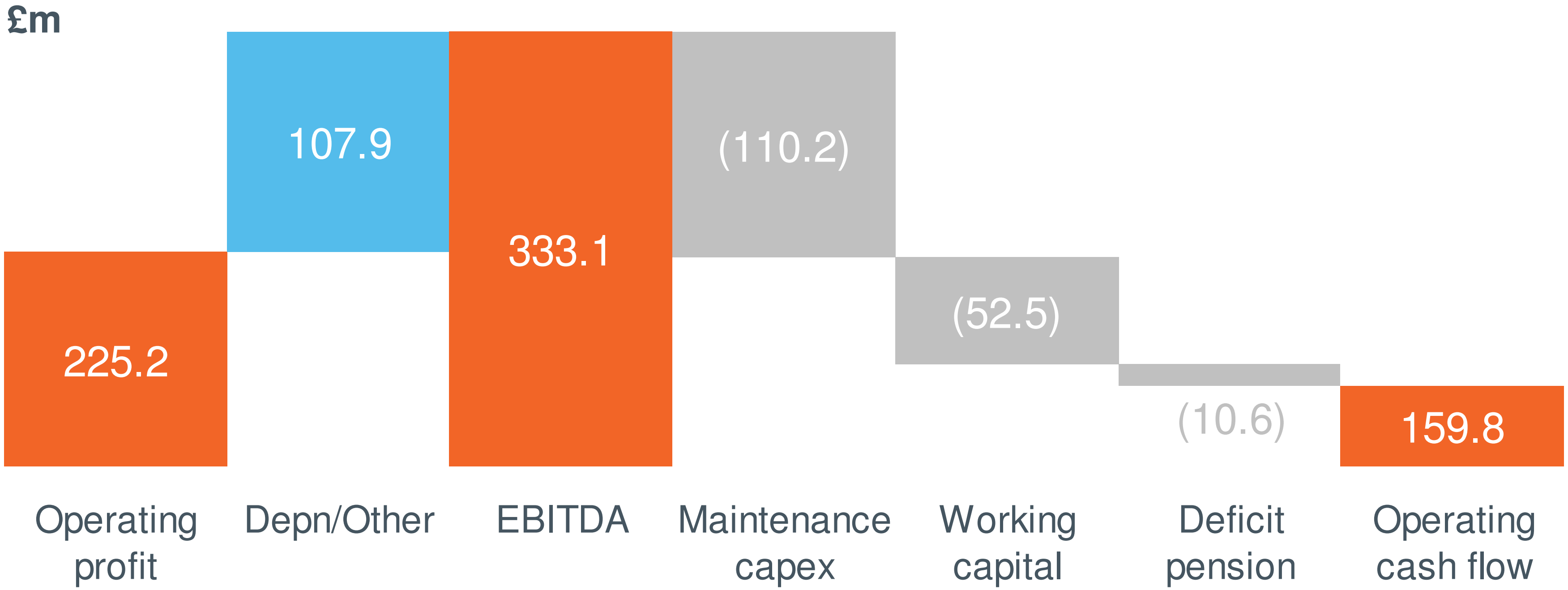


2011 Revenue increase from yield and volume growth

	Yield	Volume	Revenue	Network Efficiency*	LFL growth
Spain					
Urban - Spain	1%	-	1%	-	1%
Urban - Morocco	7%	30%	37%	(36)%	1%
Intercity	5%	1%	6%	(1)%	5%
Passenger			6%	(3)%	3%
Non-passenger			(2)%		
Total			**4%**		
North America			**8%**		
UK Bus					
Passenger	11%	(7)%	4%	2%	6%
Concession/other			(2)%		
Total			**2%**		
UK Coach					
Core NE network	4%	1%	5%	(1)%	4%
Other			(2)%		
Total			**4%**		
UK Rail	3%	5%	**8%**		

** Decrease / (increase) in mileage operated*

2011 Robust cash conversion supporting fleet investment



- 71% conversion of operating profit into cash
- Increase in fleet replacement investment – expected to drive passenger growth
- Working capital increase:
  - Scheduled Spanish social security repayment
  - Net extension of receivables in Spain; one customer

2011
Free cash flow robust as one-offs decline

£m	2011	2010
Operating cash flow	**159.8**	**221.7**
Rail franchise exit/discontinued	(5.8)	(25.5)
Exceptional cash	(8.2)	(52.6)
Payments to associates	(8.0)	(8.6)
Net interest	(44.6)	(42.7)
Tax & minorities	(8.8)	(8.6)
Free cash flow	**84.4**	**83.7**

- One-off payments significantly reduced: East Coast wash-up, no exceptional charge
- Penultimate ICRRL (Eurostar) associates payment
- Cash tax expense remains well below Effective Tax Rate

2011 Free cash flow invested in organic growth, acquisition and sustainable dividend

Free cash flow
£84.4m

Growth Capex
£35.6m

- North American bid wins
- Morocco new contracts
- Spain contract wins

Dividends
£45.8m

- Final dividend +8.3%
- Total dividend 9.5 pence per share (2010: 6.0p)

Acquisitions (net of disposals)
£7.6m

- Vogel (school bus)
- Spain

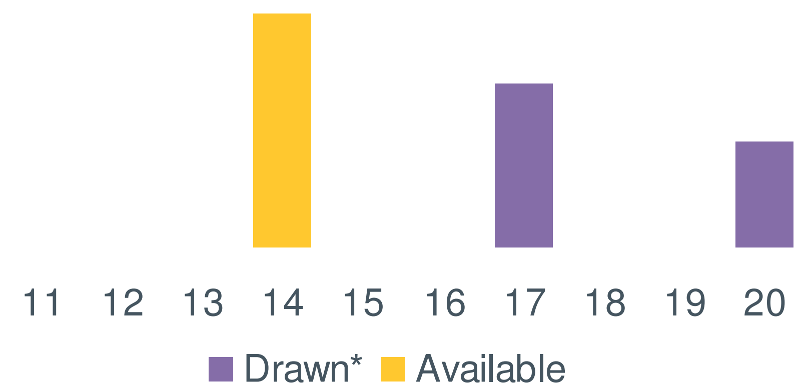
	2011	2010
Return on capital employed	14.1%	13.2%
Non-rail dividend cover	2.1x	3.0x

2011 Robust balance sheet with substantial debt capacity

Gearing Ratios	31 Dec 2011	31 Dec 2010	Covenant
Net debt/EBITDA	1.9x	2.1x	<3.5x
Interest cover	7.2x	6.9x	>3.5x

Ratings	
Moodys	Baa3
Fitch	BBB-

Strong debt maturity profile



- Gearing below our target level – 2.0x to 2.5x net debt/EBITDA
- Committed to investment grade rating; rating confirmed 2011
- No refinancing due until 2014
- Over £500m committed headroom* at end 2011

** Available cash and undrawn committed facilities*



Executing our strategy

Dean Finch

Group Chief Executive

Delivering our strategy in 2011

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

Operational excellence embedded → Securing organic growth → Developing opportunities

From loss to record profit in two years

2009 Business Survival	2010 Business Turnaround	2011 Profit and Growth
Actions		
Managing debt & liquidity	Regaining operational control	Improving margin
Resolving East Coast losses	Driving out excess cost	Delivering organic growth
Determining corporate ownership	Creating effective leadership	Sourcing ‘bolt on’ acquisitions
Achieving appropriate capital structure	Refinancing debt	Identifying growth options
		Return to dividend
Performance		
Revenue: £2,711m	Revenue: £2,126m	Revenue: £2,238m
EBITA: £159.8m	EBITA: £204.2m	EBITA: £225.2m
Margin: 5.9%	Margin: 9.6%	Margin: 10.1%
PBT[1]: £(23.1m)	PBT[1]: £97.3m	PBT[1]: £180.2m
Gearing: 2.5x	Gearing: 2.1x	Gearing: 1.9x
EPS: 17.8p[2]	EPS: 23.6p	EPS: 27.0p

1 Pre-amortisation, post exceptionals
2 Post rights issue equivalent (not IFRS)

Four divisions now deliver industry leading profitability

£m	Revenue		EBITA		Margin		Industry leading margin		New Management	
	09	11	09	11	09	11	09	11	09	11
UK Bus[1]	294	263	21	33	7%	12%	17%		Promoted	
UK Coach	243	259	34	35	14%	14%	14% (NX)		✓	
UK Rail	1,190	688	12	43	1%	6%	6% (NX)		Promoted	
Spain	547	551	76	90	14%	16%	16% (NX)		x	
North America	444	481	25	48	6%	10%	10% (NX)		✓	

Key achievements

UK Bus	UK Coach	UK Rail	Spain	North America
○ W Mids profit nearly doubled ○ Yield up ○ Cost down ○ Investing in fleet	○ Strong profit ○ Growth restored ○ Segmentation driving development	○ Strong profit ○ Past issues resolved	○ Growth restored ○ Morocco development ○ Austerity managed	○ Profit broadly doubled ○ Margin restored/ cost out ○ Growth delivered

[1] *2009 includes London Bus revenues*

Spain

2011

- Intercity +6% revenue – growth in scheduled & tourist and in all geographic areas
- Urban +5% revenue – steady demand in Spain; Agadir contract expansion
- Madrid City Tour contract commenced
- Receivables management strong

	2011	2010
Revenue	€635.4m	€612.7m
Revenue	£551.1m	£525.6m
Operating profit	£90.1m	£86.2m
Operating margin	16.4%	16.4%

% of Group profit

40%

Outlook for the future

- Excellent value, high quality services – suits economic conditions
- Benefit from reduced capacity in airlines/reduction in public funding of rail
- Flexible cost base & long-term concessions – resilient platform
- Contract/concession order book €3.1 billion – focus on renewing 9% revenue due for tender in 2012
- Multiple opportunities for concession/contract expansion – Morocco, new outsourcing, partnerships
- Platform for growth in liberalising Europe/beyond – utilise Alsa expertise, scale & reputation

North America

2011

- Best in class margin - $40m annual savings delivered since 2009
- Organic revenue growth – Acquisitions, Bids, Conversions
- Excellent bid season – 98% retention, over 1,000 routes won
- 94% customer endorsement
- Stronger capital management

	2011	2010
Revenue	$772.2m	$712.1m
Revenue	£481.0m	£459.8m
Operating profit	£47.9m	£36.9m
Operating margin	10.0%	8.0%

% of Group profit

21%

Outlook for the future

- $1.3 billion order book in lower risk, highly contracted school bus market – offers stable, robust returns
- Investment in technology will drive further margin improvement
- Scope for profitable expansion:
  - Pipeline of conversion opportunities driven by funding pressure on school boards
  - Petermann acquisition & synergy benefits
  - Expansion into adjacent capital-light markets – exploring (para) transit market

UK Bus

2011

- Robust revenue growth – smarter marketing, new services, fleet investment
- 16% profit improvement – better operational cost control, leveraging Group scale
- Embedding operational excellence – efficient, on-time, lowest cost

	2011	2010
Revenue	£263.5m	£257.8m
Operating profit	£32.7m	£28.3m
Operating margin	12.4%	11.0%

% of Group profit

15%

Outlook for the future

- Executing well, every day – advanced driver accreditation programme, lean engineering – drive towards industry-leading margin
- Investment in fleet - 250 new buses introduced over 12 months, including 18 hybrids
- Technology – real time service information, smartcards, telemetry/CCTV will drive growth
- Efficiency & growth will help mitigate reduced fuel duty rebate from April

UK Coach

2011

- Record profit for the division
- >5% revenue growth in core network
- Yield improvement – shift away from heavy discounting to everyday value
- Strong passenger volume growth in regional and airport routes; significant Eurolines growth

	2011	2010
Revenue	£259.1m	£250.3m
Operating profit	£34.9m	£32.0m
Operating margin	13.5%	12.8%

% of Group profit

Outlook for the future

- Preeminent value leader in long distance travel – further opportunities with austerity/rising rail fares
- Flexible, low capital model – further opportunities for improvement
- Differentiate through delivering great customer service – new routes, 24/7 customer support, fleet/technology investment
- Significant headwind from withdrawal of senior citizen concessionary funding from November 2011 – mitigating actions underway
- Platform to expand European operations alongside Alsa

UK Rail

2011

- 8% revenue growth across 2 franchises
  - Volume driven
  - Exposure to strong London/SE economy
  - NXEA completed £185m investment programme delivery
- Strong profit growth across c2c and NXEA
- c2c top performing UK operator
- NXEA handover completed Feb 2012

	2011	2010
Revenue	£688.3m	£637.5m
Operating profit	£43.4m	£33.8m
Operating margin	6.3%	5.3%

% of Group profit

19%

Outlook for the future

- c2c franchise extension to May 2013
  - Profit share basis
  - Continued focus on delivering industry-leading operational excellence
- Rail remains attractive value opportunity
  - Unlike peer group, minimal residual downside for rail earnings & franchise cash benefit
  - c2c secured four star EFQM rating & Network Rail alliancing partnership
  - Invested in highly experienced team to evaluate, bid & operate future franchises
  - Submitted pre-qualification bids in current round

Summary

Organic growth for existing portfolio	Strategic growth	Capital strength
o Further margin improvement o Revenue growth o Contract wins	o Bolt-on acquisition to existing business o Development of transit and paratransit o European expansion o Selected other markets o Rail potential	o Robust balance sheet o Cash generation o Focused capex o Strong funding position

Outlook

2012

- Trading momentum of 2011 continued into current year
- Good underlying growth in each business
- Already addressed the specific issues facing the sector
- Focus on growth initiatives for the future

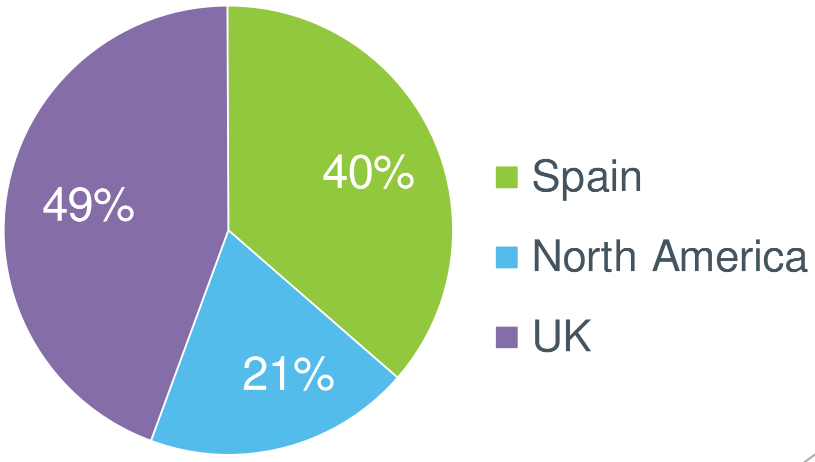
- Robust, defensible portfolio
- Markets offer sustainable, profitable growth & strong cash generation
- Driving margins further through cost improvement
- Building pipeline of contract & market opportunities (£60 billion revenue market)

Q&A

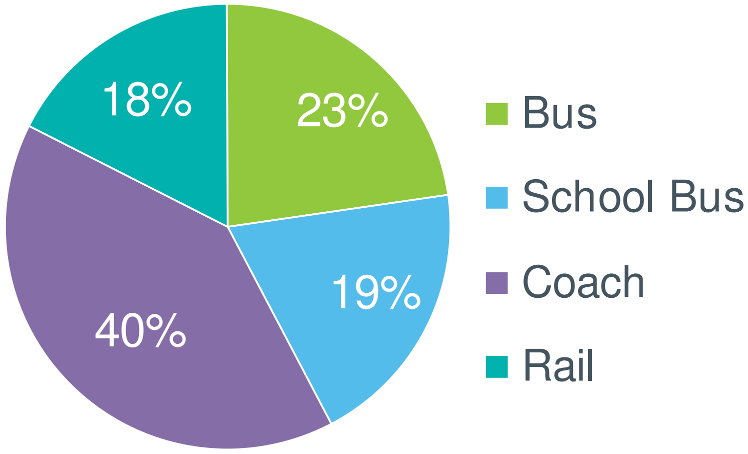
Appendix

Diverse geographic & modal portfolio

Operating Profit by geography



Operating Profit by mode



Excludes central & project costs

2011
Summary divisional income statements

£m	Spain	N America	UK Bus	UK Coach	UK Rail
Revenue	551	481	264	259	688
Depreciation	34	45	16	4	6
Normalised op. profit	90	48	33	35	43
Driver wages*	25%	44%	36%	7%	8%
Capex	47	74	11	11	2
Fuel*	13%	8%	11%	2%†	5%

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

2011
Rail franchise payments

Full year (£m)	2011 NXEA	2010 NXEA	2011 c2c	2010 c2c
Franchise premium	131.6	134.8	12.0	6.0
Franchise support credit	(42.7)	(42.3)	-	-
Net cost	88.9	92.5	12.0	6.0

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 + 1.25% (EBITDA ratchet)

£m	2011
Bond interest	(37.8)
Bank interest	(8.4)
Finance lease interest	(5.0)
Other interest and discounting	(1.9)
Interest paid	(53.1)
Interest received	6.7
Net finance cost	(46.4)

2011
Risks managed: fuel and pension

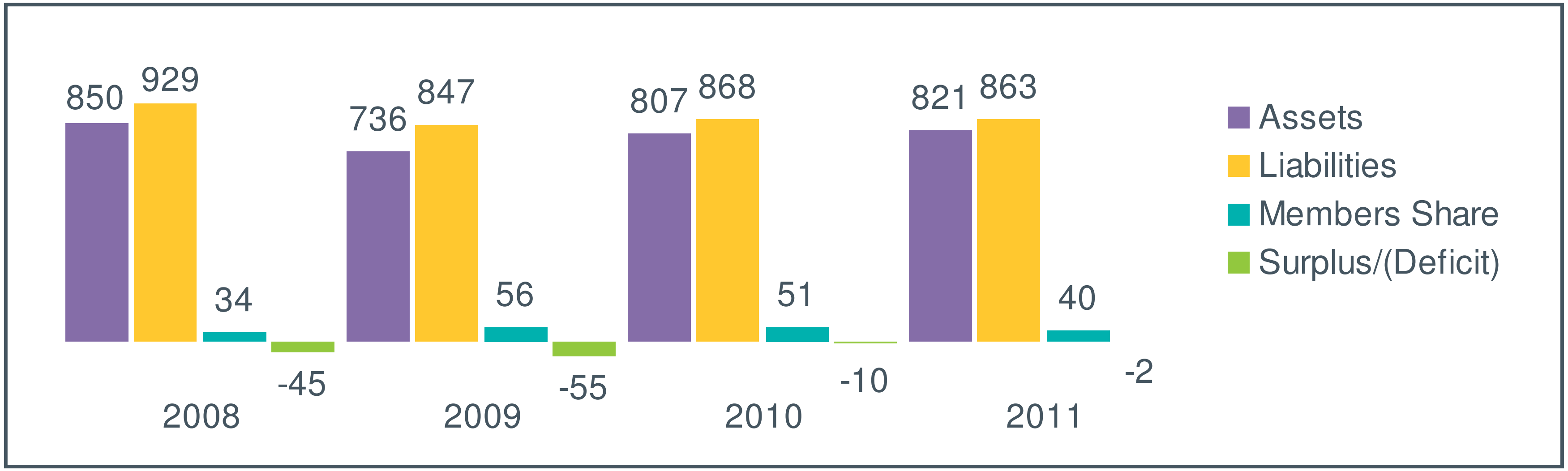
Fuel Hedging

	2012	2013
% hedged	100%	50%
Price per litre	44p	47p

Volume: 250 million litres

- Match fuel requirements of contracted businesses to length of contract
- "Owned" businesses based on minimum 15 months; provides a buffer for price increases

Pensions £m (IAS19)

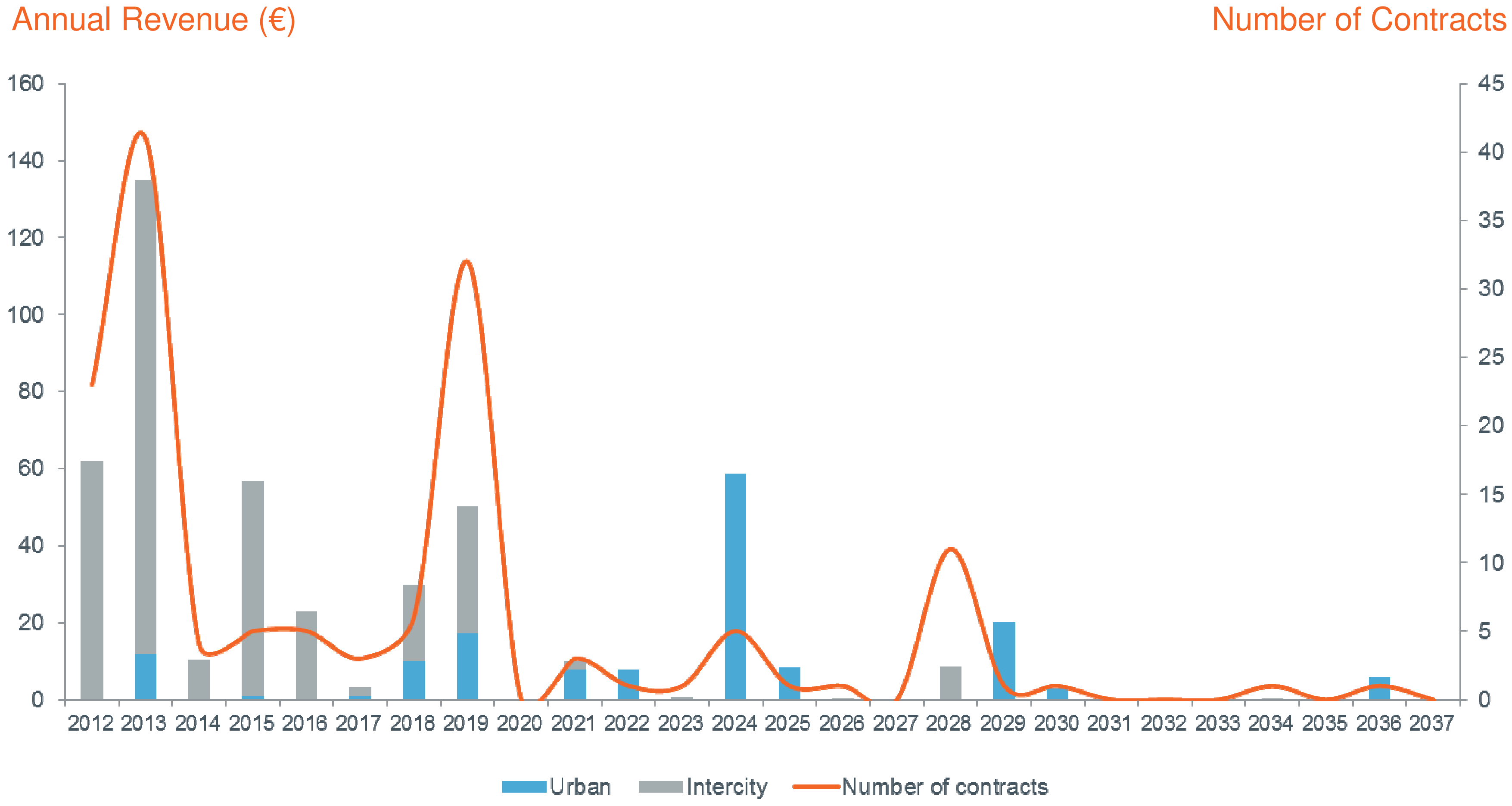


2011
Other financial areas - pensions

£m	Asset /(Liability) 2011	Asset /(Liability) 2010	P&L (charge)/credit 2011	P&L (charge)/credit 2010
UK Bus	(16.8)	(5.3)	(1.9)	(5.3)
UK Coach	18.6	-	0.5	1.5
UK Rail	(2.2)	(3.7)	(6.8)	(8.3)
Other	(1.4)	(1.4)	-	-

2011
Alsa concession profile

Concessions due for renewal in Spain by quantity and annual revenue

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SCHOOL BUS
EMERGENCY DOOR
12266
TEXAS
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