national express

Half Year Results

For six months
ended 30 June 2012

26 July 2012

Cautionary statement

This Review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the Review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to Directors at the time of their approval of the Review. These forward looking statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information. The user of this Review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside of the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements

First half 2012
Building momentum

Dean Finch
Group Chief Executive

Highlights: delivering financial returns; managing economic uncertainty; and pursuing growth

Delivering financial returns

- Underlying revenue growth of 3%; overall volume growth
- Operating margin 11.3% (2011: 10.5%)
- Strong cash generation – 125% cash conversion
- Secure balance sheet (net debt: EBITDA 2.47x)
- Dividend growth of 5%

Managing economic uncertainty

- Stable core (non-rail business)
- 75% of revenues contracted
- Strong management & flexible business model
- Reduced exposure to short-term volatility

Pursuing growth

- 1,300 school buses won
- Acquisition of Petermann
- Transit operation established
- Rail pre-qualification in UK and Germany

Over 75% of revenues contracted or exclusive concession; order book £4.1bn

All terms in this report are normalised except where otherwise stated

First Half 2012 Divisional overview: making progress in tough times

UK Bus margins, profit and revenue continue to grow

ALSA managing performance despite austerity challenge and recent industrial action

North America continuing to grow revenue and profit, successful bid season; Petermann integration going well

As expected, Coach profits down but well positioned to resume growth in 2013 due to exceptional value offering and new services

c2c strong revenue and profit growth; prequalification

Our divisions Managing uncertainty and delivering returns

ALSA

- Contract base and competent management delivering resilient performance
- Passenger volumes stable: summer is key. Good performance in contrast with toll road operators
- Winning new work in Morocco and pursuing growth
- Concession model unchanged
- 2nd half: fares review, incentive bonuses, Bilbao integration and turnaround

North America

- 97% retention driven through relentless customer focus
- Rate increases on retained business
- Targeted marketing still leading to conversion success
- Petermann integration exceeding expectations
- Strong transit pipeline

Our divisions Managing uncertainty and delivering returns

UK Bus

- Frequent services
- Improving operational performance and customer satisfaction
- Investing in new vehicles on growth corridors; refurbishing older vehicles
- Supporting multi-operator agreements in partnership with Centro
- Value fares
- Technology: smartcards, real-time information

UK Coach

- Improving operational performance and customer satisfaction
- Investing in new vehicles in growth corridors
- Excellent fare offerings
- Technology: real time information
- Growing in Europe

Our divisions Managing uncertainty and delivering returns

Rail

- High frequency, high quality services
- Record breaking punctuality
- Successful prequalification with highly competent bid teams
- Disciplined bids

First half 2012

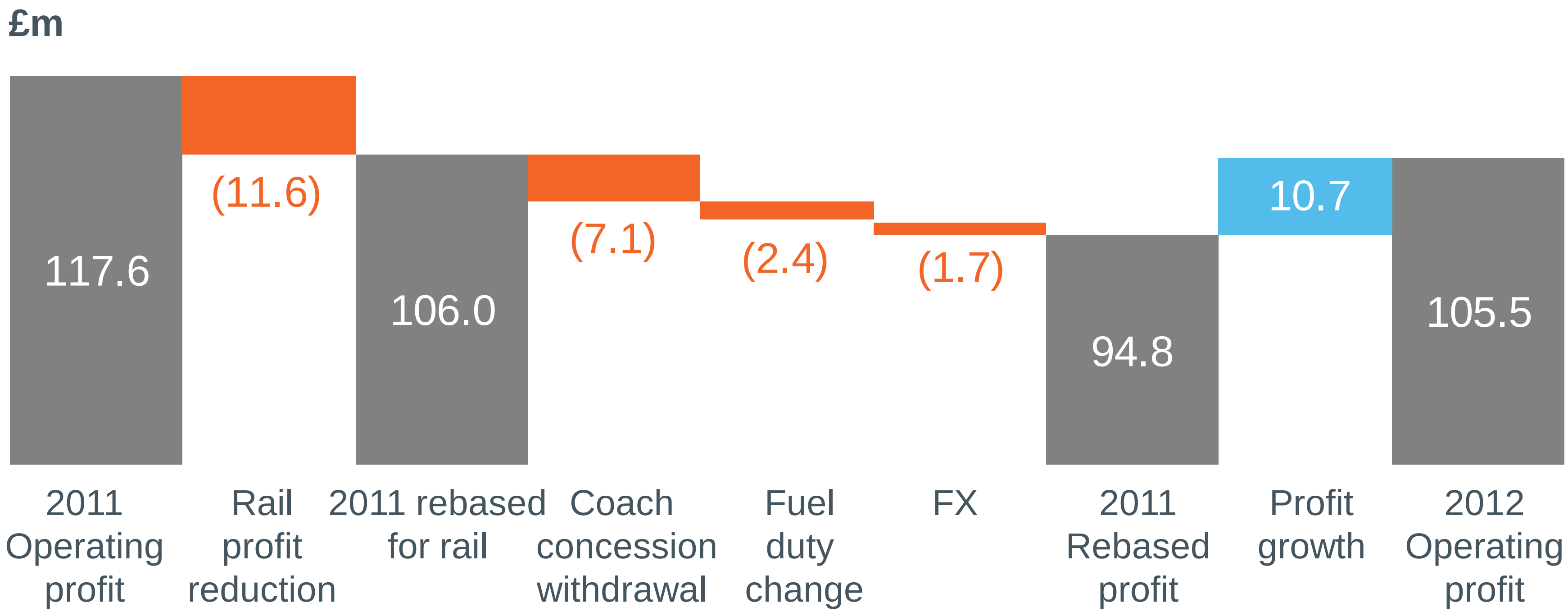
Jez Maiden

Group Finance Director

First Half 2012
First half profit and loss

£m	H1 2012	H1 2011
Revenue	934.1	1,118.9
Operating profit	105.5	117.6
Net finance costs	(24.0)	(22.6)
Associates	0.5	0.5
Profit before tax	**82.0**	**95.5**
Statutory profit	**32.1**	**54.7**
Basic earnings per share (p)	**12.6**	**14.1**

First Half 2012
Progress in replacing profit



- Overcoming significant headwinds by focusing on:
  - A sustainable and proven platform
    - Attractively priced, well invested, efficiently run public transport
  - Making progress mitigating austerity measures and contract change
    - Half of £21m first half profit impact offset

First Half 2012
Non-rail profit maintained

£m		H1 2012	H1 2011
Revenue:	Non-rail	808.9	783.8
	Rail	125.2	335.1
	Group	**934.1**	**1,118.9**
Group operating profit:	Non-rail	90.0	90.5
	Rail	15.5	27.1
	Group	**105.5**	**117.6**
Basic EPS:	Non-rail	10.0	9.9
	Rail	2.6	4.2
	Group	**12.6**	**14.1**
Interim dividend per share (p)		**3.15**	**3.00**

First Half 2012
Underlying revenue growth

%	Yield	Volume	Revenue
Spain			
Urban - Spain	4	-	4
Urban - Morocco	5	15	20
Intercity	4	(2)	2
Passenger			4
Non-passenger			(22)
Total			**2**
UK Bus			
Passenger	4	(1)	3
Concession/other			(2)
Total			**1**
UK Coach			
Core NE network	2	-	2
Concession	(10)	(27)	(37)
Other			11
Total			**(2)**
c2c	3	4	**7**

	Yield	New contracts	Operating days	Acquisitions	Total
North America	1	4	(2)	8	11

** Decrease / (increase) in mileage operated*

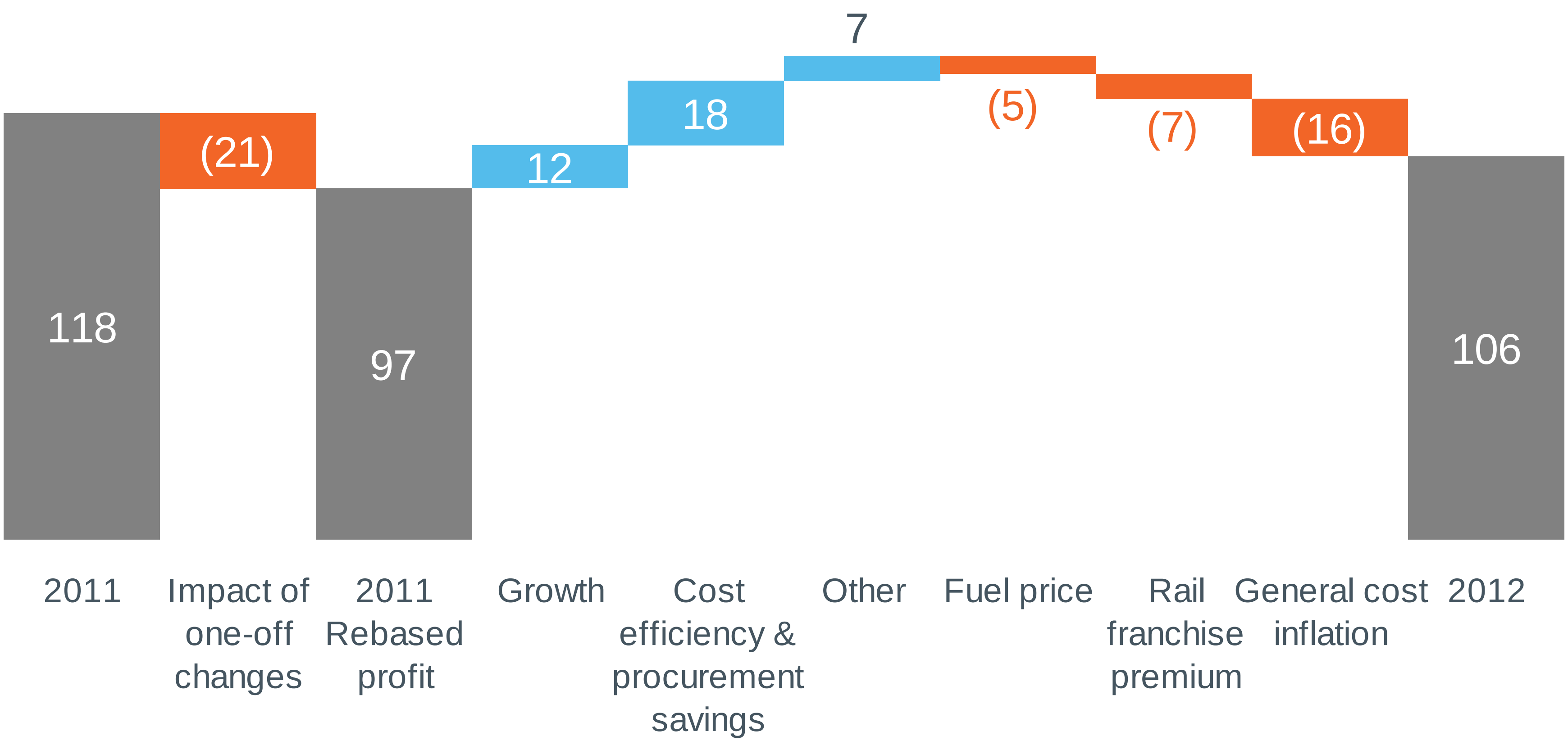
First Half 2012
Divisional profit in line with expectations

	Operating Profit		
Local currency	2012	2011	Change
Spain (€m)	43.0	44.4	(3)%
North America (US$)	58.2	55.9	4%
Sterling (£m)			
Spain	35.4	38.6	(8)%
North America	36.9	34.6	7%
Bus	17.2	15.2	13%
Coach	6.3	11.7	(46)%
Corporate/other	(5.8)	(9.6)	40%
Non-rail	**90.0**	**90.5**	**(1)%**
Rail	15.5	27.1	(43)%
Group	**105.5**	**117.6**	**(10)%**

- Resilient ALSA performance
- Good organic and acquisition growth in N America
- UK Bus: margin and profit increase
- UK Coach: impacted by concession withdrawal
- Rail: performing well, post East Anglia transfer
- FX impact of £(2.2)m in Spain and £0.5m in North America

First Half 2012 Revenue growth and cost management driving profit

£m



First Half 2012 Strong financial platform driving growth and shareholder returns

1 Strong cash generation, to fund organic growth

- 125% conversion of operating profit into cash

2 Robust balance sheet, to provide funds for acquisition growth & rail franchise management

- Gearing ratio < 2.5x
- Rail cash† £20m

3 Stable funding, to provide long-term debt from secure sources

- Average drawn debt maturity 4.8 years
- >75% of net debt funded from non-bank sources

4 Effective risk management, to limit legacy costs

- Long-term pension deficit funding plan in place; <10% free cash flow*

** Last 12 months pre-rail franchise return*
† Cash to be handed over on return of rail franchises

First Half 2012 Free cash flow reflects impact of rail franchise handover

£m	H1 2012	LTM*
Operating profit	**105.5**	**213.1**
Depreciation, Other	51.9	105.7
EBITDA	**157.4**	**318.8**
Maintenance capex	(38.2)	(119.9)
Working capital	17.4	(0.7)
Deficit pension payments	(4.9)	(10.1)
Operating cash flow	**131.7**	**188.1**
Exceptional cash flow	(16.3)	(19.9)
Payment to associates	(9.0)	(8.0)
Net interest & other	(36.7)	(43.0)
Taxation	(5.5)	(8.7)
Free cash flow (before rail exits)	**64.2**	**108.5**

** Last 12 months*

1 Strong cash generation, funding organic growth

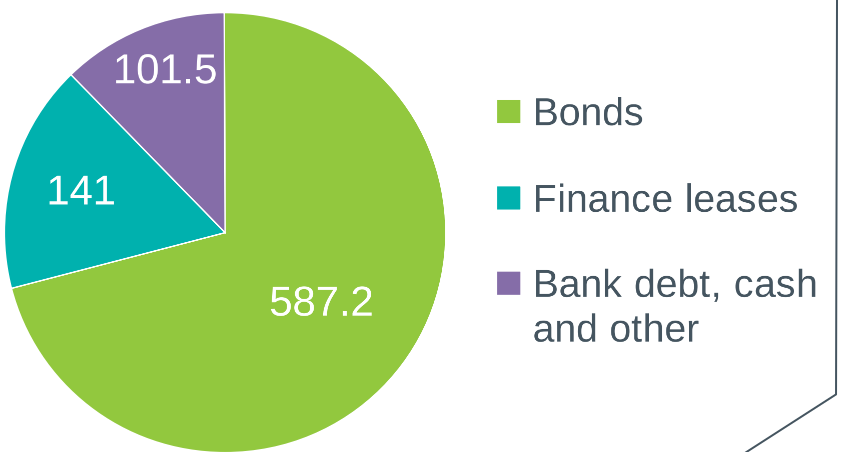
- LTM* free cash flow £109m
- Investment in 2,000 new vehicles
- H1 working capital improvement; one third lower Spain public debt & overdues
- Completed ICRRL (Eurostar) exit

2 Robust balance sheet funded H1 acquisition & rail franchise management:

- £147m invested in acquisitions
- Rail transfers funded: £82m
- Net debt <2.5x in line with Board policy

First Half 2012 Stable funding in place, providing long-term debt from secure sources

Group net debt (£m)



Net Debt

30 June 2012	31 Dec 2011
£829.7m	£633.7m

3

Long term funding in place

- No refinancing due until 2014
- Bonds in place to 2017 – 2020
- Primary funding is non-bank sourced

Strong liquidity and credit quality

- Over £300m cash and undrawn committed facilities at 30/06/2012
- Committed to investment grade; rating confirmed in H1 '12

Currency hedging in place

- Facilities provide hedges of €250m and US$174m

First Half 2012 Effective risk management, limiting legacy risks

4

Pension management:

- Deficit recovery plans in place for next 6 years: £10m cash p.a.
- Further de-risked through £272m transfer to insurance policy
- Reduced equity exposure in remaining investments
- IAS19 deficit £34m

- **Limited impact from 2013 accounting changes:**
  - IAS19 removes assumed investment outperformance
  - Limited impact on National Express
    - Less exposure to pensions than peers
    - Prudent asset returns assumed
- **Estimated £2m p.a. profit reduction (margin -0.1%)**
  - Bus: 1.4% of margin
  - Coach: nil impact

First half 2012
Divisional updates

Spain

Resilient performance, continuing to provide essential mobility in a challenging economic environment

- Robust concessionary model
  - Increasing revenues and passengers
  - Outperforming toll roads & overall economy
  - Coach – excellent value for money vs. competing modes
  - Bus – mobility remains strong; most cost effective means of transport
- Continuing clear focus on the business
  - Driving cost control & flexibility
  - Upcoming intercity concession tenders
  - Turnaround Bilbao acquisition
  - Earn performance bonuses through quality
- Target growth in Morocco

	H1 2012	H1 2011
Revenue	€312.4m	€306.4m
Operating profit	€43.0m	€44.4m
Revenue	£256.9m	£267.3m
Operating profit	£35.4m	£38.6m
Operating margin	13.8%	14.4%

Revenue growth	%
Intercity	2
Urban Spain	9
Urban Morocco	20
Passenger transport	4
Ancillary revenue	(22)
Total	2

North America

Good revenue and profit growth, with successful acquisitions

- Continued strong performance in stable contract environment
  - Excellent service delivery
  - Good pricing on renewal
  - 97% retention rate
- Growth through Acquisition, Bidding & Conversion
  - Integration of Petermann proceeding well
  - Excellent bid season; winning not "low bid"
- New team focused on Transit opportunities - $130m pipeline

	H1 2012	H1 2011
Revenue	$473.1m	$427.7m
Operating profit	$58.2m	$55.9m
Revenue	£299.5m	£264.7m
Operating profit	£36.9m	£34.6m
Operating margin	12.3%	13.1%

Revenue growth	%
Yield	1
New contracts	4
Fewer school days	(2)
Underlying business	3
Acquisitions	8
Total	11

UK Bus

Revenue, profit and margin continue to grow, offsetting austerity measures in H1

- Revenue growth mitigating reduced fuel duty rebate, without fare rise
- New fare products & fleet management
  - Over £30m invested in 2012
  - £1 city hop & travelcard growth
  - Vehicle quality programme
- Increasing passenger satisfaction
- 3 year concession settlement
- Continuing margin focus – engineering, technology

	H1 2012	H1 2011
Revenue	£133.5m	£131.6m
Operating profit	£17.2m	£15.2m
Operating margin	12.9%	11.6%

Revenue growth	%
Like-for-like	4
Mileage	(1)
Commercial	3
Concession	(2)
Total	1

UK Coach

Making progress against the challenge of concession withdrawal

- Driving revenue to recover lost income
  - Replacement concession scheme
  - Iconic, value-for-money brand
  - New routes & innovative pricing
  - Return to growth by year-end
- Rigorous cost control
  - Driver management systems
  - Partner operating cost management
- Investing for the future
  - New fleet and technology
  - Real time customer information

	H1 2012	H1 2011
Revenue	£120.0m	£122.3m
Operating profit	£6.3m	£11.7m
Operating margin	5.3%	9.6%

Revenue growth	%
Passenger yield	2
New routes	2
Passenger volume	(2)
Core passenger growth	2
Concession income	(37)
Total core revenue	(6)
Total	(2)

Rail

c2c performance 'best-in-class' providing platform for future bids

- Re-established Rail position
- c2c consistently the best performer in UK
  - Top operator in the country for punctuality (97.0%)
- Strong passenger and revenue growth
  - Top 3 for passenger service
- Innovation with Network Rail and station investment
- c2c in profit share – strong delivery
- Good bid pipeline in UK & Germany

	H1 2012	H1 2011
Revenue	£125.2m	£335.1m
Operating profit	£15.5m	£27.1m
Operating margin	12.4%	8.1%
c2c revenue	£68.2m	£63.5m
NXEA revenue	£57.0m	£271.6m
Total revenue	£125.2m	£335.1m

c2c revenue growth	%
Yield	3
Volume	4
Total	7

Current trading and outlook

- Current trading in line with expectations
- Pursuing organic growth across our business to mitigate austerity cutbacks
- Strong financial position with good cash flow
- Contracts underpin revenues and mitigate short-term volatility
- Strong pipeline for growth

Opportunities ahead

- Growing UK Bus with investment in smartcards, new vehicles and better customer services providing modal shift
- New rail franchise opportunities in both Germany and the UK with liberalisation around Europe providing more potential downstream
- Integration of Petermann and continued conversion opportunities in School Bus
- Growth plan in Transit with a strong bid pipeline
- Resuming growth in UK Coach through new services and highly competitive fares, whilst growing Eurolines services and exploring German liberalisation
- Renewing Spanish concessions and growing further in Morocco

Q&A

Appendix

First Half 2012
Summary divisional income statements

£m	Spain	N America	UK Bus	UK Coach	UK Rail
Revenue	257	299	133	120	125
Depreciation	17	25	8	3	1
Normalised op. profit	35	37	17	6	16
Driver wages*	27%	44%	35%	8%	7%
Capex	14	5	25	2	1
Fuel*	14%	8%	12%	3%†	6%

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

First Half 2012
Rail franchise payments

Full year (£m)	2012 NXEA	2011 NXEA	2012 c2c	2011 c2c
Franchise premium	8.5	65.9	11.3	4.2
Franchise support credit	(1.3)	(23.3)	-	-
Net cost	7.2	42.6	11.3	4.2

First Half 2012
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	H1 2012	H1 2011
Bank and bond interest	(22.8)	(22.9)
Finance lease interest	(2.4)	(1.9)
Other interest payable	(0.1)	(0.1)
Unwind provision discounting	(0.7)	(0.6)
Finance costs	**(26.0)**	**(25.5)**
Bank interest receivable	2.0	2.9
Net finance cost	**(24.0)**	**(22.6)**

First Half 2012
Risks managed: fuel and pension

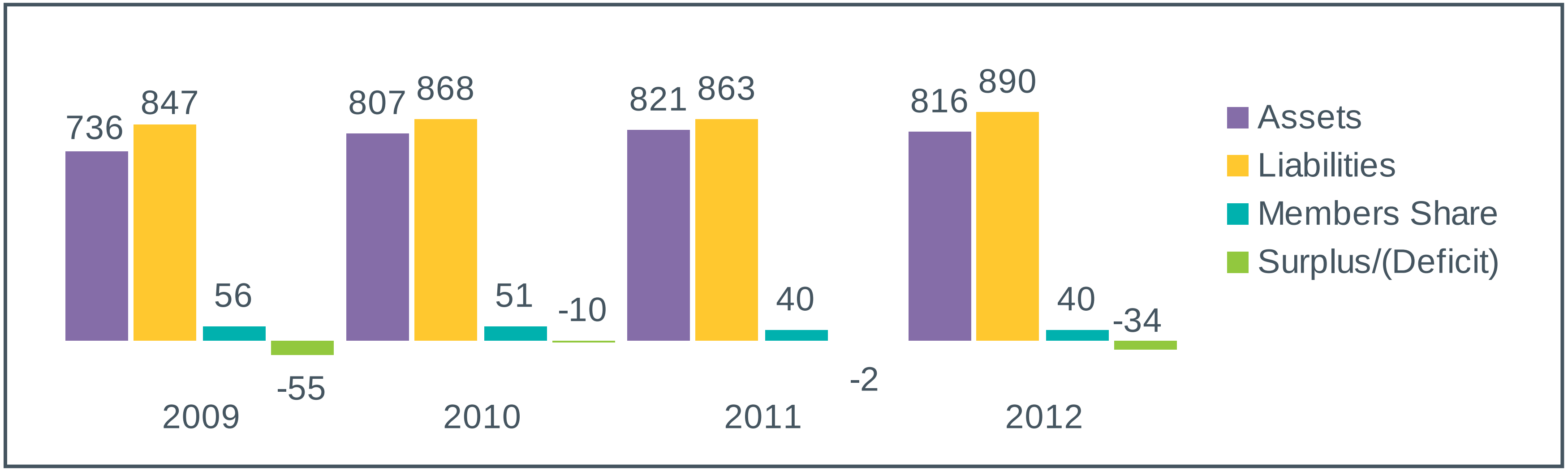
Fuel Hedging

	2012	2013	2014
% hedged	100%	83%	43%
Price per litre	43p	48p	48p

Volume: 250 million litres p.a.

- Fully hedge 15 months minimum
- 50% minimum hedge 15 – 24 months in contract businesses

Pensions £m (IAS19)



First Half 2012

Other financial areas - pensions

£m	Asset /(Liability) 2012	Asset /(Liability) 2011	P&L (charge)/credit 2012	P&L (charge)/credit 2011
UK Bus	(49.5)	8.9	(1.3)	(0.8)
UK Coach	18.6	4.6	-	-
UK Rail	(1.5)	(2.3)	(1.1)	(3.3)
Other	(1.4)	(1.2)	(0.1)	0.1

National Express Group PLC