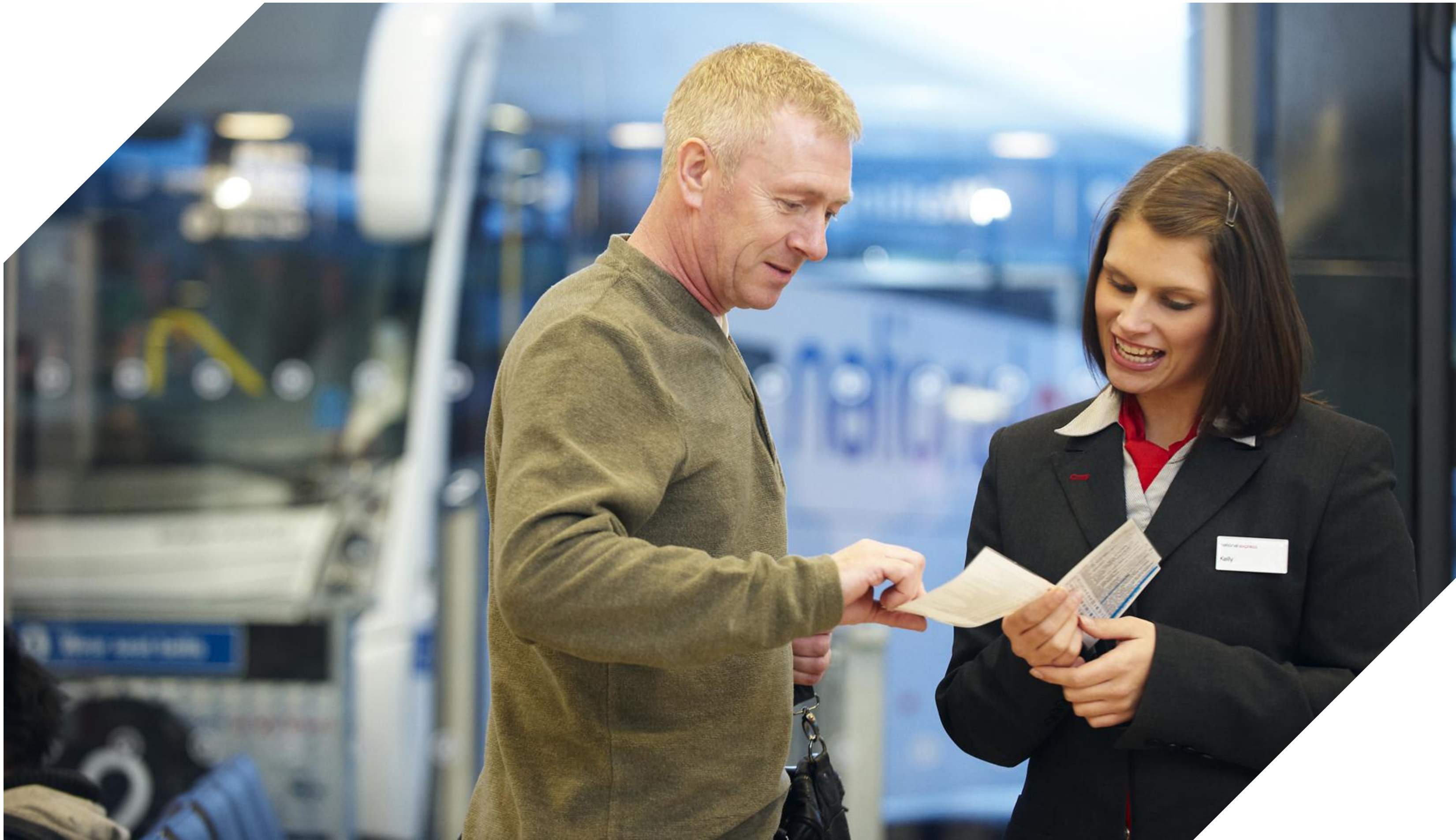
Full Year Results

For year ended 31 December 2010



Agenda

- 2010: Delivering our recovery programme
- 2010: Improving financial performance
- Sound businesses & future opportunities

2010

Delivering our recovery programme

Dean Finch

Group Chief Executive

2010

Delivering our Business Recovery programme

• Margin improvement – Cost management – Operational excellence	5.9% → 9.6%
• Sound financial foundation	Refinanced to 2014+
• Continued focus on cash generation	£222m generated; debt £610m
• Begin selected investment in growth	£34m new growth capex

Drive value creation

2010

Delivering operational excellence… every day

Managing cost

- Lean overhead
  - Over $25m cost saving in North America
- Network efficiency
  - +2% to 4% revenue/km in Spain & UK Bus
- Operational excellence
  - Radical overhaul in UK Bus
  - Delivery in UK Rail

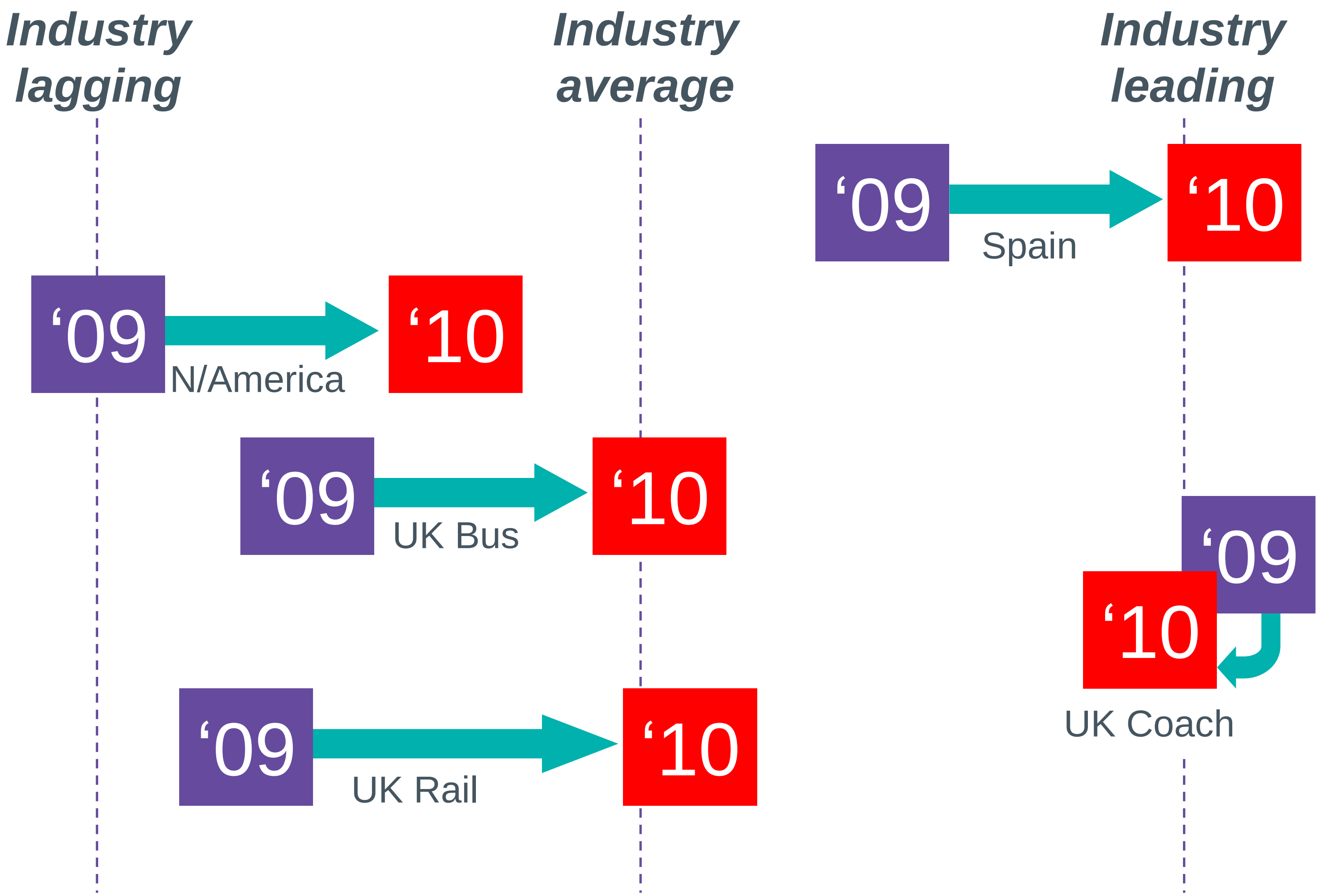
Driving revenue

- Optimising yield
  - Rebalanced fare basket in UK Bus
  - Managing yield in UK Coach
- Growing volume
  - Sustained growth in UK Coach
  - New contracts in North America
- New opportunities
  - Agadir successfully launched
  - Rail franchises extended

Strong platform for growth

2010

Restoring industry average margins… and better



National Express fares comparison with other ITA areas

	NX	Leeds	Manchester	S Yorkshire	Glasgow	London	Midland Metro	Manchester Metrolink
Single (£)	1.80	2.50	1.30-3.30	1.95	1.90	2.20	3.30	3.50
Day saver (£)	3.60	4.30	4.10	4.30	4.50	4.00		
Weekly (£)	14.50	18.50	16.00	19.50	16.00	17.80	16.00	21.80
4 weekly (£)							56.00	82.10

2010
A year of improving performance

Performance

- Operating profit up £44.4m to £204.2m
- PBT +38% to £160.5m
- Net debt down £48m to £610.4m
- Basic EPS: 23.6p
- Return on capital*: 13.2%
- Debt maturity: 5.5 years

Benefits

- Dividend restored
  - Final 6p
  - Well covered from non-rail earnings & cash
  - Progressive potential
- Strong cash generation
- Strong balance sheet & credit rating
- No refinancing due until 2014

Normalised results
**Pre-tax*

2010
Improving financial performance

Jez Maiden

Group Finance Director

2010
Income statement significantly improved

£m	Normalised 2010	Normalised 2009
Continuing Operations		
Revenue	2,125.9	2,711.1
Operating profit	204.2	159.8
Net finance costs	(44.0)	(43.5)
Associates	0.3	(0.1)
Profit before tax	160.5	116.2
Tax (24.3%)	(39.2)	(23.0)
Profit after tax	121.3	93.2
Statutory profit	62.3	(52.7)

2010

Divisional performance highlights

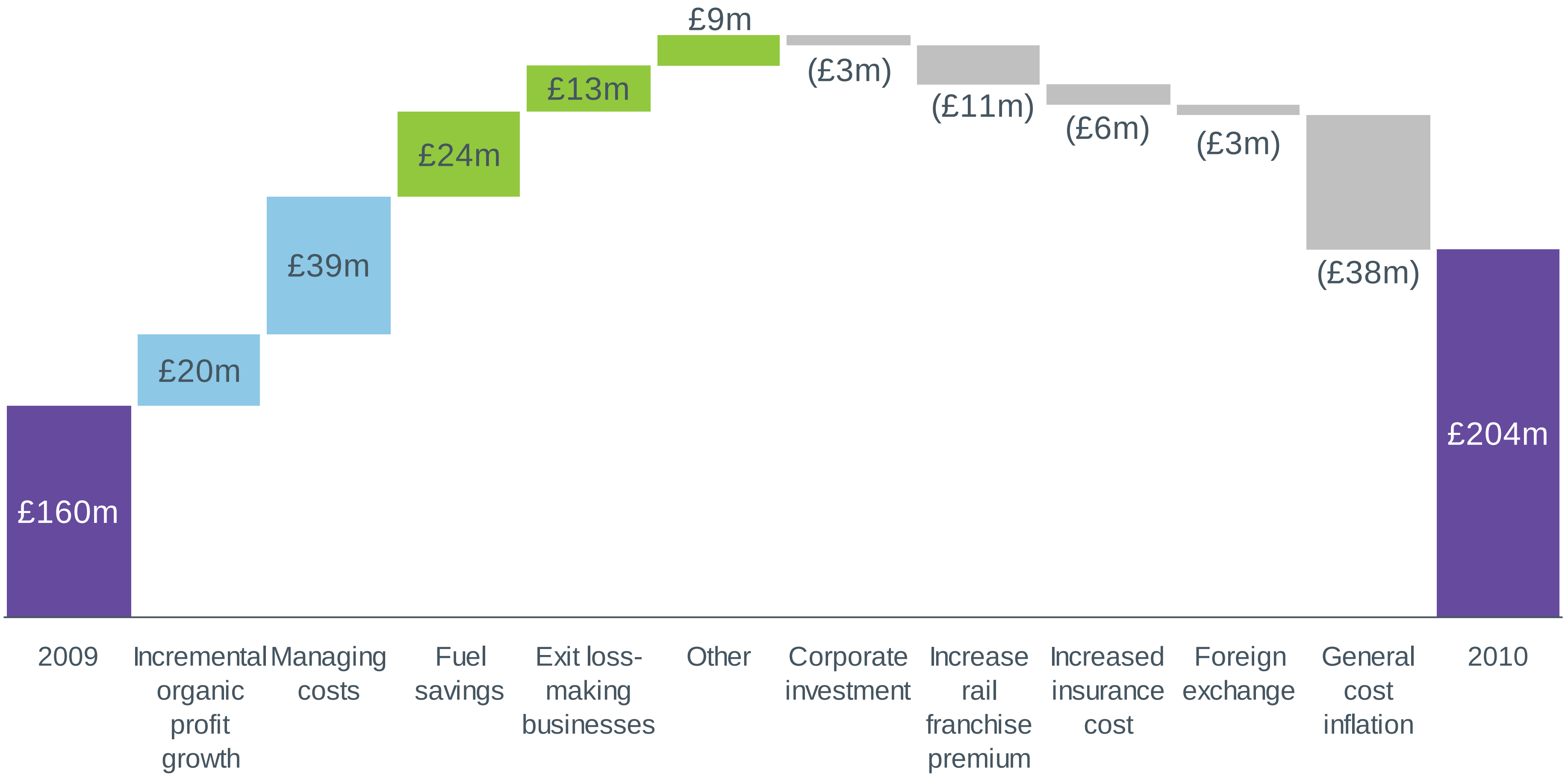
First half year	Operating Profit (normalised)		
£m	2010	2009	Change
Bus	28.3	20.8	7.5
Coach	32.0	34.3	(2.3)
Rail	33.8	12.0	21.8
Total UK	94.1	67.1	27.0
Spain	86.2	76.5	9.7
North America	36.9	25.3	11.6
Centre	(13.0)	(9.1)	(3.9)
Group	204.2	159.8	44.4

- Strong performance through cost & yield management
- Consolidated position; tactical investments reduced margin
- Steady rebuild & rehabilitation

- Robust progress despite economic conditions; steady return to growth
- Significant progress; costs reduced & new contracts secured
- Investment for future growth

2010

Normalised operating profit grew strongly



2010
Network efficiency improved in all divisions

Full Year	Underlying Revenue			Network miles (%)	Revenue per mile (%)
Local currency	Price %	Volume %	Total %		
Bus	4	(4)	0	(4)	4
Coach	1	2	3	2	1
Rail	(1)	4	3	N/A	3
Spain	(3)	3	0	(2)	2
N America	N/A	N/A	1	N/A	1

2010
Exceptional Business Recovery costs complete

Local currency	Pre-tax £m	Tax £m	Post-tax £m
Spain	1.9	(0.6)	1.3
N. America	25.7	(9.6)	16.1
UK Bus	6.7	(1.4)	5.3
UK Coach	(0.1)	0.0	(0.1)
UK Rail	18.3	(7.0)	11.3
Central functions	8.7	(26.0)	(17.3)
Group continuing operations	61.2	(44.6)	16.6

- North America: asset write-offs, rationalisation & fleet write-downs
- UK Bus: margin improvement programme & Competition Commission
- Central: management structure & relocation

2010
Legacy risks substantially reduced

Significant progress in reducing legacy issues

- Corporate tax: negotiated resolution of c£50m liability
  - £17m settlement
  - 6p statutory EPS benefit
- Rail: agreement with DfT
- ICRRL: negotiated exit; already provided
- Pensions: closure of Coach scheme; agreed recovery plan
- Exceptional charges for Business Recovery completed

No further profit impact*; known cash outlay

- Tax: £4m pa 2011-14**
- Rail:
  - 2011 £5m
  - 2012 £7m
- ICRRL: £9m 2011 & 2012
- Pensions: £4.2m pa for 6 years
- Residual exceptional cash outlay: £7m

**excluding IAS19 charge*

***in addition to normal cash tax*

2010
Continued focus on cash generation

£m	2010	2009
Normalised operating profit	204.2	159.8
Depreciation	99.8	108.0
Grant amortisation, profits on disposal, share buy-backs	0.2	1.5
EBITDA	304.2	269.3
Net maintenance capex	(87.7)	(51.9)
Working capital movement	14.5	72.0
Pension contributions above normal charge	(8.6)	(8.1)
Operating cash flow	221.7	281.3

- 109% operating cash conversion
- Maintenance capex increased to 88%
- 2009 working capital improvement sustained – further progress delivered
- Good progress on overdue accounts collection

**Terms as defined in press release*

2010
Good free cash flow

£m	2010	2009
Operating cash flow	221.7	281.3
Rail franchise exit	(22.0)	(32.3)
Exceptional cash	(52.6)	(74.3)
Interest & other	(59.2)	(51.8)
Tax	(8.6)	2.6
Free cash flow	**79.3**	**125.5**
Growth capex	(33.9)	-
Other, incl equity & dividends	(8.2)	372.1
Net funds flow	37.2	497.6

- Rail exit costs on East Coast wind down
- Exceptional cash flow for 2009 & 2010 programmes
- Return to tax payment – well below ETR
- Good free cash flow
- Growth capex resumed
  - Spain & North America
- Net debt reduced £48m to £610m
- Gearing reduced to 2.1x

2010
Fuel, pensions & the dividend

Dividend restored:

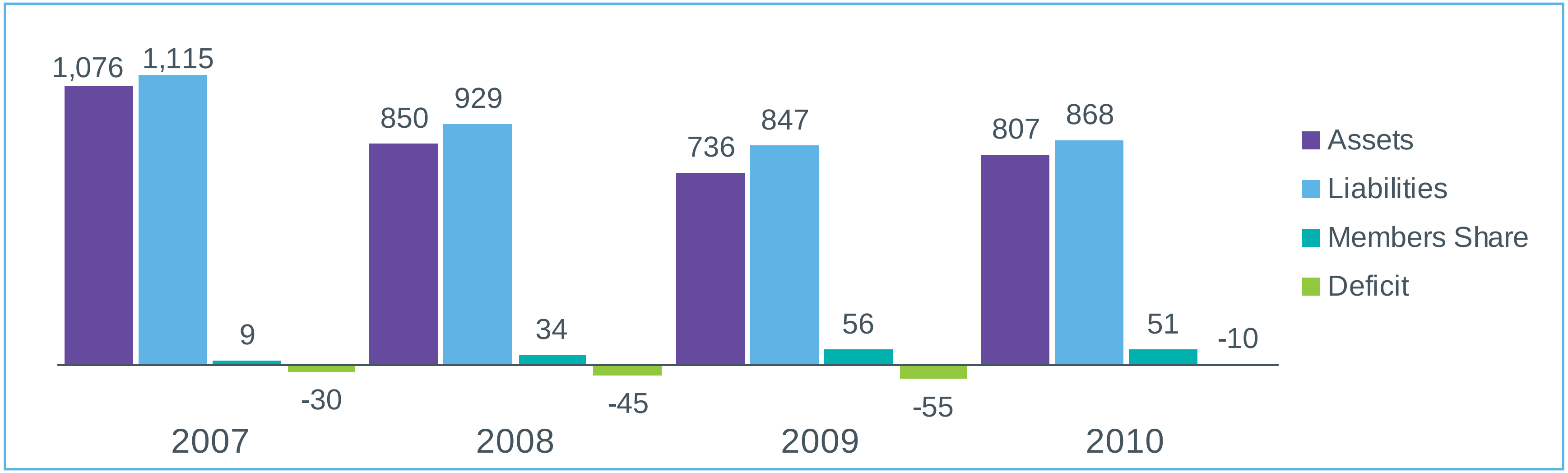
- Minimum 2x earnings cover (ex-rail)
- Paid out of free cash flow
- 6 pence/share final dividend proposed

Fuel Hedging

	2010	2011	2012	2013
% hedged		100%	75%	15%
Price per litre	39p	40p	41p	42p

Volume: 233 million litres

Pensions £m (IAS19)



Sound businesses and future opportunities

Dean Finch

Group Chief Executive

Foundations to deliver growth in shareholder value

Vision: to earn the lifetime loyalty of our customers by consistently delivering excellent value, frequent, high performing services

Framework

- Organisation structure
- Investment in development
- Culture

Values

- Safety
- Customers
- Employees
- Communities

Diversified International portfolio

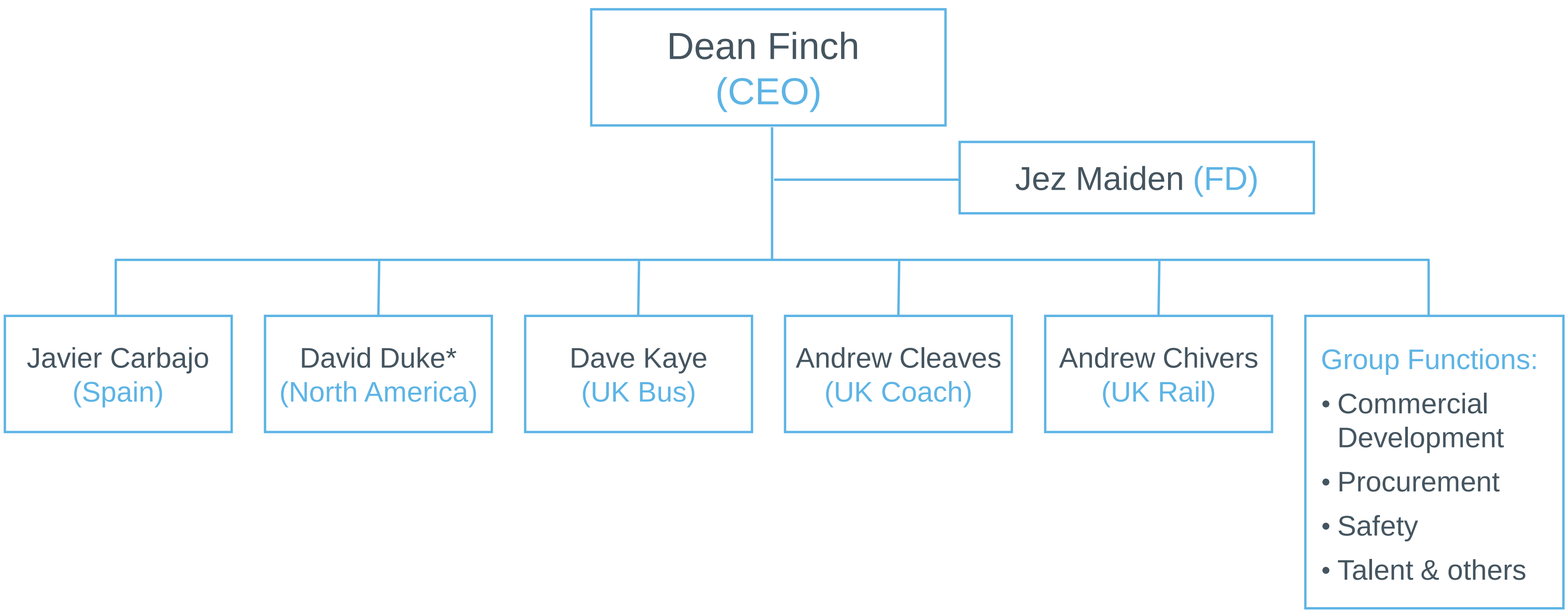
- Market leadership
- Market knowledge
- Relationships
- Synergistic international assets
- Cash generation

Strategy

- Margin growth
- Organic growth
- Bolt-on acquisitions/ geographic development

A framework for shareholder value creation

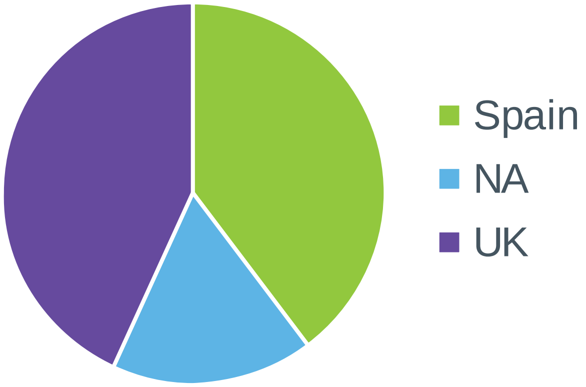
- Flatter organisation with new talent
- Investment in key areas – Talent, Synergies, Opportunities
- Embedding a new culture – shared vision, performance driven



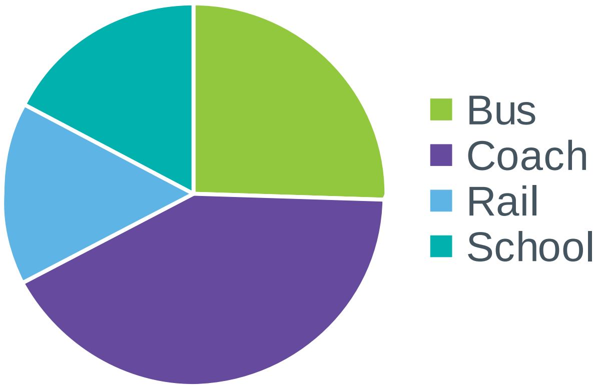
**from June 2011*

A diversified international portfolio

Internationally diversified



Strong modal breadth



Key strengths:

- Market leadership
- Market knowledge
- Strong relationships
- Quality international assets
- Cash generative
- Complementary expertise

Data: 2010 normalised operating profit, excluding corporate costs and other activity in Spain

Our strategy

- To develop the unique attributes of our portfolio

Margin growth	Organic growth	Targeted expansion
• Manage revenue • Optimise cost	• Grow in existing markets • Better services • Bid opportunities	• Bolt-ons to existing business • Drive scale / synergy • Selected geographies

- Measuring success

Safety

Customer

Return on capital

Spain

Attractive market

- Stable regulated environment – long-term exclusive concessions
- Strong market position in bus & coach

	2010	2009
Revenue	£525.5m	£546.8m
Operating profit	£86.2m	£76.5m
Operating margin	16.4%	14.0%

2010: Resilience demonstrated

- Good growth in urban bus (low revenue risk)
- Return to growth in inter-city
- Flexible cost base; strong margin performance

Future opportunities

- Economy favouring coach
- Improved competitive environment
- Bid/bolt-on opportunities in Spain
- Platform for growth in a liberalising continental Europe

North America

Attractive market

- High level of revenue visibility
- High contract retention
- Strong order book
- Constrained school funding

	2010	2009
Revenue	£459.9m	£444.5m
Operating profit	£36.9m	£25.3m
Operating margin	8.0%	5.7%

2010: An improving business

- Over $25m cost savings in year
- Over 1,600 new routes won, including 3 conversion contracts
- Improvements in fleet management

Future opportunities

- Further cost reduction to reach industry leading margin
- Balance growth with margin protection in bidding
- Bolt-on & related opportunities

UK Bus

Attractive market

- Leadership in largest deregulated regional market
- High density urban population, supports scale benefits

	2010	2009
Revenue	£257.8m	£293.9m
Operating profit	£28.3m	£20.8m
Operating margin	11.0%	7.1%

2010: An improving business

- Operating excellence restored – yield, network efficiency
- Progress in operating cost reduction
- Margin restored to industry average

Future opportunities

- Limited BSOG/funding impact
- New fleet investment; customer service improvements
- Build towards industry-leading margin

UK Coach

Attractive market

- Leadership position - only national network operator, deregulated market
- Flexible cost model – 80% outsourced

	2010	2009
Revenue	£250.3m	£242.9m
Operating profit	£32.0m	£34.3m
Operating margin	12.8%	14.1%

2010: A consolidated position

- Continued revenue growth, with growth in additional businesses
- Margin constrained by increased investment
- New management team – business overhauled

Future opportunities

- Smarter services:
  - develop by segment, accessing more customers
  - innovation driving better service
- Rail pricing/retendering will benefit coach “value” position
- Joint platform for European growth

UK Rail

Attractive market

- Long-term, exclusive, regulated franchises
- Low capital commitment

	2010	2009
Revenue	£637.5m	£1190.5m
Operating profit	£33.8m	£12.0m
Operating margin	5.3%	1.0%

2010: Rehabilitation

- Focus on performance in 2 continuing franchises
- Franchise extensions granted & East Coast issues resolved
- Good volume & margin growth

Future opportunities

- Focus on existing franchise delivery
- Bid for suitable future franchises
- Leverage rail expertise

2011
Summary and Outlook

- Strong performance in 2010 – ahead of our recovery plan
- Focus in 2011 on continued margin improvement & operational excellence – delivering our vision
- Progressive focus on growth opportunities – commitments carefully managed
- Significant future opportunities
  - 2011 has started well
  - c.£5 billion order book in Spain and N. America
  - Confident in future delivery

national express

Q&A

Appendix

Summary divisional income statements

£m	Spain	N America	UK Bus	UK Coach	UK Rail
Revenue	526	460	258	250	638
Depreciation	31	41	15	5	6
Normalised op. profit	86	37	28	32	34
Driver wages*	25%	44%	37%	8%	8%
Capex	24	82	8	5	3
Fuel*	14%	8%	10%	2%	6%

** As a percentage of revenue*

Net finance costs

- January: 7-year 6.25% £350 million unrated Sterling bond
  - Subsequently awarded investment grade
- June: 10-year 6.625% £225 million Sterling bond
- July: £500m unsecured revolving credit facility committed until August 2014
  - Floating rate
  - LIBOR + 1.45% (EBITDA ratchet)

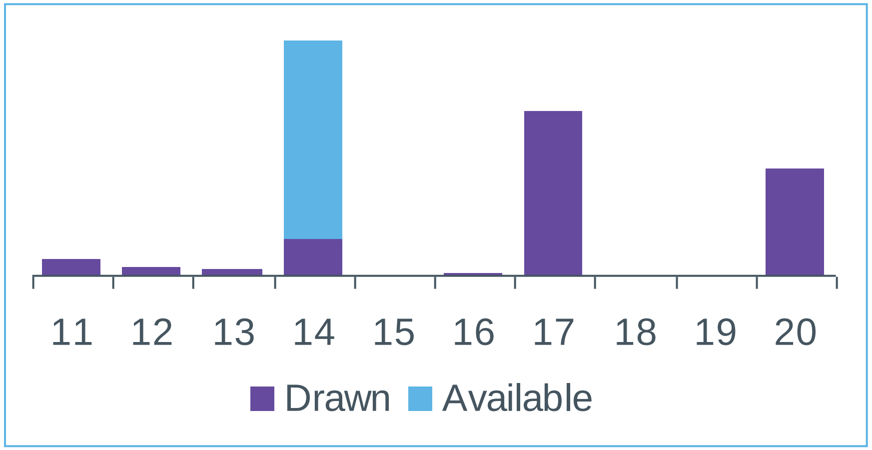
£m	2010
Jan 2010 bonds	(21.8)
June 2010 bonds	(8.2)
Revolving credit facility	(2.9)
Financing arrangements + fees	(10.8)
Interest paid	(43.7)
Finance leases, provisions	(5.1)
Interest received	4.8
Net finance cost	(44.0)

Financing

Gearing Ratios	2010	2009	Covenant
Net debt/EBITDA	2.1x	2.5x	<3.5x
Interest cover	6.9x	6.5x	>3.5x

Ratings	
Moodys	Baa3
Fitch	BBB-

Net debt maturity



- Gearing at our target level – 2.0x to 2.5x net debt/EBITDA (investment grade rating)
- No refinancing until 2014
- £517.8m committed headroom*

** Available cash and undrawn committed facilities*

Rail franchise supporting information

Full year (£m)	2010	2009*	Better/ (worse)
Franchise Premium**	91.2	95.2	4.0
Revenue Support	(42.3)	(34.7)	7.6
Schedule 9 ***	43.6	19.1	(24.5)
Total cost	92.5	79.6	(12.9)

£m	NXEA	c2c
Ring-fenced cash	20	-
Performance bond	22	4
Season ticket bond	67	19

** Excludes NXEC*

*** includes HLOS payments*

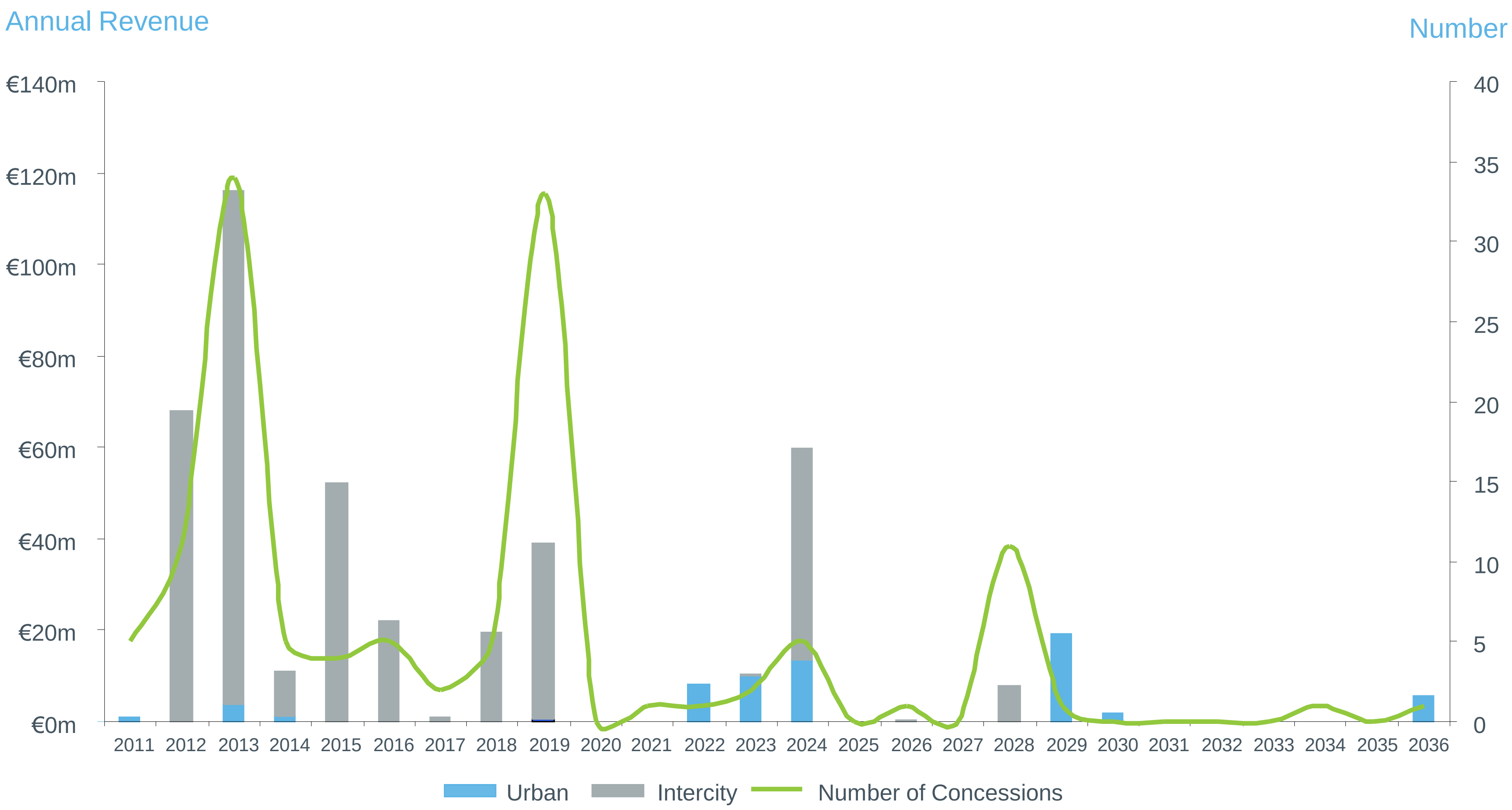
**** The increased Schedule 9 payments reflect the fact that track access charges have reduced significantly in 2010. Schedule 9 adjusts the franchise payments for changes in Network Rail control periods*

Other financial areas - pensions

£m	Asset / (Liability) 2010	Asset / (Liability) 2009	P&L charge 2010	P&L charge 2009	Cash contribution 2010	Cash contribution 2009
UK Bus	(5.3)	(46.4)	(5.3)	(5.4)	8.3	8.9
UK Coach	-	(5.2)	(0.8)	(0.6)	3.7	4.1
UK Rail	(3.7)	(1.9)	(8.3)	(14.3)	10.2	15.4
Other	(1.4)	(1.4)	-	-	-	-

Alsa concession profile

Concessions due for renewal in Spain by quantity and annual revenue



national express

National Express Group PLC