



# Capital Markets Day

18<sup>th</sup> October 2021

national express

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Part 1

# Introduction and Overview

**Ignacio Garat** Group Chief Executive

# An attractive investment case

1

We benefit from long-term, structural growth opportunities

2

We have five compelling, hard-to-replicate customer propositions to leverage this growth

3

We are the best-in-class operator

4

We are uniquely diversified and balanced

5

We are taking environmental leadership

6

We have a track record of delivering strong financial outcomes

# Video: The case for Modal Shift



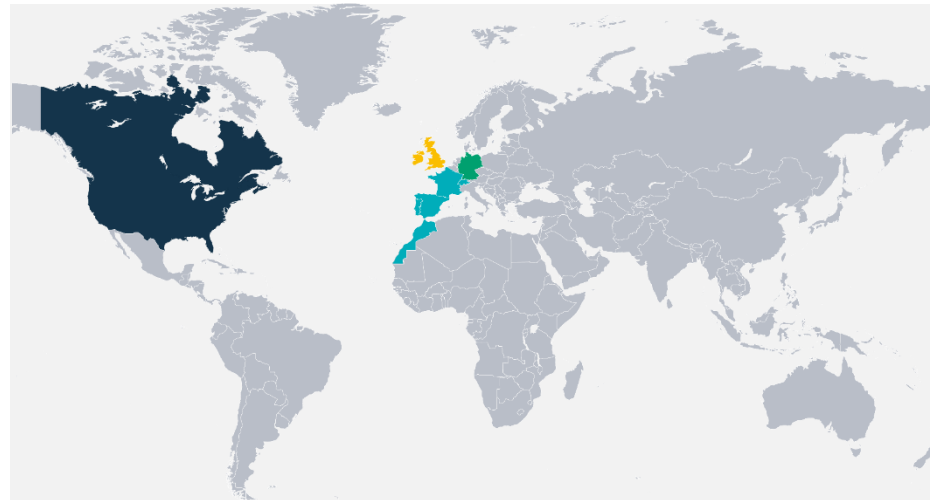


# Agenda for the day

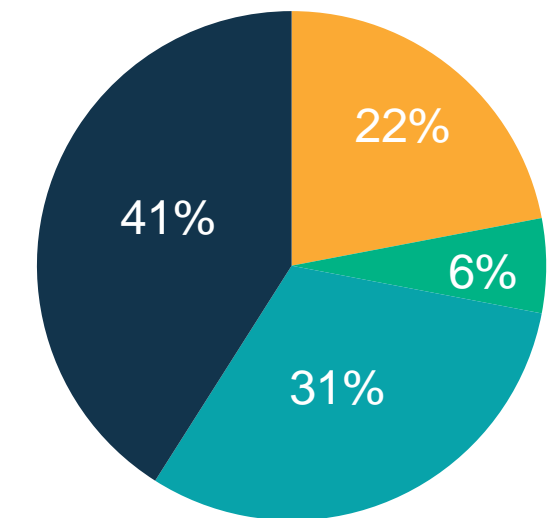
	London time
Part 1 <b>Introduction</b>	14:00
Part 2 <b>The Evolve Strategy</b>	14:05
Part 3 <b>Divisional Overviews</b>	14:45
Part 4 <b>Financial Framework</b>	15:25
Part 5 <b>Summary and Close</b>	15:40
Part 6 <b>Q&amp;A</b>	15:45
<b>Close</b>	16:15

# National Express is the only UK listed internationally diversified, multi-modal transport provider

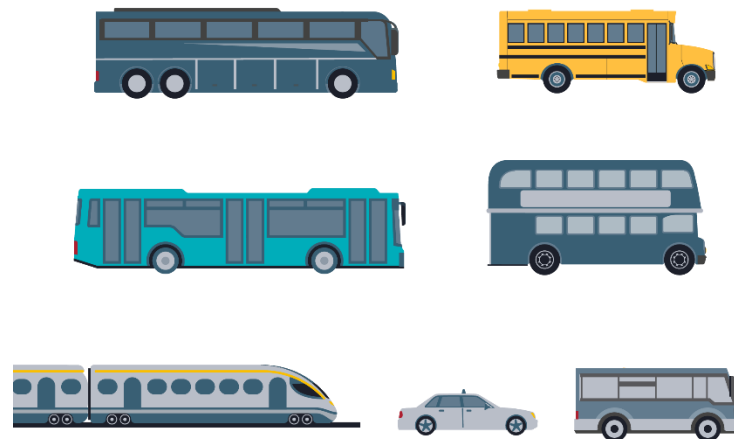
Internationally diversified



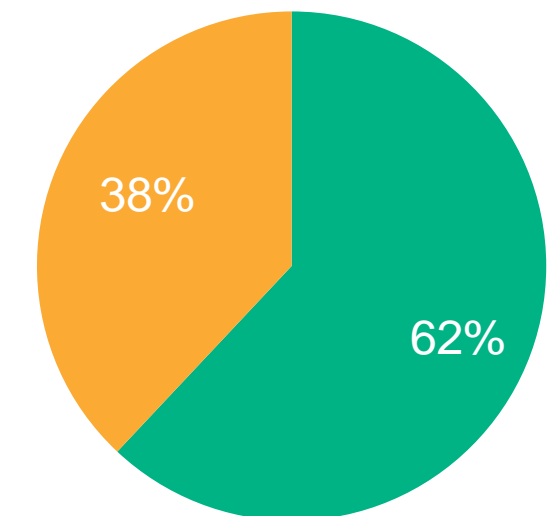
Geographically well balanced revenues



Multi-modal



High proportion of revenue is contracted



# The Group at a glance

**51,000**

employees

**11**

countries

**939 million**

annual passenger journeys

**1/2 billion**

annual car journeys avoided

**50**

cities

**32,000**

vehicles operated

# An industry-leading team

## Presenting today



**Ignacio Garat**  
Group CEO



**Chris Davies**  
Group CFO



**Francisco Iglesias (Paco)**  
ALSA CEO



**Gary Waits**  
North America CEO



**Tom Stables**  
UK & Germany CEO



**Kevin Gale**  
Group Operations  
Director



**Alison Forster**  
Group Safety  
Director



**Karen Myers**  
Group HR & Corporate  
Communications  
Director



**Jennifer Myram**  
Company  
Secretary



**Dorothy Capers**  
Group Legal  
Counsel



**Debbie O'Shea**  
Group CIO



**James Stamp**  
Group Commercial  
Director



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Part 2

# The Evolve Strategy

Ignacio Garat Group Chief Executive

# An exciting time to be in public transport







- Favourable demographics
- Public transport supports social mobility
- Pent-up demand for travel
- Government support is better than ever
- Modal shift is key to decarbonisation

**national express**

UK Prime Minister, Boris Johnson, at the National Express Coventry depot to launch the government's National Bus Strategy

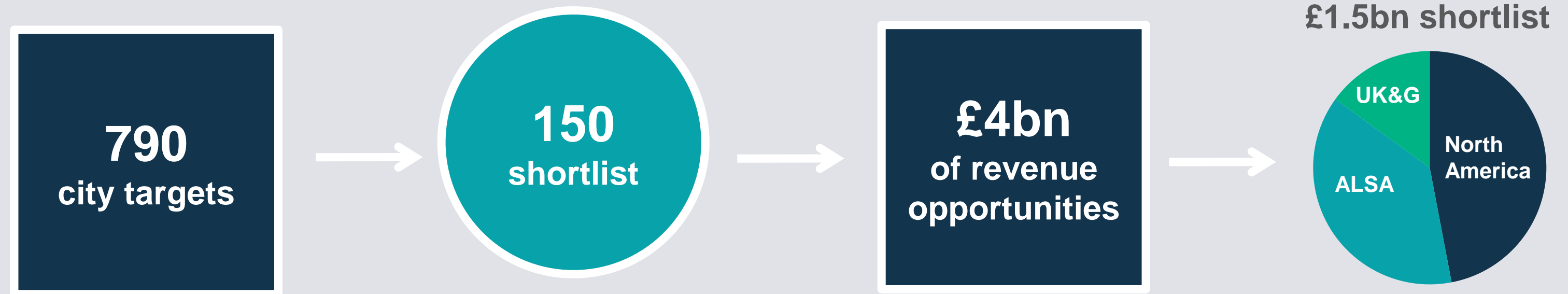


# Business Review – The strategic review process

Where?	 World's premier operator	<ul style="list-style-type: none"><li>• <b>Where we operate:</b> in which geographies and cities to be considered the world's leading operator</li></ul>
What?	 Products customers want	<ul style="list-style-type: none"><li>• <b>What products</b> we offer in our selected markets</li></ul>
How?	 Clear outcomes	<ul style="list-style-type: none"><li>• A clear set of <b>outcomes:</b> what it means to be the <b>premier shared mobility operator</b> through the eyes of our customers and stakeholders</li></ul>
	 Capabilities and approach	<ul style="list-style-type: none"><li>• A clear set of <b>capabilities</b>, procedures, processes and systems that drive continuous improvement</li></ul>
Actionable results	 <b>evolve</b> strategy	<ul style="list-style-type: none"><li>• Build <b>momentum</b> and a <b>sense of urgency</b> in the organisation, moving from 'stabilise' to 'profitable growth'</li></ul>
	 Sustainable value creation	<ul style="list-style-type: none"><li>• Generate <b>sustainable profits and cash-flows</b>, and create the right balance between re-investment for growth and value creation for our shareholders</li></ul>

# Business Review – The strategic review process

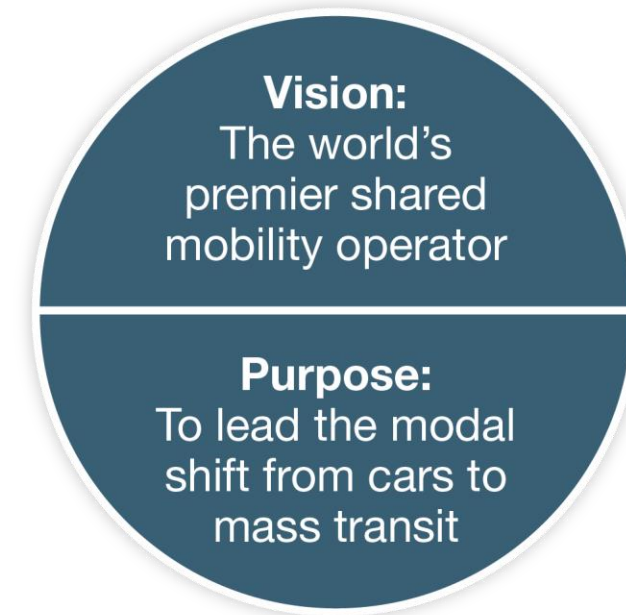
Near term pipeline of £1.5bn bidding opportunities in existing footprint





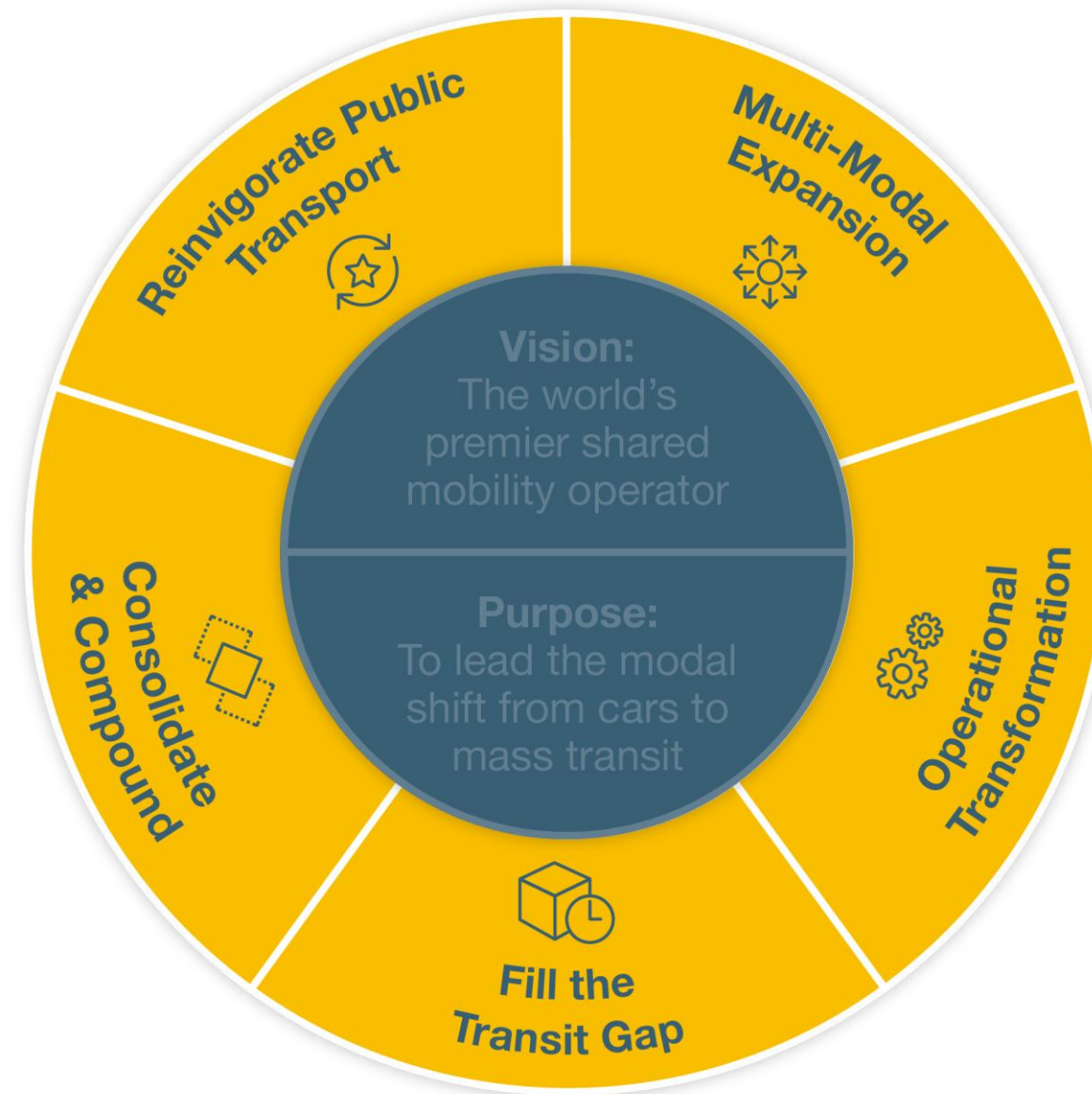
# The **evolve** strategy

We have a clear vision and purpose, which drives everything we do...



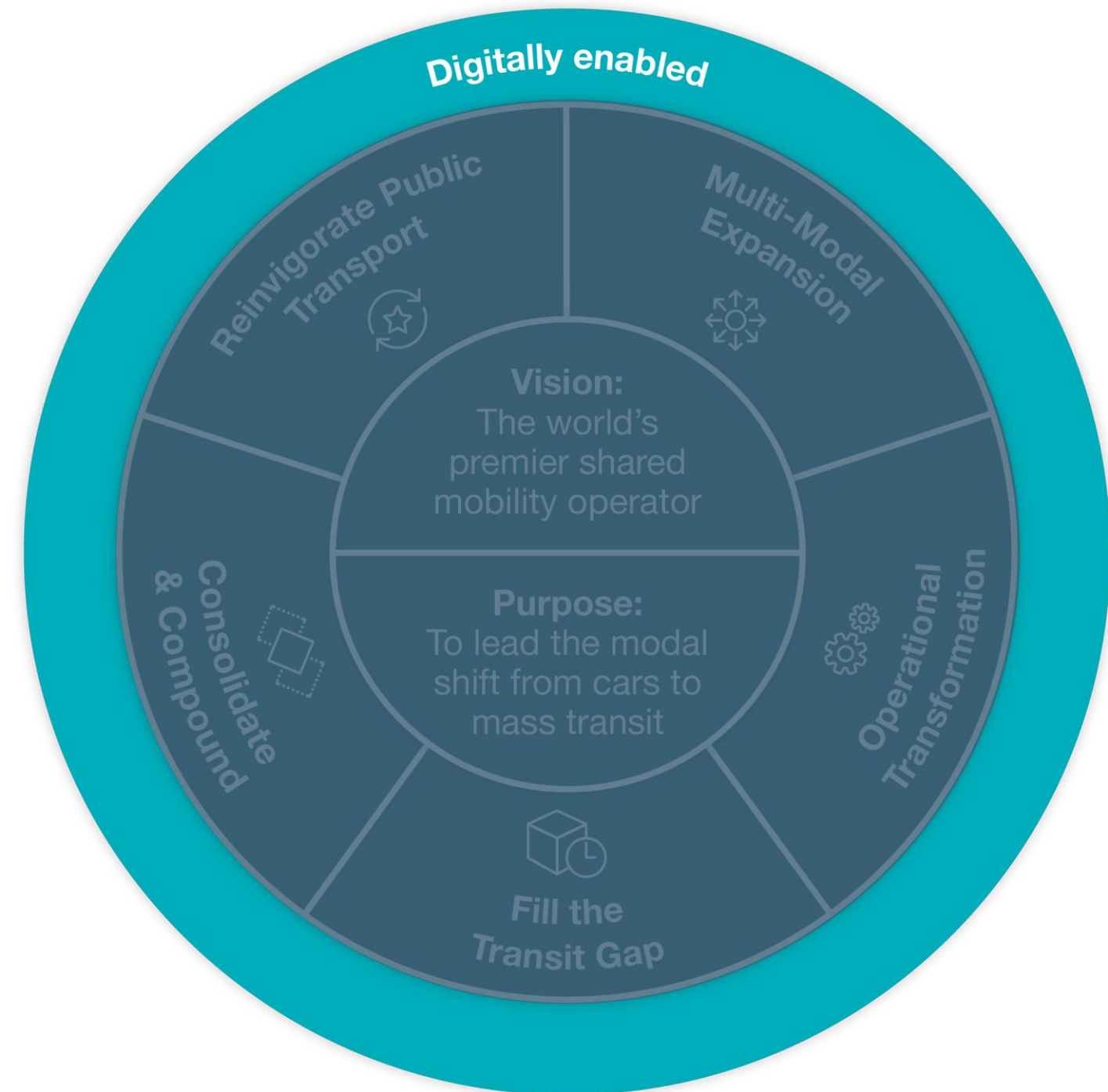
# The **evolve** strategy

...We deliver this through five customer propositions...



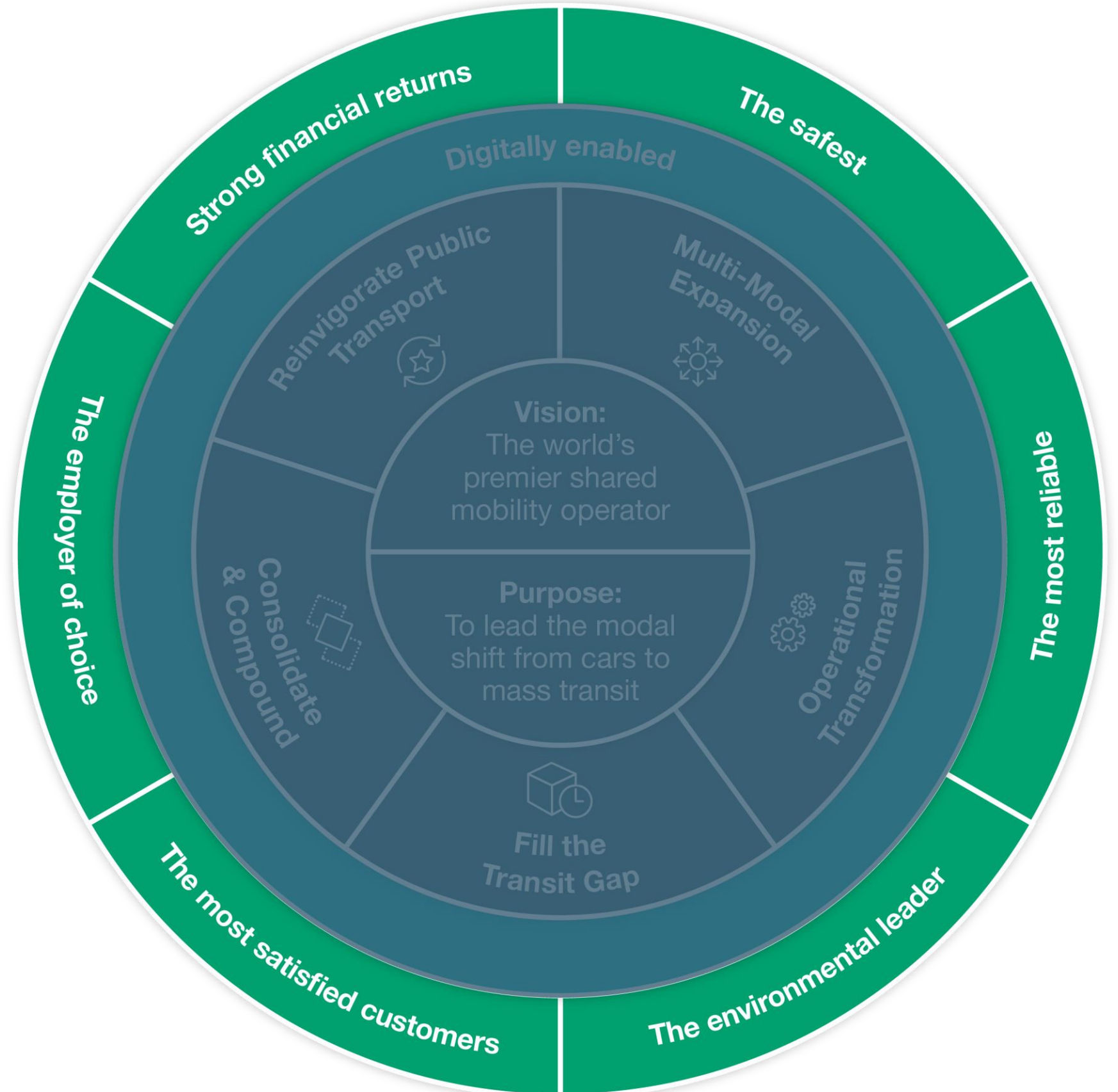
# The **evolve** strategy

...Which are enabled  
by focused application  
of technology...



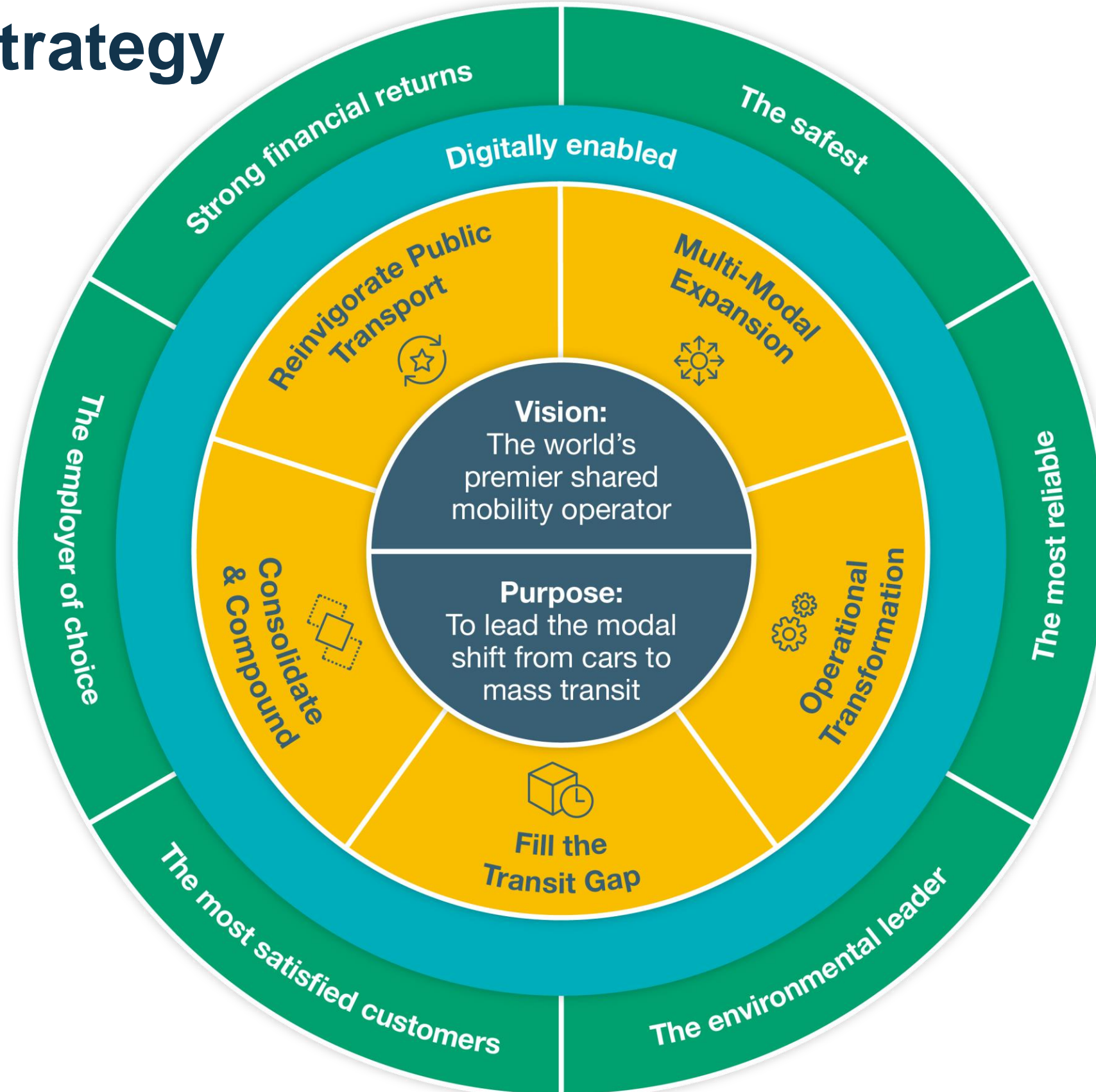
# The **evolve** strategy

...To deliver superior outcomes for all our stakeholders





# The strategy



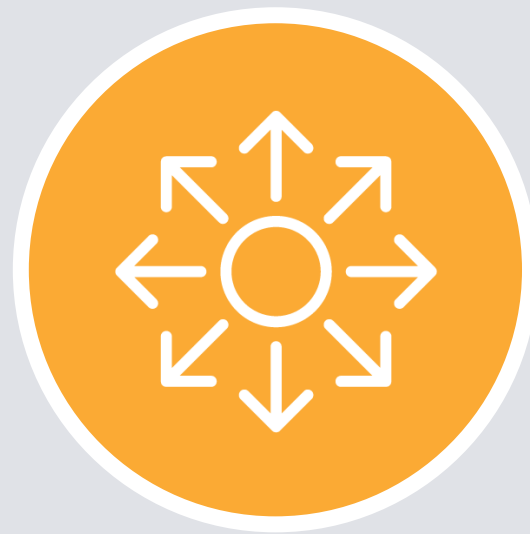
# The **evolve** strategy

We have five compelling, hard-to-replicate propositions



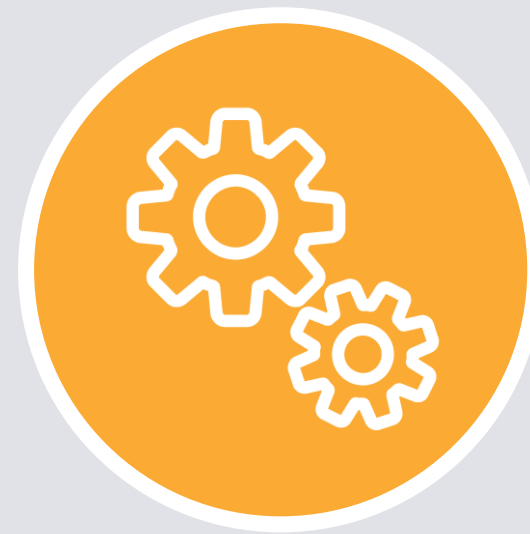
## Reininvigorate Public Transport

Grow use of public transport in cities by building partnerships with stakeholders who want sustainable solutions



## Multi-Modal Expansion

Build more modal capability and city hubs from existing locations where we already have a physical footprint



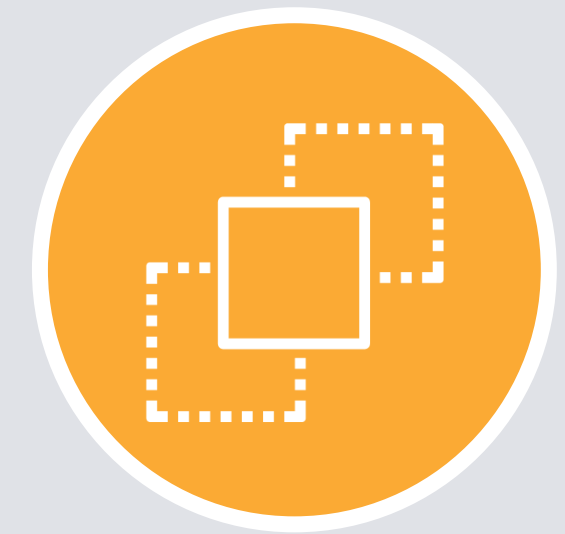
## Operational Transformation

Application of our best-in-class processes and know-how to drive efficiency, operational improvement and lower costs



## Fill the Transit Gap

Encouraging modal shift away from private cars in areas that are not well served by public mass transit



## Consolidate & Compound

Consolidate fragmented markets and create 'at scale' operations to drive operating efficiencies and better customer solutions



## Reinvigorate Public Transport is... rebuilding confidence in the public transport system by offering high-quality operations that passengers want to use

- We have consistently demonstrated our ability to reverse declining passenger trends when we have taken over troubled contracts
- We enhance social mobility in the communities we serve
- We grow use of public transport by building partnerships with authorities that want sustainable solutions to congestion and pollution
- Strong pipeline of opportunities worth c.£400m of revenue

### Agadir



- Commenced urban bus services in 2010
- Passengers increased six-fold from 8m to 48m
- Accident rate reduced by 90%

### Tangier



- Commenced urban bus services in 2012
- Passengers nearly quadrupled from 15m to 55m
- Accident rate reduced by 80%

# The **evolve** strategy Reinvalidate Public Transport







## Multi-Modal Expansion is...

expanding the breadth of our product offering, based on global know-how and local relationships

- There are opportunities to “land and expand” as we enter new cities
- We have already implemented this in cities such as Birmingham, Chicago, Coventry, Madrid, Marrakech and New York
- We will build more modal capability and city hubs from existing locations
- Strong pipeline of opportunities worth c.£300m of revenue



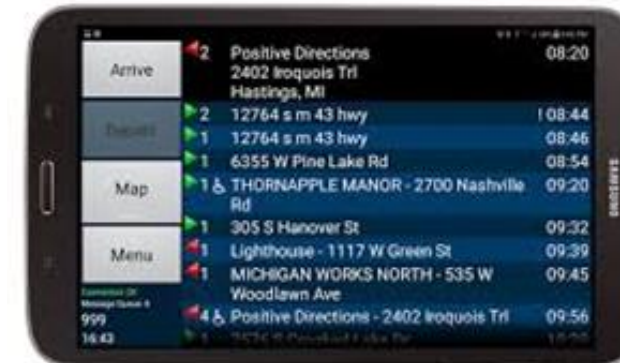




**Operational Transformation is...**  
driving growth by delivering transport solutions more efficiently than our competitors through processes enabled by technology

- Operations playbook - the NX way: globally consistent processes with ability to rapidly implement and scale
- Opportunities to drive change:
  - Implement operational blueprint at scale
  - Turn round under invested operations
  - Modernise
- Strong pipeline of opportunities worth c.£200m of revenue

Route planning technology used on our paratransit vehicles in the US and UK

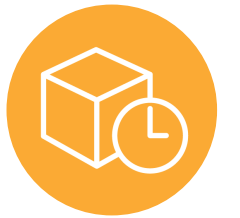


**national express**  
**Accessible Transport**

# The **evolve** strategy Operational Transformation



# The **evolve** strategy Fill the Transit Gap



## Fill the Transit Gap is...

helping businesses and cities transition from the private car in places that are not well served by existing public mass transit

- \$2 billion US corporate shuttle market growing at over 4% CAGR
- WeDriveU serves many of the largest businesses on the West Coast and is expanding across the US
- We are seeing increasing demand globally for B2B services
- Opportunities to expand throughout our existing footprint
- Strong pipeline of opportunities worth c.£300m of revenue

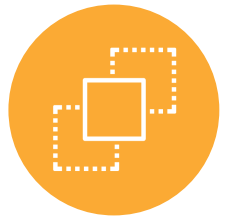
**national express**



Corporate shuttle services that enable employees to use their commute time productively







## Consolidate & Compound is... the consolidation of fragmented markets to bring the benefits of scale and consistent service

- US School Bus: acquire 'bolt ons' at attractive multiples, drive c.15% returns
- Spain: consolidate regional and urban services from initial acquisition point
- UK: demand aggregation of fragmented private hire and accessible transport markets
- Selective, larger acquisitions to step-change / accelerate capabilities
- Strong pipeline of opportunities worth c.£300m of revenue

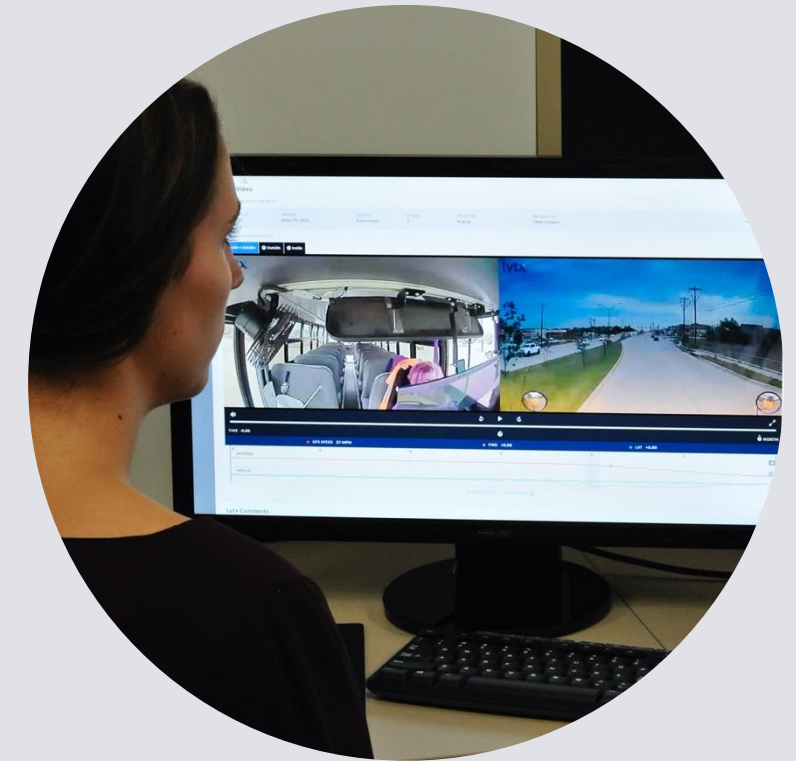
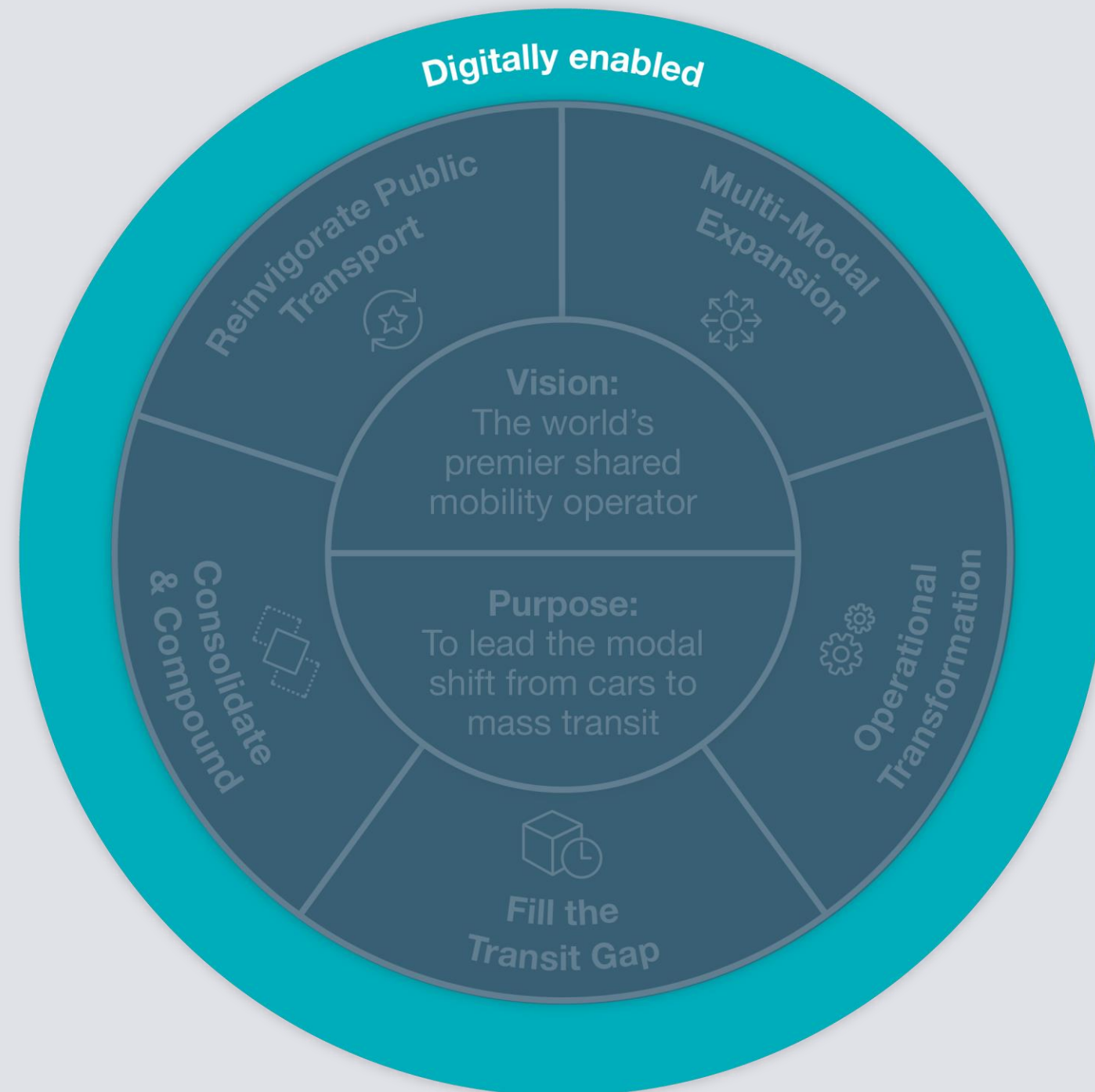




# The **evolve** strategy Digitally enabled



DriveCam safety technology deployed on one of our vehicles



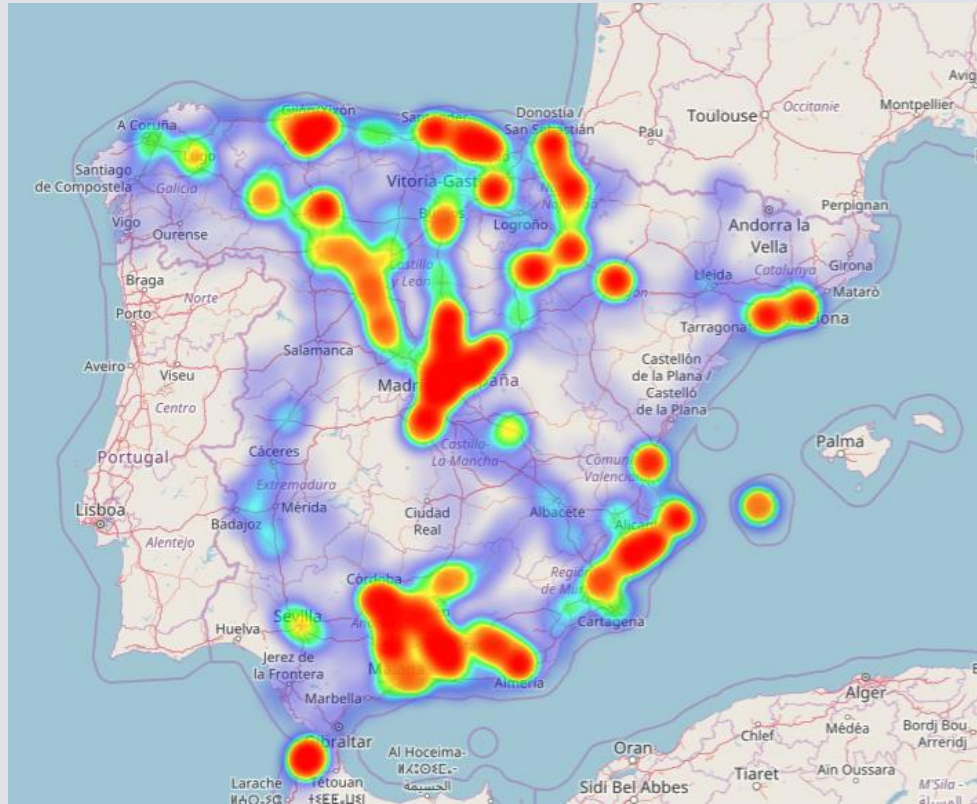
Reviewing DriveCam footage showing driver behaviour



# The **evolve** strategy Digitally enabled: Two examples

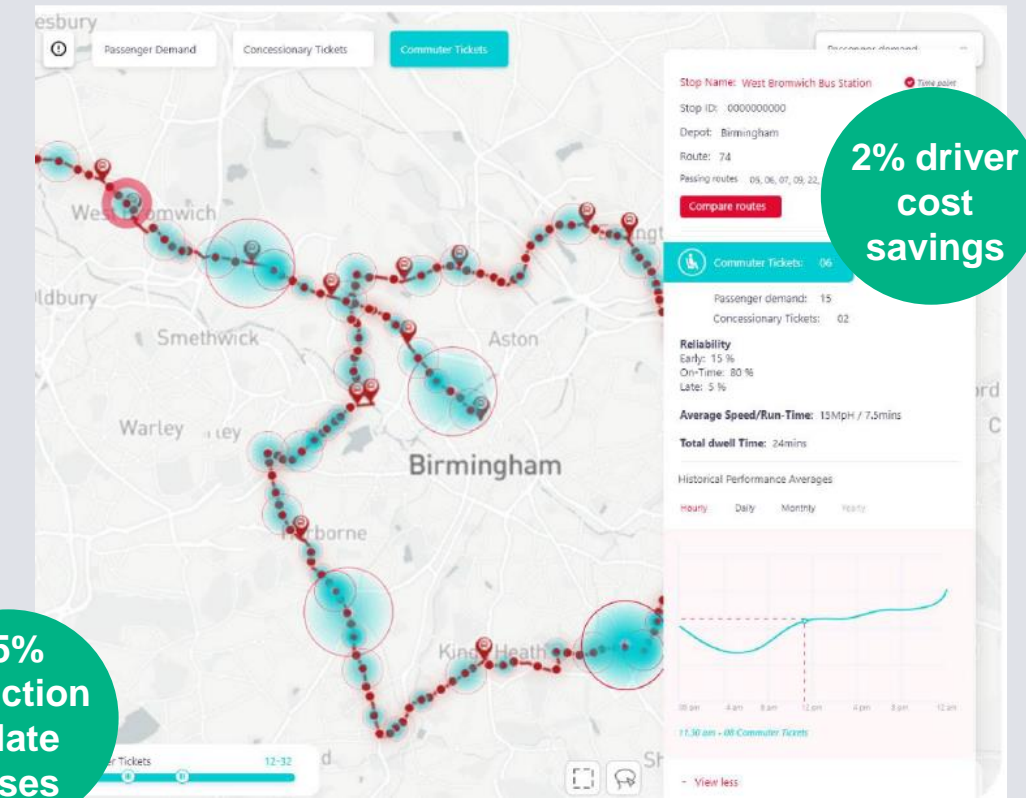
## The safest

**Speeding control technology** linking data and telematics to give us real-time information to monitor and improve safety



## The most reliable

**Network optimisation software** to cut costs, grow revenue and improve the customer experience



# The **evolve** strategy



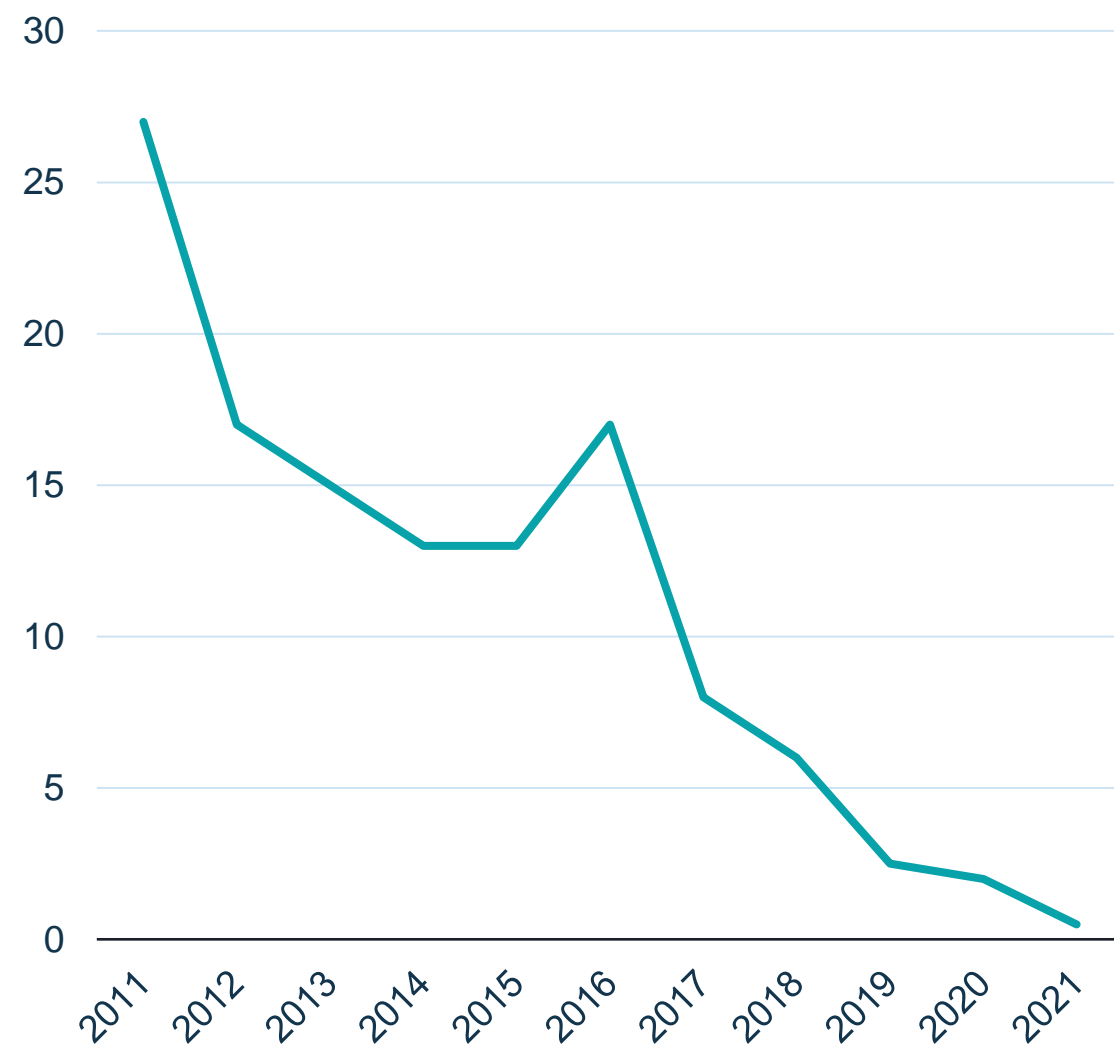
# The **evolve** strategy



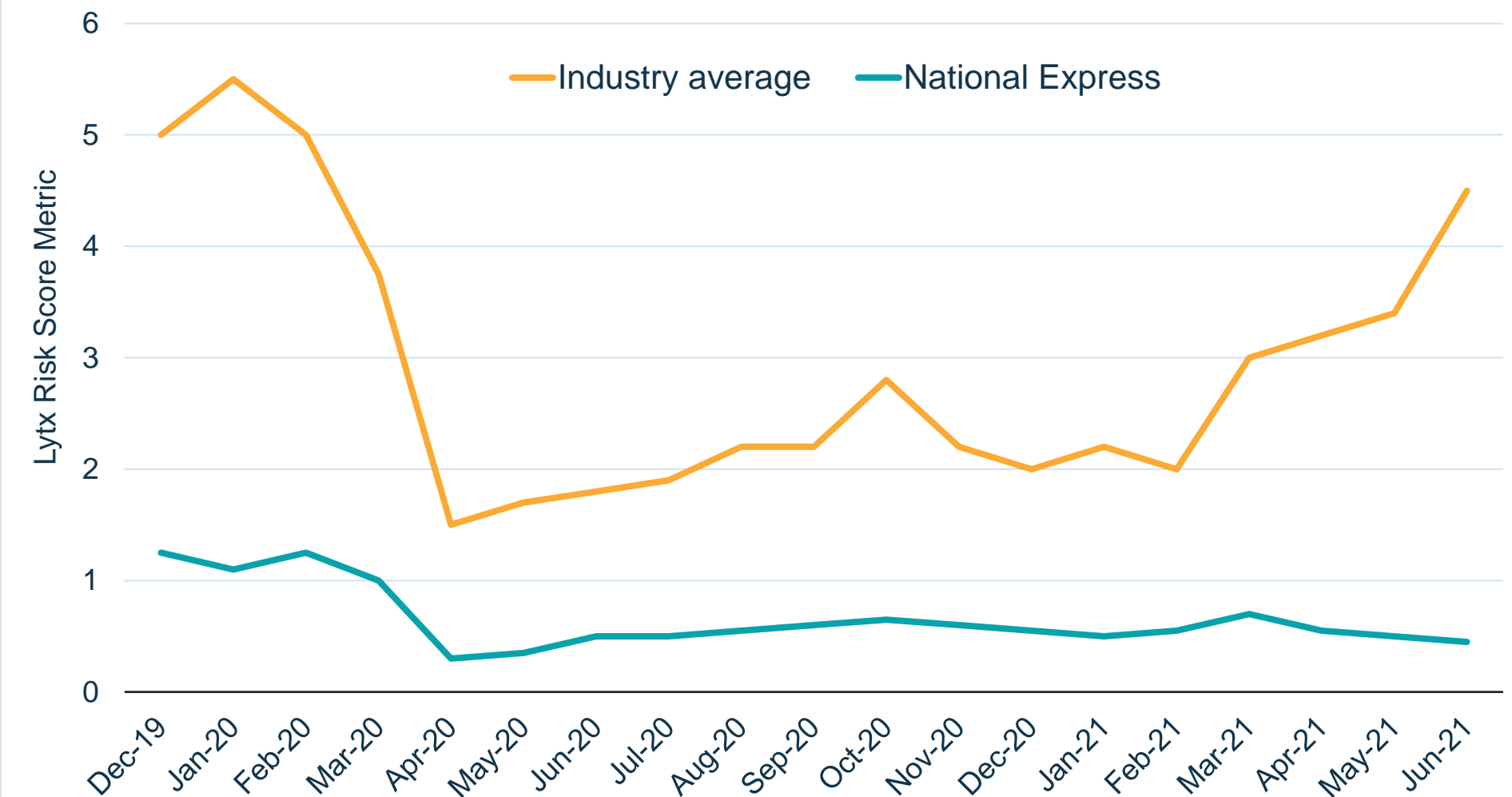
# The **evolve** strategy Outcomes: The safest



### 10-year Group FWI progression



### Lytix Risk Score\*



\* This is a risk score produced by Lytix, the providers of DriveCam. The National Express score represents the UK Bus business

# The **evolve** strategy Outcomes: The safest





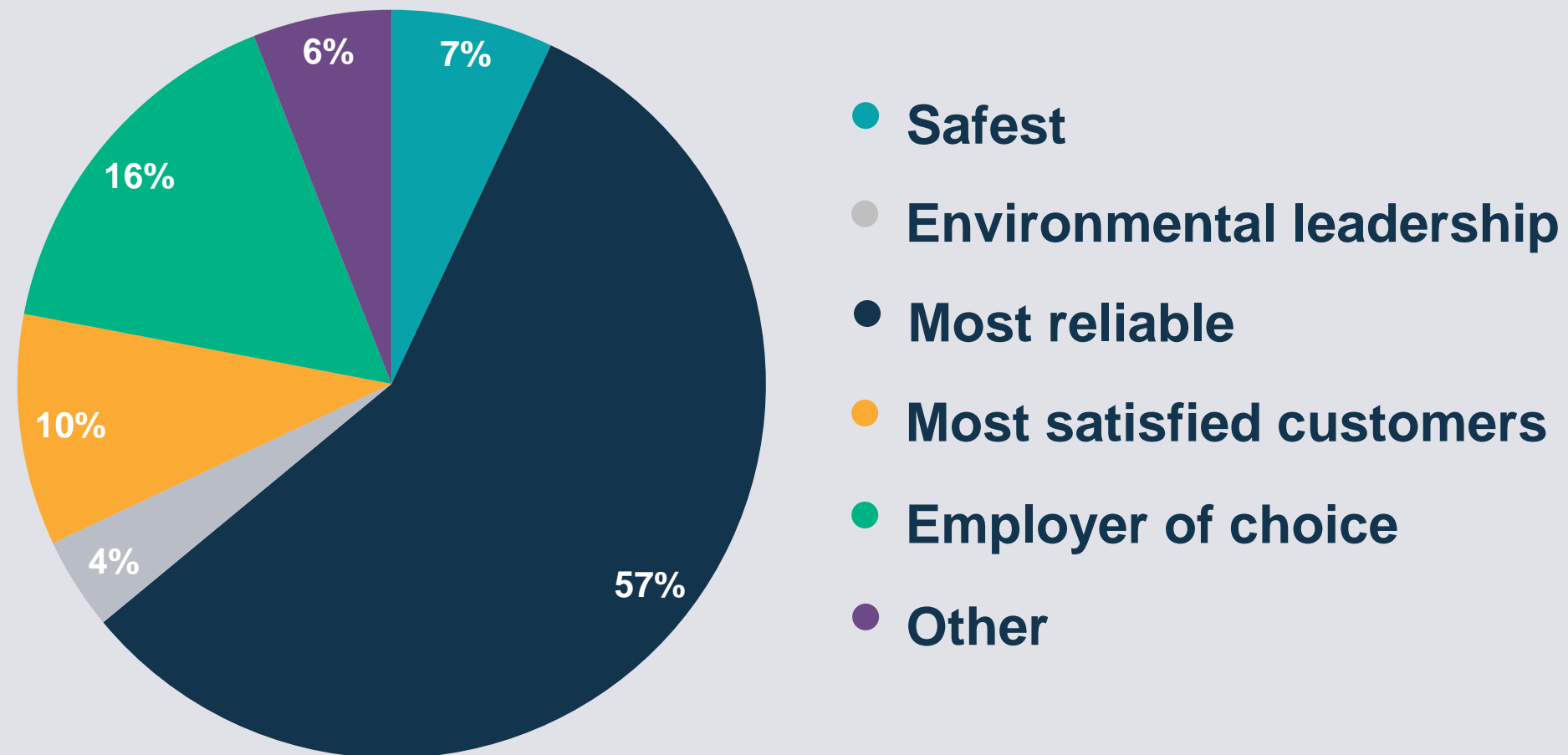
# The **evolve** strategy



# The **evolve** strategy The most reliable



A typical split of how customers award quality marks in assessing bids:

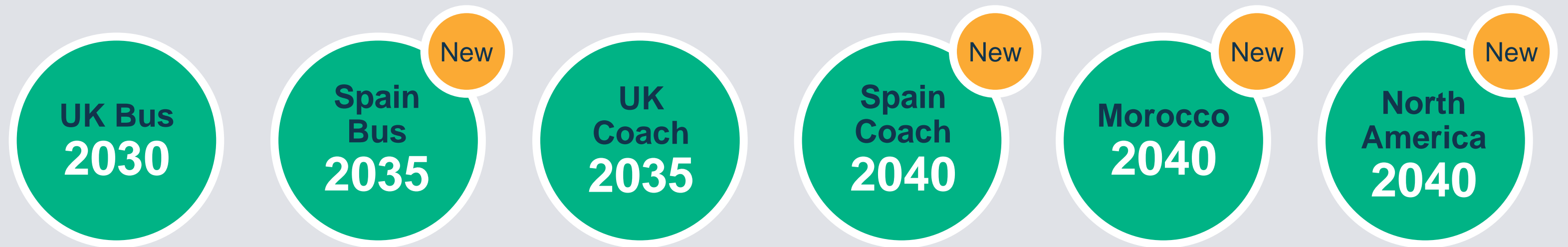


# The **evolve** strategy





Zero emission fleet targets



Scope 1 and 2 emissions net zero target

2040

# The **evolve** strategy

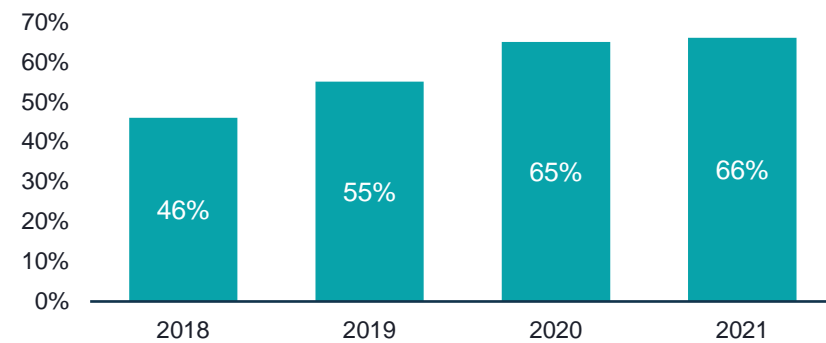






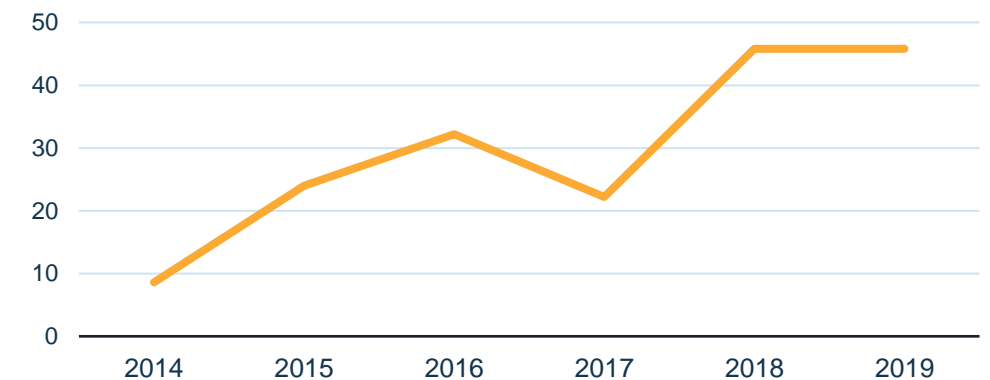
## Satisfied customers drive loyalty, retention and better financial returns

School Bus customers rating 5 out of 5

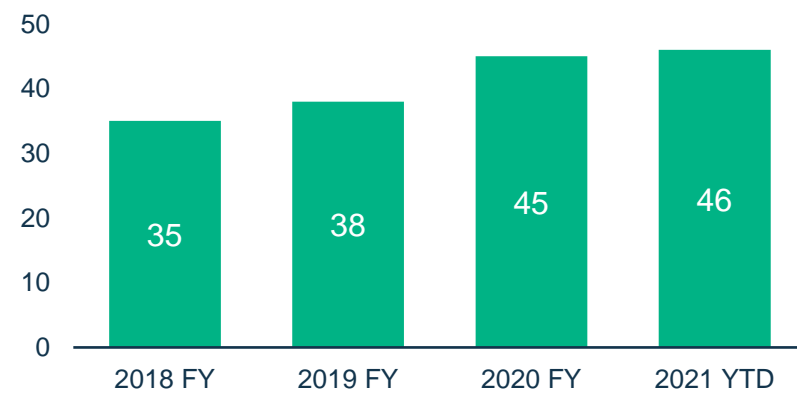


**Best passenger transport company in Spain\***

ALSA net promoter score



UK Coach net promoter score



**National Express Coaches**

Reviews 48,679 • Excellent  
★★★★★ 4.4

**“Excellent” rating on TrustPilot for UK Coach**

**Number 1 transport brand in the UK\*\***

# The **evolve** strategy



# The strategy





# Proposed combination with Stagecoach

## – Accelerating our strategy



**national express**

- **Generates significant additional capacity to accelerate growth investment in ALSA and North America**
- **Creating a stronger platform in an increasingly ‘bus-friendly’ UK market ahead of £3bn National Bus Strategy**
- **Exciting opportunity to combine with a high quality operator with well aligned values**
- **At least £35m of reported cost synergies<sup>1</sup>**
- **Accelerate reduction in leverage towards 1.5-2.0x target and enhance capacity for dividends**
- **Unparalleled opportunity for shared value creation for both sets of shareholders**

1. This statement constitutes a Quantified Financial Benefits Statement (QFBS) for the purposes of the Takeover Code. As required by Rule 28.1(a) of the Takeover Code, PricewaterhouseCoopers LLP, as reporting accountants to National Express, and Merrill Lynch International and HSBC Bank plc, as financial advisers to National Express, have provided reports on this QFBS. These reports as well as details of the National Express directors' bases of belief and principal assumptions adopted in making this QFBS are set out in the announcement made by National Express on 21<sup>st</sup> September 2021, a copy of which can be found here: [www.nationalexpressgroup.com/investors/possible-combination](http://www.nationalexpressgroup.com/investors/possible-combination)



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Part 3

# Divisional Overviews

**Francisco Iglesias** ALSA CEO

**Gary Waits** North America CEO

**Tom Stables** UK & Germany CEO

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Part 3a

# ALSA

# Overview

Francisco Iglesias ALSA CEO

# ALSA – Overview of our operations and markets

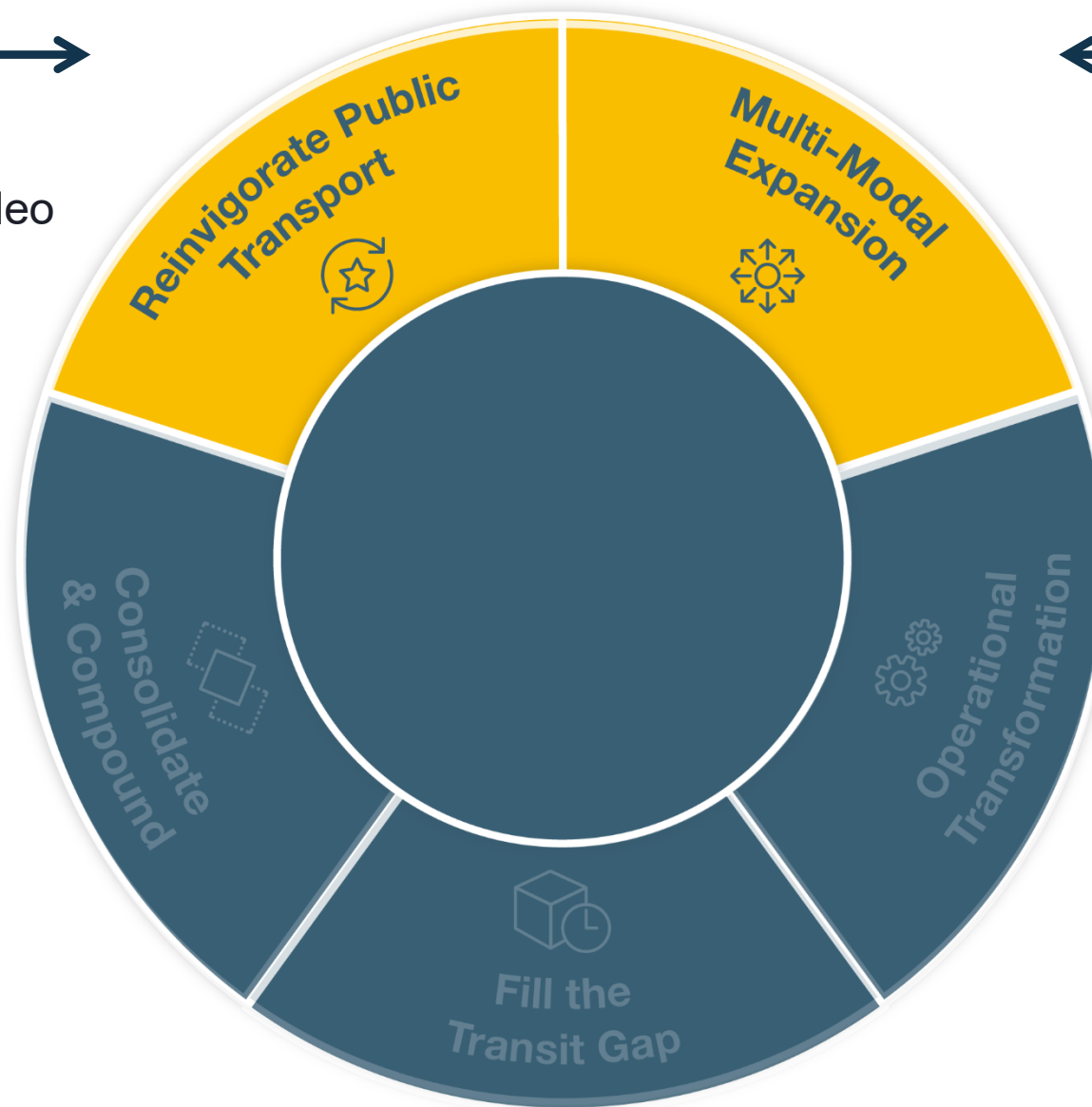


# ALSA – Examples of our customer propositions

## Example: Casablanca

See “Reinvigorating Public Transport” video

## Example: Bilbao



## Example: Madrid





# ALSA – Reinvigorating Public Transport: Bilbao

## Before

- Service interruptions, frequent strikes
- Poor relations with unions and employees
- Unhappy customers
- Poor reliability and maintenance
- Weak relationships with the local authorities
- Loss making contract

39 days lost  
through  
strikes  
between  
2008-2012

715  
accidents in  
2012

404 at fault



# ALSA

## Reinvigorating Public Transport: Bilbao

### After

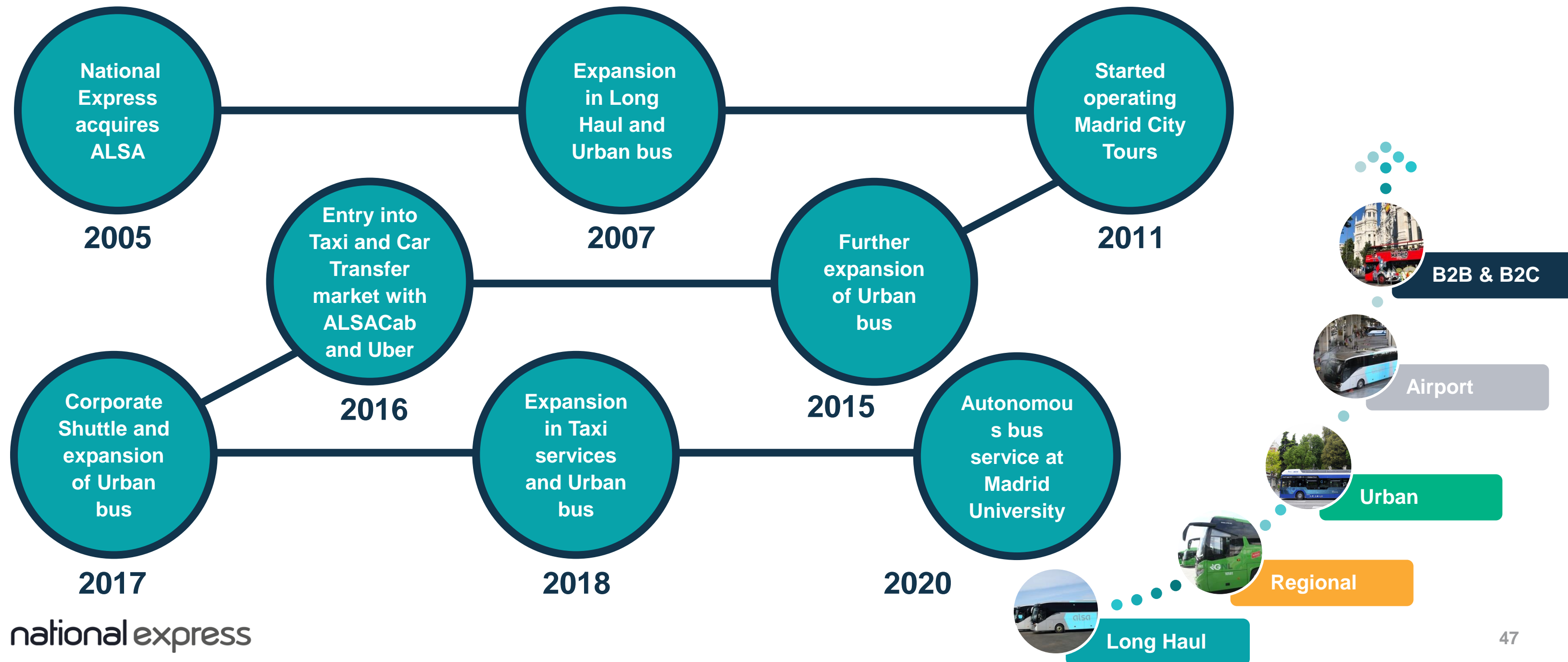
- **Safety significantly improved**
  - 69% reduction in at-fault accidents
- **Significantly improved union and employee relationships**
  - No strikes for 6 years
- **Quality of service significantly improved**
  - Urban Transport company of the year
- **Strong relationship with the local authorities**
  - Contract expanded and renewed for 10 years
- **Profitable contract**

national express





# ALSA – Multi-Modal Expansion: Madrid



# ALSA – Future growth prospects: Spain

**Regional  
€1.7bn  
market size**

**Urban &  
Metropolitan  
€1.6bn  
market size**

- **Government policy to meet decarbonisation and clean air targets driving demand and modal shift**
- **Continued diversification of Spanish business**
- **Increase penetration of Urban and Regional markets: greater mix of revenue protected contracts**
- **Build exposure to tourism, charter services and corporate shuttle markets**
- **Strong pipeline – over £250m of annual revenue in upcoming tenders and acquisition targets**



# ALSA – Future growth prospects: Morocco and International



## Morocco

- Further urban gross contract opportunities
- Opportunities within our existing contracts
- Entry into the €300m intercity coach market

## International

- Expanding in our existing markets – Switzerland and Portugal
- Over £100m pipeline of opportunities in high potential European cities

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Part 3b

# North America Overview

**Gary Waits** North America CEO

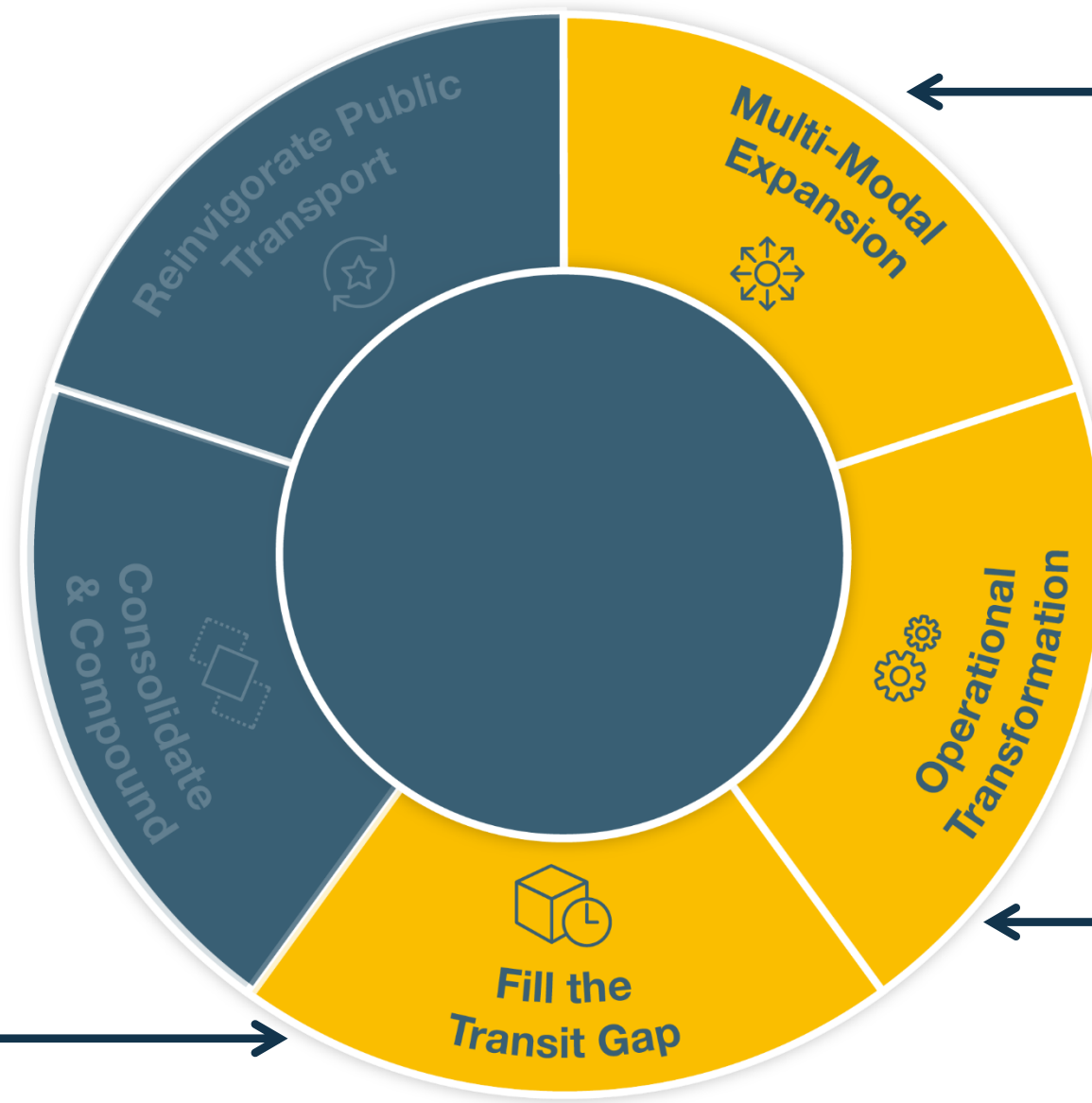
# North America – Overview of our operations and markets



# North America – Examples of our customer propositions



**Example: Shuttle**



**Example: Chicago**



**Example: Driving Excellence**

See "Operational Transformation" video



# North America – Multi-Modal Expansion: Chicago

- **Acquisition of CDT in 2017**
- **Rapidly expanded from core paratransit to:**
  - **Student transportation**
  - **Charter and field trips**
- **Expanded presence winning further paratransit contracts**
- **Harnessing efficiencies through shared depots, maintenance facilities, driver and vehicle pools**

national express

Transit, charter and student transportation vehicles operated by CDT



# North America – Fill the Transit Gap: Shuttle

- Acquired WeDriveU in 2019
- Transporting employees and students to large and growing campuses where public transport provision is poor and environmental restrictions limit private car use
- Helping successful corporations attract the best people and improve employee productivity



## Residential bus service

Passengers are picked up close to residence and are driven to work



## Intra-/inter-campus service

Passengers are transported around a large campus and to and from remote campus locations



## Last mile

Passengers are picked up from mass transit or are shuttled to work from remote parking



## On demand

Private app-based service for employees within geo-fenced locations

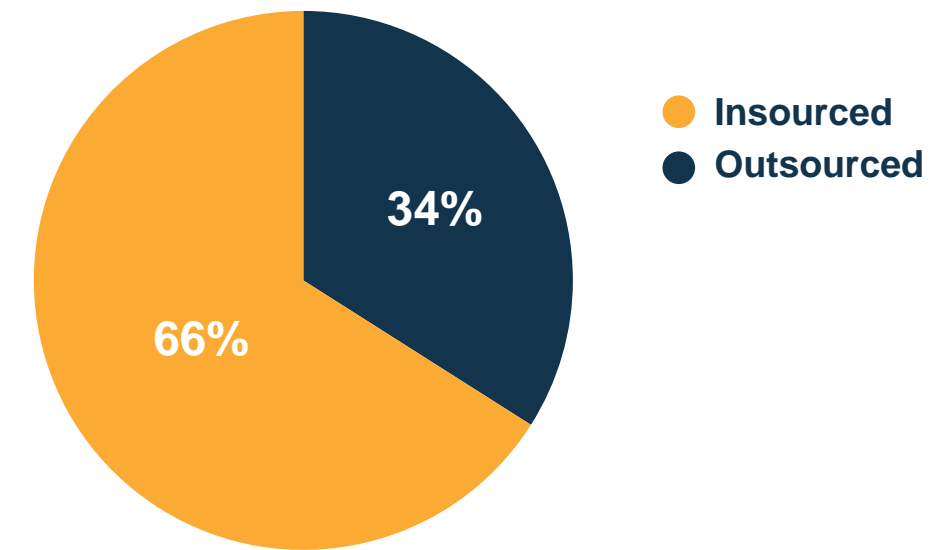
# North America – Future growth prospects: School Bus

Over £300m annual revenue from upcoming organic and inorganic opportunities in a large and fragmented market

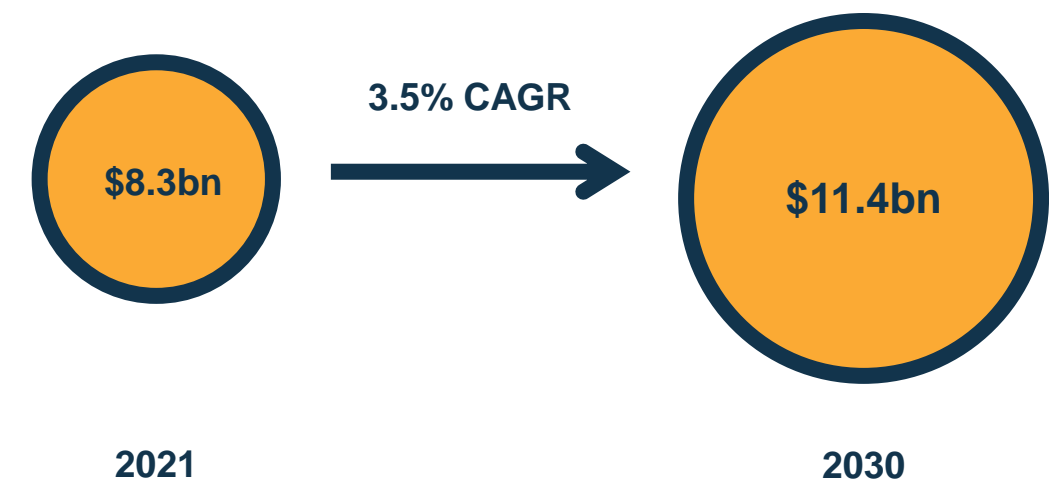
- Consolidation of smaller operators as the industry continues to professionalise
- Potential for further outsourcing
- Opportunities to grow high margin private charter

**Efficiency improvements through Driving Excellence**

Breakdown of US school bus market



US outsourced school bus market

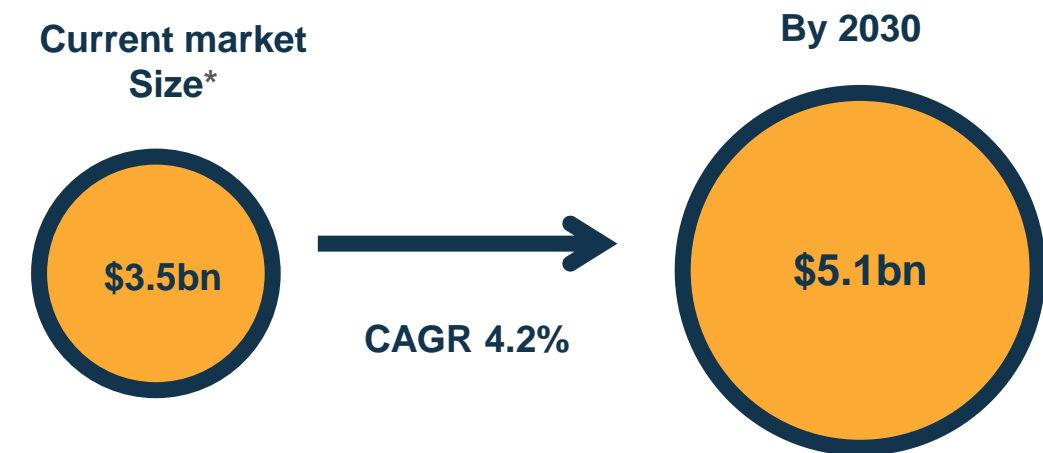


# North America – Future growth prospects: Transit

## Significant organic growth opportunities in a large and growing market

- Our sweet spot is Paratransit
- Ageing US demographic supports growth – forecast market growth over 4% p.a. through to 2030
- Success in Chicago, Boston and Washington proving our capabilities for other big city paratransit contracts
- Around £250m pipeline of annual revenue from upcoming bidding opportunities

### Outsourced paratransit market



\* Addressable market size

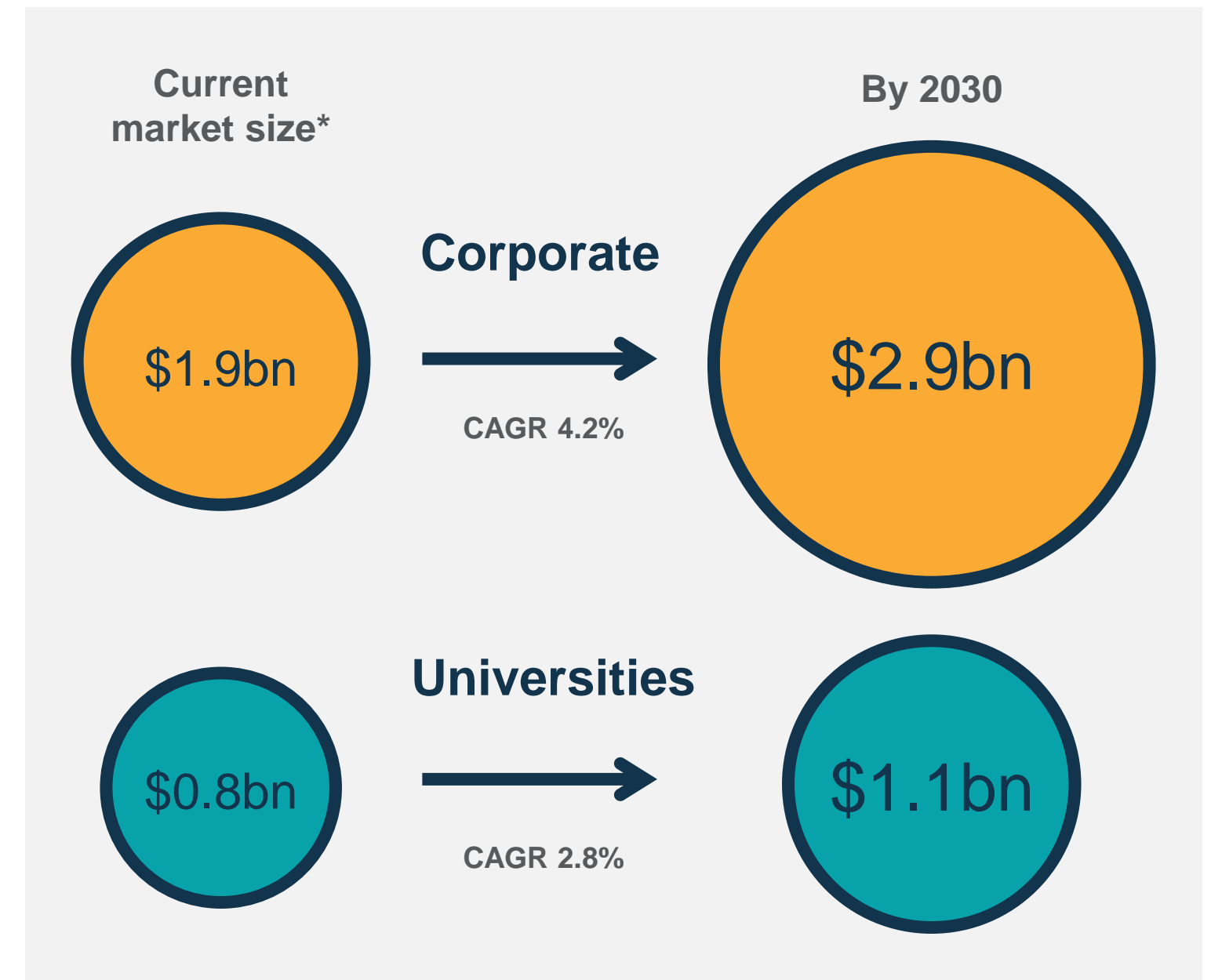




# North America – Future growth prospects: Shuttle

## Attractive underlying growth markets – significant opportunities to fill the transit gap

- Growing with existing customers who are expanding rapidly
- Geographic expansion with our customers across the US
- Significant growth potential in the University shuttle market
- Leading the decarbonisation of fleet
- Annualised contract value of bids over the next 18 months of over £150m



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Part 3c

# UK & Germany

# Overview

Tom Stables UK & Germany CEO

# UK & Germany – Overview of our operations and markets



# UK & Germany – Examples of our customer propositions

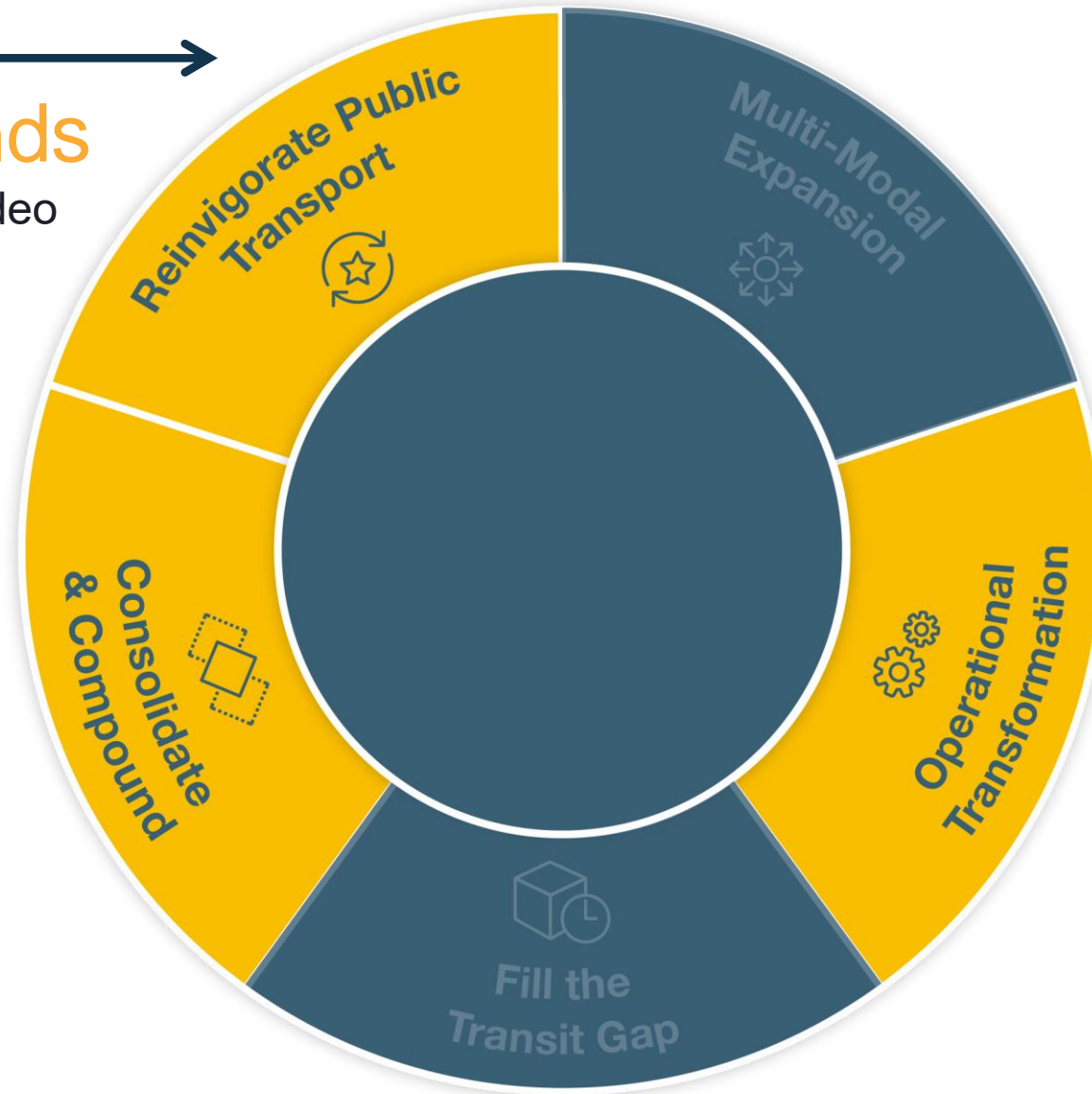
## Example: West Midlands

See “Reinvigorating Public Transport” video

## Example: NETS



national express



## Example: NEAT



# UK & Germany – Operational Transformation: NEAT

- **Rapid improvement in service through digitalised processes:**
  - Data driven routing driving efficiency
  - Real-time performance information, journey tracking and logging
  - Safety technology reduced costs of claims
- **Improved quality of service and contract profitability and won additional business in Birmingham and nearby councils**
- **£1.1bn Special Education Needs market growing at 8% CAGR**
  - NEAT already the 2nd largest player



One of our Special Educational Needs Vehicles in NEAT

# UK & Germany – Consolidate & Compound: NETS

- Consolidating small regional businesses into NETS – our Transport Solutions business
- Leveraging the National Express brand and reputation for customer service and safety to drive consolidation in a large fragmented market
- Shared infrastructure driving efficiencies and providing competitive advantage



**Lucketts Travel**  
Coach hire and holidays



**Stewart's Coaches**  
Coach hire and holidays



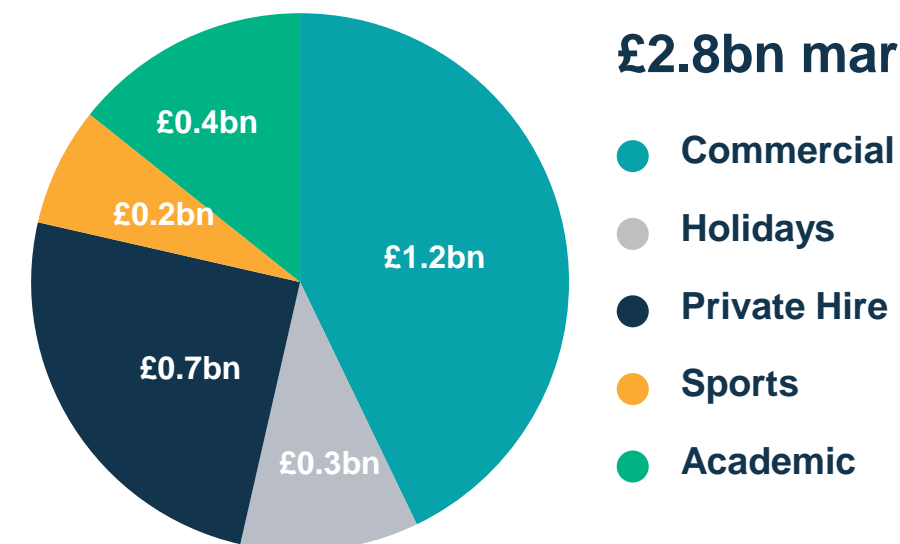
**Clarke's of London**  
Coach hire and commuter



**Woods Coaches**  
Holidays and coach hire



**Kings Ferry**  
Commuter and coach hire





# UK & Germany – Proposed combination with Stagecoach: Accelerating our strategy

- Platform to accelerate our growth
- Exciting opportunity to deliver significant operational efficiencies and bring ‘best of both’ from combined operational capabilities
- Creating a stronger platform in an increasingly ‘bus friendly’ UK market ahead of £3bn National Bus Strategy
- Continue to enhance strong relationships with key public sector stakeholders
- Seek to maintain industry-leading environmental and sustainability standards – free cash flow opportunity from rotation to ZEV availability models



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Part 4

# Financial Framework

Chris Davies CFO

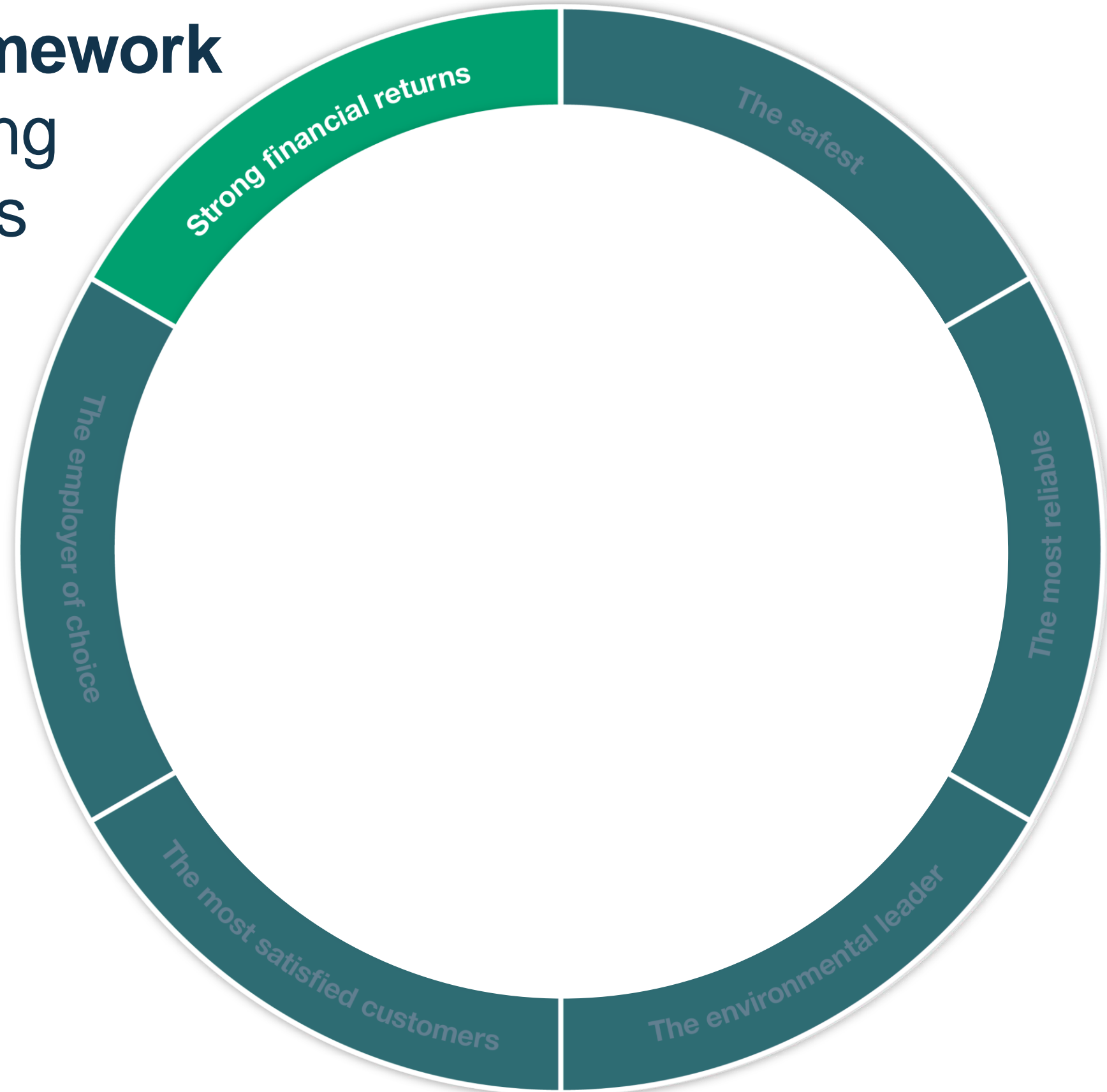


# Financial Framework

## Delivering strong financial returns

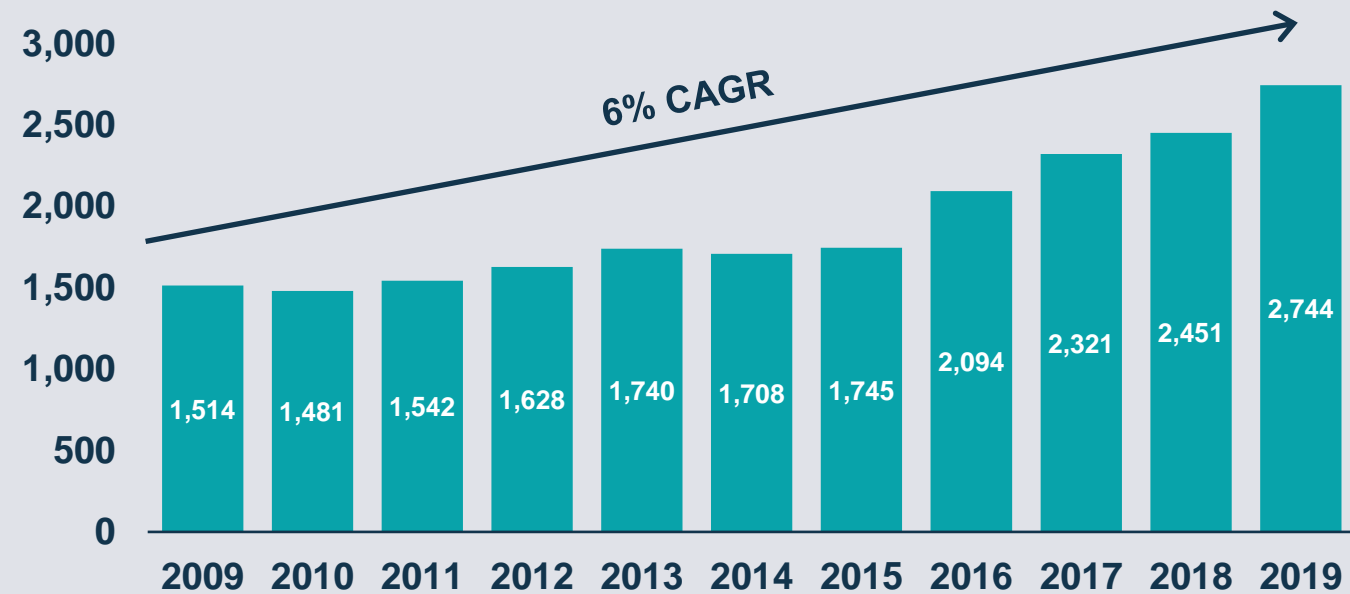


Note: unless otherwise stated, all information herein is excluding the impact of the potential all-share combination with Stagecoach Group plc announced on 21<sup>st</sup> September 2021

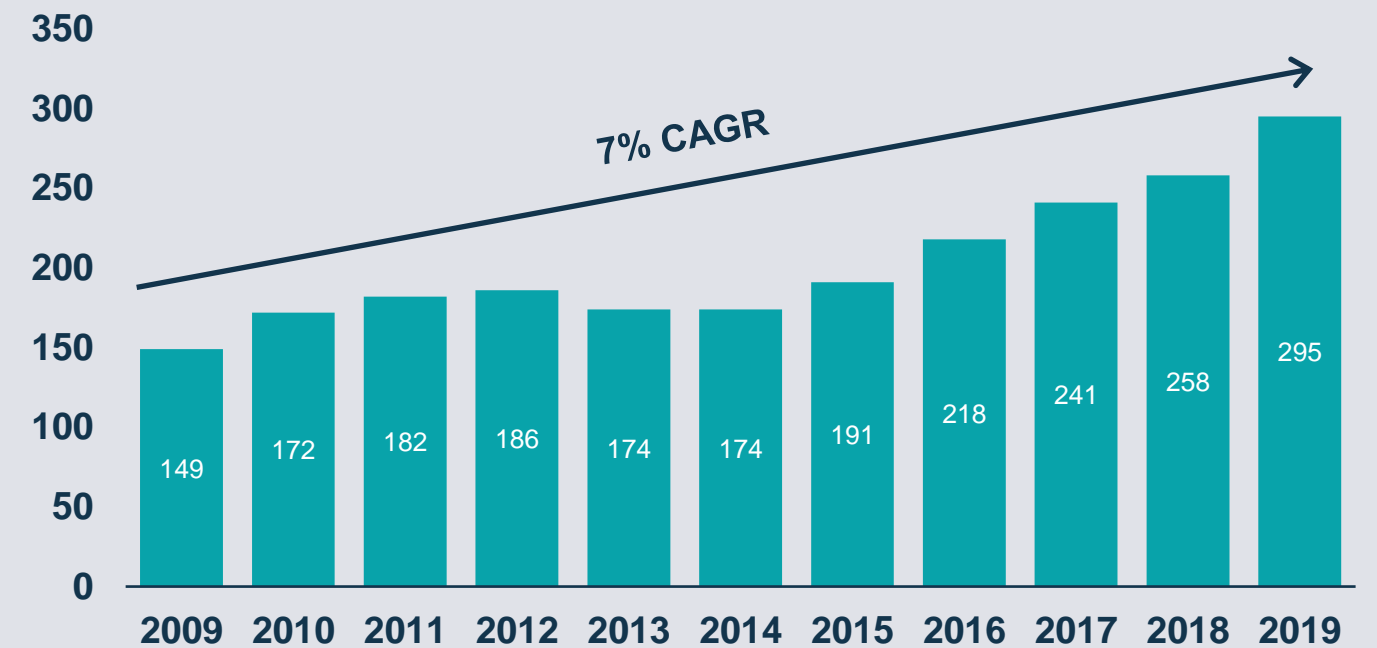


# Financial Framework – Strong track record of delivering strong financial results

## Revenue



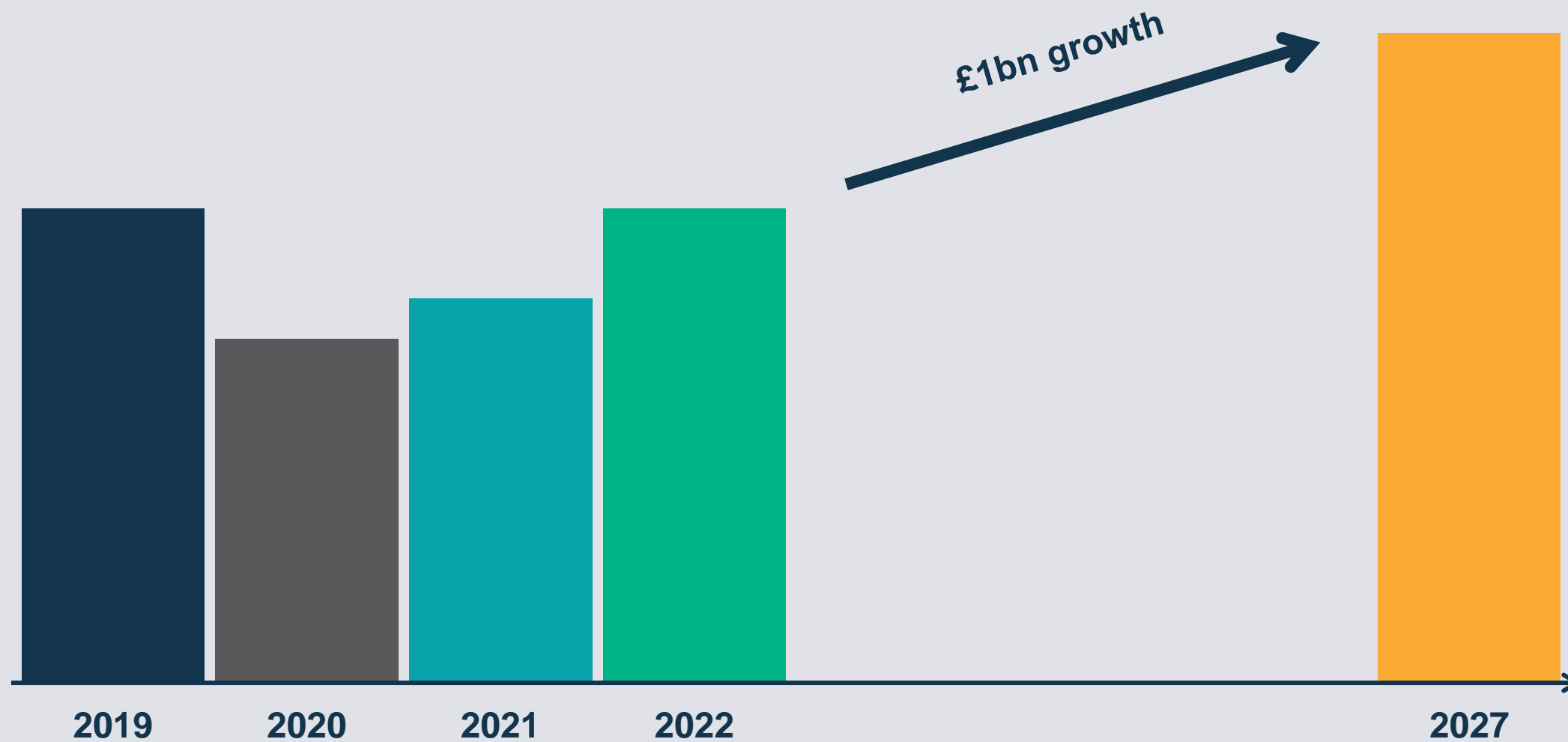
## EBIT



Notes:

1. Previous years restated to remove Rail and Midland Metro, where applicable
2. The charts above show the performance to 2019. 2020 and 2021 excluded due to temporary impact of pandemic

# Financial Framework – Revenue recovered by 2022, adding £1bn over the following 5 years



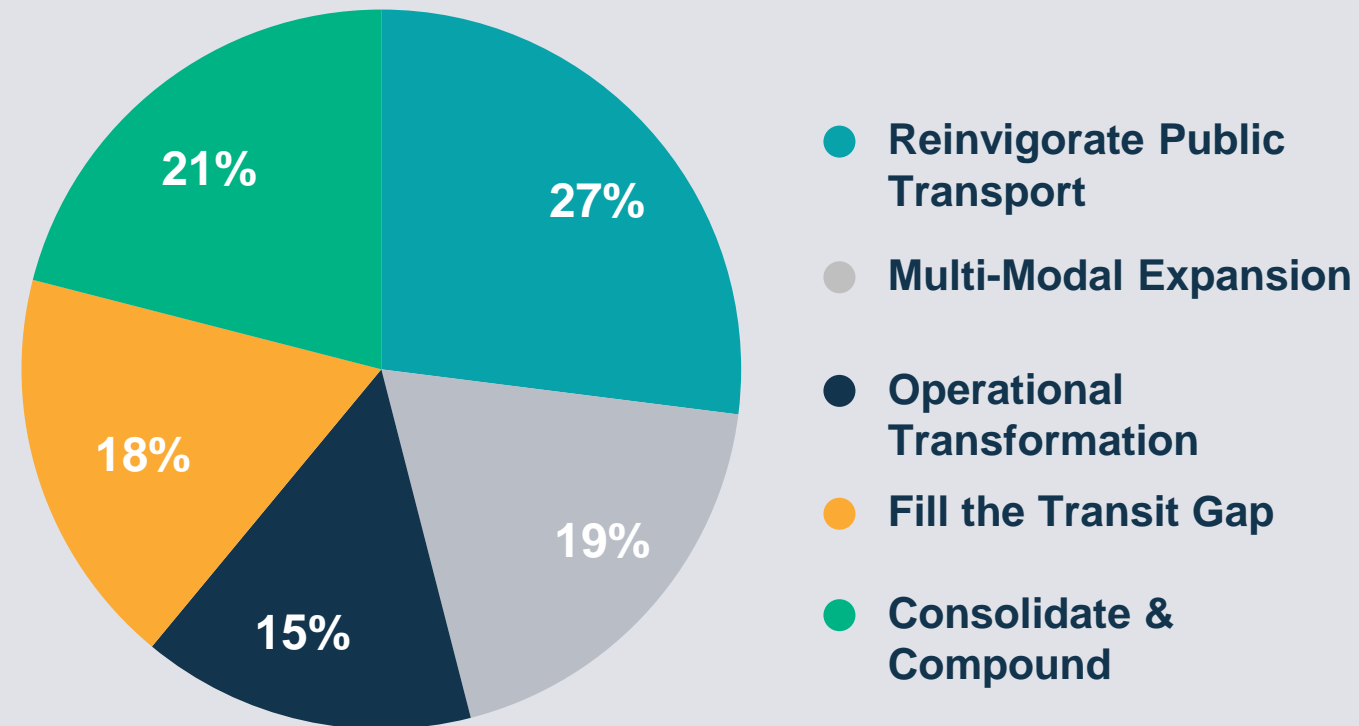
**Targeting additional £1bn of revenue by 2027**

Notes:

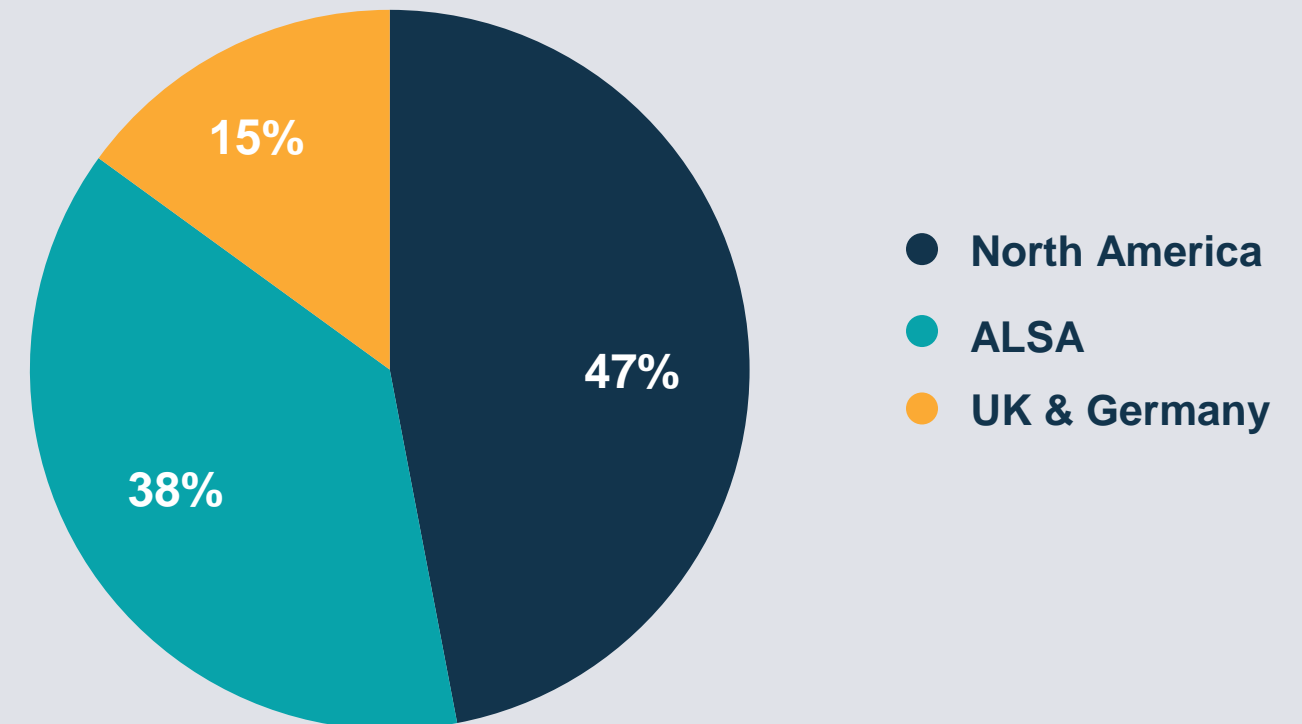
1. Indicative split of £1bn revenue growth: 45% North America, 30% ALSA and 25% UK & Germany
2. The statements on this page regarding future financial performance are aspirational targets and are not intended to be profit forecasts or estimates for any period and no statement should be interpreted to mean that earnings or earnings per share for National Express, as appropriate, for the current or future financial periods would necessarily match or exceed the historical published earnings or earnings per share for National Express.

# Financial Framework – Strong pipeline of growth opportunities

£1.5 billion pipeline by customer proposition

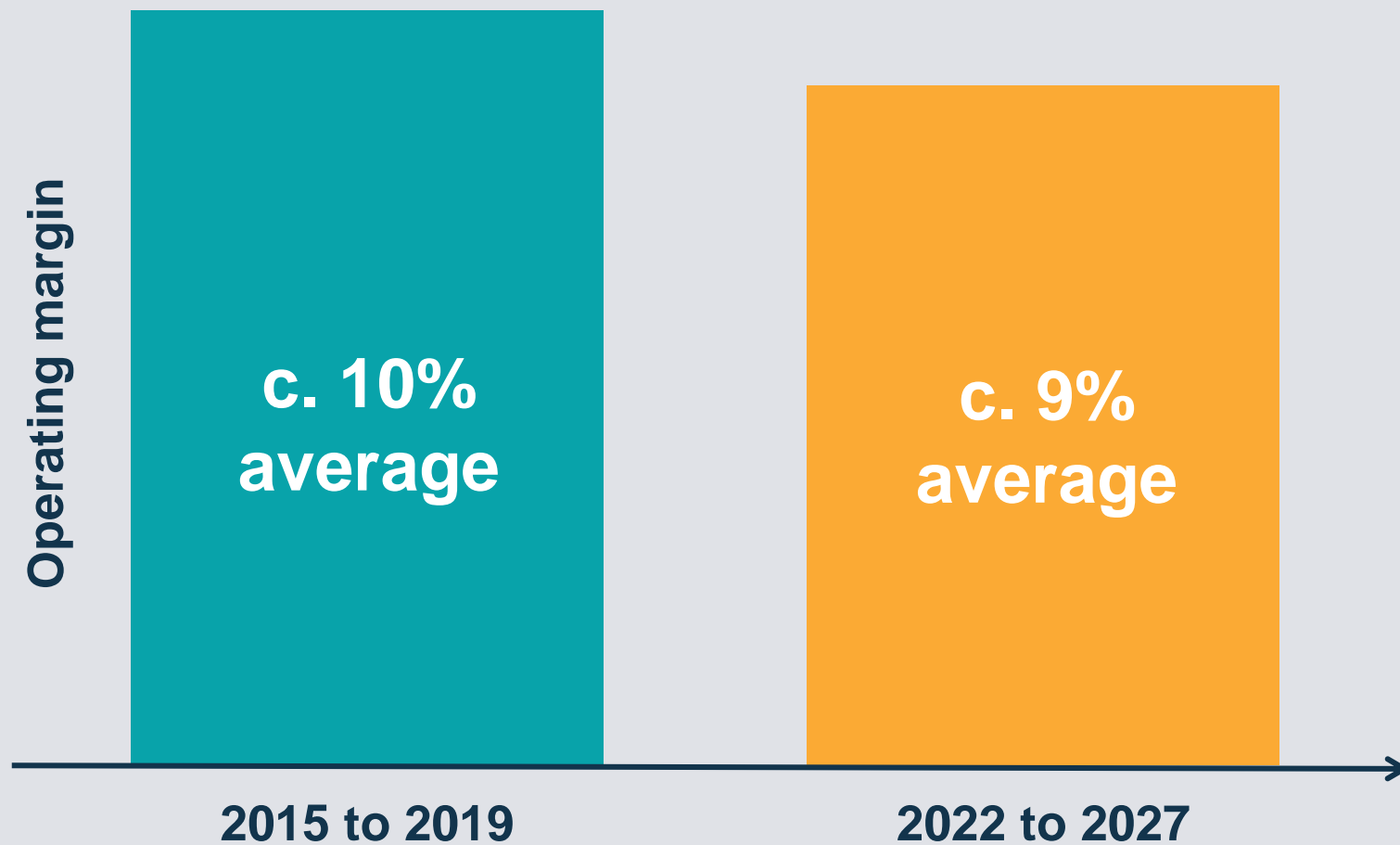


£1.5 billion pipeline by division





# Financial Framework – Margin averaging circa 9%, adding over £100m EBIT by 2027



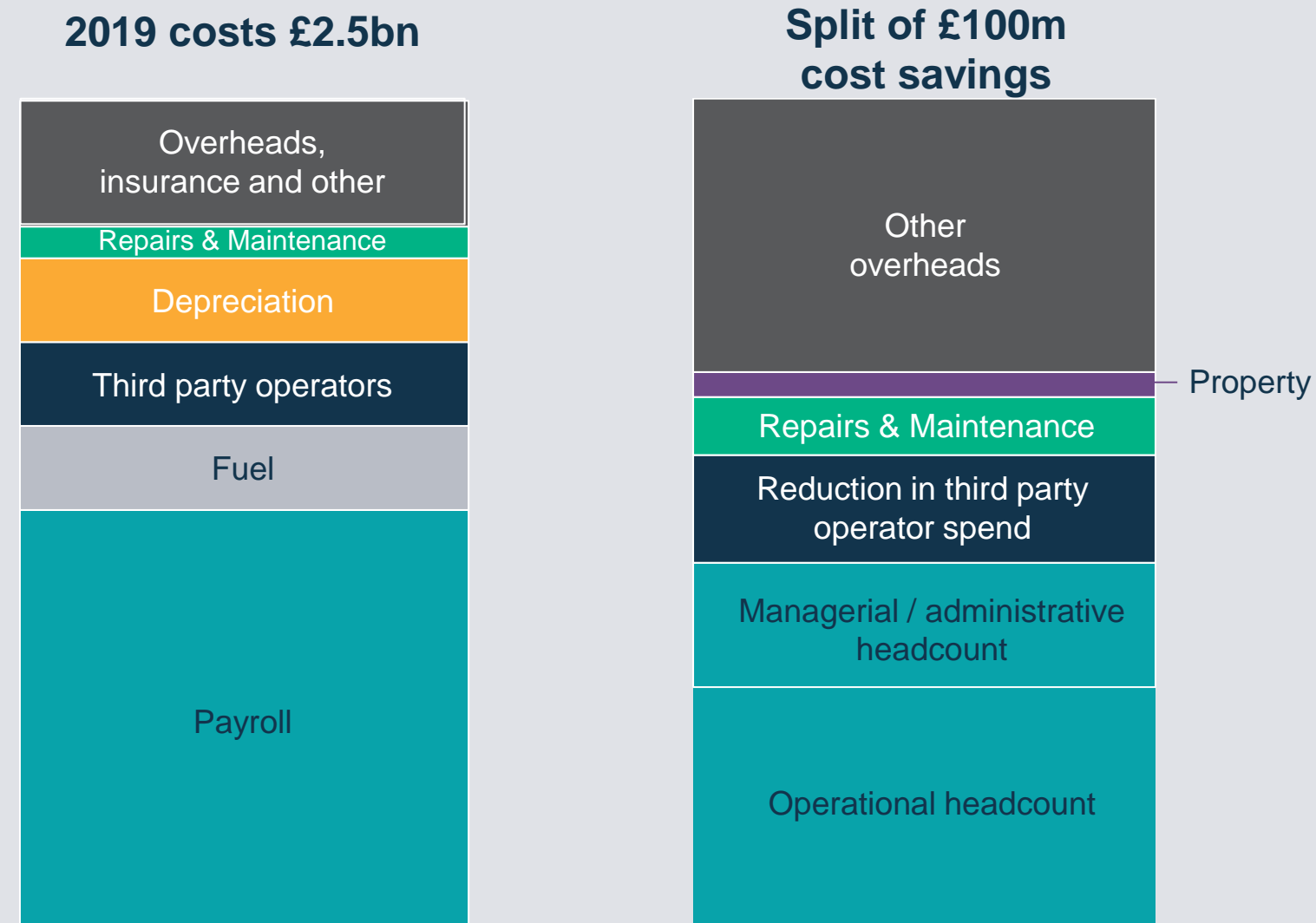
**Margin averaging 9%**

**Short term margin recovery impacted by:**

- Mix of business
- Investment to encourage customers back
- Competitive intensity in UK and Spanish Coach businesses

**Targeting more than £100m additional EBIT by 2027**

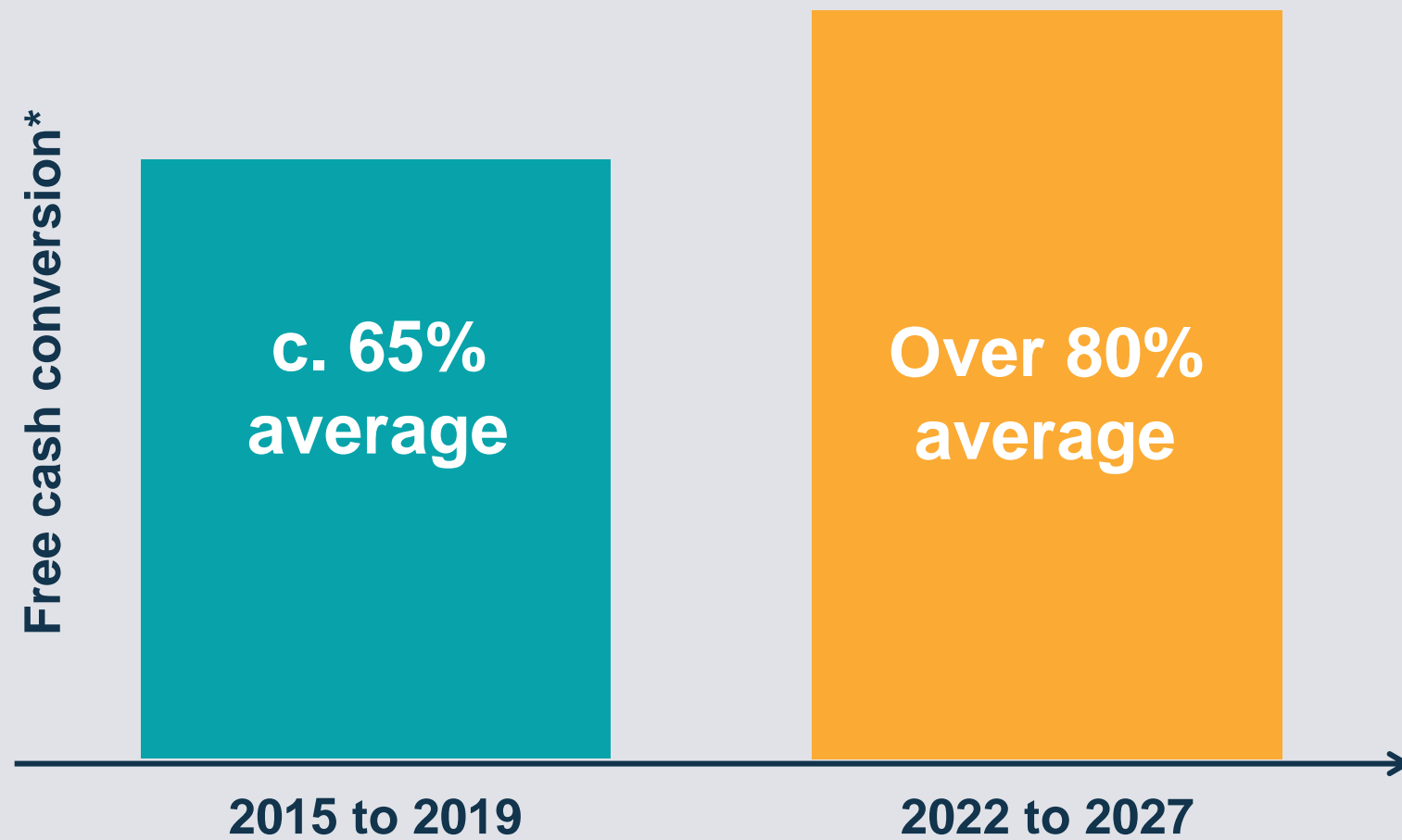
# Financial Framework – £100 million of permanent cost reductions



## Cost reduction exercise in 2020 and 2021 has permanently removed £100m of cost:

- Headcount
- Increased automation of sales activities
- Reducing third party operator spend through optimisation of own-fleet usage
- Property rationalisation
- Process efficiencies

# Financial Framework – Strong and improving cash generation with at least £1.25bn free cash flow between 2022 and 2027



**Targeting at least  
£1.25bn of free cash flow  
between 2022 and 2027**

\* Free cash conversion = free cash flow as a percentage of EBIT

# Financial Framework – Disciplined capital allocation

## Our capital allocation model remains unchanged

We will utilise the Group's strong free cash flow generation to:

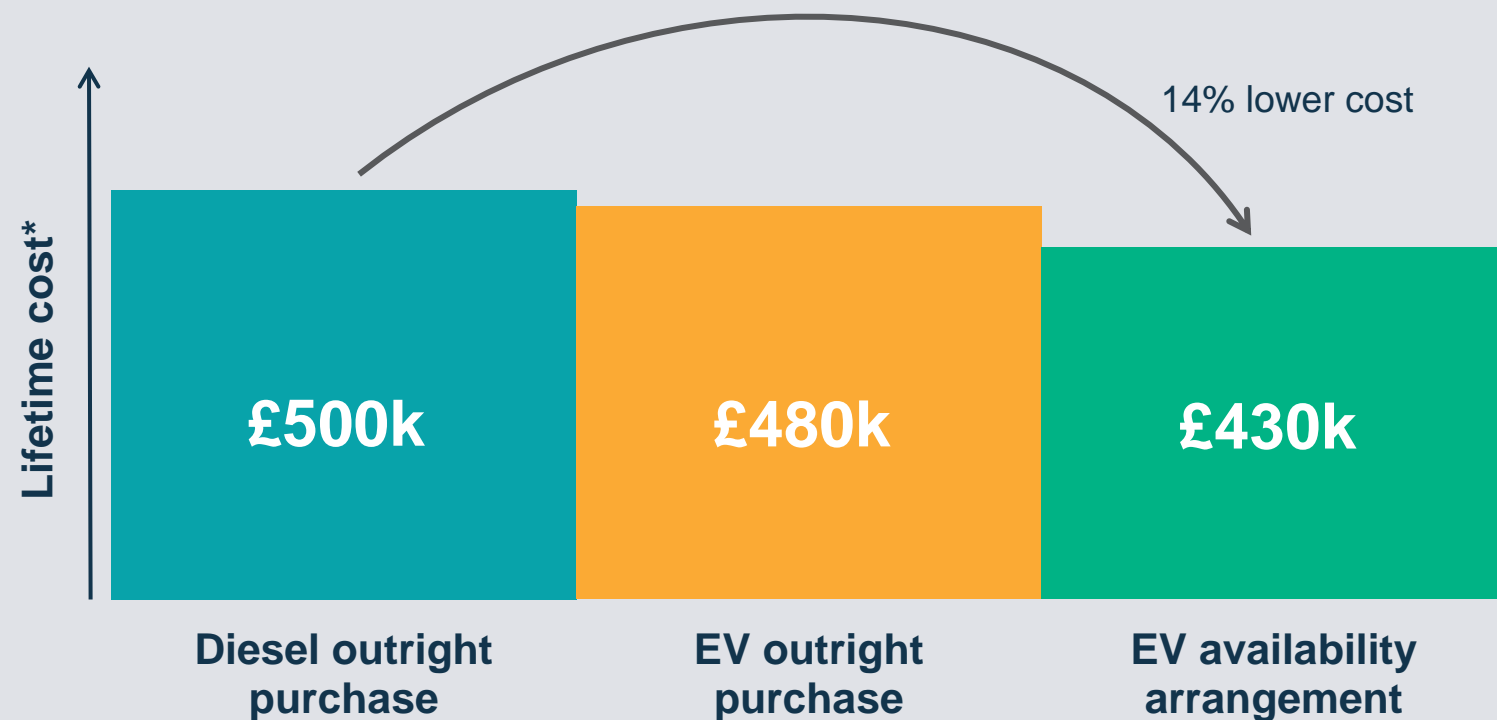
**Invest for growth**  
(targeting investments that deliver 15% returns)

**Return to Shareholders**  
(dividend at least 2.0x covered)

**Maintain a prudent balance sheet**  
(net debt to EBITDA in a range of 1.5 to 2.0 times)



# Financial Framework – De-carbonising and freeing up capital



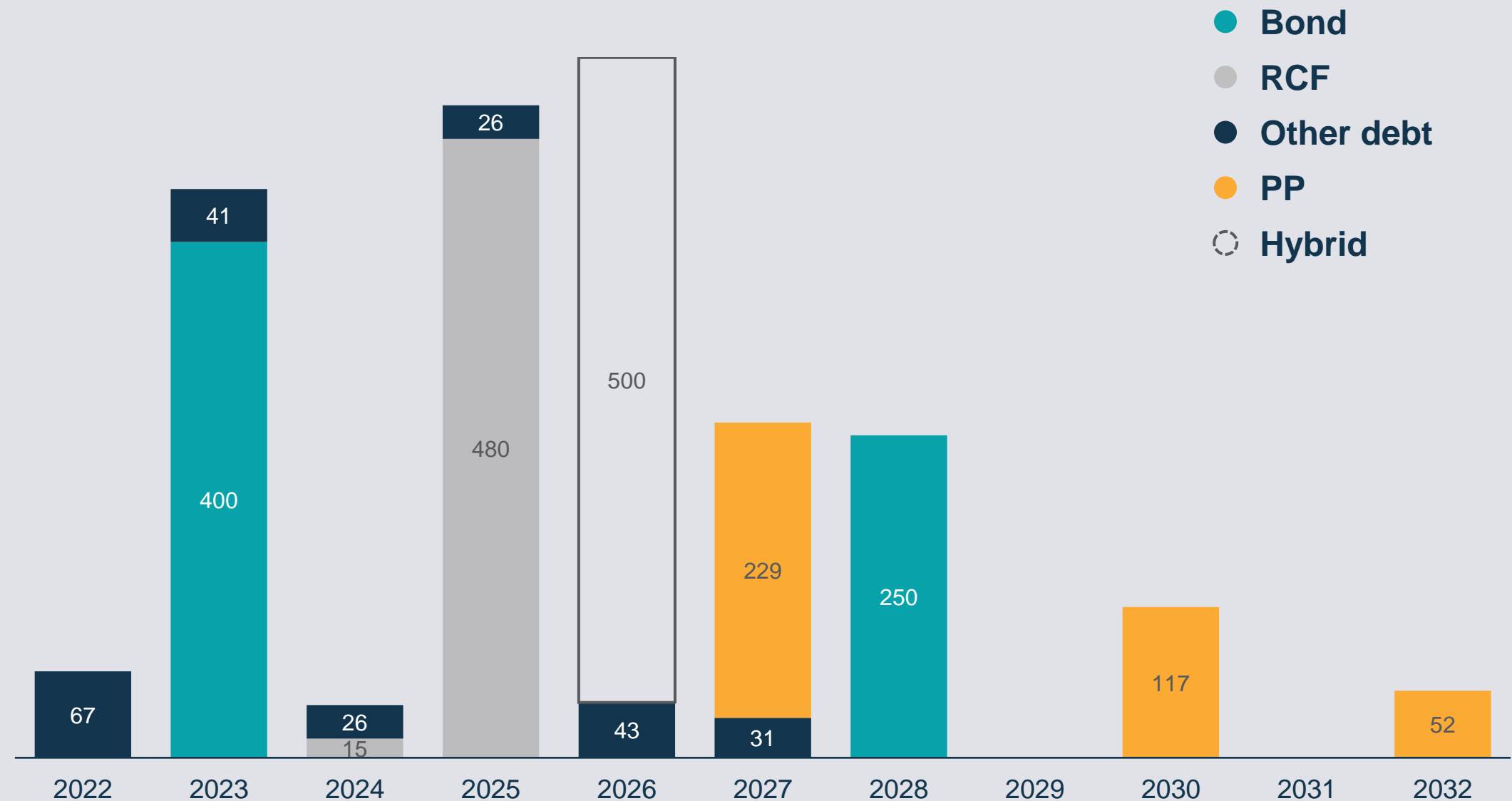
## Total cost of ownership of EV is now lower than diesel

- This chart shows the lifetime present value cash flow of a single UK “platinum” bus in three different procurement scenarios
- Availability arrangement is better value than outright purchase
- If government incentives for EV transition increase, the economics will move even further in favour of EV

# Financial Framework – No liquidity concerns, gearing rapidly reducing

- No material refinancing requirement before 2023
- £1bn cash and committed headroom\*
- Moody's and Fitch confirmed ratings
- Supportive banking group
- Target net debt to EBITDA ratio to be within 1.5 - 2.0x by 2023

\*At last reported balance sheet date: 30 June 2021



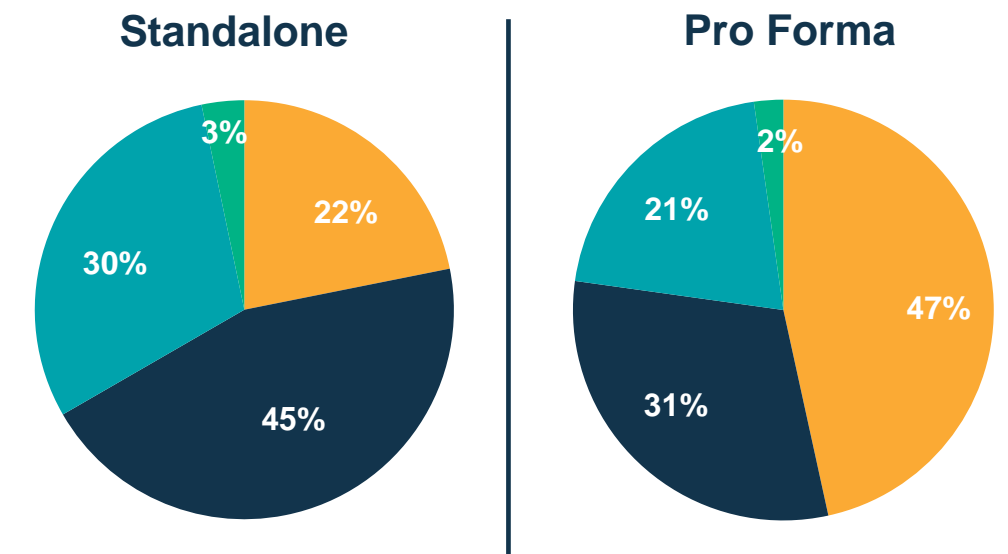
# Financial Framework – Proposed combination with Stagecoach

## Pre-Covid Side-by-Side<sup>1</sup>

	national express standalone	Stagecoach <sup>2</sup>	Pro Forma (Ex. Synergies)
Revenue	£2,744m	£1,257m	£4,001m
EBITDA	£510m	£212m	£722m
EBIT	£295m	£99m	£394m
EBIT Margin	10.8%	7.8%	9.8%
Net Debt/EBITDA	2.4x	1.7x	2.2x

## Pre-Covid Revenue by Geography<sup>3</sup> (%)

- UK
- North America
- ALSA
- Germany



# Financial Framework – Proposed combination with Stagecoach

**Significant growth and revenue synergies**

**Double-digit EPS accretive in first full year**

**Double-digit pre-tax ROIC in first full year**

**At least £35m of cost synergies<sup>1</sup>**

**Accelerate reduction in leverage towards  
1.5-2.0x target**

**Increased investment in high-return  
growth pipeline driving further earnings  
and cash flow**



# Financial Framework – Track record of creating value from transactions

A track record of significant transactions...



...with a tried and tested post-acquisition playbook

- Preserve the DNA of the target
- Minimise customer-facing change where it is not needed
- Rapidly integrate behind the scenes
- Extend over the enlarged network

# Financial Framework – Summary

Revenue back to 2019 levels in 2022, targeting an **additional £1bn by 2027**

Margin averaging 9% for 2022 to 2027, **over £100m additional profit by 2027**

Free cash conversion **over 80%** a year, targeting at least

**£1.25bn** of free cash generation from 2022 to 2027

Paying a dividend at least **2x covered**, targeting 2022 reinstatement

A lower levered business: targeting a net debt to EBITDA range of **1.5 to 2.0x**

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Part 5

# Summary and Close

**Ignacio Garat** Group Chief Executive

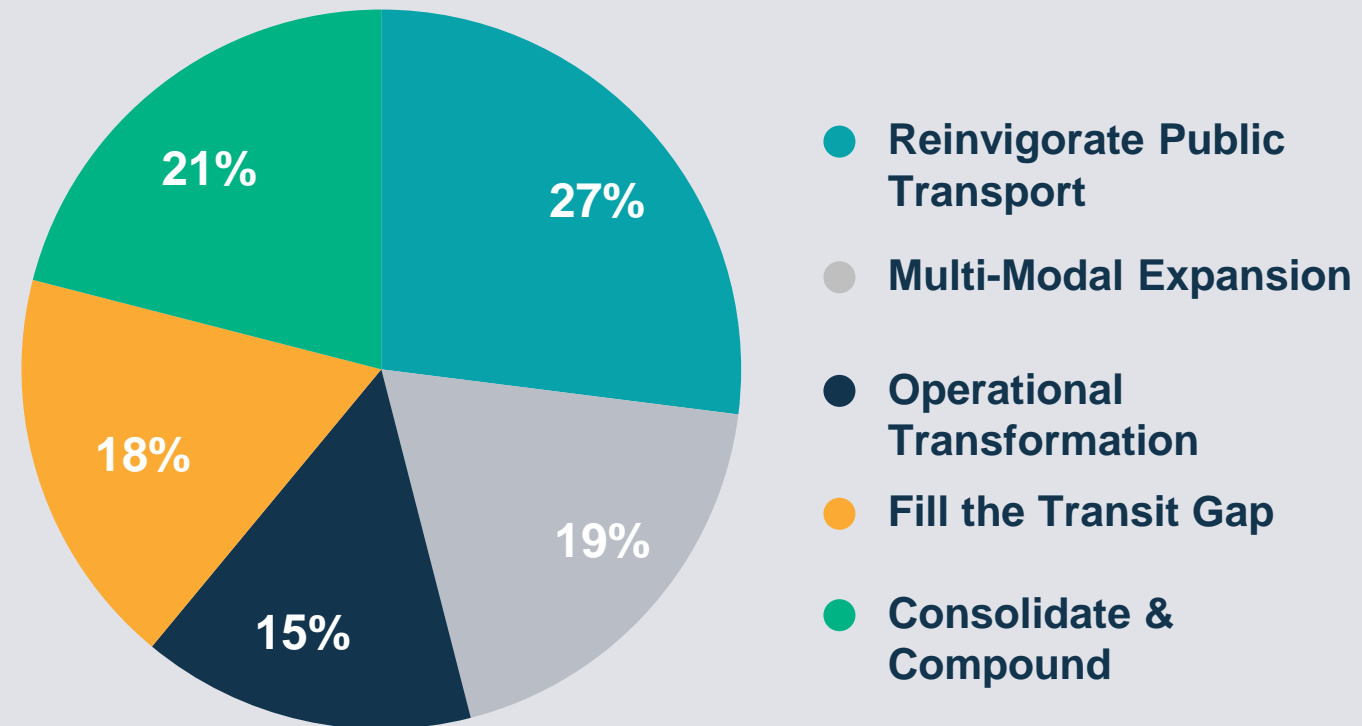
# The strategy



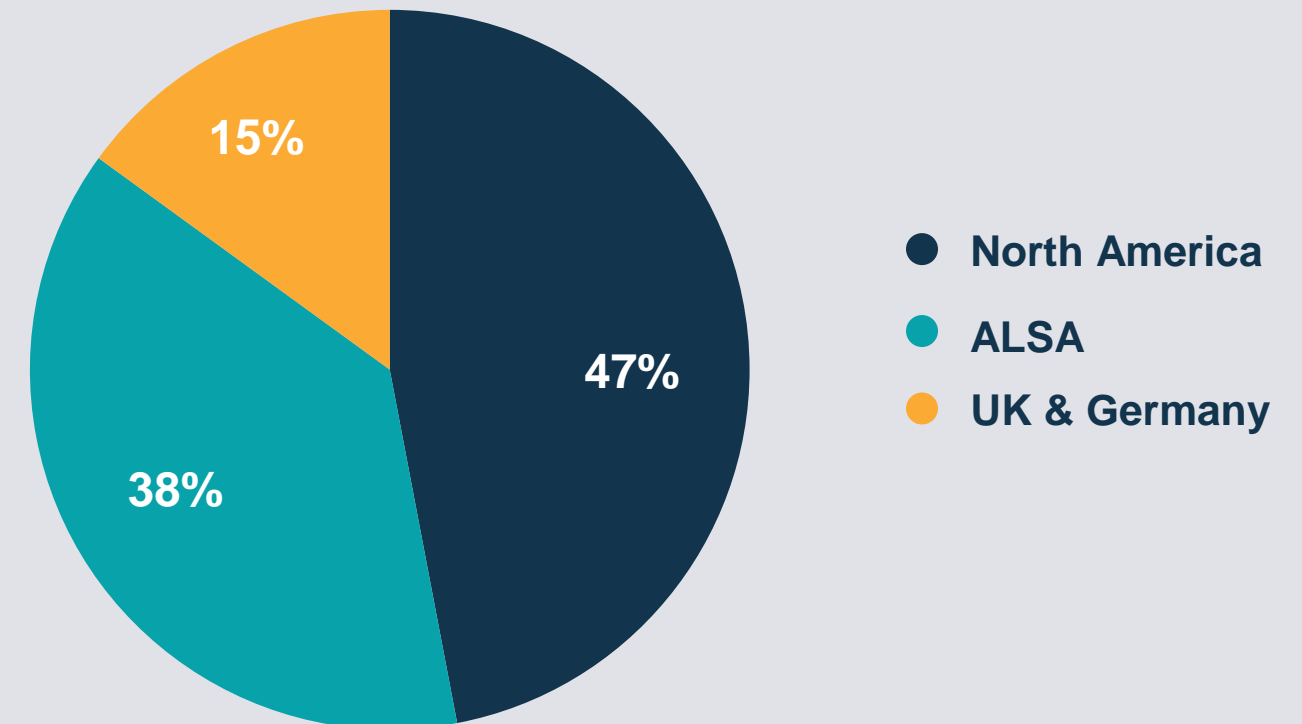


# Strong pipeline of growth opportunities

## £1.5 billion pipeline by customer proposition



## £1.5 billion pipeline by division



# An attractive investment case

1

We benefit from long-term, structural growth opportunities

2

We have five compelling, hard-to-replicate customer propositions to leverage this growth

3

We are the best-in-class operator

4

We are uniquely diversified and balanced

5

We are taking environmental leadership

6

We have a track record of delivering strong financial outcomes

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Part 6

# Q&A

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