



Full Year Results

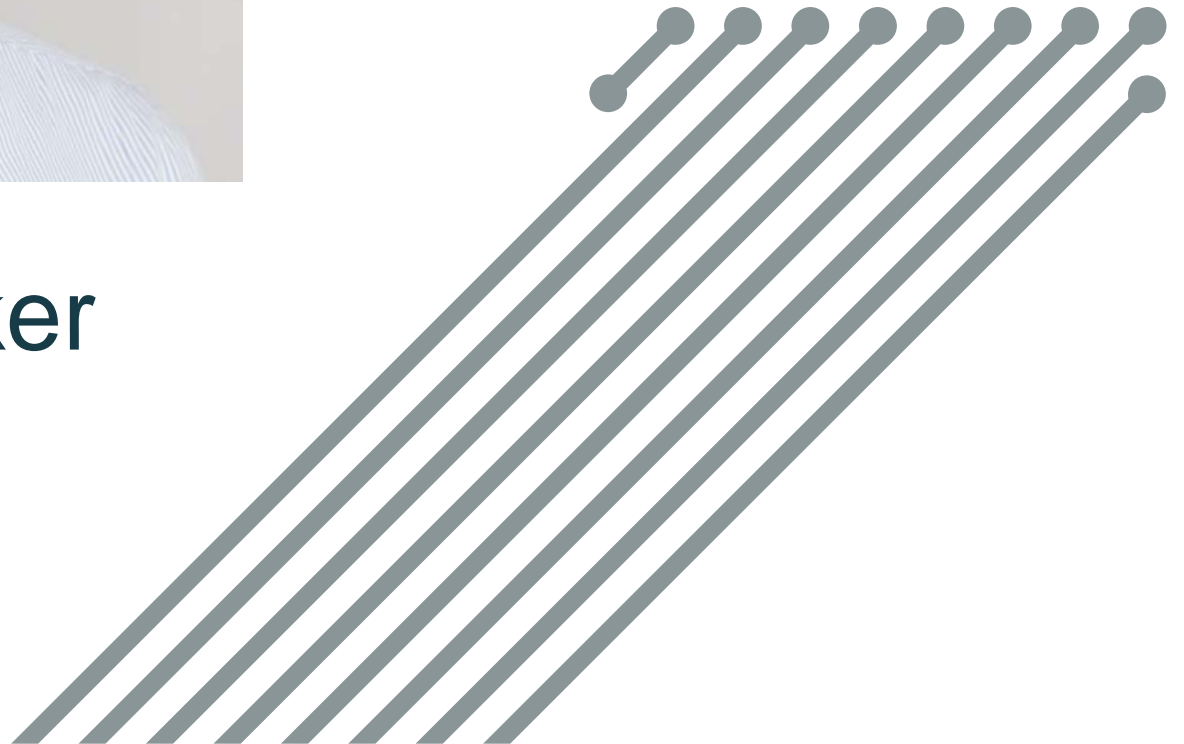
For year ended 31 December 2008

26 February 2009





Richard Bowker
Chief Executive



Agenda

- Highlights
- Strategic update
- 2008 financial results
- Cash management
- Looking forward



Operational highlights

- Strong performance in delivery of Rail franchises in 2008, including meeting all first year commitments for East Coast
- Robust growth in UK bus and coach, with enhanced efficiencies and cost savings from integration
- Excellent customer retention in North America bus, supported by \$38 million pa new contracts; steady progress in Business Transformation project with pilot now in two US states
- In Spain, full benefit of Continental Auto integration, delivering over 40% profit growth in local currency



Financial results

- Continuing revenue up 5.9% to £2,767.0m
- Normalised operating margin improved to 9.2% (2007: 8.1%), excluding discontinued operations
- Normalised profit before tax up 9.7% to £194.1m
- Normalised diluted EPS up 11.6% to 93.6p
- Operating cash flow £152.3m
- Total dividend for year reduced to 22.72p



Our Strategy

Our Core business

- High quality operational delivery of public transport
- Delivering a customer driven, branded proposition

Leveraging on our successful model

- Develop innovative products & services to grow organically
- Acquire and develop businesses in new markets



Strategic update

Our Core business

- New partnership model driving West Midlands growth
- Integrated approach achieving improved service delivery across rail
- Market consolidation through acquisition in Spain and North America
- Delivering branded, cash generating, customer-centric businesses



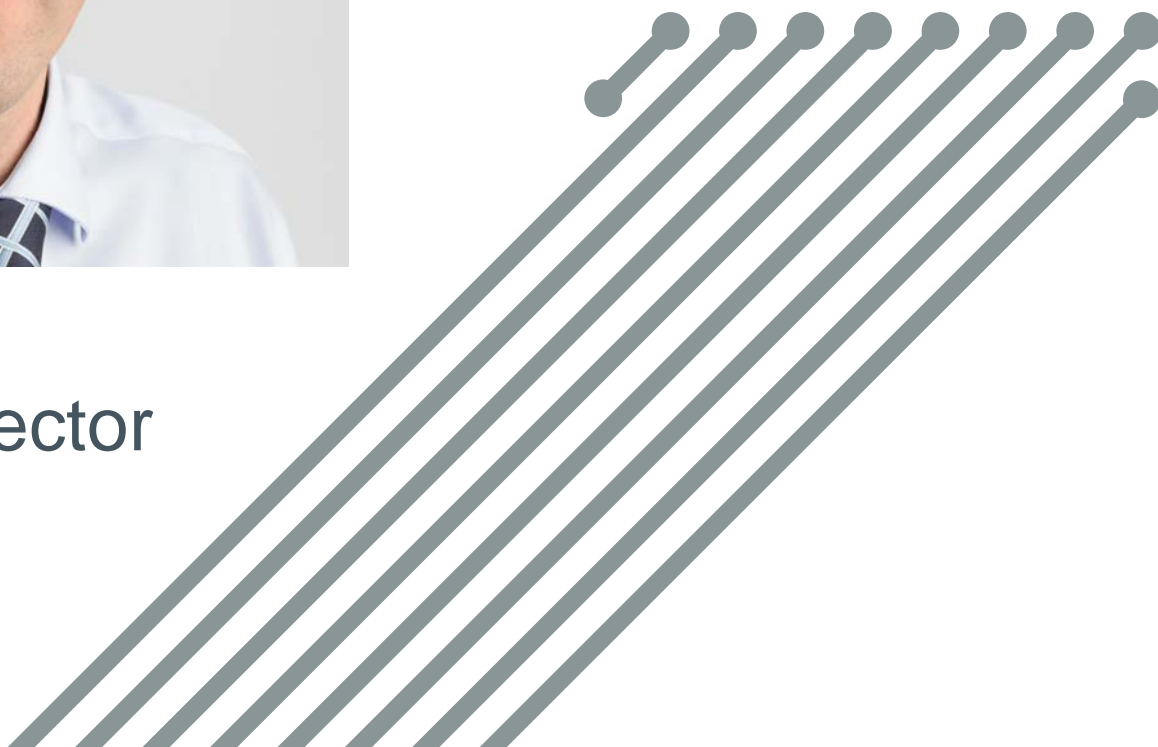
Leveraging on our successful model

- New market development in coach
- New rail franchise successfully mobilised to proven NX model
- CRM and smartcard benefits brought to bus and rail
- New technology brought to North American bus customers





Jez Maiden
Group Finance Director



Income statement

	2008 £m	2007 £m
Continuing Operations		
Revenue	2,767.0	2,612.3
Normalised profit from operations	253.9	210.4
Net finance costs	(51.5)	(29.0)
Associates & JVs	-	0.4
Normalised profit before tax	202.4	181.8
Discontinued Operations	(8.3)	(4.8)
Normalised profit before tax	194.1	177.0



Divisional Revenue year-on-year growth (local currency)

	Like for like			Reported %
	Yield %	Volume %	Total %	
Bus +	3	2	5	6
Coach ++	6	(1)	5	12
Rail	5	2	7	(9)
Spain	3	2	5	40
North America	N/A	N/A	8	12

+ West Midlands only for “like for like”

++ Express only for “like for like”



Divisional performance - UK

£m	Normalised operating profit	
	2008	2007
Continuing:		
Bus	40.0	43.5
Coach	27.0	27.9
Bus & Coach	67.0	71.4
Rail	81.3	63.3
	148.3	134.7
Discontinued:		
Dot2Dot	(8.3)	(4.8)
UK Profit	140.0	129.9

- Bus & Coach benefiting from integration
- Higher fuel cost impact
- New NX London routes
- Strong cross-country coach revenue; Kings Ferry successful
- Airport routes under pressure
- Successful start-up of East Coast franchise; slower revenue growth in Q4
- UK integration completed; Cost reduction programme will help mitigate recessionary risk



Divisional performance – North America and Spain

£m	Normalised operating profit	
	2008	2007
Local currency (m)		
North America	\$60.3	\$75.5
Spain	€105.0	€74.3
Sterling (£m)		
North America	32.5	37.7
Spain	83.3	50.9

North America continues revenue growth

- Strong customer retention and new contract wins
- Margin constrained by cost performance, with 'double-running' costs
- Business Transformation project progressing

Spain delivered excellent performance:

- Good urban and long distance performance
- 40% revenue growth with full year of Continental Auto acquisition
- Integration and synergies delivered
- Concession extensions & service flexibility help offset economic slowdown



Exceptionals

Exceptional items

	£m
UK	(17.2)
North America	(11.1)
Spain	(2.6)
Continuing	(30.9)

Other items

	£m
Intangible amortisation	(55.2)
Interest rate hedges	(11.5)
Profit on disposal	5.1
Taxation (continuing)	75.5
Discontinued	(7.9)

Total charge in year £(24.9)m



Pensions and Tax

Pensions (IAS 19 basis)

- Defined benefit (DB) in UK only
- All 'long-term' DB schemes now closed to new members
 - Bus schemes deficit £3.6m (2007: £5.1m deficit)
 - Group/Coach scheme deficit £1.2m (2007: £4.9 m deficit)
- Rail Pension Scheme obligation accounted for over franchise period – section deficit £38.7m (2007: £18.8m)
- Overall Group deficit £45.0m (2007: £29.8m deficit)

Tax

- Effective tax rate on normalised profits: 25.8% (2007: 27.2%)
- Normalised tax charge £52.3m (2007: £49.5m)
- Cash tax paid £5.0m (£18.8m)
- Tax relief in Spain gives rise to large credit in 'exceptionals'



Operating cashflow

£m	2008	2007
Normalised profit from operations	253.9	210.4
Depreciation	96.0	79.6
Other items	0.5	(2.4)
EBITDA	350.4	287.6
Net capex	(114.8)	(103.0)
Working capital	(83.3)	16.3
Operating cashflow	152.3	200.9

- Significant growth in EBITDA, reflecting acquisition & profit performance
- Investment at 1.2 x depreciation – North America BT/fleet & Spain
- Significant working capital increase – UK Rail, North America, currency swaps
- 60% profit conversion



Net Cashflow

£m	2008	2007
Operating cashflow	152.3	200.9
Discontinued operations & franchise exit	(12.5)	(36.1)
Exceptionals	(27.9)	(11.3)
Interest	(50.7)	(23.4)
Tax	(5.0)	(18.8)
Other	(8.8)	2.2
Free cashflow	47.4	113.5
M&A etc	(18.8)	(476.6)
Dividends	(59.6)	(53.9)
Net funds flow	(31.0)	(417.0)

- Lower franchise exit costs
- Lower free cashflow reflecting investment, rationalisation & acquisition interest
- Foreign currency adverse impact on debt £238.0m (£55.4m adverse)
- Net debt £1,179.8m (2007: £910.8m)



Cash management – our key priority

- No facilities mature within 18 months
 - €540m acquisition facility: Sept 2010
 - £800m revolving facility: June 2011
 - Sufficient committed undrawn liquidity
- Covenants tested half yearly
 - Dec 2008:
 - Gearing 3.5x (<4.0x limit)
 - Interest Cover 5.9x (>3.5x limit)
 - June 2009:
 - Return to normal 'commercial terms'
- Clear programme to reduce net debt & gearing
- Funding plans kept under review



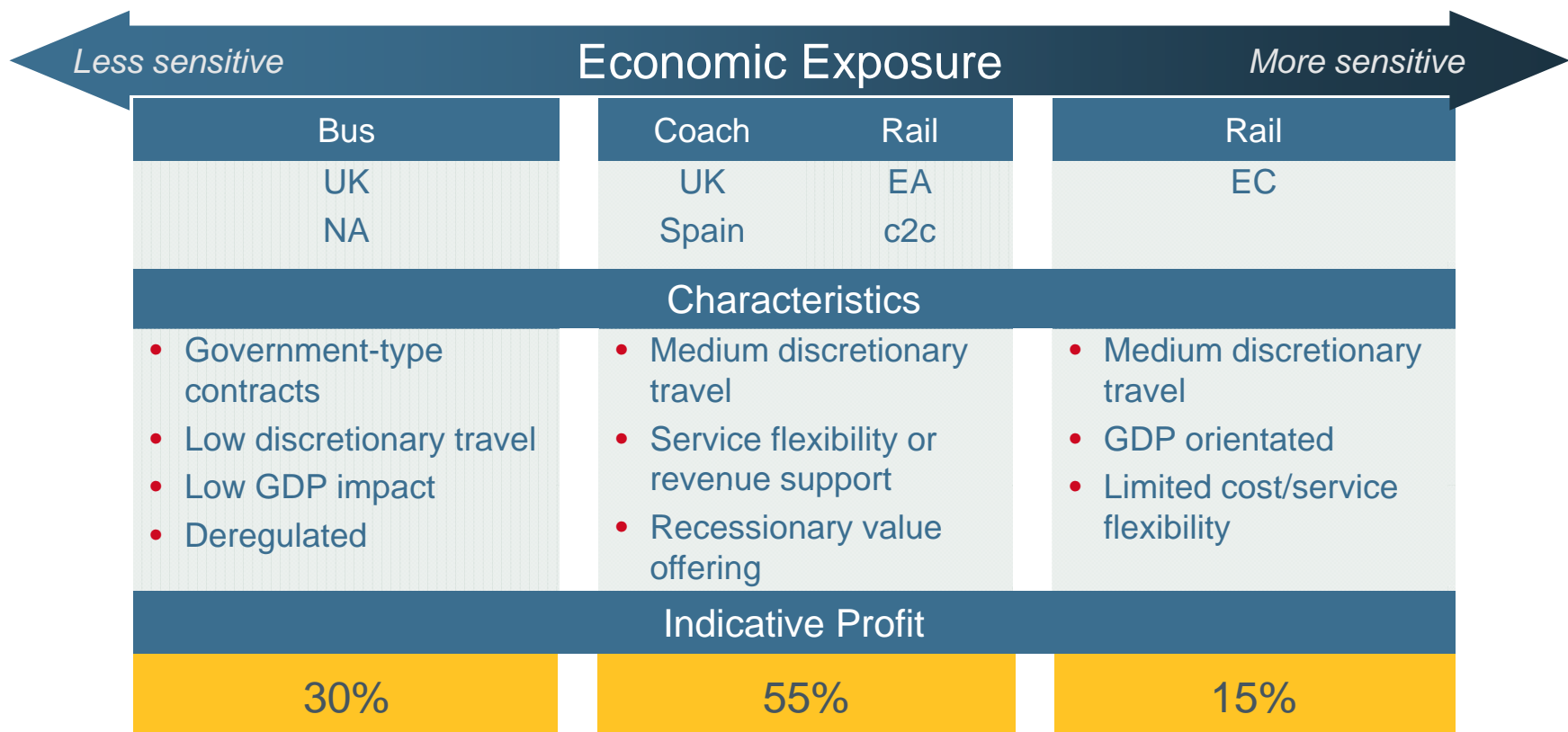
Cash management – financial plan

- Our financial plan targets delivery of:
 - Strong cash management
 - A stronger balance sheet
- Strong cash generative businesses
 - Contract & concession backed
 - Completing period of sustained investment
 - Opportunities to drive working capital improvement
- Key cash programmes
 - Dividend rebased: over £30m expected to be saved in 2009
 - Reduced capital investment
 - Significant working capital reduction initiatives
 - Total annual benefit in excess of £100m



Economic impact of recession on our business

- Global economy facing considerable uncertainty
- Range of businesses with differing economic & profit exposure



Review of East Coast

We said:

- c10% revenue growth
- Operational performance a top priority
- Customer satisfaction needed urgent attention



We delivered:

- Revenue growth of over 9%
- Dramatic improvement in reliability
- Customer satisfaction of 88% makes East Coast the best long distance railway in Britain



East Coast Looking Forward

- Whole rail industry facing the challenge of economic uncertainty
- Constructive dialogue ongoing with DfT
- Self-help solutions are our priority focus
 - Revenue maximisation
 - Cost reduction
- We believe our plans overall will deliver a profitable rail division in 2009



The future

- Our strategy is clear and unchanged
- A strong and balanced portfolio of transport businesses
- Clear focus on strong cash management
- Balance sheet and stable financial platform a key priority
- Plans in place to come through recession resiliently
- A track record of delivery gives confidence for the future





Q&A

national express

