



Annual General Meeting 2008 1 May 2008

Speech by Richard Bowker, Chief Executive

Good morning ladies and gentlemen.

I'd like to add my welcome to you all this morning. It certainly doesn't feel like a year has passed since I last stood before you.

It's been a truly memorable year. Clearly our financial performance has been excellent with record results in 2007. We now have a clear strategy and platform for growth and further success. Together with the growing reality that public transport has a far more important role to play in a carbon constrained world than perhaps ever before, we can look forward to the future with confidence.-

Before we do, it is worth reflecting on what was achieved in 2007.

- Revenue up 4% to £2.6bn (£2.5bn)
- Normalised Operating profit up 11% to £205.6m (£184.8m)
- Group operating margin increased to 7.9% (7.3%)
- EPS up 10% to 83.9p (76.5p)

And

- Dividend up 9% to 37.96p (34.75p) with a commitment to grow at 10% per annum for the next 3 years

Across each division we had excellent progress

- In trains we saw passenger growth of 6% and revenue growth of 11%. We saw our operating performance once again lead the industry with portfolio PPM of 89.5%, up from 87.9% in 2006. The highlight of the year was undoubtedly winning the prestigious East Coast franchise.
- In buses we saw passenger numbers grow by 2% providing 390 million passenger journeys as we saw the margin maintained at 13.5%. The launch of Quality Partnership routes in the West Midlands has been tremendous with Like for Like growth of 10% in passenger numbers across the six routes. It has given us the confidence to do much more and earlier this week, we relaunched the entire Dudley network of 44 routes under the Quality Partnership banner.



- Our coaches delivered passenger growth of 3% and we delivered a record margin of 12.2%, up from 11.4% in 2006. Our plan to differentiate the basic coaching product and develop new markets continued. Our position as Official Travel Provider to Wembley Stadium is one good example. So far we've taken, over 30,000 people to events at the stadium and the numbers are growing.
- Also, our Spanish coach and bus operation, achieved passenger growth of 4% and margins maintained at 17%. We negotiated concession extensions so that none expire before 2013. The big news of course was the acquisition of Continental Auto. This now makes us the leading private sector public transport provider in Spain and places us well for future liberalisation in this pro-public transport country.
- In North America we grew revenue by 18% and won new contracts with annualised revenue of \$38m. We saw retention of our own book of business of around 95%. Having sold Stewart Airport in October for US\$78.5m we are now totally focused on school buses carrying a million students each day.

Last year you may recall we launched our vision of Making Travel Simpler. 2007 became very much about organising ourselves to deliver this vision and driving a business strategy that puts customers at the heart of everything we do. The first part of this transformation is already complete. We now have a single UK division focused solely on the customer, not on operational convenience and already we are seeing the benefits.

As we make further progress in turning Making Travel Simpler into a day to day reality, our customers will see the increasing difference it makes when a transport business becomes truly customer-centred.

In the UK, with our multiple modes of transport under a single brand we are uniquely placed to do this. A company that understands and creates strong relationships with its customers will greatly enhance its value, so if we take the trouble to give people a service they want and will pay for, everyone can be a winner.

And the benefits won't just be seen externally - our people will be energised as the business moves emphatically onto the front foot, our communities will see the improvement to their quality of life that an integrated transport system can bring, and investors will see how these changes strengthen our ability to create value.

Now is the perfect time for us to put this strategy into action. Every day you can read story after story about congestion, pollution and global warming. Public transport is viewed with ever increasing importance to society so our social and commercial missions are completely aligned – but only if people believe that the experience of travelling with us will be as good, if not better, than travelling any other way.



We've made a start by ensuring customers can access all our services through a single, easy to use web portal, www.nationalexpress.com. During the remainder of 2008 and into 2009 we have plans to develop this much further to create the capability to deliver our vision.

The stereotypical image of the coach is increasingly out of date. The current National Express coach compares favourably with other modes of travel as a place to relax or work. And for sustainability they rate even better than trains. So we are seeking new opportunities to attract people who would not normally consider booking a coach ticket.

Our Dot2Dot service which we launched in 2007 linking Heathrow and Gatwick with Central London and Canary Wharf is designed to offer the convenience of a limo at half the price of a taxi. Offering simple online booking, Dot2Dot has achieved extremely high customer satisfaction: in our first surveys, 91% said they would recommend it to others. As part of our joined-up thinking we plan to offer through tickets to Heathrow from East Coast stations, using Dot2Dot from Kings Cross.

To gain presence in the commuter market we acquired Kings Ferry Travel, which runs the largest and most successful commuter coach operation in London and the South-East. With the coach generating only 29g CO₂ per passenger km, it is the most sustainable form of motorised transport of all.

Our clear customer focus is reflected in a more coherent brand identity with well defined aims and values. The visible sign of this is the new National Express livery. It began appearing on our Dot2Dot vehicles and East Coast trains in 2007 and this year has begun to appear on our coaches, buses, and our c2c and National Express East Anglia (formerly 'one' railway) trains. But the brand is not about a new paint job. It sends a strong signal to our customers and non customers alike that we are a serious organisation and intend to join things up to make travel (and life in general) simpler. Our customers in East Anglia have already begun telling us that National Express is a name they see as reliable and trustworthy, safe and value for money. The market research we have carried out on East Coast is telling us exactly the same.

It is worth reflecting on East Coast for a moment. It was undoubtedly the franchise to win last year and we have made a tremendous start. The handover from the previous operator was smooth and none of our customers were disrupted. We have already started implementing the £50m investment programme we committed to as part of our bid. The on board service too is being revamped. New menus to be launched later this month will make the restaurant cars far more attractive to diners of all tastes and budgets.

Our overseas businesses are increasingly important as we develop into a truly international group. In Spain, in addition to leveraging significant value from the integration of Continental Auto and Alsia, we plan to take advantage of our number one position in any future liberalisation of the market there. We are currently talking to a number of cities and towns about the possibility of involving the private sector in the provision of bus and coach services. And the future looks promising for rail too. With our unique combination of Number One position in Spain coupled with tremendous track record in rail in the UK, we believe we are well placed.



In North America, the focus over the next 18 months to two years will be on Business Transformation. This important project is going to completely reset the benchmark for the provision of safe, reliable and efficient school bus services. We may not be the biggest in North America but we certainly aim to be the best and to be in pole position to take advantage of future opportunities in this market.

We have come a long way in the past year and done even more than the demanding agenda we set ourselves at the start of the year – however as always there is further to go. Integrating systems and changing cultures cannot be done overnight.

But I am encouraged by our people's eagerness to get there and their genuine desire to make travel simpler for our customers. Their belief in what we are doing, and their initiative in finding more customer-centred ways of working are building ever greater momentum and I'd like to publicly thank them for what they've achieved so far, and look forward to what we will accomplish together in 2008.

Last year we benefited from favourable market conditions and a buoyant economy. This year, the general economic climate is clearly tougher and we'll have to work harder to keep our customers happy and continue our growth. At National Express however, that's just the challenge we thrive on. We've got the people, we've got the vision and we've got the number one brand.

Our focus on the customer is exactly what is needed now and with the increasing concern being shown over climate change, we've also got the products and services to take real advantage.

We launched a lot of good ideas last year. This year we will feel the benefit as they gather momentum. We confidently expect to continue growing our business for the benefits of our shareholders, our customers, our people and society at large as everyone discovers we really are Making Travel Simpler.