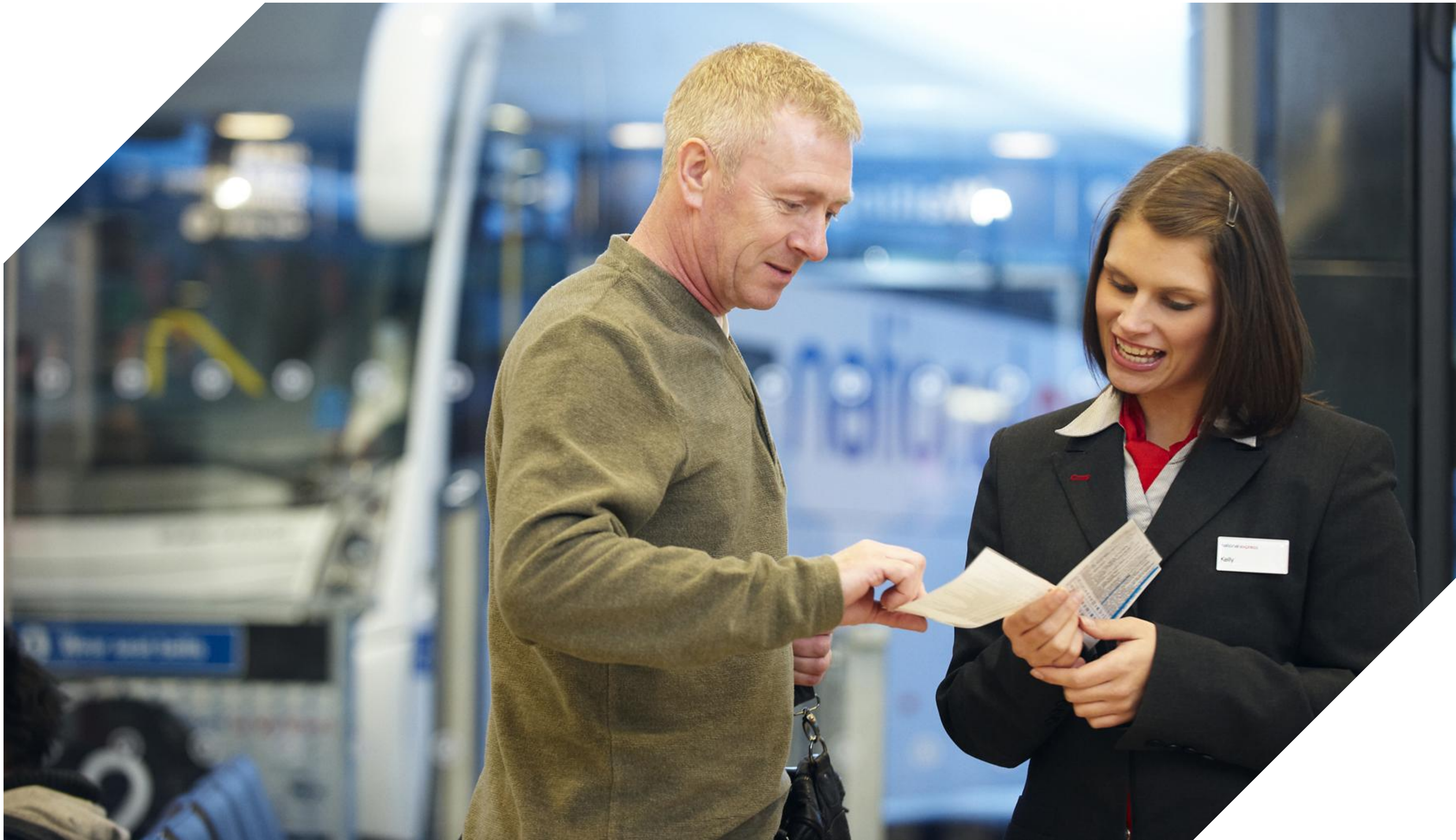
national express

Half Year Results

For six months ended 30 June 2010

29 July 2010



introduction

Dean Finch

Group Chief Executive

2010 first half performance highlights

- Good result in challenging economic environment
- Stable revenue*
- Improved margin** in all 3 geographies
- Profit recovery underway as plans begin to deliver
- Continued debt reduction; refinancing complete
- Selective growth re-established
- Expect to recommence dividend at year end

**Underlying revenue (compared with prior year on consistent basis, as defined in press release)*
***Normalised, as defined in press release*

Business recovery built on four core platforms

- Sound financial platform created
  - Refinancing completed, following successful rights issue
- Clear margin recovery plans underway
  - Focus in 2010 & 2011 to target industry average margins in underperforming businesses
- Pursuing selective growth opportunities
  - Selective H2 investment in North America & Spain
  - Medium term potential to leverage transport/international skills
- Helping our customers & stakeholders
  - Low cost, high service, flexible solutions
  - Risks & opportunities in economic austerity

2010
progress so far

- Management focus:
  - New structure - accountability & responsibility
  - New roles to leverage Group scale
  - Selective strengthening
- Performance-based approach:
  - KPIs defined
  - Stretch goals identified
- Process-driven:
  - Simplified objectives
  - Detailed project plans
  - Customer focus
- Cost savings driving margin:
  - NA transformation stopped
  - UK Bus benefit from H2
  - Centre de-layered/relocated
- Selected growth re-established:
  - NA bid season
  - Business development function established
- Financial platform in place
  - Ample long term liquidity

Financial stability
Cash

Margin, EPS,
Dividend

Growth
Long-term value

financial review

Jez Maiden

Group Finance Director

2010
financial highlights

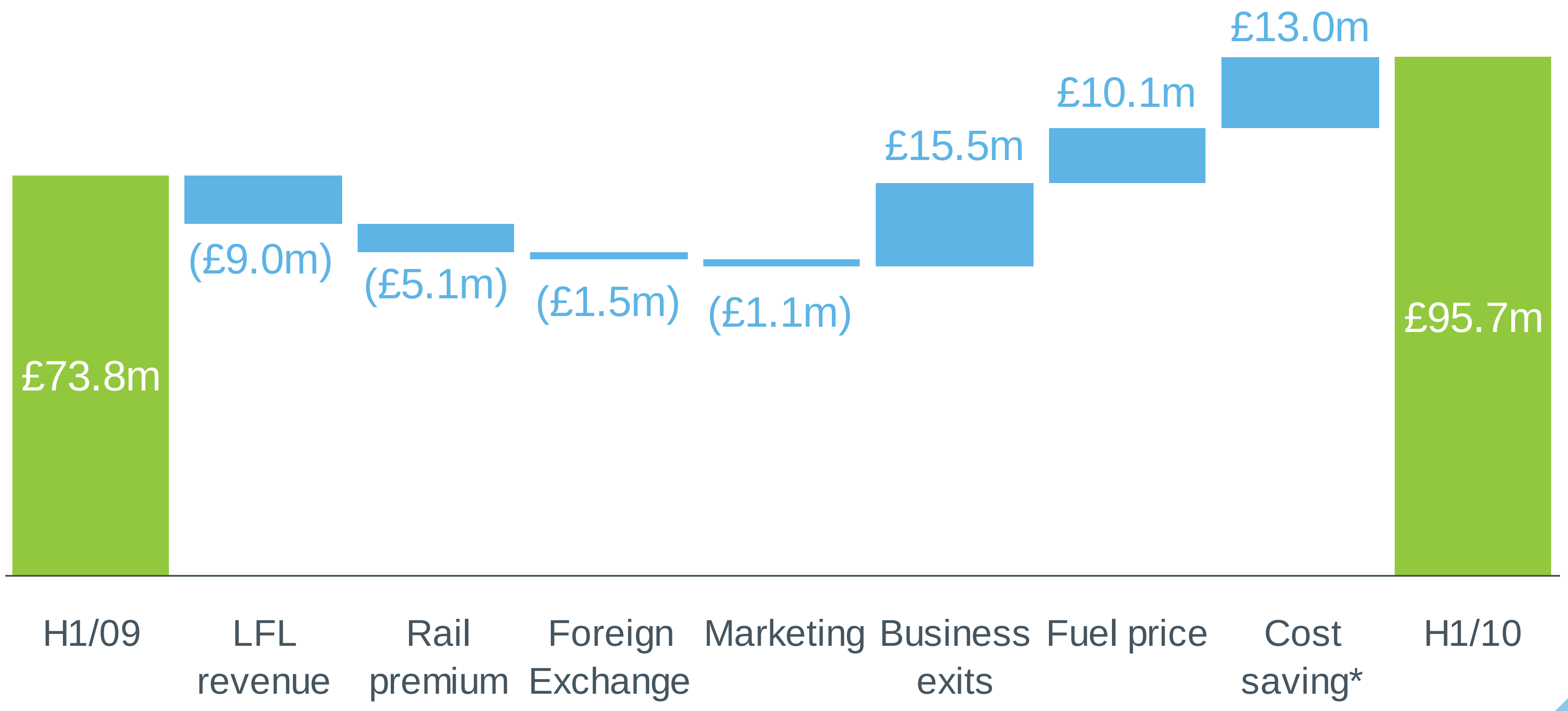
	H1 2010	H1 2009
Underlying revenue growth	-0.9%	+1.3%
EBITDA	£144.9m	£129.1m
Normalised operating profit	£95.7m	£73.8m
Operating margin	9.0%	5.2%
Normalised profit before taxation	£75.7m	£55.7m
Normalised basic earnings per share	11.4p	14.5p
Operating cash generation	£130.7m	£149.1m
Net debt	£601.1m	£977.5m
Debt gearing ratio	2.2x	3.2x

**Terms as defined in press release. EBITDA is normalised operating profit plus depreciation and other non-cash charges to operating profit*

Income statement

£m	H1 2010	H1 2009
Revenue	1,059.6	1,424.5
Normalised operating profit	95.7	73.8
Net finance costs	(20.3)	(18.2)
Associates	0.3	0.1
Normalised profit before tax	75.7	55.7
Tax (22.9%)	(17.3)	(12.9)
Normalised profit after tax	58.4	42.8
Statutory profit/(loss) for the period	19.4	(36.6)

Operating profit compared with prior year



*Net of cost inflation

Divisional performance summary

First half year	Operating Profit (normalised)		
£m	2010	2009	Change
Bus	10.9	11.2	(0.3)
Coach	10.3	10.6	(0.3)
Rail	16.1	2.5	13.6
Total UK	37.3	24.3	13.0
Spain	33.0	28.6	4.4
North America	31.0	24.7	6.3
Centre	(5.6)	(3.8)	(1.8)
Group	95.7	73.8	21.9

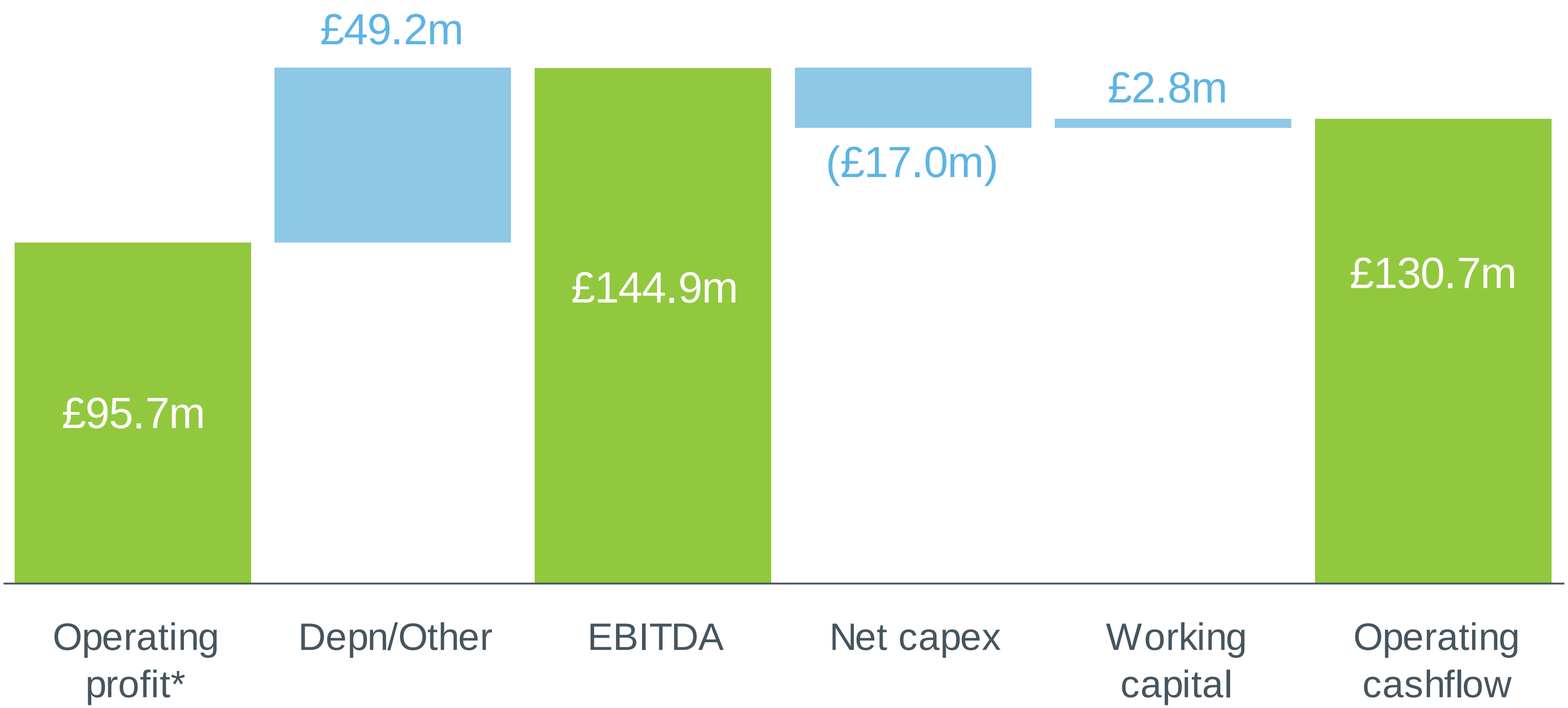
- All businesses showed margin growth, except UK Coach
  - Bus adverse impact from Travel London profit: £1.7m H1/09
  - Currency translation adverse impact: £1.5m H1/10
  - Higher insurance cost impacted corporate costs

Divisional revenue year-on-year growth

First half year	Underlying		
Local currency	Yield %	Volume %	Total %
Bus	0	-1	-1
Coach	+1	+1	+2
Rail	0	+1	+1
Spain	+1	-1	0
North America	n/a	n/a	-3
Group	n/a	n/a	-1

Divisional charge relates to passenger revenue only. Bus excludes Altram. Coach is Express coaches only. Rail is NXEA & c2c.

Continued strong cash management performance



**normalised*

Debt has continued to reduce

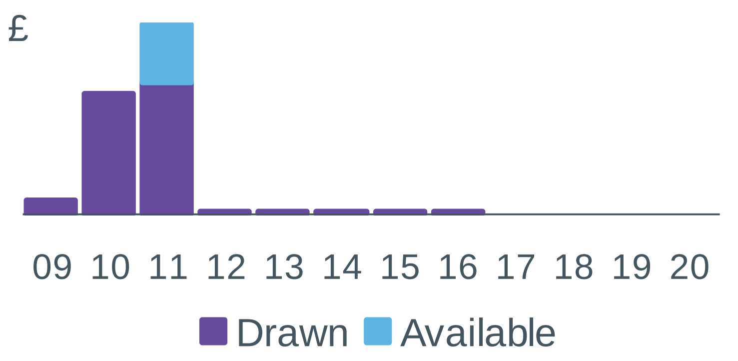
£m	H1 2010	H1 2009
Operating cash flow *	**130.7**	**149.1**
Exceptionals	(19.4)	(16.8)
UK rail franchise exit	(8.5)	(0.1)
Excess pension cont'n	(3.5)	(3.4)
Payments to associates	(8.8)	(8.6)
Net interest	(33.6)	(21.4)
Taxation	(4.9)	4.9
Other	(0.8)	(0.2)
Free cash flow	**51.2**	**103.5**
Acquisitions & disposals	(0.3)	33.2
Dividends	-	-
Equity issuance/other	(4.5)	3.8
Net funds flow	**46.4**	**140.5**

**normalised*

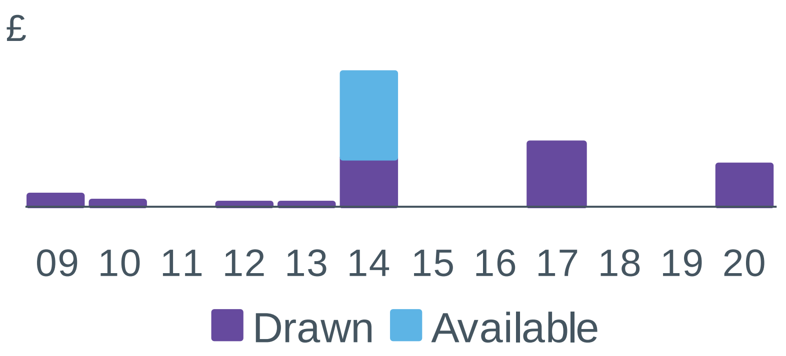
- 137% conversion of operating profit into cash
- Sustained working capital improvement from 2009
- Low capex – investing £125m in H2
- Payment of past liabilities
  - Exceptionals, rail, ICRRL, interest swaps
- FX benefit £10.4m
- Net debt £601.1m (H1/09: £977.5m, FY/09: £657.9m)

Our capital restructuring & refinancing are complete

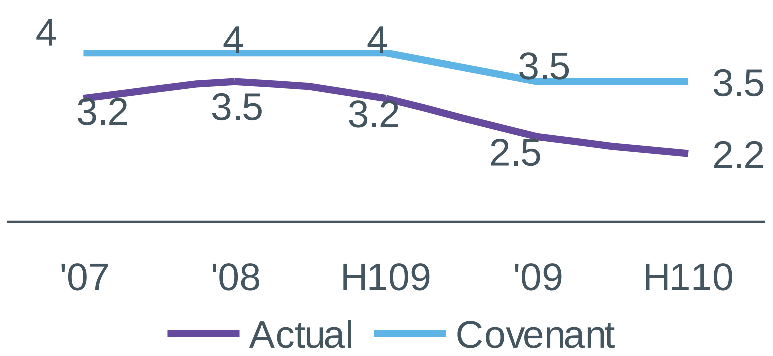
Net debt maturity: year end '08



Net debt maturity: half year '10*



Gearing ratio



- Gearing at our target level – investment grade rating
- 2nd bond & RCF completed
- £465.7m committed headroom*

**adjusted for RCF refinancing July 2010*

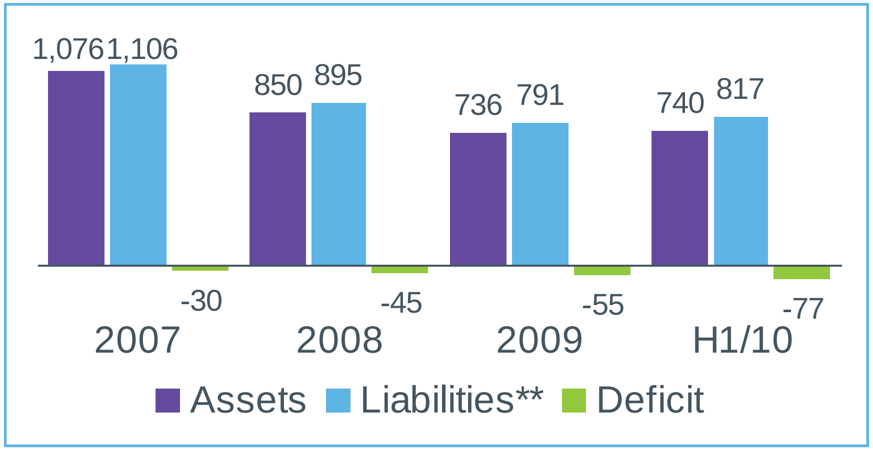
Other financial areas

- Exceptional items
  - Reducing over time
  - £19.2m charge for H1 (H1/09: £62.3m)
    - North America improvement plan £12.4m
    - UK £5.6m (Bus & Corporate)
- Tax
  - 22.9% rate – cash payment low but increasing
- Treasury management
  - Long term funding in place
  - Hold c65% of total debt at fixed rate

Proactively managing risks

- Key focus on mitigating past risks & uncertainties
  - Proposed closure of Group/coach pension fund; 6 year deficit recovery £4.2m pa
  - Fuel fully hedged for 2010 & 2011
  - Agreement reached to terminate ICRRL contract at no further charge

Pensions



Fuel*

	2009	2010	2011	2012
% hedged		100%	100%	35%
Price per litre	50p	38p	39p	40p
YoY increase/ (decrease)	35%	-24%	3%	3%

*Expected volume (2010): 229 million litres **net of members' share of liabilities*

business unit performance

Dean Finch
Group Chief Executive

Divisional performance
overview

- Spain: good profit growth
  - Market leadership, robust long term concessions
- UK Coach: good operating margin
  - Revenue growth through value positioning/investment
- North America: encouraging initial progress
  - Margin & volume opportunities
- UK Bus: plans in place
- UK Rail: top performing franchises
  - ongoing extension discussions

Spain

	H1 2010	H1 2009
Revenue	£252.4m	£263.2m
Operating profit	£33.0m	£28.6m
Operating margin	13.1%	10.9%

Delivered

- Improving revenue trend: 0% YOY (‘09: -5%)
- Greater network efficiency: kms operated -4%
- Strong cost control
- Excellent margin improvement: € profit +19%

Focus

- Reduced rail subsidy/ investment offers coach opportunities
- Continue to drive cost; limited macro-economic impact
- Domestic & international opportunities

North America

	H1 2010	H1 2009
Revenue	£253.7m	£259.1m
Operating profit	£31.0m	£24.7m
Operating margin	12.2%	9.5%

Delivered

- Better than expected revenue trend: -3%
- Significant progress in reducing indirect cost >$20m
- 28% increase in $ profit
- Net >700 new routes secured for 2010/11

Focus

- Continue implementation of business recovery plan:
  - Improving the cost base
  - Restoring revenue growth
  - Identifying future opportunities to grow business
- Continue to target $40m cost reduction:
  - Greater use of GPS
  - Fleet/schedule optimisation

UK Coach

	H1 2010	H1 2009
Revenue	£118.2m	£114.2m
Operating profit	£10.3m	£10.6m
Operating margin	8.7%	9.3%

Delivered

- Revenue growth: +3%
- Investment in marketing, operations & services
- Good Easter/May bank holiday performance
- Strong contract business performance

Focus

- Delivering great value to consumers in fiercely competitive market
- Improving ease of use & pricing – 250,000 tickets under £5
- Vehicle tracking technology rolls out in September

UK Bus

	H1 2010	H1 2009
Revenue	£127.1m	£165.0m
Operating profit	£10.9m	£11.2m
Operating margin	8.6%	6.8%

Delivered

- Initial margin improvement:
  - Operating costs targeted
  - Improved efficiency: +4%
- Resilient underlying revenue -1%
- Improving customer service
  - First multi-operator partnership
  - Smart card roll-out

Focus

- Package of revenue & service improvements
  - Fare & fleet investment implemented
- Better network utilisation
- Reducing operating cost

UK Rail

	H1 2010	H1 2009
Revenue	£311.5m	£627.7m
Operating profit	£16.1m	£2.5m
Operating margin	5.2%	0.4%

Delivered

- Improved profitability, following East Coast exit
- Increasing employment driving growth: +1%
- Top industry operational performance
- Continue to work closely with DfT

Focus

- Ongoing discussions on continuation of franchise operations
- Remain open to future opportunities

Summary & outlook

- Summary:
  - refinancing successfully completed
  - revenue trend stabilising
  - continued cost reduction driving margin recovery
  - clear improvement plans in place
  - increased investment in selective growth
  - initial progress encouraging - focus on cash & earnings
- Outlook:
  - on track to meet expectations
  - expect to recommence dividend at year-end, subject to continued performance

Questions & Answers

Half Year Results

For six months ended 30 June 2010
29 July 2010