UK Coach

7 April 2011

national express

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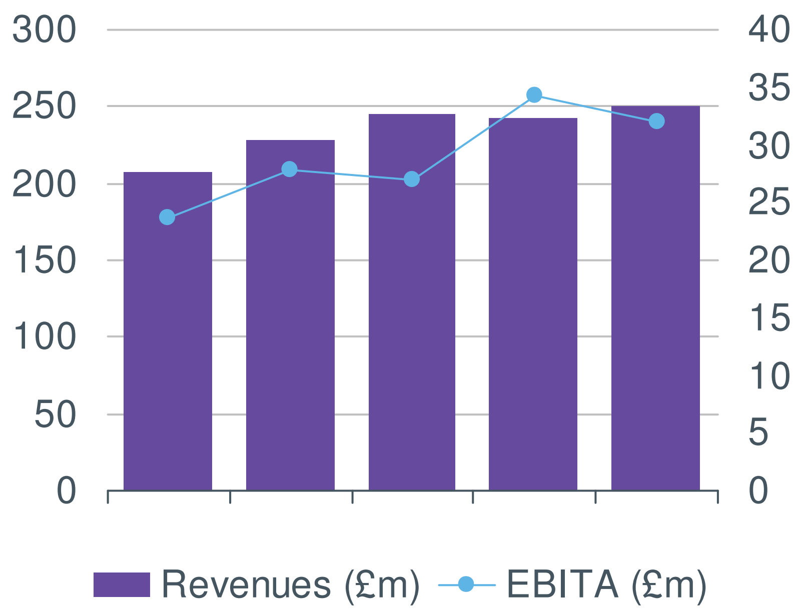
Our asset: a high quality business model

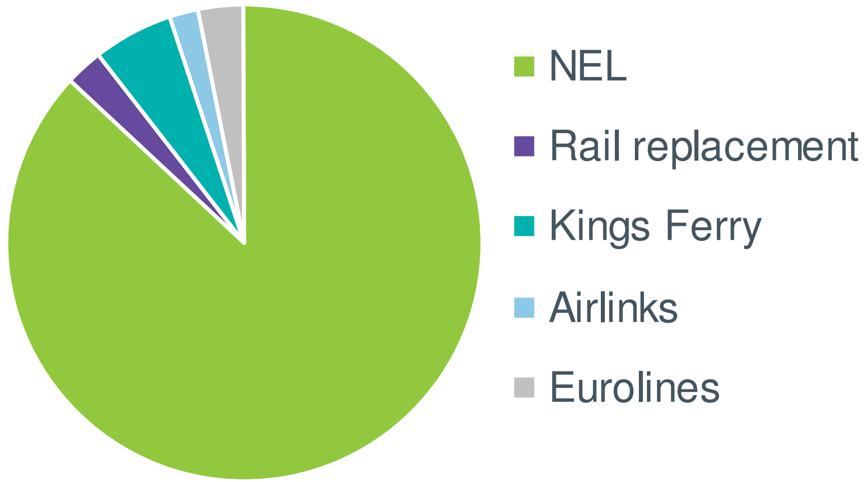
- Largest scheduled coach operator in the UK; more than 3 times the size of the nearest competitor
- High brand recognition serving over 1,000 destinations
- Outsourced model, using third party suppliers for 80% of operations
- Recent investment (Birmingham Coach Station, Milton Keynes, Swansea, Derby, Blackpool)



Our asset: a high quality business model (cont'd)

UK Coach split into five main businesses:

- National Express Limited:
  UK coach network
- Rail Replacement: replacement coaches for Train Operating Companies
- Kings Ferry: Private hire and South-East based commuter service
- Airlinks: crew and passenger transfers
- Eurolines: operation of UK and Irish part of trans-European affiliation. Alsa is also a member



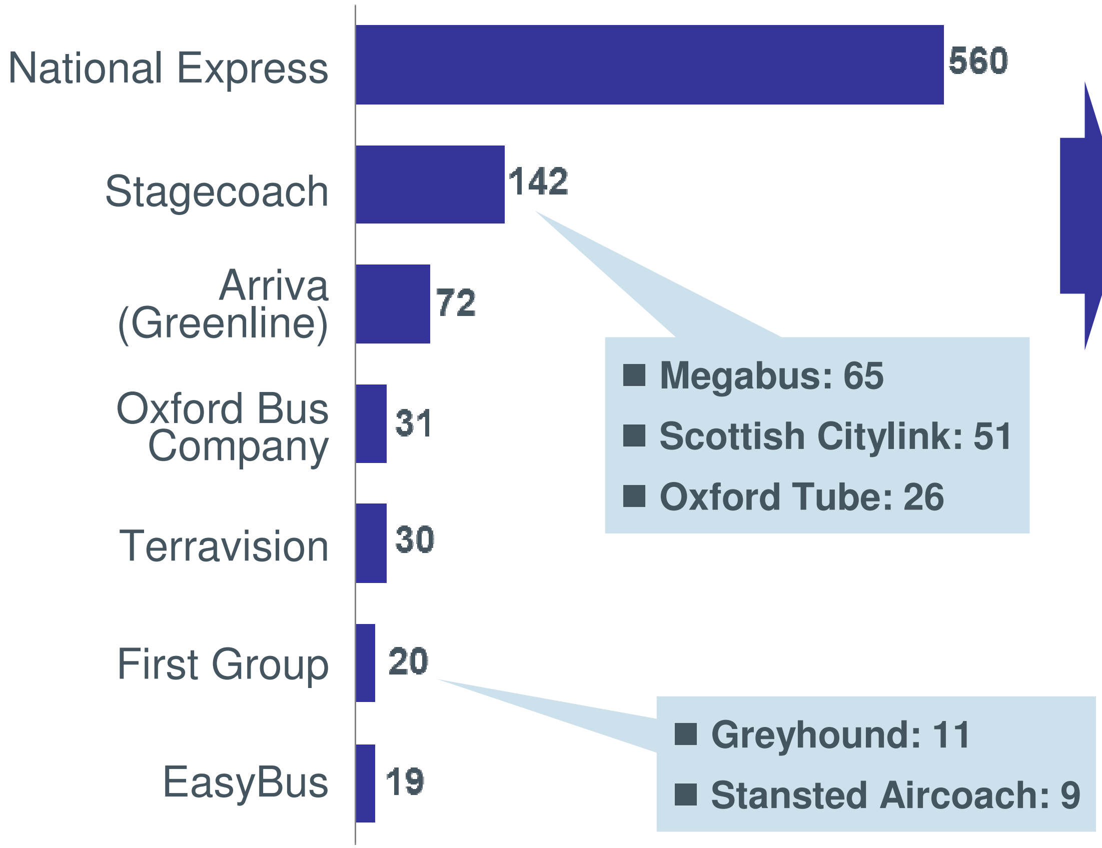
Our asset: the market

- **Market size:** Scheduled coach market approx. £300m

  Share: around 60% of the scheduled market
- **Composition**: National Express has the only network. Remainder is point to point in regions or corridors
- **Trends**: revenue growth through recession points to perception of value and convenience. Price competition from rail, which is likely to change with forthcoming high annual increases.
- **Market**: Highly de-regulated. Customer safety and disability access supported in legislation
- **Customers**: Customer satisfaction important in driving long term loyalty. Demographically slanted to students and Over 60.
- **Competition**: selective competition from large bus operators and localised services. Rapid start-up possible on selected routes.
- **Labour**: outsourced model, using third party operators, with control over service and behaviour standards.

Our asset: the market

Fleet Size: # of Vehicles 2010

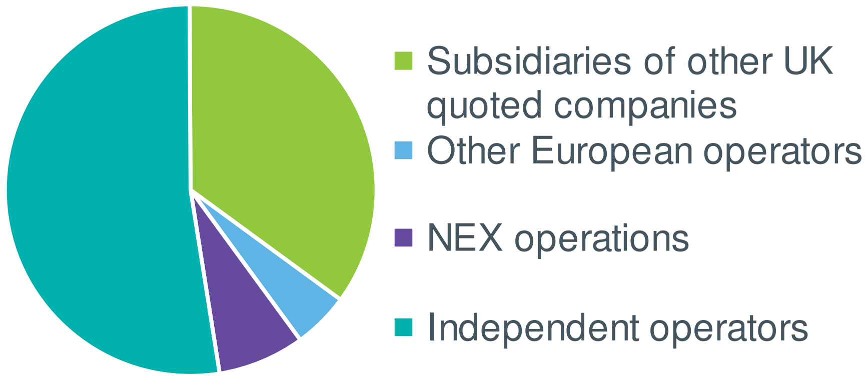


National Express has a strong market leadership position

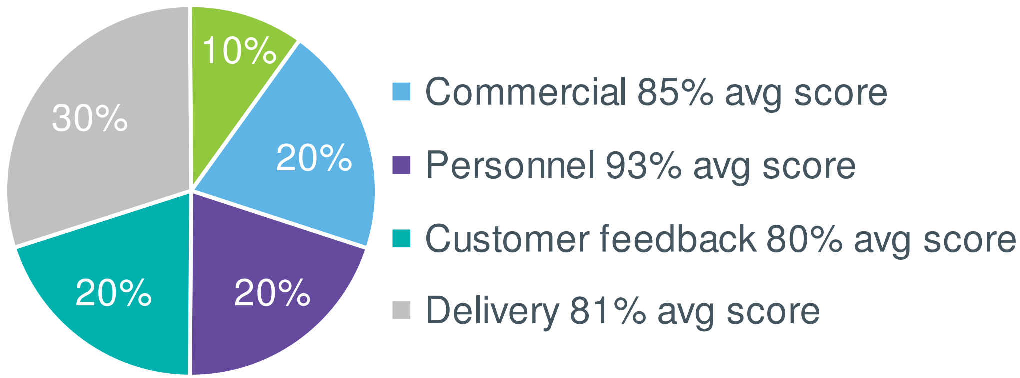
Our asset: third party supplier model

- Around 80% of the National Express coaches are owned by third party suppliers
  - 43 Partner operators
- Typical contract features:
  - 5 years long, Annual rate review mechanism, 12 months notice period for either party
  - Contract specifies quality outputs which are closely measured:
    - Vehicle presentation
    - Customer feedback
    - Engineering standards
    - Driver training
  - Generally the operator takes on the fuel risk
  - NEX sources coaches on behalf of operator

Segments by type of operator



Operator outputs are measured against Customer & Operational metrics (% weighting)



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Current focus: where were we 12 months ago?

Issues

- Absence of a clear strategy, under-exploited opportunities, slow to react to competition, lack of customer analysis
- Inconsistency of service, low attention to detail
- Pockets of aggressive competition
  - Rail: main UK corridors
  - Coach: selective targeting point-to-point routes
- CSOG: withdrawal of Government subsidy for Over 60 and disabled passengers

Opportunities

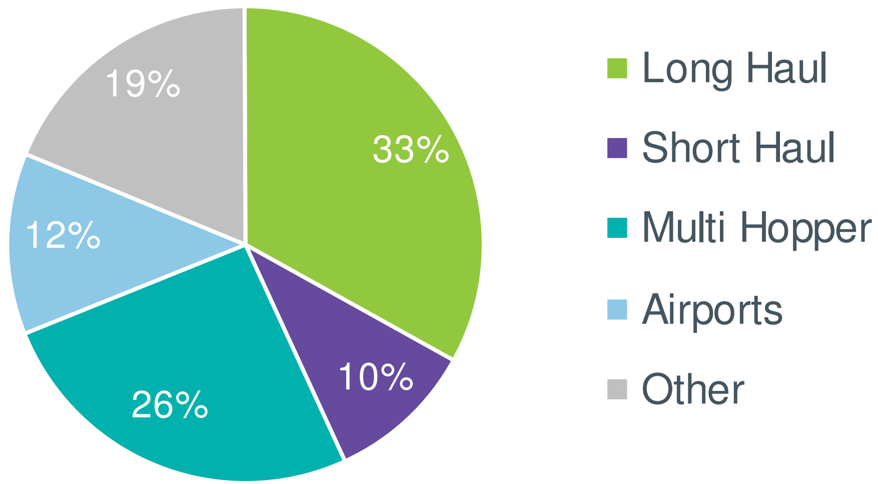
- New management bringing direction to a talented team:
  - Customer service
  - Operational efficiencies
  - Yield and route management

Current focus: Customer service

Business segments to match customer travel patterns and needs:

- Long Haul: Direct long distance routes connecting major UK cities
- Short Haul: Direct short haul routes connecting major UK cities
- Multi-Hopper: Collections of shorter journeys between smaller UK cities
- Airports: Quick access to airports and between airports from a range of UK cities

Analysis of coach segments by number of routes



Current focus: Customer service

Long haul

Wants to connect directly between 2 UK cities

- Choices: NEX coach, other coach point-to-point, high speed (discounted) rail
- We offer: high frequency, low prices, ease of booking
- Growth opportunity: streamline cost base, seating, everyday low prices (no more funfares), diminishing rail competition

Short haul

Uses coach as commuter/day trip service, frequency is key

- Choices: NX coach, car, standard rail, low frequency coach
- We offer: great pricing, low differential in journey time, short waiting time, helpful destinations
- Growth opportunity: differentiated pricing, highly competitive vs. rail. targeted services to meet customer needs, targeted marketing

Hopper

Uses coach to connect between 2 UK towns. Easy use is key

- Choice: NEX coach, multiple rail connections, car
- We offer: interconnected service, hassle-free baggage management, great prices
- Growth opportunity: differentiated pricing, network efficiency on key connections

Airport

Uses coach to get to key UK airports

- Choices: standard rail (often with multiple connections), car
- We offer: direct service, hassle-free baggage, good prices, strong existing relationships (BAA LHR central bus station)
- Growth opportunities: direct service more important than price, build network to service more airports, inter-airport opportunities

Current focus: Customer service

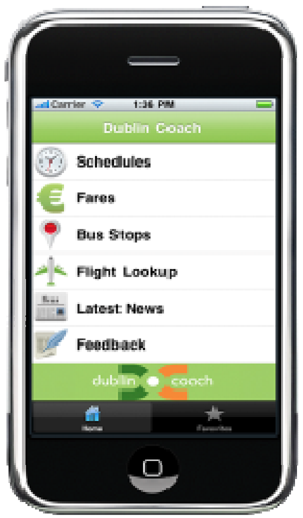
A range of customer service initiatives has been implemented since the new management team has been in place

- 24/7 Customer response
- Better station and coach facilities
- Technology-driven operational improvement: tracking coaches, real time operational management

Current focus: Customer service

A range of customer service initiatives has been implemented since the new management team has been in place

- Technology-driven customer service: real-time information, use of apps etc
- Rebalanced marketing & loyalty management. Knowledge transfer from Spain



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Exception Report - FJ60HXV View GPS Data

London - Eastbourne (O) (08.00)

No.	Stop Name	Scheduled Time	Arrival	Departure	Early(-)/Late(+) Departure	Status
1	London: Victoria Coach Stn Victoria Coach Stn	08.00	08.00	08.00	On Time	✓
2	London (Pimlico): Bessborough St Tube Stn, Stop H	08.04	08.05	08.09	+5	✓
3	London (Vauxhall): South Lambeth Rd Vauxhall Park, Stop V	08.06	08.13	08.17	+11	✓
4	London (Stockwell) South Lambeth Rd, Stop B	08.10	08.17	08.20	+10	✓
5	London (Streatham): High Rd Odeon Cinema, Stop NA	08.23	08.41	08.41	+18	✓
6	London (Mitcham): London Rd nr Downe Rd, Stop B	08.33	08.46	08.50	+17	✓
7	London (Wallington): Woodcote Rd nr Stafford Rd, Stop H	08.47	09.05	09.05	+18	✓
8	Coulsdon: Brighton Rd South Rail Stn	08.55	09.13	09.13	+18	✓
9	Hooley: Brighton Rd opp Star Lane	08.58	09.17	09.17	+19	✓
10	Gatwick Airport: Lower Forecourt .. (arr)	09.20	09.33	09.38	+18	✓
11	Gatwick Airport: Lower Forecourt .. (dep)	09.25	09.38	09.38	+13	✓
12	Hickstead: A23 Slip Rd Little Chef	09.43	09.57	09.57	+14	✓
13	Brighton (Patcham): London Rd Black Lion	09.53	10.05	10.06	+13	✓
14	Brighton (Withdean Park): London Rd nr junction The Deneway	09.55	10.06	10.07	+12	✓
15	Brighton (Preston Park) Preston Park Hotel	09.57	10.10	10.10	+13	✓
16	Brighton (Preston Circus) Hare & Hounds	10.00	10.11	10.14	+14	✓
17	Brighton (York Place): St Peters Church	10.05	10.14	10.17	+12	✓
18	Brighton: Pool Valley Coach Stn	10.10	10.18	10.18	+8	✓

Current focus: Operational efficiency

Driver staff	Improve rostering and pay scales Minimise dead time and improve monitoring
Fuel	Already centrally negotiated Traffilog system to monitor MPG and operator incentives
Engineering	Centralise procurement of parts and servicing under a defined schedule
Systems	uTrack to get step-change in route data Ticketing and Operational mgt (Alsa system, new ‘front end’ for UK)
Coach procurement	Optimise coach lifecycle (currently 7 years) Improve specification
Hired coaches	Drive supplier economics Tender tightly specified contract bundles to multiple providers Agreed fuel economy and labour efficiency Centralised maintenance deal

Current focus: Yield and route management

Fares management	No “on the day” Funfares No £1 fares +£5m of pricing changes Re-balancing return vs single pricing
Online/offline	Introduction of Fares Management system Improved website (inc flexible ticket amendments Single ticket booking fee
New routes and services	Royal wedding services New 206 route from south coast starting this week Major review of airport routes – London, Manchester, Scotland Selective new routes to London and Manchester planned
Efficiencies	uTrack to allow re-planning and retiming of routes

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Future opportunities

- Core network:
  - Evolve marketing message to improve customer retention and loyalty
    - Cheaper than acquiring new customers
    - 50% of our customers take 1 trip per year
  - Increased coach share of customer wallet
  - Modal shift from rail and car
- Added value services:
  - Build events and contracts/commuter businesses
  - The Olympics in 2012 (and potential beyond)
- New markets
  - Leverage Alsa and Eurolines to access key new market opportunities

Summary

Key takeaways:

- Unique asset with commanding market share in a de-regulated market
- Good margins and growth show the attractiveness of the value proposition
- Entirely new management team has invigorated the business – more to come

Plans for 2011

- Customer service (marketing and channel strategy)
- Operational improvement
- Yield and route management

Value generation

- Opportunities to extend margin further
- Outsourced supplier model gives flexibility and high ROCE
- Good rates of organic growth from existing platform, with promising developments in new markets