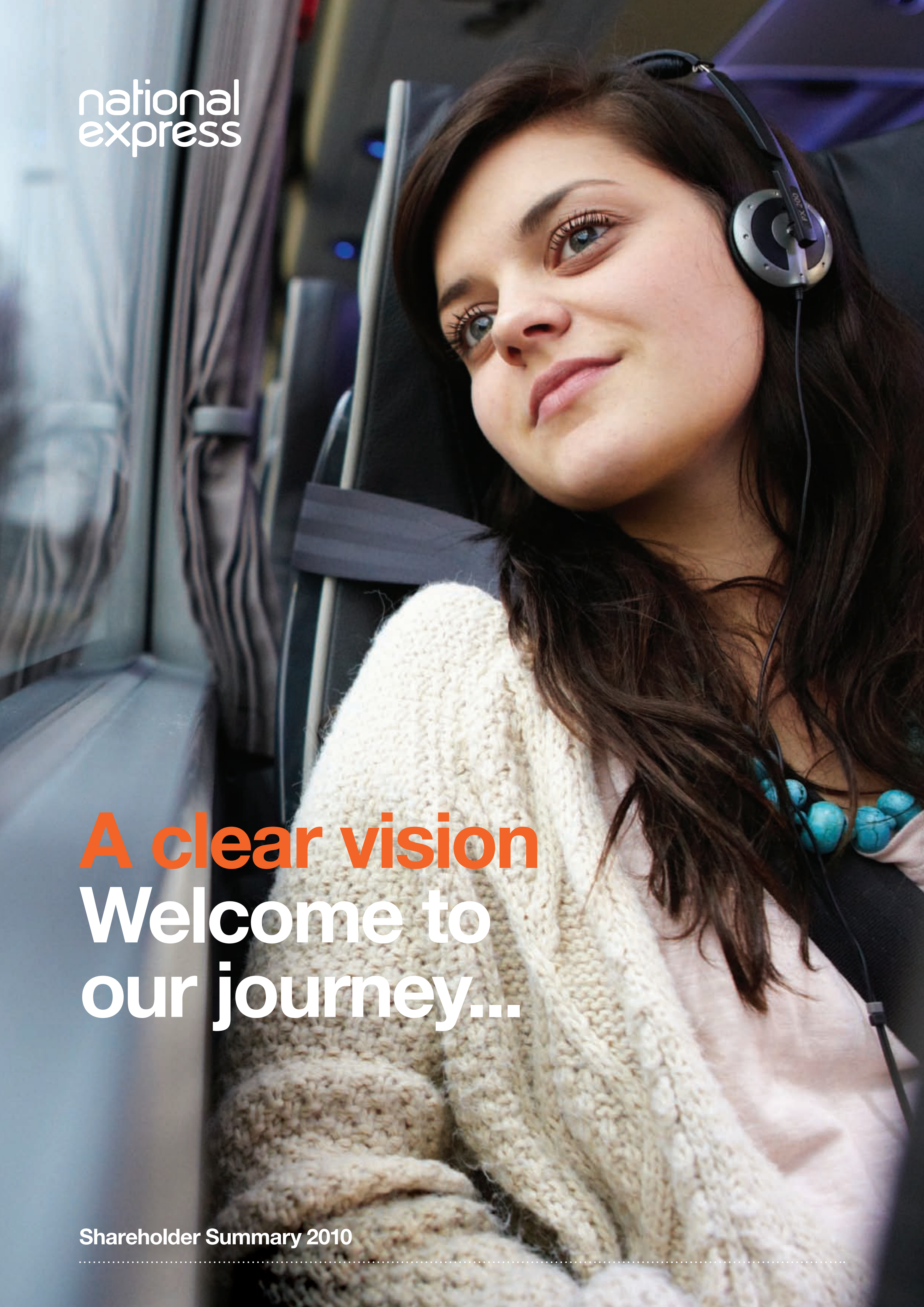


national express

A clear vision

Welcome to our journey...

Shareholder Summary 2010

2010 performance
Highlights

Who we are

National Express Group is a leading transport provider delivering services in the UK, North America and Spain.

Our vision

Is to earn the lifetime loyalty of our customers by consistently delivering excellent value, frequent, high performing mass public transport services.

Normalised operating profit

£204.2m +28%

Normalised profit before tax

£160.5m +38%

Normalised margin

9.6% +63%

Return on capital employed

13.2% +23%

Highlights of the year

- Normalised margin rose from 5.9% in 2009 to 9.6% in 2010
- Normalised operating profit increased over £44 million to £204.2 million (2009: £159.8m)
- Normalised profit before tax rose 38% to £160.5 million (2009: £116.2m)
- Franchise extensions secured for National Express East Anglia and c2c; potential for future value creation in Rail
- UK Bus returned to industry average margin with operating profit up 36%
- Over US$30 million annualised cost savings delivered in North America; operating profit up 44%
- Despite a challenging economic backdrop, Spain performed strongly with margin and profit growth
- Dividend restored with a proposed final dividend payment of 6 pence per share

A year of progress
Chairman's letter

I am pleased to report that 2010 has been successful on many fronts for National Express. Following a turbulent 2009, we are rebuilding a high quality business, focused on its core operations and established on a sound financial footing.

In my statement to shareholders 12 months ago I stated that our new Group Chief Executive and his management team would be "implementing and refining our strategy – improving margins, driving cash and delivering selective, value-creating growth". I am delighted to state that in 2010 that is exactly what has been achieved. With shareholder support, we put in place an appropriate capital structure, almost halving debt since December 2008. During 2010 we have steadily restored margins, stabilised and begun to grow revenue, and started to make targeted investment in future growth. These initiatives have generated a strong recovery in Group profitability; we finished 2010 with profits nearly 15% higher than the market's expectations at the start of the year, delivering an improvement in normalised Group profit before tax over 2009 of over £44 million.

Much of the credit for this should go to the management team that is now in place. Since joining the Group in February 2010, Dean Finch has brought clarity and operational focus throughout the Group. Our five divisions have strong leadership, including three appointments of recognised industry leaders during the year and one internal promotion. Together, the Executive has reinvigorated businesses that are now positioned to leverage their strong positions across their markets and to look at targeted opportunities to achieve growth.

Led by Jez Maiden, our Group Finance Director, we have restructured the balance sheet, with two bond issues that have extended the debt maturity profile out to between 2014 and 2020, allowing management to focus on operational execution. In delivering this improvement in performance, the Executive and I have been ably supported by a strong and stable Board. I would like to thank my Board colleagues for their advice and direction as we have restored performance and pride across the Group.

I would particularly like to thank Ray O'Toole, Chief Operating Officer, who decided to retire during the year. He has made a tremendous contribution to the Group over the years, first joining the Board in 1999, and steering our operations through a difficult 2009. I wish him well for the future.

In 2009 the Board made the difficult decision to suspend the dividend to shareholders. Recognising the return to stability of National Express and the improvement in earnings and cash generation, the Board is proposing its restoration, with a final dividend for 2010 of 6 pence per share, payable on 13 May 2011 to shareholders on the register on 26 April 2011. The Board believes the dividend should be set at a level where it is at least two times covered by annual earnings and fully funded from free cash flow. It should also be sustainable and progressive going forward. We have established the initial dividend at a level which is supported by the non-rail business of the Group. As we continue to improve profitability in other businesses and rehabilitate our position in the UK rail industry, we expect to grow the future dividend accordingly.

The Board is proposing a final dividend of 6 pence per share.

By the end of 2011, we expect to be delivering at least to industry average margins across all our businesses, with industry-leading performance in several areas. Whilst we remain focused on the completion of this business recovery phase, we have begun the next step of our strategy, delivering selective expansion through organic growth, winning new contracts and, in due course, securing targeted bolt-on acquisitions. This next phase will continue to reflect the principles we have established in our recovery – we will deliver operational excellence; we will focus on cash generation; and we will only invest where there are clear returns for shareholders.

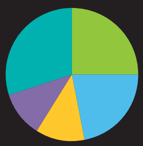
Finally, on behalf of the Board, I would like to thank our employees for their hard work and dedication during the year. Their performance and delivery is evident in the results that we report to you here. I would also thank our shareholders for the support that they have shown in the last 15 months and the faith that they have placed in us to achieve our recovery programme. I am confident that National Express Group is now in a strong position to complete its recovery. I look forward to moving on to the next stage of our development.

John Devaney
Chairman

24 February 2011

A global business
Group at a glance

Group revenue by market



Group normalised operating profit by market

Group
National Express

Revenue
£2,125.9m

Normalised operating profit
£204.2m

Employees
38,000

(inc. corporate functions)

Spain
ALSA

Revenue
£525.6m

Normalised operating profit
£86.2m

Employees
6,800

North America
Durham School Services
Stock Transportation

Revenue
£459.8m

Normalised operating profit
£36.9m

Employees
20,600

UK Bus
National Express West Midlands
National Express Coventry
National Express Dundee
Midland Metro

Revenue
£257.8m

Normalised operating profit
£28.3m

Employees
5,400

UK Coach
National Express Coaches
Eurolines
The Kings Ferry

Revenue
£250.3m

Normalised operating profit
£32.0m

Employees
1,500

UK Rail
c2c
National Express East Anglia

Revenue
£637.5m

Normalised operating profit
£33.8m

Employees
3,600

Moving forwards
Business overview

To find out more about our vision and strategy visit:
www.nationalexpressgroup.com/ar2010

Group

Revenue £2,125.9m (2009: £2,711.1m)
Normalised operating profit £204.2m (2009: £159.8m)

National Express is being transformed. We are ahead of plan in delivering our two year Business Recovery programme and we have a strategy to deliver industry-leading performance, organic growth and new market opportunities.

Our focus in 2010 has been on restoring margins. Through cost control, fare yield management and a focus on delivering operational excellence across the business, Group normalised margin rose from 5.9% in 2009 to 9.6% in 2010. UK Bus, for example, has gone from one of the worst performing operations in the industry to one of the best within 12 months. And, excluding rail operations, normalised profit before tax reached a record level in 2010.

In addition to delivering much improved margins, in 2010 we resolved a number of significant legacy financial issues and completed the rebuilding of our capital structure. The Group is increasingly seen as one of the best financed in the sector.

With a stronger management team in place and a clear focus on delivering consistent operational excellence, during 2011 we will move to the next phase of our strategy.

This is based on:

- margin growth – through an unceasing focus on revenue and cost management;
- organic growth – in our existing markets by offering better products and services which our customers want to buy and by winning new bid opportunities across our bus, coach and rail markets; and
- bolt-on acquisitions.

Our acquisition strategy is to only target opportunities which fit with our existing businesses in the same modes and geographies, and which quickly add scale and synergies to the existing operations. We will apply strict return criteria to ensure that any acquisition adds shareholder value.

In the longer term, we will look to grow in both existing and new geographies and take advantage of liberalisation and continued privatisation of mass public transport markets. We will undertake any such expansion in a measured way and only where we can bring clear competence and expertise to the opportunity.

In delivering our strategy, we will focus on achieving superior long term returns on investments and will concentrate on offering excellent value for money prices, frequent services and pleasing our customers.

Spain

Revenue: £525.6 million (2009: £546.8m)
Normalised operating profit: £86.2 million (2009: £76.5m)

Despite tough economic conditions in Spain, ALSA produced a substantial increase in margin on flat overall revenue.

Revenue in Urban bus grew strongly (up 9%), and the Intercity coach business grew in the final quarter, having declined for much of the year. Current trends suggest a slow but steady improvement in revenue.

Improved operational efficiencies from mileage savings, reduced fuel prices and continued excellent ongoing cost control drove the margin increase.

ALSA launched an upgraded website during the year and now generates 25% of revenue through this channel. Its loyalty programme brought 160,000 new customers to the BusPlus card scheme, and the international coach business carried an extra 20,000 passengers as the Icelandic volcano shut down much of Europe's air travel.

In terms of sustainability, our entire fleet now operates on a diesel/biodiesel mix and hybrid vehicles are being introduced into urban transport services alongside some LPG vehicles. A good safety performance in 2010 saw an 8% reduction in the overall accident rate.

Our new €16 million a year contract to operate urban buses in Agadir, Morocco began successfully in September 2010. By mid 2011, the current fleet of 80 buses should have doubled, and Morocco remains a key driver of growth.

We expect the Spanish economy to remain challenging in 2011 but ALSA should benefit from some organic revenue growth and new tender opportunities. Very few of our contracts and concessions are due for renewal during 2011, and we expect to be able to leverage our expertise in selected international tenders and bolt-on opportunities.

North America

Revenue: £459.8 million (2009: £444.5m)
Normalised operating profit: £36.9 million (2009: £25.3m)

Our North American operations made significant progress in 2010 in delivering the Business Recovery programme. Under new management, most parts of the business have been overhauled and this is still work in progress.

Revenue was up 2% over the year, despite a 3% fall in the first half due to bid losses for the 2009/10 academic year. Strong growth in the second half was based on good success in the 2010/11 bid season. This produced an 11% gross increase in new routes, representing 5% net revenue growth. We secured 19 new contracts from competitors and three more as conversions from in-house operations. This outsourcing is a positive trend, representing real market growth.

Most new contracts require the provision of new buses, however, and capital investment increased to US$126.3 million (2009: US$38.3m).

Normalised operating profit also increased – by 44% on 2009 with operating margins at 8.0% (2009: 5.7%). We are targeting double digit, industry-leading levels by the end of 2011.

Over US$30 million of annualised costs have been removed since 2009 as part of the targeted US$40 million Business Recovery programme. Two of the three corporate offices were closed in April and management of the business was consolidated in Chicago. Delivering the remaining US$10 million of annualised savings will be a key priority in 2011.

We completed our first bolt-on acquisition for some time, acquiring a privately owned 200-bus operation in New Jersey, and will continue to explore such opportunities.

This market, with its long-term contracts and low revenue risk, remains attractive for future organic and bolt-on growth.

UK Bus

Revenue: £257.8 million (2009: £293.9m)
Normalised operating profit: £28.3 million (2009: £20.8m)

This was a year of good progress for the UK Bus business as cost control improved markedly, and we grew our margins after a period of weak profitability.

Excluding revenue from the Travel London operation, which was sold in June 2009, underlying revenue was broadly flat year-on-year. This was a good performance given a 4% decline in network mileage to improve operating efficiency, and a 4% fall in passenger volumes reflecting lower levels of economic activity in both the West Midlands and Dundee. Prices were increased by 4% in June 2010 to better match journey demand with supply.

During the year we made real progress in addressing the issues that had led to earlier margin decline. Services and frequencies were adjusted to add capacity to the high demand corridors. As a consequence, average revenue per journey increased and fuel efficiency improved. One depot was closed and driver wages were restructured under a new two-year agreement.

After stripping out the lower margin Travel London results from 2009, normalised operating profit increased by 48% with operating margin up to 11.0% (2009: 7.1%). This is now in line with the industry average – a target we reached significantly ahead of schedule.

The Midland Metro tram service made a profit for only the second time and achieved outstanding service – over 99% reliability and 98.5% punctuality.

In October 2010, the UK Government announced a cut of 20% in the Bus Service Operators Grant from April 2012. We estimate that this will cost us £4 million for 2012 and £5 million in a full year – but will not represent a material impact.

Though the economic outlook in our regions remains challenging, the urban density of our customer base offers a sound platform for driving stronger performance. We are investing in 600 buses over the next five years, which will drive capacity and, we expect, patronage on the core network. The investment includes the purchase of hybrid buses to help promote greater use of more environmentally friendly public transport over the car.

This investment, together with procurement and engineering savings, and more targeted marketing to encourage travel, should improve growth in the bus business. Our target is to deliver industry-leading margins in the medium term.

UK Coach

Revenue: £250.3 million (2009: £242.9m)
Normalised operating profit: £32.0 million (2009: £34.3m)

The Coach division consolidated its position in 2010, with a new management team recruited from the transport and consumer goods sectors. The Express coach business has been reorganised around its key segments – Airports, Long Distance, Multi-hopper and Short Distance. This will ensure a sharper focus, create new journey opportunities and improve revenue management.

Underlying revenue was up 3%, but after a record profit in 2009, both profit and operating margin (2010: 12.8% – 2009: 14.1%) fell slightly, reflecting an increase in fuel costs for third party operators, marketing expenditure and investment in new facilities. We opened four new coach stations in 2010 and refurbished three others.

A strong recovery in airport traffic during 2010 offset some cross-country weakness. Eurolines had a strong 2010, including the repatriation to the UK of 28,000 people following the Icelandic volcano eruption in April. Eurolines will provide a platform for the Group's planned expansion as continental European countries liberalise their domestic markets.

Innovation is a major area of focus. The Bus-based, real-time information system called Traffilog has been extended to Coach. This is already providing operational benefits to re-route coaches caught in traffic congestion. And our website, which now accounts for over 50% of passenger revenue booking, was re-launched in September.

UK Rail

Revenue: £637.5 million (2009: £1,190.5m)
Normalised operating profit: £33.8 million (2009: £12.0m)

After the difficulties of 2009, 2010 saw a steady rehabilitation of the Group in the UK Rail industry. With a strong operational performance across our two rail franchises, both have now been extended by the Department for Transport (DfT). c2c will run until November 2012 or May 2013 (at the DfT's option) and National Express East Anglia ('NXEA') will operate until February 2012.

Top line revenue in 2010 was, of course, significantly down on 2009 following the hand back of the loss-making East Coast franchise. However, underlying revenue grew by 3% driven by a significant increase in passenger numbers in the second half of the year. Operating profit also improved strongly, with continued cost control and improving revenue driving operating margin 4.3 percentage points higher, to 5.3%.

Underlying passenger volumes also increased by 4%. An improving Central London employment market helped c2c in particular as did the extension of the Oyster card to suburban rail. c2c also successfully grew its leisure patronage: and its consistently outstanding reliability and customer satisfaction results helped boost revenues. Meanwhile, NXEA also improved punctuality, reaching 90% during the year.

Improved safety leads to lower costs. NXEA successfully drove down 'signals passed at danger' ('SPADs') by nearly 50% in the year, while reducing employee, passenger and contractor accident rates. Safety performance at c2c was also strong, with only one SPAD and all employee, passenger and contractor safety targets exceeded.

NXEA began the roll-out of its £185 million capacity investment programme, funded in conjunction with the DfT. In December 2010, new peak-time commuter services were introduced to Liverpool Street. The overall programme includes faster trains, and, from March 2011, new rolling stock. Station and maintenance improvement work has also been carried out across East Anglia and c2c.

The Group is in the process of bidding for the Greater Anglia franchise (the successor to NXEA's operation), which will run from February 2012 for a period of approximately 18 months. A decision from the DfT on this franchise is expected in late 2011. The re-tendering process for c2c will not start until 2012, but the Group expects to bid, building on the record-breaking punctuality delivered in 2010. However, we have no plans to take part in either the West Coast or East Coast Main Line bidding processes.

Shareholder information

Shareholder electronic communications

By registering for electronic communications you can help us to reduce print, paper and postage costs. Log on to www.shareview.co.uk if you would like to:

- register your e-mail so that you are able to access future shareholder information, including the annual report and accounts, electronically;
- check the balance of your shareholding;
- set up a dividend mandate online;
- change your registered postal address or your dividend mandate details; or
- submit your vote online prior to a general meeting.

To sign up for the first time you should click on 'Register' and follow the simple instructions – you will need your shareholder reference number from your share certificate or dividend voucher or any other correspondence sent to you by Equiniti Limited.

Dividends paid directly to your bank account

Having dividends paid directly to your bank account has the following advantages:

- avoids the risk of cheques being lost and incurring a replacement fee;
- saves you time in presenting the cheque for payment; and the dividend is credited to your account on the payment date.

The tax voucher is sent to your registered address at the same time as the dividend is credited to your account. To set up a new dividend mandate please log on to www.shareview.co.uk or contact the Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Shareholder helpline number: 0871 384 2152*.

* Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Share dealing service

A telephone and internet share dealing service, which provides a simple way to buy and sell shares, is available through our Registrar, Equiniti. For further information log on to www.shareview.co.uk/dealing or telephone 0845 603 7037*.

* Calls to this number are charged by BT at the local rate.

Company website

The Company website at www.nationalexpressgroup.com has information about the Group, including press releases, share price data and copies of the half year and annual report and accounts as well as corporate responsibility reporting. The Company no longer publishes the half year results in hard copy. These will now only be available via the website.

ShareGift

ShareGift is an independent charity share donation scheme administered by the Orr Mackintosh Foundation (registered charity number 1052686). Those shareholders who hold only a small number of shares, the value of which makes it uneconomic to sell them, can donate the shares to ShareGift who will sell them and donate the proceeds to a wide range of charities. Further information about ShareGift can be obtained from its website at www.sharegift.org and a ShareGift transfer form can be downloaded from www.nationalexpressgroup.com.

Unclaimed assets register

The Company participates in the Unclaimed Assets Register ("UAR") which provides a search facility for shareholdings and other financial assets that may have been forgotten. For further information contact UAR, PO Box 9501, Nottingham NG80 1WD. Tel: 0870 241 1713 or visit www.uar.co.uk.

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To view the full annual report and accounts visit:
www.nationalexpressgroup.com/ar2010