



DAVID ROSS
CHAIRMAN

EXCELLENT RESULTS AND A PLATFORM FOR GROWTH

RESULTS AND DIVIDEND

Revenue was up 14% to £2.5bn (2005: £2.2bn) and normalised Group operating profit increased by 19% to £184.8m (2005: £155.5m). After interest and the Group's share of losses from associated undertakings, normalised profit before tax was up 15% to £156.1m (2005: £135.3m). Normalised diluted earnings per share from continuing operations were 76.5 pence (2005: 76.3 pence).

We are recommending a final dividend of 24.0 pence per ordinary share (2005: 22.25 pence), an increase of 7.9%, to be paid on 4 May 2007 to shareholders on the register at 27 April 2007. Including the interim dividend, the proposed total dividend for the year is 34.75 pence (2005: 32.25 pence).

I am pleased to report that 2006 was another excellent year for the Group with a strong finish to the year delivering results ahead of our expectations. This was achieved through sustained topline growth driven by our continued focus on operational excellence, as well as innovation and development of our broad range of products and services.

We are particularly pleased with the performance of Alsa, making its first full year contribution to the Group. We achieved excellent growth in our long distance operations in Spain and won a number of new contracts. We also experienced yet another best ever bid season in North America.

In the UK, Midland Mainline retained its position as the best performing Inter City rail operator as well as being awarded the prestigious "Operator of the Year" Award for 2006 at the National Rail Awards. c2c was once again named Britain's best performing train company. Our coach business, Britain's No 1 coach operator, goes from strength to strength with strong volume growth and innovative fare promotions. Our award winning Levante coaches are fully accessible to all our customers including those with wheelchairs. We have committed to making our entire fleet similarly accessible by 2012. Despite increased fuel costs, our Bus division produced another strong contribution.

The publication of the Stern Review highlighted the pivotal role that transport can play in tackling climate change. During 2007, National Express Group will be launching and participating in a number of initiatives aimed at maximising the role bus, coach and rail can play in reducing the impact of climate change.

GROUP STRATEGY

2006 was also a year of change for the Group. We welcomed Richard Bowker as Chief Executive in September. Richard has reviewed our businesses and with the Board concluded that:

- > We have a strong and diversified portfolio of businesses. The Group will grow them through acquisitions and new developments, both in the UK and overseas. We are now actively seeking opportunities to do this and have a number of potential opportunities under consideration;

- > We are a leading provider of integrated transport solutions both in the UK and other geographies. Our long term commitment to rail is demonstrated in our submissions for the East Midlands and New Cross Country franchise bids and, later this year, the Inter City East Coast franchise;

- > We will invest in the necessary products and systems to maximise the value of our customer base. Through greater customer relationship management and marketing we believe we can develop this relationship further and, by providing a level of service and innovation that customers want, stimulate repeat business;

- > We will maintain the efficiency of our balance sheet to give us greater flexibility and greater capacity for acquisitions whilst ensuring our investment strategy is driven by long term value creation.

Above all, National Express Group has the objective of "Making Travel Simpler", by listening to our customers and wider stakeholders and then delivering what they want. To do that, we recognise our people are our most important asset. We ask great things of them day after day and the Board would like to thank all our employees for their efforts in 2006 and looks forward to their support in the future.

In early January 2007 a National Express coach accident occurred on the M25/M4. The safety and security of our customers and employees is of paramount importance to us and we were deeply saddened by the events of that night. Our condolences go to those involved in this incident and particularly those who lost loved ones.

This year will be a period of change and growth at National Express. We will continue utilising the skills and values such as operational excellence that have made this Group so successful but we will build on them. We will apply an entrepreneurial approach to our product and business development and most of all we will listen to our customers, our stakeholders and our people.

OUTLOOK AND CURRENT TRADING

I am very pleased to report that we have started the year well. We have prequalified for the Inter City East Coast franchise and have recently submitted our bids for the East Midlands and New Cross Country franchises.

All of our businesses are performing well. We believe we can do more in 2007 and beyond by offering new services, putting our customers and stakeholders at the forefront of everything we do and bringing an even greater focus to sales and marketing. Our plans are designed to stimulate repeat business and attract new customers to our services thereby maximising the growth of our revenue.

Alongside this organic growth we will continue to seek attractive acquisitions in those core markets in which we operate. We have a strong balance sheet and look forward to utilising this to maximise our opportunities. We look to the future with confidence. [n](#)