Full Year Results

For year ended
31 December 2014

national express

February 2015

Cautionary statement

This Review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the Review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information. The user of these accounts should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside of the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements

Unless otherwise stated, all profit, margin and EPS data refer to normalised results, which can be found on the face of the Group Income Statement in the first column. The definition of normalised profit is as follows: IFRS result excluding charges for intangible asset amortisation, exceptional items, loss on disposal of a business and tax relief thereon. The Board believes that the normalised result gives a better indication of the underlying performance of the Group.

2014 Highlights

Continued delivery of strategy

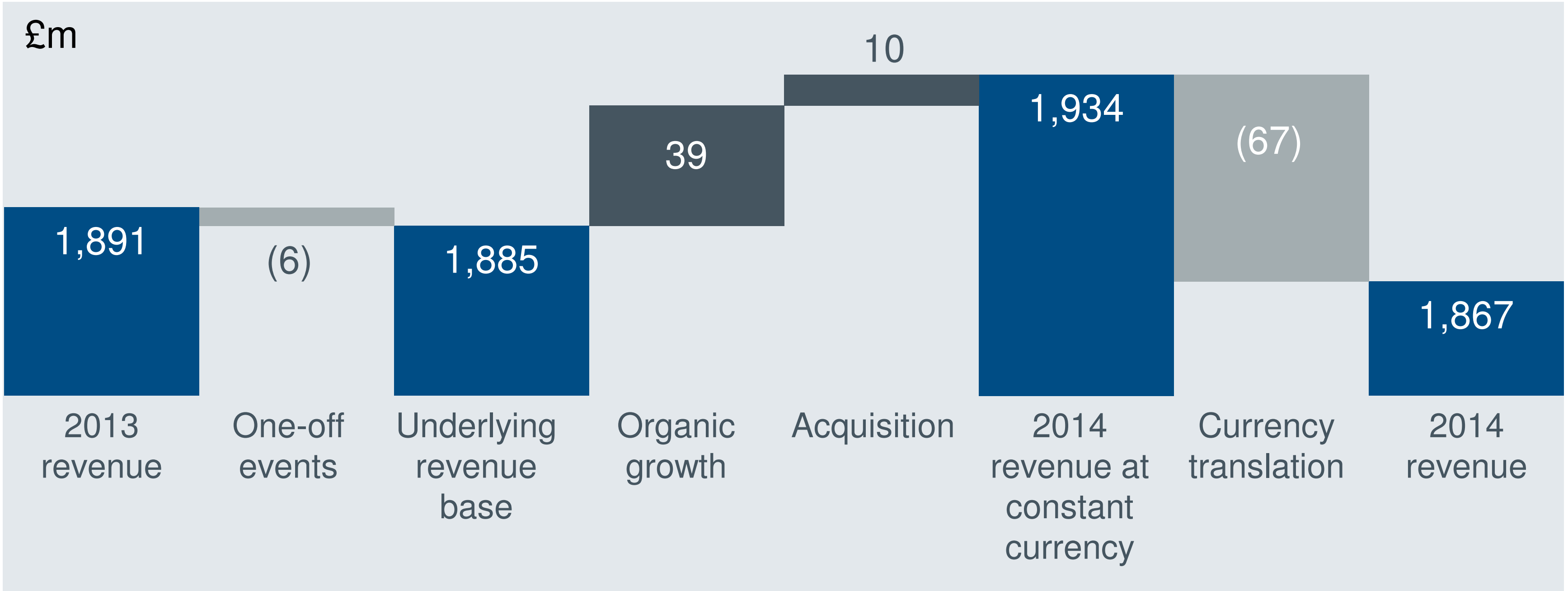
Delivering operational excellence		Generating superior cash & returns	Creating new business opportunities
Another year of strong performance	**Strong cash generation and further reduction in net debt**	**Operational excellence and disciplined approach delivers higher returns**	**Operational excellence also delivering growth in new markets**
o Group normalised PBT up 7% on a constant currency basis o Strong performances from core UK businesses	o Generated £190m free cash flow in the year o Further deleveraging - gearing reduced to 2.25x net debt/ EBITDA	o Group ROCE +70bps to 12.4% o North America ROA up 210bps to 23.8%	o First entry into the Middle East, with Bahrain urban bus win o Further success in German rail

2014 - Momentum from strong second half driving full year growth

£m		2014	2013
Revenue		**1,867.4**	**1,891.3**
Operating profit		**193.1**	**192.9**
Net finance costs		(48.0)	(49.8)
Associates		0.3	0.6
Profit before tax		**145.4**	**143.7**
Basic EPS:	Non-rail	21.2p	20.1p
	Rail	1.5p	1.4p
	Group	**22.7p**	**21.5p**
Final dividend		**10.3p**	**10.0p**

Revenue

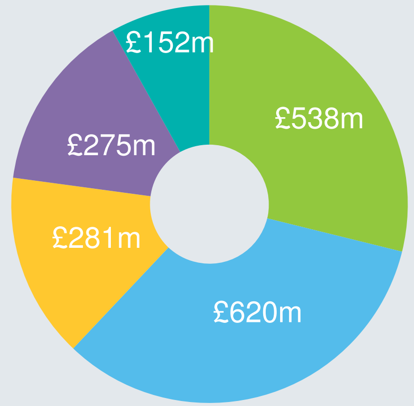
Good organic growth delivered



- 2.3% underlying revenue increase
- (4%) impact from stronger Sterling:
  - US$ moved from $1.56 FY13 to $1.65 FY14
  - € moved from €1.18 FY13 to €1.24 FY14
  - C$ moved from $1.61 to $1.82

Operating profit
Strong performance in UK Coach and UK Bus

Revenue (YOY change*)



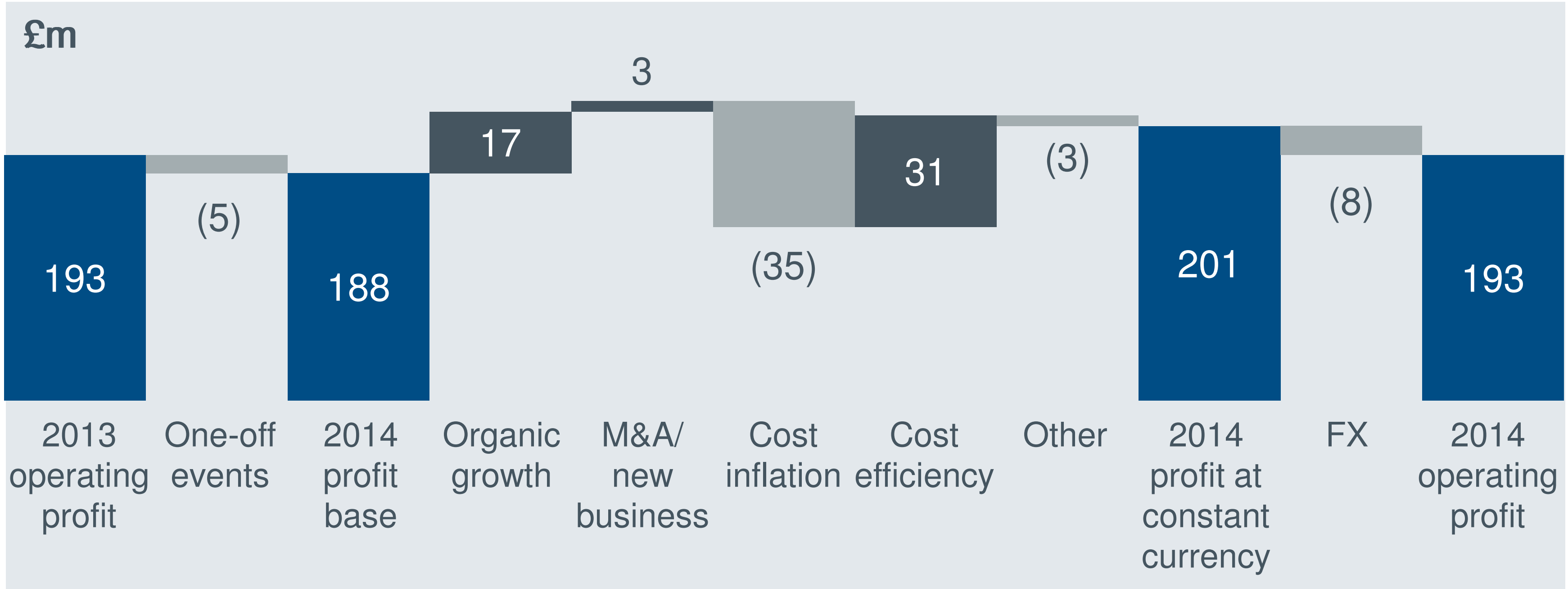
Operating profit

	FY 2014	OPM %	FY 2013	OPM %
Spain	€94.1m	14.1	€96.0m	14.4
North America	$98.0m	9.6	$97.9m	9.7
UK Bus	£34.0m	12.1	£31.2m	11.4
UK Coach	£28.0m	10.2	£24.5m	9.3
Rail	£9.7m	6.4	£9.8m	6.9
German coach	£(1.7)m	-	£(2.4)m	-
Centre	£(12.2)m	-	£(14.3)m	-
Group	**£193.1m**	**10.3**	**£192.9m**	**10.1***

On a constant currency basis

Normalised operating profit

Organic growth & cost efficiency offset inflation



- £17m profit increase from organic growth, primarily in UK
- £8m adverse impact from stronger Sterling:
  - Each US$ cent impacts full year by ~£0.3m
  - Each € cent impacts full year by ~£0.6m

Exceptional costs
Creating future growth and driving efficiency gains

- Investment in new opportunities: £25.5m
  - £6bn of Rail revenues won
  - Won and mobilised first contract in Middle East
- Restructuring delivering savings
- Strategic rationalisation driving future efficiency
  - North America - £11m with £3m benefit plus improved capital expenditure
  - Spain - £7m delivering £2m benefit
- Exceptional gain £21.8m – Spanish fuel duty credit net of fuel hedging cost of (£2.5m)
- No exceptional costs planned for 2015

Exceptional cost breakdown

Exceptional items	£m
Development – UK rail	(19.8)
Development – International	(5.7)
Restructuring	(25.8)
Rationalisation	(18.3)
Spanish fuel duty credit	21.8
Other	(2.5)
Total	**50.3**

£m	Restructuring Cost	Annual Saving
UK	14.6	5.0
Spain	4.8	3.4
North America	4.7	3.0
German Coach	1.7	-
Total	**25.8**	**11.4**

Superior cash and returns

We continue to generate excellent free cash flow

£m	FY 2014	FY 2013
EBITDA	**295.2**	**301.1**
Working capital	4.8	30.5
Replacement capex	(43.2)	(74.9)
Pension deficit	(8.7)	(8.7)
Operating cashflow	**248.1**	**248.0**
Tax/interest/other	(57.8)	(65.2)
Free cash flow	**190.3**	**182.8**

Operating cash flow*	Operating Profit %
Spain	130%
North America	119%
UK Bus	132%
UK Coach	133%
Rail	141%
Group	128%

- Disciplined fleet investment – continue to improve capital deployment and asset utilisation
- Continued working capital improvement - public body debt in Spain reduced further
- Operating cash generation at 128% of operating profit – strong cash generation in each division
- Debt reduced by £82m to £664m
- Free cash flow of £190m, well ahead of target of £150m

** Operating cash flow is intended as the cash equivalent of normalised operating profit*

Superior cash and returns

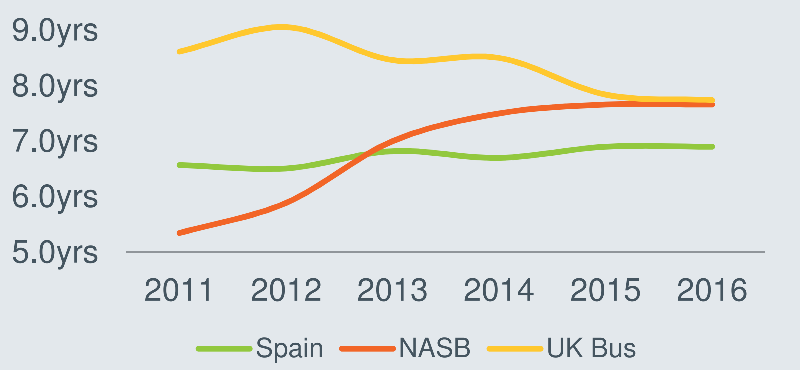
Sustainable capital efficiency is driving better returns

Group ROCE %

2014	2013
12.4%	11.7%

- Group ROCE +70bps to 12.4%
- Reflects careful targeting of capital investment and more efficient deployment of assets;
  - Further investment in fleet replacement
  - Successful retention of contracts and new contract wins
  - Structural change in North American market – permanent shift in fleet age

Spain, UK & NA School Bus average fleet



- North American School Bus rise reflects the cascading programme and higher asset utilisation
- Investment in new fleet for Morocco
- New fleet investment in UK Bus in 2015 – *platinum* buses

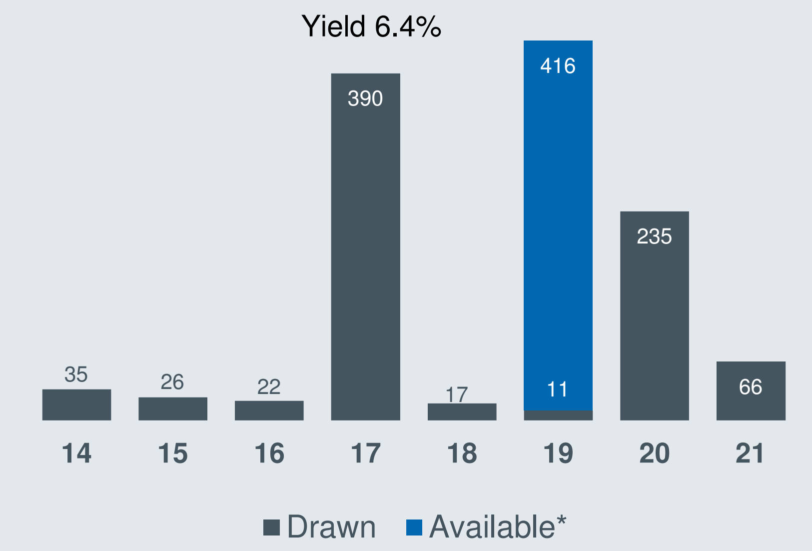
Balance sheet remains flexible

Net debt reduced to £664m

Gearing Ratios	2014	2013	Covenant
Net debt/EBITDA	2.25x	2.5x	<3.5x
Interest cover	6.3x	6.1x	>3.5x

Ratings	Grade	Outlook
Moodys	Baa3	Stable
Fitch	BBB-	Stable

Good debt maturity profile



- Net debt reduced from year end by £82m to £664m
- Robust financial strategy:
  - Prudent gearing policy: 2-2.5x EBITDA
  - Regular dividend covered 2x non-rail EPS
  - Strong commitment to IG debt rating
  - Strong risk planning – fuel mostly hedged to 2016 & pension deficit plan in place
  - £416m committed headroom*
  - £500m in cash and undrawn facilities

** Available cash and undrawn committed facilities at 31 December 2014*

UK Coach
Strong revenue and margin performance

Driving progress

2014 Performance: Revenue +4%, Profit +14%

- Momentum in strong revenue and margin growth
- Benefits of technology
- New partnerships: Tesco Clubcard, SAGA and Easybus
- Profits up 36% over the last 2 years

Opportunities

- Revenue management
- Enhanced CRM
- Operational efficiency, network change, faster routes

Leveraging customer insight to drive demand utilising the new CRM platform, with a customer database of 14m

- Customisation of offers and communications
- Enhanced e-Commerce re-targeting using insight to proactively convert sales
- Spend shift to higher performing, customer targeted digital marketing channels
- Customer acquisition and segment penetration

Highlight statistics

- 139m emails sent in 2014; +75% YOY
- 69% of emails sent are now targeted, vs18% in 2013
- Revenue per email sent has doubled for targeted emails versus non-targeted
- Checkout conversion has improved +25% YOY

NX Coach is still only 5% of the addressable transport market
Further scope for market share gains

UK Bus

Partnership approach driving further growth

Driving progress

2014 Performance: Revenue +3%, Profit +9%

- Robust revenue growth: Passenger growth & service quality improvement
  - Better punctuality, fewer cancellations
  - Delivering TBT3*: Major fleet upgrade, technology
  - Won 2 industry awards for partnership with Centro
- Driving structural cost efficiency

national transport awards
winner 2014

- Pioneering partnership agreement with Centro, now in its 3rd 2-year agreement
- TBT3 contains 83 deliverables, all on track for completion by June 2015
- Acknowledged as industry leading, winning two awards in 2014
- Reflects a culture of partnership, where NX and Centro work together in passengers' interests

Creating opportunities

- Commercial growth: journey times, technology (vehicle tracking, smartcards, apps)
- Leveraging Centro partnership – e.g. road prioritisation
- Margin improvement through patronage & cost efficiency
- Industry leadership – Pay As You Go smartcard in 2015

- TBT3 contains a range of actions to reduce traffic delays, including an NX inspector in Birmingham's traffic control
- 2015's new *Platinum* routes take this to a new level – we deploy high spec vehicles…
- … and in return, councils have pledged over £4m of bus priority schemes

**Transforming Bus Travel 3 agreement with Centro PTE*

Spain
Revenue management driving improvement

Driving progress

2014 Performance: Revenue +0.4%, Profit (2.0%)

- Significant second half improvement in intercity
- Passenger growth where RM implemented
- Extension of Madrid concession by 5 years to 2024 worth an extra €350m
- Restructuring programme delivering cost efficiencies
- Good urban bus performance in Spain
  - Retained largest renewal contract to date - Bizkaia
- Strong growth in Morocco, revenue +22%
  - New bus fleet launched in Tangier in September

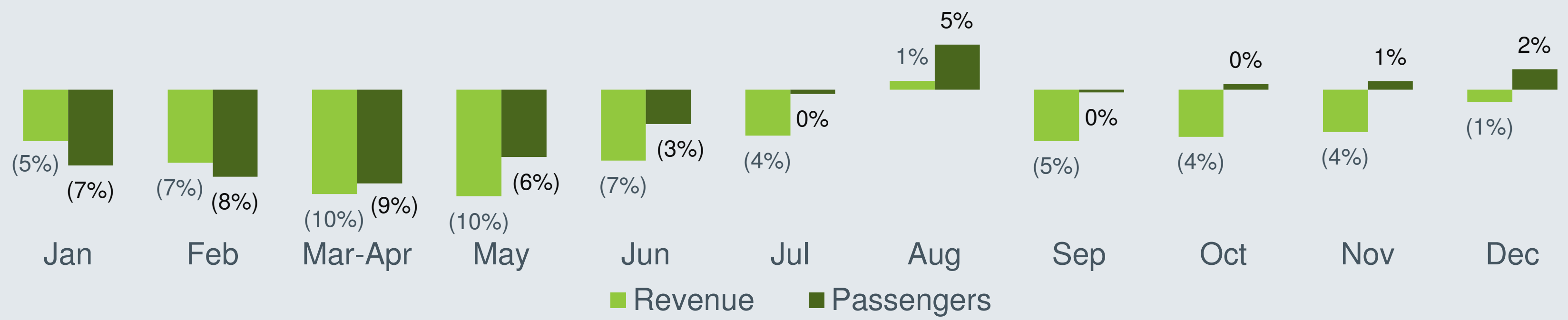
Creating opportunities

- Further implementation of revenue management - rolling out across the division
- Selected urban & regional opportunities in Spain including new urban network developments
- Morocco – continued strong growth in Tangier and potential to add new cities
- Intercity coach concession structure confirmed

RM enabling dynamic pricing and flexible offers

Spain
Intercity responding well to recovery actions

8 main corridors year on year performance (data below includes all flows)



[before recovery actions] **[after recovery actions]**

H1 Passengers down 7.0%, Revenue down 8.0%

H2 Passengers up 4%, Revenue down 2%

- 8 competed corridors - €147m annual revenue
  - 5 compete with high speed rail – price & speed
  - 3 compete with regional rail – price
  - Average 27% price reduction by Renfe in H1
- Revenue management introduced in June to address declines in revenue and patronage

- Action taken on 120 flows within 8 corridors
  - Dynamic revenue management introduced
  - Differentiated fleet & service offerings
  - Journey time improvements implemented
  - 2% reduction in kms operated
- Steady improvement seen post-action
  - Improving passenger & revenue trend

UK Rail

New contract – new opportunity

Driving progress

2014 Performance: Revenue +6%, Profit (1%)

- ET* franchise win brings a new opportunity in UK Rail with fresh initiatives and approach
- £4bn+ of revenue expected over 15 years
- Successful mobilisation of c2c franchise
  - Early days with new franchise but on track to deliver as per bid details
  - Delivered 57 contractual commitments so far out of 225 all on schedule; further 60 to be delivered this year – on track to deliver >50% within first 14 months
- New initiatives already reaping benefits

Opportunities

- ET – strong credential for future bidding – both for UK and International
- Selective bids as part of DfT future franchising programme
- Further opportunities in liberalising markets

ET – Essex Thameside franchise operated by c2c

Industry leading innovation

- Won 15 more years by offering quality and innovation (ranked first by DfT)
- In first 100 days we delivered:
  - New smartcards (over 500k journeys)
  - New discount tickets; 200 customers p.d.
  - Free Wi-Fi at stations (160k user sessions)
- In 2015 we will deliver
  - New smartcards (over 500k journeys)
  - Automatic refunds for delays over 2 minutes
  - A new timetable with 20% more services; faster journey times, better interchange
  - First to last station staffing

Year	14	15	16	17	18	19	20	21
Premium (£m)	1	30	46	60	73	81	83	89
Year	22	23	24	25	26	27	28	29
Premium (£m)	103	116	121	127	132	142	149	144

** 2014 prices. Basis: RPI +1%, Control Period 4*

German Rail
Gaining momentum in Germany

Driving progress

- €9bn p.a. market in German urban and regional rail market with average rail industry margin
- Built pipeline of €3bn worth of annualised revenues in just 2 years:
  - Ongoing mobilisation of RME franchise ahead of 2015 start-up - €1.6bn of revenue over 15 years
  - Further success - preferred bidder for Nuremberg S-Bahn - €1.4bn of revenue over 12 years starting in December 2018; profitable from year 1
- 12-15 contracts p.a. coming up for tender – we will be selective in our bidding approach

Nuremberg S-Bahn

Opportunities

- €2bn pipeline for German rail bids over next 3 years
- Pre-qualified for 3 franchises with combined annualised revenues of >€500m
- Around 30 franchises will be available in next 2 years

- Nuremberg highly prosperous commuter city
- Bavaria higher than average GDP growth
- First S-Bahn contract that Deutsche Bahn has lost

Already secured annual revenues of c. €200m p.a.

North America

Strong recovery in the second half

Driving progress

2014 Performance: Revenue +2.2%*, Profit +1.0%*

- Strong second half recovery with revenue up 2% and operating profit up 17%
  - Reflects actions taken to improve operational performance including exiting poor margin contracts and restructuring programme together with contract wins and acquisition
- Winning new business with contracts generating better returns – improved contract pricing
- Continuing strong cash generation
- Successful bolt-on acquisition in Philadelphia
- Largest ever conversion contract win in Memphis
- ROA increased to 23.8%, up 210bps

Growth potential

- Now looking to step up our investment in NASB
- Philadelphia bolt-on delivering ahead of expectations with expected payback within 3 years
- Petermann acquisition – 3 years in and margins continuing to grow
- Business doubled in 5 years; substantial scope to continue this trend

Creating opportunities

- Organic growth: Strong customer relationships, disciplined pricing, minimum return criteria
- Fragmented market offering attractive growth opportunities
- Efficient capital focus: conversion, bolt-on
- Growth in capital-light Transit market

**Constant currency when adjusting CAD versus USD for FX movement*

Middle East

Bahrain – opening the Middle East

Driving progress

- Won £170m revenue contract to operate the urban bus services of the Kingdom of Bahrain
  - 10 year contract
  - Quality Bahraini joint venture partner
- Successful mobilisation with operations having commenced in February
- Attractive regional market with growth being driven by urbanisation, investment and congestion
- Leveraging Morocco/European city bus expertise
- Scope for further growth of the network in the future – this is the first of 3 phases
- Active pipeline of opportunities worth £700m revenues on attractive margins
- 15 bus contracts up for tender in the next 3 years worth £1.6bn of revenue
- Submitted a further bid in the region for 400 buses

Our Bahrain bus operations

Targeting to build a new division equivalent to Morocco in size

Strength of balance sheet provides choices

Strong balance sheet underpinned by reliable cash generation

- Net debt significantly reduced over past 2 years – gearing ratio reduced to 2.25x net debt to EBITDA
- Deleveraged balance sheet provides options;
  - Invest surplus cash in attractive growth opportunities
    - North America – selective bolt-on opportunities
    - Developing German Rail and Middle East
  - Maintain option for further deleveraging
- We now see opportunity to deliver positive risk adjusted returns, while maintaining capital discipline
- Going forward maintenance capex to return to more normal levels to capture new growth - still expect to generate £100m of free cash flow
- Delivering long-term sustainable growth and shareholder value with progressive dividend, covered by 2x non-rail earnings

North America: Growth opportunity

Highly fragmented market - further consolidation opportunities

- NA school bus market worth $24bn, with 10,000+ private operators
- Built a strong platform
  - US business doubled profits in past 5 years – potential for further significant increase
  - Excellent acquisition track record: Petermann & Philadelphia
  - Operational excellence reflected in industry-leading contract retention rates and successful conversions (e.g. Memphis)
  - Relentless focus on improving returns or exiting unprofitable contracts and on driving ROA through more effective asset utilisation and capital employment
- Realistic pricing and rational competitor behaviour
- Well positioned to increase our returns further through targeted investment
  - Appropriate risk returns through operating leverage
- Strong returns versus cost of capital

German Rail and Middle East

Attractive growth markets with capital-light characteristics

- German Rail – largest rail market in Europe
  - €9bn p.a. market in regional and urban
  - Built a pipeline of €3bn of revenue in just 2 years
  - Momentum gathering: pre-qualified for 3 further bids – worth a potential €500m revenues
  - Strong pipeline of bid opportunities with around 30 contracts up for tender in next 2 years
- Middle East - first mover advantage in fast developing markets
  - Won first urban bus contract in Bahrain
  - Provides platform for further growth in the region
  - Submitted a further bid in the region
  - Further opportunities with 15 bus contracts being tendered in next 3 years – worth £1.6bn of revenue

Delivering our strategy
Well positioned for further growth

2014

- Delivered a strong result in 2014 despite initial challenges
- Now comfortable with leverage in the range of 2.0-2.5x
- Strong free cash flow embedded in the business and will continue
- Existing business well positioned for further growth

2015 and beyond

- Will build our position in Germany and deliver further growth
- We see the Middle East providing us with exciting opportunities
- Will focus our growth on North America where we see a strong pipeline of value enhancing opportunities, while maintaining our disciplined approach
- Strong balance sheet and underpinned by dividend cover 2x non-rail earnings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Appendix

2014 underlying revenue growth

	Yield	Volume	Revenue	Network Efficiency*	LFL growth
Spain					
Transport Spain	-%	(2)%	(2)%	1%	(1)%
Transport Morocco	(1)%	23%	22%	(25)%	(3)%
Non-passenger			11%		
Total[1]			**-%**		
North America[1]			**1%**		
UK Bus					
Commercial	2%	1%	3%	-%	3%
Concession/other			3%		
Total[1]			**3%**		
UK Coach					
Core NE network	-%	4%	4%	1%	5%
Other			6%		
Total[1]			**4%**		
c2c	4%	2%	**6%**		

** Decrease / (increase) in mileage operated*
[1] Reported revenue

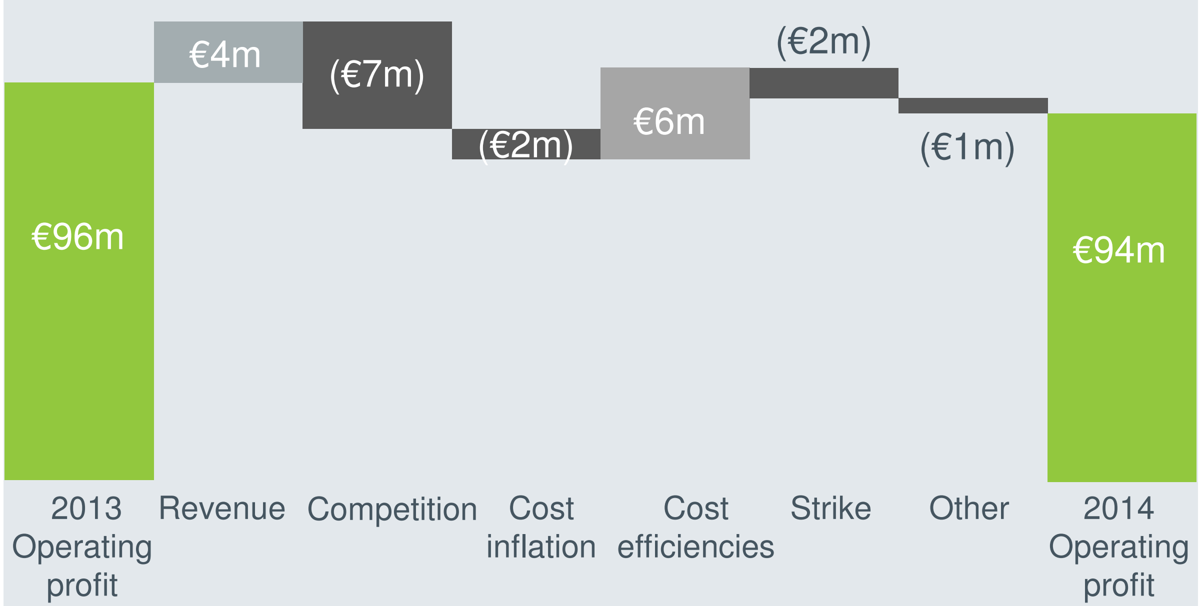
Full Year
Summary divisional figures

2014 (£m)	Spain	N America	UK Bus	UK Coach	UK Rail
Revenue	538.1	620.2	281.0	275.2	151.6
Depreciation	33	47	16	4	1
Capex	21	23	5	3	3
Vehicle age (years)	6.7	7.5	8.5	n/a	n/a
Normalised op. profit	75.8	59.5	34.0	28.0	9.7
Driver wages(1)	29%	47%	36%	7%	7%
Fuel(1)	15%	7%	13%	3%†	5%

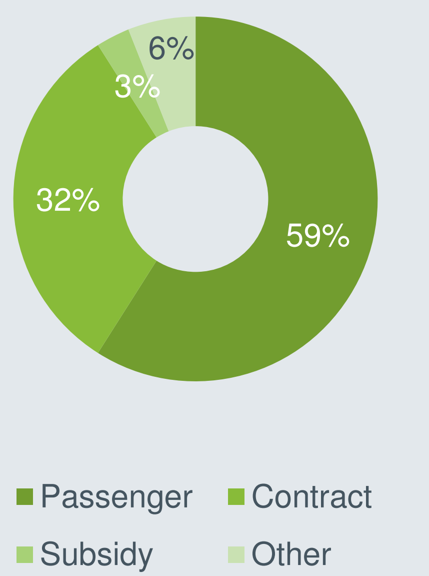
1 As a percentage of revenue
† Excludes Third Party operators

Spain – operating profit bridge

Spain

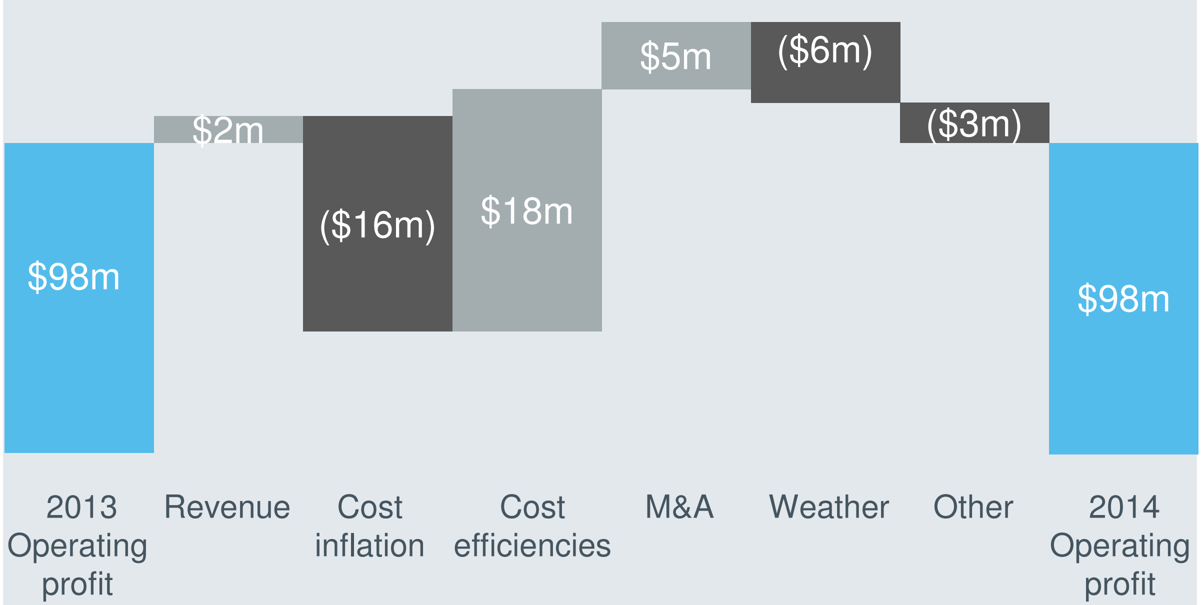


Revenue 2014

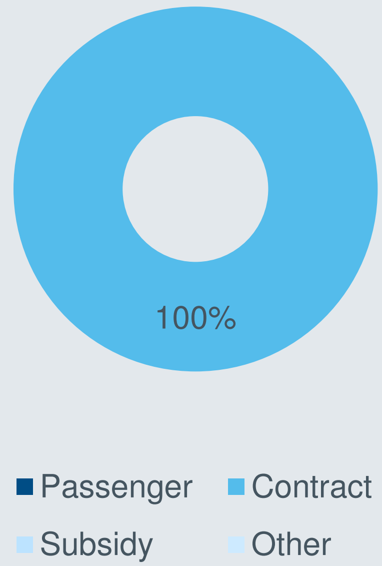


North America – operating profit bridge

North America

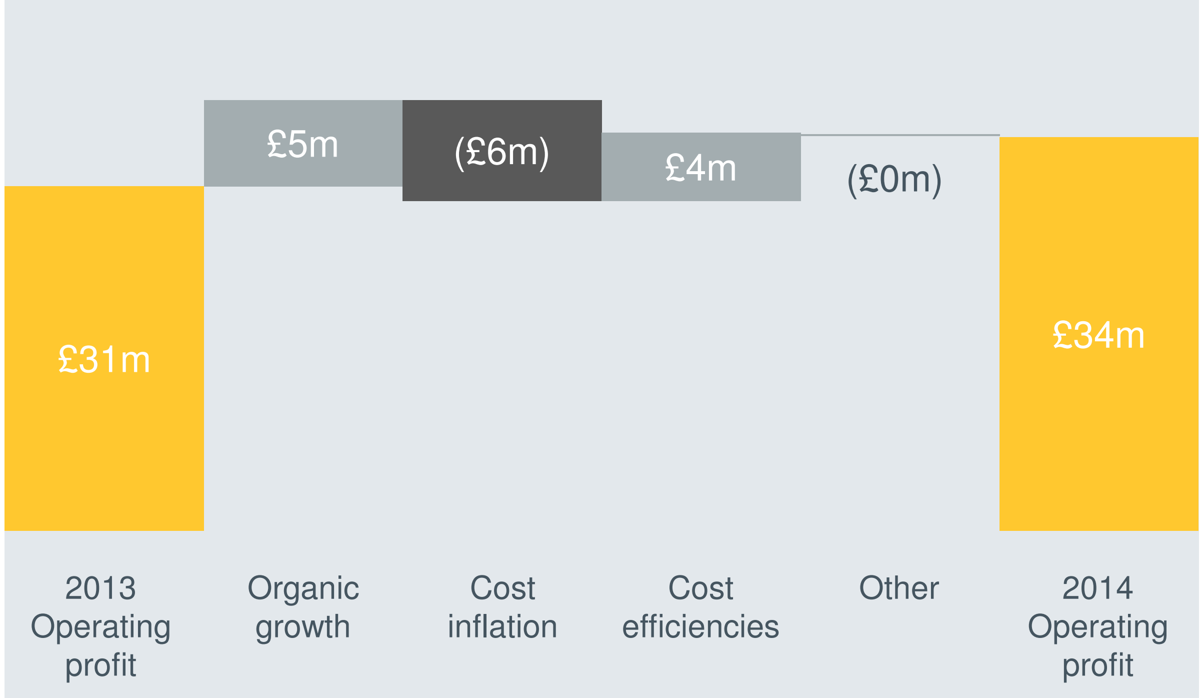


Revenue 2014

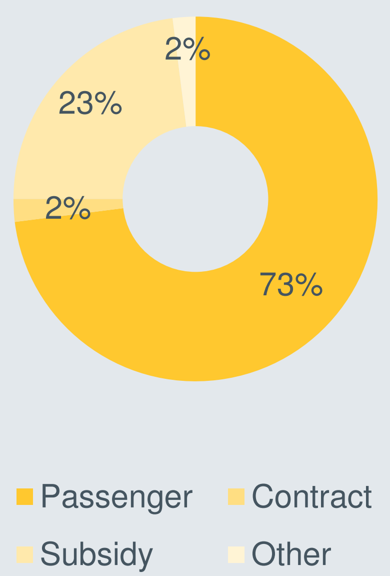


UK Bus – operating profit bridge

Bus

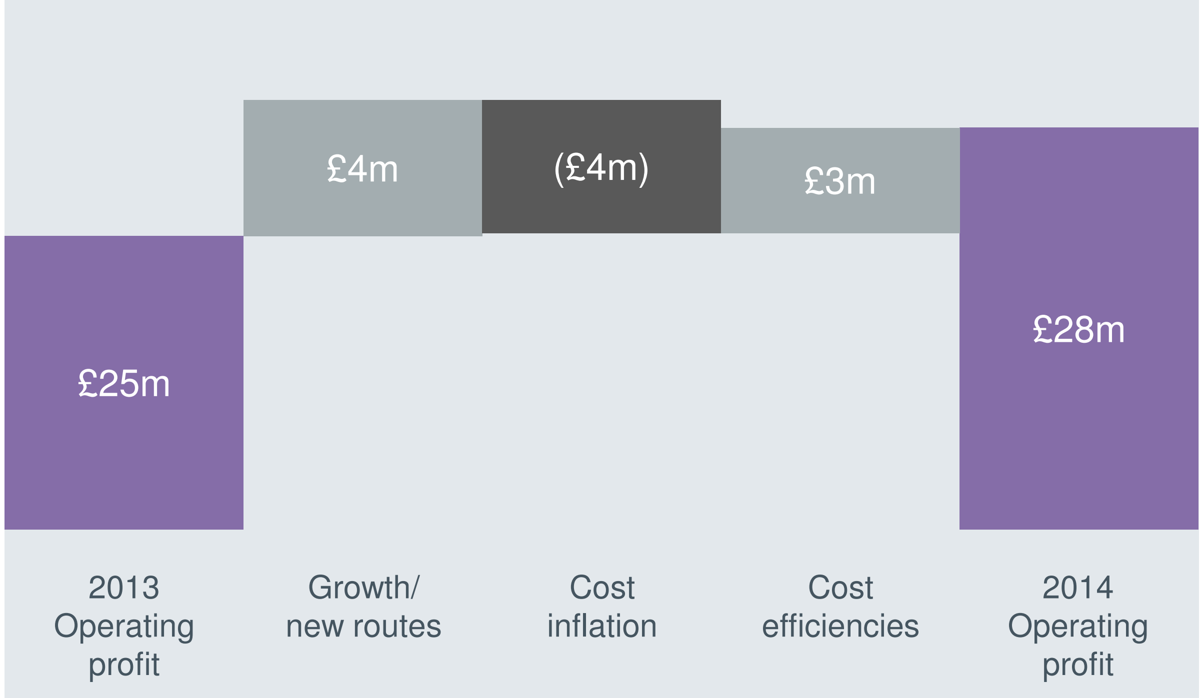


Revenue 2014

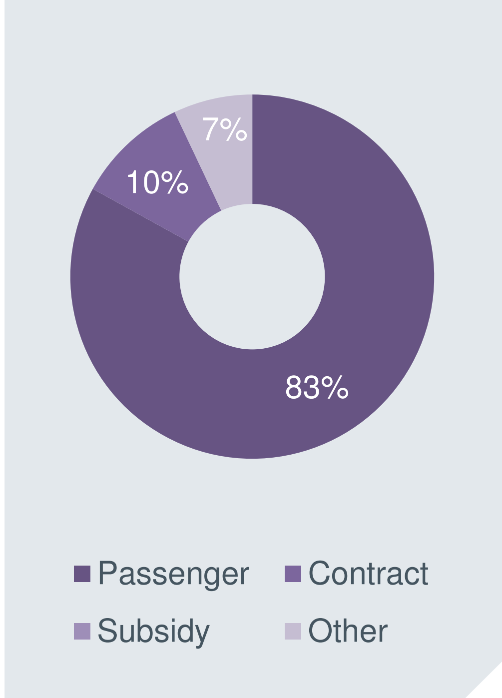


UK Coach – operating profit bridge

Coach



Revenue 2014



Pipeline of opportunities remains exciting

	UK Rail	North America	German Rail	International
Target market	£8.5bn – franchised £150m to £1bn each 7-15 year life	$8bn Transit $24bn School Bus Contracts $5-100m 3-5 year life	€9bn regional and urban DB main operator Pro-competition €20-150m each	Focus on Middle East but considering other geographies as well Focus on bus but all modes under consideration
Revenue risk	Yes/ Potentially some exogenous protection	Contracted/ Some risk	Gross cost/ Net cost mix	Mix
Attractiveness*: Revenue growth Margin Capital req'd ROCE	 H L M H	Transit School Bus H H L M L H H M	 L L L H	 H L L H
3 year target opportunity	£3bn	$0.5bn	€2bn	£1bn
Active pipeline	No active bids at present 1 win in 2014	50+ contracts $200m+ 97% retention rate	15+ contracts €1bn+ Nuremberg secured	10+ opportunities £500m+ Secured Bahrain

** H – High; M- Medium; L- Low*
All figures are annualised revenues as at 2014 prices

Risk management
Fuel risk largely fixed until 2017

Fuel Hedging

	2015	2016	2017
% hedged*	100%	96%	81%
Price per litre	47p	43p	43p

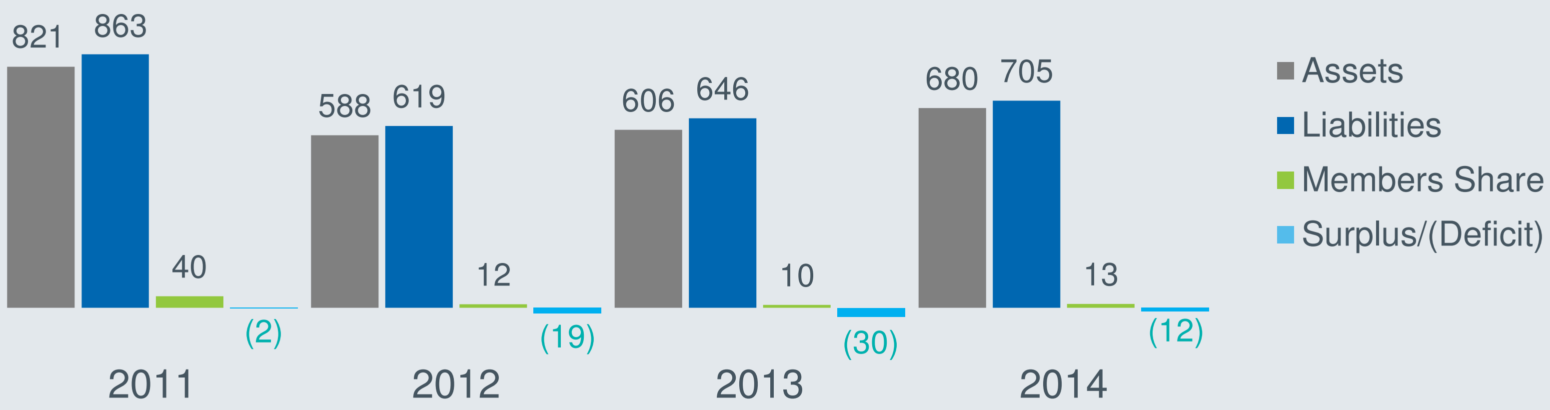
- Future year on year savings locked in (2014: 49p)
- Contracted revenue policy:
  - Extend cover for a minimum of 2 years
  - Longer hedging considered, subject to market liquidity & contract life
- Commercial revenue policy:
  - Minimum 15 months cover - provides a buffer for retail fare increases

** Of addressable volume (c245 million litres)*

Risk management

Pension deficit plan in place through 2017

Pensions £m (IAS19)



£m	Surplus /(Deficit) 31 Dec 2014	Surplus /(Deficit) 31 Dec 2013	Op. profit (charge) 2014	Op. profit (charge) 2013
UK Bus	(50.6)	(40.8)	(3.1)	(3.6)
UK Coach	30.6	12.6	-	-
UK Rail	10.0	(0.4)	(2.6)	(2.6)
Other	(1.9)	(1.5)	(0.5)	(0.5)

National Express Group PLC