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 operating profit, margin and EPS data refer to normalised results of the continuing Group, which can be found on the face of the Condensed Group Income Statement in the first column. Normalised profit is defined as being the IFRS result excluding intangible asset amortisation and UK rail and restructuring, along with tax relief thereon.

Due to the one-off nature of UK rail and restructuring, the Board believes that its removal gives a more comparable year-on-year indication of the underlying performance of the Group. For intangible amortisation, the Board believes that adding back this non-cash item also gives a more comparable year-on-year indication of the underlying performance of the Group and allows better comparison of divisional performance which have different levels of amortisation.

The continuing Group is stated, and the prior year restated, before discontinued operations, details of which can be found in note 7 to the condensed interim financial statements.

Constant currency basis compares current period's results with the prior period's results translated at the current period's exchange rates. The Board believes that this gives a better comparison of the underlying performance of the Group.

Financial highlights

Chris Davies
Group Finance Director

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H1 2017
Key highlights

- Continued strong performance from our diverse international portfolio of cash generative businesses
- Both North America and ALSA delivering record half year profits
- UK performance more mixed reflecting market conditions, but positive reaction to management actions
- 2 acquisitions in Spain in the first half, 1 para-transit acquisition in North America in July
  - Immaterial contribution to first half results
- Successful exit from UK Rail reducing risk and focusing capital allocation on higher return markets
- ROCE increased to 12.0%
- Remain on target to generate £120m of FCF for 2017
- Gearing reduced to 2.3x
- 10% increase in interim dividend

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2017 Financial Highlights
Strong start to the year

Continuing operations £m	2017	*2016	Change	Change in Constant FX
Revenue	1,170.5	1,007.2	+16.2%	**+6.5%**
Group normalised operating profit	111.6	93.7	+19.1%	**+8.3%**
Group normalised PBT	88.9	70.7	+25.7%	**+11.0%**
Normalised EPS	13.0p	10.9p	+19.3%	

Statutory £m	2017	2016	Change
Group statutory operating profit	87.3	77.4	+12.8%
Group statutory PBT	64.6	54.4	+18.8%
Group PAT from continuing operations	50.8	46.0	+10.4%
Statutory EPS	10.9p	9.2p	+18.5%

Free cash flow	£81.8m	£66.1m	+£15.7m
Net debt	£873.3m	£802.7m	+£70.6m
Interim dividend	4.26p	3.87p	+10.1%

*Restated to exclude UK rail

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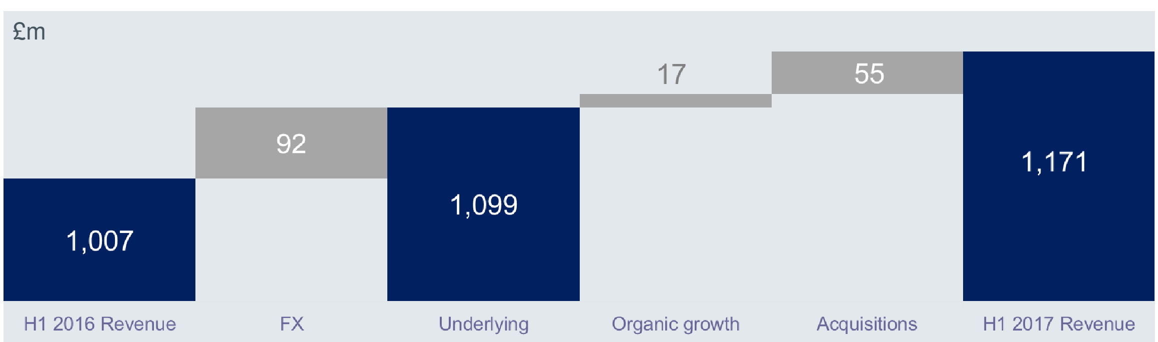
Revenue
Recent acquisitions delivering strong growth



- Strong revenue increase, up 6.5% in constant currency
- Organic growth boosted by acquisitions in North America and Spain
- Positive impact from currency, with £ weaker versus both the US $ and €

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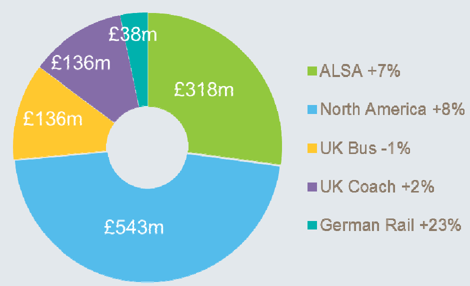
Operating profit
Continuing strong growth in overseas divisions

Revenue (YOY change*)

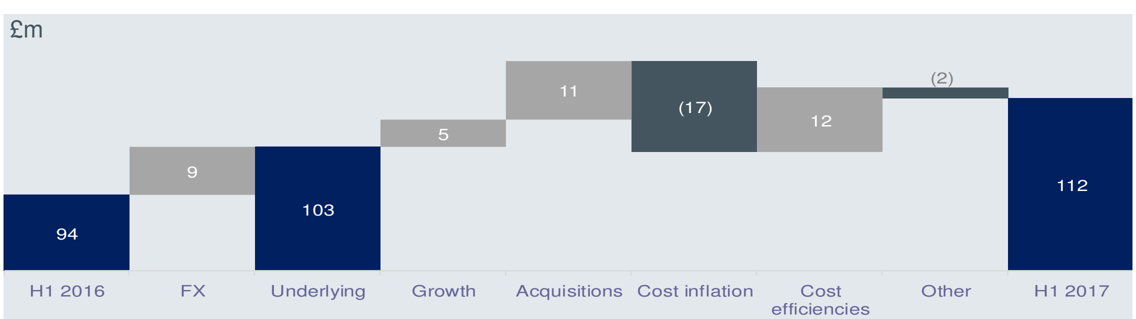


Operating profit

	H1 2017	**H1 2016
ALSA	€45.2m	€41.4m
North America	$70.1m	$64.8m
UK Bus	£16.6m	£16.8m
UK Coach	£9.4m	£10.4m
German Rail	€2.0m	€(2.9)m
Centre	£(10.6)m	£(8.7)m
Group	**£111.6m**	**£93.7m**

*Underlying year-on-year change shown in constant currency
**Restated to exclude UK rail

Operating profit
Strong constant currency growth



- Operating profit up 8.3% on a constant currency basis
- Robust organic growth in our overseas businesses boosted by acquisitions
- Group-wide efficiency programmes largely offsetting inflation
- £9m benefit on FX, with the weakening of £ versus the US $ and €

Income statement
Double digit reported growth

£m	H1 2017	H1 2016*	Change
Operating profit	**111.6**	**93.7**	**+19.1%**
Share of results of associates & JVs	(3.9)	0.7	
Net finance costs	(18.8)	(23.7)	£4.9m
Profit before tax	**88.9**	**70.7**	**+25.7%**
Tax	(21.4)	(14.1)	£(7.3)m
Profit after tax	**67.5**	**56.6**	**+19.3%**
EPS	**13.0p**	**10.9p**	**+19.3%**

- Write down of investment in minority stake in Deutsche Touring Group
- Finance costs down reflecting lower bond interest costs
- PBT up 11.0% in constant currency, up 25.7% on a reported basis
- Effective tax rate has risen to 24%, in line with previous guidance
- 19.3% EPS growth

*Restated to exclude UK rail

Superior cash and returns
Remain on target to deliver £120m FCF

£m	H1 2017	H1 2016	FY 2016
EBITDA	**179.9**	**153.9**	**344.6**
Working capital	18.0	9.6	(3.1)
Maintenance capex	(77.4)	(57.4)	(134.7)
Pension deficit payments	(1.4)	(2.8)	(5.5)
Operating cash flow	**119.1**	**103.3**	**201.3**
Tax/interest/other	(37.3)	(37.2)	(62.7)
Free cash flow	**81.8**	**66.1**	**138.6**

- Phasing of working capital – H1 inflow of £18m – do not expect for the full year
- Full year net capex expected to be between 1.1x to 1.2x depreciation, with a target of £160m-£170m for 2017
- Operating cash flow conversion of 108%
- Free cash flow of £82m in first half; on target to deliver £120m for the full year

Superior cash and returns
Continued focus on investing for future growth

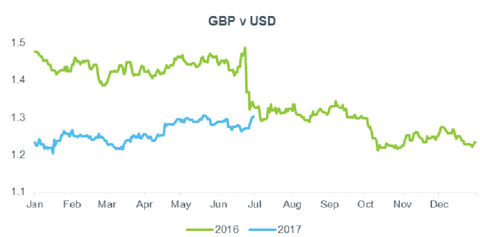
£m	H1 2017	H1 2016	FY 2016
Cash flow available for growth & dividends	**81.8**	**63.3***	**133.7***
Net growth capital expenditure	(3.0)	(15.5)	(27.0)
Net inflow from discontinued operations	29.9	-	-
Acquisitions	(52.9)	(37.6)	(88.8)
Dividends	(42.9)	(39.1)	(58.9)
Other, including forex	(8.2)	(28.3)	(91.5)
Net funds flow	**4.7**	**(57.2)**	**(132.5)**
Net debt	**(873.3)**	**(802.7)**	**(878.0)**

- Growth capex weighted to the second half
- Disposal of c2c delivering an inflow of £30m
- £5.7m spent on 2 acquisitions in first half and £45.8m deferred consideration for acquisitions made in 2016

*Cash flow available after exceptional cash flow

Foreign currency effects
Lapping 'Brexit' in second half

NEX currency profile



- Translational impact from movements in USD, EUR, CAD
- £9m positive PBT impact in H1 – expect FX tailwinds to moderate in second half

Balance sheet
Gearing reduced to 2.3x

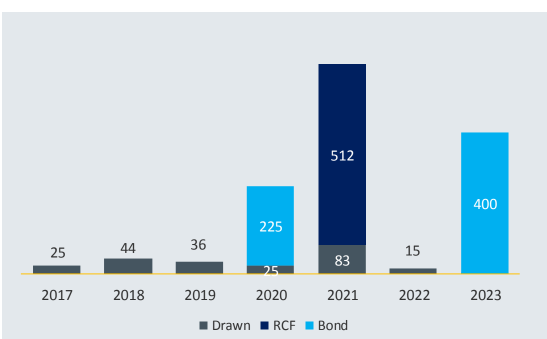
Gearing Ratios	2017	2016	Covenant
Net debt/EBITDA	2.3x	2.5x	<3.5x
Interest cover	8.4x	6.6x	>3.5x

Ratings	Grade	Outlook
Moodys	Baa3	Stable
Fitch	BBB-	Stable

- Net debt decreased to £873m
- c2c disposal proceeds partially offset by higher first half capex and deferred consideration on acquisitions made in 2016
- Remain committed to a robust financial strategy:
  - Prudent gearing policy: approximately 2-2.5x EBITDA
  - Dividend covered by at least 2x Group earnings
  - Strong commitment to Investment Grade debt rating
  - Prudent risk planning – fuel mostly hedged to 2019 & pension deficit plan in place

Balance sheet
Significant interest saving & increased liquidity

Strong debt maturity profile



*Available cash and undrawn committed facilities at 30 June 2017

- £400m 7 year 2.5% bond issued in November 2016 replacing £350m Jan 2017 6.25% bond
- Significant interest saving in 2017 through to 2023
- £494m cash and committed headroom*

Guidance

2017

- Net maintenance capital expenditure of 1.1x to 1.2x depreciation – 2017 target *c.*£160-170m
- Effective tax rate of *c.*24%, cash tax remaining relatively stable
- Progressive dividend policy targeting medium-term dividend cover of at least 2.0x Group earnings
- Lower fuel costs – savings of £6m in 2017, £20m in 2018
- Full year savings from lower bond interest costs of £9m
- Free cash flow generation of £120m

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Business review

Dean Finch

Group Chief Executive

Our strategy is working

- Excellence driving organic growth
- Acquisitions delivering strong returns
- Diversification proving to be a strength
- Focus on problems and opportunities, quickly and effectively

North America
Record half year with acquisitions performing well

Delivering operational excellence

- Good bid season for 2017/18
  - Strong contract retention – 95% for renewals
- Average price increase of around 2.5% across portfolio, nearly 4% on our contracts up for bid and renewal
- Acquisitions delivering higher returns
- Strong growth in Transit – annualised revenue of $275m including Cook-DuPage Transportation (CDT), more than doubling in the past 18 months

Creating new business opportunities

- Acquisition of CDT in July - entry into largest single para-transit market (Chicago)
- Strong pipeline

Risk

- Driver wage pressure of 5%

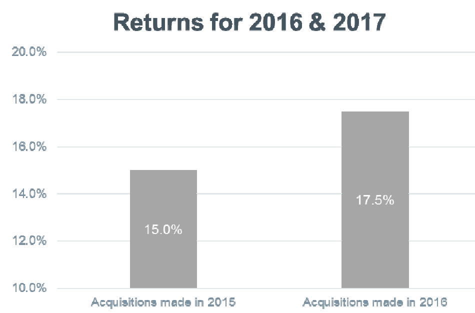
Generating superior cash & returns

	2017	2016
Revenue	$683.9m	$630.6m
Op profit	$70.1m	$64.8m
Margin	10.3%	10.3%

Revenue: +8.4% in constant currency, with good organic growth together with bolt-on acquisitions
Profit: +8.2% - margin remains above 10% and in line with last year, reflecting strong returns from acquisitions and despite cost pressures from driver wages, a lower number of operating days and adverse weather

Acquisitions delivering expected returns

- Delivering returns of between 15-20%
- Continued focus on capital discipline and rigorous screening to maintain return thresholds
- 2 small acquisitions made in first half 2017 (Odier & Santo Domingo); acquired Cook-DuPage Transportation in July, entry into para-transit market in Chicago



ALSA
Record half year with RMS driving strong long-haul performance

Delivering operational excellence

- 1m more passengers this year, with a particularly strong performance in Spanish long-haul
- RMS driving revenue, volume and yield
- Improving outlook for concession renewals with greater emphasis on quality, a key differentiator for ALSA
  - Won Madrid – Guadalajara, scoring over 97% for quality
- Received a number of awards including BCI Best Customer Experience for Transport Industry

Generating superior cash & returns

	2017	2016
Revenue	€369.9m	€344.4m
Op profit	€45.2m	€41.4m
Margin	12.2%	12.0%

Revenue: +7.4% - strong growth in Spain benefitting from RMS and the acquisitions in Spain & Switzerland, more than offsetting a weaker performance in Morocco
Profit: +9.2% - Margin up 20bps reflecting strong underlying growth in Spain combined with benefit of acquisitions from 2016/2017, including a strong first ski season from Alpybus

Creating new business opportunities

- 2 acquisitions
  - Odier – synergies with Alpybus in Switzerland
  - Santo Domingo – Urban bus in Madrid

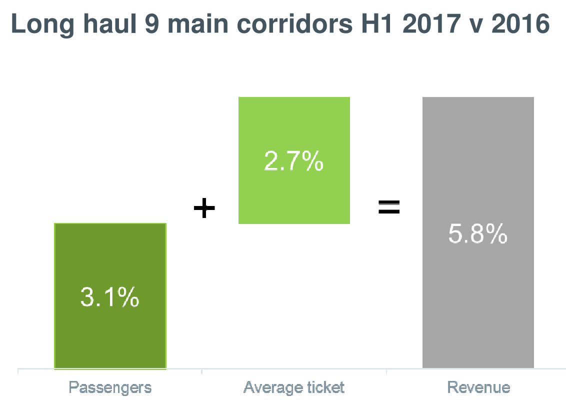
Risk

- Further competition from rail
- Intercity concession renewal (further delays)

ALSA

RMS driving incremental growth & returns

- Enhanced RMS providing greater accuracy on forecasting demand
- Delivering passenger growth on off-peak services and optimising price on peak services
- Strong growth in revenue, passenger volumes & yield
- Seeing an increase in yield on premium services - average fare 70%-130% higher than standard services
- Utilisation improving, up 3% in first half
- €/Km up 4.0%



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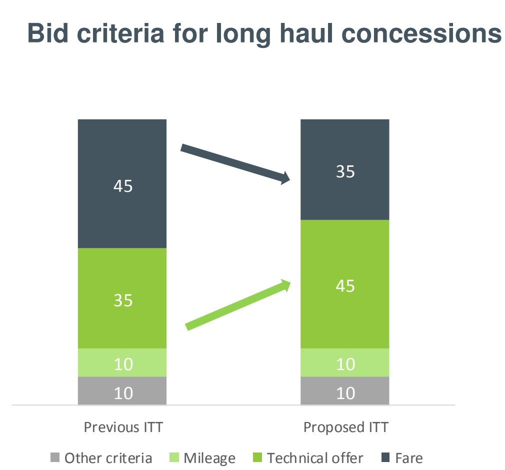
ALSA

Better outlook for concession renewal

- Bidders to present an economic sustainability study, including passenger demand data
- Changing emphasis, with greater proportion of score now related to technical/quality elements versus price/fare
- New methodology on rating technical element allowing a larger differential on scoring between bidders, particularly on safety – favours quality
- New formulas for price and mileage – discourages aggressive bids, limiting the differential between average & best bid to just 5 points



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UK Coach
Good first quarter but recent terror attacks impacting

Delivering operational excellence

- Core revenue growth impacted by terrorist attacks
- Responding through RMS - focus on retaining market share
- Management actions – network efficiencies & targeted savings of £3m
- Further website enhancements e.g. launching seat reservations
- Acquisition of Clarkes integrating well – seasonally second half weighted with full programme of summer tours

Creating new business opportunities

- New rewards programme with Webloyalty
- New partnerships: Unidays and Cardlytics
- New airport routes

Risk

- Advanced fare discounting in rail
- Lengthening recovery period from terror attacks

Generating superior cash & returns

	2017	2016
Revenue	£136.1m	£133.8m
Op profit	£9.4m	£10.4m
Margin	6.9%	7.8%

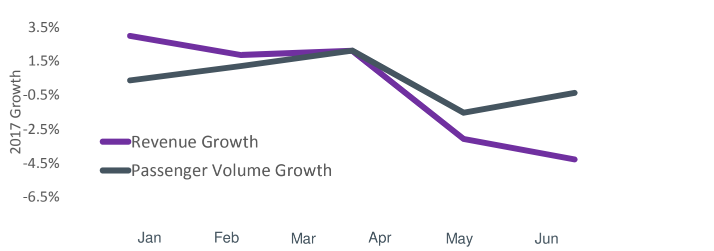
Revenue: Core down slightly, impacted by the terror attacks and ongoing competition

First time contribution from Clarkes driving revenue growth

Profit: Down £1.0m, reflecting technology investment and yield pressure, mitigated by network optimisation and overhead savings

UK Coach
Impact of terrorism on Core revenue

UK Coach core monthly revenue & passenger growth – impact of terror attacks



Historical terrorism recovery profile

- Pre-terrorist attacks, core revenue growth averaged +2.4% across January and February
- Following the 4 attacks over March – June, growth dropped by 6.7 percentage points to -4.3% in June
- Brussels 2016 attack took 6 months to recover

UK Bus
Improving trend in Q2 following management actions on fares

Delivering operational excellence

- Robust revenue growth: commercial revenue broadly flat for H1, having been down in Q1
- Lower fare zones delivering a return to passenger growth and revenue growth in Q2
- New technology to drive growth - contactless pay launching on buses in 2017, mobile ticketing seeing rapid growth
- Cost efficiency programme - network reviews, headcount, overheads

Creating new business opportunities

- Alliance with TfWM*
- Good relationship with new Metro Mayor
- Further express services on our *Platinum* buses

Risk

- Concession income

*Formerly known as Centro

Generating superior cash & returns

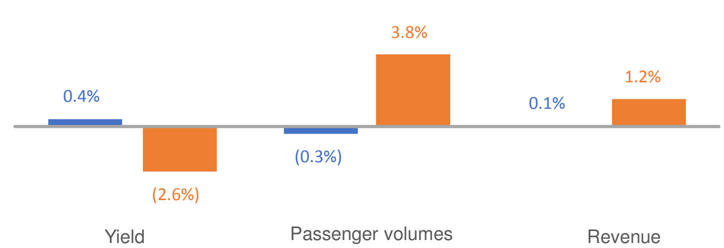
	2017	2016
Revenue	£135.9m	£137.9m
Op profit	£16.6m	£16.8m
Margin	12.2%	12.2%

Revenue: -1.4% driven by lower concessionary revenues, down 3.7%, with commercial revenues improving in Q2 following the introduction of the low fare zones

Profit: Profit down 1.2%, with margin flat despite lower revenue, reflecting cost efficiencies & lower fuel costs

UK Bus
Driving volumes through lower fares

Sandwell & Dudley - YoY figures for pre-trial and trial period



- Launched first local fare zone in Q1 in Sandwell & Dudley
- Sandwell & Dudley seeing revenue growth improved by 1.2% & patronage by 3.8%, compared to before the trial with 19,000 more passengers per week
- Now launched in Walsall, East Birmingham, Solihull & Birmingham University
- Growing off-peak travel - cheaper tickets for short journeys, groups & families

German Rail
Delivering first profit

Delivering operational excellence

- Strong growth in revenue, up 22.7%, reflecting full revenue recognition with catch up from 2016, including latest passenger count data
- Post settlement, RME is a profitable contract
- Continuing to outperform previous operator on most customer service metrics & investing in further improvements
- RRX mobilisation underway – new trains currently being tested

Generating superior cash & returns

	2017	2016
Revenue	€44.3m	€36.1m
Op profit	€2.0m	€(2.9)m
Margin	4.5%	N/A

Revenue: +23% with the strong performance reflecting an element of catch up from the clarification of the revenue sharing position

Profit: First profit recorded, boosted by revenue sharing clarification and catch up from 2016

Creating new business opportunities

- Pipeline of German rail opportunities
- Targeting up to 4 bids over next 18 months
- Looking at other international rail opportunities

Risk

- Failure to win bids in Germany
- Mobilisation on new contracts

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Delivering our strategy

Outlook

- Full year expectations remain positive & unchanged
  - The business is performing strongly
- Dividend up 10%
- Cash generation remains strong
- Cash availability gives us options for growth
- Strong pipeline of opportunities exists, enhanced by exiting UK Rail
- Improved outlook for Spanish concession renewals
- Outlook for 2018 is positive

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Q&A

Appendix

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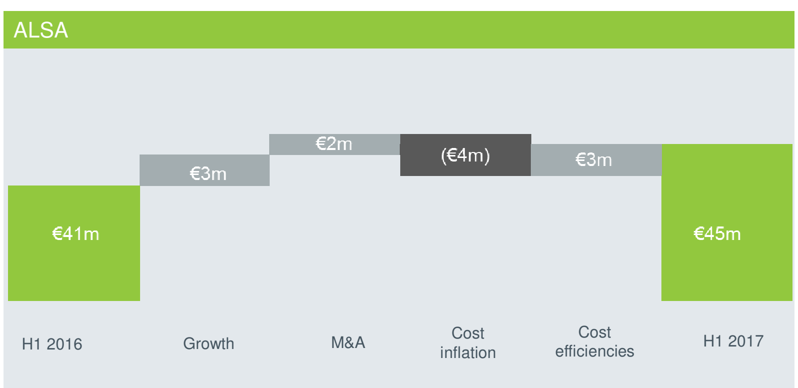
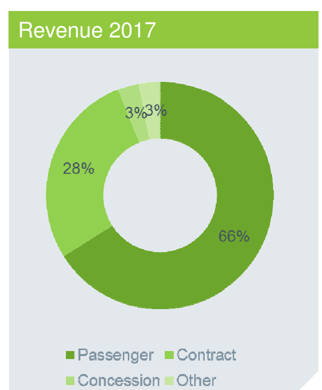
H1 2017 constant currency revenue growth

	Revenue	Volume	Yield
ALSA			
Spain	6%	3%	3%
Morocco	(6)%	(2)%	(4)%
Switzerland	New	-	-
Total	**7%**		
North America	**8%**		
UK Bus			
Commercial	(1)%	(2)%	1%
Concession	(4)%		
Total	**(1)%**		
UK Coach			
Core NE network	0%	0%	0%
Total	**2%**		
German Rail[1]	**23%**	(2)%	25%

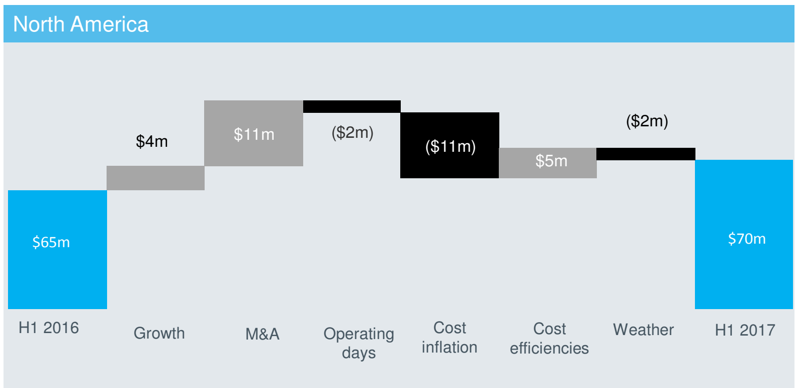
[1] Includes the catch-up element from revenue recognition for revenue sharing in 2016

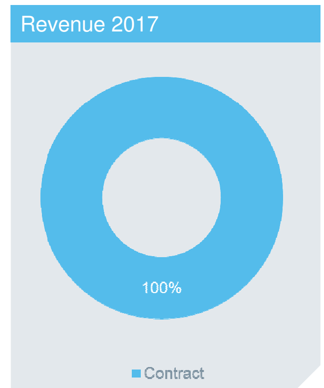
ALSA – operating profit bridge





North America – operating profit bridge





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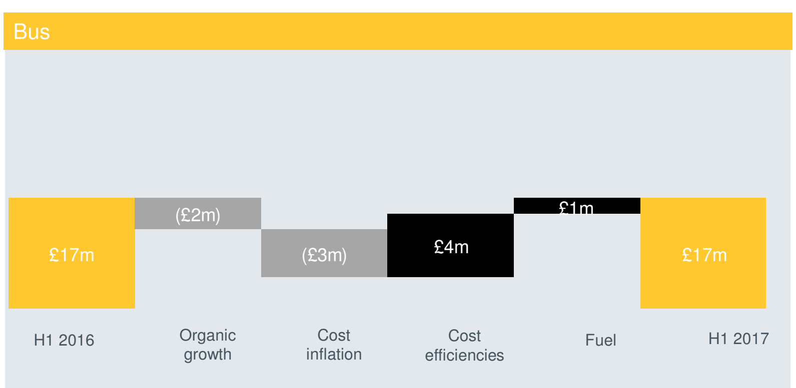
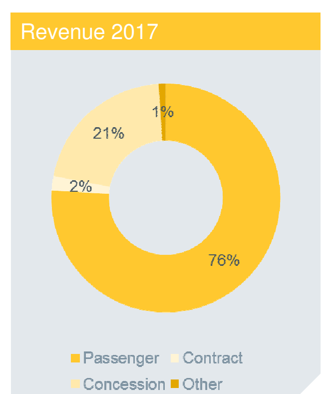
UK Bus – operating profit bridge





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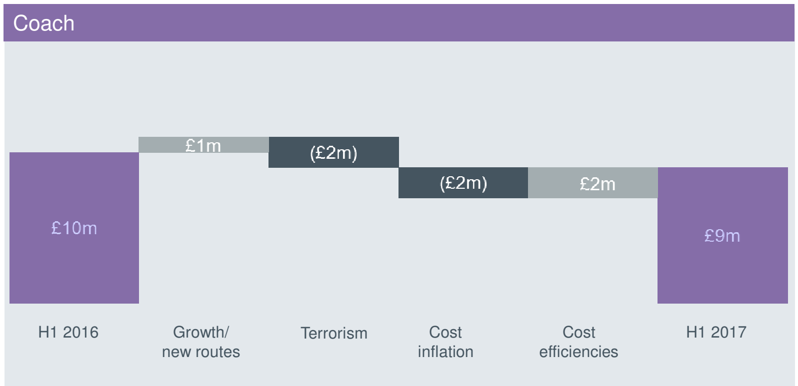
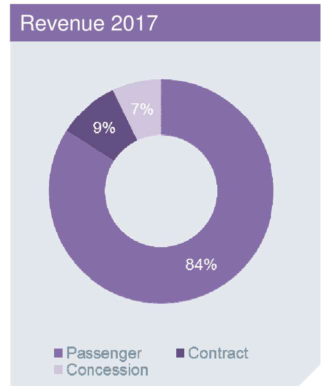
UK Coach – operating profit bridge





Risk management
Fuel risk largely fixed until 2019

Fuel hedging

	2017	2018	2019	2020
% hedged*	100%	93%	77%	30%
Price per litre	44.4p	34.0p	34.6p	33.6p

- Significant fuel savings expected and largely secured for 2018

** Of addressable volume (c.220 million litres)*

Foreign currency effects

Effect of fluctuations on profit and debt

Effect of a 1% weakening of £

	USD	EUR
Operating profit (£m)	1.0	0.9
EBITDA (£m)	1.6	1.4
Debt	(4.0)	(3.5)

H1 average rates versus £

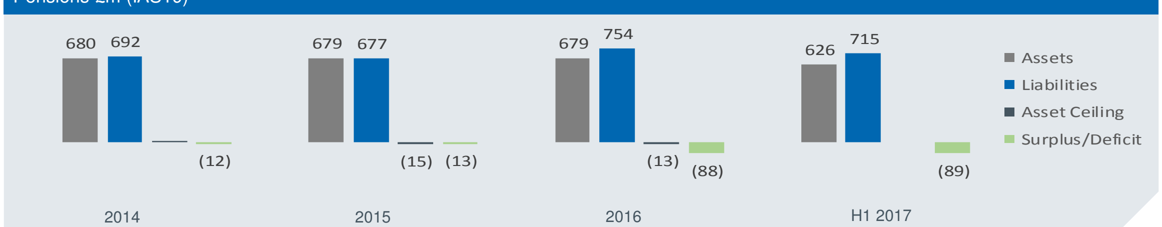
	2017	2016
USD	1.26	1.43
EUR	1.16	1.28

- Translational impact from movements in USD, EUR, CAD
- Hedging achieved by matching local currency debt to EBITDA

Risk management

Pension deficit plan in place through to 2020

Pensions £m (IAS19)



£m	Surplus /(Deficit) H1 2016	Surplus /(Deficit) 31 Dec 2016	Profit /(charge) H1 2016	Profit /(charge) H1 2016
UK Bus	(124.9)	(128.5)	(2.0)	(1.8)
UK Group	39.8	44.5	-	-


National Express
Group PLC
£12.50
PER WEEK
900
6702
West Midlands
Charlotte Ellen