national express

Half Year Results

For six months ended
30 June 2016

28 July 2016

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, operating margin, operating cashflow, asset return 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 found in the third column, excluding intangible asset amortisation and tax relief thereon. The Board believes that the normalised result gives a better indication of the underlying performance of the Group.

H1 2016
Key highlights

Delivering operational excellence	Generating superior cash & returns	Creating new business opportunities

- Strong performance from our diverse international portfolio of cash generative businesses
  - Growth in revenue & profit (in constant currency) across all our non-rail businesses
- North America delivering a very strong performance with revenue growth of 15%
  - Successful bid season – 7% price increases on contracts up for bid & renewal, 3.7% across entire portfolio
  - Acquisitions generating good levels of return both in terms of profit & cash
- Successful start for our German rail operations
- Spain & Morocco seeing record passenger numbers, whilst Bahrain is carrying 1m passengers a month in second year of operation
- Submitted bid for Manchester Metrolink
- ROCE of 11.7% & remain on target to generate £100m of FCF for 2016

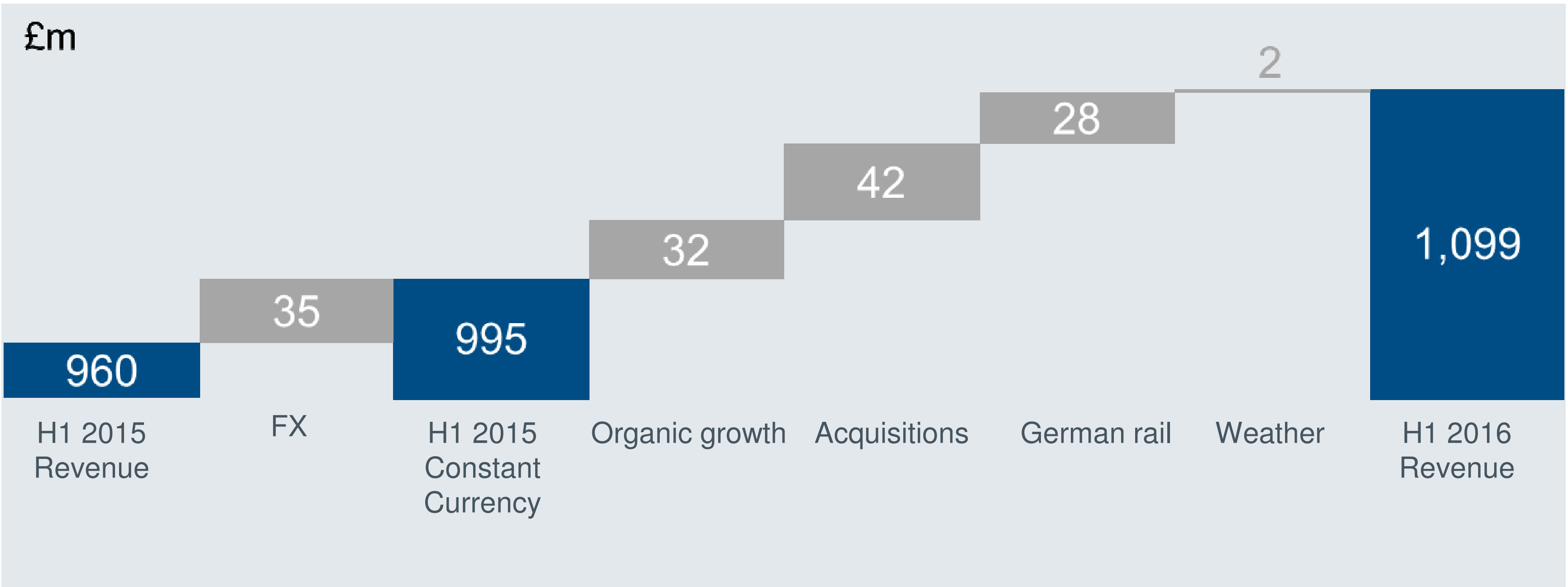
First half 2016
Strong performance

£m	H1 2016	H1 2015	% change in constant currency
Revenue	**1,098.9**	**960.2**	**+10.4%**
Operating profit (before bid costs)	**102.4**	**93.5**	**+5.2%**
Bid costs	(6.2)	(3.9)	
Operating profit	**96.2**	**89.6**	**+3.0%**
Net finance costs	(23.7)	(23.1)	
Associates	0.7	0.2	
Profit before tax	**73.2**	**66.7**	**+3.8%**
Basic EPS	**11.3p**	**10.2p**	**+4.5%**
Interim dividend	**3.87p**	**3.685p**	**+5.0%**

- Strong performance from across the Group even after higher bid costs & increased franchise premium:
  - PBT up 9.7%, up 3.8% in constant currency
  - Basic EPS up 10.8%, up 4.5% in constant currency
  - Interim dividend of 3.87p, up 5%

Revenue

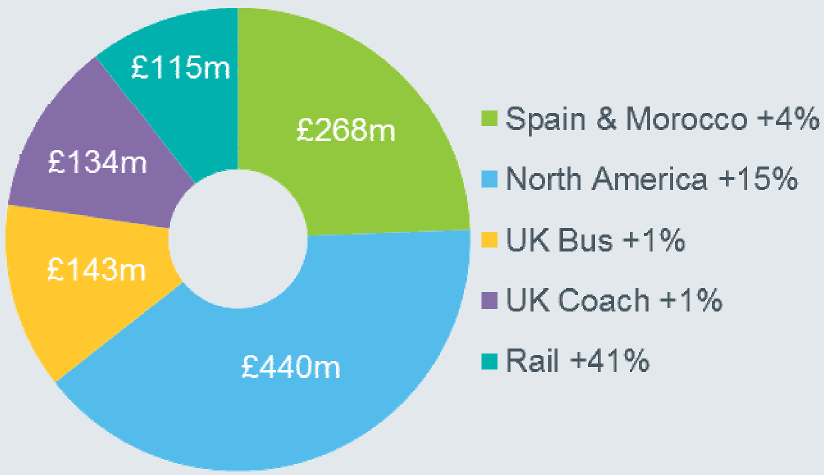
Strong growth delivered in the first half



- Strong revenue increase, up 10.4% in constant currency
  - Acquisitions & first time contribution from German rail, together with organic revenue growth of 3.2%
- Positive impact from currency, with £ weaker versus both the US $ and €

Operating profit
Strong performance across our diverse portfolio

Revenue (YOY change*)

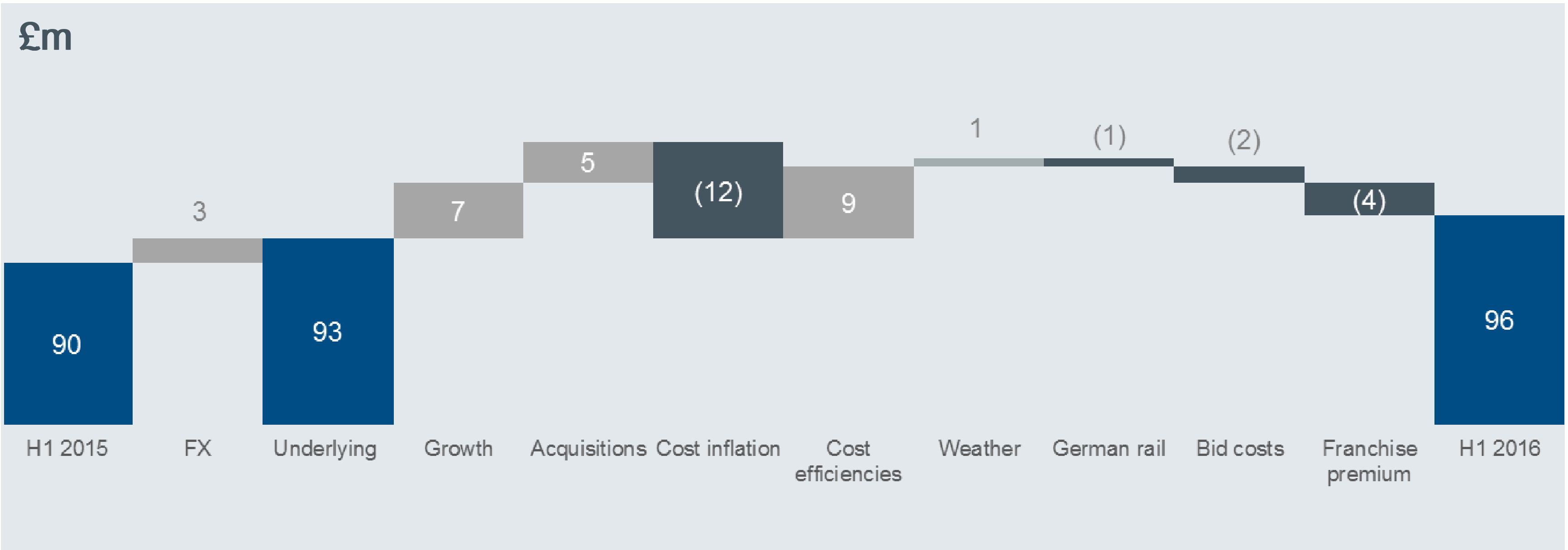


Operating profit

	H1 2016	H1 2015
Spain & Morocco	€41.4m	€40.5m
North America	$64.8m	$59.1m
UK Bus	£17.6m	£17.1m
UK Coach	£10.4m	£10.0m
Rail	£(0.6)m	£0.6m
Centre	£(8.7)m	£(7.0)m
Group	**£96.2m**	**£89.6m**

** Underlying year-on-year change shown in constant currency*

Operating profit
Strong underlying performance



- Operating profit up 3% on a constant currency basis
  - Growth, acquisitions and cost efficiencies offsetting inflation, higher rail premium charges & a small loss in German rail in its first 6 months
- £3m benefit on FX, with the weakening of £ versus the US $ and €

Superior cash and returns

On target to generate £100m FCF for 2016

£m	H1 2016	H1 2015	FY 2015
EBITDA	**153.9**	**141.9**	**298.1**
Working capital	9.6	0.2	(11.8)
Maintenance capex	(57.4)	(75.0)	(111.7)
Pension deficit	(2.8)	(4.9)	(9.7)
Operating cash flow	**103.3**	**62.2**	**164.9**
Tax/interest/other	(37.2)	(35.1)	(53.9)
Free cash flow	**66.1**	**27.1**	**111.0**

- As previously guided, full year net capital expenditure expected to be between 1.1x to 1.2x depreciation, with a target of £140m for 2016
  - Net capital expenditure to be higher in second half
- Free cash flow of £66.1m in first half; on target to generate £100m for the full year
- Operating cash flow conversion of 107%

Superior cash and returns
Continued focus on investing for future growth

£m	H1 2016	H1 2015	FY 2015
Free cash flow	**66.1**	**27.1**	**111.0**
UK rail franchise exit outflow	(1.1)	-	(2.5)
Exceptional cash	(2.8)	(5.8)	(10.0)
Cash flow available for growth & dividends	**62.2**	**21.3**	**98.5**
Net growth capital expenditure	(15.5)	(20.7)	(36.4)
Acquisitions & disposals	(37.6)	(22.2)	(69.4)
Dividends	(39.1)	(35.5)	(54.4)
Other, including forex	(27.2)	7.1	(19.5)
Net funds flow	**(57.2)**	**(50.0)**	**(81.2)**
Net Debt	**802.7**	**714.3**	**745.5**

- Free cash flow up £39m compared to 2015
- Net funds outflow after increased dividend payments, investment in acquisitions & FX of £26m on retranslation of foreign currency debt balances

Growth
Growth capital expenditure

Growth capital expenditure

- Investment made in new or nascent parts of the business to drive enhanced profit growth
- Total spend of £15.5m in H1 (H1 2015: £20.7m)
  - New fleet in Morocco to support extension of network in Marrakech, Agadir & Tangiers
  - Revenue management systems in Spain & UK Coach
  - Investment in infrastructure & technology to support the ramp-up of our new German rail operations

ROCE remains at 11.7%

Growth
M&A

4 acquisitions in the first half

- Combined consideration of £38m at 6x EBITDA
- 3 in North America:
  - Special Education school bus business in New Hampshire – 170 buses
  - School bus & para transit business in New York state – 250 school buses & 80 para transit vehicles
  - Strategic acquisition of Ecolane, a planning and scheduling software provider into the para transit market
- Small acquisition in Ibiza – regional bus, providing entry into Ibiza
- Continuing to evaluate further opportunities

ROCE remains at 11.7%

Foreign currency effects

Effect of fluctuations on profit and debt

NEX currency profile

- £3m positive PBT impact in H1
- Translational impact from movements in USD, EUR, CAD
- Hedging achieved by matching local currency debt to EBITDA
- Further Sterling profit gains anticipated, hedged by increased debt

Effect of a 1% weakening of £

	USD	EUR
Operating profit (£m)	0.7	0.6
EBITDA (£m)	1.1	0.9
Debt	(2.8)	(2.2)

H1 average rates versus £

	2016	2015
USD	1.43	1.52
EUR	1.28	1.37

Balance sheet

Rise in net debt reflects investment in growth & FX

Gearing Ratios	2016	Dec 2015	Covenant
Net debt/EBITDA	2.5x	2.5x	<3.5x
Interest cover	6.8x	6.6x	>3.5x

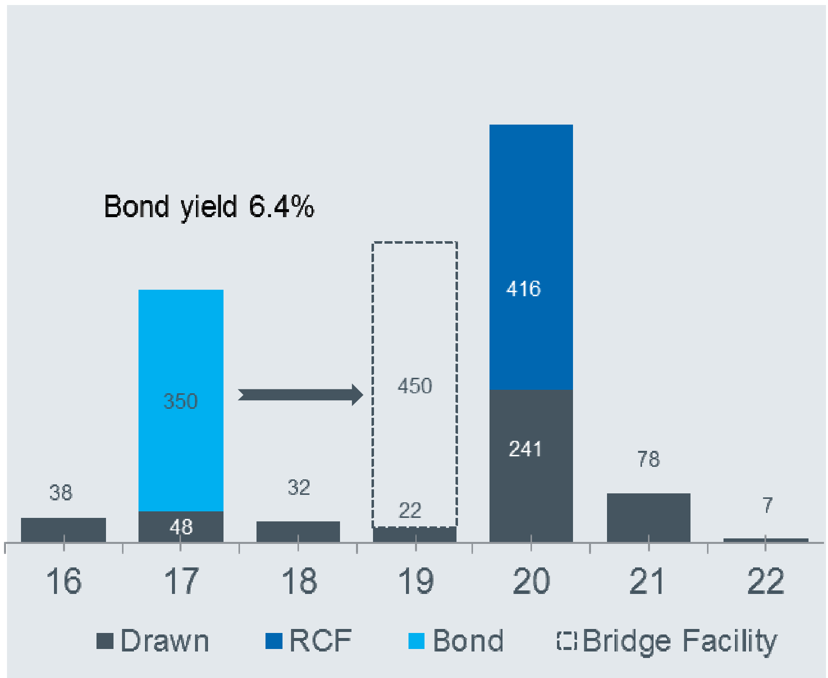
Ratings	Grade	Outlook
Moodys	Baa3	Stable
Fitch	BBB-	Stable

- Net debt increased to £803m, up £57m since Dec 2015, reflecting £53m investment in acquisitions & growth capital expenditure & £26m increase through FX on retranslation of foreign currency debt balances
- Remain committed to a robust financial strategy:
  - Prudent gearing policy: approximately 2-2.5x EBITDA
  - Dividend covered 2x by Group earnings
  - Strong commitment to IG debt rating
  - Prudent risk planning – fuel mostly hedged to 2018 & pension deficit plan in place
  - £506m cash & committed headroom*

** Available cash and undrawn committed facilities at 30 June 2016*

Balance sheet
Three-year bridge facility

Good debt maturity profile



- £450m bridge facility signed January 2016 to refinance £350m 2017 bond & £100m for general corporate purposes
- For 18 months with three 6-month extension options
- 3-year facility gives optimal flexibility on refinancing £350m bond & provides additional medium-term liquidity

Guidance

2016

- Net maintenance capital expenditure of 1.1x to 1.2x depreciation – 2016 target *c.*£140m
- Growth capital expenditure of £25m to £30m
- Free cash flow generation of £100m
- Effective tax rate of *c.*20%
- Full year incremental premium charges of £9m
- Bid costs of *c.*£10m in 2016: EA, German rail & International opportunities
- Target dividend cover *c.*2.0x Group earnings
  - Growth in dividend to reflect constant currency growth in Group-wide earnings

2017 onwards

- Significant savings from lower bond interest costs in 2017 & lower fuel costs in 2018

Business review

Rail
c2c growth ahead of average for London & SE

Delivering operational excellence

- New timetable driving demand with 24 new carriages to be introduced from October – passenger growth +7.6%
- Continuing strong growth in both peak & off-peak travel
- Automatic compensation scheme & flexible season tickets driving further growth in smart ticketing
- Nearly 30% of annual season tickets now on smartcard
- First 6 months of German rail

Generating superior cash & returns

	2016	2015
Revenue	£115.3m	£82.0m
Op profit pre bid cost	£3.3m	£2.2m
Bid costs	£(3.9)m	£(1.6)m
Op profit	£(0.6)m	£0.6m
Margin	N/A	0.7%

Creating new business opportunities

- Awaiting outcome for EA
- Pipeline of German rail opportunities

Risk

- Delivering the bid line premiums in the UK
- Failure to win bids in Germany

Revenue: +41% supported by £28m of revenues in our German rail operations & passenger growth of 7.6% in c2c, ahead of average growth rates in London & South East

Profit: Down after an increase in premium charges of £4.1m & incremental bid costs of £2.3m & a small loss in German rail

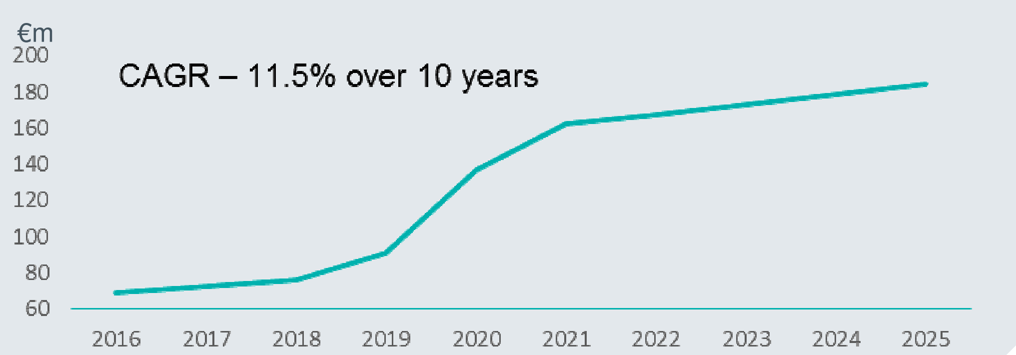
Rail

Successful start to operations of first franchise

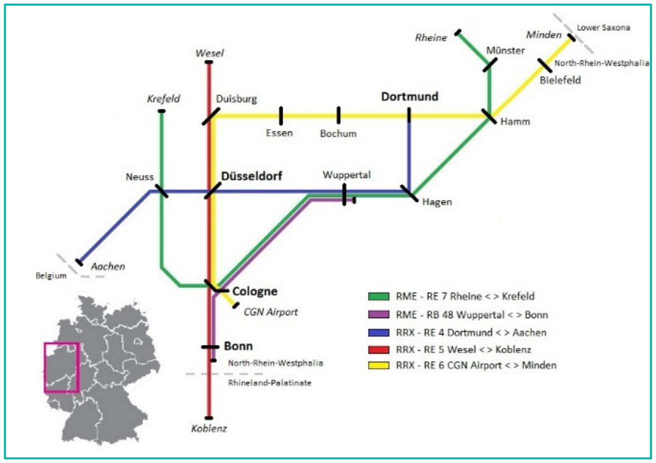
Firmly established in Germany

- Successful first 6 months in RME - both punctuality & services ahead of previous operator
- Operating loss of £1.4m
- Mobilisation of RRX underway with first contract commencing in June 2019 & second one in December 2020
- German rail revenues of €2.6bn secured through to 2033
- Continuing to look at further bid opportunities - active pipeline worth over €400m of annualised revenue over the next year
- Nuremberg – court decision later this year
- Normal rail margins of 3-5% anticipated

German rail revenue profile over next 10 years*



*Excludes projected revenue from Nuremberg S-Bahn



UK Bus
New initiatives supporting growth

Delivering operational excellence

- Robust revenue growth: commercial revenue +2.3%
- Progressing our Alliance with TfWM* with industry-leading initiatives:
  - Launched contactless pay on Midland Metro
  - Contactless pay to be launched on buses in 2017
  - Piloting mobile ticketing later this summer
- New focus on digital marketing, reducing costs of sale

Creating new business opportunities

- Alliance with TfWM*
- Midland Metro extension
- Submitted bid for Manchester Metrolink

Risk

- Buses Bill
- Concession income

Generating superior cash & returns

	2016	2015
Revenue	£142.5m	£141.4m
Op profit	£17.6m	£17.1m
Margin	12.4%	12.1%

Revenue: +1% driven by 2.3% growth in commercial revenues, partially offset by lower concessionary revenues, down 5%

Profit: Revenue growth & cost efficiencies driving 30 bps improvement in margin

*Formerly known as Centro

UK Coach
Passenger growth driving performance

Delivering operational excellence

- Core revenue growth of 2.4% impacted by terrorist attacks & increased competition from rail
  - Passenger growth +4% remains strong, yield down
- Launching more sophisticated RMS in H2 - active real time price management, increasing yield & occupancy
- Enhanced digital capabilities driving conversion rates
- Roll-out of DriveCam to improve safety & reduce costs

Generating superior cash & returns

	2016	2015
Revenue	£133.8m	£132.2m
Op profit	£10.4m	£10.0m
Margin	7.8%	7.6%

Revenue: Core growth of 2.4%, partially offset by a decline in revenue for Eurolines & lower revenues for rail disruption

Profit: +4% with growth in margin, network optimisation & overhead savings delivering cost efficiencies

Creating new business opportunities

- New 3 year contract with Amazon
- New partnership: Expedia
- New routes - London to Stansted

Risk

- Advanced fare discounting in rail

North America

Strong bid season & high returns from acquisitions

Delivering operational excellence

- Strong bid season for 2016/17
  - Strong contract retention – 97% for renewals (excluding ‘up or out’ contracts)
- Average price increase +3.7% across portfolio, nearly 7% on our contracts up for bid and renewal
- Acquisitions delivering higher returns
- Strong growth in Transit – revenue up 52%

Creating new business opportunities

- 2 school bus acquisitions, 1 with transit operations
- Acquired a software provider in transit market
- Net consideration $40m

Risk

- Healthcare costs
- Wage pressure

Generating superior cash & returns

	2016	*2015
Revenue	$630.6m	$548.6m
Op profit	$64.8m	$59.1m
Margin	10.3%	10.8%

* Constant currency at 2016 FX rates

Revenue: +15% in constant currency, with strong organic growth together with bolt-on acquisitions

Profit: + 9.6%. Margin down 50bps – reflecting a higher mix of lower margin Transit revenues

Spain and Morocco
Record passenger numbers

Delivering operational excellence

- Record passenger numbers in both Spain & Morocco
- Morocco up 8% - increased network in Tangier & strong growth in Marrakech
- Rolling out a more sophisticated RMS – enhanced capabilities on real time price management
- Well placed to benefit from strong summer season
- Received BCX (Best Customer Experience) award, for delivering outstanding service to customers

Generating superior cash & returns

	2016	2015
Revenue	€344.4m	€330.2m
Op profit	€41.4m	€40.5m
Margin	12.0%	12.3%

Revenue: +4% - strong growth in Morocco with Spain benefitting from the acquisition of Herranz

Profit: Morocco, Herranz, lower fuel costs & cost efficiencies

Concession renewal process further delayed

Creating new business opportunities

- Launching a bid for Casablanca Tramway
- Acquisition in Ibiza
- Further bolt-ons

Risk

- Further competition from rail
- Intercity concession renewal

Delivering our strategy
Further significant progress to come

Delivering operational excellence	Generating superior cash & returns	Creating new business opportunities

2016

- Revenue & profit growth across the business (apart from Rail)
- Strong growth in profit, with FX tailwinds
- Diversity of business emerging as key strength – strong growth in overseas operations will help to offset a slowdown in the UK
- Remain on target to generate £100m FCF in 2016
- Strong pipeline of opportunities – will invest in fastest growing areas
- Interim dividend up 5%

Strategic focus

Clear strategy with 4 components

1. Focus on operational excellence
2. Deployment of technology throughout our business
3. Growing our business through targeted bolt-on acquisitions
4. Further diversification by bidding in other global markets, building on our successful entry into Germany & Bahrain

Strategic focus
Operational excellence

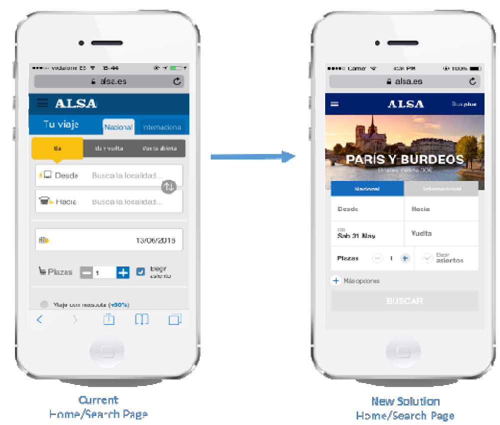
Generates revenue, margin and cash

- Continuing focus on raising service & safety standards delivers growth in passenger journeys e.g.
    - UK Coach customer satisfaction up 1.7% & reconfirmed as No. 1 trusted ground transport provider in UKCSI Survey
    - Reducing journey times – seeing double digit passenger growth on all our Platinum routes
    - 6% growth & highest passenger numbers in the last 5 years, carrying 480m passengers in the first half
- DriveCam, a driver behaviour training tool – is already reducing collisions & associated claims
    - 100% rolled out in UK Coach; successful trial in UK Bus
- Master Driver programme underway in the UK, ALSA & NA
- On-going programme to drive cost efficiencies across the Group, targeting cost reductions of £18m in 2016 – delivered £9m in H1, & nearly £60m in last 2½ years

Strategic focus
Deploying technology

Raising standards & driving efficiencies, generating sales, margin & cash

- Greater focus on digital... and more to come
  - Digital scorecards introduced across all our businesses
  - New mobile websites & apps in our UK and Spanish operations; improving conversion rates, reducing costs & generating revenue
    - In Spain online sales up 14%, with nearly 40% of transactions now through digital channels
    - 10% improvement in conversion rates in UK Coach & website now translated in 5 languages
  - Contactless payment introduced on Midland Metro with roll-out to UK Bus in 2017
  - Launched flexible season tickets on smartcards in c2c
- RMS – rolling out more sophisticated tools – enhancing our real-time pricing management capabilities, to drive revenue, profit & incremental demand
- Strategic acquisition of Ecolane in North America – market-leading planning & scheduling technology; efficiency savings & revenue generator



Strategic focus

Growth through targeted bolt-on acquisitions…

…primarily in North America & Spain

- Attractive growth opportunities in our existing markets
- Strong track record on acquisitions with 2 recent acquisitions in North America delivering high level of return in both profit & cash, and with a ROIC of 23%
- 3 businesses acquired in North America in H1 with average purchase price of 6x EBITDA
- Strong pipeline of further acquisition opportunities in North America with annualised revenues of $150m
- Acquisition of Herranz in December 2015, building our exposure to the urban bus market in Madrid – contributing €2m operating profit in H1, delivering above average margin
- Acquisition of Voramar in June 2016 – provides entry into Ibiza

Disciplined capital allocation delivering shareholder value

Strategic focus
Growth through further diversification

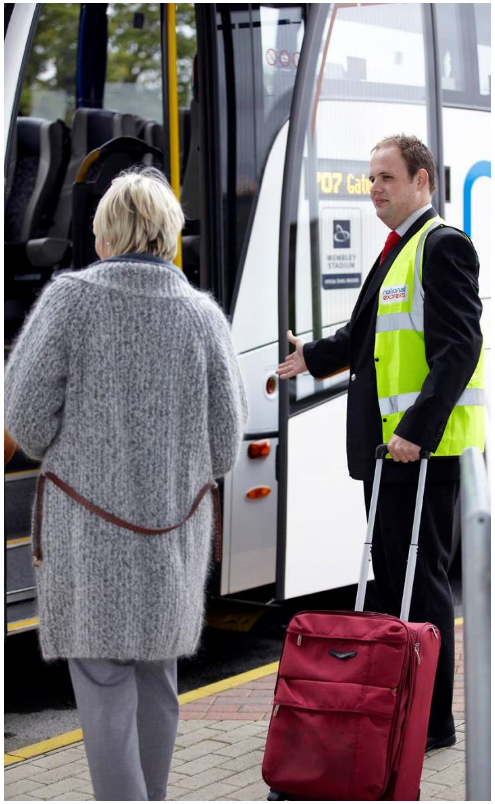
Building on our success in Germany & Bahrain

- Reputation for delivering operational excellence is creating opportunities in existing & new markets
- Selective approach to bidding opportunities in new markets where we can deliver meaningful returns in the long-term
- Attractive bidding opportunities emerging in a number of new markets
- Experienced bidding team identifying opportunities
  - E.g. Casablanca Tramway – significant bidding opportunity to operate the trams in Morocco’s largest city, with a population of 3.4m
  - Capital-light opportunity
  - Preparing bid – contract commences in December 2017
- Bid preparations also underway in another new market

Delivering our strategy

Facing the future with optimism…

- Building a diverse global business focused on operational excellence, innovation & strategic growth
- Significant further potential to improve efficiencies & drive revenue growth across the Group through greater use of technology
- Strong & sustainable free cash flows, enabling us to invest in further growth opportunities, with a disciplined approach to capital allocation delivering strong returns on investment
- Identifying opportunities in new markets, building on our success in Germany & Bahrain



…with our diversity emerging as a key strength

unlimited bus travel
£12.50 per week
unlimited bus travel
85-89
COLMORE ROW
TO LET
West Midlands

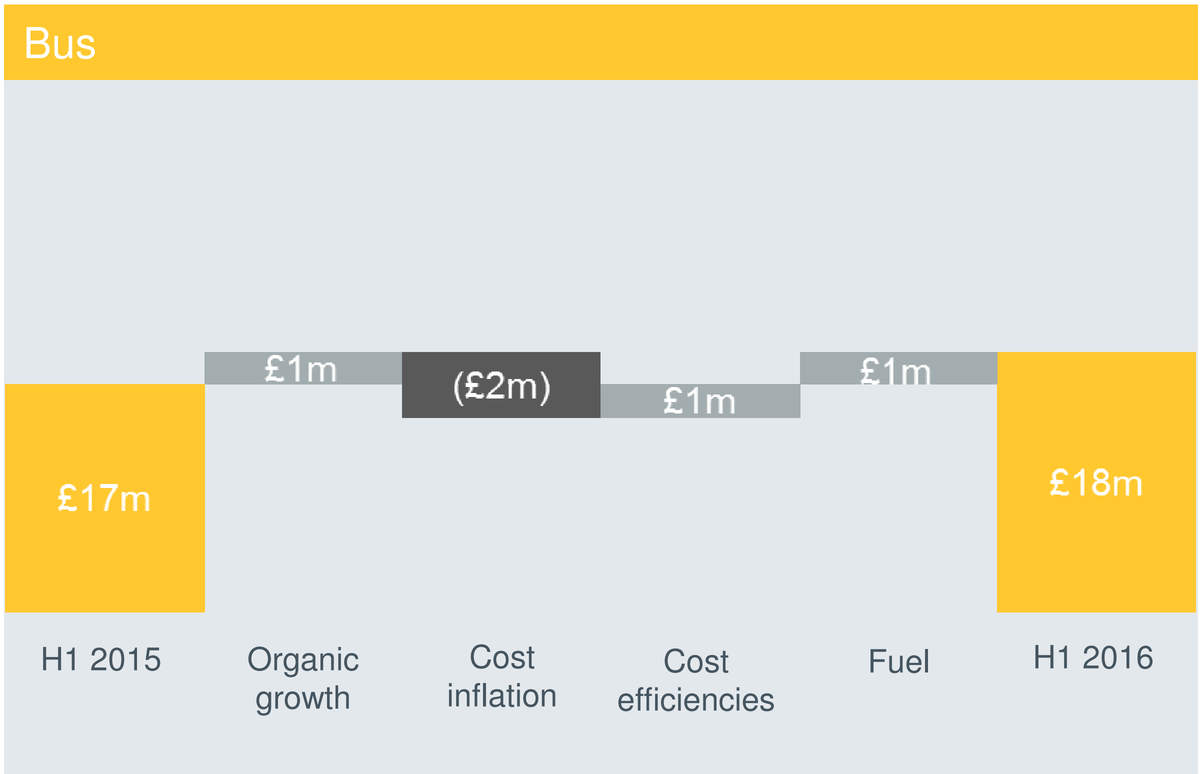
Appendix

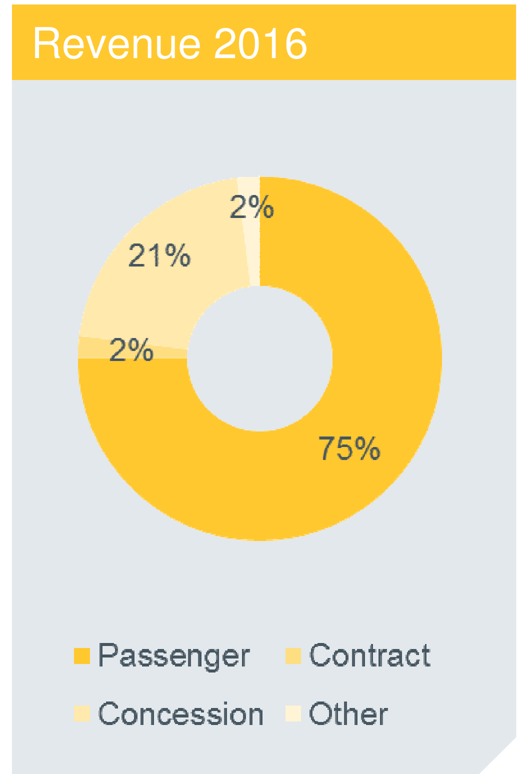
H1 2016 underlying revenue growth

	Yield	Volume	Revenue	Network Efficiency*	LFL growth
Spain					
Transport Spain	(1)%	5%	4%	(3)%	1%
Transport Morocco	(1)%	8%	7%	(3)%	4%
Non-passenger			4%		
Total[1]			**4%**		
North America[1]			**15%**		
UK Bus					
Commercial	3%	(1)%	2%	(1)%	1%
Concession			(5)%		
Total			**1%**		
UK Coach					
Core NE network	(2)%	4%	2%	(3)%	(1)%
Other			(2)%		
Total			**1%**		
c2c	(2)%	8%	**6%**		

** Decrease / (increase) in mileage operated*
[1] Constant currency

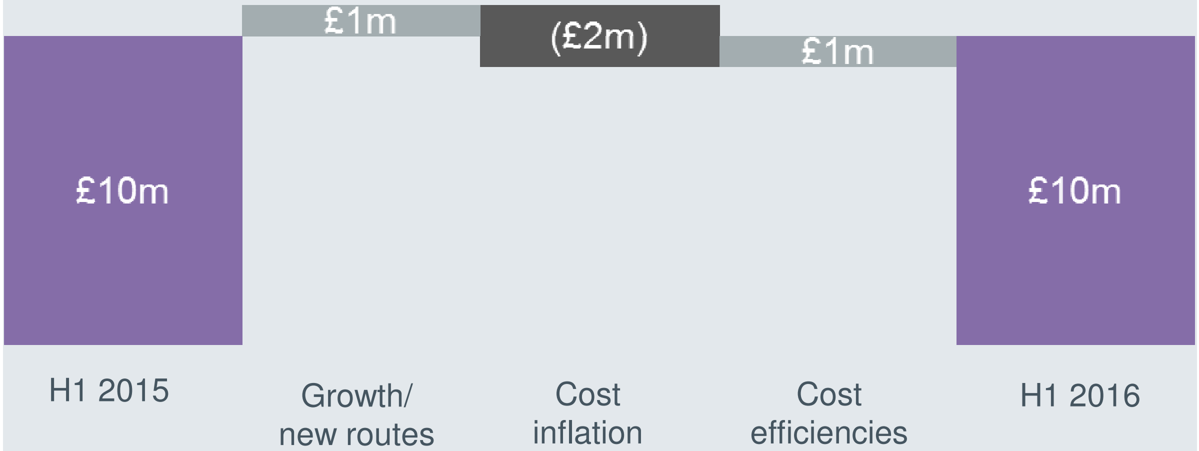
UK Bus – operating profit bridge



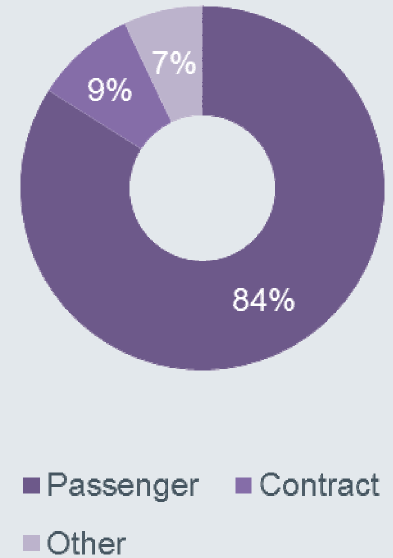


UK Coach – operating profit bridge

Coach

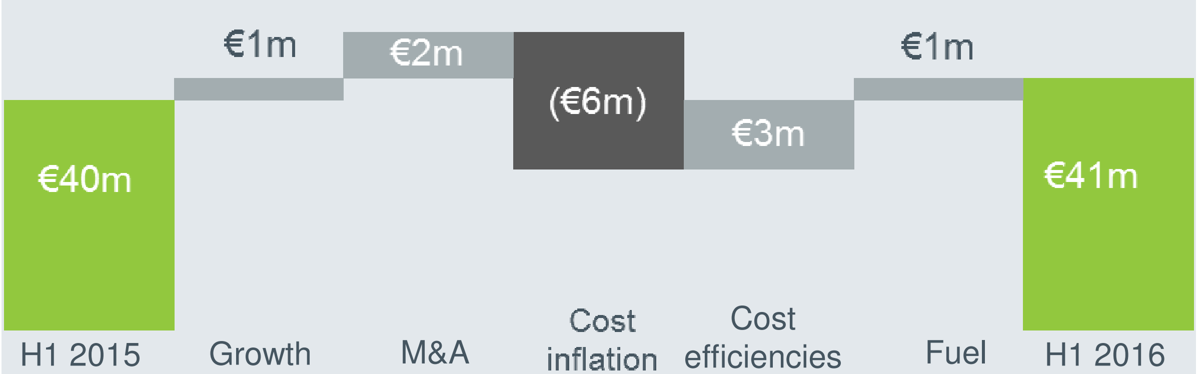


Revenue 2016

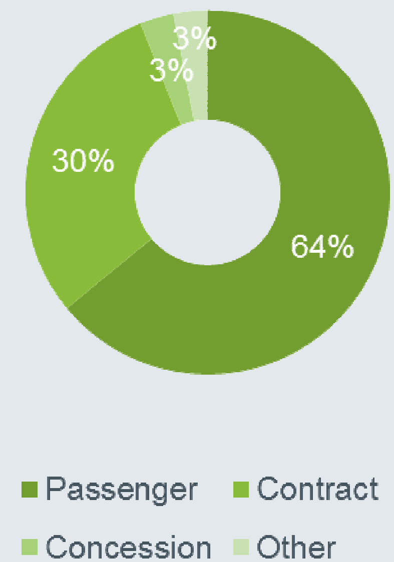


Spain & Morocco – operating profit bridge

Spain & Morocco

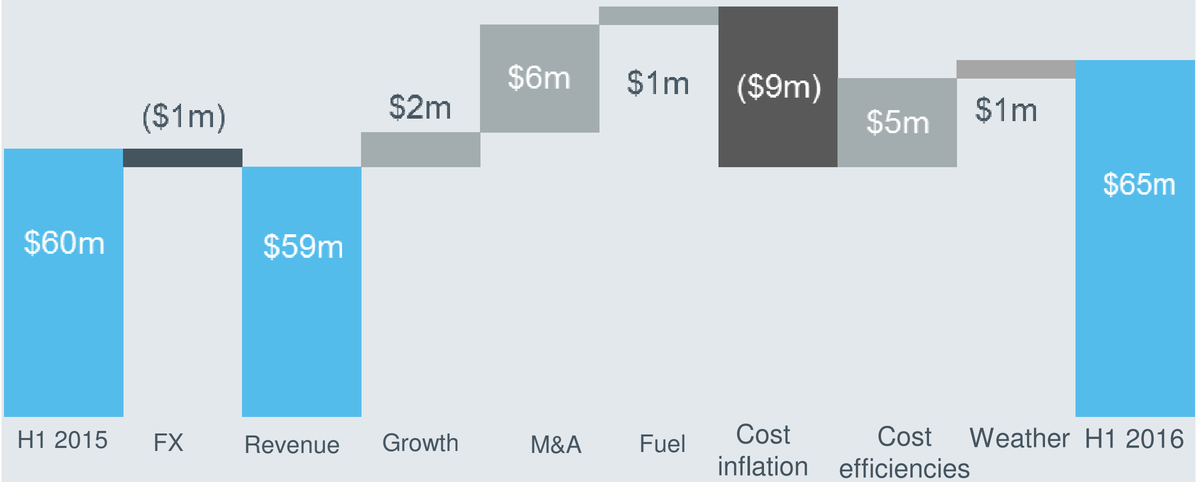


Revenue 2016

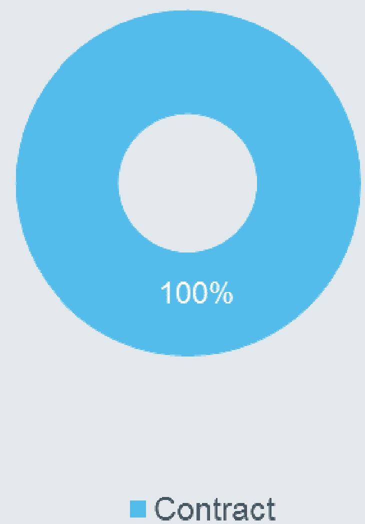


North America – operating profit bridge

North America



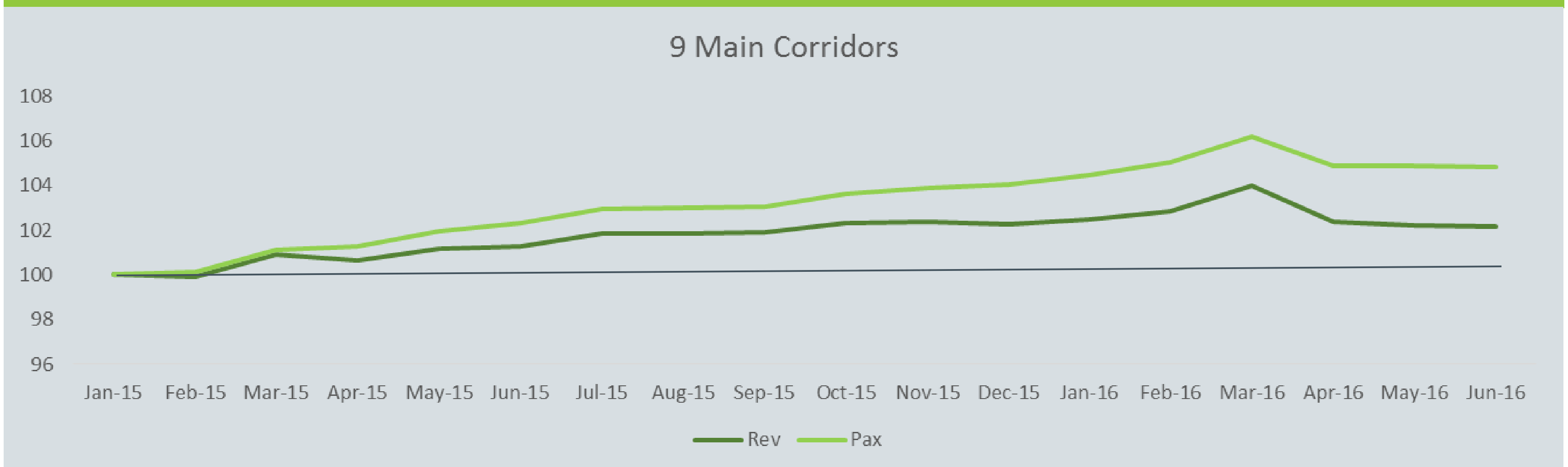
Revenue 2016



Spain

RM driving revenue & passenger growth in 2016

9 main corridors performance



- 9 competed corridors - €161m annual revenue with RM applied to 97%
- Increase in revenue despite the new High Speed Train routes & aggressive pricing policies to retain passengers
- Revenue up 1% and passenger journeys up 2% in H1

- RMS on around 240 flows within 9 corridors
- Continue revenue & passengers recovery in almost all the corridors
- New RMS developing fare business rules to increase occupancy

Pipeline of opportunities remains exciting

	UK Rail	North America	German Rail	Middle East
Target market	£8.5bn – franchised £150-1,000m each 7-15 year life	$25bn Transit $24bn School Bus Contracts $5-30m 3-5 year life	€6bn regional DB main operator Pro-competition €20-100m each	Selected geography Bus, coach & rail Liberalisation trend New public transport models
Revenue risk	Yes/ Possible underpin	Contracted/ Some risk	Gross cost/ Net cost mix	Mix
Attractiveness*:		Transit / School Bus		
Revenue growth	H	H / H	L	H
Margin	L	L / M	L	L
Capital req'd	L	L / H	L	L
ROCE	H	H / M	H	H
3 year target opportunity	£2.75bn annual revenues	$0.5bn annual revenues	€0.5bn annual revenues All target contracts begin ops in 2019 or later	$0.85bn annual revenues
Active pipeline	**£5.7bn total revenue in live bid processes** East Anglia bid submitted and awaiting outcome Manchester Metrolink bid submitted	**$150m total revenue in live bid processes** 10+ wins – mixture of School Bus & Transit	**€300m+ annual revenue for 4 contracts** Nuremberg still under challenge	**£225m total annual revenue in live bid processes (4 contracts)**

** H – High; M- Medium; L- Low*

Risk management

Fuel risk largely fixed until 2018

Fuel Hedging

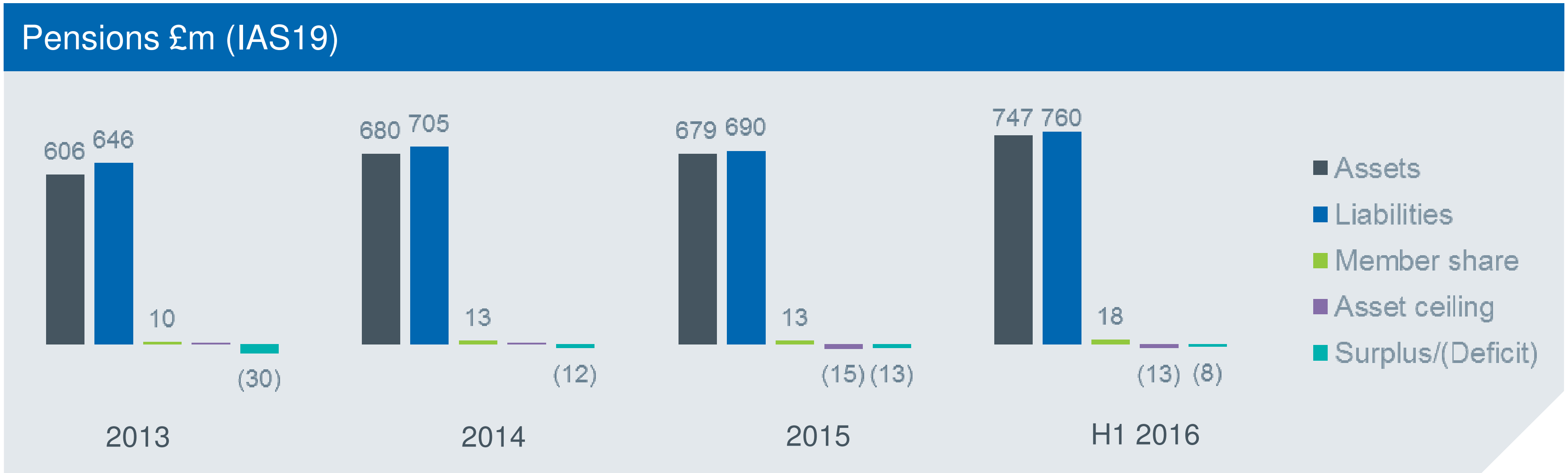
	2016	2017	2018	2019
% hedged*	100%	93%	76%	12%
Price per litre	46.6p	44.5p	32.6p	33.1p

- Significant fuel savings expected & largely secured for 2018

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

Risk management

Pension deficit plan in place through 2017



£m	Surplus /(Deficit) H1 2016	Surplus /(Deficit) 31 Dec 2015	Profit /(charge) H1 2016	Profit /(charge) H1 2015
UK Bus	(80.9)	(60.4)	(1.8)	(1.9)
UK Group	48.6	34.9	-	-
Rail	26.3	14.8	(1.7)	(1.5)
Other	(2.4)	(1.9)	-	(0.1)

National Express Group PLC