Half Year Results

For six months ended
30 June 2015

national express

29 July 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 (nil in 2015), 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.

H1 2015

Key highlights

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

- Growth in revenue and profit (in constant currency) across all our businesses except Rail
- Excellent start to the c2c franchise
- Cost efficiencies being delivered as planned
- Review of dividend policy reflecting long-term rail earnings and cash flow
- RRX win brings total German rail contracted revenues approaching €3bn
- Successful mobilisation in Bahrain – providing platform for further growth in the region
- Successful bid season in North America
- Shortlisted for East Anglia franchise
- Increased ROCE and remain on target to generate £100m of FCF for 2015

First half 2015:
Profit up even after increased premium charges

£m	H1 2015	H1 2014 Restated*
Revenue	**960.2**	**939.5**
Normalised operating profit (before bid costs)	**93.5**	**89.5**
Bid costs	(3.9)	(14.2)
Operating profit	**89.6**	**75.3**
Net finance costs	(23.1)	(24.2)
Associates	0.2	0.2
Profit before tax	**66.7**	**51.3**
Basic EPS	**10.2p**	**7.8p**
Interim dividend	**3.685p**	**3.35p**

* *H1 2014 results restated to adjust for impact of rail and Middle East bid costs previously treated as exceptional costs*

H1 2015

Restated results – no exceptional costs in 2015

- H1 2014 results restated to adjust for change in treatment of Rail and Middle East bid costs
- £14.2m of bid costs in H1 2014 now included in restated operating results
- Full year 2014 restated for £25.5m of bid costs
- H1 2015 bid costs £10.3m lower year on year

Bid costs £m

£m	H1 2015	H1 2014	FY 2014
Rail	1.6	11.9	19.8
Other	2.3	2.3	5.7
Total bid costs	**3.9**	**14.2**	**25.5**

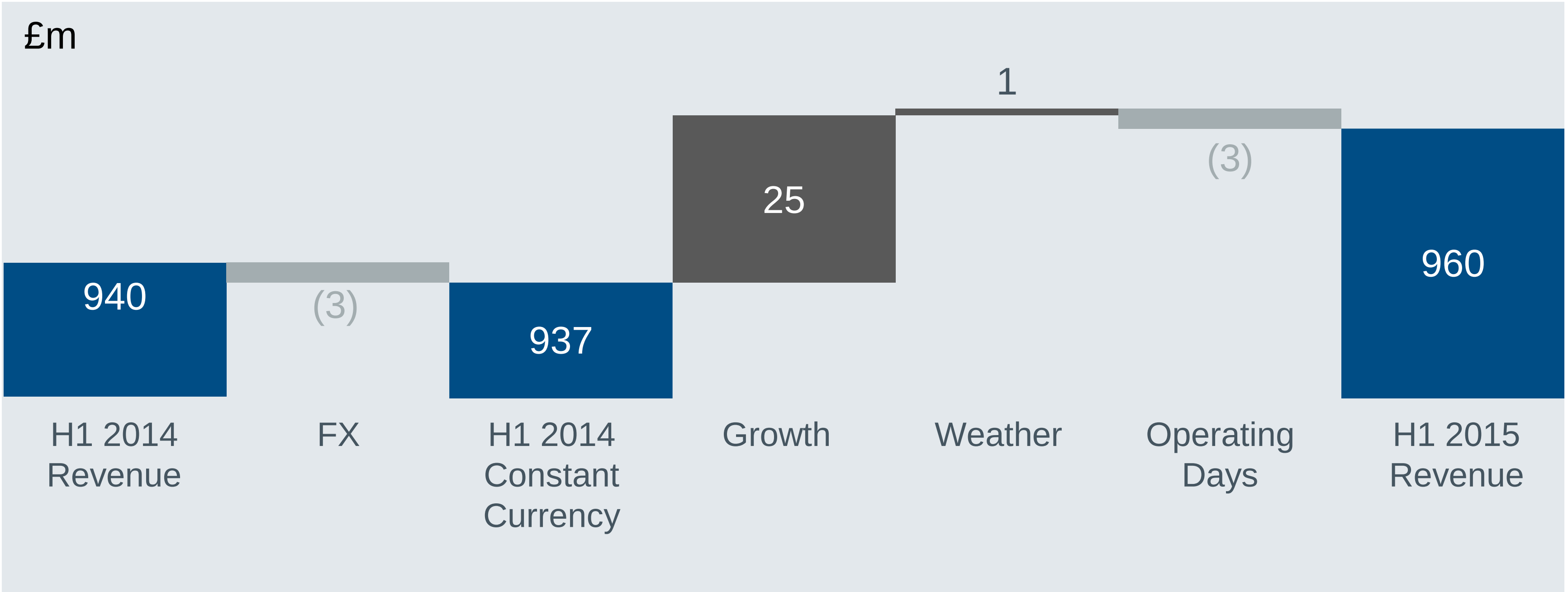
Restated rail profit & central costs £m

£m	H1 2015	H1 2014*	FY 2014*
Rail op. profit	0.6	(6.5)	(10.1)
Central costs	(7.0)	(8.1)	(17.1)

** H1 2014 results restated to adjust for the impact of rail & Middle East bid costs previously treated as exceptional costs*

Revenue

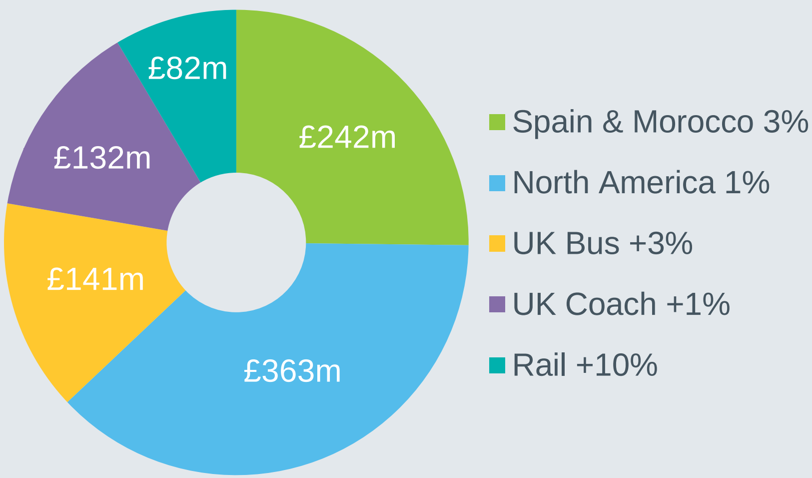
Good organic growth delivered



- 2.5% underlying revenue increase
- Small adverse impact from currency, with $ strength offsetting weakness in the €
- Operating days impact to reverse in second half

Operating profit
Profit growth in all divisions in constant currency

Revenue (YOY change*)



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

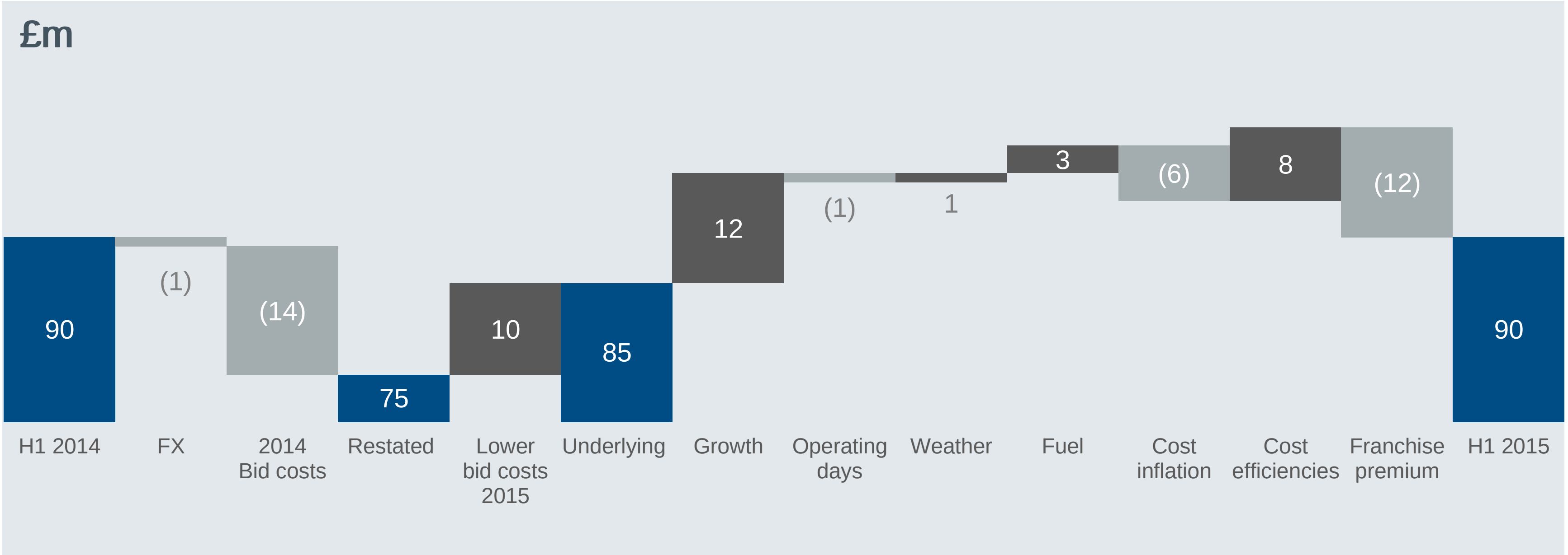
Operating profit

	H1 2015	**H1 2014
Spain & Morocco	€40.5m	€38.4m
North America	$59.8m	$57.5m
UK Bus	£17.1m	£15.3m
UK Coach	£10.0m	£9.3m
Rail	£0.6m	£(6.5)m
German coach	-	£(1.4)m
Centre	£(7.0)m	£(8.1)m
Group	**£89.6m**	**£75.3m**

***H1 2014 results restated to adjust for impact of rail and Middle East bid costs previously treated as exceptional costs*

Normalised operating profit

Growth & cost efficiencies offset higher premiums



- H1 2014 operating profit adjusted for Rail & Middle East bid costs
- Growth, cost efficiencies and lower fuel costs offsetting higher rail premium charges
- Tight control of costs
- Small benefit from adverse weather conditions in 2014
- £1m impact from lower operating days will reverse in H2 – full year impact neutral
- No exceptional costs of restructuring/rationalisation (H1 2014: £13.5m)

Superior cash and returns

On target to generate £100m FCF for 2015

£m	H1 2015	H1 2014*
EBITDA	**141.9**	**125.7**
Working capital	0.2	7.5
Maintenance capex	(75.0)	(25.3)
Pension deficit	(4.9)	(3.8)
Operating cashflow	**62.2**	**104.1**
Tax/interest/other	(35.1)	(38.0)
Free cash flow	**27.1**	**66.1**

Operating cash flow	Operating Profit %
Spain & Morocco	98%
North America	87%
UK Bus	28%
UK Coach	147%
Rail	N/A
Group	69%

- As previously guided for 2015 and onwards, full year net capital expenditure returning to more normal levels of 1.1x to 1.2x depreciation
- Higher proportion of capital expenditure in the first half – targeting *c*.£120m for 2015
- Free cash flow of £27m in first half; on target to generate £100m for the full year

** H1 2014 results restated to adjust for the impact of rail & Middle East bid costs previously treated as exceptional costs*

Superior cash and returns
Focus on investing for future growth

£m	H1 2015	H1 2014*	FY 2014*
Free cash flow	**27.1**	**66.1**	**164.8**
UK rail franchise exit outflow	-	(0.9)	(1.6)
Exceptional cash	(5.8)	(9.2)	(19.2)
Cash flow available for growth & dividends	**21.3**	**56.0**	**144.0**
Net growth capital expenditure	(20.7)	(7.3)	(7.3)
Acquisitions & disposals	(22.2)	(6.0)	(5.9)
Dividends	(35.5)	(34.5)	(51.6)
Other, including forex	7.1	8.9	2.6
Net funds flow	**(50.0)**	**17.1**	**81.8**

- Net funds outflow after increased growth capital expenditure of £21m and £22m spent on acquisitions
- On target to deliver £100m FCF for the full year

**Results restated to adjust for impact of rail & Middle East bid costs previously treated as exceptional costs*

Growth

Growth capital expenditure & M&A

Growth capital expenditure

- Delivers enhanced profits
- Significant increase in spend in H1 2015 to £20.7m (H1 2014: £7.3m)
  - Investment in new c2c franchise including introduction of WiFi & refurbishment of trains; mobilisation costs for RME
  - 120 new buses to support roll-out of new contract in Tangier
  - Revenue management systems in UK Coach
- Targeting total growth capex of *c.*£35m for 2015 (2014: £7.3m)

Acquisitions

- 2 businesses acquired - combined cash consideration of £22m at 6x EBITDA
  - Folmsbee – school bus business in upstate New York – 100 buses
  - “Red Hook” – transit – shuttle service in state of NY – 60 buses
- Continuing to evaluate further opportunities

ROCE increased by 120 bps to 11.9%

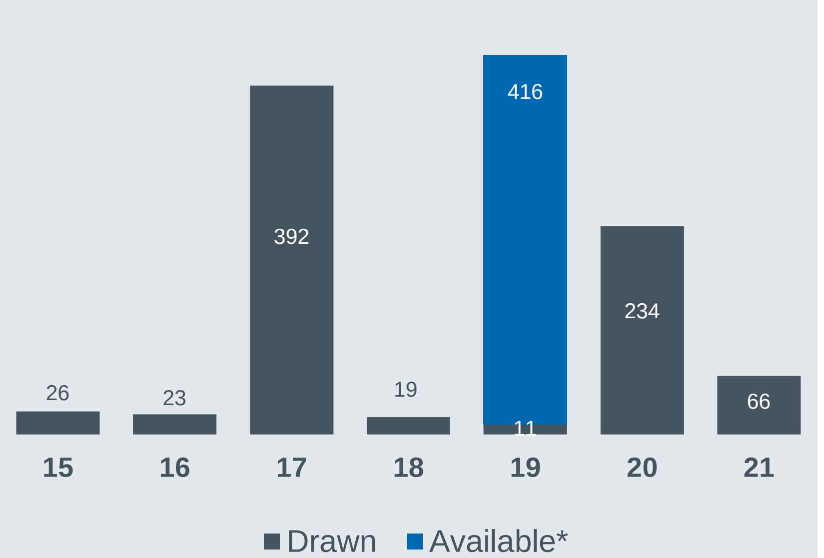
Balance sheet remains flexible

Net debt reduced over 12 months to £714m

Gearing Ratios	H1 2015	H1 2014	Covenant
Net debt/EBITDA	2.4x	2.5x	<3.5x
Interest cover	6.5x	6.0x	>3.5x

Ratings	Grade	Outlook
Moody's	Baa3	Stable
Fitch	BBB-	Stable

Debt maturity profile



** Available cash and undrawn committed facilities at 30 June 2015*

- Net debt reduced by £15m over last 12 months to £714m
- Robust financial strategy:
  - Prudent gearing policy: 2-2.5x EBITDA
  - Dividend covered 2x by Group earnings
  - Strong commitment to IG debt rating; reaffirmation of ratings in Q2
  - Strong risk planning – fuel mostly hedged to 2017 & pension deficit plan in place
  - £459m cash & committed headroom
  - £350m bond maturity due Jan 2017 – refinancing in 2016; currently evaluating refinancing options

Guidance

2015

- Net capital expenditure of 1.1x to 1.2x depreciation – 2015 target *c.*£120m
- Free cash flow generation of £100m
- Effective tax rate of *c*.20%
- Full year incremental premium charges of £29m
- Bid costs of *c*.£10m in 2015; bid costs for 2016 likely to rise in light of UK rail opportunities
- Target dividend cover *c*.2.0x Group earnings

Rail - UK

Excellent start – ahead of bid plan

Delivering operational excellence

- Price leading fares and new marketing approach driving volume
- Strong growth in both peak and off-peak travel
  - Off-peak demand up 12% with strong promotional campaigns and new products
  - Weekend growth up 27%
- More effective marketing – ROI improved

Creating new business opportunities

- Shortlisted for EA
- Evaluating further opportunities
- New timetable for c2c in Dec 2015

Risk

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

Generating superior cash & returns

	2015	*2014
Revenue	£82.0m	£74.5m
Op profit pre bid cost	£2.2m	£5.4m
Bid costs	£(1.6)m	£(11.9)m
Op profit	£0.6m	£(6.5)m
Margin	0.7%	N/A

* Restated to adjust for rail bid costs previously treated as exceptional items

Revenue: +10% supported by passenger growth of 6%

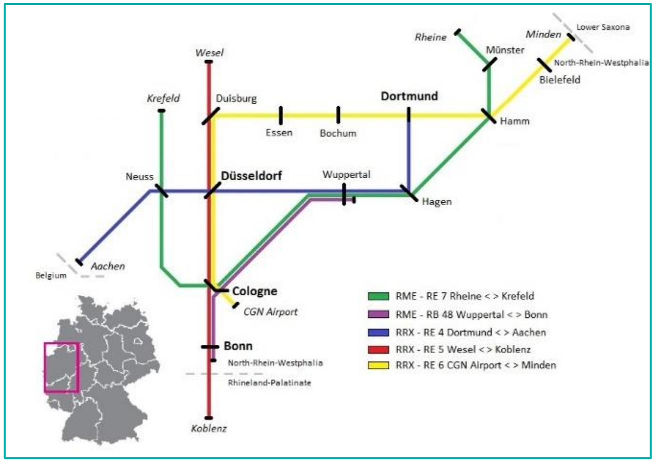
Profit: £7.1m higher despite significantly higher premium charges, partially offset by lower bid costs

Rail - Germany

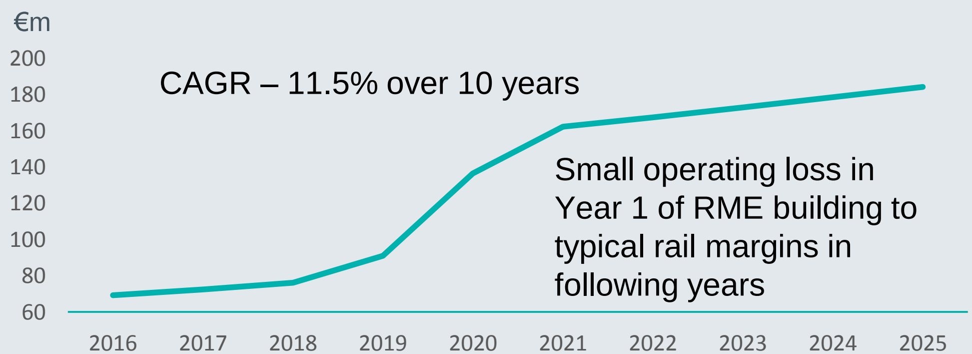
Building scale with more to come

Firmly established in Germany

- Building scale – contracted revenues of €2.6bn
  - Won 2 contracts for RRX; both contracts profitable in 1st year; combined revenues of €1bn
  - Nuremberg – court decision late summer
- German rail revenues secured through to 2033
- Normal rail margins of 3-5% anticipated
- Pre-qualified for a further 2 franchises
- Active pipeline worth *c.*£4bn of revenues
- Mobilisation of RME franchise on plan ahead of December 2015 start-up



German rail revenue profile over next 10 years



UK Bus

Investment in services delivering clear progress

Delivering operational excellence

- Robust revenue growth: commercial revenue +3%
- Launched all 83 partnership commitments for TBT3*
- Major fleet upgrade driving passenger volumes
  - 8% increase on Platinum bus routes
- Continued roll-out of industry leading multi operator smartcards & launch of new PAYG smartcard

Generating superior cash & returns

	2015	2014
Revenue	£141.4m	£137.7m
Op profit	£17.1m	£15.3m
Margin	12.1%	11.1%

Revenue: +3% driven by commercial revenues, concessionary revenues flat

Profit: Revenue growth and cost efficiencies

H2 concession revenues to decline - £3m annualised impact

Creating new business opportunities

- Bus Alliance with Centro & West Midlands ITA
- Midland Metro extension opens in H2 2015

Risk

- Possible reduction in BSOG
- Concession income under pressure

** Transforming Bus Travel agreement with Centro*

UK Coach

Leveraging our enhanced CRM capabilities

Delivering operational excellence

- Enhanced marketing activity driving revenue growth
  - CRM driving 60% incremental growth on targeted campaigns
  - Launching strong summer campaigns building on success of Easter and spring
- Record weekend for Glastonbury
- RM increasing yields & coach occupancy (up 3.7%)

Generating superior cash & returns

	2015	2014
Revenue	£132.2m	£130.5m
Op profit	£10.0m	£9.3m
Margin	7.6%	7.1%

Revenue: Strong core growth of 2.4%, partially offset by the timing of contract revenues, picking up in H2

Profit: +8% with growth in margin, network optimisation and back office consolidation delivering cost efficiencies

Creating new business opportunities

- Contract wins; BA, Stansted, UWL & RBS
- O'seas retail expansion
- Enhanced presence on Trainline app

Risk

- Advanced ticket discounting in rail
- Government policy (BSOG)

North America
Positive bid season & improving market

Delivering operational excellence

- Strong bid season for 2015/16
  - Strong contract retention – 99% for renewals (excluding "up or out" contracts)
- Average price increase +2.8% across portfolio, over 5% on our re-bid contracts
- On-going exit from poor performing contracts, winning new business on higher margin

Generating superior cash & returns

	2015	*2014
Revenue	$553.2m	$547.7m
Op profit	$59.8m	$57.5m
Margin	10.8%	10.5%

* Constant currency at 2015 FX rates

Revenue: +1% in constant currency, with exit from "up or out" contracts offsetting price increases and contract wins

Profit: Margin up 30bps - exit from lower margin business & higher prices offset by wage pressures, CAD and less operating days

Creating new business opportunities

- 1 transit & 1 school bus acquisition - combined cash consideration of £22m at 6x EBITDA

Risk

- Healthcare costs
- Wage pressure

Spain and Morocco
Strong growth in Morocco & RM in Intercity

Delivering operational excellence

- Spain up 3% - encouraging progress with revenue management; growth in both revenue & passenger numbers on intercity routes
- Morocco up 13%
  - Upscaling of operations in Tangier & further growth in Agadir & Marrakech
- Fourth contract for bus in Morocco - Khouribga

Generating superior cash & returns

	2015	2014
Revenue	€330.2m	€319.3m
Op profit	€40.5m	€38.4m
Margin	12.3%	12.0%

Revenue: +3% - strong growth in Morocco with Spain showing improving performance through RM

Profit: Morocco, lower fuel costs & cost efficiencies

Concession renewal process further delayed

Creating new business opportunities

- Further roll-out of RM to Commuter & Regional
- Evaluating opportunities in newly liberalising markets eg. Portugal

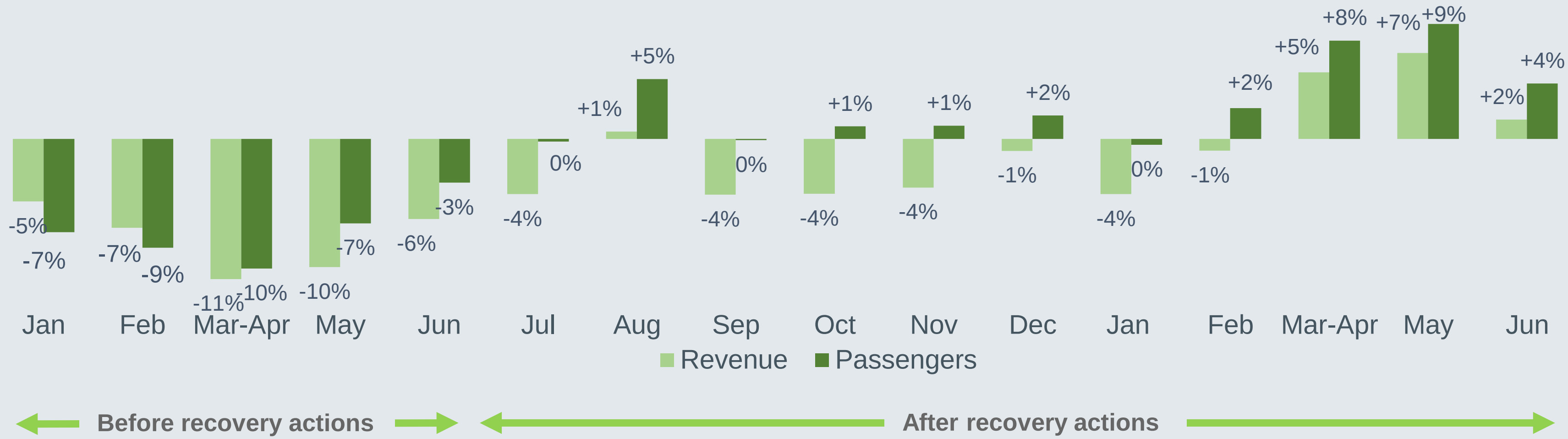
Risk

- Further competition from rail
- Intercity concession renewal

Spain

RM driving revenue & passenger growth in H1

9 main corridors performance (data below includes all flows)



H1 Revenue up 4%, Passengers up 7%

- 9 competed corridors - €161m annual revenue with RM applied to around 77% of annual revenue
- RM introduced in June 2014 to address declines in revenue and patronage

- Action taken on around 200 flows within 9 corridors
- Steady improvement seen post-action with growth in both revenue and passenger volumes in H1 2015

RM to be rolled out to Commuter and Regional

Middle East

Successful mobilisation providing a stepping stone

Delivering operational excellence

- Successful mobilisation of first phase in Bahrain
  - 70 vehicles in service with a further 70 in phase 2
  - Serving 35 routes
  - 1.7m passengers already transported
- Learnings from Bahrain to be applied to future mobilisations in the region

Creating new business opportunities

- Submitted a JV bid to operate bus services in Makkah, Saudi Arabia
- Further opportunities being evaluated
  - Active pipeline of *c*.£0.8bn revenues

Delivering our strategy

Further significant progress to come

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

2015

- Margin progress across the business (excluding Rail)
- No exceptionals
- Strong growth in profit with statutory profit more than doubling
- Continued cash generation – on target to generate £100m FCF in 2015
- Lower fuel costs and potentially lower bond interest costs
- Strong pipeline of opportunities across the business
- Interim dividend up 10%

Appendix

H1 2015 underlying revenue growth

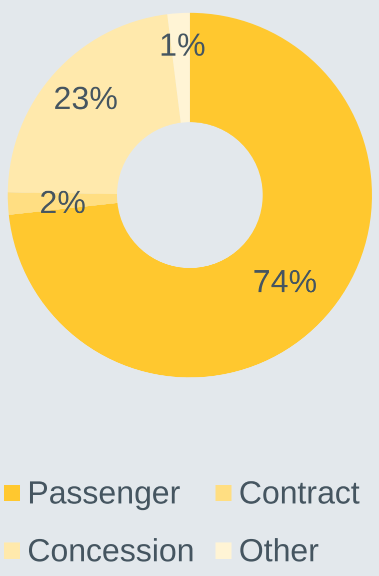
	Yield	Volume	Revenue	Network Efficiency*	LFL growth
Spain					
Transport Spain	2%	1%	3%	2%	1%
Transport Morocco	1%	12%	13%	21%	(8)%
Non-passenger			1%		
Total[1]			**3%**		
North America[1]			**1%**		
UK Bus					
Commercial	3%	-	3%	-	3%
Concession			-		
Total			**3%**		
UK Coach					
Core NE network	1%	1%	2%	1%	1%
Other			(2)%		
Total			**1%**		
c2c	4%	6%	**10%**		

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

UK Bus – operating profit bridge

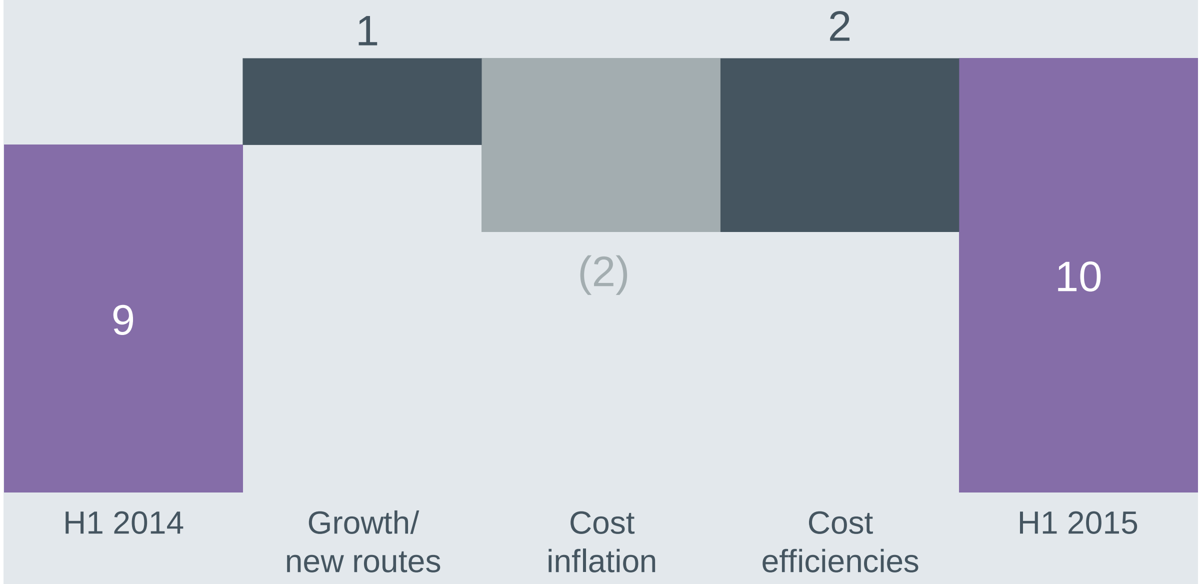
Bus - £m

Revenue 2015

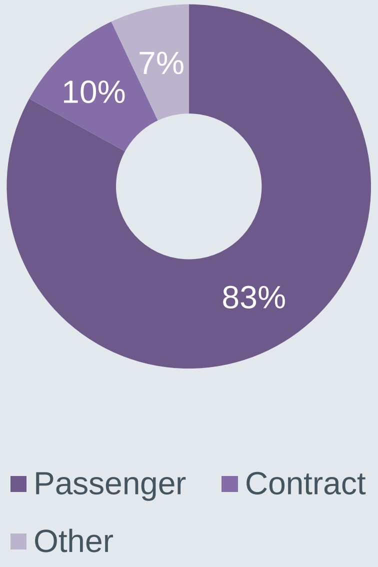


UK Coach – operating profit bridge

Coach - £m

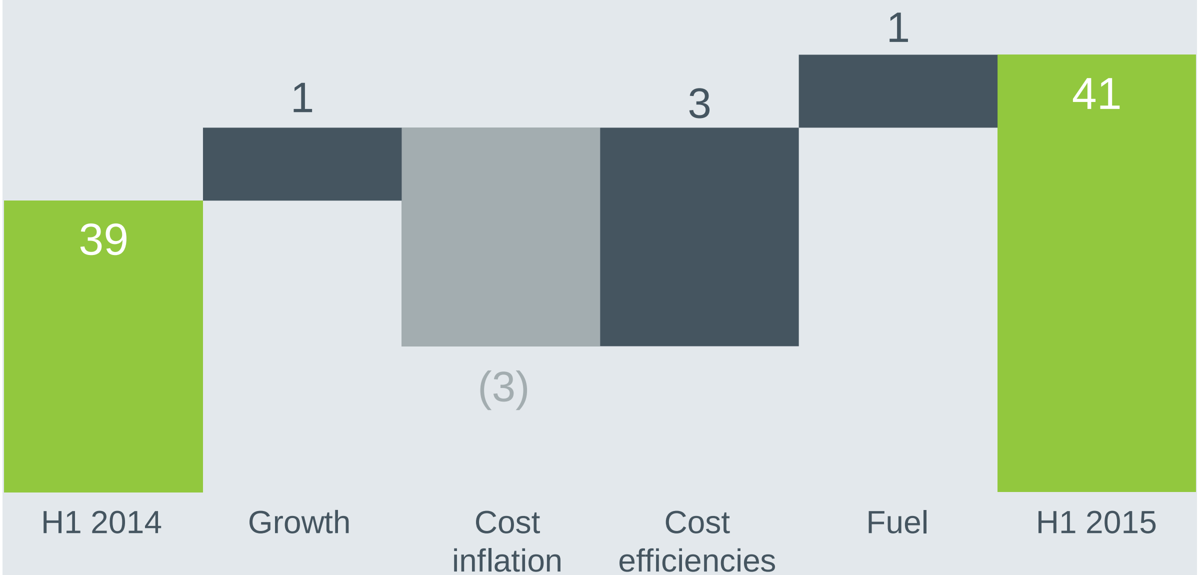


Revenue 2015

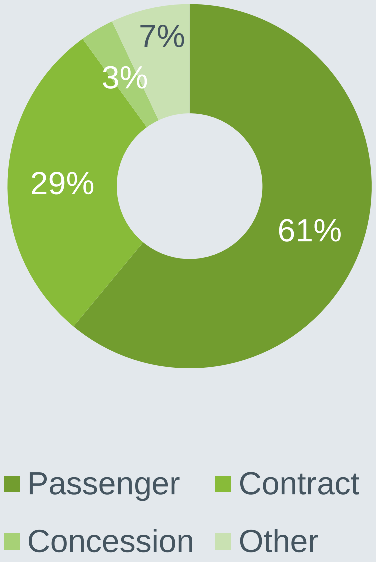


Spain and Morocco – operating profit bridge

Spain and Morocco - €m

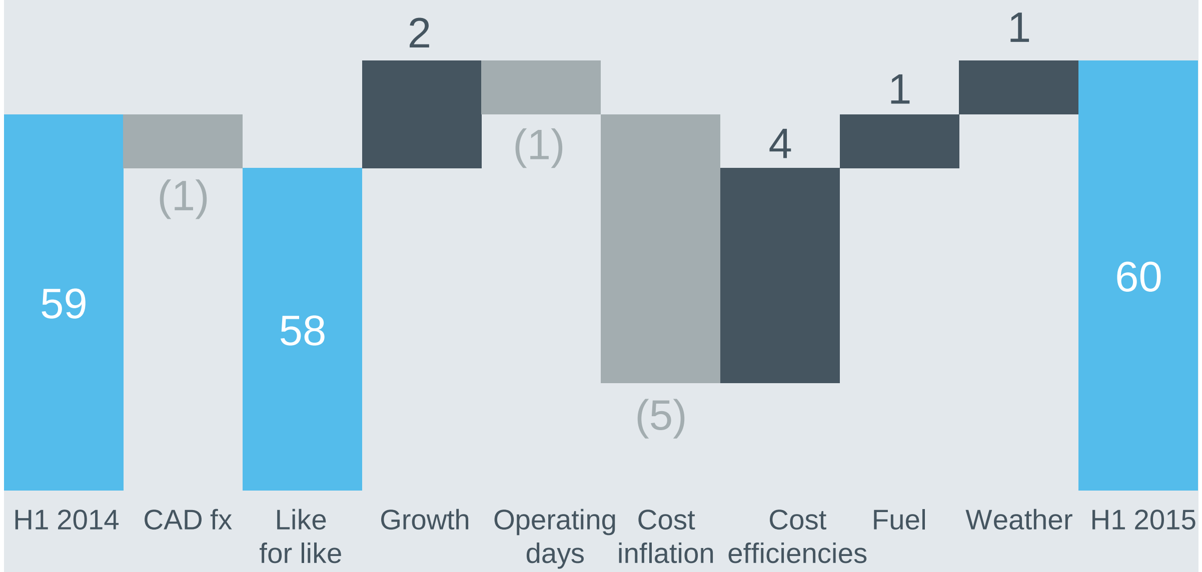


Revenue 2015

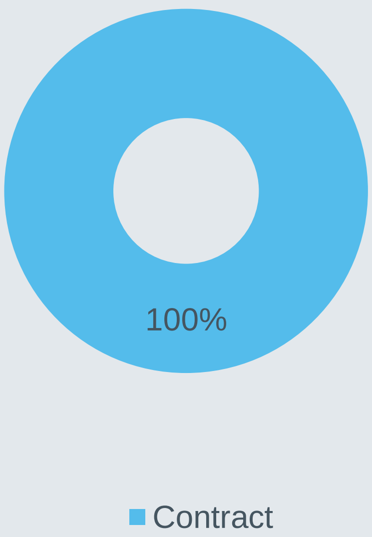


North America – operating profit bridge

North America - $m



Revenue 2015



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	$8bn Transit $24bn School Bus Contracts $5-100m 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*: **Revenue growth** **Margin** **Capital req'd** **ROCE**	 H L L H	Transit School Bus H H L M L H H M	 L L L H	 H L L H
3 year target opportunity	£4.5bn annual revenues	$0.5bn	€4bn total contract revenues	£3bn total contract revenues
Active pipeline	4 contracts £2bn annual revenues East Anglia bid underway	100+ contracts $0.4bn 3 Transit wins, 10+ School Bus wins	5+ contracts €0.2bn annual revenues RRX secured	4 opportunities £0.8bn total contract revenues In evaluation on other key opportunities

** H – High; M- Medium; L- Low*

Risk management

Fuel risk largely fixed until 2017

Fuel Hedging

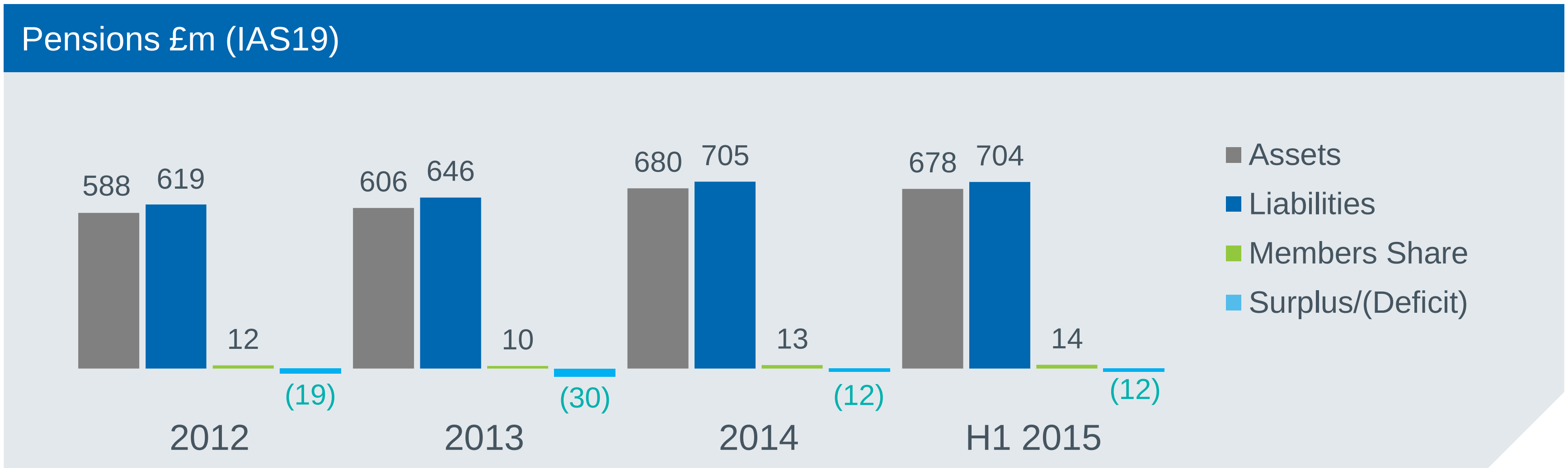
	2015	2016	2017	2018
% hedged*	100%	100%	88%	22%
Price per litre	44p	42p	41p	34p

- Future year-on-year savings locked in (2014: 49p)

** Of addressable volume (c240 million litres)*

Risk management

Pension deficit plan in place through 2017



£m	Surplus /(Deficit) H1 2015	Surplus /(Deficit) 31 Dec 2014	Profit /(charge) H1 2015	Profit /(charge) H1 2014
UK Bus	(51.1)	(50.6)	(2.7)	(2.1)
UK Coach	30.5	30.6	0.6	0.3
Rail	10.9	10.0	(1.3)	(1.3)
Other	(2.0)	(1.9)	(0.1)	-

National Express Group PLC