national express

National Express Group PLC: Half Year results for the six month period ended 30 June 2019

Another record performance driving growing returns

Dean Finch, Group Chief Executive said:

"I am delighted to report another record set of results, primarily driven by organic revenue, profit and margin growth in every division. Group free cash also grew strongly. We are currently trading ahead of expectations despite the impact of unprecedented bad weather in North America.

"Our disciplined diversification means we have a portfolio of businesses that enable global best-practice and efficiency to be shared, while allowing local growth opportunities to be pursued. Our strong cash generation continues to allow investment in new technology and strategic acquisitions to drive organic growth and new market expansion.

"The prospects for growth are strong. We continue to drive improvements in our core bus and coach businesses, add significant new contracts like Rabat and expand in newer markets such as Switzerland and US shuttle, through our recent WeDriveU acquisition.

"We retain a disciplined focus on growing shareholder returns. The Board has again demonstrated their confidence in our future growth with another 10% increase in the interim dividend. With many opportunities to pursue, we are confident of our future prospects."

Financial highlights

	HY 2019	HY 2018	Change	Change at constant currency
Continuing operations				
Group revenue	£1.34bn	£1.21bn	+10.5%	+7.8%
Group normalised operating profit	£139.3m	£118.7m	+17.4%	+14.7%
Group normalised PBT	£114.6m	£100.7m	+13.8%	+10.7%
Normalised basic EPS	16.9p	15.0p	+12.7%	
Statutory				
Group statutory operating profit	£113.1m	£98.1m	+15.3%	
Group statutory PBT	£88.4m	£80.1m	+10.4%	
Group PAT from continuing operations	£69.2m	£63.0m	+9.8%	
Statutory basic EPS	13.1p	12.1p	+8.3%	
Statutory basic EPS from continuing ops	13.1p	12.0p	+9.2%	
Free cash flow	£95.6m	£85.2m	+£10.4m	
Net debt	£1,276.3m	£922.1m	+£354.2m	
Interim dividend	5.16p	4.69p	+10.0%	

Highlights: organic revenue and profit growth in every division

- Record Group profit, with statutory operating profit up 15.3% to £113.1 million:
  - Primarily driven by all divisions growing organic revenue;
  - Organic growth accounts for *c.*80% of the normalised operating profit increase.

- All divisions have grown operating margin, driving Group margin up 60 bps to 10.4%.

- ROCE is flat at 12.2%, post-IFRS 16 implementation; or up 80 bps on a like-for-like basis.

- Interim dividend increased by 10% to 5.16p (2018: 4.69p).

Operational excellence:

- Revenue growth in all main divisions:
  - ALSA: grew by 11.7% in constant currency to €442.1 million;
  - North America: grew by 8.2% in constant currency to $812.3 million;
  - UK: grew by 4.2% to £285.3 million;
  - German Rail: (6.8%) because of presentational change; underlying growth of 5.4%.

- Record normalised operating profits in our international divisions combined with continued strong UK growth:
  - ALSA: grew by 12.8% in constant currency to €54.8 million;
  - North America: grew by 9.3% in constant currency to $83.3 million;
  - UK: grew by 15.7% to £36.6 million.

- Commercial passenger growth in every division, with Group passengers up 1.7%.

- A successful North American School Bus bidding season, with rates secured for next school year higher than driver wage inflation:
  - Average rate increase of 5.9% on expiring contracts, or 3.9% across our whole portfolio, above the prevailing wage inflation of 3.4%.

Technology investment driving innovation, efficiency and excellence

- RMS and sophisticated pricing continues to drive organic growth:
  - Spanish long haul revenue grew 7.5% and passengers increased by 10.5%;
  - UK coach's core revenue grew 4.7% and passengers increased by 3.7%;
  - Forecasting algorithms and machine learning driving next RMS growth phase.

- Environmental leadership by signing up to the UN's Sectoral Decarbonisation Approach climate science based targets.

- Rapid deployment of industry-leading technology alongside enhanced driver coaching and management is helping all divisions improve year-on-year safety performances.

Targeted expansion through strategic acquisition and new market entries

- Four acquisitions made in the period, three in the US and a small Spanish business:
  - The US acquisitions are: a significant majority stake in Silicon Valley's premier employee shuttle business, WeDriveU, announced in April; and two transit and charter operators that also provide entry in to non-emergency medical services and growth in the university shuttle segments.

- A strategic move into the growing UK accessible transport market, drawing on our US expertise with July's award of the majority of Birmingham City Council's home-to-school contract. These services start in August:
    - In the final stages of acquiring Accessible Transport Group (ATG), the West Midlands-based previous operator, with 600 staff and 400 vehicles.

- The mobilisation for the new Rabat contract is well advanced ahead of September's start. With this contract, ALSA becomes the largest private transport operator in Morocco with strong further expansion opportunities apparent in this significant growth market.

- The first of our three Rhine-Ruhr Express services successfully started in June. Mobilisation for the next, starting in December, is well underway and when the third launches in December 2020, we will operate five German Rail contracts.

- Disciplined approach demonstrated by yesterday's sale of Ecolane for $42 million in cash, plus a $10 million equity stake in the acquirer's rapidly-growing technology fund:
    - Consideration is a significant multiple of the original purchase price.

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There will be a presentation and webcast for investors and analysts at 0930 on 25 July 2019. Details are available from Mads Neumann at Maitland.

Normalised operating profit, normalised PBT, normalised EPS, margin, organic growth, free cash flow, net debt, gearing and ROCE are alternative performance measures. The definitions of these, along with an explanation of constant currency basis, are set out on page 22.

Legal Entity Identifier: 213800A8IQEMY8PA5X34
Classification: 1.2 (with reference to the DTR6 Annex 1R).

Dividend
The dividend will be paid on 20 September 2019 to shareholders on the register at close of business on 30 August 2019.

Group Chief Executive's Review
Overview

I am pleased to report another record set of results. This performance has been secured through growth across the business, with all divisions contributing and we are currently trading ahead of expectations. We have managed unprecedented weather disruption impact in North America to still achieve strong profit growth. Group operating margin has increased 60 basis points to 10.4%. Nearly 80% of the normalised operating profit increase has come from organic growth in the period.

A record of consistent success has been achieved through a relentless focus on our strategy. This starts from a determination to deliver operational excellence, uses technology to drive innovation and efficiency and complements this with targeted growth through acquisition and market diversification. The results set out here demonstrate that we are making good progress in all of these areas, driving the overall Group performance.

We are continuing to build on the platforms we have established in some of the world's wealthiest cities and regions, including through acquisition. We aim to be a leader on service, price and customer relationships to grow our presence in these markets.

The success of our approach can be seen in strong customer satisfaction, growing commercial patronage and increasing operating margins in every division. Most pleasingly, our safety performance continues to improve, with a lower Fatalities and Weighted Injuries index score compared to the first six months of last year.

We have invested to make our services increasingly easy to access. This involves a sophisticated digital 'front end', whether an app, mobile or website, to allow customers to easily identify the right service and secure the best price. Technology is improving our management control to identify new customer demand, quickly respond to customer needs and deliver services more efficiently.

It is an exciting time with much change in the transport industry. I am more convinced than ever that success in the future will depend on a relentless focus on operational excellence delivering services at prices customers value. We will continue to invest where technology delivers improvements and returns in these areas and in targeted acquisitions and market diversification. The returns on businesses we have acquired remain at over 15% and we will retain this discipline in the future.

Our strong cash flows provide us with the opportunity to invest in businesses such as WeDriveU, Silicon Valley's premier employee shuttle business. We acquired a majority stake in this fast-growing business in April. When combined with our nationwide presence, there is significant scope for expansion not only in the employee shuttle market but also other segments such as university and non-medical emergency. Indeed, we have already seen success here.

Fundamentally, National Express is a portfolio of industry-leading international businesses in good markets that has shared expertise across the Group to secure organic growth and market diversification for many years now. Because of these strengths I believe we will continue to deliver growing shareholder returns. We have again delivered strong free cash flow of £95.6 million (2018: £85.2m) and remain on course to deliver our year-end target of £160 million. Normalised earnings per share grew at 12.7% to 16.9p (2018: 15.0p). The Board has therefore again increased the interim dividend by 10% to 5.16p (2018: 4.69p), the fourth 10% increase in five years. Our policy remains to pay a dividend covered at least two times by Group normalised earnings.

A strategy founded on operational excellence requires a relentless focus. I will therefore explain in more detail how each division has delivered this in the first half of the year, after first setting out the Group financial highlights.

Financial performance highlights

National Express has had a strong start to 2019, with Group revenue up 7.8% on a constant currency basis (10.5% on a reported basis). This has been driven in particular by strong organic growth across every division. While German Rail saw a decline in revenue, this is down to a change in accounting presentation. On a like-for-like basis German Rail grew revenue by 5.4%.

	First Half		Full Year
Revenue in constant currency	2019	2018	2018
ALSA (€m)	442.1	395.7	842.3
North America (US$m)	812.3	750.6	1,416.1
German Rail (€m)	40.7	43.7	76.6
Revenue in £m			
ALSA	385.9	348.1	745.1
North America	627.7	547.5	1,060.8
UK	285.3	273.6	577.0
German Rail	35.6	38.5	67.8
Group	1,334.5	1,207.7	2,450.7

Group normalised operating profit has increased by 14.7% on a constant currency basis to £139.3 million (up 17.4% on a reported basis). These results have been achieved due to the record profits in ALSA and North America, as well as very strong growth in the UK augmented by a record Glastonbury Festival and partnership renewal receipts. Group operating margin increased by 60 basis points to 10.4%, reflecting the strength of the performance in the first half of the year. Normalised profit before tax rose by 13.8% to £114.6 million.

	First Half		Full Year
Normalised operating profit in constant currency	2019	2018	2018
ALSA (€m)	54.8	48.6	119.1
North America (US$m)	83.3	76.2	129.4
German Rail (€m)	2.7	1.3	3.4
Normalised operating profit £m			
ALSA	47.9	42.8	105.3
North America	64.4	55.7	96.9
UK	36.6	31.6	79.9
German Rail	2.3	1.1	3.0
Central Functions	(11.9)	(12.5)	(27.4)
Normalised operating profit	139.3	118.7	257.7
Interest and associates	(24.7)	(18.0)	(37.7)
Normalised profit before tax	114.6	100.7	220.0

Divisional performance review

ALSA

	€m
2018 H1 operating profit	49
Growth from continuing business	15
Driver wages	(6)
Fuel	(3)
2019 H1 operating profit	55

Overview and outlook
ALSA has again delivered a record performance in the first half of the year and is on course to secure €1 billion of annual revenue next year. The diversification of ALSA's earnings continues with strong growth across all segments. This both provides confidence for short term performance and helps mitigate the medium-to-longer term challenge from concession renewal. Concession renewals have restarted but are currently subject to legal challenge that may cause further delay. Nonetheless, they are likely to remain focused on small contracts initially, with any significant impact not felt for a number of years.

ALSA's excellence continues to provide a platform for growth, with investment in technology helping attract new customers, enabling ever-more sophisticated pricing and improving operational efficiency. ALSA is the largest operator in both Spain and, with the Rabat contract starting in September, Morocco. ALSA retains a very strong pipeline of new contract opportunities and further strategic acquisitions to expand and diversify alongside a continued focus and determination to deliver organic growth.

Operational Excellence: driving organic growth
ALSA's strong start to the year has been achieved through revenue growth in every key segment of the business: long haul grew at 7.5%; regional 8.8%; urban 4.1%; Morocco 4.2%; and, Switzerland 12.6%.

This broad-based growth combined to deliver an increase in divisional revenue to €442.1 million (2018: €395.7m) and profit of €54.8 million (2018: €48.6m), both records. Normalised operating margin increased to 12.4% (2018: 12.3%) and passenger numbers also grew to 165.6 million, another record.

This performance also follows a number of years of strong growth, with revenue and EBIT increasing by 6% and 6.4% CAGR over the last four years, respectively. This period has also seen significant growth in urban and regional segments as well as expansion in Morocco and Switzerland.

This consistent growth has been built on a platform of operational excellence. ALSA has the best customer satisfaction in the transport sector on the leading BCX-IZO measure. This achievement follows consistent improvement, with our Customer Service Index score improving 10% in the last three years and our Net Promoter Score – where the percentage of customers scoring our services 0-6 is subtracted from those rating them 9 or 10 – has grown from 5% to 28% over the same period.

ALSA are combining this customer service excellence with sophisticated pricing to drive revenue and passengers. The Revenue Management System (RMS) enabled 790,000 pricing points over the Easter period, which generated growth in: revenue of 9.1%; passengers of 5.5%; and, average ticket price by 3.4%, on corridors where it was applied.

Customer loyalty (measured by the percentage of total sales made by customers holding a loyalty card) is forecast to grow by 12.4% between 2016 and the end of 2019. Key contracts have been renewed in the period: ALSA's largest urban contract, Bilbao, for ten, plus five, years; regional Asturian services; and the Marrakesh BRT operation. So far in 2019 ALSA has renewed contracts worth around €1 billion revenue. Furthermore, ALSA is becoming ever more efficient with, for example, vehicle occupancy rate increasing 4.7% to 50.1% (and growing 7.1% since 2016) and revenue per mile improving by 2.9%.

With a track-record of excellence, success and an increasingly diversified business, ALSA enters the long haul tender renewal process with confidence. Two small contracts had initially been retendered, one of which we operate. However, the process is subject to a legal challenge. Moreover, we expect that the competitions will be initially focused on smaller

contracts. The current proposal is for larger franchises to be re-mapped to reflect changed customer travel patterns – this process is likely to dictate the overall pace of concession renewal. We believe this means that any 2019 and 2020 impact is likely to be limited; and any significant impact not felt for a number of years.

Technology investment to underpin excellence, efficiency and innovation
ALSA continues to invest in technology improvements to sustain and extend this customer service and operational excellence and efficiency.

The business continues to undergo a digital sales revolution. Digital revenue has increased over the last 4 years by 40%, to now make up 43.6% of sales. ALSA continue to invest in their web presence and apps to drive further growth and the conversion rate (of web searches to purchase) is forecast to grow by 21% between 2015 and the end of 2019.

ALSA continue to lead their industry with their development and use of both RMS and safety technology. ALSA has started applying AI to extend the reach of its revenue, yield and occupancy management systems to more flows and times of day, complementing staff actions.

In safety ALSA now has 1,330 vehicles with DriveCam installed, making it by far the largest operator in its markets with such a sophisticated camera system on board. This continues to be complemented with individual driver coaching using the data from DriveCam as well as the speed monitoring equipment installed on many vehicles. Speeding incidents and the safety performance of ALSA on our Group FWI metric are both improved year-on-year.

Targeted growth through strategic acquisition and market diversification
One acquisition was made in the period: a small chauffeur business to complement our existing range of services.

As well as retaining key contracts – as mentioned earlier – ALSA won two new contracts in Extremadura, accounting for over 40% of the services in an autonomous region we previously did not have a presence in. These contracts start in a few weeks' time.

Our Geneva hub has continued to grow strongly. ALSA won a small contract for services between Geneva and Pays de Gex in France. As well as a good ski-season performance, summer services have seen a doubling of revenue year-on-year.

Our Rabat mobilisation is progressing well, with services due to start in September. With this contract ALSA's Moroccan business doubles and we will become the largest private transport operator in the country. There are good prospects for further growth in this market and our ambition is to double the size of our Moroccan business including Rabat, again.

ALSA has been successfully growing market segments. Airport services have grown 15% year-on-year and a new route to Porto from Madrid's Barajas Airport has recently been launched. Ancillary sales continue their strong growth: up 17.3% year-on-year, and are forecast to grow 50% between 2016 and the end of 2019.

With the Spanish government looking to open up its rail market we continue to monitor the potential opportunity as the details and terms are confirmed.

North America

	$m
2018 H1 operating profit	77
Currency (CAN $ to US $)	(1)
Operating profit at constant currency	76
Growth from continuing business	7
2019 acquisitions	5
Driver wages	(9)
Fuel	(1)
Other cost reduction	8
Weather	(3)
2019 H1 operating profit	83

Overview and outlook

Strong revenue and profit growth with margin improvement demonstrates the continuing benefit of our disciplined approach to school bus bidding and targeted expansion in new markets, including transit and shuttle. These strong results and increasingly diversified earnings have been achieved through both organic growth and the benefit of our strategic acquisitions, offsetting the impact of a particularly severe winter on school bus earnings. This diversification of our North American portfolio has been augmented by the acquisition of Silicon Valley's premier employee shuttle business (WeDriveU) taking our transit and shuttle annualised revenues to over $500m. The investment in technology to drive service improvement and operational efficiency continues to deliver and our disciplined approach to bidding has crucially achieved rate increases above prevailing wage inflation. Our ambition is to continue growing operating margin in North America. We retain a strong pipeline of further opportunities in both strategic acquisitions and new contracts.

Operational Excellence: driving organic growth

Revenue growth of 8.2% to $812.3 million (2018: $750.6m) and an increase in profit of 9.3% to $83.3 million (2018: $76.2m) have driven another record performance in North America. This is despite the exceptionally cold winter costing the business $3 million more in lost profit compared to last year, through operating days that were not recovered by the end of the school year. Operating margin grew to 10.3% (2018: 10.2%). This strong performance has been driven by a combination of organic growth, the benefit of recent acquisitions, continued cost-control and the pivot away from a school bus dominated business, with the recent growth in transit and expansion into shuttle services.

We continue to adopt a very disciplined approach to school bus bidding, prioritising the protection of returns. The success of this approach can be seen in the 5.9% rate increase on expiring contracts, or 3.9% across our whole portfolio. Importantly, these new rates – which will start in September - are above prevailing wage inflation of 3.4% and the margin on the contracts lost was over 400 basis points lower than those won. We will see the benefit of this season's disciplined bidding later this year and next.

As we reported in May's Trading Update, this disciplined approach to bidding saw fewer school buses secured, as returns are protected. The number has improved from May's net 1,000 buses lower, to just over 900, with a retention rate of 92%. We expect this number to improve further as we traditionally gain extra routes when schools restart after the holiday and bidding concludes in the Charter School market – where we have already won nearly 150 buses.

North America continues with its programme to move more customers to the highest satisfaction score of five. The evidence is clear: customers who rate us as a five are more likely both to pay higher rates for our services and to renew our contracts. It is pleasing, therefore, that 48.2% of school bus customers now rate our services as a five, up from 32% two years ago. This more detailed approach to customer service is being applied to school

bus bidding at an earlier stage and we have already begun working on next year's bidding season to maximise retention and rates.

We have won six new transit contracts in the period, including a seven plus three year contract in Chicago with up to nearly $150 million of revenue over the ten years. We also renewed our largest transit contract for another year. Over the last four years the CAGR in transit revenue has been 43% and with the recent acquisition of WeDriveU now has more than $500m of annualised revenue.

We have been strengthening our operational team in North America, and our team of Senior Vice Presidents has been substantially enhanced after welcoming a number of new colleagues from within the industry.

Technology investment to underpin excellence, efficiency and innovation
North America continues to invest in technology to improve operational performance and control costs.

Over the last year the number of vehicles with DriveCam more than doubled to 16,294 with the aim of a comprehensive roll-out to all buses by the year end. We have invested $9 million more in the period installing DriveCam units, which has led to operating costs increasing by $3 million in the first half, offset by a lower insurance charge. Alongside DriveCam, 93% of vehicles have speed monitoring fitted. In common with our other businesses, this is complemented with individualised driver coaching, including the use of personalised scorecards to drive improvement. We continue to see positive results with a 33.2% reduction in speeding incidents in the period.

We continue to apply technology to enhance the managerial control of this continent-wide business. One area where we are making very positive early progress is in the precise matching of driver schedules to routes. Early pilots have been very positive and there is a programme in place to roll this out across North America from school start-up. The early results suggest that every minute of time saved across our schedules is worth $1 million.

Our industry-leading 'Durham Bus Tracker' system provides parents with near real time location data for their child's bus, including estimated arrival time. Over 100,000 parents are registered users.

Targeted growth through strategic acquisition and market diversification
We continue to pursue strategic acquisitions to grow our business and secure synergy benefits. Our growth in charter was catalysed by an acquisition (and bringing some of their management in to our business) and then leveraging our nationwide presence to pursue expansion. Previous acquisitions continue to make strong returns of at least 15% and we retain a strong pipeline of opportunities.

Most significantly in the period we acquired a majority stake in WeDriveU, Silicon Valley's premier employee shuttle business. This acquisition both brings a fast-growing business serving many of the world's blue chip companies in to our portfolio, but also, again, our nationwide presence presents the opportunity for significant expansion in the coming years.

The integration is progressing well and WeDriveU has already won new business since our acquisition (services for Facebook Austin, Boeing, ebay and Oracle). In addition, two recent acquisitions of small transit and charter businesses in Illinois and Arizona that include university and non-emergency medical shuttle contracts, provide entry in to these complementary segments. Under the WeDriveU brand we are targeting significant growth in these markets and are pleased to have already recently won a university shuttle contract in

Oregon. Our ambition is to secure $1 billion in transit and shuttle revenue in the medium term.

During the period we also made a small, minority investment in a San Francisco-based company that provides transportation and childcare services for minors mainly operating in the Bay Area and LA. This is a company that again has big growth plans and combines monthly subscriptions with fees for specific services. As part of our strategic diversification and readiness for future developments in transport services, it is an interesting investment that includes a seat for National Express on its board.

UK

	£m
2018 H1 operating profit	32
Growth from continuing business	3
Partnership renewals and Glastonbury	1
Other	1
2019 H1 operating profit	37

Overview and outlook

Both of our UK businesses have achieved strong revenue, profit and commercial passenger growth despite lapping a comparable period last year that included the heat wave. The UK division's operating margin also increased markedly. Each business has combined organic growth in its core operations (white coach and commercial bus services) driven by sophisticated pricing with expansion in complementary segments such as ancillaries or tendered services. Both businesses added new services as they expand in to new markets, while improving operational efficiency and securing growth in their revenue per mile figures.

Operational Excellence: driving organic growth

Both of our UK businesses have grown organically to drive divisional revenue up by 4.2% to £285.3 million (2018: £273.6m) and profit by 15.7% to £36.6 million (2018: £31.6m). Operating margin grew 130 basis points to 12.8% (2018: 11.5%). This strong profit performance was driven by organic growth augmented by a record Glastonbury Festival and partnership renewal receipts. Both bus and coach are driving growth through increased passengers: core coach revenue was up by 4.7% and passengers increased by 3.7%; underlying UK bus revenue grew by 1.9%, with commercial revenue up by 0.8% and passenger growth of 0.5%.

This success is again being built on a foundation of operational excellence. UK bus has recorded record results for value for money and driver performance in the most recent independent Transport Focus customer satisfaction survey; UK coach's customer satisfaction, net promoter and brand consideration scores are all up year-on-year. In May, coach won a British Quality Foundation UK Excellence Award for its commitment to excellence and continuous improvement.

Both businesses are delivering strong customer service and passenger growth more efficiently. Commercial revenue per mile in UK bus is up 3.5% year-on-year. In UK coach, revenue per mile is up 8.4% and coach occupancy has increased by 4.7% to 59.7%.

From this strong core commercial growth, both businesses are adding services to generate growth. UK coach has doubled some of their busiest airport routes and some weekend services to and from London. UK bus has added 19 new routes in the period, including to adjacent towns such as Rugby and Lichfield, through a combination of tender contract wins and some new commercial services.

In the West Midlands, as part of the West Midlands Bus Alliance we are working with Birmingham City Council and Transport for West Midlands (TfWM) to establish cross-city prioritised bus routes to better serve significant employment centres. The recent introduction of prioritisation on the Harborne to city centre route – alongside the introduction of Platinum buses – has generated 7.2% passenger growth year-on-year and we retain strong local stakeholder relationships to maintain this successful and progressive approach.

Technology investment to underpin excellence, efficiency and innovation
Our investment in industry-leading technology is driving improved safety performance, operational efficiency and organic growth.

All of our UK vehicles are fitted with DriveCam and speed monitoring technology and this is helping to reduce risk. Both businesses have lower FWI scores year-on-year. In UK bus, 93% of drivers coached after an incident flagged by DriveCam do not repeat the error; this compares to a national average of 68% for all transport companies that use Lytx DriveCam.

Technology is transforming our ability to offer customers value fares and compete in the market. Our organic revenue and passenger growth are testament to that. In UK coach, the success of RMS is well-established. But technology is also allowing us to open many more channels to sell tickets, including through commercial partnerships. Simply put, whereas five years ago UK coach had a network of stations selling at prices we found hard to control, we now have a digital network of over 135 partners selling at sophisticated prices we control.

UK bus continues to benefit from the installation of contactless and smartcard ticketing technology. As well as the single largest contactless network outside of London in the West Midlands, we have recently installed the technology in Dundee with positive early results. In the West Midlands, 64% of journeys are now made on digital tickets, including the rapidly growing contactless element. Our surveys show that customers using contactless payment make 3% more journeys than they did before contactless.

Ancillary growth in coach continues to be strong at 11.9% in the period. Further improvements in the coming months, including the use of personalised marketing of ancillaries are expected to continue this growth trend.

Targeted growth through strategic acquisition and market diversification
Technology has also enabled the business to create new services. In coach our trial on-demand operation – NEON – targeted at major events saw two particular successes: the Champions League Final and a Pink concert at Wembley. Further, coach has recently begun a small marketing trial of last-mile add-on offer through a partnership with Moses, an online taxi marketplace.

This year saw a record Glastonbury Festival for the business, with 1,367 vehicles and over 68,000 journeys made on our services, driving a significant increase in earnings. Coach continues to expand its commercial partnerships. In the period 15 new commercial and 26 university partnerships have been secured. Our successful partnership with easyBus was also extended for another two years. Overall income from partnerships grew by 59.5% in the period.

In the West Midlands we continue to secure commercial partnerships for bulk ticket sales. Examples include job centres, home-builders and the NHS. Indeed, we recently started a pilot with a mental health trust in the Black Country to provide personal allowances to allow independent travel. This is both a socially interesting pilot and one that could expand commercially. Academic sales remain strong with 19,000 students receiving free passes from their college or school who have bought them in bulk in a commercial deal.

During July UK bus has secured new contracts worth £14 million a year to supply the majority of Birmingham City Council's home-to-school services and all of TfWM's Accessible Demand Responsive Services. These contracts were previously delivered by the Accessible Transport Group (ATG), the West Midlands-based previous operator with 600 staff and 400 vehicles, which we are in the process of acquiring. This is a strategic move into the growing UK accessible transport market, which is worth over £600 million. It also demonstrates the strength of our Group as our US leadership in this area was an important credential in securing the contract and will provide expertise as we seek to grow in this interesting market.

We continue to work closely with TfWM, local councils and the West Midlands Mayor on a range of issues, not least the clean air agenda. While the introduction of the Clean Air Zone has been delayed until at least July 2020 (due to a central government delay) we continue to prepare, including through our fleet investment. By the end of this year 95% of our Birmingham buses will be Euro VI; the whole of our West Midlands fleet will be Euro VI by April 2021; and our first electric buses will be delivered this winter.

German Rail
Headline revenue was down 6.8% to €40.7 million, reflecting a change in accounting presentation. On an underlying basis revenue was up 5.4%. Profit increased to €2.7m (2018: €1.3m). The first of our three Rhine-Ruhr Express (RRX) services began in June, with the second following in December and the third in December 2020. With these contracts National Express will run five services in the North Rhine Westphalia region of Germany. We continue to monitor contracts that come to market and assess whether they meets our disciplined approach to bidding.

Outlook
We have made a strong start to the year with organic revenue, profit and margins up in every division. Our organic growth is being driven through the focused deployment of technology that is helping to increase passenger demand, average revenue per passenger, and improving load factors, as well as helping us to better control costs. We expect to see further benefits from technology as we enter our key summer trading period in Spain and the UK.

There will be no financial impact on ALSA's results in the second half of the year from the recent re-launch of the concession renewal process – indeed we also expect the impact on 2020's results to be limited. We expect the pace of the renewal process to be likely determined by the proposed re-drawing of the concession map. We are confident that ALSA is well placed to both renew its existing business and grow over time. Morocco remains a strong growth market for us and will double in size when our Rabat contract starts later this year. The potential exists for the business to double in size again over the coming years.

It is pleasing to see our school bus contract rates up ahead of wage inflation and this coupled with strong control of driver wage costs should yield benefits in the second half of the year.

Over the last four years, transit has grown rapidly and we expect this trend to continue. I am delighted to welcome colleagues from WeDriveU into the business and look forward to working with them and to continue with their success through leveraging growth opportunities across the Group. Both shuttle and transit have a number of contracts coming up for renewal over the next six months. These could provide us with opportunities for further growth.

Our mobilisation of the next two Rhine Ruhr Express services and the refinancing of a bond expiring in 2020 are likely to depress German Rail margins and incur additional finance costs, respectively, in the short term.

As a result of both acquisition of WeDriveU and adoption of IFRS16 our leverage at 2.5 times is at the top of our guidance range. Whilst the business can comfortably support this indebtedness, not least because it is well within our covenant of 3.5 times and allows us to continue to operate with a minimum liquidity headroom of £300 million, we expect our leverage will reduce over time. The business continues to generate strong cash flows and deploy robust capital disciplines, as our recent sale of Ecolane demonstrates.

The resilience of our business provides us with good visibility of cash and earnings over the medium term. We intend to use these cash flows to continue to drive good returns for shareholders whilst also reducing leverage towards the lower end of our target range over time.

Our strong performance and confidence for our future prospects has led the Board to again raise the interim dividend by 10%, the fourth such increase in five years.

Dean Finch
Group Chief Executive
25 July 2019

FINANCIAL REVIEW

Presentation of results

To supplement IFRS reporting, we also present our results on a normalised basis which shows the performance of the business before intangible amortisation for acquired businesses and profit from discontinued operations in the prior year. The Board believes that this gives a more comparable year-on-year indication of the operating performance of the Group and allows the users of the financial statements to understand management's key performance measures. Unless otherwise noted, all reference to profit measures throughout this review are for normalised continuing operations for both the current and prior year reporting period. In addition to performance measures directly observable in the Group financial statements (IFRS measures), alternative financial measures are presented that are used internally by management as key measures to assess performance. Definitions of these measures can be found on page 22.

Statutory profit

The Group again delivered a record first half statutory profit after tax from continuing operations of £69.2 million (2018: £63.0m), an increase of 9.8%, driving basic earnings per share of 13.1 pence (2018: 12.1p).

Reconciliation of statutory profit to normalised operating profit	First Half		Full Year
	2019	2018	2018
	£m	£m	£m
Normalised profit before tax	114.6	100.7	220.0
Intangible amortisation	(26.2)	(20.6)	(42.3)
Profit before tax	88.4	80.1	177.7
Tax charge	(19.2)	(17.1)	(39.0)
Profit after tax from continuing operations	69.2	63.0	138.7
Profit from discontinued operations	-	0.5	-
Profit for the period	69.2	63.5	138.7

Intangible amortisation increased to £26.2 million (2018: £20.6m) driven by the acquisitions made over the last 12 months in our North America and ALSA divisions.

Revenue

Revenue bridge	£m
2018 first half year revenue	1,208
Currency translation	29
2018 first half year revenue at constant currency	1,237
Growth in the continuing business	54
2019 acquisitions	44
2019 first half year revenue	1,335

Group revenue for the period was £1,334.5 million (2018: £1,207.7m), an increase of 7.8% on a constant currency basis (up 10.5% on a reported basis with £29.5 million of foreign currency gains on translation). Constant currency revenue growth of £53.8 million from businesses operating in 2018, representing organic growth of 4.3%, was boosted by a further £43.5 million from acquisitions made in 2019.

Performance has again been particularly strong in our overseas businesses with ALSA delivering 11.7% growth in constant currency and a record level of revenue for the first half of a year. This was driven by strong broad-based organic growth with all Spanish segments performing well; good growth in Morocco; and another strong ski season in Switzerland.

North America also delivered a strong performance, again with a record level of first half revenue. Revenue grew by 8.2% on a constant currency basis, together with underlying growth reflecting rate increases from the 2018/2019 bidding season where we achieved an average of 3.7% across the entire portfolio, boosted by recent acquisitions.

Our UK business delivered revenue growth of 4.2%. In coach, core network revenue rose by 4.7%, again benefitting from our increasingly sophisticated Revenue Management System, driving both passenger and yield growth, with occupancy up 4.7%. The return of the Glastonbury festival helped to drive strong growth from events and we continued to see substantial growth from our commercial partnerships and ancillary revenue. Underlying UK bus revenue grew by 1.9% with commercial revenue increasing by 0.8% and commercial passenger growth of 0.5%. This was driven by the continued expansion of low fare zones and the continued strong growth in digital sales, most notably in contactless and m-tickets. We have also achieved a number of tender and contract wins in the period (up 30%), where we extended our footprint into Staffordshire and Warwickshire.

Normalised profit

Profit bridge for the continuing operations	£m
2018 first half year normalised operating profit (as reported)	119
Currency	2
Normalised operating profit at constant currency	121
Net impact of revenue growth	22
2019 acquisitions	4
Driver wages	(14)
Cost efficiency	10
Fuel	(4)
2019 first half normalised operating profit	139

Group normalised operating profit increased by 14.7% to £139.3 million on a constant currency basis, up 17.4% on a reported basis (2018: £118.7m), after the favourable impact of £2 million of currency translation driven by the weakening of Sterling against the US Dollar. We delivered strong organic growth of £22 million from our existing businesses as the drivers of revenue growth noted above flow through. This was supplemented by a contribution of £4 million from acquisitions (net of acquisition costs) made in the period.

These results include £14 million of driver wage inflation together with higher hedged fuel prices of £4 million. We have retained our disciplined focus on cost control which, along with the benefit of efficiency measures, has delivered £10 million of savings in the first six months of 2019. These are the result of a range of cost saving initiatives across the Group and a lower first half insurance charge offsetting an increased level of safety investment.

Summary income statement	First Half		Full Year
	2019 £m	2018 £m	2018 £m
Revenue	1,334.5	1,207.7	2,450.7
Operating costs	(1,195.2)	(1,089.0)	(2,193.0)
Normalised operating profit	139.3	118.7	257.7
Share of results from associates and joint ventures	0.3	0.3	0.9
Net finance costs	(25.0)	(18.3)	(38.6)
Normalised profit before tax	114.6	100.7	220.0
Tax	(25.9)	(22.4)	(49.0)
Normalised profit after tax	88.7	78.3	171.0

Group normalised operating margin grew by 60 basis points to 10.4% (2018: 9.8%) with margin growth in every business. The adoption of IFRS 16 drove 20 basis points of this growth with underlying operating margin growing by 40 basis points.

Net finance costs increased by £6.7 million to £25.0 million (2018: £18.3m), reflecting the impact of adopting IFRS 16, together with a higher level of debt and a greater proportion of borrowings denominated in Sterling.

Profit of £0.3 million (2018: £0.3m) from associates and joint ventures was recognised in the period.

Profit before tax of £114.6 million grew 10.7% on a constant currency basis and by 13.8% on a reported basis (2018: £100.7m).

The Group's effective tax rate for 2019 normalised profit is forecast to be around 23% (2018 full year: 22.3%), in line with our previous guidance earlier this year.

Normalised basic earnings per share were 16.9 pence (2018: 15.0p), an increase of 12.7%.

Return on Capital Employed (ROCE)

ROCE is a key performance measure for the Group, guiding how we deploy capital resources and as such is a key component of executive incentives. Reported ROCE was flat year-on-year at 12.2% despite the adoption of IFRS 16. Like-for-like ROCE (excluding the impact of IFRS 16) is up by 80 basis points, demonstrating our disciplined approach to capital allocation and balance sheet management and the accretive impact of our acquisitions.

Reconciliation of ROCE	HY 2019 £m
Group statutory operating profit (on a 12 month rolling basis)	233.1
Intangible amortisation for acquired businesses	48.0
Return – Normalised Group operating profit (on a 12 month rolling basis)	281.1
Average net assets	1,301.0
Remove: Average net debt	1,050.0
Remove: Average derivatives, excluding amounts within net debt	(0.5)
Foreign exchange adjustment	(40.0)
Average capital employed	2,310.5
Return on capital employed	12.2%

Cash management

The Group delivered £95.6 million of free cash in the period (2018: £85.2m) creating a solid platform for investing in growth and paying dividends. As we previously guided, we expect full year maintenance capital expenditure of around 1.1 times depreciation, and now expect full year free cash flow of at least £160 million.

Free cash flow	First Half		Full Year
	2019 £m	2018 £m	2018 £m
Continuing normalised operating profit	139.3	118.7	257.7
Depreciation and other non-cash items	103.7	69.9	144.4
EBITDA	243.0	188.6	402.1
Net maintenance capital expenditure	(76.7)	(59.1)	(123.9)
Working capital movement	(40.3)	(22.2)	(17.5)
Pension contributions above normal charge	(3.7)	(3.7)	(7.4)
Operating cash flow	122.3	103.6	253.3
Net interest paid	(22.0)	(16.5)	(33.6)
Tax paid	(4.7)	(1.9)	(21.1)
Free cash flow	95.6	85.2	198.6

Operating cash flow was £122.3 million (2018: £103.6m) an increase of £18.7 million. This reflected the £54.4 million increase in EBITDA, offset by £17.6 million increase in maintenance capital expenditure and an increased working capital outflow of £18.1m. The majority of the maintenance capital investment has been in fleet replacement predominantly in Spain and North America, together with new lease liabilities for UK coach following adoption of IFRS 16.

Statutory cash generated from operations for the period was £194.2 million (2018: £160.6m) as shown in the Condensed Group Statement of Cash Flows and expanded further in note 15. Operating cash flow of £122.3 million (2018: £103.6m) presented in the table above is different, predominantly due to the inclusion of net maintenance capital expenditure of £76.7 million (2018: 59.1m).

Reconciliation of free cash flow to net cash flow from operating activities	HY 2019 £m
Free cash flow	95.6
Remove: Operating cash flows from discontinued operations (note 7)	(1.2)
Remove: Net maintenance capital expenditure	76.7
Remove: Movements in arrangement fees	(0.1)
Profit on disposal of fixed assets	(3.6)
Net cash flow from operating activities	167.4

Net funds flow	First Half		Full Year
	2019 £m	2018 £m	2018 £m
Free cash flow	95.6	85.2	198.6
Net growth capital expenditure	(13.6)	(4.2)	(5.8)
Net (outflow)/inflow from discontinued operations	(1.2)	1.2	0.4
Acquisitions (net of cash acquired)	(135.7)	(58.9)	(154.5)
Dividends	(51.9)	(47.3)	(70.8)
Other, including foreign exchange	(7.4)	(10.2)	(31.5)
Net funds flow	(114.2)	(34.2)	(63.6)
IFRS 16 transitional adjustment	(210.6)	-	-
Net debt	(1,276.3)	(922.1)	(951.5)

Growth capital expenditure during the period of £13.6 million included infrastructure to support the mobilisation of new contracts in our German rail operations, Rabat and Switzerland, together with fleet for new minicab services in Spain and further investment in new technology and digital platforms in our UK operations.

We have continued our strategy of making selective acquisitions where the returns and strategic fit justify the investment, and in the period we completed four such investments: three in our North America division and one in ALSA, for total net consideration of £128.8 million of which £5.6 million is deferred.

The Group acquired 60% of the share capital of WeDriveU on 11 April 2019. At the same time the Group and the vendor entered into a put/call agreement whereby the Group and the vendor have the right to sell/buy the remaining 40% shareholding to the other party in three tranches over the next three years. As the call options are at fair value, they have no value for accounting purposes. However the put options are required to be valued and booked on the balance sheet. The Group has recognised a put liability of £105.0m, recorded at the present value of the estimated redemption value, using forecast earnings of WeDriveU. In these half year financial statements we have provisionally estimated the fair value of assets acquired in WeDriveU; we anticipate this will be finalised by the year end.

Deferred consideration paid in the period for acquisitions made in previous years was £12.5 million. We continue to deliver strong performances from our acquisitions, delivering returns on invested capital of at least 15%.

Net funds flow for the period was an outflow of £114.2 million (2018: outflow £34.2m) driven by the acquisition of WeDriveU, resulting in period-end net debt of £1,276.3 million. Opening net debt increased from £951.5 million, as previously reported, after applying the transitional adjustment of £210.6 million in respect of the adoption of IFRS 16.

Gearing at the end of the period was 2.5 times EBITDA, within the Group's target range of 2-2.5 times, even after absorbing the impact of IFRS 16 together with a higher level of acquisition spend noted above. Both the adoption of IFRS 16 and the acquisitions made in 2019 impacted gearing by 0.2 times each.

Dividend
Our policy is to pay a dividend covered at least two times by Group normalised earnings. In line with our dividend policy, we have declared a 10% increase in the interim dividend to 5.16 pence reflecting these strong results.

Treasury management
The Group maintains a prudent approach to its financing and is committed to an investment grade credit rating. The Board's policy is to target a level of debt that allows for disciplined investment and ample headroom on its covenants, with net debt to EBITDA in a ratio of 2.0x to 2.5x over the medium-term. Moody's credit rating agency has reaffirmed its recently upgraded investment grade rating (Baa2/-stable) in the second quarter of this year, with Fitch due to review its rating later in the year (BBB-/stable).

The Group's key accounting debt ratios at 30 June 2019 were as follows:

- Gearing ratio: 2.5 times EBITDA (31 Dec 2018: 2.3x; bank covenant not to exceed 3.5x);
- Interest cover ratio: EBITDA 11.0 times interest (31 Dec 2018: 10.5x; bank covenant not to be less than 3.5x).

The Group's covenants are set on a 'frozen GAAP' basis, removing the impact of IFRS 16, thus provided greater levels of headroom.

The Group has a strong funding platform that underpins the delivery of its strategy. Core funding is provided from non-bank sources to provide improved certainty and maturity of funding.

In January 2019, the Group entered into a new £500 million bridge-to-bond facility in anticipation of the refinancing of the Group's €250 million floating rate note maturing in May 2020 and £225 million bond maturing in June 2020. The facility is for an initial period of 18 months and includes committed options to extend the maturity date until January 2022. This facility gives the Group significant flexibility, enabling us to choose the optimum moment to refinance, taking into account the prevailing low interest rate environment and potential future rate developments, without incurring significant refinancing charges.

At 30 June 2019, the Group had £2.0 billion of debt capital and committed facilities, comprised of a £225 million Sterling bond and €250 million Floating Rate Note, both maturing in 2020; a private placement of €78 million maturing in 2021; £557 million of Revolving Credit Facilities ('RCF') and £178 million of term loans maturing between 2020 and 2024; a £400 million bond maturing in 2023; and £364 million of leases. At 30 June 2019, the Group's RCF were undrawn with £748 million in cash and undrawn committed facilities available.

At 30 June 2019, the Group had foreign currency debt and swaps held as net investment hedges. These help mitigate volatility in the translation of our overseas net assets. The Group also hedges its exposure to interest rate movements to maintain an appropriate balance between fixed and floating interest rates on borrowings. It has therefore entered into a series of swaps that have the effect of converting fixed rate debt to floating rate debt. The net effect of these transactions was that, at 30 June 2019, the proportion of Group debt at floating rates was 48% (Dec 2018: 37%).

Working capital management

The Group uses various facilities to manage both payables and receivables. We use non-recourse factoring arrangements across the Group on receivables and advance payments. In respect of fleet purchases, we have payment facilities in place with our major vehicle suppliers. The balances are broadly comparable with what was reported at the 2018 year end.

Pensions

The Group's principal defined benefit pension schemes are all in the UK. The combined deficit under IAS19 at 30 June 2019 was £124.9 million (Dec 2018: £116.8m). The two principal plans are the UK Group scheme, which is closed to new accrual, and the West Midlands Bus plan, which remains open to accrual for existing active members only. The deficit repayments will be around £8 million per annum until 2020.

In October 2018, the Group Pension Scheme, through its trustee company, completed an insurance buy-in transaction with Rothesay Life to cover 100% of future benefits payable to members and the detailed transfer process is ongoing.

The IAS19 valuations for the principal schemes at 30 June 2019 were as follows:

- WM Bus: £134.6 million deficit (Dec 2018: £127.3m deficit);
- UK Group scheme: £14.8 million surplus (Dec 2018: £14.9m surplus)

Fuel costs

Fuel cost represents approximately 7% of revenue. The Group is fully hedged for 2019 at an average price of 37.7p per litre, 79% hedged for 2020 at an average price of 36.5p, and 41%

hedged for 2021 at an average price of 38.0p. As previously guided, we anticipate an increase in like for like fuel costs of around £6 million for the full year.

Impact of new accounting standards
The new accounting standard, IFRS 16 "Leases", came into effect on 1 January 2019.

The standard primarily affects the accounting for the Group's operating leases and results in an increase in the number of leases being recognised on the balance sheet as the distinction between operating and finance leases has been removed. As a result we have recognised right-of-use assets of £195.5 million and lease liabilities of £210.6 million as at 1 January 2019. The impact on EBITDA for the full year is forecast to be an increase of around £60 million and hence an increase in gearing of around 0.2 times when compared to gearing as at 31 December 2018.

The tables on page 21 show the impact of IFRS 16 on a number of key metrics as at the half year. The impact is summarised as follows:

- an increase in EBITDA of £29.1 million reflecting the reduction in operating lease costs which are now recognised on the balance sheet;
- an increase in operating profit of £2.7 million as the operating lease costs are removed and replaced with depreciation (included in operating profit) and interest costs (excluded from operating profit);
- a decline in profit before tax of £0.7 million reflecting the net difference between the increase in operating profit and increase in finance costs;
- a decrease in ROCE by 80 basis points, reflecting the increased level of average capital employed following the recognition of right-of-use assets on the balance sheet; and
- an increase in net debt of £210.6 million reflecting the recognition of operating leases on the balance sheet.

Brexit
At the time of writing, the likelihood of a disorderly Brexit appears to be increasing. However given the diversified nature of our business model and the limited exposure to cross-border trade, we do not believe that Brexit poses a material threat to the Group. Please refer to the 2018 Annual Report for more information.

Summary
The Group has again delivered a strong financial performance in the first half of the year and we remain confident about the prospects for the full year.

Chris Davies
Group Finance Director
25 July 2019

Impact of IFRS 16

Income Statement	2019 £m Consistent with 2018 presentation and accounting policy	2019 £m Changes due to adoption of IFRS 16	2019 £m Consistent with 2019 presentation and accounting policy	2018 £m
EBITDA	213.9	29.1	243.0	188.6
Operating profit	136.6	2.7	139.3	118.7
Net finance costs	(21.6)	(3.4)	(25.0)	(18.3)
Profit Before Tax	115.3	(0.7)	114.6	100.7

ROCE	2019 Consistent with 2018 presentation and accounting policy	2019 Changes due to adoption of IFRS 16**	2019 Consistent with 2019 presentation and accounting policy	2018
Return* £m	275.7	5.4	281.1	248.6
Ave. capital employed £m	2,120.7	189.8	2,310.5	2,039.9
ROCE	13.0%	(0.8%)	12.2%	12.2%

* On a 12 month rolling basis
** Includes non-material changes during the period

Net debt	2019 £m Consistent with 2018 presentation and accounting policy	2019 £m Changes due to adoption of IFRS 16*	2019 £m Consistent with 2019 presentation and accounting policy	2018 £m
Net debt	(1,075.4)	(200.9)	(1,276.3)	(922.1)

* Includes (£210.6m) impact on transition to IFRS 16 and non-material changes during the period of £9.7m

Glossary of Alternative Performance Measures

In the reporting of financial information, the Group has adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

- Normalised profit is defined as being statutory profit excluding intangible amortisation for acquired businesses and result of the year from discontinued operations in the prior year.
- Operating margin or 'margin' is the ratio of normalised operating profit to revenue.
- Organic growth is the year on year movement (e.g. in revenue or profit) derived from the Group's continuing businesses in existence at the start of the current period.
- Underlying (e.g. revenue, profit or other measures) compares the current period with the prior period on a consistent basis, after adjusting for the impact of currency and one off items.
- 'Return on capital employed' ('ROCE') is normalised operating profit divided by average capital employed. Capital employed is net assets excluding net debt and derivative financial instruments, and for the purposes of this calculation is translated using average exchange rates.
- Operating cash flow is the cash flow equivalent of normalised operating profit.
- Free cash flow is the cash flow equivalent of normalised profit after tax.
- EBITDA is "Earnings Before Interest, Tax, Depreciation and Amortisation." It is calculated by taking normalised operating profit and adding back depreciation and amortisation, fixed asset grant amortisation, and share-based payments.
- Net debt is defined as cash and cash equivalents (cash overnight deposits and other short-term deposits), and other debt receivables, offset by borrowings (loan notes, bank loans and net lease obligations) and other debt payable (excluding accrued interest).
- Gearing ratio is the ratio of net debt to EBITDA over the last 12 months, including any pre-acquisition EBITDA generated in that 12 month period by businesses acquired by the Group during the period. For the purposes of this calculation, net debt is translated using average exchange rates.
- Normalised earnings is the normalised profit attributable to equity shareholders for the period.
- Normalised earnings per share is normalised earnings divided by the weighted average number of shares in issue, excluding those held in the Employee Benefit Trust which are treated as cancelled. A reconciliation of statutory profit to normalised profit for the purpose of this calculation is provided within note 9 of the financial statements.

Other points of note:

- Normalised operating profit, margin and EPS data, as referenced in this report, can be found on the face of the Group Income Statement in the first column.
- Unless otherwise noted, all references to profit measures throughout this review are for continuing operations for both the current and prior reporting period. Further details of discontinued operations can be found in note 7 of the 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.

Directors' Responsibilty Statement

The Directors confirm that, to the best of their knowledge:

- the condensed financial statements of the Company have been prepared in accordance with IAS 34; and

- the interim management report of the Company includes:
    - a fair review of the important events during the first six months of the year and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the year, as required by DTR 4.2.7R; and
    - a fair review of related party transactions and changes therein, as required by DTR 4.2.8R.

On behalf of the Board

Dean Finch **Chief Executive Officer**	**Chris Davies** **Group Finance Director**

NATIONAL EXPRESS GROUP PLC
CONDENSED GROUP INCOME STATEMENT
For six months ended 30 June 2019

		Unaudited six months to 30 June						Audited
	Note	**Normalised Result 2019 £m**	**Separately Disclosed Items 2019 £m**	**Total 2019 £m**	Normalised Result 2018 £m	Separately Disclosed Items 2018 £m	Total 2018 £m	Year to 31 December Total 2018 £m
Continuing operations								
Revenue	4	**1,334.5**	**–**	**1,334.5**	1,207.7	–	1,207.7	2,450.7
Operating costs		**(1,195.2)**	**(26.2)**	**(1,221.4)**	(1,089.0)	(20.6)	(1,109.6)	(2,235.3)
Group operating profit	4	**139.3**	**(26.2)**	**113.1**	118.7	(20.6)	98.1	215.4
Share of results from associates and joint ventures		**0.3**	**–**	**0.3**	0.3	–	0.3	0.9
Finance income	5	**4.8**	**–**	**4.8**	4.8	–	4.8	9.8
Finance costs	5	**(29.8)**	**–**	**(29.8)**	(23.1)	–	(23.1)	(48.4)
Profit before tax		**114.6**	**(26.2)**	**88.4**	100.7	(20.6)	80.1	177.7
Tax charge	6	**(25.9)**	**6.7**	**(19.2)**	(22.4)	5.3	(17.1)	(39.0)
Profit after tax for the period from continuing operations		**88.7**	**(19.5)**	**69.2**	78.3	(15.3)	63.0	138.7
Profit for the period from discontinued operations	7	**–**	**–**	**–**	–	0.5	0.5	–
Profit for the period		**88.7**	**(19.5)**	**69.2**	78.3	(14.8)	63.5	138.7
Profit attributable to equity shareholders		**86.3**	**(19.5)**	**66.8**	76.8	(14.8)	62.0	135.7
Profit attributable to non-controlling interests		**2.4**	**–**	**2.4**	1.5	–	1.5	3.0
		88.7	**(19.5)**	**69.2**	78.3	(14.8)	63.5	138.7
Earnings per share:	9							
– basic earnings per share				**13.1p**			12.1p	26.6p
– diluted earnings per share				**13.1p**			12.1p	26.5p
Normalised earnings per share:								
– basic earnings per share		**16.9p**			15.0p			32.9p
– diluted earnings per share		**16.9p**			15.0p			32.8p
Earnings per share from continuing operations:								
– basic earnings per share				**13.1p**			12.0p	26.6p
– diluted earnings per share				**13.1p**			12.0p	26.5p

NATIONAL EXPRESS GROUP PLC
CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Unaudited six months to 30 June 2019 £m	Unaudited six months to 30 June 2018 £m	Audited year to 31 December 2018 £m
Profit for the period	**69.2**	63.5	138.7
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension plans	**(9.3)**	23.1	(24.9)
Deferred tax on actuarial (losses)/gains	**1.6**	(4.4)	4.0
	(7.7)	18.7	(20.9)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation of net assets of foreign operations (net of hedging)	**(0.1)**	3.1	30.1
Cost of hedging	**0.5**	–	1.4
Gains/(losses) on cash flow hedges	**17.6**	21.9	(6.3)
Reclassification adjustments for (gains)/losses included in profit	**(3.7)**	3.9	(11.5)
Exchange differences on retranslation of non-controlling interests	**–**	–	0.4
Tax on exchange differences	**0.8**	0.8	(2.2)
Deferred tax on cash flow hedges	**(2.5)**	(4.5)	3.1
	12.6	25.2	15.0
Comprehensive income/(expenditure) for the period	**4.9**	43.9	(5.9)
Total comprehensive income for the period	**74.1**	107.4	132.8
Total comprehensive income attributable to:			
Equity shareholders	**71.7**	105.9	129.4
Non-controlling interests	**2.4**	1.5	3.4
	74.1	107.4	132.8

NATIONAL EXPRESS GROUP PLC
CONDENSED GROUP BALANCE SHEET
At 30 June 2019

	Note	**Unaudited 30 June 2019 £m**	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Non-current assets				
Intangible assets		**1,910.1**	1,711.8	1,797.5
Property, plant and equipment		**1,303.9**	975.4	1,054.8
Available for sale investments		**6.7**	7.1	6.7
Derivative financial instruments	11	**9.5**	21.3	8.2
Deferred tax assets		**47.4**	32.9	42.7
Investments accounted for using the equity method		**15.5**	11.7	12.9
Trade and other receivables		**2.2**	4.7	3.0
Defined benefit pension assets	12	**14.8**	49.6	14.9
		3,310.1	2,814.5	2,940.7
Current assets				
Inventories		**28.1**	26.3	27.4
Trade and other receivables		**474.8**	390.6	408.6
Derivative financial instruments	11	**23.9**	21.1	7.9
Current tax assets		**–**	–	0.8
Cash and cash equivalents	10	**190.2**	163.5	117.5
Total current assets		**717.0**	601.5	562.2
Assets classified as held for sale		**23.8**	14.0	22.8
Total assets		**4,050.9**	3,430.0	3,525.7
Non-current liabilities				
Borrowings		**(927.7)**	(1,044.8)	(1,029.3)
Derivative financial instruments	11	**(4.5)**	–	(12.6)
Deferred tax liability		**(64.9)**	(51.4)	(63.0)
Other non-current liabilities		**(123.5)**	(11.8)	(25.2)
Defined benefit pension liabilities	12	**(139.7)**	(119.7)	(131.7)
Provisions		**(46.9)**	(49.5)	(49.2)
		(1,307.2)	(1,277.2)	(1,311.0)
Current liabilities				
Trade and other payables		**(945.3)**	(793.0)	(870.5)
Borrowings		**(558.5)**	(61.8)	(59.3)
Derivative financial instruments	11	**(33.0)**	(3.4)	(16.9)
Current tax liabilities		**(23.8)**	(22.3)	(8.4)
Provisions		**(60.1)**	(70.0)	(58.7)
Total current liabilities		**(1,620.7)**	(950.5)	(1,013.8)
Liabilities directly associated with assets classified as held for sale		**(4.3)**	–	(3.7)
Total liabilities		**(2,932.2)**	(2,227.7)	(2,328.5)
Net assets		**1,118.7**	1,202.3	1,197.2
Shareholders' equity				
Called up share capital		**25.6**	25.6	25.6
Share premium account		**532.7**	532.7	532.7
Capital redemption reserve		**0.2**	0.2	0.2
Own shares		**(3.9)**	(2.0)	(7.0)
Other reserves		**208.8**	206.8	196.2
Retained earnings		**312.5**	414.6	426.6
Total shareholders' equity		**1,075.9**	1,177.9	1,174.3
Non-controlling interest in equity		**42.8**	24.4	22.9
Total equity		**1,118.7**	1,202.3	1,197.2

NATIONAL EXPRESS GROUP PLC
CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

	Share Capital £m	Share premium £m	Capital Redemption Reserve £m	Own Shares £m	Other Reserves £m	Retained earnings* £m	Total* £m	Non-controlling Interests £m	Total* £m
At 1 January 2019	25.6	532.7	0.2	(7.0)	196.2	415.3	**1,163.0**	22.9	**1,185.9**
Profit for the period	–	–	–	–	–	66.8	**66.8**	2.4	**69.2**
Comprehensive income for the period	–	–	–	–	12.6	(7.7)	**4.9**	–	**4.9**
Total comprehensive income	–	–	–	–	12.6	59.1	**71.7**	2.4	**74.1**
Shares purchased	–	–	–	(3.4)	–	–	**(3.4)**	–	**(3.4)**
Own shares released to equity employee share schemes	–	–	–	6.5	–	(6.5)	**–**	–	**–**
Share based payments	–	–	–	–	–	2.5	**2.5**	–	**2.5**
Tax on share based payments	–	–	–	–	–	(0.4)	**(0.4)**	–	**(0.4)**
Dividends	–	–	–	–	–	(51.9)	**(51.9)**	–	**(51.9)**
Dividends payable tonon-controlling interests	–	–	–	–	–	–	**–**	(0.7)	**(0.7)**
Recognition of liabilities with non-controlling interests	–	–	–	–	–	(105.0)	**(105.0)**	–	**(105.0)**
Non-controlling interests on acquisition of subsidiary	–	–	–	–	–	–	**–**	16.0	**16.0**
Other movements with non-controlling interests	–	–	–	–	–	(0.6)	**(0.6)**	2.2	**1.6**
At 30 June 2019 (unaudited)	**25.6**	**532.7**	**0.2**	**(3.9)**	**208.8**	**312.5**	**1,075.9**	**42.8**	**1,118.7**

*opening balances have been restated for the adoption of IFRS 16 'Leases' (see note 1).

	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Own Shares £m	Other Reserves £m	Retained Earnings £m	Total £m	Non-Controlling Interests £m	Total £m
At 1 January 2018	25.6	532.7	0.2	(6.0)	181.6	386.1	**1,120.2**	21.4	**1,141.6**
Profit for the period	–	–	–	–	–	62.0	**62.0**	1.5	**63.5**
Comprehensive income for the period	–	–	–	–	25.2	18.7	**43.9**	–	**43.9**
Total comprehensive income	–	–	–	–	25.2	80.7	**105.9**	1.5	**107.4**
Shares purchased	–	–	–	(2.8)	–		**(2.8)**	–	**(2.8)**
Own shares released to equity employee share schemes	–	–	–	6.8	–	(6.8)	**–**	–	**–**
Share based payments	–	–	–	–	–	2.3	**2.3**	–	**2.3**
Tax on share based payments	–	–	–	–	–	(0.4)	**(0.4)**	–	**(0.4)**
Dividends	–	–	–	–	–	(47.3)	**(47.3)**	–	**(47.3)**
Dividends payable to non-controlling interests	–	–	–	–	–	–	**–**	(0.6)	**(0.6)**
Other movements with non-controlling interests	–	–	–	–	–	–	**–**	2.1	**2.1**
At 30 June 2018 (unaudited)	**25.6**	**532.7**	**0.2**	**(2.0)**	**206.8**	**414.6**	**1,177.9**	**24.4**	**1,202.3**

NATIONAL EXPRESS GROUP PLC
CONDENSED GROUP STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	Note	**Unaudited six months to 30 June 2019 £m**	Unaudited six months to 30 June 2018 £m	Audited year to 31 December 2018 £m
Cash generated from operations	15	**194.2**	160.6	361.2
Tax paid		**(4.7)**	(1.9)	(21.1)
Interest paid		**(28.0)**	(23.0)	(43.0)
Interest received		**5.9**	7.2	9.7
Net cash flow from operating activities		**167.4**	142.9	306.8
Cash flows from investing activities				
Payments to acquire businesses, net of cash acquired	13	**(82.2)**	(22.3)	(107.4)
Deferred consideration for businesses acquired	13	**(12.5)**	(35.6)	(38.5)
Proceeds from disposal of business, net of cash disposed		**–**	0.7	–
Purchase of property, plant and equipment		**(68.8)**	(58.8)	(160.6)
Proceeds from disposal of property, plant and equipment		**7.5**	7.5	48.9
Payments to acquire intangible assets		**(8.4)**	(6.6)	(5.8)
Proceeds from disposal of intangible assets		**1.8**	–	10.0
(Payments)/receipts relating to associates and investments		**(2.6)**	0.8	1.1
Net cash flow from investing activities		**(165.2)**	(114.3)	(252.3)
Cash flows from financing activities				
Finance lease principal payments		**(49.7)**	(20.3)	(49.9)
Increase in borrowings		**175.6**	–	–
Repayment of borrowings		**–**	(98.7)	(94.4)
Settlements of foreign exchange forward contracts		**(1.6)**	(10.8)	(27.6)
Purchase of own shares		**(3.4)**	(2.8)	(9.7)
Contribution from non-controlling interests		**3.0**	–	–
Acquisition of non-controlling interests		**(1.8)**	–	–
Dividends paid to non-controlling interests		**–**	(0.1)	(0.6)
Dividends paid to shareholders of the Company		**(51.9)**	(47.3)	(70.8)
Net cash flow from financing activities		**70.2**	(180.0)	(253.0)
Increase/(decrease) in cash and cash equivalents		**72.4**	(151.4)	(198.5)
Opening cash and cash equivalents		**117.7**	314.3	314.3
Increase/(decrease) in cash and cash equivalents		**72.4**	(151.4)	(198.5)
Foreign exchange		**0.4**	0.6	1.9
Closing cash and cash equivalents	10	**190.5**	163.5	117.7

NATIONAL EXPRESS GROUP PLC
NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS
For the six months ended 30 June 2019

1. General information

These condensed interim financial statements for the six months ended 30 June 2019 do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the board of directors on 28 February 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The Group's Annual Report and Accounts for the year ended 31 December 2018 were prepared in accordance with IFRS as adopted by the European Union. The condensed interim financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Figures for the year ended 31 December 2018 have been extracted from the Group's Annual Report and Accounts for the year ended 2018. The interim results are unaudited but have been reviewed by the Group's auditor.

Going concern

The Directors have reviewed assumptions about current trading performance, and have taken account of reasonably possible adverse changes to performance impacting availability of resources over the time period assessed. The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operation for the period to 31 December 2020, and accordingly the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Accounting policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Group's 2018 Annual Report and Accounts, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied IFRS 16 'Leases' for the first time. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the condensed interim financial statements of the Group.

Taxes on income in the interim periods are accrued using the tax rate that is expected to apply to total annual earnings.

Use of judgements and estimates

The critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's Annual Report and Accounts for the year ended 2018, except for the following:

- The valuation of the put liability in connection with the acquisition of WeDriveU, inc. is considered to be a new significant estimate, further details are provided in note 13.

IFRS 16 Leases
IFRS 16 supersedes IAS 17 ‘Leases’ and IFRIC 4 ‘Determining whether an Arrangement contains a Lease’. IFRS 16 introduces a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

The Group has applied IFRS 16 using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to opening retained earnings.

i) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, vehicles, plant and other equipment. Before the adoption of IFRS 16, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied. In some leases, the right-of-use asset value was set equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Applied the short-term lease exemption to leases with a lease term that ends within 12 months at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application was 3.4%.

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	31 December 2018 £m	Re-measure-ments £m	1 January 2019 £m
Property, plant and equipment	1,054.8	195.5	1,250.3
Trade and other receivables	408.6	(1.6)	407.0
Total assets	**3,525.7**	**193.9**	**3,719.6**
Borrowings	(1,088.6)	(210.6)	(1,299.2)
Trade and other payables	(870.5)	1.9	(868.6)
Deferred tax liability	(63.0)	3.5	(59.5)
Total liabilities	**(2,328.5)**	**(205.2)**	**(2,533.7)**
Net assets	**1,197.2**	**(11.3)**	**1,185.9**
Shareholders' equity			
Retained earnings	426.6	(11.3)	415.3
Total equity	**1,197.2**	**(11.3)**	**1,185.9**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	£m
Operating lease commitments at 31 December 2018	**690.2**
Discounted using incremental borrowing rates	**(35.4)**
Recognition exemption for:	
Short term leases	**(0.1)**
Leases of low value items	**(14.7)**
Rolling stock leases*	**(436.0)**
Other**	**6.6**
	210.6
Existing finance lease obligations at 31 December 2018	**142.6**
Lease liabilities recognised at 1 January 2019	**353.2**

* Exempt from IFRS 16 due to the lessor directing how and for what purpose the assets are used, and in the case of one contract, the lessor has the right to substitute the assets, consistent with the application of IFRIC 12.
** Other includes extension and termination options reasonably certain to be exercised.

ii) Summary of new accounting policies

Lease identification
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right of use asset
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Seasonality
The Group operates a diversified portfolio of bus, coach and rail businesses operating in international markets. The North American bus business typically earns higher operating profits for the first half of the year (i.e. the 6 months to 30 June) than for the second half. This is because of the timing of school terms and the summer holiday period. The UK and Spanish coach businesses typically earn lower operating profits for the first half of the year than the second half. This is because of the higher demand created by leisure travellers during the summer months. On a Group basis, the results are not materially seasonal in nature.

2. Exchange rates

The most significant exchange rates to UK Sterling for the Group are as follows:

	Six months to 30 June 2019		Six months to 30 June 2018		Year to 31 December 2018	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
US dollar	**1.27**	**1.29**	1.32	1.38	1.28	1.34
Canadian dollar	**1.66**	**1.73**	1.73	1.76	1.74	1.73
Euro	**1.12**	**1.15**	1.13	1.14	1.11	1.13

If the results for the 6 months to 30 June 2018 had been retranslated at the average exchange rates for the period to 30 June 2019, North America would have achieved normalised operating profit of £58.9m on revenue of £580.1m, compared to normalised operating profit of £55.7m on revenue of £547.5m as reported, and ALSA would have achieved a normalised operating profit of £42.5m on revenue of £345.5m, compared to normalised operating profit of £42.8m on revenue of £348.1m as reported.

3. Risks and uncertainties

The principal risks and uncertainties are described in the Financial Review. Additional information on risks and uncertainties is contained on pages 39-44 in the Group's Annual Report and Accounts for the year ended 2018.

4. Segmental analysis

The Group's reportable segments have been determined based on reports issued to and reviewed by the Group Executive Committee, and are organised in accordance with the geographical regions in which they operate and nature of services that they provide. Management considers the Group Executive Committee to be the chief decision-making body for deciding how to allocate resources and for assessing operating performance.

Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements. Group financing activities and income taxes are managed on a group basis and are not allocated to reportable segments.

Central functions is not a reportable segment but has been included in the segmental analysis for transparency and to enable a reconciliation to the consolidated Group.

Revenue is disaggregated by reportable segment, class and type of service as follows:

	Six months to 30 June 2019					
Analysis by class and reportable segment	**Contract revenues £m**	**Passenger revenues £m**	**Grants and subsidies £m**	**Private hire £m**	**Other revenues £m**	**Total £m**
UK	**15.6**	**222.4**	**27.2**	**7.6**	**12.5**	**285.3**
German Rail	**–**	**22.4**	**12.0**	**–**	**1.2**	**35.6**
ALSA	**98.0**	**229.8**	**5.4**	**34.2**	**18.5**	**385.9**
North America	**577.4**	**–**	**–**	**42.0**	**8.3**	**627.7**
Total	**691.0**	**474.6**	**44.6**	**83.8**	**40.5**	**1,334.5**
Analysis by major service type:						
Passenger transport	**691.0**	**474.6**	**44.6**	**83.8**	**19.5**	**1,313.5**
Other products and services	**–**	**–**	**–**	**–**	**21.0**	**21.0**
Total	**691.0**	**474.6**	**44.6**	**83.8**	**40.5**	**1,334.5**

	Six months to 30 June 2018					
Analysis by class and reportable segment	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	13.0	217.8	27.0	6.3	9.5	273.6
German Rail	–	21.0	15.2	–	2.3	38.5
ALSA	94.6	216.7	7.8	18.7	10.3	348.1
North America	502.4	–	–	38.1	7.0	547.5
Total	610.0	455.5	50.0	63.1	29.1	1,207.7
Analysis by major service type:						
Passenger transport	610.0	455.5	50.0	63.1	10.2	1,188.8
Other products and services	–	–	–	–	18.9	18.9
Total	610.0	455.5	50.0	63.1	29.1	1,207.7

There are no material inter-segment sales between reportable segments.

Operating profit is analysed by reportable segment as follows:

Analysis by class and reportable segment	**Normalised operating profit 2019 £m**	**Intangible Amortisation for acquired businesses** 2019 £m	**Segment result 2019 £m**	Normalised Operating profit 2018 £m	Intangible amortisation for acquired businesses 2018 £m	Segment result 2018 £m
UK	**36.6**	**(0.4)**	**36.2**	31.6	(0.5)	31.1
German Rail	**2.3**	**(0.5)**	**1.8**	1.1	(0.5)	0.6
ALSA	**47.9**	**(7.5)**	**40.4**	42.8	(5.3)	37.5
North America	**64.4**	**(17.8)**	**46.6**	55.7	(14.3)	41.4
Central functions	**(11.9)**	–	**(11.9)**	(12.5)	–	(12.5)
Operating profit from continuing operations	**139.3**	**(26.2)**	**113.1**	118.7	(20.6)	98.1
Share of results from associates and joint ventures			**0.3**			0.3
Net finance costs			**(25.0)**			(18.3)
Profit before tax			**88.4**			80.1
Tax charge			**(19.2)**			(17.1)
Profit after tax for the period from continuing operations			**69.2**			63.0
Profit for the period from discontinued operations			–			0.5
Profit for the period			**69.2**			63.5

5. Net finance costs

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 Dec 2018 £m
Bank and bond interest payable	**(20.3)**	(18.9)	(36.8)
Other interest payable	**(1.6)**	(0.2)	(3.8)
Unwind of provision discounting	**(0.5)**	(0.5)	(1.2)
Interest cost on defined benefit pension obligations	**(1.6)**	(1.2)	(2.2)
Lease interest payable	**(5.8)**	(2.3)	(4.4)
Finance costs	**(29.8)**	(23.1)	(48.4)
Other financial income	**4.8**	4.8	9.8
Net finance costs	**(25.0)**	(18.3)	(38.6)

6. Taxation

Tax on profit on ordinary activities for the six months to 30 June 2019 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2019. The normalised tax charge of £25.9m (2018 interim: £22.4m) represents an effective tax rate on normalised profit before tax for continuing operations of 22.6% (2018 interim: 22.2%). The total tax charge of £19.2m (2018 interim: £17.1m) includes a deferred taxation charge of £1.1m (2018 interim: £0.6m).

7. Discontinued operations

On 24 June 2018 the Group handed back the Midland Metro tram operations to the West Midlands Combined Authority. This operation was recognised as discontinued in the 2018 Annual Report, along with the disposal of the National Express Thameside 'c2c' franchise to Trenitalia and overall exit from UK rail operations that year.

Details of the discontinued operations are as follows:

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Revenue	**–**	5.0	5.1
Operating costs	**–**	(6.1)	(6.8)
Net loss from discontinued operations before tax	**–**	(1.1)	(1.7)
Attributable income tax credit	**–**	1.6	1.7
Net profit from discontinued operations attributable to equity shareholders	**–**	0.5	–

The net cash flows incurred by the discontinued operations during the period are as follows. These cash flows are included within the Group Statement of Cash Flows:

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Cash (outflow)/inflow from operating activities	**(1.2)**	1.2	0.4
Net cash (outflow)/inflow	**(1.2)**	1.2	0.4

8. Dividends paid and proposed

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Declared and paid during the period:			
Ordinary final dividend for 2017 of 9.25p per share	**–**	47.3	47.3
Ordinary interim dividend for 2018 of 4.69p per share	**–**	–	23.5
Ordinary final dividend for 2018 of 10.17p per share	**51.9**	–	–

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Proposed for approval and not recognised at period end:			
Ordinary interim dividend for 2018 of 4.69p per share	**–**	23.5	–
Ordinary final dividend for 2018 of 10.17p per share	**–**	–	51.9
Ordinary interim dividend for 2019 of 5.16p per share	**25.8**	–	–

9. Earnings per share

	Six months to 30 June 2019	Six months to 30 June 2018	Year to 31 December 2018
Basic earnings per share	**13.1p**	12.1p	26.6p
Normalised basic earnings per share	**16.9p**	15.0p	32.9p
Basic earnings per share from continuing operations	**13.1p**	12.0p	26.6p
Diluted earnings per share	**13.1p**	12.1p	26.5p
Normalised diluted earnings per share	**16.9p**	15.0p	32.8p
Diluted earnings per share from continuing operations	**13.1p**	12.0p	26.5p

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of £66.8m (2018 interim: £62.0m; 2018 full year: £135.7m) by the weighted average number of ordinary shares in issue during the period, excluding those held by employees' share ownership trusts and held as own shares which are both treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The reconciliation of the weighted average number of ordinary shares is as follows:

	Six months to 30 June 2019	Six months to 30 June 2018	Year to 31 December 2018
Basic weighted average shares	**510,272,515**	510,654,886	510,682,902
Adjustment for dilutive potential ordinary shares	**651,817**	310,922	2,197,926
Diluted weighted average shares	**510,924,332**	510,965,808	512,880,828

The normalised basic and normalised diluted earnings per share have been calculated in addition to the basic and diluted earnings per share since, in the opinion of the Directors, they reflect the underlying performance of the business' operations more appropriately.

The reconciliation of statutory profit to normalised profit for the financial period is as follows:

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Profit attributable to equity shareholders	**66.8**	62.0	135.7
Intangible asset amortisation for acquired businesses	**26.2**	20.6	42.3
Separately disclosed tax	**(6.7)**	(5.3)	(10.0)
Profit for the period from discontinued operations	**–**	(0.5)	–
Normalised profit attributable to equity shareholders	**86.3**	76.8	168.0

10. Cash and cash equivalents

	At 30 June 2019 £m	At 30 June 2018 £m	At 31 December 2018 £m
Cash at bank and in hand	**91.0**	93.0	74.6
Overnight deposits	**2.2**	3.0	1.9
Other short term deposits	**97.3**	67.5	41.2
	190.5	163.5	117.7
Less: amounts included within assets classified as held for sale	**(0.3)**	–	(0.2)
Cash and cash equivalents	**190.2**	163.5	117.5

11. Derivative financial assets and liabilities

The Group's multi-national transport operations and debt financing expose it to a variety of financial risks, including the effects of changes in fuel prices, foreign currency exchange rates and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects of these financial risks on the financial performance of the Group by means of derivative financial instruments.

As at 30 June 2019 the Group's portfolio of hedging instruments included fuel price derivatives, foreign exchange derivatives and interest rate derivatives. The fuel price derivatives are in place to hedge the changes in price of the different types of fuel used in each division. The foreign exchange derivatives are in place to hedge the foreign exchange risk on translation of net assets denominated in foreign currency. In addition, the Group holds two £50.0 million denominated interest rate derivatives to swap fixed interest on £100m of the Group's Sterling bonds to a floating rate and two €39.25m denominated interest rate derivatives equal in value to a Euro Private Placement.

These derivative financial instruments are held in the balance sheet at fair value and are measured using level 2 inputs. The fair value is either determined by the third-party financial institution with which the Group holds the instrument, in line with the market value of similar financial instruments, or by the use of valuation techniques using market data. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, other than deferred contingent consideration and available for sale investments, which are considered immaterial. There have not been any transfers of assets or liabilities between levels of the fair value hierarchy and there are no non-recurring fair value measurements.

The Group applies relevant hedge accounting to the majority of its derivatives outstanding as at 30 June 2019. All designated hedge relationships were effective under IFRS 9.

Derivative financial assets and liabilities on the balance sheet are as follows:

	At 30 June 2019 £m	At 30 June 2018 £m	At 31 December 2018 £m
Fuel derivatives	**3.3**	11.9	1.5
Interest rate derivatives	**6.2**	8.4	6.7
Cross currency swaps	**–**	1.0	–
Non-current derivative financial assets	**9.5**	21.3	8.2
Fuel derivatives	**5.7**	19.4	0.4
Interest rate derivatives	**1.7**	0.6	3.9
Cross currency swaps	**2.9**	–	–
Foreign exchange derivatives	**13.6**	1.1	3.6
Current derivative financial assets	**23.9**	21.1	7.9
Fuel derivatives	**(4.5)**	–	(8.2)
Cross currency swaps	**–**	–	(4.4)
Non-current derivative financial liabilities	**(4.5)**	–	(12.6)
Fuel derivatives	**(3.0)**	(0.4)	(6.4)
Interest rate derivatives	**(2.0)**	–	–
Cross currency swaps	**(4.2)**	–	–
Foreign exchange derivatives	**(23.8)**	(3.0)	(10.5)
Current derivative financial liabilities	**(33.0)**	(3.4)	(16.9)

12. Pensions and other post-employment benefits

The UK division ('UK') and National Express Group PLC (the 'Company') operate both defined benefit and defined contribution schemes.

Subsidiaries in North America contribute to a number of defined contribution plans.

The Group also provides certain additional unfunded post-employment benefits to employees in North America and ALSA, and maintains a small, legacy rail defined benefit scheme. The post-employment benefits for these schemes have been combined into the 'Other' category below.

The assets of the defined benefits schemes are held separately from those of the Group and contributions to the schemes are determined by independent professionally qualified actuaries.

The total pension operating cost for the six months to 30 June 2019 was £4.8m (2018 interim: £4.7m; 2018 full year: £10.3m), of which £2.9m (2018 interim: £2.4m; 2018 full year: £4.9m) relates to the defined contribution schemes.

The defined benefit pension asset/(liability) included in the balance sheet is as follows:

	At 30 June 2019 £m	At 30 June 2018 £m	At 31 December 2018 £m
UK	**(134.6)**	(115.8)	(127.3)
Company	**14.8**	49.6	14.9
Other	**(5.1)**	(3.9)	(4.4)
Total	**(124.9)**	(70.1)	(116.8)

The net defined benefit pension asset/(liability) was calculated based on the following assumptions:

	Six months ended 30 June 2019		Year ended 31 December 2018	
	UK	**Company**	UK	Company
Rate of increase in salaries	**2.5%**	**–**	2.5%	–
Rate of increase in pensions	**2.2%**	**3.1%**	2.2%	3.2%
Discount rate	**2.3%**	**2.3%**	2.8%	2.9%
Inflation rate (RPI)	**3.2%**	**3.1%**	3.2%	3.2%
Inflation rate (CPI)	**2.2%**	**2.1%**	2.2%	2.2%

13. Business Combinations

(a) Acquisitions – North America

On the 11 April 2019, the Group acquired 60% of the voting shares of WeDriveU Holdings, Inc. ("WeDriveU"), an employee shuttle company operating in the Silicon Valley and San Francisco area. The Group has acquired WeDriveU to drive expansion in the employee, university and hospital shuttle markets.

The provisional fair values of the identifiable assets and liabilities of WeDriveU at the date of acquisition were:

	£m
Intangible assets	**54.0**
Property, plant and equipment	**22.8**
Trade and other receivables	**21.3**
Cash and cash equivalents	**2.1**
Borrowings	**(40.2)**
Trade and other payables	**(15.6)**
Provisions	**(6.2)**
Deferred tax liability	**(3.5)**
Minority interest	**(16.0)**
Net assets acquired	**18.7**
Goodwill	**48.8**
Total consideration	**67.5**
Represented by:	
Cash consideration	**65.4**
Payments for cash acquired in the business	**2.1**
	67.5

Given the proximity of the acquisition to the period end, and as permitted by IFRS 3 Business Combinations, the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12

months of the acquisition date, principally in relation to the valuation of intangible assets and provisions acquired.

Trade and other receivables had a gross contracted value of £24.0m, and the best estimate at acquisition date of the contractual cash flows not to be collected was £2.7m.

Goodwill of £48.8m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the increased scale in our North American operations and the future growth opportunities. None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the arrangements with non-controlling shareholders of WeDriveU, the Group issued put options to the seller to sell the remaining shares and simultaneously the seller issued call options to the Group to purchase the remaining shares. The terms of the put and call options are symmetrical and exercisable in three tranches from 2020 to 2022. The exercise prices are based on a multiple of future earnings. The Group has recognised non-controlling interests for the remaining shares because the interests subject to the put and call options are not deemed to have been acquired upon acquisition. Accordingly, the financial liability arising from the put options has not been included in the consideration transferred and is accounted for separately, with a corresponding entry recorded in equity.

The Group recognised a put liability of £105.0m, recorded at the present value of the estimated redemption value, using forecast earnings of WeDriveU, discounted at a rate of 2.1%. The Group will subsequently re-measure the put liability at each balance sheet date, with future movements in the estimated liability recognised in the income statement.

As the call options are at fair value, they have no value for accounting purposes.

The acquired business contributed £36.9m of revenue and £6.1m to the Group's profit for the period between acquisition and the Balance Sheet date, before deal costs incurred as detailed in section (c) of this note. Had the acquisition been completed on the first day of the financial year, the Group's continuing revenue would have been £1,368.0m and the Group's continuing operating profit would have been £113.7m.

In addition, the North America division acquired 100% control of two further businesses during the period, none of which are material individually:

- Free Enterprises System, LLC
- Total Transit Enterprises, LLC

In aggregate, the provisional fair values of the assets and liabilities acquired, along with adjustments to the fair values of prior year acquisitions, were as follows:

	£m
Intangible assets	**4.4**
Property, plant and equipment	**2.8**
Borrowings	**(1.3)**
Trade and other payables	**(3.2)**
Provisions	**(3.7)**
Deferred tax assets	**2.7**
Net assets acquired	**1.7**
Goodwill	**16.9**
Total consideration	**18.6**
Represented by:	
Cash consideration	**16.0**
Borrowings acquired in the businesses	**(1.3)**
Deferred consideration	**3.9**
	18.6

Given the proximity of the acquisition to the period end, and as permitted by IFRS 3 Business Combinations, the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets and provisions acquired.

Trade and other receivables had a gross contracted value of £3.0m, and the best estimate at acquisition date of the contractual cash flows not to be collected was £3.0m.

Goodwill of £16.9m arising from the acquisitions consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business and increased scale in our North American operations, along with synergy benefits expected to be achieved. The amount of goodwill that is expected to be deductible for income tax purposes is £11.4m.

Included in the consideration shown above is contingent consideration of £3.9m relating to both acquisitions. For these acquisitions, the Group is required to pay an indemnity contingent on the performance of sellers' indemnification obligations or on pre-determined EBIT thresholds being met. The payments are dependent on meeting the respective conditions, with a minimum expected undiscounted payment of £nil and maximum expected undiscounted payment of £3.9m. Based on projections, the Group expects the maximum amount to be paid. The amount recognised is undiscounted as the effect of discounting is not material.

The acquired businesses contributed £5.2m of revenue and £2.0m to the Group's profit for the periods between acquisition and the Balance Sheet date, before deal costs incurred as detailed in section (c) of this note. Had the acquisitions been completed on the first day of the financial year, the Group's continuing revenue would have been £1,338.3m and the Group's continuing operating profit would have been £113.1m.

(b) Acquisitions – ALSA

During the period, the ALSA division acquired a 60% interest in Semacar, a chauffeur transport business in Galicia, Spain.

In aggregate, the provisional fair values of the assets and liabilities acquired, along with adjustments to the fair values of prior year acquisitions, were as follows:

	£m
Intangible assets	**1.1**
Property, plant and equipment	**0.6**
Trade and other receivables	**0.5**
Cash and cash equivalents	**–**
Borrowings (lease liabilities)	**(0.8)**
Trade and other payables	**(0.5)**
Deferred tax liabilities	**(0.3)**
Net assets acquired	**0.6**
Goodwill	**1.8**
Total consideration	**2.4**
Represented by:	
Cash consideration	**0.8**
Deferred consideration	**1.6**
	2.4

Given the proximity of the acquisition to the period end, and as permitted by IFRS 3 Business Combinations, the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets and provisions acquired.

Trade and other receivables had a fair value and a gross contracted value of £0.5m. The best estimate at acquisition date of the contractual cash flows not to be collected was £nil.

Goodwill of £1.8m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business and increased scale in our operations in Spain, along with synergy benefits expected to be achieved. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the consideration shown above is contingent consideration of £1.6m. The Group is required to pay contingent consideration on pre-determined EBITDA thresholds being met, with a minimum expected undiscounted payment of £nil and maximum expected undiscounted payment of £1.6m. Based on projections, the Group expects the maximum amount to be paid. The amount recognised is undiscounted as the effect of discounting is not material

The acquired business contributed £1.4m of revenue and £0.3m to the Group's profit for the periods between acquisition and the Balance Sheet date, before deal costs incurred as detailed in section (c) of this note. Had the acquisition been completed on the first day of the financial year, the Group's continuing revenue would have been £1,336.8m and the Group's continuing operating profit would have been £113.3m.

(c) Acquisitions – further information

Deferred consideration of £12.5m was paid in the period relating to acquisitions in North America in earlier years. Total cash outflow in the period from acquisitions in the North America division was £93.9m, comprising consideration for current year acquisitions of £82.2m and deferred consideration of £12.5m, less cash acquired in the businesses of £0.8m.

In addition for North America, during the period there was a decrease to the provisional fair values of businesses acquired in the prior year of £3.4m.

Total cash outflow in the period from acquisitions in the ALSA division was £0.8m, comprising consideration for current year acquisitions of £0.8m.

In addition for ALSA, during the period there was an increase to the provisional fair values of businesses acquired in the prior year of £0.8m.

Total acquisition transaction costs of £4.6m were incurred in the period to 30 June 2019 (2018 interim: £0.4m).

During the period to 30 June 2019, the movement in the Group's carrying value of goodwill principally relates to these acquisitions.

14. Net debt

	At 1 January 2019* £m	Cash flow £m	Acquisitions £m	Foreign Exchange £m	Other movements £m	At 30 June 2019 £m
Components of financing activities						
Bank and other loans	**(9.0)**	**(175.8)**	**(0.5)**	**(1.0)**	**0.3**	**(186.0)**
Bonds	**(852.4)**	**–**	**–**	**0.9**	**0.8**	**(850.7)**
Fair value of interest rate derivatives	**6.6**	**–**	**–**	**–**	**(1.1)**	**5.5**
Fair value of fx forward contracts	**(6.8)**	**1.6**	**–**	**(5.1)**	**–**	**(10.3)**
Cross currency swaps	**(0.2)**	**–**	**–**	**(0.5)**	**–**	**(0.7)**
Lease liabilities*	**(353.2)**	**49.7**	**(40.5)**	**(1.3)**	**(18.7)**	**(364.0)**
Other debt payable	**(73.7)**	**–**	**–**	**0.3**	**0.2**	**(73.2)**
Total components of financing facilities	**(1,288.7)**	**(124.5)**	**(41.0)**	**(6.7)**	**(18.5)**	**(1,479.4)**
Cash	**74.6**	**15.2**	**0.8**	**0.4**	**–**	**91.0**
Overnight deposits	**1.9**	**0.3**	**–**	**–**	**–**	**2.2**
Other short-term deposits	**41.2**	**56.1**	**–**	**–**	**–**	**97.3**
Cash and cash equivalents	**117.7**	**71.6**	**0.8**	**0.4**	**–**	**190.5**
Other debt receivables	**2.1**	**0.2**	**–**	**–**	**–**	**2.3**
Remove: fair value of fx forward contracts	**6.8**	**(1.6)**	**–**	**5.1**	**–**	**10.3**
Net debt[1]	**(1,162.1)**	**(54.3)**	**(40.2)**	**(1.2)**	**(18.5)**	**(1,276.3)**

* Opening balances have been restated for the adoption of IFRS 16 'Leases' (see note 1).

[1] Excludes accrued interest on long-term borrowings

	At 1 January 2018 £m	Cash Flow £m	Acquisitions £m	Foreign Exchange £m	Other movements £m	At 30 June 2018 £m
Components of financing activities						
Bank and other loans	(115.6)	98.7	–	0.3	(0.3)	(16.9)
Bonds	(851.9)	–	–	1.0	1.2	(849.7)
Fair value of interest rate derivatives	10.3	–	–	–	(1.9)	8.4
Fair value of fx forward contracts	1.5	10.8	–	(14.2)	–	(1.9)
Cross currency swaps	1.0	–	–	2.2	–	3.2
Finance lease obligations	(173.1)	20.3	(1.7)	(2.7)	(1.7)	(158.9)
Other debt payable	(73.6)	–	–	0.3	0.3	(73.0)
Total components of financing facilities	(1,201.4)	129.8	(1.7)	(13.1)	(2.4)	(1,088.8)
Cash	100.7	(32.5)	24.2	0.6	–	93.0
Overnight deposits	4.9	(1.9)	–	–	–	3.0
Other short-term deposits	208.7	(141.2)	–	–	–	67.5
Cash and cash equivalents	314.3	(175.6)	24.2	0.6	–	163.5
Other debt receivables	0.7	–	–	0.6	–	1.3
Remove: fair value of fx forward contracts	(1.5)	(10.8)	–	14.2	–	1.9
Net debt[1]	(887.9)	(56.6)	22.5	2.3	(2.4)	(922.1)

[1] Excludes accrued interest on long-term borrowings

Borrowings include non-current interest bearing loans and borrowings of £927.7m (2018 interim: £1,044.8m; 2018 full year: £1,029.3m).

Other non-cash movements represent lease additions and disposals of £18.7m (2018 interim: £1.7m) and a net £0.2m increase in loan and bond arrangement fees (2018 interim: £0.7m). A £1.1m decrease to the fair value of the hedging derivatives is offset by opposite movements in the fair value of the related hedged borrowings. This comprises a £0.9m fair value increase in bonds and a £0.2m fair value increase in other debt payable.

15. Cash flow statement

The reconciliation of Group profit before tax to cash generated from operations is as follows:

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Net cash inflow from operating activities			
Profit before tax from continuing operations	**88.4**	80.1	177.7
Loss before tax from discontinued operations (note 7)	–	(1.1)	(1.7)
Total profit before tax	**88.4**	79.0	176.0
Net finance costs	**25.0**	18.3	38.6
Share of results from associates and joint ventures	**(0.3)**	(0.3)	(0.9)
Depreciation of property, plant and equipment	**98.5**	66.3	133.8
Intangible asset amortisation	**29.2**	22.3	47.0
Amortisation of fixed asset grants	**(0.3)**	(0.2)	(0.5)
Gain on disposal property, plant and equipment	**(1.8)**	(3.8)	(8.4)
Gain on disposal of intangible assets	**(1.8)**	–	(8.3)
Share-based payments	**2.5**	2.3	6.4
Increase in inventories	**(0.4)**	(0.6)	(1.4)
Increase in receivables	**(46.1)**	(43.5)	(57.7)
Increase in payables	**17.6**	34.0	86.3
Decrease in provisions	**(16.3)**	(13.2)	(49.7)
Cash generated from operations	**194.2**	160.6	361.2

16. Commitments and contingencies

Capital commitments

Capital commitments contracted but not provided at 30 June 2019 were £140.2m (2018 full year: £62.6m).

Contingent liabilities

Guarantees

The Group has guaranteed credit facilities totalling £19.2m (2018 full year: £21.4m) relating to certain joint ventures.

Bonds and letters of credit

In the ordinary course of business, the Group is required to issue counter-indemnities in support of its operations. As at 30 June 2019, the Group has performance bonds in respect of businesses in the US of £182.7m (2018 full year: £172.3m), in Spain of £61.0m (2018 full year: £46.0m), in Germany of £11.3m (2018 full year: £11.3m) and in the Middle East of £6.3m (2018 full year: £6.3m). Letters of credit have been issued to support insurance retentions of £147.2m (2018 full year: £118.2m).

17. Related party transactions

There have been no material changes to the related party balances disclosed in the Group's 2018 Annual Report and there have been no transactions which have materially affected the financial position or performance of the Group in the six months to 30 June 2019.

18. Subsequent events

On 24 July 2019 the group disposed of two subsidiaries, Ecolane USA, Inc. and Ecolane Finland Oy for net consideration of £33.7m, plus an equity stake in the acquirers technology fund.

The subsidiaries net assets of £15.0m were classified as held for sale at 30 June 2019.

Due to the close proximity of the disposal date to the date of these interim financial statements, the initial accounting for the disposal is incomplete.

Independent Review Report to National Express Group PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Group Income Statement, the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of changes in Equity, Condensed Group Statement of Cash Flows and the related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
25 July 2019