

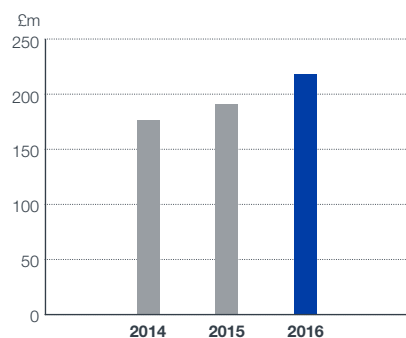
Key performance indicators

Measuring our progress

Financial

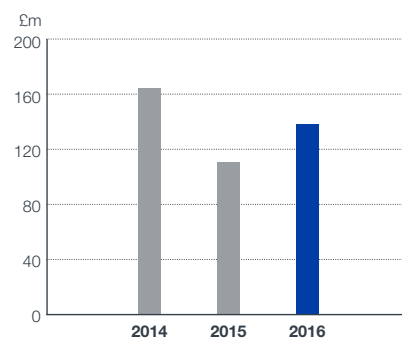
Operating profit

2016: £219.0m



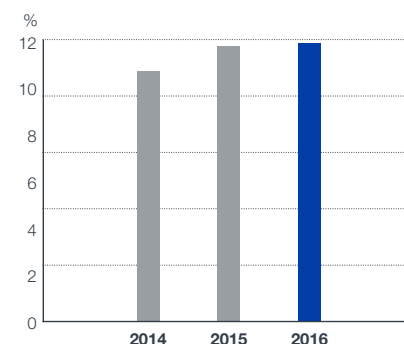
Free cash flow

2016: £138.6m



Return on capital employed

2016: 11.9%



Relevance to strategy

Key measure of the performance of the business.

Strong cash generation provides the funding for future growth and returns for shareholders.

Key measure of the performance of the business and demonstrating how efficiently the Group is deploying its capital resources.

KPI definition

Group normalised operating profit from continuing operations.

Free cash flow is the cash flow equivalent of normalised profit after tax.

Return on capital employed ('ROCE') is normalised operating profit, divided by net assets excluding net debt and derivative financial instruments. For the purposes of this calculation, net assets are translated using average exchange rates.

Performance

- Further progress in Group operating profit, driven by strong performances in our overseas businesses
- Growth being delivered both organically and through bolt-on acquisitions
- Normalised operating profit up 4.8% in constant currency, and up 14.2% on a reported basis, benefiting from significant foreign exchange tailwinds
- Operating cash flow of £201 million, up 22% reflecting growth in EBITDA and even after a significant increase in maintenance capital expenditure
- Generated £139 million of free cash, £28 million higher than last year
- Increasing our target for free cash flow to £120 million per annum
- Strong returns generated by our recent acquisitions in North America, with acquisitions made in 2015 generating ROCE of between 15% and 20%
- Invested £135 million of net maintenance capital, predominantly in growing our fleet in our existing operations
- Invested £27 million in growth capital expenditure to support growth in Morocco and Rail, revenue management systems in our UK and Spanish Coach operations and contactless ticketing in UK Bus

Why we measure

We are focused on driving growth in operating profit in order to drive higher and sustainable returns for our investors.

A key output of the Group's strategy is to maximise the cash generation across all our operating divisions. We view cash generation as a key driver for creating shareholder value.

Our core bus and coach operations are strong cash generators, complemented by our capital-light model for rail.

We are focused on improving return on the capital we invest, in order to drive better returns for investors.

We maintain a disciplined approach to capital investment, and continue to invest in those areas in which we can deliver the best returns.

Remuneration linkage

The normalised Group operating profit metric is a bonus KPI within the Executive Directors' annual bonus structure.

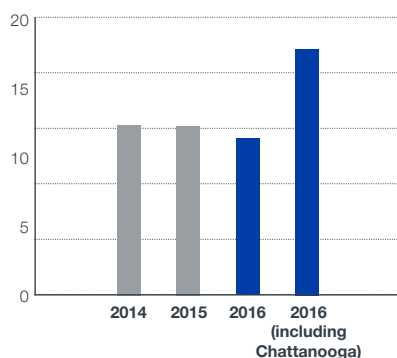
The free cash flow metric supplements the normalised profit and strategic/personal metrics for the Executive Directors' annual bonus.

ROCE is one of the performance conditions for the National Express Long-Term Incentive Plan 2015 ('2015 LTIP').

Non-financial

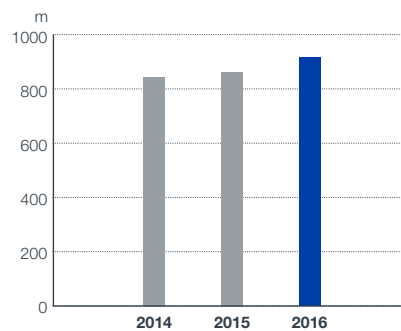
Safety – Fatalities and Weighted Injuries (FWI)

2016: 11.32

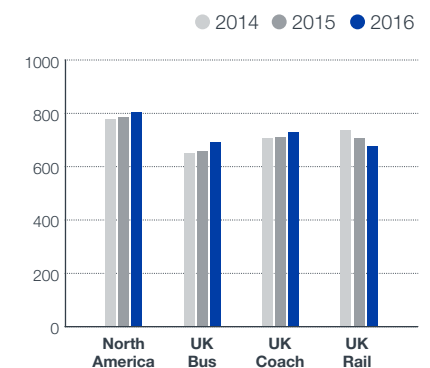


Passenger journeys

2016: 921m



Employee engagement score*



Relevance to strategy

Safety is of paramount importance to a public transport operator.

A key driver for growing our business.

A key measure of how we are meeting our People Value and provide the right working environment for our employees to develop.

KPI definition

Safety incidents for which the Group is responsible are based on an adapted Fatalities and Weighted Injuries Index used in the UK rail industry.

Passenger numbers as measured by the aggregate of passenger journeys across our five operating divisions.

Our numbers for North America are estimated as our School Bus services are non-ticketed.

Our employee satisfaction surveys are conducted by ValUENTIS, a company which is widely used as an employee survey provider in the UK transport industry. The survey delivers an employee engagement score for each individual division, with our score for North America being partially estimated from data provided by TNS, which conducts the employee surveys in North America.

Performance

- In 2016 as a result of the Chattanooga incident we scored 17.823, compared with 12.242 in 2015
- Excluding Chattanooga, the FWI was 11.323, in a year when we carried more passengers and ran more services
- The underlying reduction in FWI reflects the investment we have made in systems and training to reduce accidents

- A record number of passengers carried in 2016, with 921 million passenger travelling on our services
- Strong performance in Spain and Morocco, with a record 307 million passengers carried, up 5% in Spain and 6% in Morocco
- Strong performance in c2c, with 6.7% growth in passengers reflecting the launch of a new timetable
- 20 million passengers in our first year in German rail

- For the third year running our UK Coach division has recorded the highest score for all UK bus/coach operators at 732
- UK Bus has achieved its highest score to date at 692, 20 points ahead of the UK bus/coach industry average of 672
- In North America, which uses a comparable but different methodology to the UK, the engagement score was up 20 points to 805
- The survey was conducted in Bahrain for the first year, achieving a score of 789

Why we measure

Safety is at the heart of our Vision and Values and is our priority for both our customers and employees.

High safety standards also help to drive sustainable growth through customer loyalty and new business wins.

Passenger journeys are reflective of underlying demand for travel. National Express is targeting increased passenger ridership as a longer-term driver of sustainable value.

We run employee surveys to measure the engagement of our people. Every year we use the results to influence how we make National Express a great place to work.

Remuneration linkage

Improvement in FWI is a key Safety deliverable forming part of the non-financial targets within the Executive Directors' annual bonus structure.

Non-financial targets within the Executive Directors' annual bonus structure include customers and excellence, with passenger journeys forming an operational performance metric.

Maintaining a high employee engagement score is a talent deliverable forming part of the non-financial targets within the Executive Directors' annual bonus structure.