

Our strategy at a glance

Driving our business forward

Delivering operational excellence

Driving revenue growth and margin progression in our core divisions by delivering excellent customer service

Performance

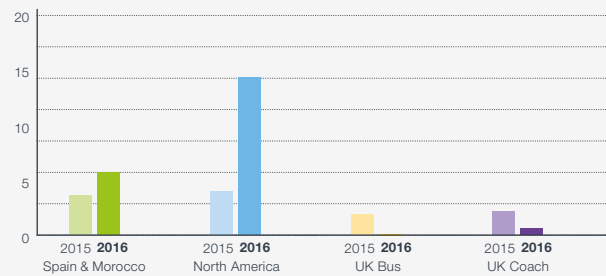
- Our UK Bus business named Bus Operator of the Year at the National Transport Awards
- A record year for passenger numbers, carrying over 921 million passengers in the year
- All three of our UK businesses awarded the prestigious British Safety Council Sword of Honour
- Over 90% customer satisfaction in North America with a 97% retention rate in School Bus
- UK Coach awarded an EFQM* five-star rating

The future

- Targeting further passenger growth in UK Coach, UK Bus and ALSA through our digital initiatives
- Growing customer relationships through partnering with third parties to provide extra services such as last mile journey options
- North America: continue to leverage customer reputation to win new business
- Leveraging rail credentials in RME in Germany to win further franchises
- Delivering Excellence programme to embed best practices across the Group and raise standards further
- Continue to draw on our international reputation for excellence to expand in new markets

Measuring our progress

Metric: Revenue growth (%)



Metric: Revenue growth (%)

KPI definition

Revenue growth year on year on a constant currency basis

Comment

Strong revenue growth driven by particularly strong performances in our overseas businesses, through both organic growth and acquisitions

Risks

- Delivery of service standards
- Managing disruption to services
- Concession and contract renewal
- Managing stakeholder relationships eg. to improve transport infrastructure

* European Foundation for Quality Management – recognises operational excellence and awards ratings to businesses based on a number of criteria, including quality of leadership and strategic direction together with development and improvement of people, partnerships and processes in order to deliver value-adding products and services to their customers



Delivering Excellence best practice programme

Newly launched, the Delivering Excellence programme looks to take the best practice learnings both from within the business and across the industry, and embed and apply these practices throughout in order to deliver excellence, helping to raise standards and drive efficiencies and returns. The Delivering Excellence team focuses on specific projects to drive improvement and is currently working on driver training, driver recruitment and workforce planning.

Deployment of technology

Utilising technology to raise customer and safety standards and drive efficiencies in our business

Performance

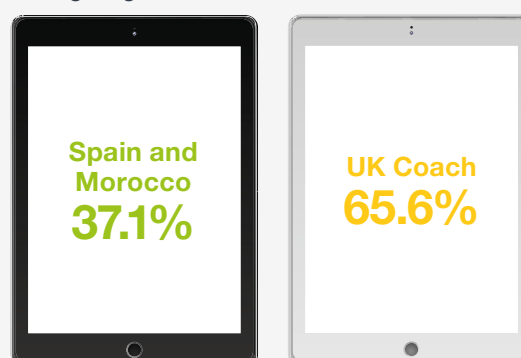
- Continued investment in new mobile websites and ticketing apps driving higher online transactions, conversion rates and lowering costs – eg. 40% growth in mobile transactions in ALSA and a 3% increase in the conversion rate for UK Coach
- Fully installed our real-time revenue management system in our Spanish and UK Coach businesses
- Lytx DriveCam technology fully implemented in UK Coach, and being installed in UK Bus, ALSA and North America; already delivering a reduction in the number of collisions and associated costs
- UK Bus launched mobile ticketing, providing more convenient methods of payment for our customers
- New complimentary 'infotainment' system, VUER, launched on our UK coaches, providing enhanced services for our customers

The future

- New RMS systems in Spain and UK Coach to drive growth in revenue, profit and incremental demand in 2017 and beyond
- Contactless payment in UK Bus in 2017
- Further roll-out of Lytx DriveCam across our businesses, including our North America School Bus and Transit businesses
- Further enhancements to websites and apps

Measuring our progress

Percentage of sales transacted through digital channels



Metric: Proportion of sales online (%)

KPI definition

Percentage of sales transacted through digital channels

Comment

Significant growth in the proportion of sales through online channels in ALSA, up 15% in 2016 and now representing 37% of sales in Spain and Morocco

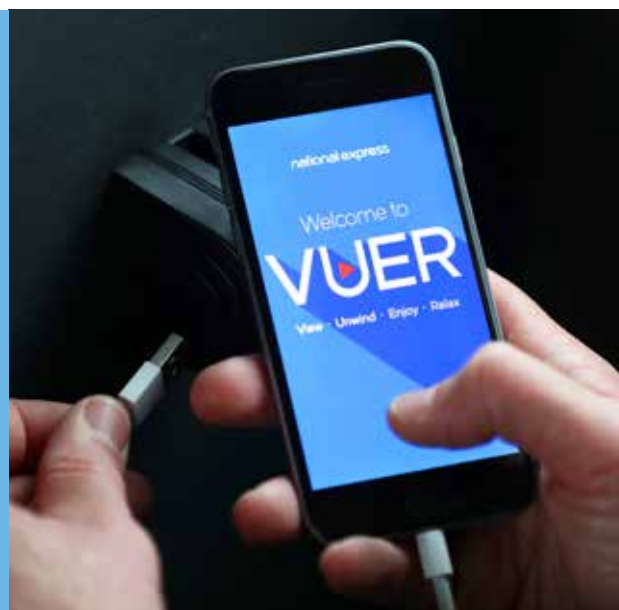
Risks

- Implementation risk with the introduction of new IT programmes and systems

Extra services for customers

In 2016, National Express was the first UK coach company to launch an innovative digital 'infotainment' news and entertainment system on our UK coach network – VUER – offering films, TV and magazines to our on-board customers accessed through WiFi on their tablets and smartphones.

The service also provides tracking capability which enables passengers to keep friends and family updated with their journey progress and likely arrival times.



Our strategy at a glance continued

Driving our business forward

Growing our business through acquisitions

We continue to look to grow our unique portfolio of international bus, coach and rail businesses through selective bolt-on acquisitions

Performance

- Acquired 11 bolt-on acquisitions in the year:
 - Eight in North America, including five school bus businesses (two of which include transit operations), two shuttle, private hire and paratransit businesses and Ecolane, a planning and software provider
 - Two in ALSA: a regional bus business in Ibiza providing entry into a new regional market and a Swiss public and private transfer operator in the ski and alpine tourist market
 - Acquisition of a private hire coach company in the UK
- Successful integration of acquisitions, delivering ROIC of at least 15%
- Newly acquired paratransit planning and scheduling software provider, Ecolane, already securing new contract wins and opening up new market opportunities

The future

- Further selective bolt-on acquisitions especially in North America and Spain where we can extend our offering into new regional markets or build further scale in existing markets/locations

Measuring our progress

Metric: ROIC on acquisitions

KPI definition

Percentage return on invested capital

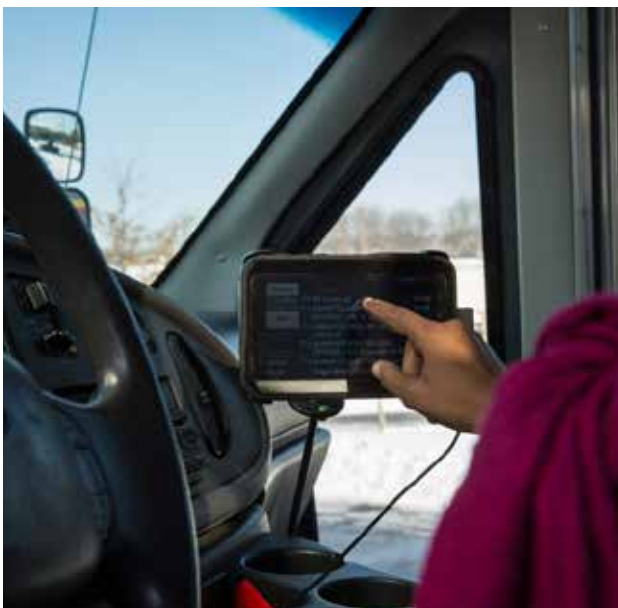
The acquisitions made in 2015 have delivered ROIC of between 15% and 20%

Comment

We maintain a disciplined approach to investing and target a ROIC above our cost of capital, typically targeting returns of 15% or above

Risks

- Winning new business on attractive economic terms
- Integration risk
- Losing key personnel post acquisition
- Appropriately skilled management team to identify acquisition opportunities



Opening up new market opportunities

In 2016, National Express acquired Ecolane, a planning and scheduling software provider in the paratransit market, which provides us with a market-leading bespoke technology platform for our businesses and strengthens our credentials in this market. Already we are seeing significant new contract wins and we also see the potential for this technology to be rolled out to other parts of our business, creating efficiencies and helping to reduce costs.

Diversification into complementary markets

We continue to look at opportunities to diversify into new markets that are complementary to our existing businesses and are fast growing, urbanising and seeing liberalisation

Performance

- First full year of German rail operations, with RME delivering punctuality and operational improvements versus the previous operator
- Submitted a bid to operate the Casablanca Tramway
- Submitted a bid to operate urban buses in Singapore
- Entered the ski and alpine tourist market in Switzerland, a new geography and market for us

The future

- Building on our strong credentials through our focus on delivery of operational excellence:
 - Looking at other markets in Europe and Asia across a number of travel modes
 - Seeing other opportunities for expansion in the Middle and Far East, building on our presence in Bahrain
 - Building on our rail credentials in Germany to enter new markets which are liberalising
 - Further bid wins in German Rail, with around 30 franchise competitions up for tender in the next three years

Comment

Over an extended period, we are targeting entry into at least one new market each year, subject to our disciplined approach to capital returns, although the timing of new market opportunities is likely to fluctuate from year to year

Risks

- Winning new business on attractive economic terms
- Not building sufficient scale in new markets
- Managing operational and safety risks whilst establishing operations in new markets
- Appropriately skilled management team to develop and deliver new opportunities

Entry into Swiss ski market with AlpyBus

We have entered the ski and alpine tourist market with the strategic acquisition of AlpyBus, a transport company providing door to door services to tourists on both a public or shared transport and private transfer basis.

Currently AlpyBus provides services between Geneva and the main ski resorts of Chamonix, Verbier and Morzine. AlpyBus is a well-known brand in the local market and is the market leader in Chamonix.

We see significant opportunities to expand the service offering to other ski resorts in the region, and also to extend the services into the summer season with the summer alpine tourist market, including both the hiking and mountain bike tourist markets as well as the general summer tourist market.

