**Financial highlights**

<table>
<thead>
<tr>
<th></th>
<th>Normalised basis</th>
<th>IFRS basis</th>
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<tbody>
<tr>
<td><strong>Group revenue (£m)</strong></td>
<td>£2,103.7m</td>
<td></td>
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<tr>
<td><strong>ROCE (%)</strong></td>
<td>11.9%</td>
<td></td>
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<tr>
<td><strong>Dividend per share (p)</strong></td>
<td>12.28p</td>
<td></td>
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<tr>
<td><strong>Free cash flow (£m)</strong></td>
<td>£138.6m</td>
<td></td>
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<tr>
<td><strong>Operating margin (%)</strong></td>
<td>10.4%</td>
<td></td>
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<tr>
<td><strong>Operating profit (£m)</strong></td>
<td>£219.0m</td>
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**Summary of results 2016**

- Group revenue increased by 10.6% to £2.10 billion on a constant currency basis; up 20.0% on a reported basis (2015: £1.75bn)
- Group normalised operating profit up 4.8% to £219.0 million on a constant currency basis (2015: £191.8m)
- Group normalised profit before tax rose by 14.6% to £170.1 million (2015: £148.4m)
- Statutory Group profit after tax grew by 10.0% to £120.0 million (2015: £109.1m) with no exceptional items in either 2016 or 2015
- Year on year normalised EPS growth of 16.7% to 27.3 pence (2015: 23.4p)
- Net debt increased by £133 million to £878 million, reflecting £116 million spent on acquisitions and growth capital expenditure and the retranslation of debt
- Group ROCE increased to 11.9% (2015: 11.7%)
- Free cash flow of £138.6 million, £27.6 million ahead of last year (2015: £111.0m)
- Full year proposed dividend of 12.28 pence, up 8.4% year on year (2015: 11.33p)
A global transport portfolio with a growing customer base

The Group operates in the UK, Continental Europe, North Africa, North America and the Middle East and at the end of the year we employed over 45,000 people and operated over 29,000 vehicles. Passengers made a record 921 million journeys on our services in 2016. The National Express name first appeared on UK coaches in 1972, and the Company was listed on the London Stock Exchange in 1992.
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<tbody>
<tr>
<td>Spain</td>
<td>Bus &amp; Coach</td>
<td>ALSA</td>
<td>£597.3m</td>
<td>£502.2m</td>
<td>£84.7m</td>
<td>£71.5m</td>
</tr>
<tr>
<td>North America</td>
<td>Bus</td>
<td>Durham School Services, Stock Transportation, Petermann, National Express Transit</td>
<td>£877.2m</td>
<td>£683.2m</td>
<td>£84.0m</td>
<td>£66.8m</td>
</tr>
<tr>
<td>UK</td>
<td>Bus</td>
<td>National Express West Midlands, National Express Coventry, Xplore Dundee, Midland Metro</td>
<td>£286.8m</td>
<td>£286.4m</td>
<td>£35.5m</td>
<td>£37.5m</td>
</tr>
<tr>
<td>UK</td>
<td>Coach</td>
<td>National Express, Eurolines, The Kings Ferry, Clarke's of London</td>
<td>£282.8m</td>
<td>£281.2m</td>
<td>£33.3m</td>
<td>£32.3m</td>
</tr>
<tr>
<td>Rail</td>
<td></td>
<td>National Express Rail Germany</td>
<td>£61.3m</td>
<td>£2.4m</td>
<td>*(£1.5)m</td>
<td>*(£0.3)m</td>
</tr>
</tbody>
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*German rail only

ALSA is the leading company in the Spanish road passenger transport sector, and was acquired by National Express in 2005. With over 100 years’ experience, it operates long-distance, regional and urban bus and coach services across Spain and in Morocco. Apart from its bus and coach services, the business also operates service areas and other transport-related businesses, such as fuel distribution.

Our business in North America has two areas of activity: student transportation and transit services. We operate in 34 US states and four Canadian provinces. The student transportation business operates through medium-term contracts awarded by local school boards to provide safe and reliable transport for students, and is the second largest private operator in North America. Our transit business operates a number of transit and paratransit services across the USA.

National Express is the market leader in the UK’s largest urban bus market outside of London. Services are operated from nine garages across the West Midlands. We also run urban bus services in the cities of Coventry and Dundee. In addition, we operate the Midland Metro light rail service between Birmingham and Wolverhampton.

National Express is the largest operator of scheduled coach services in the UK. The business operates high frequency services linking more than 900 destinations across the country. We are the UK partner in the Eurolines network, which serves 450 destinations across Europe. The Kings Ferry and Clarke’s of London are also part of the UK Coach business and are both long-established providers of private hire and commuter coach travel services in London and the south of England.

We operate the Rhine-Münster Express and the Rhine-Wupper-Bahn contracted rail services in Germany, and we have been awarded two further contracts to operate Rhine-Ruhr Express services, the first starting in June 2019 and the second in December 2020. Until February 2017, we operated the c2c franchise, which serves London and South Essex. We completed the disposal of c2c to Trenitalia on 10th February 2017. The c2c franchise is shown within discontinued operations in the Financial Statements for 2016.
Dear fellow Shareholder

Chattanooga tragedy
The tragedy in Chattanooga, Tennessee in November shocked and saddened us all. The thoughts of everyone at National Express remain with the families and friends of those six children who so tragically lost their lives at such a young age, and the others who were injured.

The Executives’ response was swift and comprehensive. Dean Finch was in Chattanooga within 20 hours of hearing of the accident, and met by senior members of the North American division’s management team. He provided a detailed report to the Board within 48 hours, and this and the ongoing response has been discussed extensively at both the Safety & Environment Committee and the full Board. The Board is satisfied with the speed and depth of management’s response and we will learn any necessary lessons and implement any appropriate changes that the ongoing investigations identify.

Business performance
While this tragic accident will live long in our memory, I am pleased that in 2016 the Group’s performance has again been very strong. With revenue, profit and free cash flow all growing again, I believe we are seeing the benefits of the consistent delivery of and rigorous focus on our strategy.

It is very encouraging that we continue to combine both organic growth with secure significant acquisitions that deliver strong returns. I believe we have developed a particular strength across the Group in identifying new acquisition targets and integrating them to deliver excellent services and efficiencies, especially through synergies.

We have also recently completed the sale of c2c to Trenitalia. The Board considered this sale very carefully and judged both the offer from Trenitalia and the new investment opportunities presented by the income it would generate as representing the best value for shareholders.

Dividend
It is because of the continued strength of our performance, especially with free cash flow again beating our target, and our positive outlook, that the Board has recommended a 10% increase in the final dividend, bringing the full year dividend to 12.28 pence. Subject to approval by shareholders, this will be paid on 19 May 2017 to shareholders on the register on 28 April 2017.

Board
Matthew Ashley will be moving to become the President and Chief Executive officer of our North American division, following David Duke’s long-planned retirement. I am delighted that we are able to draw on existing senior management and enhance Matthew’s experience within National Express. Equally, it is very pleasing that David has agreed to remain as a senior counsel to Matthew, retaining his experience and nationwide connections in an advisory capacity. Matthew will move to North America after the AGM in May, and take over fully from David in September. Matthew will remain a member of the PLC Board.

I am pleased to welcome Chris Davies, who will replace Matthew as Group Finance Director. Chris will join National Express in early May and join the Board after the 2017 AGM. Chris joins us from Inchcape plc, where he has been Group Financial Controller and Treasurer since 2013, and brings significant international financial experience.

I look forward to continuing to work with Matthew and welcome Chris to National Express. I should also like to again thank David Duke – and also our Managing Director, Rail, Andrew Chivers, who retired at the end of 2016 after 16 years with us – for their significant contributions to National Express and wish them all the best for the future.

Sir John Armitt CBE
Chairman
23 February 2017

Governance highlights
- Strong governance is a foundation stone for a healthy corporate culture of values, attitudes and behaviours demonstrated by a company, not only within its operations but also in its relations with its stakeholders and the wider community and environment affected by a company’s conduct
- The way we live and breathe our culture can be seen by how our Values are becoming increasingly embedded across our businesses and how they underpin our business model and strategy of delivering long-term shareholder value

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