

# Measuring our progress

## Financial

<p><b>NORMALISED OPERATING PROFIT</b> 2018: £257.7m</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Profit (£m)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>217.5</td> </tr> <tr> <td>2017</td> <td>241.5</td> </tr> <tr> <td>2018</td> <td>257.7</td> </tr> </tbody> </table>	Year	Profit (£m)	2016	217.5	2017	241.5	2018	257.7	<p><b>FREE CASH FLOW</b> 2018: £198.6m</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Free Cash Flow (£m)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>138.6</td> </tr> <tr> <td>2017</td> <td>146.4</td> </tr> <tr> <td>2018</td> <td>198.6</td> </tr> </tbody> </table>	Year	Free Cash Flow (£m)	2016	138.6	2017	146.4	2018	198.6	<p><b>RETURN ON CAPITAL EMPLOYED</b> 2018: 12.4%</p> <table border="1"> <thead> <tr> <th>Year</th> <th>ROCE (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>11.9</td> </tr> <tr> <td>2017</td> <td>11.9</td> </tr> <tr> <td>2018</td> <td>12.4</td> </tr> </tbody> </table>	Year	ROCE (%)	2016	11.9	2017	11.9	2018	12.4
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<p><b>KPI definition</b> Group normalised operating profit from continuing operations.</p>	<p><b>KPI definition</b> Free cash flow is the cash flow available after deducting net interest and tax from operating cash flow. See reconciliation on page 19.</p>	<p><b>KPI definition</b> Return on capital employed ('ROCE') is normalised operating profit, divided by average net assets excluding net debt and derivative financial instruments, translated at average exchange rates. See reconciliation on page 19.</p>																								
<p><b>Relevance to strategy</b> Key measure of the overall performance of the business.</p> <p>We are focused on driving growth in operating profit in order to drive higher and sustainable returns for our shareholders and providing the platform for further growth for all our stakeholders including our employees, our customers and our partners.</p>	<p><b>Relevance to strategy</b> Strong cash generation provides the funding to invest in initiatives to drive our strategy.</p> <p>This focus on strong cash generation ensures that we are running the business efficiently, converting profit to cash to enable investment into the business and returns to shareholders, and providing the platform for further growth for all our stakeholders including our employees, our customers and our partners.</p>	<p><b>Relevance to strategy</b> Demonstrates how efficiently the Group is deploying its capital resources and generating operating profit.</p> <p>A focus on ROCE ensures that we maintain a disciplined approach to capital investment and continue to invest in those areas in which we deliver the best returns. This ensures that we maximise returns to shareholders for the capital they invest.</p>																								
<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>Record Group normalised operating profit, up 7.7% in constant currency and 6.7% on a reported basis</li> <li>Growth being delivered both organically and through acquisitions</li> </ul>	<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>Normalised operating cash flow of £253 million, up £42 million on 2017</li> <li>Generated a record £199 million of free cash, £52 million higher than last year</li> <li>Generated over £785 million of free cash flow in the last five years</li> </ul>	<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>ROCE has increased to 12.4%, reflecting the accretive impact of our high return acquisitions</li> <li>Invested £124 million of net maintenance capital, predominantly in replacing our fleet in our existing operations</li> <li>Invested £6 million in growth capital expenditure to support growth in digital and e-commerce initiatives and mobilisation costs in German Rail</li> <li>Strong returns generated by our recent acquisitions, with acquisitions delivering returns of at least 15%</li> </ul>																								
<p><b>Remuneration linkage</b> Group normalised profit before tax is one of three bonus inputs within the Executive Directors' annual bonus structure.</p>	<p><b>Remuneration linkage</b> Free cash flow is one of three bonus inputs within the Executive Directors' annual bonus structure.</p>	<p><b>Remuneration linkage</b> ROCE is one of the performance conditions for the Long-Term Incentive Plan.</p>																								

## Non-financial

<p><b>SAFETY – FATALITIES AND WEIGHTED INJURIES ('FWI')</b> 2018: 9.291</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>FWI</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>17,085</td> </tr> <tr> <td>2017</td> <td>8,574</td> </tr> <tr> <td>2018</td> <td>9,291</td> </tr> </tbody> </table>	Year	FWI	2016	17,085	2017	8,574	2018	9,291	<p><b>PASSENGER JOURNEYS</b> 2018: 898.2 million</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Passenger Journeys (million)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>871.3</td> </tr> <tr> <td>2017</td> <td>882.1</td> </tr> <tr> <td>2018</td> <td>898.2</td> </tr> </tbody> </table>	Year	Passenger Journeys (million)	2016	871.3	2017	882.1	2018	898.2	<p><b>PERCENTAGE OF SALES THROUGH DIGITAL PLATFORMS</b> 2018: ALSA 42.2%, UK: 51.2%</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>ALSA (%)</th> <th>UK (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>37.10</td> <td>41.4</td> </tr> <tr> <td>2017</td> <td>40.4</td> <td>44.7</td> </tr> <tr> <td>2018</td> <td>42.2</td> <td>51.2</td> </tr> </tbody> </table>	Year	ALSA (%)	UK (%)	2016	37.10	41.4	2017	40.4	44.7	2018	42.2	51.2
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<p><b>KPI definition</b> The Fatalities and Weighted Injuries ('FWI') Index weights injuries by severity to give an overall standard based score.</p>	<p><b>KPI definition</b> 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.</p>	<p><b>KPI definition</b> Sales transacted through digital channels including websites, mobile apps, ticket machines and contactless payment, as a percentage of sales.</p>																												
<p><b>Relevance to strategy</b> Safety is of paramount importance to a public transport operator and is a core measure of our strategic priority: Delivering operational excellence.  Safety is at the heart of our Values and is our priority for both our customers and our employees.  High safety standards also help to drive sustainable growth through customer loyalty and new business wins.</p>	<p><b>Relevance to strategy</b> Growth in passenger journeys is a leading indicator for growing our business and a core measure of our strategic priority: Delivering operational excellence.  Passenger journeys are reflective of underlying demand for travel. National Express is targeting increased passenger ridership as a longer-term driver of sustainable value for both the business and the environment, with public transport a key solution to lowering carbon emissions and easing travel congestion.</p>	<p><b>Relevance to strategy</b> Deployment of technology is one of our strategic priorities and a key driver for raising customer and safety standards together with growing our business and reducing costs.  National Express is targeting increased sales through digital channels, not only to provide more convenient and faster methods of payment and to increase customer loyalty, but also to reduce costs and fraud.  The convenience of mobile/contactless payment also encourages customers to travel more frequently via public transport, which reduces carbon emissions and travel congestion.</p>																												
<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>– in 2018 we saw an 8.3% increase in the FWI score compared with the previous year: however, when adjusting for increased mileage the FWI score was level with the result in 2017</li> <li>– Our North America business saw a significant improvement, recording its lowest ever score and a reduction of 33% on the prior year</li> <li>– 74% improvement in safety performance since the introduction of Driving Out Harm in 2010 (when adjusting for increased mileage)</li> </ul>	<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>– A record number of passengers carried in 2018, with 898 million passengers travelling on our services, up 1.7% in the year</li> <li>– Record number of passengers in UK coach, and in ALSA record passenger numbers in Spain, Morocco and Switzerland</li> <li>– Growth in passengers across each of our businesses</li> </ul>	<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>– Very strong growth in digital sales in UK bus following the launch of contactless payment in 2018, with the proportion of journeys booked through digital channels increasing to 60%</li> <li>– In UK coach proportion of revenue secured through digital channels up by 9.4% over the last two years to 70%</li> <li>– New app launches in ALSA helping to drive digital sales – up 4.4% to 42.2% of sales</li> <li>– Digital revenue now represents 16.3% of Group sales, up 13.3% over the year</li> </ul>																												
<p><b>Remuneration linkage</b> Improvement in FWI is a bonus input within the Executive Directors' annual bonus structure.</p>	<p><b>Remuneration linkage</b> Non-financial targets within the Executive Directors' annual bonus structure typically include a component of personal objectives relating to business development metrics.</p>	<p><b>Remuneration linkage</b> Non-financial targets within the Executive Directors' annual bonus structure typically include a component of personal objectives relating to business development metrics.</p>																												