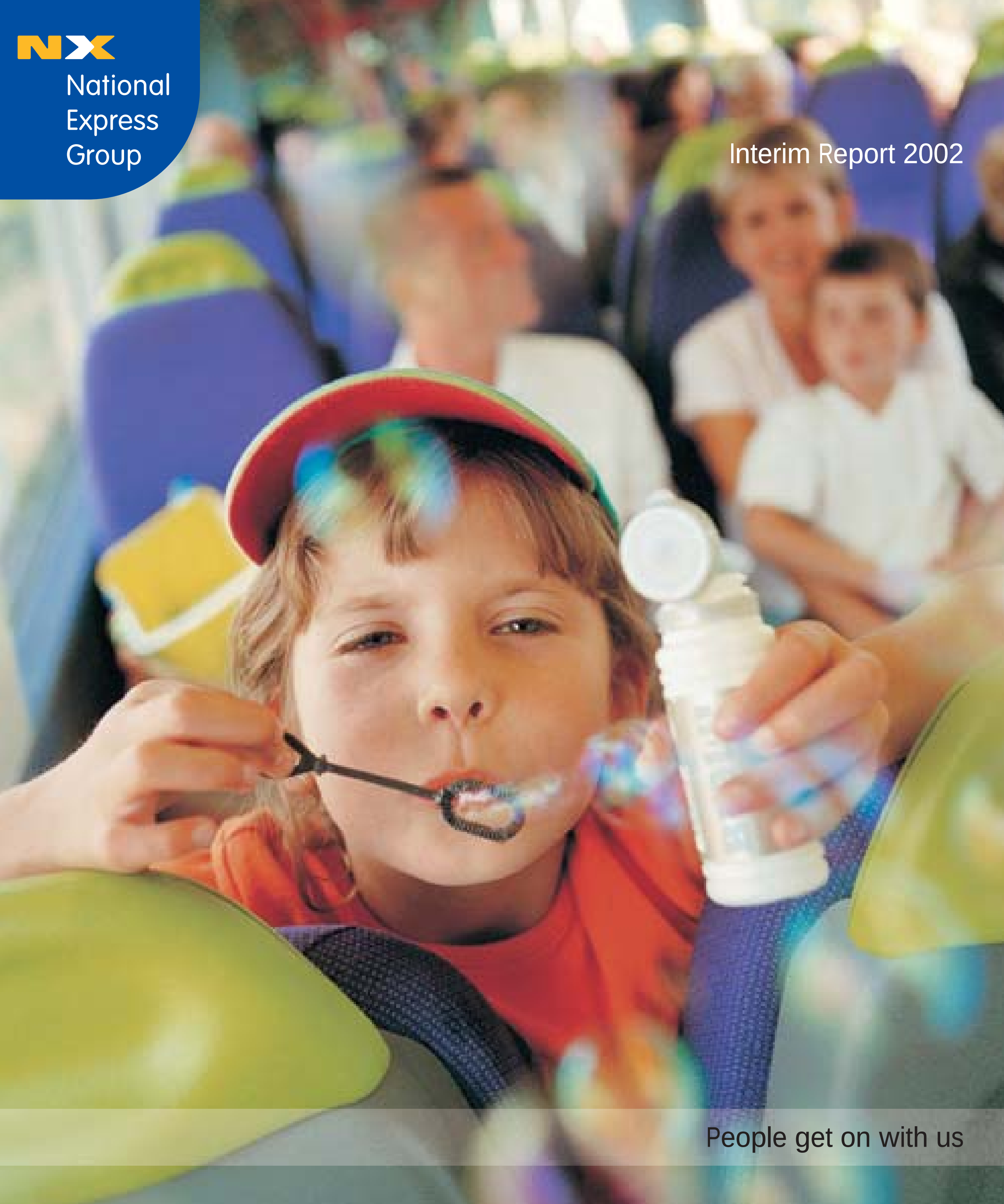
National Express Group

Interim Report 2002



People get on with us

Contents

Stock Transportation is one of the largest operators in the Canadian school bus market

Travel West Midlands operates over 450 bus routes across the West Midlands

Highlights

For the six months ended 30 June 2002

Financial highlights

- Turnover of £1,238.7m (2001: £1,177.1m)
- Normalised profit before tax of £37.2m (2001: £60.5m)
- Normalised diluted earnings per share of 20.8p (2001: 33.7p restated)
- Interim dividend increased 11% to 8.1p (2001: 7.3p)
- Operating cash flow of £105.7m (2001: £82.4m) before net payment to the SRA of £35.1m
- EBITDA interest cover of 8.8 times (2001: 6.4 times)
- Reduction of net debt at 30 June to £321.5m (2001: £370.4m)
- Net gearing 80.2% (2001: 83.3% restated)

Operational highlights

- UK bus margins remain strong
- New terms with the SRA for our Central Trains and ScotRail franchises
- Patronage growth in UK Rail remains soft with London and the South East rail performance severely impacted
- £160m rolling stock order placed for Midland Mainline for delivery from May 2004 and opening of first rail Customer Service Academy in Derby in April
- ScotRail industrial action costing £7m in the period now resolved
- Direct coach sales now account for 45% of sales
- Profits up 8% year-on-year from the North American student bus transportation division
- Entry into the Canadian student bus market with the acquisition of Stock Transportation
- Negotiations with the Victorian Government relating to our Australian tram and train businesses are progressing; and
- Investment levels maintained to fund further growth of the business through new facilities and technology for the future

Front cover: c2c's train service provides vital city to coast services

Chairman's statement

I would like to convey my sincere condolences to the families and friends whose loved ones were lost or injured as a result of the accident at Potters Bar on 10 May, which involved Wagn, one of our train operators. In addition, I would like to thank all our employees, the emergency services and our industry partners who worked well together to return operations to normal. This was the most serious train accident that the Group has ever experienced and it was a difficult time for all those involved.

During the first half of the year our UK bus, coach and North American student bus operations performed well. However, as anticipated earlier in the year the performance of our UK trains and Australian divisions was disappointing.

As a result of 11 September we have seen an impact on our train operations as well as a significant increase in insurance costs. We continue to protect our exposure to fuel price fluctuations through an active hedging programme.

In the UK bus industry we are pleased that, together with our industry partners and other stakeholders, we are making progress in delivering further Quality Partnerships.

Earlier this year we agreed new terms for our Central Trains ("Central") and ScotRail franchises with the Strategic Rail Authority ("SRA"). This has enabled us to maintain existing levels of service. However, industrial action, infrastructure upgrades and maintenance work across the network continue to affect the financial and operational performance of our franchises. We are currently discussing these issues with the SRA. Overall results were lower than last year due to disappointing rail patronage failing to offset the reduction in franchise grants and compensation received last year from Railtrack which has particularly affected our operations in London and the South East.

Our coach division progressed well in the first half and on-line sales continued to grow.

We have made good progress in our North American student bus division and have entered the Canadian school bus market through the acquisition of Stock Transportation ("Stock"). Stock exemplifies the qualities that we seek in any acquisition; critical mass, a well respected brand, stability of earnings as well as quality management. I welcome the Stock team to the Group. Public transit remains a challenge in light of increased insurance costs and industrial action, however, we continue to maximise the operating synergies to offset these rising costs.

In Australia we have been focusing on the negotiation of new arrangements for our train and tram businesses and in February we announced an interim payment of £16.5m (A$45.9m) from the Victorian Government for these businesses. In mid-August we commenced negotiations for a new contract for V/Line Passenger, our country rail franchise in Victoria, and negotiations continue with Victorian Government on our remaining two franchises.

We continue to benefit from the cash generative nature of the Group and look for opportunities which will afford us growth in the medium to long term. I believe that a number of the developments highlighted will position us well for the future.

Financial report

Turnover for the six months to 30 June 2002 was £1,238.7m (2001: £1,177.1m). Operating profit from continuing operations before exceptional costs and the amortisation of goodwill was £49m (2001: £76.8m). Profit before tax, exceptional costs and goodwill was £37.2m (2001: £60.5m).

Normalised diluted earnings per ordinary share were 20.8p (2001: 33.7p restated).

At 30 June, EBITDA interest cover was 8.8 times (2001: 6.4 times). Cash generation from operations during the first six months remained strong at £105.7m (2001: £82.4m) before a net payment of £35.1m to the SRA for the Central and ScotRail settlement agreed earlier this year. Net debt at 30 June reduced to £321.5m (2001: £370.4m) and net assets were £401m (2001: £444.7m restated). Gearing at 30 June was 80.2% compared with 83.3% at the same time last year.

Dividend

An interim dividend of 8.1p per ordinary share, an increase of 11% over the 2001 interim dividend of 7.3p, will be paid on 18 October 2002 to shareholders on the register on 27 September 2002. This increase reflects our confidence in the future long term prospects of the Group.

Current trading and outlook

We have experienced a challenging six months. We are addressing the profitability of our trains division and the on-going issues relating to the rail infrastructure whilst continuing to focus on attracting patronage back onto the network. In addition, we have continued our negotiations with the Victorian Government to put our Australian rail franchises on a firmer longer term financial footing.

Trading is good in our UK bus, coach and North American student bus operations. We continue to address the issues within our trains division and I am encouraged by our continuing strong cash flow.

Michael Davies Chairman
17 September 2002

Chief Executive's review of operations

Buses

Travel West Midlands is the UK's largest regional bus company; its fleet of 1,800 buses covers more than 450 routes. It employs 5,400 people and incorporates Travel Dundee and Midland Metro.

Turnover was £102m (2001: £103.1m) with operating profit of £23.8m (2001: £26.5m) following the sale of Bronckaers, our Belgian bus business, in October last year and a £0.5m increase in operating costs due to the change from buying buses to acquiring them on operating leases. This is a trend that we are likely to continue in the foreseeable future. In the period concessionary travel, primarily by senior citizens, was lower but fare paying patronage increased. We continue to make steady progress with strong margins despite the major construction work in Birmingham city centre.

We are focusing on the provision of a comprehensive network and quality services. We offer the lowest fares outside London supported by a wide range of travelcards, state-of-the-art easy access vehicles and high frequency which makes our services appealing to a broad range of customers.

We are pleased that all our existing Quality Partnerships are performing well and, together with our industry partners and other local and Central Government stakeholders, we are starting to deliver more schemes. As we have demonstrated in the West Midlands, Quality Partnerships provide a package of new low-floor vehicles, bus priority measures and improved customer information systems which improve our overall product and deliver double-digit patronage growth. Also we launched our second scheme in Dundee.

We have invested in the redevelopment of depots in Dundee and Walsall. We continue to work with local partners, such as retailers to promote new shopping destinations and the West Midlands Police to tackle crime, vandalism and graffiti on buses.

Over half of our drivers have registered for an NVQ with nearly 40% having full accreditation. This compares to the national figure of 31%.

Within the bus division insurance claims and therefore costs have increased over the period, and we are taking action to ensure that this trend is reversed. Our five-year pay deal and fuel hedging have helped stabilise our other major costs.

The second half of this year has started well and we believe that increased stability to services will be achieved during 2003 when construction work in the city centre of Birmingham is completed and new retail stores open. In addition, we look forward to the roll-out of further Quality Partnerships.

Trains

We are the largest operator of train franchises in the UK. We operate c2c, Central Trains, Gatwick Express, Midland Mainline, ScotRail, Silverlink, Wagn, Wales & Borders and Wessex. The division employs 15,000 people.

	Turnover		Operating profit/(loss)	
	2002 £m	2001 £m	2002 £m	2001 £m
London and the South East	**246.2**	249.0	**5.6**	34.4
Long Distance / Intercity	**67.7**	58.8	**5.1**	4.9
Regional Services	**395.4**	345.2	**(5.7)**	(20.2)
Other	**18.5**	19.6	**(0.9)**	1.2
Total	**727.8**	672.6	**4.1**	20.3

Total turnover, including franchise receipts, rose 8.2% to £727.8m (2001: £672.6m) and operating profit before goodwill and exceptional costs was £4.1m (2001: £20.3m). The profitability of our trains division was affected by the lack of growth in rail patronage, a reduction in franchise grants, industrial relations activity and lower compensation payments from Railtrack.

Overall, within the period there was little improvement in leisure traffic and there has been no real growth across the network for 18 months. We actively continue to stimulate the leisure market to restore growth. We welcome the SRA's Fare Regime review as profitability on certain routes can only be achieved by a change to the industry pricing structure.

In early March we announced that we had agreed new terms with the SRA for our Central and ScotRail franchises which increased the subsidy and consequently these franchises were forecast to break-even until the end of their franchise periods in early 2004. However, we retained revenue and cost risk. Subsequently industrial action at ScotRail has cost £7m to date in lost revenue and increased costs. In addition, current industrial action across the rail network, which is impacting on Central's services, the continuing decline in leisure traffic and on-going infrastructure maintenance issues, where performance is still not consistently back to pre-Hatfield levels, have combined to put these two franchises back into losses. As a result we have recommenced negotiations with the SRA about the future of these franchises. Last month's announcement by the SRA that the West Coast Main Line ("WCML") will be closed for significant 17 week periods in both 2003 and early 2004 will impact further on the financial performance of Central and the ScotRail sleepers, which we are also discussing with the SRA.

We believe opportunities will be created through the SRA's refranchising programme and we anticipate that our current portfolio of businesses will change. We will, however, only be bidding on the basis that any new arrangements will provide sufficient returns to reward the risks involved. In the meantime we continue to discuss a two-year franchise extension for Central with both the SRA and Centro.

At the beginning of July we submitted our initial bid for the Wales & Borders franchise and are waiting for the start of the Best and Final Offer period, which we expect in the Autumn. We also responded to the SRA consultation on the future of our Wessex franchise, the findings of which are due shortly.

We await the start of the formal bidding timetable for Greater Anglia and the SRA's proposals for Silverlink in view of the WCML upgrade.

Through joint industry boards we continue to liaise with Railtrack and other industry partners to limit the impact of maintenance work on the network. We look forward to working with the new team at Network Rail. We continue to work with Railtrack on reducing the number of infrastructure related issued on the network.

The first few months of the second half of the year has been impacted by increased work by Railtrack and the industrial relations unrest on parts of the network. These will affect the profitability of our trains division during the second half.

London and the South East

Turnover for the six months was £246.2m (2001: £249m) with an operating profit of £5.6m (2001: £34.4m). Across the sector, patronage was up but revenue was down due to the industry pricing structure. Operating profit has dropped sharply year-on-year due to a combination of increased train leasing charges at c2c, the significant reduction in WCML, Hatfield compensation payments at Silverlink and the reduction in patronage at Gatwick Express.

On c2c, performance has been encouraging as issues with the new rolling stock have been resolved. We have been focusing on growing off-peak patronage although the year-on-year effect has been to increase rolling stock leasing charges by £6.7m.

Following 11 September Gatwick Express' profitability was severely impacted and patronage was 12% down on last year. This was the result of a reduction in scheduled traffic at Gatwick Airport primarily due to British Airways' implementation of its "Future Size and Shape programme". Consequently, we are extending our association with the low-cost airline operators who have moved into Gatwick Airport and completed an exclusive internet sales deal with EasyJet. Discussions with other low-cost operators are on-going.

Whilst patronage, particularly off-peak, has increased on Silverlink, the reduction in compensation from Railtrack compared to last year has resulted in a drop in profitability. On-going WCML work will continue to impact on Silverlink services moving forward.

Wagn's performance was impacted severely following Hatfield and, most recently the accident at Potters Bar. We are focused on improving the quality of Wagn's services. However, considerable infrastructure under-investment by Railtrack, which we are seeking to address, and an historic backlog of driver recruitment and training, which we will have rectified by October, continues to impact on services. The Stansted Express is being impacted by the West Anglia Route Modernisation engineering work.

We note the SRA's recent announcement in relation to the extension of the Thameslink franchise to 2009 and will be discussing the ramifications of this in relation to our Great Northern franchise with the SRA.

Long Distance/Intercity

Turnover for the six months was £67.7m (2001: £58.8m) with an operating profit of £5.1m (2001: £4.9m). Within this sector, some growth was achieved.

In February we announced the signing of a £160m order for the manufacture and supply of 23 new trains for our MML franchise and the new fleet will come into service gradually from May 2004.

At the beginning of April we extended our investment in our trains divisions when Richard Bowker, Chairman of the SRA, opened our new £2m Customer Service Academy in Derby, the first such training facility in the UK. This facility will become a centre of excellence to train staff across our rail division.

Following the SRA and Railtrack's decision not to proceed with the proposed £60m infrastructure upgrade that was part of the MML franchise extension to 2008, we agreed in July that the £60m would be invested in other customer service improvements. These include the refurbishment of 13 high speed trains within the existing fleet as well as improved customer information systems and first class lounges at Derby and Leicester stations. We have also recently launched a real-time train information service via the mobile phone network which enables customers to request specific information on train arrival and departure times.

Regional Services

Turnover for the six months was £395.4m (2001: £345.2m) with an operating loss of £5.7m (2001: £20.2m).

Regional services provide a vital role in the lives of many communities but their lack of profitability requires increasing on-going subsidy support in the long term if the existing levels of services are to be maintained. Patronage continues to be affected as a result of reduced leisure traffic and on-going industrial action across parts of the network.

Earlier this year, to address the financial issues at Central and ScotRail following Hatfield, we were successful in reaching an agreement with the SRA. However, an industrial relations dispute at ScotRail with ASLEF resulted in the introduction of an emergency timetable and subsequent strikes which cost £7m in the period. We resolved this dispute at the end of March with a package funded by productivity improvements.

At Central on-going maintenance of the rail infrastructure continues to disrupt services with more demands from Railtrack for engineering work which is taking longer to complete. In addition, the WCML and Virgin Cross Country upgrades are impacting on punctuality of services. The recently announced two 17 week closures in the summer of 2003 and early 2004 will inevitably have an adverse effect on patronage across the franchise. This is further compounded by a reduction in patronage due to industrial action across parts of the network which connect into Central's services.

These events have prompted us to review the future viability of the franchise and we are currently in discussions with the SRA to resolve this.

We have continued to attract patronage on our Wales & Borders franchise with a 16% increase in patronage on Valley Line services in Cardiff. We managed the transfer of six South Wales mainline stations from First Great Western into the franchise and introduced a range of measures, including a new timetable, to improve punctuality and reliability on the Cambrian Line. We have secured Rail Passenger Partnership Funding for schemes such as CCTV and station improvements, being awarded around 20% of the total available allocation, more than any other train operating company. Moving forward, we have been asked by the SRA to transfer the First North Western services from North Wales into the franchise involving the transfer of 350 staff and 46 stations.

We have also managed the creation of the Wessex franchise out of the former Wales & West franchise. Patronage improvements have been achieved in the Bristol and Exeter areas and good relationships have been formed with a wide range of stakeholders.

We continue to focus on improving safety across the division. Good progress is being made with the implementation of Professor Uff's and Lord Cullen's recommendations, following their inquiries into the accidents at Southall and Ladbroke Grove.

The Train Protection and Warning System ("TPWS") fitment programme continues on target and all the rolling stock used by c2c, Gatwick Express and MML is now equipped. Over 70% of our fleet has been completed to date and we anticipate that the whole of our fleet will be fitted by the end of 2003.

Other

Turnover for the six months was £18.5m (2001: £19.6m) with an operating loss of £0.9m (2001: £1.2m profit).

Qjump.co.uk, our rail on-line ticketing service, continues to make good progress following partnerships with Multimap, BT Openworld and Expedia.

We were pleased to receive ISO14001 accreditation at two of Maintrain's depots, which will help make it more competitive in bidding for new maintenance work.

Coaches

The coach division provides Britain's only scheduled express coach network and serves more than 1,200 destinations. AirLinks, the airport coach service, operates premier, high-frequency scheduled coach services between all the UK's major airports, as well as airside coaching services. Eurolines offers value-for-money European travel by coach. The division has 2,000 employees.

Turnover was £84.2m (2001: £85.4m) and operating profit £2m (2001: £1.9m). The division produced a good performance in the first six months, despite a reduction in volumes following last year's boost due to rail disruption.

Direct sales now account for 45% of sales reducing the need for third party ticket agents. Sales via the web doubled year-on-year as new features such as e-ticketing were added to the service. A quarter of all our internet sales use e-ticketing and we are actively growing this distribution channel, which has already been successfully exploited by the budget airlines. As planned, a gradual streamlining of our three call centres into the new facility in Birmingham was completed with the move of Eurolines UK reservations from Luton.

During the year, the quality and service provision on key corridor routes was reviewed and new services to Cambridge and Stansted airport are being introduced.

In March, the new 28,000 sq ft Manchester coach station was opened by the Rt Hon John Spellar MP, Minister for Transport. Since then there has been an 11% increase in patronage through the facility assisted by the Commonwealth Games traffic.

We continue to focus on the needs of our customers, particularly the less able. In March we introduced four specialist wheelchair accessible coaches on the Bath to London route, in partnership with the DTLR, with a further three scheduled for delivery this year. In addition, we have launched our own Code of Practice for travellers with special needs.

At AirLinks, scheduled airport services and landside and airside services have improved following the downturn post 11 September, and we have reduced the cost base of this business to maintain profitability.

The "Well Driven" scheme continues to provide valuable feedback on driving standards and accident rates within the coach division have been reduced over the past six months.

Eurolines continues to perform well despite the ever competitive low-cost airlines and increased costs relating to the policing of illegal immigrants. To bring more focus to our UK operations, we sold Eurolines Holland to our partner Eurolines France at the end of July.

The peak summer season has gone well and the increased use of our direct sales channels is both encouraging new users and increasing margins.

North America

The North American division consists of student transportation, transit operations and Stewart Airport in New York State. Following the acquisition of Stock Transportation, the student transportation division employs 14,000 people, provides services in more than 300 school districts and local transit authorities in 30 states and two Canadian provinces. It operates a fleet of 13,800 vehicles.

	Turnover 2002 £m	Turnover 2001 £m	Operating profit 2002 £m	Operating profit 2001 £m
Student	**114.9**	109.6	**19.2**	17.8
Public Transit (including Stewart Airport)	**96.5**	92.9	**0.3**	4.2
Total	**211.4**	202.5	**19.5**	22.0

Turnover for the first six months was £211.4m (2001: £202.5m) and operating profit was £19.5m (2001: £22m). These results do not include a contribution from the Stock acquisition which was completed in early July for £74.3m (C$170m).

We were pleased with the performance of the student transportation division and particularly the acquisition of Stock Transportation, Canada's largest privately owned school bus business. Stock operates more than 2,200 buses with over 80% of its operations in Nova Scotia and Ontario, Canada. It employs more than 2,600 people and operates 33 contracts. With over a third of its contracts being "evergreen" rolling contracts, stability of earnings will be maintained. Working alongside the Stock management, we believe there is further scope for growth in the Canadian marketplace.

Whilst price competition continued to be a feature of the bid season, we concentrated on improving the margins on our existing contracts and winning new contracts at higher margins. Under these parameters we retained contracts which expanded the Durham School Services fleet by 250 vehicles during the year to accommodate contract wins. Significant new contracts were won in Seattle, WA, Baltimore, MD and Los Angeles, CA.

As anticipated, we experienced increased insurance costs arising from the aftermath of 11 September. All insurance costs including fleet, workers' compensation and employee health have increased over the year. We continue to seek ways to address these increased costs, however, we anticipate that these levels will continue to be the norm longer term. We have already employed aggressive safety education and training processes throughout the operating divisions to mitigate total insurance costs by reducing accidents and controlling claims settlement costs.

The profitability of our public transit division was severely impacted by these increased insurance costs as well as industrial action in Las Vegas. We continue to review the costs within this division and have launched a fundamental review of the overheads including a full review of the synergies between the two divisions.

We have appointed a Senior Vice-President with specific responsibility for safety within the North American division. He is supported by a Director of Safety Education and a number of Regional Safety Directors who provide a local focus for safety matters in their area of operations. We are pleased to report that the frequency of incidents is down within public transit whilst the severity of accident claims is significantly down within the student bus operation.

After a particularly difficult six months following 11 September, Stewart Airport was pleased to announce a new contract with Southeast Airlines for services to Florida. These services commenced on 12 September this year.

Our public transit division is trading well at the operating level but increased insurance costs and industrial action are affecting the bottom line. Our student bus division continues to perform well and we look forward to building on the opportunities in Canada following the acquisition of Stock. Overall our North American division is in line with expectations.

Australia

In Australia, we are the largest private operator of train, tram and bus services with operations in Brisbane, Melbourne, Sydney and Perth, under the rail brands M>Train, M>Tram, V/Line and the bus brands Blue Ribbon, National Bus Company, Southern Coast Transit and Westbus. 4,500 people are employed by the division.

	Turnover		Operating profit/(loss)	
	2002 £m	2001 £m	2002 £m	2001 £m
Trains and Trams	**84.9**	78.5	**(2.3)**	3.2
Buses	**28.4**	28.2	**1.9**	2.9
Total	**113.3**	106.7	**(0.4)**	6.1

Turnover for our Australian operations totalled £113.3m (2001: £106.7m) with an operating loss of £0.4m (2001: £6.1m profit). The decline in profitability resulted from a decreasing grant relating to our train and tram operations and falling bus patronage in Sydney.

In February, we announced an interim agreement with the Victorian Government in Australia to settle outstanding contractual claims and disputes and to secure the short term viability of our franchises. We received a total payment of £16.5m (A$45.9m) to settle outstanding contractual claims and disputes.

We continue to discuss with the Victorian Government the long term issues relating to our train and tram franchises in Victoria. Working with all the operators, the Government has recognised that the franchise model needs to be changed to reflect the difficulties that all franchise operators have faced. In mid-August the Government announced its intention to work with us to establish a new set of contractual arrangements to 2006 for V/Line Passenger, our country rail franchise. Negotiations in relation to our Metropolitan franchises continue with the Victorian Government with a view to concluding a satisfactory outcome by the end of the year.

We were pleased that the most recent punctuality and reliability figures for the last quarter issued by the Victorian Government confirmed that significant progress has been made across all services, with M>Train recording its highest ever on-time performance at 97.4%. M>Tram has also improved reliability compared to the March 2001 quarter with M>Train and V/Line passenger trains improving their on-time services compared with the same period last year. Despite all the challenges in the three years since privatisation, significant improvements in punctuality and reliability have been achieved and customer satisfaction has risen. We will continue to work closely with the Government and our fellow franchisees to ensure real improvements are delivered to passengers.

We are focusing on the reduction of fare evasion on our Metropolitan franchises through the recruitment of an additional 130 authorised revenue protection officers which takes the number to 240. We have also undertaken a series of high profile blitz campaigns to raise the profile of fare evasion.

We have started to take delivery of 62 new trains and 59 new trams. Our train and tram refurbishment programme involving internal refit and external branding is underway with the completion of 85 units to date. To complement the introduction of new trams, in May we also launched M>Tram's first superstop, providing a safer embarkation point, timetables, real-time information displays and public telephones.

We have conducted several reviews of the safety management systems and the division is implementing a series of action plans designed to improve further the systems and safety performances.

Progress within the bus division was variable. We are pleased with the financial and operational performance of our bus businesses in Melbourne and Perth as well as the performance of Glenorie since its acquisition last December, However, in Sydney there has been a decline in bus patronage across the network. As a result, we are discussing this with the New South Wales Government with the aim of improving profitability. It is likely that the decline in patronage in Sydney will continue into the second half of the year.

We are expecting to conclude our negotiations with the Victorian Government on the future of our train and tram businesses by the end of the year. Trading in our Australian bus division remains difficult and we are taking steps to improve profitability.

Phil White Chief Executive
17 September 2002

Finance Director's review of operations

Half year at a glance

Normalised operating profit from continuing operations was £49m (2001: £76.8m) on turnover of £1,238.7m (2001: £1,170.3m). Normalised diluted earnings per share were 20.8p (2001: 33.7p after being restated for FRS 19). Group operating cash flow remained strong at £105.7m (2001: £82.4m) after a net payment of £35.1m to the SRA. We have declared an increased interim dividend of 8.1p per share (2001: 7.3p).

In UK Trains the operating profit of £4.1m (2001: £20.3m) was significantly lower than last year owing to disappointing rail patronage failing to offset the reduction in franchise grants. In the prior period, compensation received from Railtrack mitigated the revenue shortfall incurred. In UK Bus, increasing insurance costs and the change from buying buses to acquiring them on operating leases has reduced operating profit to £23.8m (2001: £26.5m). The North American division also suffered from rising insurance costs, particularly in the Public Transit business and as a result operating profit was £19.5m (2001: £22m). The main impact on the Australian business has been the decreasing grant in our Melbourne tram and train franchises resulting in an operating loss of £0.4m against 2001 operating profits of £6.1m.

Share of operating losses of associated undertakings

The Group share of operating losses from associated undertakings increased to £2.6m (2001: £1.1m) as revenue growth at Eurostar UK and Midland Metro fell below expectations.

Interest

Net interest payable was £9.2m (2001: £16.3m) due to the reduction in net debt following the sale of the airport business for gross proceeds of £241m in March 2001. EBITDA cover before exceptional items improved to 8.8 times (2001: 6.4 times).

Goodwill and exceptional items

Goodwill amortisation increased to £22m (2001: £20.1m restated). Exceptional costs of £0.7m comprise franchise bid costs; exceptional charges in 2001 of £2.6m comprised franchise bid costs (£0.2m) and reorganisation charges (£2.4m).

Tax

The current tax charge on normalised profit before tax, goodwill and exceptional items of £37.2m (2001: £60.5m) was £7.8m (2001: £13m), which represents an effective tax rate of 20.9% (2001: 21.5%). The adoption of FRS 19 "Deferred Tax", increases the overall tax charge by £0.8m and the effective tax rate to 23.0% (2001: 21.5% restated).

The adoption of FRS19 "Deferred Tax" results in an additional 2002 half year tax charge of £0.8m. In addition, goodwill arising in previous years has been recalculated taking account of deferred tax on acquisition, resulting in an increase in the net book value of goodwill on 1 January 2002 of £4.7m, and amortisation of £0.1m in 2002. The net effect reduces profit after tax by £0.9m to £8.1m, basic earnings per share by 0.1p to 6.2p and decreases net assets by £12.7m (2001: £11.5m).

Cash flow and balance sheet

The Group generated £105.7m of operating cash flow (2001: £82.4m), before making a net payment of £35.1m to the SRA. Overall net debt was reduced to £321.5m (2001: £370.4m). Net assets were £401m (2001: £444.7m restated). Gearing at 30 June 2002 was 80.2% (2001: 83.3% restated).

Gross capital expenditure of £59.2m (2001: £63.1m) comprises investment of £14.7m (2001: £11.4m) on UK Buses, £8.7m (2001: £10.4m) within the UK trains division on station enhancements, £1.7m (2001: £6.7m) on UK Coaches, £14.2m (2001: £18.2m) on North American buses and £19.9m (2001: £15.6m) in Australia.

Post balance sheet events

On 4 July 2002, the Group acquired the Canadian school bus operator, Stock Transportation, for a total consideration of £74.3m, payable in cash on completion funded from existing bank facilities. Unaudited normalised pro-forma results for Stock for the 12 months to 31 May 2002 show EBITDA of £11m on turnover of £38m. Goodwill on acquisition is expected to be approximately £50m and will be amortised over 20 years.

Accounting policies

FRS 19 "Deferred Tax" has been adopted as at 1 January 2002 and prior year figures restated to reflect the new policy. Details of the restatement are given in note 1.

We will continue to apply the transitional arrangements of FRS 17 "Retirement Benefits" and plan to adopt the standard in the year ending 31 December 2004.

William Rollason Finance Director
17 September 2002

Independent review report to National Express Group PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2002 which comprises the Group profit and loss account, Group balance sheet, Group statement of cash flows, Group statement of total recognised gains and losses, Reconciliation of movements in Group equity shareholders' funds, Segmental analysis and the related Notes to the interim accounts 1 to 9.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

Ernst & Young LLP
London
17 September 2002

Group profit and loss account

For the six months ended 30 June 2002	Total before goodwill and exceptional items 2002 £m	Goodwill and exceptional items 2002 £m	Total 2002 £m	Total before goodwill and exceptional items 2001* £m	Goodwill and exceptional items 2001* £m	Total 2001* £m	Audited year to 31 December Total 2001* £m
	Unaudited six months to 30 June						
Turnover							
– continuing operations	**1,238.7**	**–**	**1,238.7**	1,170.3	–	1,170.3	2,457.4
– discontinued operations	**–**	**–**	**–**	6.8	–	6.8	6.8
Turnover	**1,238.7**	**–**	**1,238.7**	1,177.1	–	1,177.1	2,464.2
Other operating income	**5.7**	**–**	**5.7**	6.8	–	6.8	12.4
Other operating costs before goodwill and exceptional items	**(1,195.4)**	**–**	**(1,195.4)**	(1,106.0)	–	(1,106.0)	(2,318.8)
Franchise amendment costs	**–**	**–**	**–**	–	–	–	(67.0)
Other exceptional items	**–**	**(0.7)**	**(0.7)**	–	(2.6)	(2.6)	(16.5)
Goodwill amortisation	**–**	**(22.0)**	**(22.0)**	–	(20.1)	(20.1)	(42.2)
Total operating costs	**(1,195.4)**	**(22.7)**	**(1,218.1)**	(1,106.0)	(22.7)	(1,128.7)	(2,444.5)
Operating profit	**49.0**	**(22.7)**	**26.3**	77.9	(22.7)	55.2	32.1
– continuing operations	**49.0**	**(22.7)**	**26.3**	76.8	(22.7)	54.1	31.0
– discontinued operations	**–**	**–**	**–**	1.1	–	1.1	1.1
Operating profit	**49.0**	**(22.7)**	**26.3**	77.9	(22.7)	55.2	32.1
Share of operating losses of associated undertakings	**(2.6)**	**–**	**(2.6)**	(1.1)	–	(1.1)	(1.9)
Profit on sale of businesses	**–**	**–**	**–**	–	115.5	115.5	112.0
Profit on ordinary activities before interest	**46.4**	**(22.7)**	**23.7**	76.8	92.8	169.6	142.2
Net interest payable	**(9.2)**	**–**	**(9.2)**	(16.3)	–	(16.3)	(26.7)
Profit on ordinary activities before taxation	**37.2**	**(22.7)**	**14.5**	60.5	92.8	153.3	115.5
Tax on profit on ordinary activities	**(7.8)**	**2.2**	**(5.6)**	(13.0)	2.6	(10.4)	(1.2)
Deferred tax charge	**(0.8)**	**–**	**(0.8)**	–	–	–	–
Profit after tax	**28.6**	**(20.5)**	**8.1**	47.5	95.4	142.9	114.3
Minority interest	**–**	**–**	**–**	–	–	–	0.1
Profit for the financial period	**28.6**	**(20.5)**	**8.1**	47.5	95.4	142.9	114.4
Dividends	**(10.7)**	**–**	**(10.7)**	(9.4)	–	(9.4)	(28.6)
Retained (loss)/profit	**17.9**	**(20.5)**	**(2.6)**	38.1	95.4	133.5	85.8
Basic earnings per share			**6.2p**			111.1p	88.4p
Diluted earnings per share			**5.9p**			103.2p	82.7p
Normalised diluted earnings per share	**20.8p**			33.7p			72.8p

* Restated for change in accounting policy for deferred tax (see note 1)

Group balance sheet

At 30 June 2002	Unaudited 30 June 2002 £m	Unaudited 30 June 2001* £m	Audited 31 December 2001* £m
Fixed assets			
Intangible assets	**472.6**	530.9	508.3
Tangible assets	**529.5**	513.0	512.8
Investments and interests in associated undertakings	**23.0**	27.3	26.4
	1,025.1	1,071.2	1,047.5
Current assets			
Stock	**22.4**	21.1	21.4
Debtors	**291.7**	290.8	376.1
Cash at bank and in hand	**97.3**	68.0	92.3
	411.4	379.9	489.8
Creditors: amounts falling due within one year	**(587.8)**	(569.4)	(610.6)
Net current liabilities	**(176.4)**	(189.5)	(120.8)
Total assets less current liabilities	**848.7**	881.7	926.7
Creditors: amounts falling due after more than one year	**(384.7)**	(397.8)	(405.1)
Provisions for liabilities and charges	**(63.0)**	(39.2)	(119.5)
	401.0	444.7	402.1
Capital and reserves			
Called-up share capital	**6.7**	6.6	6.6
Share premium account	**44.6**	43.1	43.7
Share capital to be issued	**0.2**	0.4	0.3
Merger reserve	**15.4**	37.3	15.4
Revaluation reserve	**0.8**	17.5	0.8
Profit and loss account	**327.7**	335.5	330.0
Equity shareholders' funds	**395.4**	440.4	396.8
Equity minority interest	**5.6**	4.3	5.3
	401.0	444.7	402.1

* Restated for change in accounting policy for deferred tax (see note 1)

Group statement of cash flows

For the six months ended 30 June 2002	Unaudited six months to 30 June 2002 £m	Unaudited six months to 30 June 2001 £m	Audited year to 31 December 2001 £m
Net cash inflow from operating activities	**70.6**	82.4	185.5
Net interest payable	**(9.6)**	(21.5)	(28.2)
Interest element of finance lease rentals	**(1.7)**	(0.5)	(1.0)
Return on investments and servicing of finance	**(11.3)**	(22.0)	(29.2)
UK corporation tax paid	**(0.1)**	(3.7)	(5.4)
Overseas tax paid	**(0.1)**	(0.5)	(0.6)
Taxation	**(0.2)**	(4.2)	(6.0)
Payments to acquire tangible assets	**(59.2)**	(63.1)	(102.6)
Receipts from sale of tangible assets	**1.2**	3.7	10.6
Receipts from sale of/(payments to acquire) shares to satisfy employee share scheme	**0.7**	–	(0.7)
Payments to acquire other investments	**(0.4)**	–	(0.1)
Capital expenditure and financial investment	**(57.7)**	(59.4)	(92.8)
Receipts from the sale of businesses	**–**	232.4	237.6
Payments to acquire businesses	**–**	(0.5)	(8.6)
Cash disposed in businesses sold	**–**	(1.8)	(1.7)
Cash acquired in businesses purchased	**–**	–	0.4
Deferred consideration for businesses acquired	**(0.4)**	(1.0)	(1.5)
Acquisitions and disposals	**(0.4)**	229.1	226.2
Equity dividends paid	**(19.2)**	(18.2)	(28.1)
Cash (outflow)/inflow before financing activities	**(18.2)**	207.7	255.6
Management of liquid resources			
Cash withdrawn from short-term deposits	**3.6**	6.6	4.5
Financing			
Issue of share capital	**1.0**	2.7	3.2
Cash inflow/(outflow) from lease financing	**22.7**	(1.9)	21.2
Loans repaid	**(0.6)**	(194.5)	(241.2)
Net cash inflow/(outflow) from financing	**23.1**	(193.7)	(216.8)
Increase in cash	**8.5**	20.6	43.3

Group statement of total recognised gains and losses

For the six months ended 30 June 2002	Unaudited six months to 30 June 2002 £m	Unaudited six months to 30 June 2001* £m	Audited year to 31 December 2001* £m
Profit for the financial period	**8.1**	142.9	114.4
Exchange differences on foreign currency net investments	**0.2**	(1.0)	(0.6)
Total recognised gains and losses relating to the period	**8.3**	141.9	113.8
Prior year adjustment for deferred tax (see note 1)	**(11.7)**		
Total recognised gains and losses	**(3.4)**		

* Restated for change in accounting policy for deferred tax (see note 1)

Reconciliation of movements in Group equity shareholders' funds

For the six months ended 30 June 2002	Unaudited six months to 30 June 2002 £m	Unaudited six months to 30 June 2001* £m	Audited year to 31 December 2001* £m
Profit for the financial period	**8.1**	142.9	114.4
Dividends	**(10.7)**	(9.4)	(28.6)
Exchange differences on foreign currency net investments	**0.2**	(1.0)	(0.6)
New share capital issued for cash	**1.0**	2.7	3.2
Goodwill realised	**–**	(35.8)	(32.6)
Net addition to shareholders' funds	**(1.4)**	99.4	55.8
Equity shareholders' funds at 1 January †	**396.8**	341.0	341.0
Equity shareholders' funds	**395.4**	440.4	396.8

* Restated for change in accounting policy for deferred tax (see note 1)

† Shareholders' funds at 1 January 2002 were originally £408.6m before deducting prior year adjustment of £11.7m

Segmental analysis

For the six months ended 30 June 2002	Unaudited six months to 30 June Turnover 2002 £m	Operating profit 2002 £m	Turnover 2001 £m	Operating profit 2001* £m	Audited year to 31 December Turnover 2001 £m	Operating profit 2001* £m
Analysis by class of business						
Buses	**102.0**	**23.8**	103.1	26.5	208.3	52.8
Trains	**727.8**	**4.1**	672.6	20.3	1,458.2	40.6
Coaches	**84.2**	**2.0**	85.4	1.9	181.3	10.6
UK operations	**914.0**	**29.9**	861.1	48.7	1,847.8	104.0
North America	**211.4**	**19.5**	202.5	22.0	401.7	39.3
Australia	**113.3**	**(0.4)**	106.7	6.1	207.9	13.4
Continuing operations	**1,238.7**	**49.0**	1,170.3	76.8	2,457.4	156.7
Discontinued operations – Airports	**–**	**–**	6.8	1.1	6.8	1.1
	1,238.7	**49.0**	1,177.1	77.9	2,464.2	157.8
Exceptional items		**(0.7)**		(2.6)		(83.5)
Goodwill amortisation		**(22.0)**		(20.1)		(42.2)
Share of operating losses of associated undertakings		**(2.6)**		(1.1)		(1.9)
Profit on sale of businesses		**–**		115.5		112.0
Profit on ordinary activities before interest		**23.7**		169.6		142.2

* Restated for change in accounting policy for deferred tax (see note 1)

Notes to the interim accounts

1 Basis of preparation

These accounts have been prepared using the accounting policies set out in the Group's 2001 statutory accounts with the exception of the policy on deferred tax.

Financial Reporting Standard ("FRS") 19 "Deferred Tax" has been adopted with effect from 1 January 2002. The adjusted accounting policy is that deferred tax be recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted. Prior to 1 January 2002, the Group's accounting policy was to provide the deferred tax on all material timing differences to the extent that it was probable that the liability would crystallise.

The prior year comparatives have been restated to comply with FRS 19, leading to additional amortisation of £0.1m (2001 full year: £0.3m). Due to the additional deferred tax provision on the Airport balance sheet at disposal, the profit on disposal in the six months to June 2001 is increased by £20.3m to £115.5m (2001 full year: £112.0m). The net effect is to increase profit after tax by £20.2m (2001 full year: £20.0m) from £122.7m to £142.9m. Basic earnings per share has been increased by 15.7p (2001 full year: 15.5p) to 111.1p (2001 full year: 88.4p).

The Group disposed of its airports division in March 2001 and the results for this division have been disclosed as discontinued operations in the profit and loss account.

The interim results are unaudited but have been reviewed by the auditors. The financial information presented herein does not amount to full statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). The figures for the year to 31 December 2001 have been extracted from the Annual Report 2001 which has been filed with the Registrar of Companies. The audit report on the Annual Report 2001 was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

2 Exchange rates

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

	Six months to 30 June 2002		Six months to 30 June 2001		Year to 31 December 2001	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
US dollar	**1.52**	**1.45**	1.41	1.46	1.46	1.44
Australian dollar	**2.72**	**2.72**	2.77	2.74	2.84	2.80

3 Turnover

The turnover of the Group comprises revenue from road passenger transport, airport operations, train passenger services and related activities in the UK, North America and Australia. Within the trains division, franchise agreement payments from the SRA and local Passenger Transport Executives within the West Midlands region and Scotland are treated as turnover. During the first half year, franchise agreement payments amounted to £311.1m (2001 interim: £259.6m; 2001 full year: £554.8m) in the UK and £28.4m (2001 interim: £29.4m; 2001 full year: £56.0m) from the Victoria Department of Public Transport in Australia.

4 Exceptional items

Exceptional items can be analysed as follows:

	Six months to 30 June 2002 £m	Six months to 30 June 2001 £m	Year to 31 December 2001 £m
Buses	**0.1**	–	0.2
Trains	**0.6**	2.2	75.8
Coaches	**–**	–	3.1
North America	**–**	–	3.6
Australia	**–**	0.4	0.8
	0.7	2.6	83.5

All exceptional operating costs related to continuing businesses.

The exceptional items for UK Trains in the year to 31 December 2001 of £75.8m include £67.0m of franchise amendment costs which represent the cost to the Group of its renegotiations with the SRA of the Central and ScotRail rail franchises.

5 Profit on sale of businesses

The profit on sale of businesses during the first half of 2001 of £115.5m (2001 full year: £112.0m), net of expenses, arose on the sale of the airports division for gross proceeds of £241.0m. It includes the benefit of £35.8m negative goodwill taken to reserves on the acquisition of the airports (the release of which has no effect on net assets or shareholders' funds).

6 Goodwill amortisation

	Six months to 30 June 2002 £m	Six months to 30 June 2001* £m	Year to 31 December 2001* £m
Trains	**11.5**	10.7	21.6
Coaches	**0.3**	0.2	0.4
North America	**9.3**	8.5	18.8
Australia	**0.9**	0.7	1.4
	22.0	20.1	42.2

* Restated for change in accounting policy for deferred tax (see note 1)

All goodwill amortisation relates to continuing businesses.

7 Taxation

Tax on profit on ordinary activities for the first half year has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2002. The tax charge of £5.6m (2001 interim: £10.4m; 2001 full year: £1.2m) represents an effective tax rate on profit on ordinary activities, excluding goodwill and exceptional items, of 23.0% (2001 interim: 21.5%; 2001 full year: 21.5%). It includes overseas taxation of £0.1m (2001 interim: £1.4m; 2001 full year: £5.1m).

8 Earnings per share

	Six months to 30 June 2002	Six months to 30 June 2001*	Year to 31 December 2001*
Basic earnings per share	**6.2p**	111.1p	88.4p
Diluted earnings per share	**5.9p**	103.2p	82.7p
Normalised diluted earnings per share	**20.8p**	33.7p	72.8p

* Restated for change in accounting policy for deferred tax (see note 1)

Basic earnings per share is calculated by dividing the profit for the financial period of £8.1m (2001 interim: £142.9m; 2001 full year: £114.4m) by the weighted average number of ordinary shares in issue in the period, excluding those held by employee share ownership trusts which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

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

	Six months to 30 June 2002 Number	Six months to 30 June 2001 Number	Year to 31 December 2001 Number
Basic weighted average shares	**130,979,091**	128,604,613	129,457,561
Adjustment for dilutive potential ordinary shares	**6,657,664**	9,840,940	8,852,402
Diluted weighted average shares	**137,636,755**	138,445,553	138,309,963

The normalised diluted earnings per share has been calculated in addition to the basic and diluted earnings per shares required by FRS 14 since, in the opinion of the Directors, it reflects the financial performance of the core business more appropriately.

The normalised diluted earnings per share for the six months ended 30 June 2001 and the year ended 31 December 2001 exclude the earnings from discontinued operations. They have not been adjusted to reflect the interest earned on the cash proceeds from the disposal of the discontinued operations.

8 Earnings per share continued

Normalised profits after tax and minority interests are:

	Six months to 30 June 2002 £m	Six months to 30 June 2001* £m	Year to 31 December 2001* £m
Profit for the financial period	**8.1**	142.9	114.4
Earnings from discontinued operations	**–**	(0.8)	(0.8)
Exceptional operating costs	**0.7**	2.6	83.5
Goodwill amortisation	**22.0**	20.1	42.2
Profit on sale of businesses	**–**	(115.5)	(112.0)
Tax relief on goodwill and exceptional items	**(2.2)**	(2.6)	(26.6)
Normalised profits for the financial period	**28.6**	46.7	100.7

* Restated for change in accounting policy for deferred tax (see note 1)

9 Cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities:

	Six months to 30 June 2002 £m	Six months to 30 June 2001* £m	Year to 31 December 2001* £m
Operating profit	**26.3**	55.2	32.1
Depreciation of tangible assets	**34.9**	29.9	60.6
Goodwill amortisation	**22.0**	20.1	42.2
Increase in stocks	**(1.3)**	(0.5)	(1.4)
Decrease/(increase) in debtors	**72.9**	36.4	(54.9)
(Decrease)/increase in creditors	**(23.5)**	(62.8)	31.4
(Decrease)/increase in provisions	**(60.7)**	4.1	80.4
Other movements	**–**	–	(4.9)
Net cash inflow from operating activities	**70.6**	82.4	185.5

* Restated for change in accounting policy for deferred tax (see note 1)

b) Reconciliation of net cash flow to movement in net debt:

	Six months to 30 June 2002 £m	Six months to 30 June 2001 £m	Year to 31 December 2001 £m
Increase in cash in the period	**8.5**	20.6	43.3
Cash (inflow)/outflow from movement in debt and lease financing	**(22.1)**	196.4	220.0
Cash inflow from movement in liquid resources	**(3.6)**	(6.6)	(4.5)
Change in net debt resulting from cash flows	**(17.2)**	210.4	258.8
Loans and finance leases of subsidiaries acquired	**–**	–	(1.4)
Other non cash movements in net debt	**10.7**	(24.2)	(15.8)
Change in net debt resulting from non cash flows	**10.7**	(24.2)	(17.2)
Movement in net debt in the period	**(6.5)**	186.2	241.6
Opening net debt	**(315.0)**	(556.6)	(556.6)
Net debt	**(321.5)**	(370.4)	(315.0)

Other non cash movements in net debt primarily represent exchange movements.

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Please note that if you wish to continue to receive communications from the Company in paper form through the post YOU NEED DO NOTHING.

To register to communicate electronically

In order to register to receive future shareholder documentation in electronic format, you will need to access the Company's Registrar's on-line service, at www.shareview.co.uk. This is a secure service enabling shareholders to view shareholding details.

- Log onto www.shareview.co.uk;

- click on "Create a portfolio" and follow the simple instructions – you will need your shareholder reference number, which can be found on your share certificate or dividend counterfoil; and

- once you have completed the registration process and selected your own personal identification number ("PIN") a unique User ID will be posted to you.

How it will work

Once you have registered and notified our Registrar of your e-mail address, we will then arrange for you to be sent an e-mail notifying you each time that shareholder documentation has been published on our website, and providing you with a link to the page on our website where it may be found. You will need to ensure that you inform the Registrar of any change of e-mail address.

You may also choose to vote by proxy electronically at the Annual General Meeting ("AGM") held each year. Further details of how to vote electronically at the 2003 AGM will be included with the Annual Report and Accounts distributed in April next year.

You should be aware that the Company's obligations will be satisfied when it transmits an electronic message to the address you provide. The Company cannot be held responsible for any failure in transmission beyond its control. Nevertheless, in the event of the Company becoming aware that an electronic notification is not successfully transmitted, a further attempt will be made. In the event that the transmission is still unsuccessful a hard copy of the notification will be mailed to you.

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There are no particular software requirements to view these documents, other than those which are described and are available on our website. However, before electing for electronic communications you should ensure that you have the appropriate equipment and computer capabilities sufficient for the purpose.

Please note that any electronic communication sent by you to the Company or the Registrar that is found to contain a computer virus will not be accepted. The Company will take all reasonable precautions to ensure no viruses are present in any communication it sends out but it cannot accept responsibility for loss or damage arising from the opening or use of any e-mail or attachments from the Company and recommends that you subject all messages to virus checking prior to use.

Tony McDonald Company Secretary
17 September 2002

Dividends and financial calendar

Dividends

Event	Date
Interim dividend record date	27 September 2002
Interim dividend payment date	18 October 2002
Final dividend record date	April 2003
Final dividend payment date	May 2003

Financial calendar

Event	Date
Preliminary results announced	March 2003
Annual General Meeting	14 May 2003

Corporate information

Secretary and registered office
A J McDonald
National Express Group PLC
75 Davies Street
London W1K 5HT
Tel +44 (0)20 7529 2000
Fax +44 (0)20 7529 2100
e-mail info@natex.co.uk
www.nationalexpressgroup.com

Registered number
2590560

Registrar
Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Shareholder helpline 0870 601 5366

Principal bankers
HSBC Bank plc
Poultry
London EC2P 2BX

Royal Bank of Scotland
135 Bishopsgate
London EC2M 3UR

Corporate solicitors
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbrokers
Merrill Lynch International Limited
20 Farringdon Road
London EC1M 3NH

Dresdner Kleinwort Wasserstein
PO Box 560
20 Fenchurch Street
London EC3P 3DB

Auditors
Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

During the period bus patronage in Melbourne increased

On-line bookings at our scheduled coach division have doubled in the last year