Section 172(1) statement

Potential combination of National Express and Stagecoach

Among its principal activities during the year under review, the Board decided to make an offer to effect the potential combination of the Company and Stagecoach as it firmly believed such offer was in the best interests of the Company's shareholders and wider stakeholders. In making its decision, the Board also took into account all the matters set out in section 172(1)(a)-(f) of the Companies Act 2006:

s.172(1)(a) The likely consequences of any decision in the long term

The rationale for the Board's decision to make an offer for Stagecoach was rooted in the long-term benefits the Company could derive from it, including:

- significant growth and cost synergies, including through operational efficiencies across combined UK networks, shared operational best practices and implementing environmental and sustainability solutions at scale, which could deliver strong value creation for shareholders;
- a stronger pro forma balance sheet creating additional capacity for growth investment, particularly in the Group's North American and ALSA businesses; and
- enhanced opportunity for contract wins by the National Express Transport Solutions business, by leveraging the broader physical footprint of the combined group's operations and applying the 'best of both' of National Express' and Stagecoach's capabilities.

s.172(1)(f) The need to act fairly as between members of the Company

The Board took into account that all Company shareholders would be treated in the same way during implementation of the potential combination and would benefit proportionately and pro rata to their shareholdings from the potential combination, with:

- each shareholder having the right to vote to approve such combination on a one vote per share basis; and
- each shareholder (together with Stagecoach's shareholders) sharing pro rata in the expected value creation through accretive earnings per share and returns on invested capital, including via a targeted return to and growth in dividends.

s.172(1)(b) The interests of the Company's employees

The Board had particular regard to the interests of the Group's employees (and the employees of the Stagecoach group) by noting that the potential combination:

- would afford them increased opportunities, including for training and development and career flexibility; and
- was not expected to result in any job losses for frontline employees.

However, the Board also took into account that the potential combination would likely involve headcount reductions in duplicative corporate and administrative roles, which downside was weighed in the balance against both the upsides for other employees and the benefits to be derived by other stakeholders, including shareholders, customers and communities generally.

s.172(1)(c)
The need to foster the Company's business relationships with suppliers, customers and others

The Board took into account that the potential combination was expected to:

- realise wider benefits for customers, including optimised routes and schedules, comfortable and environmentally friendly fleet, flexible ticketing options and enhanced customer engagement technologies;
- create stronger relationships with existing and potential new suppliers to service the larger scale supply needs of the combined group; and
- create a stronger platform for the combined group in the UK bus market from which it could deepen relationships with central and local government stakeholders, including via the 'Bus Alliance' model adopted with Transport for West Midlands.

In addition, the Board would work with other key stakeholders in implementing the potential combination, including:

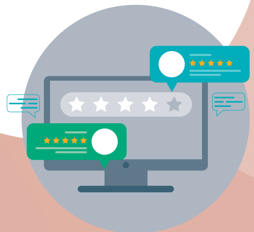
- the Group's debt providers, who were approached for and gave their consent to the potential combination prior to it being announced;
- the UK Competition and Markets Authority, with which both the Company and Stagecoach would work with to obtain clearance for the potential combination; and
- the UK Takeover Panel, which was and will continue to be duly consulted on all relevant aspects of the potential combination.

The Board considered that the potential combination would enable the Group to extend its zero emission fleet and net carbon zero ambitions across the combined group and to implement its industry-leading environmental solutions, such as its zero emission vehicle availability model, at scale.

The Board also noted that the combined group would serve wider communities across the UK, bringing the customer benefits noted in the box above to more communities.

s.172(1)(d)
The impact of the Company's operations on the community and the environment

s.172(1)(e)
The desirability of the Company maintaining a reputation for high standards of business conduct



The importance of maintaining a reputation for high standards of business conduct underpinned the Board's approach to the potential combination, as demonstrated by:

- its selection of Stagecoach, as one with the same premium equity listing obligations, corporate governance standards, as well as common business ethics and values, as the Company;
- the financial and legal due diligence undertaken on the Stagecoach group, and the competition risk assessment conducted, prior to the potential combination being announced;
- the Company's approach to funding Stagecoach's defined benefit pension schemes, similar to that for its own defined benefit schemes; and
- the Company's and its Directors' compliance with its and their obligations under the Companies Act and UK Takeover Code.

The Board also considered how the potential combination could advance the Company's purpose:

Combining the Company and Stagecoach... > **could accelerate the modal shift from cars to mass transit by expanding the Group's presence in the UK, thereby bringing the customer benefits to a wider audience and accelerating the Group's expansion in other markets**

Section 172(1) statement continued

Supporting the continued operation of the UK Coach business

The Group's UK Coach network was particularly hard hit by the Covid-19 pandemic due to its commercial (rather than contracted) model, the (principally) discretionary nature of its customers' travel and the absence of UK Government revenue support for coach services. Throughout the pandemic, the Board therefore closely monitored the performance of this business and, notwithstanding the full year loss generated in 2020, took a key decision in Q1 2021 to continue to support the UK Coach business, at a continued loss, having particular regard to the factors set out in section 172(1)(a), (b), (c) and (d) of the Companies Act 2006:

s.172(1)(a) The likely consequences of any decision in the long term

In making its decision to support the UK Coach network through the Covid-19 pandemic, the Board had particular regard to what it believed was a positive medium to long-term outlook for the business. This belief was based on:

- the historic, pre-pandemic, financial performance of the UK Coach business, which, since 2012 (and withdrawal by the UK Government of the Coach Services Operators Grant), had consistently grown its revenue and profit, achieving c.10.5% compound annual growth per annum, and was achieving an excellent return on capital employed of c.63% and a cash flow conversion rate of c.85%;
- the underlying pent-up demand for UK coach travel, as demonstrated by the rebound in passenger numbers in the summer of 2020 between the first and second Covid lockdowns and another rebound when the second lockdown ended in March 2021;
- the market-leading position and well recognised and trusted brand the National Express coach network enjoys, which has generated existing customer loyalty and continues to win new customers; and
- the investment and improvements made in and to the UK Coach network since 2012, including the investment in the revenue management system and single view customer account, and improvements in on-board safety, comfort and entertainment and in network planning, which helped generate the pre-pandemic returns and creates a platform for further growth.

The Board also had regard to the short and longer term consequences of any decision to cease operating the UK Coach network or to not resume its operations as soon as UK Government restrictions permitted, which were the likely loss of market share, customer loyalty and dilution of the brand's reputation, which the Board considered would damage the long-term prospects noted above.

s.172(1)(b) The interests of the Company's employees

Employees' interests featured prominently in the Board's deliberations about the future of the UK Coach network, as:

- while some redundancies had been made in UK Coach in 2020, and further potential redundancies were considered in Q1 2021 when the network was closed down during the second lockdown to reduce costs, the Board rather endorsed the UK Coach business' continued use of the UK furlough scheme to retain UK Coach employees, and to continue to top up their salaries to 100% while still on furlough; and
- the longer-term retention of talent within the UK Coach business, and particularly in its sales and marketing, commercial and network planning teams, was key to enabling the UK Coach business to capitalise on the pent-up demand for travel when Covid-19 restrictions eased.

The Board noted that communities and the environment would also benefit from the Board's decision to support the UK Coach business, as:

- its UK Coach network services more communities across the UK than any other coach provider, so continuing in operation preserves mobility and, for those communities served by other intercity transport modes, choice for customers; and
- the UK Coach business has adopted the ambitious target of its fleet being net carbon zero by 2035, and already represents a lower carbon mode of transport than cars and other mass transit modes, so preserving the network reduces the impact of mobility on the environment.

s.172(1)(d) The impact of the Company's operations on the community and the environment

s.172(1)(c) The need to foster the Company's business relationships with suppliers, customers and others

The Board took specific account of the importance of relationships with other stakeholders when determining the appropriate action to take on the UK Coach network. This was demonstrated through agreements that:

- coach network operations should resume as soon as the second lockdown ended and ramp up in line with passenger demand, notwithstanding ongoing challenges such as social distancing which necessarily reduced coach load factors and impacted profitability, to service the pent-up demand from our customers for UK coach travel and thereby seek to retain their loyalty;
- the UK Coach business would continue to support the majority of its UK network partner operators who perform parts of the UK Coach network rather than wholly suspending or ending those relationships, primarily to help ensure the survival of those partners, which in turn helped to ensure the business' ability to quickly restart and flexibly ramp up the UK Coach network in response to passenger demand after lockdowns ended and travel demand returned; and
- the UK Coach business would renegotiate its contracts with commercial partners, such as airports, coach stations, sales and marketing agents, and other suppliers such as vehicle manufacturers, to better reflect the reality of short-term reduced travel demand and constraints on capital but longer-term preservation of those well established and mutually beneficial relationships.

The Board also considered how supporting the UK Coach business would advance the Company's purpose:

Preserving a viable National Express UK Coach network for the long term ... > **facilitates our purpose of leading a modal shift from cars to mass transit**