

## **NATIONAL EXPRESS GROUP PLC**

Chairman's letter to shareholders  
and notice of Annual General Meeting



# Chairman's letter to shareholders and notice of Annual General Meeting

Dear Shareholder

I have pleasure in writing to invite you to our 2007 Annual General Meeting which will be held at the London Marriott Hotel Grosvenor Square, 10-13 Grosvenor Square, London, W1K 6JP on Tuesday 1 May 2007 at 2.00pm. Full details of the meeting and the resolutions that will be put to shareholders are set out in the enclosed Notice of Meeting.

If you are not able to attend the meeting in person, your vote is still important and I would ask you to complete, sign and return the enclosed proxy card to register your vote. This will not prevent you from attending and voting in person at the meeting. You may also register your proxy vote electronically by registering at our Registrar's website [www.shareview.co.uk](http://www.shareview.co.uk). Your Directors consider that the proposed resolutions contained in the Notice of Meeting are in the best interests of the Company and shareholders and recommend that you vote in favour.

If you have a question you wish to ask at the Annual General Meeting it would assist us if you would either write to the Company Secretary at National Express Group PLC, 75 Davies Street, London W1K 5HT or e-mail [info@natex.co.uk](mailto:info@natex.co.uk). I will deal with the issues most frequently raised at the meeting.

Thank you for your continuing support of National Express Group PLC.

Yours sincerely

**David Ross**  
Chairman

### **This document is important and requires your immediate attention.**

If you are in any doubt about the action you should take, you should consult your independent financial adviser. If you have recently sold or transferred your National Express Group PLC shares you should forward this document to your bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## **Notice of Annual General Meeting**

The 2007 Annual General Meeting (AGM) of National Express Group PLC (the 'Company') will be held at the London Marriott Hotel Grosvenor Square, 10-13 Grosvenor Square, London, W1K 6JP on Tuesday 1 May 2007 at 2.00pm to consider the following resolutions:

### **Ordinary Business**

#### **Resolution 1**

To receive the accounts and reports of the directors and auditors for the year ended 31 December 2006.

#### **Resolution 2**

To approve the Report on Directors' Remuneration for the year ended 31 December 2006.

#### **Resolution 3**

To declare a final dividend of 24.0 pence per share.

#### **Resolution 4**

To elect Richard Bowker as a Director.

#### **Resolution 5**

To re-elect David Ross, who retires by rotation, as a Director.

#### **Resolution 6**

To re-elect Barry Gibson, who retires by rotation, as a Director.

#### **Resolution 7**

To re-appoint Ernst & Young LLP as the Company's auditors to hold office until the conclusion of the next AGM.

#### **Resolution 8**

To authorise the Directors to agree the auditors' remuneration.

### **Special Business**

Resolutions 10, 11 and 13 will be proposed as special resolutions and resolutions 9 and 12 will be proposed as ordinary resolutions.

#### **Resolution 9 – Directors' authority to allot shares**

To authorise the Directors, for the purposes of Section 80 of the Companies Act 1985 (the 'Act'), to exercise all powers to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £2,399,168. This authority shall expire on the date of the AGM in 2008 unless it is cancelled or amended and the Company may agree before this authority ends to allot any of the relevant securities, even though the allotment may be carried out after this authority ends. All previous authorities under Section 80 of the Act shall cease to have effect.

#### **Resolution 10 – Directors' authority to disapply pre-emption rights**

That subject to Resolution 9 being passed by the Meeting the Directors be empowered subject to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) to Section 94(3A) of the Act) wholly for cash pursuant to the authority conferred by Resolution 9 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- a) in connection with a rights issue; and
- b) otherwise than in connection with a rights issue up to an aggregate nominal amount of £380,041.

This authority shall expire on the date of the AGM in 2008 unless it is cancelled or amended and the Company may agree before this authority ends to allot any of the relevant securities, even though the allotment may be carried out after this authority ends.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 9" were omitted.

**Resolution 11**

To authorise the Company generally and unconditionally to make market purchases (within the meaning of Section 163(3) of the Act) of the Company's ordinary shares on such terms as the Directors see fit subject to the following conditions:

- a) the maximum aggregate number of shares which may be purchased is 15,201,662 shares;
- b) the minimum price which may be paid for each share is 5 pence;
- c) the maximum price which may be paid for each share is an amount not more than 5 per cent above the average middle market quotations of the Company's shares, as based on the Daily Official List published by the London Stock Exchange plc, for the five business days prior to the date the purchase is made; and
- d) this authority shall expire at the close of the AGM of the Company to be held in 2008, save that the Company may agree, before the expiry of this authority, to buy back shares even though the purchases may be completed after this authorisation ends.

**Resolution 12**

To authorise the Company generally and unconditionally to make donations to EU political organisations and to incur EU political expenditure (each as defined under Section 347A of the Act (as amended)) not exceeding £100,000 in total, during the period beginning with the date of the 2007 AGM and ending at the close of the AGM of the Company to be held in 2008.

**Resolution 13**

That the amendments to the Articles of Association of the Company in the form produced to the Meeting and, for the purpose of identification, initialled by the Chairman and as described in the Notice of AGM dated 26 March 2007 be approved.

By order of the Board

**A J McDonald**  
Company Secretary  
26 March 2007

## **Explanatory Notes to the Resolutions**

### **Ordinary Business**

#### **Annual Report and Accounts – Resolution 1**

The Directors are required to present to shareholders at the AGM the Annual Report and Accounts for the year ended 31 December 2006. The Annual Review and Summary Financial Statement is included with this Notice unless you have chosen to receive the full Annual Report and Accounts in which case you will receive both. Any shareholder who has not chosen to receive the full Annual Report and Accounts may access it on the Company's website ([www.nationalexpressgroup.com](http://www.nationalexpressgroup.com)) or, alternatively, may obtain a copy of it by writing to the Company Secretary, National Express Group PLC, 75 Davies Street, London W1K 5HT.

#### **Directors' Report on Remuneration – Resolution 2**

The Directors are required to seek approval of the shareholders for the Report on Directors' Remuneration. The resolution is an advisory vote, as permitted by law, and no entitlement to remuneration is made conditional on the resolution being passed. The Report on Directors' Remuneration is set out in full in the Annual Report and Accounts. The Annual Review and Summary Financial Statement contains a summary of the report. Any shareholder who has not chosen to receive the full Annual Report and Accounts may access the full Report on Directors' Remuneration on the Company's website ([www.nationalexpressgroup.com](http://www.nationalexpressgroup.com)), or may obtain a copy on application to the Company Secretary at the address shown above.

#### **Dividend – Resolution 3**

The Directors recommend a dividend of 24.0 pence per share. The final dividend cannot exceed the amount recommended by the Directors. If approved by shareholders the final dividend will be paid on 4 May 2007 to those shareholders on the register as at 27 April 2007.

#### **Election of Director – Resolution 4**

Richard Bowker is standing for election for the first time following his appointment to the Board on 12 September 2006. A short biography of Richard appears in the Annual Report and Accounts on page 29 and on page 35 of the Annual Review and Summary Financial Statement.

#### **Re-election of Directors – Resolutions 5 and 6**

David Ross and Barry Gibson are retiring by rotation under the Articles of Association of the Company and will be standing for re-election. Biographies of all the Directors appear on page 29 of the Annual Report and Accounts and on page 35 of the Annual Review and Summary Financial Statement.

#### **The auditor – Resolutions 7 and 8**

The shareholders are asked every year to approve the appointment of the auditors, Ernst & Young LLP, and agree that the Directors may approve their remuneration.

### **Special Business**

Resolutions 9 and 12 will be proposed as ordinary resolutions and Resolutions 10, 11 and 13 will be proposed as special resolutions. To pass special resolutions 75% or more of the votes cast must be in favour.

#### **Authority to allot shares and disapply pre-emption rights – Resolutions 9 and 10**

The Company's Articles of Association give the Directors general authority to allot unissued shares. The Companies Act 1985 limits that power by requiring shareholders to give specific prior approval. At the 2006 AGM the Directors were given authority to allot ordinary shares and Resolution 9 seeks to renew this authority for a period until the date of the AGM to be held in 2008. The authority is limited to a maximum of 47,983,371 shares being the lesser of approximately one third of the ordinary issued share capital (excluding treasury shares) or the difference between the issued and authorised share capital as at 1 March 2007. There is no current intention to use the authority other than in connection with employee share and incentive schemes.

If the Directors wish to allot unissued shares for cash the Companies Act 1985 requires that these shares are offered first to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. There may be occasions, however, when, in order to act in the best interests of the Company, the Directors need flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. Resolution 10 asks shareholders to renew the Directors' authority to allot shares for cash up to an aggregate nominal value of £380,041 (otherwise than in connection with a rights issue or share scheme) equivalent to approximately 5% of the ordinary issued share capital (excluding treasury shares) as at 1 March 2007 without the shares being offered first to existing shareholders. The authority sought and limits set in Resolution 10 will also apply to any sale or transfer of treasury shares.

For information, as at 1 March 2007 the Company holds 1,825,000 ordinary shares as treasury shares which represents 1.2% of the total issued ordinary share capital.

The above resolutions conform with guidelines issued by institutional investors to ensure that existing shareholders' interests are safeguarded.

### Resolution 11

The Company may buy its own shares with the authority of shareholders. Resolution 11 seeks to renew the current authority given at the 2006 AGM. The resolution specifies the maximum number of shares that may be purchased (approximately 10% of the Company's issued share capital excluding treasury shares) and the highest and lowest prices at which they may be bought. Any shares purchased under this authority will either be treated as cancelled or held as treasury shares. Listed companies, with authorisation from shareholders, may buy and hold their own shares in treasury instead of cancelling them immediately. Shares held as treasury shares can in the future be cancelled, re-sold or used to provide shares for employee share schemes.

For information, as at 1 March 2007, there were 1,025,389 options outstanding over the Company's shares representing 0.67% of the issued share capital. If the full authority to buy shares is used, these options will represent 0.75% of the then issued share capital of the Company. At present there are no immediate plans to use this authority, however, the Directors assess on an ongoing basis the Group's financing strategy and, if appropriate, the share buy back programme in place during 2005 and 2006 may be continued in 2007 to make on market purchases up to £100m in total. The authority given at the last AGM expires at the conclusion of the forthcoming AGM. The authority will be used only if it is likely to lead to an increase in earnings per share and the Directors are satisfied that this is in the best long-term interests of the shareholders.

### Resolution 12

The Political Parties, Elections and Referendums Act 2000 (the 'PPER Act') requires companies to obtain shareholder authority before they can make donations to EU political organisations (which includes UK political parties). It remains the Company's policy not to make donations to political parties and the Company has no intention of using the authority for this purpose. It may, however, incur expenditure such as advertising, sponsorship or attendance at events organised by political parties, or the hiring of stands and exhibition space at national and regional political conferences which may fall within the wide definition of "donations" under the PPER Act and for which shareholder approval is required. Resolution 12 seeks authority to incur such expenditure up to a maximum of £100,000.

### Resolution 13

Certain provisions of the Companies Act 2006 came into force on 1 January, 20 January and 6 April 2007 respectively, as well as changes to the Financial Services Authority's rules for listed companies following implementation of the European Transparency Obligations Directive on 20 January 2007. These changes have updated and in some instances amended current companies legislation and the regulation of listed companies such as National Express Group PLC. This resolution provides, broadly, for the following changes to be made to the Company's Articles of Association, together with some consequential changes, so as to update them to this new legislation and new regulations:

- The necessary amendments so as to permit the Company to communicate with shareholders electronically via its website if it chooses, unless a shareholder wishes to receive documents or other information in hard copy, in accordance with the new provisions of the Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Services Authority.

If these amendments are adopted, the Company will in future have the option of consulting with its shareholders as to whether or not they wish to continue receiving notices or other documents or information from the Company in hard copy. As part of such consultation the Company can ask shareholders to elect either to receive future notices or other documents or information in hard copy or to elect to receive them by electronic means. If a shareholder does not respond to such consultation within 28 days, they would be deemed to have elected to receive future notices or other documents and information from the Company by electronic means. However, shareholders who make an election or a deemed election to receive notices or other documents or information from the Company by electronic means would still be able to notify the Company at any time that they wish to receive them from the Company in hard copy, and in this respect the future rights of shareholders to receive hard copies of documents or other information would be safeguarded.

- The removal of a maximum age for Directors, in keeping with the repeal of the corresponding provision contained in the Companies Act 1985.
- Changes to a number of references to statutory provisions in the Companies Act 1985 which have now been replaced by corresponding provisions in the Companies Act 2006.

### **Important Information for the Annual General Meeting**

The 2007 AGM will be held on Tuesday 1 May 2007 at the London Marriott Hotel Grosvenor Square, 10-13 Grosvenor Square, London, W1K 6JP and will start promptly at 2.00pm.

Shareholders may appoint one or more proxies, who need not be shareholders of the Company, to attend the AGM and, on a poll, to vote on their behalf. If shareholders wish to appoint a proxy, they should complete the proxy form enclosed with this Notice and send it to Lloyds TSB Registrars, The Causeway, Worthing BN99 6BE, to be received no later than 48 hours before the time at which the AGM is due to begin. Shareholders may also appoint a proxy online using the service provided by the Company's Registrars at [www.shareview.co.uk](http://www.shareview.co.uk) or, if they are a CREST member, by using the CREST electronic proxy service. Completion of a proxy form will not preclude a shareholder from attending and voting at the AGM.

Shareholders must be entered in the Register of Members of the Company no later than 48 hours before the time at which the AGM is due to begin, in order to have the right to attend or vote at the meeting (Regulation 41 of the Uncertificated Securities Regulations 2001). Changes to entries on the Register after that time will be disregarded in determining the rights of any person to attend or vote at the AGM.

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (public holidays excluded) from the date of this Notice until the AGM and will be available at the AGM from 1.45pm until the conclusion of the meeting:

- a) Executive Directors' service contracts and Non Executive Directors' terms of appointment;
- b) terms of reference of the Audit, Nomination, Remuneration and Safety and Environment Committees;
- c) the Register of Directors' interests in the share capital of the Company; and
- d) the Memorandum and proposed amended Articles of Association of the Company.

### **Information for Participants in the Travel West Midlands Share Incentive Plan**

If you are a participant in the TWM Share Incentive Plan you may instruct the Trustees to vote the shares held by them on your behalf by completing the enclosed Direction Form. To be effective the Direction Form must be received by the Trustees no later than 25 April 2007.

## Online Shareholder Communications

As a shareholder you can choose to vote by proxy and to receive communications and documents from the Company electronically. This helps us to reduce distribution and printing costs. In order to sign up for this service log on to the Company's Registrar's online site at [www.shareview.co.uk](http://www.shareview.co.uk). This is a secure site where you are able to view your shareholdings. You will need your eight digit shareholder reference number, which is shown on your share certificate or dividend voucher.

### To sign up to receive documents electronically

- Log onto [www.shareview.co.uk](http://www.shareview.co.uk)
- Click on "Register now" and follow the simple instructions – you will need your shareholder reference number
- Once you have completed the registration process and selected your own personal identification number (PIN) a unique User ID will be posted to you
- Once you have registered and notified our Registrars of your e-mail address, we will send you an e-mail each time that shareholder documentation has been published on our website, and provide you with a link to the page on the website where it may be found
- If you are already registered with Shareview, you do not need to register again but should check that your mailing preference is shown as "e-mail".

### To vote by proxy electronically

- Log onto [www.sharevote.co.uk](http://www.sharevote.co.uk)
- Follow the instructions as to how to submit your vote. For security identification you will need to input the Reference Number, Card ID and Account Number which you will find on your Proxy Form.

Should you have any queries about signing up for online communications please contact our Registrars, Lloyds TSB Registrars, on the shareholder helpline number 0870 601 5366.

## Instructions for Electronic Proxy Appointment through Crest

If you are a CREST member and want to appoint a proxy using the CREST electronic proxy appointment service, you can do so using the procedures described in the CREST manual. If you are a CREST personal member, a CREST sponsored member or a CREST member that has appointed a voting service provider you should request the sponsor or voting service provider to take the appropriate action on your behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) no later than 48 hours before the time at which the meeting is due to begin. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which our Registrars will be able to retrieve the message by enquiry to CREST in the manner prescribed in CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CRESTCo does not make available special procedures for any particular messages. Normal system timings and limitations therefore apply in relation to the input of CREST proxy instructions. CREST members (or appointee members) are responsible for taking (or arranging for their CREST sponsor or voting service provider to take) any necessary action to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and CREST sponsors or voting service providers are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

National Express Group PLC may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.