

Chair's Statement

Dear fellow shareholders,

Our sincere and heartfelt thanks to Sir John Armitt CBE

I am delighted to be presenting my first review to you since I took over as Chair from Sir John Armitt on 1 January 2023.

Before I go further, I would like to take the opportunity, on behalf of us all, to say a sincere and heartfelt thank you to Sir John, who provided exemplary leadership of National Express over the last 10 years. Sir John will forever be a part of the history of the Company and helped navigate National Express through many challenges and opportunities in his time as Chairman. His wise counsel will be missed.

I am honoured to be taking over the stewardship of National Express from Sir John and to be serving a business that has a strong purpose, to drive modal shift, a clear strategy in Evolve and an exciting pipeline of growth opportunities.

The external environment this year has been volatile. The war in Ukraine has driven energy supply concerns resulting in energy prices rising to unprecedented levels. We have also seen the return of inflation and interest rates at levels not seen for a generation, with continuing tight labour markets impacting our ability to deliver all of the services we would like to.

Despite these short-term headwinds, each of our business divisions has delivered strong revenue growth, demonstrating both resilience and agility.

I would also like to take the opportunity to say thank you, on behalf of myself and the Board, to all of our colleagues around the world who have worked tirelessly through what has been another challenging year, to deliver first class services for our passengers and customers and a performance that we can all feel proud of.

Safety

I have been greatly impressed by the focus on safety which is embedded in our culture and at every level of the business. Our safety performance in 2022 is our best ever result. In the UK we have again been recognised with the award of the sixth Sword of Honour by the British Safety Council. In North America School Bus, all of our operating authorities have received the highest safety rating from the US Department of Transportation (DOT) and Canadian Provincial Governing Agencies and in ALSA we have also achieved external recognition for our safety achievements and AENOR certification for road safety.



Helen

Weir

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Decarbonisation of the Fleet Gaining Momentum

I am particularly pleased to see that the pace of the decarbonisation of our fleet has gained momentum this year. We now have plans approved across the Group for 1,500 zero emissions vehicles ('ZEV') by 2024, increasing to 14,500 by 2030.

UK Bus is on track to have 50% of the bus fleet to be ZEV by 2025 and 100% by 2030.

The pace in North America School Bus has picked up rapidly with recent funding, driven by the Bipartisan Infrastructure and Investment and Jobs Act in the USA, and in Canada by the Government's Zero Emission Transit Fund (ZETF), accelerating the pace of change. To date, a total of US\$30m has been awarded to National Express NA for electric school bus vehicles and electric vehicle infrastructure.

In our ALSA division, we have pioneered the introduction of hydrogen buses, with the first hydrogen bus on a scheduled route in Madrid, and the first 100% electric bus routes in Bilbao, Granada, Jaen and Tres Cantos.

Employer of Choice

An important part of our Evolve strategy is to be as an employer of choice. I am very pleased that we completed our first global employee engagement survey in 2022, delivering a 77% response rate. Key results from the survey included 80% of colleagues recognising our commitment to safety; 76% of colleagues agreeing that we promote Diversity, Equality and Inclusion and 65% indicating that they are proud of our brands. Nevertheless, there is more work to do to drive improvements on the +7 eNPS score and this will be a focus of attention for the coming year. We also refreshed our People Strategy as explained on page 77.

Financial Performance and Dividend

It has been pleasing to see passenger demand returning, with strong out-turn particularly in the UK and ALSA. Group revenue is now above 2019 levels and operating profit is more than double 2021 levels despite inflationary headwinds. It is especially encouraging to see that this uplift in profit has translated into cash, with our free cash

flow conversion in 2022 being above the pre-pandemic average. Not only have we been able to significantly reduce gearing, but we have also continued to invest for growth.

We continue to expand our global footprint and this year we successfully mobilised the Lisbon urban bus contract, making Portugal the eleventh country in which we operate. Although it happened post year end it was also pleasing to see us win the contract to operate the RE1 and RE11 Rhein-Ruhr Express lines in Germany, a contract worth €1bn, over the next 10 years.

The Board had committed to paying a dividend once our 2022 results had been finalised if that dividend could be afforded, and in the context of our priority to reduce leverage. After careful deliberation and with a high degree of confidence in our recovery, the Board is clear that now is the time to return to paying dividends. The Board believes that meaningful progress is being made on reducing our gearing, and that the dividend is affordable. However, the Board recognises that reinstating the dividend needs to be done prudently and with the right balance between the speed of deleverage and maintaining capacity for growth. As a result I am pleased to confirm that a full year dividend of 5.0p per share will be paid.

The Year Ahead

The Evolve strategy will continue to underpin our progress in 2023 and we are well positioned to capitalise on our pipeline of growth opportunities.

We will continue to focus on actions which enable us to manage the volatile external environment, in particular, tight cost management and a focus on cash generation which will enable us to reduce our leverage. This will not only enable us to mitigate the impact of increasing interest rates, but will also allow us to take full advantage of the growth opportunities where identified.

Helen Weir
Chair

1 March 2023



For more information see our **Business Model** on pages **18 to 23**



For more information see our **Strategy** on pages **16 to 17**



For more information see our **Case Studies** on pages **35 to 47**