



National Express Group PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 2590560)

£500,000,000 Perpetual Subordinated Non-Call 5.25 Fixed Rate Reset Notes

Issue Price: 100 per cent.

The £500,000,000 Perpetual Subordinated Non-Call 5.25 Fixed Rate Reset Notes (the "**Notes**") are issued by National Express Group PLC (the "**Issuer**"). Each Note entitles the holder thereof (each a "**Noteholder**") to receive cumulative interest in accordance with the terms and conditions of the Notes (the "**Conditions**" and references herein to a numbered Condition shall be construed accordingly). Interest on the Notes will accrue: (i) from, and including, 26 November 2020 (the "**Issue Date**") to, but excluding, 26 February 2026 (the "**First Reset Date**") at an interest rate of 4.250 per cent. per annum, and (ii) from, and including, the First Reset Date at an interest rate per annum equal to the relevant Reset Interest Rate (as defined in the Conditions). Interest in respect of the Notes will be payable (subject to deferral as described herein) annually in arrear on 26 February in each year (short first interest period). Interest payments in respect of the Notes may be deferred in certain circumstances. See Condition 4 for further details. If the Issuer does not elect to redeem the Notes following a Change of Control Event (as defined in the Conditions), the then prevailing rate of interest (and all subsequent rates of interest (if any)) in respect of the Notes shall be increased by 5 per cent. per annum with effect from, and including, the date on which the Change of Control Event occurs (see Condition 4 for further details).

The Notes are perpetual securities in respect of which there is no fixed redemption date. The Issuer may redeem the Notes (in whole but not in part) on 26 November 2025 (the "**First Call Date**") and on any day thereafter to (and including) the First Reset Date; on the Second Reset Date (as defined in the Conditions) or on any Interest Payment Date (as defined in the Conditions) thereafter at their outstanding principal amount plus any accrued but unpaid interest up to, but excluding, the Redemption Date (as defined in the Conditions) and any outstanding Arrears of Interest (without double counting). In addition, the Issuer will have the right to: (i) redeem the Notes upon the occurrence of an Accounting Event, a Tax Event, a Rating Agency Event, a Gross-Up Event, a Change of Control Event or a Substantial Repurchase Event or (ii) substitute or vary the terms of the Notes so that they remain or become Qualifying Securities upon the occurrence of an Accounting Event, a Tax Event, a Rating Agency Event or a Gross-Up Event, each as described in Condition 5.

The Issuer may elect, in its sole discretion, to defer the whole of any payment of interest on the Notes due on any Interest Payment Date. Such Deferred Interest Payments (as defined in the Conditions) will accrue additional interest at an annual rate equal to the annual interest rate then applicable to the Notes (which will also be added to any Deferred Interest Payments on each subsequent Interest Payment Date and accrue interest in the same manner). Any such Deferred Interest Payments and any additional interest thereon are referred to as "**Arrears of Interest**".

The Issuer must pay Arrears of Interest upon the date for redemption of the Notes or in certain other limited circumstances, as further described in Condition 4.

This prospectus (the "**Prospectus**") has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Applications have been made for the Notes to be admitted to listing on the official list of the FCA (the "**Official List**") and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**").

The Issuer has been assigned a rating of Baa2/negative from Moody's Investors Service Ltd. ("**Moody's**") and BBB/negative from Fitch Ratings Ltd. ("**Fitch**"). Each of Moody's and Fitch is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 (as amended, the "**CRA Regulation**"). The Notes are expected to be rated Ba1 by Moody's and BB+ by Fitch. A list of registered credit rating agencies is published on the European Securities and Markets Authority website (www.esma.europa.eu/page/List-registered-and-certified-CRAs).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes. Please also refer to "*Credit ratings may not reflect all risks associated with an investment in the Notes*" in the "*Risk Factors*" section of this Prospectus.

The Notes will initially be represented by a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**"), without interest coupons, on or after 5 January 2021 (the "**Exchange Date**"), upon certification of non-U.S. beneficial ownership. See "*Form of the Notes and Summary of Provisions relating to the Notes while in Global Form*".

Investing in Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" on pages 6 to 20 of this Prospectus.

Joint Structuring Agents

BNP PARIBAS

BofA Securities

Active Bookrunners

BNP PARIBAS

BofA Securities

MUFG

Santander Corporate & Investment Banking

Passive Bookrunner

BBVA

The date of this Prospectus is 24 November 2020

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IMPORTANT NOTICES

The Issuer accepts responsibility for all the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

This Prospectus shall be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

No person has been authorised to give any information or to make any representation not contained or incorporated by reference in or not consistent with this Prospectus and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any of the Managers (as defined in "*Subscription and Sale*" below).

None of the Managers, the Trustee and any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or undertaking (express or implied) or accepts any responsibility or liability as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Neither the Issuer nor any of the Managers represents that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, or any Manager which would permit a public offering of the Notes, or distribution of this document, in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Managers have represented that all offers and sales by them will be made on the same terms.

Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*".

The Managers have not separately verified the information contained in this Prospectus. To the fullest extent permitted by law, none of the Managers nor BNP Paribas Trust Corporation UK Limited (the "**Trustee**") accepts any responsibility for the contents of this Prospectus. Each of the Managers and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement. None of the Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon any such investigation as it deems necessary. None of the Managers undertakes to review the financial condition or affairs of the Issuer or the Issuer

and its subsidiaries (together, the "**Group**" or the "**National Express Group**") during the life of the Notes or to advise any investor in the Notes of any information coming to the attention of any of the Managers.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Managers or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must make its own assessment as to the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are principally denominated;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes (which are complex financial instruments) unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments, including in the Notes. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products, (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Certain alternative performance measures ("**APMs**") are included or referred to in this Prospectus (including in the documents incorporated by reference). APMs are non-GAAP measures used by the Group within its financial publications to supplement disclosures prepared in accordance with other applicable regulations such as International Financial Reporting Standards ("**IFRS**"). The Issuer considers that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such metric's components and calculation method can be found in the section entitled "*Glossary of Alternative Performance Measures*" on page 17 of the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 2020 (incorporated by reference into this Prospectus).

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE "SFA") - Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all persons, including all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE NOTES, MERRILL LYNCH INTERNATIONAL AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "**GBP**", "**£**", "**sterling**" and "**pounds sterling**" are to the currency of the United Kingdom; references to "**€**", "**Euro**" and "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (as amended from time to time); references to "**dollars**" and "**U.S.\$**" are to the currency of the United States of America; and references to "**CAD**" are to the currency of Canada.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "*Overview*", "*Risk Factors*", "*Description of the Issuer*" regarding the Group's strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Issuer's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Recipients of this Prospectus are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer, or persons acting on its behalf, may issue. Factors that may cause the Group's actual results to differ materially from those expressed or implied by the forward-looking statements in this Prospectus include but are not limited to the risks described under "*Risk Factors*".

These forward-looking statements reflect the Issuer's judgement at the date of this Prospectus and are not intended to give any assurances as to future results. Save as required by the rules of the FCA, the Issuer undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions they may make to these forward-looking statements that may result from events or circumstances arising after the date of this Prospectus. The Issuer will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

OVERVIEW

The following is an overview of the principal features of the Notes and is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus and, in particular, under "Terms and Conditions of the Notes". Potential purchasers of Notes should read this Prospectus in its entirety. Terms used in this section and not otherwise defined shall have the meanings given to them in the "Terms and Conditions of the Notes".

Issuer:	National Express Group PLC
Risk Factors:	Investing in the Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under " <i>Risk Factors</i> ".
Description of the Notes:	£500,000,000 Perpetual Subordinated Non-Call 5.25 Fixed Rate Reset Notes to be issued by the Issuer on 26 November 2020.
Ranking of the Notes:	The Notes will constitute unconditional, unsecured and subordinated obligations of the Issuer and will at all times rank <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with any Parity Obligations of the Issuer but junior to any Senior Obligations of the Issuer and senior to the Issuer's Ordinary Shares (as more particularly set out in Condition 2.2).
Joint Structuring Agents:	BNP Paribas Merrill Lynch International
Active Bookrunners:	Banco Santander, S.A. BNP Paribas Merrill Lynch International MUFG Securities EMEA plc
Passive Bookrunners:	Banco Bilbao Vizcaya Argentaria, S.A.
Trustee:	BNP Paribas Trust Corporation UK Limited
Principal Paying Agent:	BNP Paribas Securities Services
Calculation Agent:	BNP Paribas Securities Services
Issue Price:	100 per cent.
Use of Proceeds:	The net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes and the repayment of existing debt.
Form of the Notes and Clearing Systems:	The Notes will be issued in bearer form and will initially be represented by a Temporary Global Note which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg as described in " <i>Form of the Notes and Summary of Provisions relating to the Notes while in Global Form</i> ".
Credit ratings:	<p>The Issuer has been assigned a rating of Baa2/negative from Moody's and BBB/negative from Fitch. The Notes are expected to be rated Ba1 by Moody's and BB+ by Fitch.</p> <p>Each of Moody's and Fitch is established in the United Kingdom and is registered under the CRA Regulation.</p> <p>An obligation rated Ba1 by Moody's is judged to be speculative and is subject to substantial credit risk. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.</p> <p>Source: https://www.moodys.com/sites/products/AboutMoodyRatings</p>

[Attachments/MoodysRatingSymbolsandDefinitions.pdf](#)

An obligation rated BB+ by Fitch has an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. The modifiers (+) or (-) may be appended to a rating to denote relative status within categories.

Source: <https://www.fitchratings.com/products/rating-definitions#rating-scales>

A credit rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal at any time by the assigning rating agency may adversely affect the market price of the Notes.

The Notes are expected to receive 50 per cent. "equity credit" from each of Moody's and Fitch upon issuance.

Interest and Interest Payment Dates:

Each Note shall entitle the Noteholder to receive cumulative interest, which shall accrue:

- (a) from, and including, the Issue Date to, but excluding, the First Reset Date at an interest rate per annum of 4.250 per cent.; and
- (b) from, and including, the First Reset Date at an interest rate per annum equal to the relevant Reset Interest Rate.

Interest on the Notes will be payable (subject to deferral as described below) annually in arrear on 26 February in each year (short first interest period).

Optional deferral of Interest Payments:

Interest which accrues during an Interest Period will be due and payable on the relevant Interest Payment Date, unless the Issuer elects to defer the relevant payment of interest (in whole but not in part) pursuant to Condition 4.5.

The Issuer may, at its discretion, elect to defer (in whole but not in part) any payment of the Interest Amount (a "**Deferred Interest Payment**") which is otherwise scheduled to be paid on an Interest Payment Date. If the Issuer elects not to make any payment of interest on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with each Deferred Interest Payment, being "**Arrears of Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which the Deferred Interest Payment is paid, and such interest will be added to such Deferred Interest Payment (and thereafter accumulate additional interest accordingly) on each Interest Payment Date. Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such Arrears of Interest become due and payable in accordance with the Conditions.

Payment of Deferred Interest Payments:

The Issuer will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at any time.

The Issuer must pay all outstanding Arrears of Interest (in whole

but not in part) on the earliest of:

- (a) the tenth London Business Day following the date on which a Compulsory Arrears of Interest Payment Event occurs;
- (b) the next scheduled Interest Payment Date in respect of which the Issuer does not elect to defer the payment of the interest accrued in respect of the relevant Interest Period;
- (c) the date on which the Notes are redeemed; or
- (d) the date on which an order is made or a resolution is passed for the Winding-Up of the Issuer (other than a Solvent Reorganisation of the Issuer).

No redemption:

The Notes are perpetual securities in respect of which there is no fixed redemption date.

Early Redemption:

Subject to applicable laws, the Issuer may redeem the Notes (in whole but not in part) (i) on the First Call Date and on any day thereafter to (and including) the First Reset Date, (ii) on the Second Reset Date or (iii) on any Interest Payment Date thereafter, in each case at their outstanding principal amount plus any accrued but unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest (without double counting).

Early redemption following an Accounting Event, a Gross-Up Event, a Rating Agency Event, a Substantial Repurchase Event or a Tax Event:

If an Accounting Event, a Gross-Up Event, a Rating Agency Event, a Substantial Repurchase Event or a Tax Event occurs, the Issuer may, subject to certain conditions, redeem the Notes (in whole but not in part) at their Early Redemption Amount.

Change of Control:

If Change of Control Event occurs and is continuing the Issuer may, subject to certain conditions, redeem the Notes (in whole but not in part) at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest (without double counting). If the Issuer does not elect to redeem the Notes following the occurrence of a Change of Control Event, the interest rate shall be increased by 5 per cent. per annum with effect from the Change of Control Event in accordance with the Conditions.

Substitution and Variation following an Accounting Event, a Gross-Up Event, a Rating Agency Event or a Tax Event:

If an Accounting Event, a Gross-Up Event, a Rating Agency Event or a Tax Event occurs, the Issuer may, subject to certain conditions, substitute or vary the terms of the Notes so that they remain or become Qualifying Securities.

Purchase:

The Issuer and any of its Subsidiaries may, to the extent permitted by applicable law, at any time purchase Notes (provided that all Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

Events of Default:

If a default is made by the Issuer for a period of 30 days or more in the payment of any principal or interest (including any Arrears of Interest) in respect of the Notes which is due and payable, then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee at its sole discretion may (subject to Condition 11), and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to

being indemnified and/or secured and/or pre-funded to its satisfaction), (a) institute actions, steps or proceedings for the Winding-Up of the Issuer and/or (b) prove in the Winding-Up of the Issuer and/or (c) claim in the liquidation or administration of the Issuer for such payment, such claim being as contemplated in Condition 2.2 but may take no further or other action save as set out below. If a Winding-Up of the Issuer occurs (other than for the purposes of a Solvent Reorganisation of the Issuer), without prejudice to Condition 2, the Trustee at its sole discretion may (subject to Condition 11), and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their outstanding principal amount plus any accrued but unpaid interest thereon up to (but excluding) the date of repayment (including, without double counting, any Arrears of Interest).

Payments free of withholding:

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of a Tax Jurisdiction, unless required by law. In that event, the Issuer will, subject to customary exceptions, pay such additional amounts as will result in the payment to the Noteholders of the amounts which would otherwise have been received in respect of the Notes, all as described in Condition 7.

Meetings of Noteholders:

The Conditions and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Variation, Waiver and Substitution of the Issuer:

Subject to Condition 13 of the Conditions, the Trustee may agree, without the consent of Noteholders, to:

- (a) any modification of the Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders;
- (b) any modification of the Conditions and the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to correct an error which, in the opinion of the Trustee, is proven; and
- (c) any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

The Trust Deed also provides, subject to certain conditions, for the substitution of any Subsidiary of the Issuer or its successor in business as the principal debtor under the Trust Deed and the Notes, provided that such substitution shall only be permitted if it does not result in the Notes no longer being eligible for the same, or a higher amount of, "equity credit" as is attributed to the Notes on the date notice is given to Noteholders of the

aforementioned substitution.

Governing Law:

The Trust Deed and the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection thereto are governed by, and will be construed in accordance with, English law.

Listing and Trading:

Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market.

Issuer's Legal Entity Identifier:

213800A8IQEMY8PA5X34

Selling Restrictions:

The Notes have not been, and will not be, registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions only in compliance with applicable laws and regulations. See "*Subscription and Sale*" below.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer which, in turn, could affect their ability to fulfil its obligations under the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Issuer face. The Issuer has only described those risks in connection with the Notes and its ability to fulfil its obligations under them which it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should read the entire Prospectus, together with the documents incorporated by reference herein. Words and expressions defined in the Conditions or elsewhere in this Prospectus have the same meanings in this section.

1. Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

A. Financial risks relating to the Group

The Group is exposed to risks relating to the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including stay at home orders, prohibitions on gatherings and events, business closures, school closures, travel restrictions and social distancing guidelines. The spread of COVID-19 has resulted in a sharp economic downturn in countries in which the Group operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. As the pandemic is prolonged and as it leads to further national and/or localised 'lockdowns' and/or continued school closures and/or other adjustments to schooling and/or working methods, such as online teaching and working from home, and/or travel restrictions, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further financial risk to the Group.

The Group is diverse, by geography, mode of transport and contract type. A sizeable proportion of its revenue is protected through contractual agreements and the Group has worked pro-actively with customers to secure additional revenue notwithstanding reduced demand levels. It has also protected that revenue by reducing its costs by cutting capital expenditure, reducing variable operating expenditure to meet reduced demand and availing itself of Government support schemes where available. Nevertheless there is an ongoing risk that the COVID-19 pandemic results, in all the Group's principal operating territories, in reduced discretionary travel and, in the case of high unemployment and/or increased trends of online teaching and/or working from home, reduced commuting travel and reduced demand for school bus capacity. Furthermore, continued social distancing will impact load factors and hence profitability per trip where revenue depends on passenger numbers as opposed to kilometres travelled. These factors could have a material adverse impact on the financial performance of the Group for a prolonged period. However, the sizeable proportion of protected revenue and a flexible and highly variable cost base provide significant mitigation against this.

Accordingly, the Group's scenario planning and response to the outbreak, including making significant capital and operating cost savings across all its businesses and not paying a dividend in 2020, suggests that it will maintain significant liquidity headroom, and achieve compliance with the terms of its bank facilities and note purchase agreements, through at least the next 12 to 18 months.

Failure by the Group to maintain certain financial ratios set out in the Facilities (as defined below) could result in an event of default under the Facilities

The Group is dependent on maintaining certain financial ratios in order to comply with its banking covenants in its combined revolving credit facilities and term loans (the "**Facilities**") which totalled £782,000,000 and U.S.\$100,000,000 respectively as at 30 June 2020. These financial ratios relate to the ratio of the Group's net debt

to its earnings before exceptional items, interest, tax, depreciation and amortisation ("**EBITDA**") and the ratio of the Group's net interest to its EBITDA.

In 2020, in response to the COVID-19 pandemic, the Group obtained covenant amendments on the Facilities as follows:

- Net debt to EBITDA waiver for June 2020, December 2020 and June 2021; and
- Net Interest to EBITDA amendment from 3.5x to 1.5x at December 2020, and 2.5x at June 2021.

The Group is currently in compliance with the terms of its amended Facilities and the board of directors of the Issuer (the "**Board**") believes that the Group will continue to remain compliant for at least the next 12 to 18 months.

There can be no certainty that in the longer term the Group will be able to maintain the required financial ratios in order to comply with its banking covenants. In particular, the ability of the Group to maintain these financial ratios may depend on matters that are either wholly or partly outside the Group's control, including the results of ongoing operations. In these circumstances, the Group would need to seek to agree with its lenders an extension or deferral of these covenants or a waiver of any such covenant breach. However, there can be no certainty that the lending banks under the Facilities would in these circumstances agree to an extension or deferral of the Group's banking covenants or a waiver of any likely breach of these covenants.

In the event of any breach of the Group's banking covenants, the Group's lending banks would be entitled to call an event of default under the Facilities and, as a result of cross default provisions, default may also arise in respect of certain other financial indebtedness of the Group, but not, for the avoidance of doubt, the Notes. In these circumstances, the lending banks under the Facilities would be permitted to exercise certain rights, including the right to cancel the Facilities, accelerate the payment of sums owing under the Facilities, enforce any security and guarantees granted by the Issuer and certain other members of the Group, and initiate insolvency or similar proceedings against the Issuer and any Group companies which have granted such security and/or guarantees in connection with the Facilities. Any of these steps could, whether singularly or in aggregate, have a material adverse effect on the Group. In such circumstances the Group may be unable to continue trading.

Bid assumptions on the part of the Group may prove to be incorrect

Part of the Group's business is secured through winning new contracts, particularly in connection with its bus and coach businesses outside of the UK, along with German Rail. An inherent risk in contract bidding is that bid assumptions might prove to be incorrect. If any of the Group's significant bid assumptions, including estimated costs of contract mobilisation, prove to be incorrect, this could have a material adverse effect on the Group's business, financial condition and results of operations. Where possible, the Group will seek to recover lost profits through enforcement of its contractual rights and/or negotiation with awarding authorities or other stakeholders, although the extent to which these measures will be successful cannot be guaranteed.

The Group participates in defined benefit pension schemes and the contributions payable to these schemes might vary over time

The Group operates two main defined benefit pension schemes, along with some smaller schemes, and is consequently exposed to the risk that the cash contributions required to be made to these schemes increase due to changes in factors such as investment performance, interest rates used to discount liabilities and life expectancies. In the first six months of 2020, these schemes experienced a significant increase in combined actuarial deficits. This was due to a decrease in high quality corporate bond yields (which is used as the basis for the discount rate applied to the schemes), which were affected by the uncertainty surrounding COVID-19. As well as market movements, material changes in the regulatory and funding environment for defined benefit pension schemes could also impact the contributions required and potentially result in the Group being required to increase its future cash funding. If, due to these changes, the Group is required to make additional contributions to the pension schemes (to the extent they are not recoverable under its price controls or state rate plans), this could materially adversely affect the Group's business, financial condition and results of operations.

In 2018, the National Express Group Staff Pension Plan, through its trustee company, completed an insurance buy-in transaction to cover 100 per cent. of future benefits payable to members. This transaction has reduced the overall risk associated with the fund by passing the risks of investment market volatility and any unanticipated

increases in life expectancy of the pensioners to the insurers. The scheme is also closed to future accrual and in a surplus position. No further contributions from the Group are anticipated.

A triennial review for the funding position of the West Midlands Integrated Transport Authority Pension Fund ("**WMITA fund**") was completed in early 2020. Future secondary contributions are marginally lower (£7.1 million versus £7.6 million) than the previous funding plan, but primary contributions are higher. Combined, the total contributions into the scheme are materially similar to the previous funding plan. The WMITA fund also has an insurance policy, which was agreed in 2012 and covers around half of its liabilities. The scheme is open to future accrual for existing members only, with active members in the scheme now only a relatively small proportion of total members.

The Group's defined benefit pension scheme deficits are calculated on an International Accounting Standards ("**IAS**") 19 basis and as at 30 June 2020 the two schemes had a combined IAS 19 deficit of £128.9 million. Under applicable legislation, the pension scheme trustees may adopt a funding basis which results in calculated deficits that are higher than those calculated on an IAS 19 basis. Accordingly, the contributions necessary to remedy those deficits may be higher than the IAS 19 position suggests. If, as a result, the Group is required to make higher contributions to the pension schemes, which are currently locked for six years, this could materially adversely affect the Group's business, financial condition and results of operations.

The Group is subject to risks resulting from currency fluctuations and hedging activities

Fluctuations in foreign exchange rates give rise to translation risk and effect the value of those liabilities denominated in foreign currencies. In addition, there can be no certainty that the Group's cashflows across its various operational currencies will be in similar proportions to the Group's financial liabilities in those same currencies. Accordingly, exchange rate fluctuations may have an impact on the Group's longer term financial position, including its ability to comply with its financial covenants.

The Group also prepares its financial statements in sterling, but generates a significant proportion of its revenue in other currencies. To the extent that its revenues are received in currencies other than sterling, and currency exchange rates become unfavourable, the Group may lose some of the economic value of its revenue in sterling terms. As the Group grows its overseas operations, it may receive more of its revenue in currencies other than sterling. Hedging strategies, such as forward contracts, options and foreign exchange swaps, which may be implemented to mitigate this risk, may not eliminate the Group's exposure to foreign exchange rate fluctuations which could have a material adverse effect on the Group's business, financial condition and results of operations.

Announced and other potential changes to accounting standards

The International Accounting Standards Board (the "**IASB**") introduced new accounting standards and amendments to existing standards effective as of 1 January 2019 and 1 January 2020 and has been considering new accounting standards and amendments, which could materially and adversely affect the financial statements of the Group. As the Group prepares its consolidated financial statements in accordance with international accounting standards as adopted by the European Union (the "**EU**"), comprising IFRS and IAS, together with their interpretative texts, these changes may, for example, adversely affect the recognition of both assets and liabilities of the Group as well as its income and expenses in the consolidated statement of comprehensive income.

In January 2016, the IASB published the accounting standard IFRS 16, 'Leases', which replaces the previous standard IAS 17, 'Leases', and IFRIC 4, 'Determining Whether an Arrangement Contains a Lease'. In particular, IFRS 16 amends the accounting treatment of leases with the lessee. Under IFRS 16, the lessee is to account for the regular capitalisation of leased assets for the right of use in connection with the leasing arrangement and also to recognise a corresponding liability in connection with the leasing arrangement. Excluded from IFRS 16 are low-value assets and leasing arrangements with a term of less than 12 months if the corresponding options are exercised. The lessor is to continue to differentiate between finance leases and operating leases. IFRS 16 also contains a number of other provisions relating to recognition, disclosures and sale and leaseback transactions. The application of IFRS 16 is required for fiscal years beginning on or after 1 January 2019 and it has been adopted by the EU. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group is not able to fully assess the precise impact of the above and other such changes to the accounting standards on future reporting periods as at the date of this Prospectus, however, these could have a material and adverse effect on the Group's net income and financial position, including related key performance indicators such as EBITDA, operating profit, interest, profit before tax, operating margin, return on capital employed and net debt.

B. Operational risks relating to the Group

The Group's operations are exposed to COVID-19 risks

The Group continues to closely monitor the risk presented by the global COVID-19 pandemic, with Board oversight and management action feeding down through each business. The overriding priority has been to ensure the safety and well-being of staff and customers, by following relevant Government and public health authority guidance and implementing additional health and safety measures that go beyond such guidance where appropriate.

The first wave of the COVID-19 outbreak led to a rapid reduction or shutdown of services across the Group and during this period actions were taken to ensure staff and customers could return to providing or using the Group's services with appropriate safety equipment, cleaning procedures and social distancing measures in place increasing confidence in the services provided. While passenger levels across many of the Group's services were starting to recover over the summer months when the first wave of the outbreak abated somewhat, the second wave of the outbreak has slowed that recovery for the time being.

Operationally the Group continues to work closely with public bodies, customers, suppliers, third party operators, staff and passengers to seek to ensure that the Group's services are safe and management are prepared to react to future developments. However the risk of further waves of the COVID-19 outbreak and continued and/or future disruption to service remains, with continuing uncertainty on the extent and duration of any such outbreak and disruption, which could have further material adverse effects on the Group's business and results of operations.

Whilst the Group's year-on-year monthly revenue experienced growth of 15.7 per cent. and 17.8 per cent. in January and February 2020, respectively, since the start of the COVID-19 pandemic, it declined by 11.6 per cent. in March 2020, 51.1 per cent. in April 2020 and 52.8 per cent. in May 2020. However, the decline reduced in the following months to 47.4 per cent. and 34.9 per cent. in June and July 2020, respectively.

Continuity of the Group's businesses is dependent on the Group's IT systems, which may fail or be subject to disruption

The Group's operations are highly dependent on advanced information systems, including internal bespoke and third party licensed software, and there is a risk that such technology could fail. In addition to such failure, there can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses, denial of service, attacks, sabotage, natural hazards or disasters or other similarly disruptive events, including other security breaches. In the event of failure or disruption of such information systems, the Group has in place disaster recovery procedures, security measures, support and maintenance, usually provided in-house in the first instance and thereafter by third party contractors, but such procedures and measures may not anticipate, prevent or mitigate any material adverse effect of such failure or disruption on the Group's business, financial condition and results of operations.

Furthermore, the Group may at any time be required to expend significant capital or other resources to protect against failure and disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and other maintenance are not completed efficiently or there are operational failures, the quality of service experienced by passengers may decline. If, as a result, passengers were to reduce or stop their use of the Group's services, this could have a material adverse effect on the Group's business, financial condition and results of operations. Additionally, if the Group is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on the ability of management to successfully implement initiatives and other organisational changes designed to increase operating efficiencies and improve results of operations

To reflect changing economic, market and technological conditions, from time to time management undertakes initiatives and other organisational changes designed to increase operating efficiencies and improve results of

operations. Undertaking such initiatives and organisational changes can create uncertainty and increase the Group's financial risk, and the Group relies on the ability of management to implement these initiatives successfully in order to mitigate such uncertainty and risk and to increase operating efficiencies and improve its results of operations. In addition, should the Group contemplate any disposals as part of such initiatives or organisational changes, there can be no assurance that the Group will be able to anticipate all associated organisational and separation issues. If the Group's management is unable to implement such initiatives and organisational changes successfully, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on the experience and continuity of key personnel for the success of its business

Attracting and retaining key members of senior management is vital in ensuring that the Group continues to have the necessary expertise and continuity to execute its strategy. However, there can be no assurances that the Group will continue to be able to attract and retain the appropriate members of senior management. A failure to attract, or the loss of, such key members of senior management could have a material adverse effect on the Group's business, financial condition and results of operations.

If the Group is unable to successfully recruit and retain qualified employees, this may adversely impact its business, financial condition and results of operations, and impact opportunities for growth in new markets

The Group's business depends on delivering high quality, reliable services and cost efficiency. Staff costs are the largest single component of the Group's costs, representing more than half of the Group's total operating costs in the 2019 financial year. Service delivery and the ability to exploit future growth opportunities therefore requires access to, and retention of, high calibre staff, including in particular operational management, bus, coach and train drivers, at an affordable cost. Labour shortages, or low unemployment rates, could hinder the Group's ability to recruit and retain qualified employees leading to a higher than expected increase in the Group's staff costs, including the costs of recruiting and training bus, coach and train drivers, in addition to having a material adverse effect on the Group's service delivery. If the Group is not successful in its recruitment and retention of qualified employees, this may have a material adverse effect on the Group's business, financial condition, results of operations and ability to grow.

Industrial actions taken by organised labour unions could have a material adverse effect on the Group's business, financial condition and results of operations

The Group's UK and Spanish divisions are unionised with around 57 per cent. of the UK division's employees and around 30 per cent. of the Spanish division's employees represented by collective bargaining agreements. Approximately 37 per cent. of employees in the North American division are represented by local collective bargaining agreements. The Group operates within its Workplace Rights Policy on a global basis, but significant industrial action in any of the Group's businesses could result in a significant disruption of operations and increased costs and/or damage to its reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Actual or attempted terrorist activities in the UK, North America, Spain or elsewhere in the world and other acts of violence may adversely affect the Group

The continuing risk of actual or attempted terrorist activities and other acts of violence within and outside the UK, North America, Spain and elsewhere in the world has adversely affected, and may continue to adversely affect, the general economic activities of the Group's passengers. In particular, terrorist acts and the public's concerns about potential attacks could adversely affect demand for the Group's services. There have been multiple acts of terrorism on public transport systems and other terrorist attacks that whilst not directly targeting public transport have discouraged travel. In addition, if the Group was to be perceived as not taking all reasonable precautions to guard against potential terrorist acts and other acts of violence, this could negatively impact the Group's reputation with passengers, thereby reducing demand for the Group's services. Any fall in demand for the Group's services could have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of actual or attempted terrorist activities or other acts of violence, governmental authorities may mandate security procedures in addition to those currently employed by the Group, thereby increasing the Group's costs, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group retains a significant proportion of risk for certain types of insurance claims, before it is able to claim under external insurance policies

The Group's policy is to adopt a level of self-insurance within its business, particularly for high frequency, low value claims. As a result, the policy deductibles on a number of the Group's external insurance policies provide that a significant proportion of any such claims must be met by the Group, before cover attaches under the applicable policy (or policies).

In the UK, the Group's external insurance policies are subject to certain deductibles, which mean that the Group is responsible for (as at the date of this Prospectus):

- The first £500,000 of claims arising from any one occurrence in relation to motor liabilities.
- The first £250,000 of claims arising from any one occurrence in relation to employer's liability.
- The first £250,000 of claims arising from any one occurrence in relation to public liability.
- The first £500,000 of claims arising from any one occurrence in relation to damage to the Group's own property, including buses or coaches while parked at the Group's premises.

In North America, the Group's external insurance policies are also subject to certain deductibles, which means that the Group is responsible for (as at the date of this Prospectus):

- The first U.S./CAD5 million of claims arising from any one occurrence in relation to auto or general liability.
- The first U.S.\$2 million of claims arising from any one occurrence in relation to workers' compensation (employee injury, US only).
- The first U.S.\$250,000 of claims arising from any one occurrence in relation to damage to the Group's own property, including buses parked at the Group's premises.

Across the Group, the crime insurance policy provides cover for any losses arising from theft or fraud, but only covers incurred losses above £1 million.

Therefore, the Group must in certain circumstances cover a significant proportion of insurance claims prior to external coverage attaching. Any requirement beyond normal expectations for the Group to make substantial payments or provisions in respect of any such claims could result in significant cash outflows or income statement charges and there can be no assurance that such cash outflows would not have a material adverse effect on the Group's profitability and cashflow position.

The Group is exposed to the risk of operational and other safety incidents

The Group, like all public transportation operators, is exposed to the risk of operational incidents. Any operational or other safety incident involving loss of life or significant damage to property or assets or harm to any person relating to the Group's services could result in a substantial loss in public confidence in the Group. Any such loss in public confidence in the Group could have a material adverse effect on the Group's business, financial condition and results of operations, as well as negatively impacting the ability of the Group to win and retain contracts or franchises.

Any operational or other safety incident involving loss of life or significant damage to property or assets or harm to any person exposes the Group to financial risk, including personal injury and other liability claims or criminal proceedings as well as the possibility that its operations may be suspended or terminated, and accordingly, any such incident could have a material adverse effect on the Group's business, financial condition and results of operations.

Certain operational incidents are outside the Group's control, such as incidents involving the suspension of services caused by adverse weather conditions. Such incidents could affect the Group's profitability and also result in a loss in public confidence in the Group and could consequently have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to retain, extend or renew a number of its short-term property leases and licences in respect of its North America, UK coach and ALSA businesses

A significant proportion of the Group's operational property interests in respect of its North America, UK coach and ALSA ("ALSA") (the Spanish, Moroccan and Swiss bus and coach division) businesses are leases due to expire within the next five years. The Group also occupies other properties for its UK coach business on the basis of licences to occupy and rights contained within management operating agreements, which may be terminated on relatively short notice. Actions are agreed with the operational teams to mitigate the risk of the loss of the property so as not to affect operational capability of performance. The North American, UK and European occupancy of property under agreements is protected by statute law and case law such that tenants have agreed and well known protected rights.

The Group also operates in the Middle East where the influence of sovereign state decisions can have a direct impact on occupancy. In the Middle East, property is occupied under lease agreements but these may and can be overridden by direct sovereign state influence and instruction. This risk does not occur outside the region where the Group operates.

There is a risk that the Group may be unable to renew such arrangements when they expire or are terminated. If the Group is able to renew such arrangements, such renewals may be on terms that are less favourable to the Group than those under existing arrangements. Where the Group is unable to renew such arrangements or otherwise continue to use such properties, there can be no assurance that the Group will be able to secure substantially similar alternative properties in equivalent locations at equivalent terms, or at all. Accordingly, if the Group loses its ability to continue to operate from its current operational locations, or if the Group accepts leases or licences on significantly less favourable terms, this could have a material adverse effect on the Group's business, financial condition and results of operations.

C. Strategic risks relating to the Group

The continuing financial viability of certain of the Group's contract-based businesses is dependent on maintaining a minimum number of contracts

Certain of the Group's contract-based businesses, particularly its North American school bus business and its Spanish coach business, need to maintain a minimum number of contracts (such minimum number being dependent on the size of contracts obtained) in order to justify the overheads of running those businesses.

In Spain, the concession renewal process restarted in 2019 but, apart from two contracts, no other concession has been put out to tender. With the situation arising from COVID-19, this is expected to remain the case throughout 2020. Nevertheless, the renewal process, when resumed, could result either in the loss of contracts by National Express or in a reduction in profitability on retention. Around 20 per cent. of the Group's revenues in Spain are generated from national, intercity coach contracts, and the vast majority of these contracts are due to be re-tendered in the next two to three years. There is a risk that when the long distance coach contracts operated by National Express in Spain come to be re-tendered the business may not retain a number of key contracts, or that contracts are secured on less favourable terms, which could significantly impact its revenues and profitability from 2022 onwards.

If the Group is unable to bid competitively for new contracts, or if the Group is unable to maintain appropriate relationships with key stakeholders by, among other things, maintaining high standards of passenger service and satisfaction, such contract-based businesses may not be able to retain their existing scale of operations. This would result in a negative impact on the relevant business' cost assumptions and profitability thereby having a material adverse effect on the Group's business, financial condition and results of operations, although no one contract makes up more than 2 per cent. of the Group's earnings.

The Group's UK coach business is dependent on a number of third party operators

The Group's UK coach business is dependent on the outsourcing of the operation of the majority of its services to third parties. Whilst the Group contractually regulates the performance of these third party services, it can only exercise limited control over many of these third party operators' day-to-day actions and is reliant on them to perform their services in accordance with the terms of their contracts and UK law, which increases its vulnerability to problems with the services they provide. The Group may not be successful in recovering any losses which result from the failure of third party operators to comply with their contractual obligations to the Group and third party

operators may seek to recover losses from the Group under indemnities or in respect of breaches of obligations or warranties under their agreements with the Group. In addition, third party operators may give notice of termination of service (typically twelve months in advance), requiring the Group to find a new operator which may result in service disruption. Such events could potentially have a material adverse effect on the Group's reputation, and consequently a material adverse effect on its business, financial condition and results of operations.

To help mitigate this risk, the Group's UK coach business has implemented robust controls and procedures to monitor third party operators' operating performance and provide support where required. In previous instances where third party operators have left the network, the transmission to new operators has been smooth, helped by the UK coach business' extensive list of pre-approved coach operators who can step in at short notice, however, there is no guarantee that all future transmissions to new third party operators will also be smooth.

The Group's businesses are exposed to competitive pressures from other modes of transport and other operators in the same modes of transport

The Group's businesses are exposed to competitive pressures, including in the areas of pricing and service, from modes of transport other than buses, coaches and rail and from other operators in the same modes of transport.

In the Group's UK bus business and UK coach business, the Group's main competitor is the car. The cost of driving a car is generally perceived as being lower than travelling by bus or coach, especially if there is more than one person in the car. As such, car-sharing and on-demand taxi services are also a source of potential competition. In addition, the Group's UK coach business also competes with rival coach operators, as well as services provided by train operating companies which offer reduced price fares in order to increase capacity utilisation and drive passenger revenue growth in a period of economic uncertainty. The UK bus business competes with other operators, where deregulation of the industry has made it possible for any company to begin operating a commercial service (except for local bus services within London), after giving notice to and receiving the necessary operating licence from the Traffic Commissioners appointed by the Secretary of State for Transport.

The Group's German Rail business competes at both the bid and operating stages of the business. The Group competes at the bid stage with other train operators. The main competitors to the Group's rail business at the operating stage are the car, other train operators, open-access operators and, to a lesser extent, budget airlines and other coach operators.

In North America, the Group's student transportation business competes with several large, national companies as well as a substantial number of smaller, locally owned operators. The Group's competitors in the student transportation business can also include school districts (which are governmental bodies), as many school districts also operate their own school buses.

In Spain, the Group's long distance coach business competes primarily with high-speed train operators and to a lesser extent budget airlines and online car sharing services. The Group's patronage in Spain also faces competition from national and international competitors in the market.

There can be no assurance that competitive pressures may not in the future have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's businesses are dependent on it maintaining its brands in each jurisdiction in which it operates and the Group is also exposed to reputational risks related to the transport industry

The Group is dependent on maintaining its brands in each jurisdiction in which it operates in order to maintain and grow its business. The Group's brands are an important asset of its businesses and central to the Group's success. The Group is exposed to the risk that litigation, misconduct, operational failures, cyber-attacks, negative publicity and press speculation, whether or not valid, could harm its reputation. The Group's reputation could also be adversely affected if its services do not perform as expected. In addition, the Group's reputation could be affected by the conduct or performance of third parties, such as those to which it outsources the operation of its UK coach business, and over which it does not have full control. The Group may also be unable to protect its brands against third party competition, and any future re-branding or brand expansion could be restricted by pre-existing third party intellectual property rights.

Furthermore, negative publicity may result in greater regulatory scrutiny of the Group's operations and of the industry generally. If the Group is unable to maintain its brands in each of the jurisdictions in which it operates or

should there be reputational damage to the transport industry as a whole, this could have a material adverse effect on the Group's business, financial condition and results of operations.

D. Macro-economic and regulatory risks relating to the Group

Demand for the Group's services may be adversely affected by economic conditions beyond the Group's control

Demand for the Group's services, like those of other public transportation operators and those of other participants in any industry, is influenced by general economic trends. There can be no assurance that the Group's business, financial condition and results of operations will not be materially and adversely affected by general economic trends. In the UK, and, potentially, in other members states of the EU, economic conditions may be particularly adversely affected by the UK's impending exit from the EU, and across all Group operations, the COVID-19 pandemic has an ongoing impact on the economies in which they operate.

If economic conditions were to deteriorate in any of the markets in which the Group operates, the number of journeys taken by passengers in those markets would be likely to decrease as relative disposable income decreases, unemployment increases and the spending habits of passengers change to reflect increased uncertainty and nervousness regarding the economic outlook. Whilst some of the Group's businesses have naturally defensive characteristics, often being the cheapest mode of transport, some of the more discretionary parts of the business, such as the UK coach business and Spanish coach divisions, and those that are reliant to some degree on revenues from commuters such as the UK bus, US employee shuttle and German rail business, may be adversely affected by reduced economic activity and higher unemployment. The Group's ability to reduce service levels in times of weaker demand varies from business to business, and there can be no assurance that the Group will be able to reduce service levels appropriately to mitigate any material effect of a decrease in passenger journeys on its profitability.

In addition, though it is likely that a downturn in the economy of a particular jurisdiction in which the Group operates may adversely affect the Group's business, financial condition and results of operations, the extent of such impact is uncertain.

Increases in energy and/or fuel costs could have a material adverse effect on the Group's business, financial condition and results of operations

All of the Group's businesses incur energy and/or fuel costs, and in particular the Group is exposed to commodity price risk as a result of fuel usage, which constitutes a significant portion of the Group's costs. The price of crude oil (and therefore the refined petroleum products used in the Group's operations) can be volatile, for example falling from U.S.\$64 per barrel in January 2019 to U.S.\$29 per barrel in April 2020 (*Source: Refinitiv*). Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to arise because of national strikes, world supply difficulties or disruption of refining capacity or oil imports, this could result in higher fuel prices and disruption to services. The Group seeks to mitigate the risks of volatility in fuel costs by entering into fuel swaps and purchase contracts. As at 30 June 2020, the Group had hedged approximately 100 per cent. of its fuel usage for the 2020 financial year, 80 per cent. of its expected fuel usage for the 2021 financial year, 40 per cent. of its expected fuel usage for the 2022 financial year and 15 per cent. of its expected fuel usage for the 2023 financial year. There can be no assurance that increases in energy costs, including increases in fuel costs, will not have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in employment legislation could add cost to the business and have a material impact on financial results

With staff costs making up more than one half of the Group's operating expenditure, the cost base could be adversely affected by legislative changes if these significantly alter minimum/living wage costs or provisions around paid leave. These risks include, but are not limited to, potential changes to minimum/living wage rates in the UK, Europe and North America, extensions of paid leave provisions and funding of medical insurance in the U.S., and changes to the basis for calculation of holiday pay in the UK and Spain. If, due to these changes, the cost base is increased, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The success of the Group's business is dependent upon its relationships with government authorities and key external stakeholders

The Group's relationships with government authorities regulating public transportation operators in the jurisdictions in which it operates and with key external stakeholders are significant factors contributing to the success of the Group's business. As part of the UK government's devolution agenda, in certain areas of the UK, powers have been devolved to regional authorities to set local public transportation policy, which increases the potential for bus franchising in these regions and will make it much easier for local authorities to directly contract commercial services in a similar way to London.

The Group engages fully with its regulators and key stakeholders with regard to issues of shared concern, such as the regulation of transport services, supply arrangements, environmental issues and safety and punctuality initiatives. If the Group fails to maintain such relationships or if such relationships were adversely affected for any reason, any action or inaction on the part of the Group, negative publicity concerning the Group or the public transportation industry or the development of mutually exclusive interests between the Group and the other party, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be adversely affected by political and regulatory changes

The Group's businesses are subject to numerous laws in the jurisdictions in which they operate regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues. These laws are constantly subject to change. There is a risk that the transport industry will become more regulated in the jurisdictions in which the Group operates. In addition, local authorities with whom the Group contracts could specify levels of quality and service with which the Group must comply. The costs associated with complying with changes in interpretations of existing, or the adoption of new, legislation, regulations or other laws in the jurisdictions in which the Group operates and of meeting specific levels of quality and service under contractual obligations could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be adversely affected by environmental requirements and liabilities

The Group is subject to extensive and constantly evolving national and local environmental laws and regulations in the jurisdictions in which it operates, including laws and regulations governing air emissions, wastewater discharges, the storage, handling and transportation of chemicals and hazardous substances and the remediation of contaminated soil and groundwater. The Group is also subject to environmental agency legislation in the jurisdictions in which it operates and certain contractual requirements relating to the environment and may incur liabilities arising from historical environmental contamination at properties it owns or has owned. Additional expenditures may be incurred by the Group in order to comply with either new environmental legislation and regulations, new interpretations of existing laws and regulations or more rigorous enforcement of such laws and regulations, as well as in connection with fulfilling contractual and historical environmental contamination obligations at Group sites. There can be no assurance that any such expenditures will not have a material adverse effect on the Group's business, financial condition and results of operations; however, the Group is constantly monitoring its environmental operations and risks. Mitigation strategies are in place to seek to avoid any such occurrence having a material effect.

In addition, the Group's adaptation and mitigation measures on climate change risks are managed under the Group's regulatory and physical climate related frameworks.

The Group may be exposed to a number of political, social and macroeconomic risks relating to an exit by the UK from the EU

As a result of the UK electing to withdraw from the EU in a national referendum on 23 June 2016 (commonly referred to as Brexit), the UK Government invoked Article 50 of the Treaty on the EU, which began the process of the UK's withdrawal from the EU. The UK left the EU on 31 January 2020 and a transition period is now in place until 31 December 2020. During the transition period the UK and the EU are continuing to negotiate their relationship and the framework for the UK's future relationship with the EU remains uncertain.

The Group is a multinational company headquartered in the UK with international operations, including significant business operations in North America, Europe, North Africa and the Middle East. The withdrawal by the UK from the EU may result in macroeconomic deterioration and prolonged economic uncertainty in the

markets in which the Group operates, including, but not limited to, decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of sterling and the euro against other leading currencies), decreased gross domestic product in the UK and a downgrade of the UK's sovereign credit rating. Any of the foregoing could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Depending on the terms of the agreement reached between the UK and the EU on migration and immigration (if any), the UK's exit from the EU could result in restrictions on mobility of personnel and could create difficulties for the Group in recruiting and retaining qualified employees.

In addition, the exit by the UK from the EU and any consequential loss of the ability of UK-based businesses to sell goods and services freely and bid for work within the EU may result in an increase in unemployment in the UK, potentially as a result of the relocation of businesses and jobs to other member states of the EU. This could have a particularly adverse effect on the Group's UK operations.

Any of these risks could result in lower revenue, higher operating costs and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

2. Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes are subordinated

The Notes will be subordinated as set forth in the Conditions and the Trust Deed. Specifically, upon the occurrence of a Winding-Up of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer, except for any Parity Obligations of the Issuer, which rank equally with the Notes, or in respect of the Issuer's Ordinary Shares.

The Notes will also be unsecured, which means that they will be subordinated to any secured obligations of the Issuer in respect of the assets securing such obligations.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in the Notes will lose all or some of his investment should the Issuer be subject to a Winding-Up.

In addition, generally, creditors of a subsidiary, including trade creditors and creditors holding indebtedness and guarantees issued by the subsidiary and preferred shareholders (if any) of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to its direct or indirect shareholders (including the Issuer) upon its liquidation or winding up. The Issuer's subsidiaries may have other liabilities, including contingent liabilities, which could be substantial. Since the Noteholders are not creditors of these subsidiaries, their claims to the assets of the subsidiaries that may generate the Issuer's income (and consequently, their right to receive payments under the Conditions) are structurally subordinated to the creditors of these subsidiaries.

The Issuer has the right to defer Interest Amounts on the Notes

The Issuer may in its sole discretion defer (in whole but not in part) Interest Amounts (as further described in Condition 4.5). Arrears of Interest may, at the option of the Issuer, be paid at any time, and the circumstances in which it is required to be paid are set out in Condition 4.6. While the deferral of Interest Amounts continues pursuant to Condition 4.5, the Issuer may make payments on any instrument ranking senior to the Notes. In such circumstances, such deferral shall not constitute a default, the Noteholders will not be able to accelerate the maturity of their Notes and such Noteholders will have claims only for amounts then due and payable on their Notes. Additionally, during any such deferral period, Noteholders will receive limited or no current payments on the Notes.

The terms of any Parity Obligations of the Issuer may operate to restrict the Issuer's ability to pay interest on the Notes to the extent that payments are deferred on such Parity Obligations.

To the extent a secondary market develops for the Notes, any deferral of Interest Amounts is likely to have an adverse effect on the market price of the Notes. As a result of the Issuer's deferral right or if investors perceive that there is a likelihood that the Issuer will exercise its deferral right, the market for the Notes may become less active or be discontinued during such a deferral period, and the market price of the Notes may be more volatile

than the market prices of other securities on which interest or distributions accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition. If the Issuer does decide to defer interest on the Notes and a Noteholder sells its Notes during the period of that deferral, such Noteholder may not receive the same return on its investment as a holder that continues to hold its Notes until the Issuer pays the deferred interest at the end of the applicable deferral period.

Limited remedy for non-payment when due

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation or the administration of the Issuer. In particular, a deferral of payments as described above shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

The Notes are perpetual securities and the Noteholders have no right to require redemption

The Notes are perpetual and, although the Issuer may redeem the Notes in certain circumstances prior to such date, the Issuer is under no obligation to do so. Noteholders have no right to require redemption of the Notes and therefore Noteholders should be aware that they may be required to bear the financial risks associated with an investment in perpetual securities.

The Issuer may redeem, vary or substitute the Notes under certain circumstances

Noteholders should be aware that the Notes may be redeemed at the option of the Issuer (in whole but not in part) at their outstanding principal amount (plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Arrears of Interest, without double counting) on: (i) the First Call Date and on any day thereafter to (and including) the First Reset Date; (ii) the Second Reset Date; or (iii) any Interest Payment Date thereafter. The Notes are also subject to redemption (in whole but not in part) at the Issuer's option upon the occurrence of an Accounting Event, a Gross-Up Event, a Tax Event, a Rating Agency Event, a Substantial Repurchase Event or a Change of Control Event. The amount at which the Notes are redeemed upon any such event may be less than the then current market value of the Notes.

In the event that the Issuer redeems the Notes, a Noteholder may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes.

Furthermore, if an Accounting Event, a Gross-Up Event, a Tax Event or a Rating Agency Event occurs, then the Issuer may at any time, instead of giving notice to redeem the Notes, substitute all, but not some only, of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Securities. Whilst Qualifying Securities are required to have terms not otherwise materially less favourable to Noteholders than the terms of the Notes, there can be no assurance that the substitution or variation of the Notes will not have a significant adverse impact on the price of, and/or market for, the Notes or the circumstances of relevant individual Noteholders. For example, it is possible that the Qualifying Securities will contain conditions that are contrary to the investment criteria of certain investors and the tax and stamp duty consequences of holding the Qualifying Securities could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or variation.

A Noteholder will have no right to request or require redemption of the Notes in any circumstance, including upon any decision by the Issuer to defer payments of interest in accordance with the Conditions. See also the risk factor entitled "*The secondary market*".

The current IFRS accounting classification of financial instruments such as the Notes as equity instruments may change, which may result in the occurrence of an Accounting Event

In June 2018, the IASB published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "**DP/2018/1 Paper**") and a public meeting on this matter was held on 23 October 2019. If the proposals set out in the DP/2018/1 Paper are implemented in their current form, the current IFRS accounting classification of financial instruments such as the Notes as equity instruments may change and this may result in the occurrence of an "Accounting Event" (as described in the Conditions of the Notes). In such an event, the Issuer may have the option to redeem, in whole but not in part, the Notes pursuant to the Conditions of the Notes or vary

or substitute them so that they remain or become Qualifying Securities. The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is still uncertain. During the aforementioned meeting of the IASB, the potential scope and indicative timetable of the project plan regarding the DP/2018/1 Paper were discussed but no decisions were made. Accordingly, no assurance can be given as to the future classification of the Notes from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event, thereby providing the Issuer with the option to redeem, substitute or vary the Notes pursuant to the Conditions of the Notes. The occurrence of an Accounting Event may result in Noteholders receiving a lower than expected yield.

The redemption of the Notes by the Issuer or the perception that the Issuer will exercise its optional redemption right might negatively affect the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

The substitution or variation of the Notes so that they remain or become Qualifying Securities may have a significant adverse impact on the price of, and/or market for, the Notes or the circumstances of relevant individual Noteholders as further described above under "*The Issuer may redeem, vary or substitute the Notes under certain circumstances*".

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities, guarantees or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders on a Winding-Up of the Issuer and/or may increase the likelihood of a deferral of interest under the Notes. Further, the terms of such securities, guarantees or other liabilities may include provisions resulting in the Issuer being required to defer interest under the Notes in circumstances where a deferral of interest is made on such other securities, guarantees or liabilities.

The Conditions and the Trust Deed do not prohibit the Issuer from taking actions that could adversely impact an investment in the Notes

The Conditions and the Trust Deed do not limit the ability of the Issuer to incur additional debt, whether secured or unsecured, including debt that ranks senior to or equal with the Notes upon Winding-Up of the Issuer.

Additionally, the Conditions and the Trust Deed do not:

- require the Issuer to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;
- restrict the ability of the Issuer to repurchase or prepay any of its other securities or other indebtedness;
- restrict the ability of the Issuer to make investments or to repurchase, pay dividends on or make other payments in respect of its ordinary shares or other securities ranking junior to the Notes;
- restrict the ability of the Issuer to enter into transactions with affiliates;
- restrict the ability of the Issuer to enter into highly leveraged transactions; or
- require the Issuer to repurchase the Notes in the event of a Change of Control.

As a result of the foregoing, when evaluating the terms of the Notes, a potential investor should be aware that the Conditions and the Trust Deed do not restrict the ability of the Issuer to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on an investment in such Notes.

Modification, waivers and substitution

The Conditions and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to: (i) any modification of the Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders, (ii) any modification of the Conditions and the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to correct an error which, in the opinion of the Trustee, is proven, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

The Trust Deed also provides, subject to certain conditions, for the substitution of any Subsidiary of the Issuer or its successor in business as the principal debtor under the Trust Deed and the Notes. The tax and stamp duty consequences of holding Notes following a substitution could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution.

Change of law

The Conditions, and any non-contractual obligations arising out of or in connection with them, are governed by English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of £100,000 plus one or more higher integral multiples of £1,000 up to £199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £100,000. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than £100,000 in the Noteholder's account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

3. Risks related to the market for Notes generally

The secondary market

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes (such as the Notes) that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

In addition, Noteholders should be aware of the weak secondary liquidity conditions in the markets whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest in respect of the Notes in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Fixed rate securities have a market risk and a change in market interest rates could result in a decrease in the value of the Notes

Interest will accrue on the Notes at a fixed rate of return. A holder of a security with a fixed rate of return, such as the Notes, is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). While the nominal rate of return of a security with a fixed rate of return is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate causes the price of such security to change. If the Market Interest Rate increases above current levels, the price of such security will generally decline in value because debt instruments of the same face value priced at market interest rates will yield higher income. Consequently, if Market Interest Rates increase above the current interest rates, the market value of the Notes may decline. If, on the other hand, the Market Interest Rate falls, the price of such security typically increases. The Issuer cannot give any assurance regarding the future level of Market Interest Rates.

Investors should be aware that movements of the Market Interest Rate may adversely affect the price of the Notes and may lead to losses for Noteholders if they sell the Notes at a time when the price of such Notes is less than the price at which they purchased such Notes.

Further, the interest rate in respect of the Notes will reset on the First Reset Date and on subsequent Reset Dates. The relevant Reset Interest Rate could be less than the initial Interest Rate and could affect the market value of an investment in the Notes.

Credit ratings may not reflect all risks associated with an investment in the Notes

Fitch and Moody's are expected to assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European (including UK) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or in the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or a UK-registered credit rating agency or the relevant non-EU or non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of the rating agency rating the Notes changes, European (including UK) regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European (including UK) regulated investors selling their Notes, which may impact the value of the Notes in the secondary market.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are expected to amount to approximately £496,375,000 and such proceeds shall be applied by the Issuer for its general corporate purposes and the repayment of existing debt.

DOCUMENTS INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

- 1) the Group's 'Annual Report 2019' (available for viewing on the Issuer's website at <https://www.nationalexpressgroup.com/media/3966/national-express-annual-report-and-accounts-2019.pdf>) and 'Annual Report 2018' (available for viewing on the Issuer's website at https://www.nationalexpressgroup.com/media/3631/national-express-ar_2018-annual-report_190314.pdf), including the information set out at the following pages:

	2019	2018
Consolidated Financial Statements and Notes	pages 136-224	pages 114-199
Independent Auditor's Report	pages 128-135	pages 106-113
the table entitled "Free cash flow"	page 24	page 19
the table entitled "Net funds flow"	page 24	page 19
the section entitled "Treasury Management"	Pages 24-25	page 20

- 2) the Group's 'Half Year results for the six month period ended 30 June 2020' (available for viewing on the Issuer's website at <https://www.nationalexpressgroup.com/media/4158/national-express-group-half-year-results-2020.pdf>) and the Group's Half Year results for the six month period ended 30 June 2019' (available for viewing on the Issuer's website at <https://www.nationalexpressgroup.com/media/3821/2019-hy-results-statement-250719.pdf>), including the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 2020 (the "**2020 Interim Financial Statements**") and 30 June 2019 set out at the following pages:

	2020	2019
Consolidated Financial Statements and Notes	pages 20*- 43*	pages 24*-44*
Glossary of Alternative Performance Measures	pages 17*-18*	page 22*
Independent Review Report	pages 44*-45*	page 45*
the table entitled "Free cash flow"	page 11*	page 17*
the table entitled "Net funds flow"	page 12*	page 17*
the sections entitled "Dividend", "Treasury Management", "Pensions" and "Fuel Costs"	pages 13*-14*	pages 18*-20*

* These page numbers are references to the PDF pages included in the Group's 'Half Year results for the six month period ended 30 June 2020' and the Group's 'Half Year results for the six month period ended 30 June 2019', respectively.

- (3) the information set out in the Group's 'Trading Update' dated 24 September 2020 (available for viewing on the Issuer's website at <https://www.nationalexpressgroup.com/newsmedia/corporate-news/2020/trading-update-1/>) under the following headings:
- (a) "Overview"; and
 - (b) "Divisional operating highlights (ALSA, North America and UK)".

- (4) the information set out in the Group's 'Trading Update' dated 12 November 2020 (available for viewing on the Issuer's website at <https://www.nationalexpressgroup.com/newsmedia/corporate-news/2020/trading-update-2/>), other than (i) the first of the four bullet points set out under the heading "Group financial position" and (ii) the words "which we expect to continue throughout the balance of the year" at the end of the second of the four bullet points under the heading "Group financial position" (the "**12 November Trading Update**").

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus may be obtained, free of charge, from the registered office of the Issuer at National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD, United Kingdom and on its website at <http://www.nationalexpressgroup.com/investors/debt-information/>.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Note in definitive form (if issued).

The £500,000,000 Perpetual Subordinated Non-Call 5.25 Fixed Rate Reset Notes (the "**Notes**", which expression, unless the context otherwise requires, includes any further notes issued pursuant to Condition 9 and forming a single series with the Notes) of National Express Group PLC (the "**Issuer**") are constituted by a trust deed dated 26 November 2020 (such trust deed, as modified and/or amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include any successor thereto) as trustee for the holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**", respectively). In these Terms and Conditions of the Notes (the "**Conditions**");

- (i) references to "Notes" and "Noteholders" shall respectively be deemed to include references to Coupons and Couponholders; and
- (ii) references to "Coupons" and "Couponholders" shall be deemed to include references to the talons for further interest coupons (the "**Talons**") and the holders of the Talons,

in each case, unless the context otherwise requires.

The Notes have the benefit of an agency agreement dated 26 November 2020 (such agency agreement, as modified and/or amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, BNP Paribas Securities Services as initial principal paying agent (in such capacity, the "**Principal Paying Agent**" which expression includes any successor thereto) and calculation agent (in such capacity, the "**Calculation Agent**", which expression includes any successor thereto) and the Trustee. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes.

Conformed copies of the Trust Deed and the Agency Agreement (i) are available for collection or inspection during normal business hours by the Noteholders at the specified office of the Trustee (being, at the Issue Date, 10 Harewood Avenue, London NW1 6AA), the Principal Paying Agent and each of the other paying agents appointed under the Agency Agreement (together with the Principal Paying Agent, the "**Paying Agents**") or (ii) may be provided by email to a Noteholder following prior written request to the Trustee or the relevant Paying Agent therefor and provision of proof of holding and identity (in form satisfactory to the Trustee or the relevant Paying Agent, as the case may be). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

The Notes are in bearer form, serially numbered, in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 with Coupons and Talons attached on issue. No definitive Notes (if issued) will be issued with a denomination above £199,000.

1.2 Title and Noteholder absolute owner

Title to the Notes will pass on delivery. Except as ordered by a court of jurisdiction or as required by law, the Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note as the absolute owner for all purposes (whether or not the Note is overdue and notwithstanding any notice of ownership or writing on the Note or any notice of previous loss or theft of the Note or of any trust or interest therein) and will not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS AND SUBORDINATION OF THE NOTES

2.1 Status of the Notes

The Notes constitute unconditional, unsecured and subordinated obligations of the Issuer and rank and will at all times rank *pari passu* without any preference among themselves. The rights and claims of the Noteholders under the Notes are subordinated as described in this Condition 2.

2.2 Subordination of the Notes

The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank in the event of a Winding-Up of the Issuer:

- (a) junior to the rights and claims of the holders of Senior Obligations of the Issuer;
- (b) *pari passu* with the rights and claims of any holders of Parity Obligations of the Issuer; and
- (c) senior to the rights and claims of the holders of the Issuer's Ordinary Shares.

To give effect to the intended ranking described above, if at any time a Winding-Up of the Issuer occurs (otherwise than for the purposes of a Solvent Reorganisation of the Issuer), the amount payable by the Issuer to a Noteholder under or in relation to such Noteholder's Notes (in lieu of any other payment by the Issuer to such Noteholder under or in relation to the Notes, including pursuant to the Conditions or the Trust Deed), shall be the amount that would have been payable to such Noteholder if, immediately prior to and throughout such Winding-Up, such Noteholder was the holder of Notional Preference Shares in the Issuer. For the purposes only of that calculation, in respect of each Note and matured but unpaid Coupon (including any outstanding Arrears of Interest in respect of such Coupon) a Noteholder will be deemed to hold a Notional Preference Share in the Issuer entitling the holder thereof, in the Winding-Up of the Issuer, to receive in respect of such Notional Preference Share an amount that is equal to the principal amount of the relevant Note and, in the case of a Coupon and its Couponholder, any accrued but unpaid interest represented by such Coupon and any outstanding Arrears of Interest in respect of such Coupon (without double counting) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up). Amounts payable to the Noteholders under this Condition 2.2 will only be paid after the debts owing to the holders of the Issuer's Senior Obligations have been paid in full.

Nothing in this Condition 2.2 shall affect, apply to or prejudice the payment or reimbursement of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Paying Agents or the rights and remedies of the Trustee or the Paying Agents in respect thereof.

Accordingly, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any Winding-Up of the Issuer before Noteholders may expect to obtain from the Issuer any recovery in respect of their Notes and, prior thereto, any Noteholder will have only limited ability to influence the conduct of such Winding-Up of the Issuer. See "*Risk Factors – Factors which are material for the purpose of assessing the market risks associated with the Notes– Limited remedy for non-payment when due*".

3. PROHIBITION OF SET-OFF

To the extent and in the manner permitted by applicable law, neither the Trustee (in respect of amounts owed to the Trustee by the Issuer in respect of, and arising from, the Notes but not in respect of any fees, liabilities or expenses owed to the Trustee by the Issuer) nor any Noteholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the Notes and each Noteholder will, by virtue of its holding of any Note, be deemed to have waived, and to have directed and authorised the Trustee on its behalf to have waived, all such rights of set-off, counterclaim, compensation or retention. Notwithstanding the preceding sentence, if any of the rights and claims of any Noteholder in respect of or arising under the Notes or the Trust Deed are discharged by set-off, such Noteholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator, trustee, receiver or

administrator of the Issuer and, until such time as payment is made, will hold a sum equal to such amount on trust for the Issuer or, if applicable, the liquidator, trustee, receiver or administrator in the relevant liquidation, winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

4. INTEREST

4.1 Interest

Each Note shall entitle the Noteholder thereof to receive cumulative interest in accordance with the provisions of this Condition 4.

4.2 Interest Rate

Unless previously redeemed or purchased and cancelled in accordance with the Conditions, interest on the Notes will accrue:

- (a) from, and including, the Issue Date to, but excluding, 26 February 2026 (the "**First Reset Date**"), at an interest rate per annum of 4.250 per cent.; and
- (b) from, and including, the First Reset Date, at an interest rate per annum equal to the relevant Reset Interest Rate,

(each an "**Interest Rate**"), in each case on the outstanding principal amount of each Note, which interest will be payable annually in arrear on 26 February of each year (each an "**Interest Payment Date**") commencing on 26 February 2021, save that the first payment of interest on the Notes will be in respect of the period from, and including, the Issue Date to, but excluding, 26 February 2021.

4.3 Interest Amount

- (a) Subject to Condition 4.5, the amount of interest payable in respect of the Calculation Amount on (i) the first Interest Payment Date on 26 February 2021 shall be £10.68 and (ii) each Interest Payment Date thereafter to, and including, the First Reset Date shall be £42.50.
- (b) Subject to Condition 4.5, the amount of interest payable in respect of the Calculation Amount for any period, other than the periods specified in (a) above, for which interest is to be calculated under this Condition 4.3 shall be calculated by:
 - (i) applying the applicable Interest Rate to the Calculation Amount;
 - (ii) multiplying the product thereof by the Day Count Fraction; and
 - (iii) rounding the resulting figure to the nearest penny (half a penny being rounded upwards).
- (c) The relevant amount of interest payable in respect of a Note for any period shall be the product of:
 - (i) the relevant amount of interest per Calculation Amount determined as described above; and
 - (ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

4.4 Step-up after Change of Control Event

Notwithstanding any other provision of this Condition 4, if the Issuer does not elect to redeem the Notes in accordance with Condition 5.4 following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the

provisions of this Condition 4 on the Notes shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

Without prejudice to the Issuer's right to redeem the Notes in accordance with Condition 5.4 following the occurrence of any Change of Control Event, this Condition 4.4 shall only apply in relation to the first Change of Control Event to occur while any of the Notes remain outstanding.

4.5 Optional deferral of interest payments

- (a) Interest which accrues during an Interest Period will be due and payable on the relevant Interest Payment Date, unless the Issuer elects to defer the relevant payment of interest (in whole but not in part) pursuant to this Condition 4.5.

The Issuer may, at its discretion, elect to defer the whole of any payment of the Interest Amount (a "**Deferred Interest Payment**") which is otherwise scheduled to be paid on an Interest Payment Date. If the Issuer elects not to make any payment of interest on an Interest Payment Date, it will not have any obligation to pay such interest on the relevant Interest Payment Date.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with each Deferred Interest Payment, being "**Arrears of Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which the Deferred Interest Payment is paid, and such interest will be added to such Deferred Interest Payment (and thereafter accumulate additional interest accordingly) on each Interest Payment Date. Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such Arrears of Interest become due and payable in accordance with the Conditions.

- (b) The Issuer will notify the Noteholders (in accordance with Condition 14), the Trustee, the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are listed from time to time, such stock exchange, of any determination by it not to pay the whole of the Interest Amount which would otherwise fall due on an Interest Payment Date not more than 30 and not less than five London Business Days prior to the relevant Interest Payment Date. Deferral of Interest Amounts pursuant to this Condition 4.5 will not constitute a default by the Issuer or any breach of its obligations under the Notes or the Trust Deed or for any other purpose.

4.6 Payment of Deferred Interest Payments

- (a) The Issuer will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at any time on the giving of notice to the Noteholders (in accordance with Condition 14), the Trustee and the Principal Paying Agent not less than 10 London Business Days before such voluntary payment specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.
- (b) The Issuer must pay all outstanding Arrears of Interest (in whole but not in part) on the earliest of:
- (i) the tenth London Business Day following the date on which a Compulsory Arrears of Interest Payment Event occurs;
 - (ii) the next scheduled Interest Payment Date in respect of which the Issuer does not elect to defer the payment of the interest accrued in respect of the relevant Interest Period;
 - (iii) the date on which the Notes are redeemed; or
 - (iv) the date on which an order is made or a resolution is passed for the Winding-Up of the Issuer (other than a Solvent Reorganisation of the Issuer).

The Issuer will promptly notify the Noteholders (in accordance with Condition 14), the Trustee, the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are listed from time to time, such stock exchange, of the occurrence of a Compulsory Arrears of Interest Payment Event.

4.7 Accrual

Interest will cease to accrue on each Note from and including its due date for redemption or substitution (in accordance with Condition 5.6) unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

4.8 Determination and publication of Reset Interest Rate

The Reset Interest Rate for each Reset Period will be determined by the Calculation Agent on the relevant Reset Determination Date and promptly notified by the Calculation Agent to the Issuer, the Trustee, the Principal Paying Agent, if required by the rules of any stock exchange on which the Notes are listed from time to time, to such stock exchange, and to the Noteholders, without undue delay but, in any case, not later than on the relevant Reset Date.

4.9 Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Reset Interest Rate or to comply with any other requirement the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

4.10 Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Reference Banks (or any of them) or the Calculation Agent will (in the absence of manifest error, bad faith or wilful default) be binding upon the Issuer, the Trustee, the Calculation Agent, the Paying Agents and all Noteholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee or the Noteholders will attach to the Reference Banks (or any of them) or the Calculation Agent in connection with the exercise or non-exercise by any of them of their powers, duties and discretions pursuant to such provisions.

5. REDEMPTION, PURCHASE AND SUBSTITUTION AND VARIATION

5.1 No Redemption Date

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem, purchase or substitute or vary the Notes in accordance with the following provisions of this Condition 5.

5.2 Early redemption at the option of the Issuer

Subject to applicable laws, the Issuer may redeem the Notes (in whole but not in part) (i) on 26 November 2025 (the "**First Call Date**") and on any day thereafter to (and including) the First Reset Date; or (ii) on the Second Reset Date; or (iii) on any Interest Payment Date thereafter at their outstanding principal amount plus any accrued but unpaid interest up to (but excluding) the relevant Redemption Date and any outstanding Arrears of Interest (without double counting), on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders (in accordance with Condition 14), the Trustee and the Principal Paying Agent.

5.3 Early redemption due to an Accounting Event, a Gross-Up Event, a Rating Agency Event, a Substantial Repurchase Event or a Tax Event

Subject to Condition 5.5, if an Accounting Event, a Gross-Up Event, a Rating Agency Event, a Substantial Repurchase Event or a Tax Event occurs, the Issuer may, subject to applicable laws, redeem the Notes (in whole but not in part) at their Early Redemption Amount, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders (in accordance with Condition 14), the Trustee and the Principal Paying Agent.

5.4 Redemption for Change of Control Event

Subject to Condition 5.5, if, immediately prior to the giving of the notice referred to below, a Change of Control Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 calendar days' irrevocable notice of redemption to the Noteholders (in accordance with Condition 14), the Trustee and the Principal Paying Agent, redeem the Notes (in whole but not in part) at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest (without double counting). Upon the expiry of such notice, the Issuer shall redeem the Notes.

If the rating designations employed by any Relevant Rating Agency are changed from those which are described in paragraph (a) or (b) of the definition of "Change of Control Event", "Non-Investment Grade Rating" or "Investment Grade Rating", or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of such Relevant Rating Agency or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of the relevant Relevant Rating Agency, and this Condition 5.4 shall be construed accordingly.

The Trustee is under no obligation to ascertain whether a Change of Control Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Event or Change of Control has occurred, and until it shall have actual knowledge or express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Event or Change of Control or other such event has occurred.

5.5 Conditions to Early Redemption, Substitution or Variation for an Accounting Event, a Gross-Up Event, a Rating Agency Event, a Substantial Repurchase Event, a Tax Event or a Change of Control Event

- (a) In the case of an Accounting Event or a Substantial Repurchase Event, prior to giving any notice of redemption or substitution or variation (in the case of an Accounting Event only), the Issuer will deliver or procure that there is delivered to the Trustee a certificate signed by two authorised officers of the Issuer on behalf of the Issuer stating that an Accounting Event or a Substantial Repurchase Event, as the case may be, has occurred. The Trustee shall be entitled, without further enquiry or liability to any person, to accept such certification as sufficient evidence that an Accounting Event or a Substantial Repurchase Event, as the case may be, has occurred, in which event it shall be conclusive and binding on the Noteholders.
- (b) In the case of a Gross-Up Event:
 - (i) no such notice of redemption, substitution or variation may be given earlier than 90 calendar days prior to the earliest calendar day on which the Issuer would be obliged to pay the Additional Amounts in question were a payment in respect of the Notes then due; and
 - (ii) prior to the giving of any such notice of redemption, substitution or variation, the Issuer will deliver or procure that there is delivered to the Trustee (I), an opinion of independent legal advisers or tax advisers, in each case of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of a Tax Law Change and (II) a certificate signed by two authorised officers of the Issuer stating that such obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled,

without further enquiry or liability to any person, to accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

- (c) In the case of a Rating Agency Event, a Tax Event or a Change of Control Event, prior to giving any notice of redemption, substitution or variation (in each case, if applicable) the Issuer will deliver or procure that there is delivered to the Trustee a certificate signed by two authorised officers of the Issuer stating that a Tax Event, a Rating Agency Event or a Change of Control Event, as the case may be, has occurred and stating in the case of a Tax Event that the relevant loss of deduction cannot be avoided by the Issuer taking reasonable measures available to it and, in the case of a Tax Event, an opinion of independent legal advisers or tax advisers, in each case of recognised standing to the effect that a Tax Event has occurred or would occur as a result of a Tax Law Change. The Trustee shall be entitled, without further enquiry or liability to any person, to accept such certification and, in the case of a Tax Event, opinion as sufficient evidence that a Tax Event, a Rating Agency Event or a Change of Control Event, as the case may be, has occurred, in which event it shall be conclusive and binding on the Noteholders.
- (d) In relation to a substitution or variation pursuant to Condition 5.6, such certificate shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Noteholders than the terms of the Notes, that such determination was reached by the Issuer, acting reasonably, in consultation with an independent investment bank or counsel of international standing and that the criteria specified in paragraphs (a) to (j) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled without further enquiry or liability to any person, to accept such certification as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs, in which event it shall be conclusive and binding on the Noteholders.

5.6 Substitution and Variation

If a Rating Agency Event, an Accounting Event, a Gross-Up Event or a Tax Event occurs, the Issuer may, subject to Condition 5.5 (without any requirement for the consent or approval of the Noteholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 5.6 and Condition 5.5 have been complied with, and having given not fewer than 10 nor more than 60 calendar days' irrevocable notice of substitution or, as the case may be, variation to the Noteholders (in accordance with Condition 14), the Trustee and the Principal Paying Agent, at any time either (i) substitute all, but not some only, of the Notes for, or (ii) vary the terms of the Notes with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 5.6 and subject to the receipt by it of the certificate of two authorised officers of the Issuer referred to in Condition 5.5 above) agree to such substitution or variation but without further responsibility or liability on the part of the Trustee.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Notes in accordance with this Condition 5.6.

Subject as aforesaid, the Trustee shall, without any requirement for the consent or approval of the Noteholders, execute any documents necessary to effect the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as the case may be, become, Qualifying Securities, provided that the Trustee shall not be obliged to execute any such documents if, in the Trustee's opinion, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party in any way against which it is not indemnified and/or secured and/or prefunded to its satisfaction. If the Trustee does not execute any necessary documents as provided above, the Issuer may redeem the Notes as provided elsewhere in this Condition 5.

In connection with any substitution or variation in accordance with this Condition 5.6 the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Rating Agency Event, an Accounting Event, a Gross-Up Event or a Tax Event with respect to the Notes or the Qualifying Securities.

5.7 Purchase of Notes

The Issuer and any of its Subsidiaries may, to the extent permitted by applicable law, at any time purchase Notes (provided that all Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

The Notes so purchased (or acquired), while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Noteholder to attend and vote at any meetings of the Noteholders or to participate in any Written Resolution or Electronic Consent (each as defined in the Trust Deed) and shall not be deemed to be outstanding for the purposes of, inter alia, calculating quorums at meetings of the Noteholders or for the purposes of Condition 11.

5.8 Cancellations

All Notes purchased or substituted by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer or the relevant Subsidiary, as the case may be, be held, reissued or resold or may be surrendered for cancellation by surrendering each such Note together with all Coupons and all unexchanged Talons to the Principal Paying Agent and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

5.9 Trustee not obliged to monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 5, it shall be entitled without liability to assume that no such event or circumstance exists.

6. PAYMENTS AND EXCHANGE OF TALONS

6.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, as applicable, endorsement) of the Note, except that payments of interest due on an Interest Payment Date (other than, if relevant, any amounts representing interest as referred to in part (y) of the definition of "**Early Redemption Amount**"), will be made against presentation and surrender (or in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of payment

Payments will be made by credit or transfer to a sterling account (or any other account to which sterling may be credited or transferred) specified by the payee.

6.3 Missing unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons (which expression will, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Note becomes due and repayable, all unmatured Coupons appertaining to the Note (whether or not attached) will become void and no payment will be made in respect of such Coupons.

6.4 Payments subject to applicable laws

Payments in respect of amounts payable by way of interest (including Arrears of Interest) and on redemption of the Notes will be subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

6.5 Payment only on a Presentation Date

A Noteholder will be entitled to present a Note for payment only on a Presentation Date and will not be entitled to any further interest or other payment if a Presentation Date is after the due date.

6.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 8. Each Talon will, for the purposes of the Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

6.7 Initial Paying Agents

The name of the initial Principal Paying Agent and its specified office is set out in the Agency Agreement. In accordance with the Agency Agreement, the Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of, and to appoint additional or other, Paying Agents, provided that:

- (a) there will at all times be a Principal Paying Agent; and
- (b) so long as the Notes are listed on any stock exchange, a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

Notice of any termination or appointment and of any change in specified office will be given promptly by the Issuer to the Noteholders (in accordance with Condition 14).

7. TAXATION AND GROSS-UP

7.1 Payment without withholding

All payments in respect of the Notes and the Coupons by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts ("**Additional Amounts**") to the Noteholder or Couponholder as shall result in receipt by that Noteholder or Couponholder of such amounts as would have been receivable by it had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to any Note or Coupon:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Tax Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon;
- (b) where the Note or Coupon is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day; or

- (c) in circumstances where such a withholding or deduction would not be required if the Noteholder or Couponholder, or any person acting on the Noteholder's or Couponholder's behalf, had satisfied any statutory requirements or obtained and/or presented any form or certificate or had made a declaration of non-residence or similar claim for exemption upon the presentation or making of which the Noteholder or Couponholder would have been able to avoid such withholding or deduction.

Notwithstanding any other provision of these Conditions or the Trust Deed, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) or any analogous provisions of non-United States laws (any such withholding or deduction, a FATCA Withholding). None of the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

7.2 Additional Amounts

Any reference in the Conditions to any amounts in respect of the Notes (including in relation to any Arrears of Interest) will be deemed also to refer to any Additional Amounts which may be payable under this Condition 7 or under any undertakings given in addition to, or in substitution for, this Condition 7 pursuant to the Trust Deed.

8. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest, including any Arrears of Interest) from the appropriate Relevant Date in respect of them. There may not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition 8 or Condition 6.

9. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the Notes shall be constituted by the Trust Deed or a deed supplemental to it.

10. EVENTS OF DEFAULT

If a default is made by the Issuer for a period of 30 days or more in the payment of any principal or interest (including any Arrears of Interest) in respect of the Notes which is due and payable, then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee at its sole discretion may (subject to Condition 11), and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (a) institute actions, steps or proceedings for the Winding-Up of the Issuer and/or (b) prove in the Winding-Up of the Issuer and/or (c) claim in the liquidation or administration of the Issuer for such payment, such claim being as contemplated in Condition 2.2 but may take no further or other action save as set out below.

If an Event of Default occurs, without prejudice to Condition 2, the Trustee at its sole discretion may (subject to Condition 11), and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that

the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their outstanding principal amount plus any accrued but unpaid interest thereon up to (but excluding) the date of repayment (including, without double counting, any Arrears of Interest).

11. ENFORCEMENT

11.1 Enforcement by the Trustee

Without prejudice to Condition 10, the Trustee may at any time, at its discretion (subject to the next following sentence) and without further notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest (including in respect of the Notes, Arrears of Interest and any damages awarded for breach of any obligations)) binding on the Issuer under the Trust Deed and the Notes, but in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums in cash or otherwise, sooner than the same would otherwise have been payable by it under the Conditions. The Trustee will not be bound to take any such steps, actions or proceedings or any other action in relation to the Trust Deed or the Notes unless: (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes then outstanding; and (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

11.2 No other remedies

Except as permitted by this Condition 11 (including, without limitation, any rights or remedies of the Trustee under Condition 11.1) and Condition 10 and without prejudice to the rights and remedies available to the Trustee in respect of fees, expenses and indemnity claims owing to it under the Trust Deed, no remedy against the Issuer shall be available to the Trustee or the Noteholders in respect of any breach by the Issuer of any of its obligations under the Conditions and/or the Trust Deed.

11.3 Enforcement by the Noteholders

No Noteholder will be entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any Note or prove in the Winding-Up of the Issuer and/or claim in the liquidation or administration of the Issuer unless the Trustee, having become bound so to proceed, fails or is unable so to do within a reasonable period and the failure or inability is continuing, in which case any such Noteholder may itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to the Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Coupon or further Coupon) and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. MEETINGS OF NOTEHOLDERS, MODIFICATIONS, WAIVER AND SUBSTITUTION

13.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders (including by way of conference call using a videoconference platform) to consider any matter affecting their interests,

including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or certain provisions of the Trust Deed (certain provisions of which may not be materially altered). Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in the principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of or any other amount payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) to reduce any redemption amount referred to in Condition 5, (v) to vary the currency or currencies of payment or denomination of the Notes, (vi) to modify the provisions regarding subordination of the Notes referred to in Condition 2.2, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution (together, "**Reserved Matters**") in which case the necessary quorum shall be one or more persons holding or representing not less than three quarters or at any adjourned meeting not less than one quarter in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes, which resolution in writing may be contained in one document or in several documents in or substantially in like form each signed by or on behalf of one or more of such holders, or (ii) consents given by way of electronic consent through the relevant clearing system(s) (in form and substance satisfactory to the Trustee) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes, shall, in any such case, be as valid, effective and binding as an Extraordinary Resolution duly passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the Trust Deed.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 5.6 in connection with the substitution or variation of the terms of the Notes so that they remain or become Qualifying Securities, to which the Trustee has agreed pursuant to the relevant provisions of Condition 5.6.

13.2 Modification and waiver

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders, (ii) any modification of these Conditions and the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to correct an error which, in the opinion of the Trustee, is proven, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of these Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable in accordance with Condition 14.

Notwithstanding the above, the Trustee shall be obliged to concur with the Issuer in effecting any substitution or variation of the Notes in the circumstances and as otherwise set out in Condition 5.6, without the requirement for the consent and approval of Noteholders or Couponholders.

13.3 Substitution

The Trust Deed contains provisions under which any Subsidiary of the Issuer or its successor in business may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer (or

of any previous substitute under this Condition 13.3 as principal debtor under the Trust Deed and the Notes. If the Issuer determines that any Subsidiary of the Issuer or its successor in business shall become the principal debtor (in such capacity, the Substituted Debtor), the Issuer shall give not less than 30 nor more than 45 days' notice, in accordance with Condition 14, to the Noteholders of such event and, immediately on the expiry of such notice, the Substituted Debtor shall become the principal debtor in respect of the Notes and the Coupons in place of the Issuer and the Noteholders and the Couponholders shall thereupon cease to have any rights or claims whatsoever against the Issuer in its capacity as Issuer of the Notes PROVIDED THAT:

- (i) the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution;
- (ii) the Issuer shall have entered into an unconditional and irrevocable guarantee in respect of the obligations of such Substituted Debtor; and
- (iii) certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 7 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

In the event of such substitution as is referred to in this Condition 13.3, references in these Conditions to the Issuer shall be read as references to the Substituted Debtor.

Any such substitution in place of the Issuer shall only be permitted if it does not result in the Notes no longer being eligible for the same, or a higher amount of, "equity credit" as is attributed to the Notes on the date notice is given to the Noteholders of the aforementioned substitution.

Prior to making any substitution pursuant to this Condition 13.3, the Issuer will (if and to the extent that the Notes then have a level of "equity credit" ascribed to them by any Rating Agency) deliver or procure that there is delivered to the Trustee a certificate signed by two authorised officers of the Issuer stating that the Notes following such substitution will have a level of "equity credit" ascribed to them by each Rating Agency which is equal to or higher than that which was ascribed to the Notes immediately prior to such substitution. The Trustee shall be entitled, without further enquiry or liability to any person, to accept such certification as sufficient evidence of the matters referred to therein, in which event it shall be conclusive and binding on the Noteholders.

13.4 Entitlement of the Trustee, Paying Agents and Calculation Agent

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

In acting under the Agency Agreement and in connection with the Notes and the Coupons and Talons, the Paying Agents and the Calculation Agent act solely as agents of the Issuer or, following the occurrence of an Event of Default, as agents of the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

13.5 Notices

Any such modification, waiver, authorisation, determination or substitution shall be binding on all Noteholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

14. NOTICES

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). The Issuer shall also ensure that notices are duly published as required by any exchange on which the Notes are then listed. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

Notwithstanding the paragraph above, the Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and **PROVIDED THAT** notice of that other method is given to the Noteholders in the manner required by the Trustee.

Notwithstanding the above, for so long as all the Notes are represented by a Global Note and the Global Note is held by or on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg for onward transmission to the Noteholders and such notices shall be deemed to have been given to Noteholders on the day of delivery to Euroclear and/or Clearstream, Luxembourg.

15. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and/or any related entity thereof and to act as trustee for the holders of any other securities issued or guaranteed by or relating to the Issuer or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

The Trust Deed and the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection thereto are governed by, and will be construed in accordance with, English law.

16.2 Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes, the Trust Deed, Coupons or Talons (including a dispute relating to the existence, validity or cancellation of the Notes or any non-contractual obligation arising out of or in connection with the Notes, the Trust Deed, Coupons or Talons) or the consequences of their nullity.

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

17. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. DEFINITIONS

Unless the context otherwise requires, the following terms will have the following meanings in the Conditions:

An "**Accounting Event**" shall occur if, as a result of a change in accounting principles (or the interpretation thereof) which have been officially adopted on or after the Issue Date (such date, the "**Accounting Event Adoption Date**"), but not otherwise, the obligations of the Issuer under the Notes must not or can no longer be recorded as "equity" in the annual or interim consolidated financial statements of the Issuer, in each case prepared in accordance with IFRS or any other accounting standards that the Issuer may adopt in the future for the preparation of its annual or interim consolidated financial statements in accordance with United Kingdom company law. The Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date.

"**Accrual Date**" has the meaning specified in the definition of Day Count Fraction.

"**Additional Amounts**" has the meaning specified in Condition 7.1.

"**Agency Agreement**" has the meaning specified in the preamble to the Conditions.

"**Arrears of Interest**" has the meaning specified in Condition 4.5.

"**Benchmark Gilt**" means, in respect of a Reset Period, such United Kingdom government security customarily used at the time of selection in the pricing of new issues with a similar tenor having an actual or interpolated maturity date on or about the last day of such Reset Period as the Issuer (on the advice of an investment bank of international repute) may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time (if any).

"**Benchmark Gilt Dealing Day**" means a day on which the London Stock Exchange plc (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

"**Calculation Agent**" means BNP Paribas Securities Services.

"**Calculation Amount**" means £1,000.

a "**Change of Control**" will be deemed to have occurred if:

- (a) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (i) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (ii) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or
- (b) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006) whose shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (i) more than 50 per cent. of the issued or allotted ordinary share capital of any direct or indirect holding company of the Issuer or (ii) shares in the capital of any direct or indirect holding company of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of any such direct or indirect holding company of the Issuer.

a "**Change of Control Event**" will be deemed to occur if while any of the Notes remain outstanding a Change of Control has occurred and on the Relevant Announcement Date, either:

- (a) all of the Issuer's Senior Unsecured Obligations are unrated or none of the Issuer's Senior Unsecured Obligations have an Investment Grade rating from at least one of the Relevant Rating Agencies; or
- (b) any of the Issuer's Senior Unsecured Obligations have an Investment Grade rating from at least one of the Relevant Rating Agencies and at any time during the Change of Control Period any such Relevant Rating Agency rates any of the Issuer's Senior Unsecured Obligations as Non-Investment Grade and such rating is not within the Change of Control Period restored to an Investment Grade rating by any such Relevant Rating Agency or replaced by an Investment Grade rating of another Relevant Rating Agency, or any such Relevant Rating Agency withdraws its rating of any of the Issuer's Senior Unsecured Obligations and the rating of such Relevant Rating Agency is not within the Change of Control Period restored by such Relevant Rating Agency or replaced by an Investment Grade rating of another Relevant Rating Agency and in each case such Relevant Rating Agency announces or publicly confirms or informs the Issuer or the Trustee in writing that the assignment of such Non-Investment Grade rating or withdrawal of rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control (whether or not the Change of Control shall have occurred at the time such rating is given or rating is withdrawn).

"**Change of Control Period**" means the period commencing on the date that is one business day in London prior to the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Senior Unsecured Obligations are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Relevant Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Compulsory Arrears of Interest Payment Event**" means that:

- (a) the Issuer has resolved to pay or declared a dividend or distribution or makes any other payment on any of its Ordinary Shares, other than (i) in the form of the issuance (or transfer from treasury) of any Ordinary Shares or (ii) a dividend, distribution or payment declared by the Issuer before the earliest notice given by the Issuer in accordance with Condition 4.5(b) in respect of the then outstanding Arrears of Interest under the Notes;
- (b) the Issuer has, directly or indirectly, paid or declared a dividend or distribution, or made any other payment, to any holders of their Parity Obligations, other than a dividend, distribution or payment declared by the Issuer before the earliest notice given by the Issuer in accordance with Condition 4.5(b) in respect of the then outstanding Arrears of Interest under the Notes;
- (c) the Issuer or any Subsidiary of the Issuer redeems or repurchases any of their Parity Obligations (in each case, other than on a *pro-rata* basis with redemption of the Notes), except where such redemption or repurchase is effected as a public cash tender offer or public exchange offer at a redemption or purchase price per security which is below its par value;
- (d) the Issuer or any Subsidiary of the Issuer repurchases any of the Notes; or
- (e) the Issuer or any Subsidiary of the Issuer repurchases any Ordinary Shares of the Issuer, except where (i) such repurchase resulted from the hedging of convertible securities issued or guaranteed by the Issuer (whether physically or cash settled) or (ii) such repurchase was made by or on behalf of the Issuer or any Subsidiary of the Issuer as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares held by or on behalf of the Issuer as treasury shares at 8:30 a.m. London time on the Interest Payment Date on which any outstanding Arrears of Interest were first deferred,

except, in each case, if (I) the Issuer or the relevant Subsidiary (as the case may be) is obliged under the terms and conditions of such securities or obligations to make such payment, such redemption or such repurchase or (II) such payment, redemption or repurchase is made or effected by the Issuer or any Subsidiary of the Issuer to, or for the benefit of, employees or former employees (including directors

holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives of the Issuer or the Subsidiary of the Issuer or any associated company or to a trustee or trustees to be held for the benefit of any such person or to the administrator or estate of any such person, in any such case pursuant to any share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme.

"**Couponholders**" has the meaning specified in the preamble to the Conditions.

"**Coupons**" has the meaning specified in the preamble to the Conditions.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any period of time (whether or not constituting an Interest Period) (the "**Accrual Period**") where the Accrual Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Accrual Period (from, and including, the first day of such Accrual Period to, but excluding, the last day of such Accrual Period) divided by the number of days in such Determination Period.

"**Deferred Interest Payment**" has the meaning specified in Condition 4.5.

"**Determination Period**" means the period from, and including, 26 February in any year to, but excluding, the next 26 February.

"**Early Redemption Amount**" means: (i) in case of a Rating Agency Event, Accounting Event or a Tax Event where the relevant date fixed for redemption falls prior to the First Call Date, an amount equal to the sum of (x) 100 per cent. of the principal amount of the relevant Note, and (y) 1 per cent. of the principal amount of the relevant Notes (which amount shall represent a fixed interest amount for the period from (and including) the Issue Date up to (but excluding) the relevant Redemption Date payable in addition to any accrued and unpaid interest up to (but excluding) the relevant Redemption Date and any outstanding Arrears of Interest); and (ii) in the case of a Rating Agency Event, Accounting Event or a Tax Event where the relevant date fixed for redemption falls on or after the First Call Date or in case of a Gross-Up Event or Substantial Repurchase Event, an amount equal to 100 per cent. of the outstanding principal amount of the Notes, in each case plus accrued and unpaid interest up to (but excluding) the relevant Redemption Date and any outstanding Arrears of Interest (without double counting).

"**Event of Default**" means a Winding-Up of the Issuer (other than for the purposes of a Solvent Reorganisation of the Issuer).

"**Extraordinary Resolution**" has the meaning given to it in the Trust Deed.

"**First Call Date**" has the meaning specified in Condition 5.2.

"**First Reset Date**" has the meaning specified in Condition 4.2.

"**Fitch**" means Fitch Ratings Ltd. (or any of its subsidiaries or any successor in business thereto from time to time).

A "**Gross-Up Event**" shall occur if, as a result of a Tax Law Change, (i) the Issuer has or will become obliged to pay Additional Amounts; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**IFRS**" means International Financial Reporting Standards (as amended or replaced from time to time).

"**Interest Amount**" means the amount of interest scheduled to be paid on the outstanding principal amount of each Note on an Interest Payment Date under Condition 4.3.

"**Interest Payment**" means, in respect of an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4.

"Interest Payment Date" has the meaning specified in Condition 4.2.

"Interest Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Interest Rate" has the meaning specified in Condition 4.2.

"Investment Grade" means a credit rating of BBB– by Fitch, Baa3 by Moody's or BBB– by S&P, or equivalent, or higher;

"Issue Date" means 26 November 2020.

"Issuer" means National Express Group PLC.

"London Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

"Margin" means in respect of:

- (a) the Reset Period ending on (but excluding) the Second Reset Date, 4.135 per cent. per annum; and
- (b) each subsequent Reset Period, 5.135 per cent. per annum.

"Moody's" means Moody's Investors Service Limited (or any of its subsidiaries or any successor in business thereto from time to time).

"Multilateral Trading Facility" means a multilateral trading facility described in section 987(1)(b) of the Income Tax Act 2007, as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time.

"Non-Investment Grade" means a credit rating of BB+ by Fitch, Ba1 by Moody's or BB+ by S&P, or equivalent, or lower.

"Noteholders" has the meaning specified in the preamble to the Conditions.

"Notes" has the meaning specified in the preamble to the Conditions, and **Note** shall be construed accordingly.

"Notional Preference Shares" means, with respect to the Issuer, a notional class of preference shares in the capital of the Issuer: (i) ranking junior to the claims of all holders of Senior Obligations of the Issuer; (ii) having an equal right to return of assets in the Winding-Up of the Issuer, and so ranking *pari passu* with any Parity Obligations of the Issuer; and (iii) having a right to return of capital ahead of, and so ranking ahead of, the claims of holders of the Ordinary Shares of the Issuer.

"Official List" means the Official List of the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended or superseded).

"Ordinary Shares" means (i) any ordinary shares in the capital of the Issuer or (ii) any present or future shares of any other class of shares of the Issuer ranking *pari passu* with the ordinary shares of the Issuer or, in either case, any depository or other receipts or certificates, including American depository receipts, representing such shares.

"Parity Obligations" means, with respect to the Issuer:

- (a) the most junior class of preference share capital of the Issuer; and

- (b) any other security, guarantee or other instrument issued by, or any other obligation of, the Issuer which ranks or is expressed to rank *pari passu* with the Issuer's obligations under the Notes.

"**Paying Agents**" has the meaning specified in the preamble to the Conditions.

"**Payment Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

"**Presentation Date**" means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Payment Business Day in the place of the specified office of the Paying Agent at which the Note is presented for payment; and
- (c) in the case of payment by credit or transfer to a sterling account as referred to above, is a London Business Day.

"**Principal Paying Agent**" has the meaning specified in the preamble to the Conditions.

"**Qualifying Securities**" means securities that contain terms not materially less favourable to Noteholders than the terms of the Notes (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (j) below have been satisfied) of two authorised officers of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Notes upon which certificate the Trustee shall be entitled to rely absolutely without further enquiry or liability to any person), provided that:

- (a) they shall be issued by (x) the Issuer, or (y) a wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a Winding-Up of the Issuer with the Notes; and
- (c) they shall contain terms which provide for the same or a more favourable Interest Rate from time to time applying to the Notes and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under these Conditions to any accrued interest which has accrued to Noteholders and not been paid and any Arrears of Interest which have not been paid; and
- (f) they shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Notes, save where (without prejudice to the requirement that the terms are not materially less favourable to Noteholders than the terms of the Notes as described above) any modifications to such terms are required to be made to avoid the occurrence or effect of a Rating Agency Event, a Gross-Up Event, an Accounting Event or, as the case may be, a Tax Event; and
- (h) they shall be (i) listed on the Official List and admitted to trading on the London Stock Exchange's Main Market or (ii) listed on such other stock exchange as is a Recognised Stock

Exchange at that time or admitted to trading on a Multilateral Trading Facility at that time as selected by the Issuer; and

- (i) they shall, immediately after such substitution or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Notes at the invitation of or with the consent of the Issuer immediately prior to such substitution or variation; and
- (j) they shall not provide for the mandatory deferral or cancellation of payments of interest and/or principal.

"Rating Agency" means each of Fitch and Moody's or any other rating agency substituted for either of them by the Issuer.

A **"Rating Agency Event"** shall occur if the Issuer has received confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in the assessment criteria under its hybrid capital methodology or in the interpretation thereof, in each case occurring or becoming effective after the Issue Date (or, if "equity credit" is not assigned to the Notes by the relevant Rating Agency on the Issue Date, the date on which "equity credit" is assigned by such Rating Agency for the first time), any or all of the Notes will no longer be eligible (or if the Notes have been partially or fully re-financed since the Issue Date and are no longer eligible for "equity credit" from such Rating Agency in part or in full as a result, any or all of the Notes would no longer have been eligible as a result of such amendment to, clarification of or, change in the assessment criteria or in the interpretation thereof had they not been re-financed) for the same or a higher amount of "equity credit" as was attributed to the Notes as at the Issue Date (or, if "equity credit" is not assigned to the Notes by the relevant Rating Agency on the Issue Date, the date on which "equity credit" is assigned by such Rating Agency for the first time).

"Recognised Stock Exchange" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007, as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time.

"Redemption Date" means any date on which the Notes become due for redemption in accordance with the Conditions.

"Reference Banks" means five brokers of gilts and/or gilt-edged market makers selected by the Issuer.

"Relevant Announcement Date" means the date that is the earlier of (a) the date of the first public announcement of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any).

"Relevant Date" means in respect of any Note or Coupon, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

"Relevant Potential Change of Control Announcement" means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

"Relevant Rating Agency" means each of Fitch, Moody's and S&P or any of their respective successors or any Substitute Rating Agency.

"Reserved Matter" has the meaning specified in Condition 13.1.

"Reset Date" means each of:

- (a) the First Reset Date;

- (b) the Second Reset Date; and
- (c) each date that falls five, or a multiple of five, years following the Second Reset Date.

"Reset Determination Date" means the second London Business Day prior to the relevant Reset Date.

"Reset Interest Rate" means (subject to Condition 4.4), in relation to any Reset Period, the rate that is determined by the Calculation Agent as the sum of the relevant Reset Reference Rate and the Margin, with such sum converted to an annual basis (such calculation to be made by the Calculation Agent).

"Reset Period" means the period from and including the First Reset Date to but excluding the Second Reset Date, the period from and including the Second Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

"Reset Reference Rate" means in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time, on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for the purpose of determining the gross redemption yield being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Banks at 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period on a dealing basis for settlement on the next following Benchmark Gilt Dealing Day in London. Such quotations shall be obtained by or on behalf of the Issuer and provided to the Calculation Agent. If at least four quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be the previous Reset Reference Rate or (in the case of the first Reset Period) 0.009 per cent.

"S&P" means S&P Global Ratings Europe Limited (or any of its subsidiaries or any successor in business thereto from time to time).

"Second Reset Date" means 26 February 2031.

"Senior Obligations" means all obligations of the Issuer but excluding any Parity Obligations and any Ordinary Shares of the Issuer.

"Senior Unsecured Obligations" means any of the Issuer's senior unsecured obligations.

"Solvent Reorganisation" means a solvent Winding-Up for the purposes of a reorganisation, reconstruction or amalgamation the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution and do not provide that the Notes shall thereby become redeemable or repayable.

"Subsidiary" has the meaning provided in Section 1159 of the Companies Act 2006.

A **"Substantial Repurchase Event"** shall occur if, prior to the giving of the relevant notice of redemption the Issuer or any Subsidiary of the Issuer repurchases (and effects corresponding cancellations) in aggregate 75 per cent. or more in the principal amount of the Notes issued on the Issue Date.

"Substituted Debtor" has the meaning specified in Condition 13.3.

"Substitute Rating Agency" means any international recognised securities rating agency or agencies substituted for a Relevant Rating Agency by the Issuer from time to time with the prior written approval of the Trustee, such approval not to be unreasonably withheld or delayed.

"**Talons**" has the meaning specified in the preamble to the Conditions.

a "**Tax Event**" shall be deemed to have occurred if as a result of a Tax Law Change:

- (i) in respect of, or as a result of, the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in computing its taxation liabilities in a Tax Jurisdiction or such entitlement is materially reduced or materially delayed (a "**disallowance**"); or
- (ii) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, where a deduction arises in respect of such Interest Payment the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable tax purposes in a Taxing Jurisdiction (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance within (i),

and, in each case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

"**Tax Jurisdiction**" means the United Kingdom and any political subdivision and any authority therein or thereof having the power to tax, and/or any other jurisdiction (and in each case any political subdivision and any authority therein or thereof having the power to tax) in which the Issuer is incorporated, organised, or otherwise resident for tax purposes.

"**Tax Law Change**" means (i) a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which a Tax Jurisdiction is a party, (ii) any change in the application or official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or (iii) any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which in each case becomes or would become effective on or after the Issue Date.

"**Trust Deed**" has the meaning specified in the preamble to the Conditions.

"**Trustee**" has the meaning specified in the preamble to the Conditions.

"**Winding-Up**" means an order being made, or an effective resolution being passed, for the winding-up of the Issuer or an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend.

Up to and including the Second Reset Date, the Issuer intends that it will (but is not obliged to) redeem or repurchase the Notes only to the extent that the Notes are replaced with instrument(s) which provide at least an equivalent quantum of Fitch equity credit, unless:

1. *the Notes do not provide meaningful balance sheet support as assessed by Fitch; or*
2. *the Notes are redeemed pursuant to a Rating Agency Event, a Tax Event, a Gross-Up Event, an Accounting Event or a Change of Control Event or if a Substantial Repurchase Event has occurred and some or all of the Notes left outstanding are redeemed or purchased; or*
3. *such redemption or repurchase is made in any other circumstance where redemption or repurchase without replacement is consistent with Fitch's assessment criteria.*

FORM OF THE NOTES AND SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Notes.

1. Exchange

The Notes will be represented initially by a Temporary Global Note in bearer form without Coupons or Talons which will be deposited outside the United States for a common depositary for Euroclear and Clearstream, Luxembourg on or about the Issue Date. The Temporary Global Note will be exchangeable in whole or in part (free of charge to the holder) for interests in a Permanent Global Note in bearer form without Coupons or Talons on or after a date which is 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system satisfactory to the Trustee is available; or
- (b) if principal in respect of any Notes is not paid when due.

Thereupon the holder of the Permanent Global Note or the Trustee may give notice to the Issuer and the Principal Paying Agent of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur:

- (i) no later than 60 days (in the case of (a) above); and
- (ii) no later than 30 days (in the case of (b) above),

after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon surrender of the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons (and, where appropriate, Talons) in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the relevant Noteholder so requests, returned to such Noteholder together with any relevant definitive Notes.

2. Relationship of accountholders with clearing systems

For so long as all of the Notes are represented by one or both the Global Notes and such Global Note(s) is/are held on behalf of one or more relevant clearing systems, each person (other than a relevant clearing system) who is for the time being shown in the records of the relevant clearing system(s) as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by a relevant clearing system as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest, including any Arrears of Interest, on such principal amount of the such Notes, the right to which

shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed.

Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Note, and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. Each Accountholder shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

3. Payments

On and after the Exchange Date, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused by or on behalf of the Issuer. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on any Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

4. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the Noteholder rather than by publication as required by Condition 14, provided that, so long as the Notes are listed and admitted to trading on any stock exchange and the rules of that exchange or the relevant listing authority so require, notices shall also be published in a leading newspaper as required by such stock exchange or listing authority or its rules and/or regulations. In the case of a notice delivered to Euroclear and/or Clearstream Luxembourg, such notice shall be deemed to have been given to the Noteholders on the date such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

5. Prescription

Claims in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and 5 years (in the case of interest, including any Arrears of Interest) from the appropriate Relevant Date.

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

8. Calculation of interest

Notwithstanding the provisions of Condition 4.3, for so long as all of the Notes are represented by a Global Note, interest shall be calculated on the aggregate principal amount of the Notes represented by such Global Note (and not per £1,000 in principal amount, as the case may be), but otherwise shall be calculated in accordance with Condition 4.

9. Electronic Consent and Written Resolution

While any Global Note is held on behalf of a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee with respect to the Notes (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a resolution in writing has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note, or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear or Clearstream, Luxembourg, or issued by an accountholder or participant of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's Easy-Way or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales on 11 March 1991 with registration number 2590560 under the Companies Act 1985 as a private limited company with the name of Offerletter Limited. On 4 November 1991, the Issuer changed its name to National Express Limited. On 20 October 1992, the Issuer re-registered as a public limited company and changed its name to its current name of National Express Group PLC. In December 1992, the Issuer's ordinary shares were listed on the London Stock Exchange and admitted to trading on the Official List. The Issuer operates under the commercial name of National Express. The Issuer's registered office and principal place of business is at National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD, its telephone number is +44 (0)845 0130130 and its website is <https://www.nationalexpressgroup.com/>. Unless it is expressly referred to in the section entitled "*Documents Incorporated by Reference*", the information on the Issuer's website does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Business

The National Express Group is a leading international public transportation group, with bus, coach and rail services in the UK, Continental Europe, North Africa, North America and the Middle East.

The National Express Group employs approximately 51,000 people worldwide, and operates over 30,000 vehicles on four continents. 939 million passenger journeys were made on National Express Group's bus, coach and train operations in the 2019 financial year.

As at the date of this Prospectus, the National Express Group's core operations are comprised of its UK bus and coach division, German Rail, North American division (comprising school bus, transit and shuttle businesses) and ALSA.

UK

The National Express Group's UK business operates urban bus services in the West Midlands and Dundee, and regional and long haul coach services across the UK.

- **Bus:** National Express West Midlands is the largest bus operator in the West Midlands and one of the UK's largest urban bus networks outside London. It serves the major cities and towns in the West Midlands region including Walsall, Wolverhampton, Birmingham, Solihull, West Bromwich, Dudley and Coventry. National Express West Midlands employs around 5,100 people, including 3,900 drivers, and carries one million passengers per day on a modern fleet of approximately 1,550 vehicles across nearly 170 routes.

The bus business also operates a comprehensive network of high frequency local bus services within the city of Dundee and in the surrounding area, and owns a fleet of around 110 buses and coaches.

In addition, West Midlands Accessible Transport Ltd ("**WMATL**"), a subsidiary of WMTL, commenced operating special needs home to school and ring and ride services during 2019, employing approximately 600 people on a fleet of approximately 400 vehicles.

- **Coach:** National Express is the largest operator of scheduled coach services in the UK. The business operates high frequency services linking more than 650 destinations across the country.

The Kings Ferry, Clarkes of London and Stewarts Coaches are also part of the UK coach business and are both long-established providers of private hire and commuter coach travel services in London and the South of England. In the first quarter of 2020, the acquisition of Lucketts Travel Group provided further growth into the private hire, coach tour and corporate shuttle market in southern England.

In the 2019 financial year, the UK business generated £599.7 million of revenue (22 per cent. of the Group's total revenue) and £85.0 million of normalised operating profit (29 per cent. of the Group's normalised operating profit).

Rail

In December 2015, the Group launched its first German Rail franchise, Rhine Munster Express ("**RME**") in the North Rhine Westphalia region of the country. The mobilisation of the Group's second German Rail franchise is well advanced. The first contract for the Rhine Rhur Express ("**RRX**") commenced in June 2019 with the second in December 2019 and the third starting in December 2020. The RRX contracts are gross-cost contracts, meaning that the revenue received by the Group is independent of the sums collected from the operations.

In the 2019 financial year, the German Rail business generated £89.9 million of revenue (3 per cent. of the Group's total revenue) and an operating profit of £5.0 million.

North America

The National Express Group's North American business has three principal areas of activity: student transportation (school bus), transit services and shuttle services. The shuttle business is led by WeDriveU, which was acquired in April 2019 and specialises in private shuttle solutions for workplaces and campuses. National Express is the second largest player in the North American school bus market with a 13 per cent. share of the outsourced school bus market. The division operates approximately 20,600 school buses, and 4,000 vehicles for transit services, and employs approximately 30,000 people. Trading primarily under the brands Durham School Services, Petermann and National Express Transit in the United States and Stock Transportation in Canada, the North American bus division operates in 36 states in the U.S. and 3 provinces in Canada, with a portfolio of approximately 670 contracts across North America.

The school bus division operates on a contract basis with local school boards and contracts will typically cover the academic year, meaning that there are only limited operations during the summer months during which time a large number of the buses are not used and the drivers are not employed. Contracts typically have a life of three to five years, with National Express achieving strong contract retention rates (over 95 per cent. in the 2020/21 school bid season).

The division's transit services offer its clients solutions for the following transportation needs:

- Fixed-route public transit;
- Commuter and express transit service;
- Paratransit and "dial-a-ride" demand-response services;
- Shuttle services for colleges, universities, airports and corporates;
- Transit management; and
- Fleet and asset maintenance.

In the 2019 financial year, the North American division generated £1,230.1 million of revenue (45 per cent. of the Group's total revenue) and £123.0 million of normalised operating profit (42 per cent. of the Group's normalised operating profit), and revenue in the North American division increased 11 per cent. from the 2018 financial year on a constant currency basis.

ALSA

ALSA is Spain's leading private operator of coach and bus services. The division provided 368 million passenger journeys in 2019 and employs over 14,500 people. It also operates urban bus services in Morocco where it is the leading urban transport operator, and alpine transport, school, urban bus and discretionary services in Switzerland.

The division is comprised of the integrated businesses of ALSA, which was acquired by the Group in December 2005, and Continental Auto S.L.U. ("**Continental Auto**"), which was acquired by the Group in October 2007. The business also includes the operation of service stations, a fuel distribution business and provision of other transport related services in Spain.

ALSA has three major businesses:

- a Spanish concession-based coach transportation service, operating national, intercity services and also regional services;
- a Spanish urban bus services contracted to local municipal authorities; and
- a Moroccan urban bus services contracted to local municipal authorities.

ALSA's long distance coach operations, which have historically been awarded contracts on a 10-15 year, exclusive basis, receive no subsidy and take revenue risk in return for flexibility over the number of services operated and a regulated maximum fare. Regional coach operations are likewise long-term concession services which may in addition be subsidised by the autonomous governments. Urban bus operations are mainly operated under programme contracts with city councils and transport consortia.

In 2019, the Moroccan business carried over 190 million passengers and expanded further with the launch of two major contracts in Rabat in August and Casablanca at the end of the year. ALSA also made three acquisitions in Spain comprising a small chauffeur business, a bus company in the Canary Islands and a majority stake in a company that operates regional concession services in Aragon, thereby opening up a strategic presence in a new region. There was continued stability in the contract base with no significant changes in structure, and 2019 saw the successful renewal of key contracts including ALSA's largest Spanish urban contract in Bilbao, renewed for 10 years, and the renewal of ALSA's Madrid Consortium regional contract for a further five years.

In the 2019 financial year, ALSA generated £824.7 million of revenue (30 per cent. of the Group's total revenue) and £109.5 million of normalised operating profit (37 per cent. of the Group's normalised operating profit), with a total divisional revenue growth (compared to the 2018 financial year) of 11.7 per cent. on a constant currency basis.

Key Strengths

The Board believes that the Group's diverse international portfolio of cash generative businesses comprises well-established operations in stable markets with good management teams and access to multiple growth opportunities. The Group's strategy remains focused on three key pillars; delivering operational excellence, development of technology, and growing the business through acquisitions and market diversification. The Group's key strengths can be summarised as follows:

- A diverse international portfolio of businesses both by geography and by mode with no one contract contributing more than 2 per cent. of Group operating profit and with lower geographical and regulatory exposure to any one market;
- Strong market share and leading positions in many of the markets in which the Group operates;
- Deep understanding of, and expertise in, managing regulated concessions;
- Strong recurring revenue streams from perpetuity businesses and established contract markets, with around 54 per cent. of Group revenues secured through contracts and concessions;
- Strong free cash flow generation helping to drive further growth through acquisitions and position the Group for growth in new markets; and
- Differentiated strategy through the Group's focus on operational excellence, which looks to deliver consistent service performance, leading to revenue growth, and continuous cost efficiency improvement, generating better margins, profit and cash.

Ability to manage its operations effectively through adverse trading conditions

Whilst the Group has a diverse portfolio, it is not immune to the challenging trading conditions affecting the transportation industry or wider economy as a whole, such as the recent COVID-19 pandemic. However the Board

believes that the Group manages itself in a way that enables it to adapt its operations to prevailing conditions, for example, by maintaining levels of fixed revenue and variable cost.

The innovative digital marketing approach of the UK coach business is being complemented with new partnership contracts to both deliver its services more effectively to existing customers and reach new markets. Through its active pricing strategy, revenue is optimised by responding to changing market conditions. The business is always looking to optimise its network, as it looks to reduce uncommercial operations, while also increasing services on popular routes.

The Board believes that the emphasis on partnership by the UK bus business is working, with the UK bus business maintaining and building on strong relationships with Transport for West Midlands ("**TfWM**") through the 'Bus Alliance' and the West Midlands Mayor, which is demonstrated through the expansion into accessible transport in 2019. This partnership approach is a key driver for delivering a combination of superior service standards and customer offering together with profitable growth, including for example, working with the Mayor and TfWM to establish a credible plan to tackle congestion, promote bus prioritisation and enable an improved network structure.

In Spain, ALSA operates urban and inter-urban bus and coach services, with a high level of contracted mileage, with organic growth opportunities in North Africa, where ALSA is currently operating in six cities in Morocco, with new urban bus contracts in Rabat and Casablanca having commenced in September and November 2019. Over the last few years ALSA has faced intense competition on its rail-competed long-distance routes; however, through the roll out of its revenue management system to over 200 flows that compete directly with the discounted RENFE (state owned rail operator), ALSA saw growth in revenue in all of its business segments and record passenger journeys in both Spain and Morocco.

The North American division employs a disciplined bidding approach which prioritises returns. The business has strong customer relationships with a contract retention rate of 92 per cent. in the 2019/20 bidding season, on contracts that meet the minimum criteria. The business has a dedicated focus on increasing the percentage of highly satisfied customers and has made good progress to date, with the percentage of highly satisfied customers moving from 32 per cent. to 55 per cent. over the last three years, according to confidential internally-instigated surveys.

Ability to deliver a strong operational capability across the business

One of the three key tenets of the Group's strategy is to deliver operational excellence, with the focus on driving revenue growth and margin progression across the business by delivering excellent customer service. As of 31 December 2019, the Group's five year revenue compounded annual growth rate was 10 per cent. The Group's progress in embedding excellence across the Group has been recognised by leading accreditation bodies. All eligible businesses (ALSA, UK bus and UK coach) have a five-star European Foundation for Quality Management (EFQM) rating and, in addition, the UK coach business won the British Quality Foundation UK Excellence Award in 2019.

For safety, the Group was re-awarded with the prestigious British Safety Council ("**BSC**") Sword of Honour for its UK bus and coach operations, and both hold BSC five-star audits. In 2019 the UK coach business won a number of awards including the British Quality Foundation UK Excellence Award, and UK bus was judged to be the safest public transport company of those audited by the BSC worldwide. ALSA was accredited with the AENOR Social Responsibility Certificate recognising social responsibility.

The Group continues to deliver excellent customer service. ALSA achieved the best BCX (Customer Experience) rating in the Transport Sector in Spain in 2019 and was leader in both Product and Interaction categories (*Source: IZO Corporate S.L. BCX*). This achievement followed consistent improvement with the Group's enhanced digital sales revenue ratio.

In 2020 the UK bus business achieved another good customer satisfaction score of 86 per cent. in the independent Transport Focus survey, with consistent satisfaction scores for drivers and value for money.

A second key pillar of the Group's strategy is deployment of technology to raise standards and drive efficiencies and the Group is working on innovative new transport technologies. Continued investment in new mobile technology and ticketing apps have generated growth in transactions and lowered costs. The Group's fully installed real-time revenue management systems in Spain and the UK coach business are driving growth in revenue, profit

and incremental demand. The UK bus business launched mobile ticketing in 2016 and the Group believes it now has the largest contactless payment system outside of London, being the first to offer daily capping. This ensures more convenient methods of payment, faster boarding and helps to speed up journey times, with two thirds of journeys now made on digital tickets, including contactless. The UK coach business has further developed its website and mobile app and, in 2019, 71 per cent. of revenue was secured through digital channels. The introduction of these new technologies helps to create personalised and tailored relationships with the Group's customers, helping to drive innovation and service efficiency so the Group can better target customer needs.

New technology also enables the Group to improve safety performance. The Group continues to invest in Lytx DriveCam technology to help improve safety performance and drive down cost. This is now fully rolled out in the UK and in UK Bus 93 per cent. of drivers coached after an incident flagged by DriveCam do not repeat the error; this compares to a national average of 68 per cent. for all transport companies that use Lytx DriveCam. This is now installed in 21,000 vehicles in North America with 99 per cent. of drivers being covered by speed monitoring equipment in 2019. There are currently 1,400 vehicles operating with DriveCam in ALSA, an increase of 43 per cent.

Achieving margin improvement

The Group's operating margin of 10.8 per cent. in the 2019 financial year exceeds the margin of other public transport operators within its peer group, with market-leading positions in ALSA, North America and the UK coach business.

Competition

The Group's businesses compete in numerous geographic markets and face competition not only from other transport operators but also from other modes of transport.

In the UK, the Group's bus and coach operations face competition from the car and other forms of public transport.

The result of a deregulated UK bus market is that in some areas there also exists head-to-head competition between transport companies operating overlapping bus networks. Over time, mergers and acquisitions have led to a situation where nearly two thirds of services in the UK are operated by five major UK-based public transport providers, namely FirstGroup plc, Go-Ahead Group plc, National Express, Stagecoach and Arriva (purchased by Deutsche Bahn AG in 2010).

National Express is the largest coach operator in the UK and Spain, but is subject to competition from other operators, particularly in the UK, in relation to airport and intercity routes.

In North America, the Group's operations cover a very wide geographic area comprising around 22,000 school bus routes. Competition is provided by a small number of larger operators plus numerous smaller, locally owned operators. The competitors can also include school districts themselves (which are governmental bodies) as many operate their own buses in-house. Although the number of competitors is large, the actual competition for any single contract is limited due to geographic restrictions, which means that a smaller owner operator in one state will not bid for a contract in a neighbouring state as they will not have the resources to achieve this.

Strategy

The Group has built a diverse global business which is focussed on operational excellence, innovation, acquisitions in its core markets and further diversification into complementary markets. The Board's strategy to generate value is focused on three key areas:

1. Delivering operational excellence

For National Express, operational excellence is achieved through delivering continuously improving services whilst ensuring a relentless focus on efficiency. The objective is for National Express to be known for excellence in the quality of the Group's operations, for price leadership, and to be the safest, most reliable, convenient and best value provider in the modes in which it operates.

Getting the combination of price and quality right enables the Group to deliver on the vision of earning customers' lifetime loyalty, with passengers more likely to continue to use the Group's services above other choices because

they are receiving a good service at a good price. Equally, contracting authorities or businesses are less likely to tender services or are more likely to award National Express new contracts if each business consistently delivers excellence. This focus on operational excellence is also being applied to the management of the COVID-19 pandemic, and should result in a growth in revenue as the Group emerges from this situation.

In the Group's UK and Spanish coach operations, more sophisticated revenue management systems have significantly enhanced the businesses' capabilities to actively manage pricing on a real time basis, and deliver extra capacity when required, helping to deliver incremental revenue and higher returns.

The Group's success in recent years has been rooted in operational excellence. It is also increasingly clear that future success depends on it. As recent successes demonstrate, a reputation for operational excellence has been crucial in winning contracts in new markets.

2. *Deployment of Technology*

The Group utilises technology to raise customer and safety standards and drive efficiencies in the business.

In recent years, investment in industry-leading real-time revenue management systems in the UK and Spanish coach businesses has driven growth in passenger numbers, revenue, yield and utilisation.

The Group has invested in Lytx DriveCam technology to help improve safety performance and drive down the cost of accidents. The leading technology of its type on the market, it enables data analysis and video review in order to allow targeted training and provide evidence for any accident claims. This smart camera technology is now fully implemented in UK bus and coach operations and North America transit, delivering a reduction in the number of collisions and associated costs. In North America, the benefits of this technology has resulted in a fall in the average and total cost of claims. Benchmarking data from claim handlers shows the average cost of 2019 settlements to be almost half that of a pool of 13 other peer organisations.

New mobile websites and ticketing apps are driving higher online transactions, conversion rates and lowering costs – e.g., ALSA has seen a 7.2 per cent. increase in sales through digital channels in 2019. Contactless payment was launched across the UK business in 2018, providing faster, more convenient methods of payment. Two thirds of the UK bus business's journeys are now made by using digital, smartcard or contactless payment methods – helping to reduce costs and speed up journey times through faster boarding.

3. *Growing the business through acquisitions and market diversification*

The Group continues to look to grow its portfolio of international bus, coach and rail businesses through selective acquisitions.

The principal opportunity for increased investment to deliver strong growth over the medium term is in North America, where there are strong opportunities for growth given this market's highly fragmented nature and the continuing trend for conversions, with over 1,000 private school businesses in the United States. National Express has already demonstrated its ability to grow this business significantly in recent years and in 2019 made five additional acquisitions in North America, all of which either consolidated the Group's positions in local markets or helped it enter new strategic segments. The largest acquisition in 2019 saw National Express acquire a majority stake in WeDriveU, a Silicon Valley based employee shuttle business, serving many of the world's blue chip companies and providing a platform for expansion in this market.

In addition, the Group also sees attractive opportunities for select acquisitions within ALSA, and in 2019 the group made three such acquisitions including two Spanish operations serving the commuter, school and regional/urban bus market, as well as a small chauffeur business.

The Group will continue to consider opportunities to expand into new geographies and markets where it believes that its experience in delivering innovation and operational excellence can generate meaningful and sustainable long-term returns.

Building on its strong credentials through the focus on the delivery of operational excellence, the Group is looking for further selective acquisitions principally in North America and ALSA where it can extend its offering into new regional markets and cities or build further scale in existing markets and cities and new complementary markets

as part of its strategy. This also enables it to drive incremental revenue and profit through the provision of additional commercial services such as charter services, while also making greater use of its fleet.

Recent Developments

On 29 October 2019, the Issuer entered into an agreement with eight investors for a private placement of notes in the principal amount of euro 240 million (issued in May 2020) and £134 million and U.S.\$81 million (issued in June 2020).

On 6 April 2020, the Issuer established a commercial paper programme for the purposes of accessing the Bank of England's COVID Corporate Financing Facility. A limit of £600 million was made available to the Issuer of which half was drawn for a twelve month term to mature in March and April 2021.

On 23 June 2020, the Board accepted the resignation of Group Chief Executive, Dean Finch, who left the business on 31 August. Chris Davies acted as Interim Group Chief Executive Officer in addition to his role as Group Chief Financial Officer until 1 November 2020. On 12 October 2020, it was announced that the Board of Directors of the Issuer had appointed Jose Ignacio Garat as Group Chief Executive effective from 1 November 2020.

Subsidiaries

The Issuer acts as the holding company of the Group. The Issuer has the following significant subsidiary undertakings all of which are private limited companies. None of the subsidiaries hold ordinary shares in the Issuer (the "**Ordinary Shares**").

Name	Country of Incorporation	Proportion of ownership interest	Principal activity
National Express Limited	England and Wales	100 per cent.	Administration and marketing of express coach service in the UK
The Kings Ferry Limited	England and Wales	100 per cent.	Operation of coach services
West Midlands Travel Limited	England and Wales	100 per cent.	Operation of bus services
Tayside Public Transport Co Limited (trading as Travel Dundee)	Scotland	100 per cent.	Operation of bus services
Durham School Services, L.P.	United States	100 per cent.	Operation of school bus services
Petermann Ltd LLC	United States	100 per cent.	Operation of school bus services
National Express Transit Corporation	United States	100 per cent.	Operation of school bus services
National Express LLC	United States	100 per cent.	Holding company for operating companies
Stock Transportation Limited	Canada	100 per cent.	Operation of school bus services
NEX Continental Holdings SL	Spain	100 per cent.	Operation of bus services
Tury Express SA	Spain	100 per cent.	Holding company for operating companies
General Tecnica Industrial SLU	Spain	100 per cent.	Holding company for operating companies

Name	Country of Incorporation	Proportion of ownership interest	Principal activity
GAT Groupe Alsa Transport (Marrakech)	Morocco	100 per cent.	Operation of bus services
TVAM Transport de Voyageurs en Autocar Maroc SA (Marrakech)	Morocco	100 per cent.	Operation of bus services
Alsa Tanger SA	Morocco	100 per cent.	Operation of bus services
ACA Alsa City Agadir SA	Morocco	100 per cent.	Operation of bus services
National Express Rail GmbH	Germany	100 per cent.	Operation of train passenger services

Management

The Directors and Senior Managers of the Issuer are:

Directors and Senior Managers	Position held	Other Principal Activities
Sir John Armitt	Non-Executive Chairman	Chairman of City and Guilds Group and Chairman of the National Infrastructure Commission. He is also an independent Non-Executive Director of Expo 2020 and Berkeley Group Holdings plc
Jose Ignacio Garat	Group Chief Executive	Not Applicable
Chris Davies	Group Finance Director	Non-Executive Director of Motability Operations Group plc
Jorge Cosmen Menéndez-Castañedo	Non-Executive Deputy Chairman	Non-Executive Director of Bankia, S.A.
Elliot Sander	Independent Non-Executive Director	President (Americas) of Bombardier Transportation, Chairman Emeritus of the Regional Plan Association, Vice Chairman of the Greater Jamaica Development Corporation
Christian Muntwyler	Independent Non-Executive Director	President and Chief Executive Officer of Conlogic Ltd, Non-Executive director of Österreichische Post AG and Non-Executive Director of Descartes Systems Group Ltd
Matthew Crummack	Senior Independent Non-Executive Director	Chief Executive Officer of GoCo Group plc
Michael McKeon	Independent Non-Executive Director	Not Applicable
Dr Ashley Steel	Independent Non-Executive Director	Non-Executive Director of GoCo Group plc and the BBC (as Nations Representative for England)

Directors and Senior Managers	Position held	Other Principal Activities
Karen Geary	Independent Non-Executive Director	Non-Executive Director of ASOS plc
Ana De Pro Gonzalo	Independent Non-Executive Director	Chief Financial Officer of Amadeus IT Group S.A., Independent Director and member of the Global Steering Group for Impact Assessment, Consejo Aesor Nacional Español and Non-Executive Director of ST Microelectronics NV
Francisco Iglesias	Chief Executive Officer, ALSA Group	Not Applicable
Gary Waits	Chief Executive Officer, North America	Not Applicable
Tom Stables	Managing Director, UK and Germany	Not Applicable

Directors:

Sir John Armit, aged 74 (Non-Executive Chairman)

Sir John Armit, who was appointed to the Board in 2013, is currently Chairman of the City & Guilds Group and Chairman of the National Infrastructure Commission. Sir John is also an independent Non-Executive Director of Expo 2020 and Berkeley Group Holdings plc. He was President of the Institution of Civil Engineers from 2015 to 2016 and a member of the Board of Transport for London from 2012 to 2016. Sir John was Chairman of the Olympic Delivery Authority from 2007 to 2014 and Chairman of the Engineering and Physical Science Research Council from 2007 to 2012. From 2001 to 2007 he was Chief Executive of Network Rail and its predecessor, Railtrack. In 1997 he was appointed as Chief Executive of Costain Group plc, a position he held until 2001. Before this, Sir John was Chief Executive of Union Railways, the company responsible for the development of the high speed Channel Tunnel Rail Link. This followed a 27-year career at John Laing plc.

Jose Ignacio Garat, aged 52 (Group Chief Executive)

Jose Ignacio Garat (Ignacio) joined National Express in November 2020 as Group Chief Executive. He has over 20 years' experience in the freight and logistics industry with a track record of leading large, complex businesses across many countries. Ignacio was previously Senior Vice President of Southern Europe, France and Benelux Operations at Fedex, where he led the transformation of a multi-billion dollar business with operations in 22 countries and 22,000 staff. Prior to this, between 1996 and 2016 Ignacio served in a number of senior management positions at TNT, including Sales and Marketing Director roles, President of TNT Spain/Portugal from 2008 to 2012 and President of TNT Brazil from 2012 to 2016. His experience incorporates safety, financial and operational leadership.

Chris Davies, aged 50 (Group Finance Director)

Chris Davies joined National Express in May 2017 from Inchcape plc where he was Group Financial Controller and Treasurer from 2013. Chris also acted as interim Group Chief Financial Officer for Inchcape plc between January and April 2016. Chris has significant international senior financial experience having started his career with Andersen Consulting, before joining Boots, then Marakon Associates (a strategic consultancy) and spending ten years at Diageo plc. At Diageo, Chris held a number of strategic and financial positions on three continents, culminating in two and a half years as the Chief Financial Officer of its North American division. Following the departure of Dean Finch in August 2020, he also served as Interim Group Chief Executive until 1 November 2020. He is also a Non-Executive Director of Motability Operations Group plc.

Jorge Cosmen Menéndez-Castañedo, aged 52 (Non-Executive Deputy Chairman)

Jorge Cosmen Menéndez-Castañedo was appointed to the Board in 2005 at the time of the ALSA transaction. He was appointed Deputy Company Chairman in October 2008. He was Corporate Manager for the ALSA Group from 1995, becoming Chairman in 1999. Between 1986 and 1995, he worked in sales, distribution and banking. He is a Business Administration graduate and has an International MBA from the Instituto de Empresa in Madrid. He is a Non-Executive Director of Bankia, as well as of other private companies.

Elliot Sander, aged 64 (Independent Non-Executive Director)

Elliot 'Lee' Sander was appointed to the Board in 2011. He is President of Bombardier Transportation in the Americas and was previously Managing Director, Global Transportation and US Infrastructure for Hatch, a global management, engineering and development consultancy. He is the former Chief Executive Officer of the Metropolitan Transportation Authority of New York and the former Commissioner of the New York City Department of Transportation. He is the Chairman Emeritus of the Regional Plan Association, an NGO that has played a guiding role in the planning of the New York Metropolitan area. Lee was Group Chief Executive for Global Transportation at AECOM, a global architecture and engineering firm. He served as President of The HAKS Group Inc and The I. Grace Company, which also specialised in architecture, engineering, and construction in the public and private sectors. In addition, Lee founded the Rudin Center for Transportation Policy and Management at New York University. Lee is also currently Vice Chairman of the Greater Jamaica Development Corporation. Until 2017, he was a Senior External Adviser to McKinsey & Company.

Christian Muntwyler, aged 68 (Independent Non-Executive Director)

Christian Muntwyler was appointed to the Board in 2011. He is President and CEO of the Swiss Management Consulting company Conlogic Ltd. He is also Non-Executive Director of Österreichische Post AG and Descartes Systems Group Ltd and until 2018 was Non-Executive Director of Panalpina World Transport (Holding) Ltd. During his 27 years at Swissair he held top executive positions in Switzerland, Sweden and North America. In 1999 he joined DHL Express serving as Managing Director of Switzerland, Germany and Central Europe and from 2005 to 2008 as CEO of DHL Express (UK) Ltd based in London.

Matthew Crummack, aged 50 (Senior Independent Non-Executive Director)

Matthew Crummack was appointed to the Board in 2015. He is currently Chief Executive Officer of GoCo Group plc, a financial services price comparison website which is listed on the London Stock Exchange. Previously, Matthew served as CEO of lastminute.com, the online travel and leisure retailer, from 2011 until March 2015 when the business was acquired by Bravofly Rumbo Group (subsequently renamed lastminute.com Group). He served as Deputy CEO and Chief Integration Officer until December 2015, following which he served as a member of its Strategic Advisory Committee.

In addition, Matthew was formerly a Senior Vice President of Lodging at Expedia in Europe and the US, has previously worked for Nestlé UK, and spent eight years at Procter & Gamble in a variety of roles.

Michael McKeon, aged 64 (Independent Non-Executive Director)

Michael McKeon was appointed to the Board in 2015. He was Group Finance Director of Severn Trent plc from 2005 until his retirement from the board in 2015. Prior to that, between 2000 and 2005, he was Group Finance Director of Novar plc. He has held various senior roles, both in the UK and internationally, at Rolls-Royce plc, CarnaudMetalbox, Elf Atochem and PricewaterhouseCoopers. Until 31 January 2017, Michael was also Senior Independent Director and Chairman of the Audit Committee at investment trust, The Merchants Trust plc.

Dr Ashley Steel, aged 61 (Independent Non-Executive Director)

Dr Ashley Steel was appointed to the Board in 2016. She is a former Vice Chairman at KPMG and was Global Chair for its transport, leisure and logistics practice until her retirement from the firm in September 2014. Ashley has significant international experience and has advised numerous FTSE/Fortune 500 boards. Her other sector experience includes professional services, technology, media, business services and healthcare.

Ashley is currently a Non-Executive Director of GoCo Group plc and the BBC (as Nations Representative for England). Between 2015 and 2018 she was a Non-Executive Director of the Civil Aviation Authority and Ince & Co LLP and previously served on the International Business Advisory Board at British Airways. She is also a founding member on the Global Advisory Board for Out Leadership, a New York based business helping chairmen and CEOs of finance and law firms become LGBT aware. Ashley has a PhD in Management from Henley Business School.

Karen Geary, aged 58 (Independent Non-Executive Director)

Karen Geary was appointed to the Board in October 2019. She has previously served as Chief HR Officer of Micro Focus International plc, HR Director of Stena Line, HR Director of The Sage Group plc, HR Director of Wandisco plc as well as various HR roles at the UK subsidiary of Monsanto, a US agrochemicals business. She also served as Non-Executive Director and chair of the Remuneration Committee at Micro Focus international plc. Karen is currently a Non-Executive Director and chair of the remuneration committee of ASOS plc.

Ana De Pro Gonzalo, aged 53 (Independent Non-Executive Director)

Ana De Pro Gonzalo was appointed to the Board in October 2019. She is Chief Financial Officer of Amadeus IT Group, SA, Independent Director and member of the Global Steering Group for Impact Assessment, Consejo Aesor Nacional Español, and a Non-Executive Director of ST Microelectronics NV. Prior to this she was Independent Non-Executive director of Merlin Properties SOCIMI S.A., General Manager of Sacyr Vallehermoso, Chief Financial Officer at Metrovacesa S.A. and Auditor with Arthur Anderson.

Conflict of Interest

The Directors have notified the Board of all their directorships and other interests. Jorge Cosmen Menéndez-Castañedo has notified the Board of his potential conflict of interest due to his close links with the ALSA business and the interest he has in the shares of the Issuer held by European Express Enterprises Limited and Northern Enterprises Limited as a result of the wider Cosmen family's interest in such shares, although Mr Cosmen is no longer sufficiently closely connected with such companies for such interest to be classified as a beneficial interest. The Board have approved this conflict.

Lee Sander's position as President, Americas, Bombardier Transportation is kept under review by the Board as a situation which could give rise to a conflict of interest as a result of the lease by the Company's German Rail subsidiary of Bombardier trains for its RME concession. No actual or potential conflict of interest currently exists or is expected to arise in this case however.

Save as disclosed above, there are no other conflicts of interest between any duties to the Company of the Directors or Senior Managers and their private interests and/or other duties.

Business Address

The business address of the Directors and Senior Managers of the Issuer is National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD, United Kingdom.

Major Shareholders

The following persons are major shareholders of the issued share capital of the Issuer:

Shareholder	Number of Ordinary Shares	Percentage of issued share capital
European Express Enterprises Limited.....	66,481,891	10.83 per cent.
M&G Investments.....	57,548,428	9.37 per cent.
JP Morgan Asset Management Holdings Inc.	34,793,301	5.67 per cent.
UBS Global Asset Management.....	24,871,861	4.05 per cent.

Liontrust Asset Management.....	24,136,930	3.93 per cent.
Dimensional Fund Advisors.....	20,292,391	3.30 per cent.
Aberdeen Standard Investments.....	19,482,540	3.17 per cent.
JO Hambro Capital Management Limited.....	18,935,732	3.08 per cent.
Jupiter Asset Management.....	18,539,563	3.02 per cent.

The above table sets out the number of Ordinary Shares held by the major shareholders as at 4 November 2020. Mr Cosmen has an interest in the 73,767,515 Ordinary Shares held by European Express Enterprises Limited and Northern Enterprises Limited as a result of the wider Cosmen family's interest in such shares but Mr Cosmen is no longer sufficiently closely connected with such companies for such interest to be classified as his beneficial interest.

TAXATION

1. United Kingdom

The comments below are of a general nature based on current United Kingdom law and Her Majesty's Revenue and Customs ("**HMRC**") practice (which may not be binding on HMRC and may be subject to change, sometimes with retrospective effect) and are not intended to be exhaustive. They describe only certain aspects of the United Kingdom withholding tax treatment of payments of interest in respect of the Notes. They do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of Notes or Coupons. The following is only a general guide and should be treated with caution. Prospective holders are strongly advised to seek independent advice. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes or Coupons are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes and Coupons. In particular, holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes or Coupons even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

The references to "interest" in the comments below on United Kingdom withholding tax mean "interest" as understood in United Kingdom tax law. The comments do not take any account of any different definitions of "interest" which may prevail under any other law or which may be created by the terms and conditions of the Notes or Coupons or any related documentation.

UK withholding on interest paid by the Issuer

Interest may be paid by the Issuer on the Notes without withholding for or on account of UK tax so long as the Notes constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 ("**ITA 2007**"). They will do so provided they carry a right to interest and provided they are listed and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the ITA 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the FCA and are admitted to trading on the London Stock Exchange.

In all other cases, interest paid by the Issuer on Notes will generally be paid subject to withholding on account of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty, and except that the withholding obligation is disapplied (unless HMRC direct otherwise) in respect of a payment which the Issuer reasonably believes is an excepted payment. For these purposes a payment will be an excepted payment if, inter alia:

- (i) the person beneficially entitled to the interest is a UK resident company;
- (ii) the person beneficially entitled to the interest is a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax as regards the interest;
- (iii) the payment is made to certain categories of recipient enjoying a special tax status (including charities and certain classes of pension funds); or
- (iv) a partnership consisting of such persons is beneficially entitled to the interest.

2. FATCA Withholding

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement (an "**IGA**")

between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) or any analogous provisions of non-U.S. laws (collectively, "**FATCA**"), the Issuer or an intermediary paying agent may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to IGAs, which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes is not clear at this time. If withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would apply no earlier than two years after the date on which final U.S. Treasury regulations defining "foreign passthru payments" are published. In addition, Notes issued on or prior to the date that is six months after the date on which final U.S. Treasury regulations defining "foreign passthru payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "Terms and Conditions—Further Issues") that are not distinguishable from a series of Notes are issued after the expiration of the grandfather period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including Notes that were otherwise treated as grandfathered, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes and the Coupons, no person will be required to pay additional amounts as a result of the withholding.

The effective date for withholding on "foreign passthru payments" above reflects proposed U.S. Treasury regulations. The proposed regulations also eliminate FATCA withholding on gross proceeds from the disposition of, or final payments, redemptions, or other principal payments made in respect of, an instrument that may produce U.S. source interest or dividends. The discussion above assumes that the proposed regulations will be finalised in their current form.

SUBSCRIPTION AND SALE

Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., BNP Paribas, Merrill Lynch International and MUFG Securities EMEA plc (together, the "**Managers**") have, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 24 November 2020, jointly and severally agreed to subscribe for the Notes, at the issue price of 100 per cent. of the principal amount of the Notes.

The Issuer will pay each Manager a commission as agreed between the Issuer and the Managers, which commission will be deducted from the net proceeds of the Notes payable to the Issuer. The Issuer has agreed to reimburse the Managers for certain of their expenses incurred in connection with the offering and sale of the Notes as set out in the Subscription Agreement.

The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement entitles the Managers to terminate such agreement in certain circumstances prior to payment for the Notes being made to the Issuer.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended (the "**Code**") and Treasury regulations promulgated thereunder.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered or sold and will not offer or sell the Notes: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA and UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Notes to any retail investor in the EEA or in the UK. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Acts 2000, as amended (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Belgium

Each Manager has represented and agreed that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each of the Managers has represented and agreed, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949, as amended)) or to others for re offering or re sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as

defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 2(1) of the SFA) or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law;
 - (4) as specified in Section 276(7) of the SFA; or
 - (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Switzerland

The offering of the Notes in Switzerland is exempt from the prospectus requirement under the Swiss Financial Services Act ("**FinSA**") because the Notes (i) have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more, and (ii) will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Prospectus does not constitute a prospectus as such term is understood pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

General

Each Manager has represented, warranted and undertaken that so far as it is aware, it has complied and will comply to the best of its knowledge with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

1. Authorisation

The issue of the Notes was authorised by a resolution of a board of directors of the Issuer passed on 30 September 2020 and a resolution of a committee of the board of directors of the Issuer passed on 16 November 2020. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The International Securities Identification Number ("ISIN") for the Notes is XS2259808702 and the Common Code is 225980870. The Financial Instrument Short Name ("FISN") and the Classification of Financial Instruments ("CFI") Code for the Notes are as set out on the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN, as updated from time to time.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

3. Listing

Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market.

Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third business day in London after the date of the transaction.

The total expenses related to the admission to trading are estimated to be £7,515.

4. Legal and Arbitration Proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

5. Significant/Material Adverse Change

Save as disclosed under "*Risk Factors – The Group is exposed to risks relating to the COVID-19 pandemic*", "*Risk Factors – The Group's operations are exposed to COVID-19 risks*" and the 12 November Trading Update, there has been no significant change in the financial position or financial performance of the Issuer or the Group since 30 June 2020 and, save as disclosed in the Group's 2020 Interim Financial Statements (see "*Documents Incorporated by Reference*" above) and under "*Risk Factors – The Group is exposed to risks relating to the COVID-19 pandemic*", "*Risk Factors – The Group's operations are exposed to COVID-19 risks*" and the 12 November Trading Update, there has been no material adverse change in the prospects of the Issuer since 31 December 2019.

6. Auditors

Deloitte LLP of 2 New Street Square, London EC4A 3BZ, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, audited the statutory accounts of the companies comprising the Group for the financial years ended 31 December 2018 and 31 December 2019 and gave reports under section 475 of the Companies Act 2006 (the "**2006 Act**") on such accounts which were not qualified and did not contain any such statement under section 498(2) or (3) of the 2006 Act.

7. Documents on Display

Copies of the following documents will be available for inspection on the Issuer's website <https://www.nationalexpressgroup.com/investors/debt-information/> for 12 months from the date of this Prospectus:

- (a) this Prospectus;
- (b) the Trust Deed; and
- (c) the Issuer's memorandum and articles of association.

Unless it is expressly referred to in the section entitled "*Documents Incorporated by Reference*", the information on the Issuer's website does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

In addition, for as long as the Notes are admitted to trading on the London Stock Exchange, a copy of this Prospectus will be available for viewing on the website of the Regulatory News Service of operated by the London Stock Exchange at <https://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

8. Material Contracts

The Issuer has not entered into any contract outside the ordinary course of its business which could result in the Issuer being under an obligation or entitlement that is material to any Issuer's ability to meet its obligations to the holders of its Notes in respect of the Notes being issued.

9. Managers transacting with the Issuer

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

10. Yield

During the period from (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Notes is 4.254 per cent. on an annual basis. The yield on the Notes thereafter will be dependent upon the relevant Interest Rate applicable from time to time.

11. Validity

This Prospectus shall remain valid for 12 months after its approval for offers to the public or admissions to trading on a regulated market, provided that it is completed by any supplement required pursuant to the Prospectus Regulation. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a prospectus is no longer valid.

REGISTERED OFFICE OF THE ISSUER

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United Kingdom

ACTIVE BOOKRUNNERS

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Ciudad Grupo Santander
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Spain

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United Kingdom

To the Managers and the Trustee as to English law
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AUDITORS TO THE ISSUER

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