



22 April 2009

Arriva plc

### **Interim Management Statement and AGM statement**

*At today's Annual General Meeting in Durham, Sir Richard Broadbent, chairman of Arriva plc, will make the following statement, including a trading update.*

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On 5 March 2009, we announced record financial results for the year ended 31 December 2008 and continuing progress towards our vision of being recognised as the leading transport services organisation in Europe.

We reported those results against the backdrop of a deteriorating worldwide economic situation. These circumstances, whilst challenging, are highlighting the benefits of Arriva's structural stability, geographical and market diversity, and balance between consumer and government revenues.

### **Business developments and trading performance**

We indicated in the Annual Report that economic conditions make it impossible to predict with accuracy the short to medium-term trends in passenger demand, from which 39 per cent of our revenue was derived in 2008. We also reported that revenue growth in the CrossCountry franchise had slowed in the first few weeks of the year. We today report on trading in the first quarter, including the passenger revenue growth in those parts of our operations most sensitive to it, our UK Bus and UK Trains divisions. Trading conditions remain challenging, reflecting the emergence of recession across Europe, but with continued close attention to control of costs and cash flow, the business overall remains broadly in line with management expectations.

Our UK Bus division has continued to grow, with passenger revenue increasing by 7.1 per cent in the first 13 weeks of the year, compared to 2008. This included the beneficial effect of Easter falling into different periods in 2008 and 2009, but also the impact of snow this February. Eliminating the weeks affected by those factors, passenger revenue growth is estimated at 6.4 per cent. That increase, together with savings from a reduction in commercially operated mileage of 2.6 per cent, will mitigate against the increase in fuel costs in the division for 2009. Mileage growth in our contracted London business, which accounts for around a third of the division by revenue, was 4.6 per cent.

Our UK Trains division has continued to demonstrate growth in both franchises. At Arriva Trains Wales passenger revenue growth for the 13 weeks to 4 April 2009 was 7.7 per cent. After allowing for timetable changes in December 2008, like-for-like growth amounted to 9.7 per cent. Passenger revenue for CrossCountry for the same period is up 4.5 per cent on the equivalent services last year. The division's revenue was affected by the poor weather in February and beneficial trading in the run up to Easter.

In our Mainland Europe division, expressed in euros, revenue grew by 11.6 per cent. Excluding the effect of acquisitions made in 2008, the revenue growth was 4.7 per cent. This division is less dependent on passenger revenue, although we have encountered some softening in demand in Portugal. In March 2009, we began bus operations in the Swedish capital, Stockholm, with two five-year bus contracts, with five-year extension options. In Denmark, we are pleased to have re-won our Jutland rail contract, which was due to expire at the end of 2010, and now continues to 2018 with a possible extension to 2020.

## Financial position

The group's financial position remains robust, with continuing strong cash generation and significant undrawn bank facilities. Overall, the cost of borrowing remains similar to last year with reduced interest rates being offset by higher margins charged by the lenders. We remain conscious that there are limits on lenders' capacity to make funds available, and are selecting and pricing our bus and rail tendering opportunities accordingly. Within those constraints, credit markets continue to be open to us on satisfactory terms. We have entered into some £80 million of asset-backed financing since the start of the year to fund committed capital expenditure on the vehicle fleet.

Investment relating to tender wins continues, including a combined fleet of 164 buses for our recently started Stockholm bus contract; the existing fleet of 29 trains for the Jutland rail contract, which are likely to come onto the balance sheet even though they will continue to be financed by the existing provider; and a further 11 new trains required by the new contract by the end of 2010, with a related investment of around €30 million.

## Outlook

As we have previously reported, higher fuel costs will raise the cost of operations by approximately £60 million across the group in 2009. Steps have been taken to reduce the impact on current year results and our forward fuel price fixing policy will enable us to recover some £30 million in fuel costs for 2010.

The principal underlying impact of the recession on Arriva's business at present is slower passenger revenue growth rates in parts of the business, most significantly in CrossCountry. If this continues, CrossCountry will benefit from revenue protection mechanisms contractually available from 2011. The group as a whole continues to grow, with a high proportion of revenue derived from medium and long-term contracted business.

Our immediate focus is on ensuring the business meets the challenges posed by current economic conditions. Arriva continues to be well placed to take advantage of the long-term opportunities presented by the huge European public transport market.

The group is scheduled to release its interim results for the period to 30 June 2009 on Thursday 27 August 2009.

## Enquiries:

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## Notes to editors:

- We have fixed 64.7 per cent of our fuel requirements for 2010 (anticipated to be 527 million litres) at an average price of 35.7 pence per litre before delivery and duty, at current exchange rates, compared with an average price of 42.9 pence per litre for 2009. 13.8 per cent is covered by indexation, and 21.5 per cent remains unfixed. Assuming similar forward pricing for the rest of our 2010 fuel fixing activity, fuel costs, on a like-for-like basis, are anticipated to be approximately £30 million lower in 2010 compared to 2009.
- Arriva is one of the largest private sector providers of passenger transport in Europe, employing more than 43,500 people (including share of associate companies) and providing more than one billion passenger journeys every year.
- Arriva provides transport services including buses, trains, commuter coaches and water buses, and operates in 12 European countries: Czech Republic, Denmark, Germany, Hungary, Italy, the Netherlands, Poland, Portugal, Slovakia, Spain, Sweden and the UK.