

Arriva plc
Preliminary Results
Year to 31 December 2003

Agenda

- Introduction
- Financial Overview
- Operating Overview
- International Operations
- Summary

Headlines

- Strong financial performance
- Fundamental repositioning complete
- Long-term position in UK rail secured
- Continued expansion in mainland Europe:
 - TST
 - NoordNed

Financial Highlights

Year to 31 December 2003

- Operating profit* up 5% to £114.7m
- Earnings per share† 36.0p
- Operating cash inflow up by 6% to £236.8m
- Final dividend up by 5% to 13.4p

* from continuing operations excluding goodwill amortisation and exceptional items

† excluding goodwill amortisation and exceptional items

Profit & Loss Account

Year to 31 December 2003

£m	<u>Continuing</u>		<u>Discontinued</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Turnover	1,597.4	1,390.1	155.7	694.3	1,753.1	2,084.4
Operating Profit	<u>114.7</u>	<u>109.6</u>	<u>3.2</u>	<u>9.6</u>	<u>117.9</u>	<u>119.2</u>
Interest					(17.0)	(17.1)
PBT excluding goodwill and exceptionals					100.9	102.1
Goodwill					(12.7)	(10.4)
Exceptionals:						
Discontinued Business						
- Surplus/(deficit) on disposal					1.3	(0.2)
- Associated pension charge					(4.9)	-
- Goodwill previously written off					-	(13.7)
- Closure costs					(2.5)	-
Profit on disposal of properties					1.7	2.8
Pre-Tax Profit					83.8	80.6

Segmental Analysis of Continuing Operations Year to 31 December 2003

£m	<u>Turnover</u>		<u>Operating Profit*</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Passenger Services				
UK Bus	604.0	559.8	57.2	65.4
UK Trains	433.3	419.0	24.0	14.9
International	424.9	303.5	24.8	19.0
Total Passenger Services	<u>1,462.2</u>	<u>1,282.3</u>	<u>106.0</u>	<u>99.3</u>
Vehicle Rental	109.9	83.1	12.8	11.6
Bus & Coach	22.9	23.1	2.9	3.5
Head Office & Misc	0.4	1.6	(7.0)	(4.8)
TOTAL	<u>1,597.4</u>	<u>1,390.1</u>	<u>114.7</u>	<u>109.6</u>

* before goodwill amortisation and exceptional items

Group Cash Flow

Year to 31 December 2003

£m	<u>2003</u>	<u>2002</u>
EBITDA	217	209
Capital Repayments (net)	5	14
Working Capital	15	1
Operating Cash Flow	237	224
Net Capex	(125)	(95)
Cash Flow Before Financing and Acquisitions	112	129
Shares	(19)	(17)
Interest	(17)	(17)
Dividends, Tax etc.	(56)	(21)
Currency Translation	(21)	(13)
Acquisitions and Disposals	14	(55)
Reduction in Net Debt	13	6

Operating Cash Flow

Year to 31 December 2003

£m	<u>Continuing</u>		<u>Discontinued</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
EBITDA	213	197	4	12
Capital Repayments (net)	5	14	-	-
Working Capital	11	(1)	4	2
Operating Cash Flow	229	210	8	14
Net Capex	(125)	(93)	-	(2)
Cash Flow Before Financing and Acquisitions	104	117	8	12

Dividends and Earnings per Share

Year to 31 December 2003

	<u>2003</u>	<u>2002</u>
Dividends per Ordinary Share	18.0p	17.2p
EPS:		
- Excluding exceptional items and goodwill ⁽¹⁾	36.0p	36.8p
- Basic ⁽²⁾	28.7p	38.0p
Shares in issue at year end (millions)	195.0	199.6

(1) Reduction due to dilutive effect of Motor Retail disposal

(2) 2002 figure includes £24 million exceptional tax credit (equivalent to 11.7p per share)

UK Bus

Year to 31 December 2003

£m	<u>2003</u>	<u>2002</u>
Turnover	604.0	559.8
Operating Profit	57.2	65.4
Margin (%)	9.5	11.7

UK Bus - London

- Strong current operating position
- Staff turnover and absenteeism continue to improve
- QICs on over 50% of 2004 contract revenue
- Future growth offers opportunities:
 - TfL forecast 11% passenger growth in 2004
 - Demographics point to 500,000 extra residents by 2011

UK Bus - Regions

- Improving trend on staff turnover and absenteeism
- Improved reliability and punctuality in 2003
- Key areas of focus to drive growth:
 - Marketing
 - Effective use of technology
 - Partnerships
 - Regular measurement of customer satisfaction by depot

UK Trains

Year to 31 December 2003

£m	<u>2003</u>	<u>2002</u>
Turnover	433.3	419.0
Operating Profit	24.0	14.9

UK Trains

- Strong operational performance at Arriva Trains Northern and Merseyrail
- Wales and Borders operation has started well:
 - £200m turnover, 15-year franchise
 - Commitments include:
 - Simplified, more user-friendly timetable
 - 7 Diesel Multiple Units to replace loco-hauled sets
 - 30 new integrated train / bus ticket schemes
 - Punctuality and reliability improvements
- Committed to building position in UK rail

Vehicle Rental

Year to 31 December 2003

£m	<u>2003</u>	<u>2002</u>
Rental Income	51.6	48.7
Sales Proceeds and Other Income	58.3	34.4
Total Turnover	<u>109.9</u>	<u>83.1</u>
Operating Profit	12.8	11.6
Financing Cost	(4.4)	(4.2)
Net Profit	<u>8.4</u>	<u>7.4</u>

Vehicle Rental

- 40 locations in England
- Organic growth
- Expansion of UK coverage
- Luton acquisition

Bus and Coach

Year to 31 December 2003

£m	<u>2003</u>	<u>2002</u>
Turnover	22.9	23.1
Operating Profit	2.9	3.5
Profit Before Tax	2.1	2.4

International

Year to 31 December 2003

£m	<u>2003</u>	<u>2002</u>
Turnover	424.9	303.5
Operating Profit	24.8	19.0

International

- £70 billion rail and bus market in mainland Europe – excluding accession countries
- Legislative and economic pressure driving move to competitive tendering
- Growth strategy reflects:
 - Progress towards opening of the markets
 - Clear acquisition criteria
 - Strong local management
- Building unique position as markets open

International - Scandinavia

Bus

- Well developed private sector market
- Increasing gross contract prices
- Arriva is the largest bus operator in Denmark:
 - 50% of buses in Copenhagen and 30% of regional services
- Bus services in the south of Sweden

International - Scandinavia Rail

- Developing market
- 8-year rail concessions in Mid and North Jutland commenced operation in January 2003:
 - initial transition issues resolved quickly
 - won performance bonuses for customer satisfaction and reliability in the last three quarters of 2003
 - 29 new Alstom Coradia Lint trains being introduced in 2004
- New tender opportunities

International - Netherlands

- Arriva is the largest private sector bus operator:
 - with 20% of regional bus services
 - NoordNed - rail and bus operations
- Competitive tendering:
 - Dutch Transport Act requires all bus operations to be tendered by 2007
- 2003 achievements:
 - Two bus concession wins near Rotterdam
 - Successfully retained large contract in the north
 - 100% ownership of NoordNed
- Further rail and bus opportunities

International - Iberia

- Highly fragmented markets with price controls, no subsidy and a mixture of continuous licensing and concessions of up to 15 years
- Municipal services currently in public sector
- Portugal:
 - TST major bus operation south of Lisbon
 - Bus services in north west Portugal
- Spain:
 - 30% of bus market in Galicia and services in Mallorca
- Opportunities:
 - Organic revenue growth
 - Municipal reorganisation in Lisbon and Oporto
 - Rail

International - Italy

- Most of market still public sector
- Legislation to move to competitive tendering
- Tenders typically 7-8 years
- Arriva is the largest private sector bus company in Italy
- Preferred bidder/retained on all existing operations
- Opportunities in bus and rail tenders

Summary

- Financial strength:
 - Strong performance from continuing operations
 - Excellent mix of cash generative and growth businesses
 - Robust balance sheet
- Strategy:
 - Build on established positions in existing markets through organic growth and improved efficiency
 - Targeted acquisitions
 - Share buy-backs and progressive dividend stream

Appendix

EBITDA

Year to 31 December 2003

	2003 £m	2002 £m
Passenger Services		
UK Bus	98.2	103.1
UK Trains	25.7	16.5
International	50.3	40.0
Total Passenger Services	174.2	159.6
Vehicle Rental	38.4	33.9
Bus & Coach	6.2	7.5
Head Office & Miscellaneous	(6.3)	(3.9)
Continuing operations	212.5	197.1
Discontinued operations – Motor Retail	4.1	12.0
Total operations	216.6	209.1

Net Capex

Year to 31 December 2003

	2003 £m	2002 £m
Passenger Services		
UK Bus	55.5	36.0
UK Trains	4.4	1.8
International	38.2	19.4
Total Passenger Services	98.1	57.2
Vehicle Rental	26.1	36.7
Bus & Coach	0.2	(0.6)
Head Office & Miscellaneous	-	0.5
Continuing operations	124.4	93.8
Discontinued operations:		
Motor Retail	-	1.3
Total operations	124.4	95.1