

Arriva plc

# Preliminary Results

Year to 31 December 2009



# Agenda

- Introduction
- Finance
- Divisional review
- Outlook

# 2009 – meeting the challenges of uncertainty

- ❑ £60m fuel hit
- ❑ Impact of recession on passenger revenue (particularly Iberia & CrossCountry)
- ❑ Tight management control
  - UK regional bus commercial mileage reduction 3.4%
  - UK Trains £15m annualised cost savings
  - Mainland Europe targeted savings & mileage reductions
  - Pensions & tax savings
- ❑ Excellent operational performance in all divisions
- ❑ High levels of customer satisfaction

## 2009 - resilient qualities

- ❑ Strong run of contract wins & renewals
- ❑ Mainland Europe order book up 29% in euro
- ❑ Robust UK Bus performance
- ❑ UK Trains passenger revenue growth recovery in recent months
- ❑ Fuel fixed at lower prices
- ❑ Further growth opportunities
- ❑ Dividend up 5%

Steve Lonsdale  
Group finance director

# Financial review

- ❑ Earnings influences
- ❑ Financial highlights
- ❑ Cash flow
- ❑ Influences on 2010 and beyond

# 2009 **Basic** EPS: the main moving parts

## **Negative earnings influences**

- £60m fuel hit
- XC revenue growth
- Goodwill impairment
- Other recessionary impact

## **Positive earnings influences**

- £47m pension curtailment
- Tax settlement
- Operational cost savings

# 2009 Adjusted EPS: the main moving parts

## Negative earnings influences

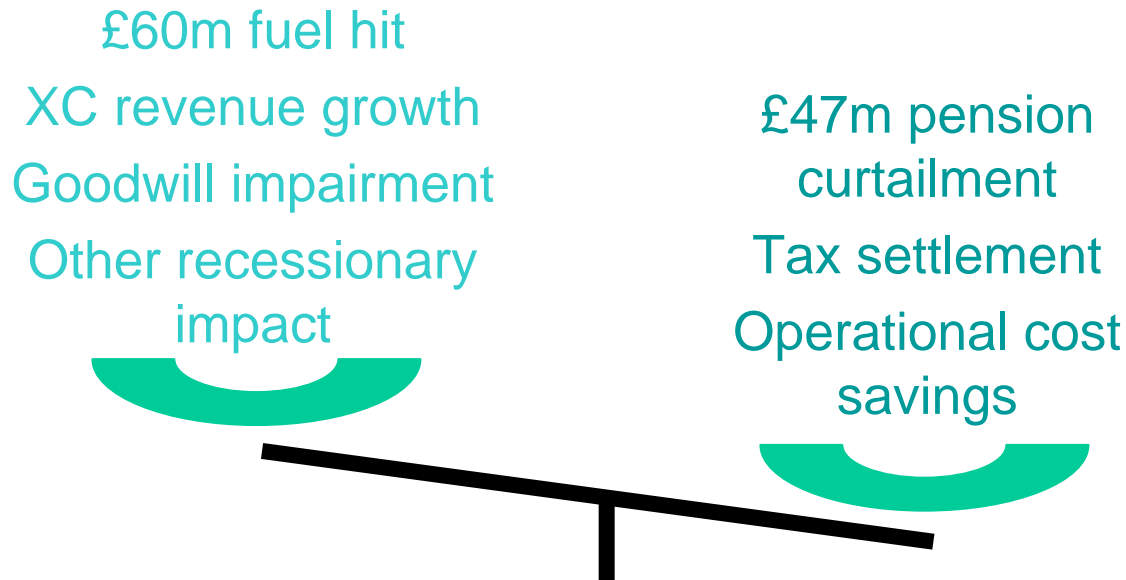
- £60m fuel hit
- XC revenue growth
- ~~Goodwill impairment~~
- Other recessionary impact

## Positive earnings influences

- ~~£47m pension curtailment~~
- Tax settlement
- Operational cost savings

# 2009 Basic EPS: how the parts moved

Basic EPS up 1.9p to 54.5p



# 2009 Adjusted EPS: how the parts moved

Adjusted EPS down 2.7p to 58.8p



# Financial highlights

## A resilient performance

### Revenue

Up 3% to £3,147.8m  
Adjusted for CP4 up 8%

(2008: £3,042.2m)

### Operating profit

Down 7% to £160.3m  
Adjusted\* down 13% to £168.4m

(2008: £171.8m)

(2008: £192.7m)

### EBITDA (pre exceptional item)

Down slightly to £324.1m

(2008: £330.4m)

### Profit before taxation

Down 19% to £121.7m

(2008: £150.0m)

# Segmental analysis

£m	Revenue		Operating profit	
	2009	2008	2009	2008
Mainland Europe*	1,604.2	1,394.6	83.9	78.5
UK Bus	961.5	922.4	91.2	99.3
UK Trains	702.6	837.8	12.1	33.7
Central	-	-	(18.8)	(18.8)
	<b>3,268.3</b>	3,154.8	<b>168.4</b>	192.7
<b>Associated companies</b>				
- Mainland Europe	(120.5)	(112.6)	(10.1)	(8.9)
<b>Group revenue and operating profit</b>	<b>3,147.8</b>	3,042.2	<b>158.3</b>	183.8

# Group cash flow

## Year ended 31 December 2009

	2009 £m	2008 £m
EBITDA (before exceptional item)	324.1	330.4
Pensions	(18.5)	(18.3)
Working capital	3.8	49.5
<b>Cash generated from operations</b>	<b>309.4</b>	<b>361.6</b>
Net capex	(263.4)	(244.8)
<b>Cash flow before servicing costs</b>	<b>46.0</b>	<b>116.8</b>
Proceeds from issuing ordinary share capital	0.1	0.2
Interest and finance charges paid	(42.3)	(27.7)
Dividends and tax	(61.6)	(33.5)
Acquisitions	0.3	(218.7)
Settlement of cross currency swaps	(22.5)	(27.6)
<b>Increase in net debt before currency translation</b>	<b>(80.0)</b>	<b>(190.5)</b>
Currency translation	51.3	(184.4)
<b>Increase in net debt</b>	<b>(28.7)</b>	<b>(374.9)</b>
Opening net debt	(823.4)	(448.5)
<b>Closing net debt</b>	<b>(852.1)</b>	<b>(823.4)</b>
Net debt to EBITDA	2.6x	2.5x

# Re-entry to the USPP market (Feb 2010)

- ❑ €100 million at 5.25 per cent fixed rate
- ❑ Repayable 2017
- ❑ Permits our continued access to asset-backed finance
- ❑ Repeatable
- ❑ Diversifies our sources of funding

# Which of the moving parts influence 2010 and later years?

£60m fuel hit

Goodwill impairment

Other recessionary impact

Pension curtailment

Tax settlement

Operational cost savings

XC passenger revenue

£30 million reduction in 2010

No 2010 impact

Modest recovery so far

£5 million annual savings

£46 million over next few years

Carry forward 2010 onwards

Revenue below bid: growth recovering

# CrossCountry revenue risk sharing regime\*

## □ CrossCountry revenue support from November 2011

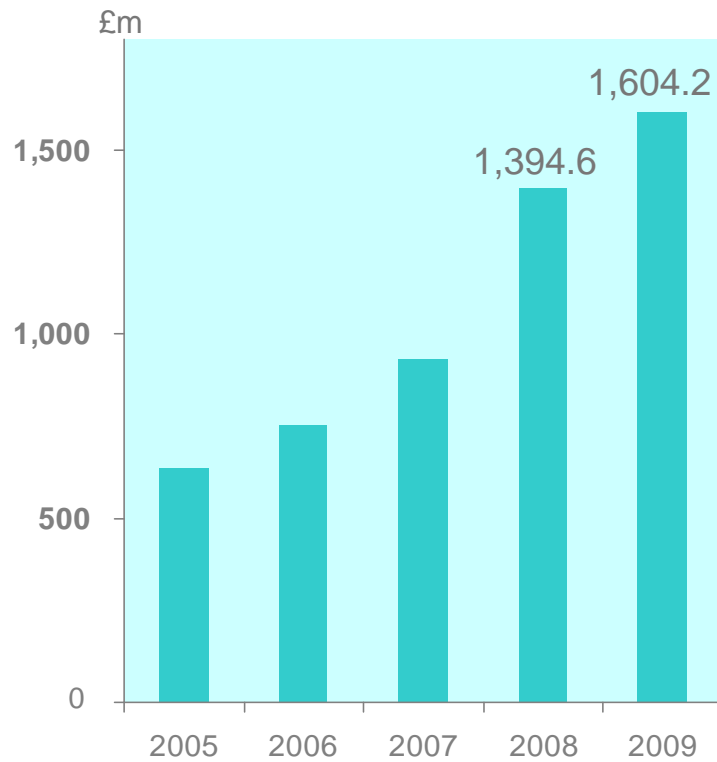
- 98% of indexed bid target or above: no support
- 94% to 98%: 50% support
- Below 94%: 80% support

Hypothetical application to 2009 revenue	£m
Indexed bid line passenger revenue	371
Actual passenger revenue	328
Shortfall to bid revenue*	43*
Proforma revenue support (if revenue support had been in place)	23

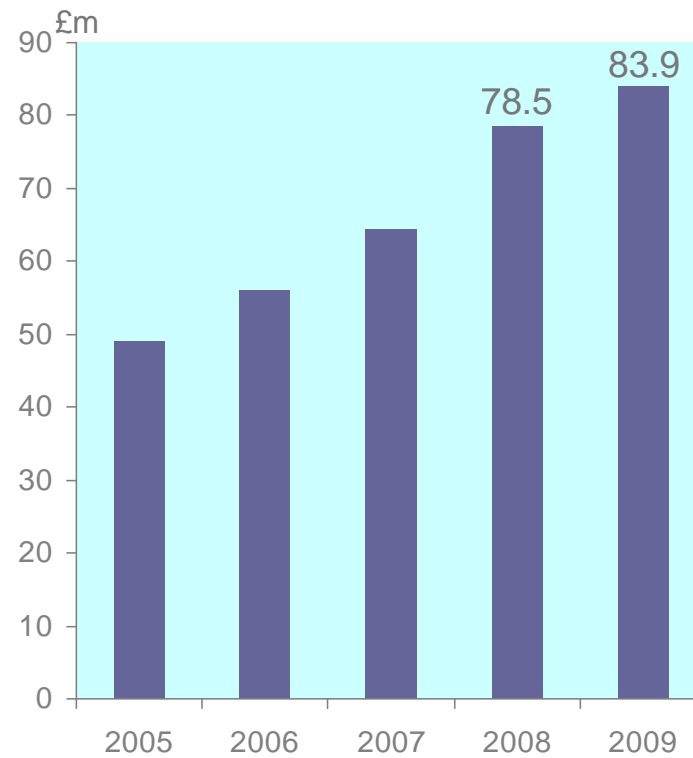
David Martin  
Chief executive

# Mainland Europe

# Mainland Europe growth 2005 – 2009



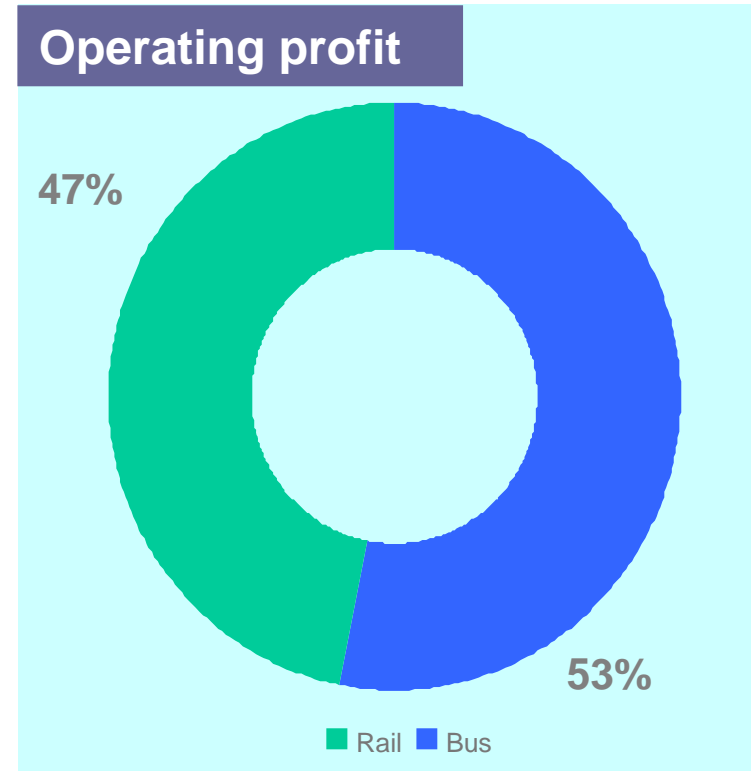
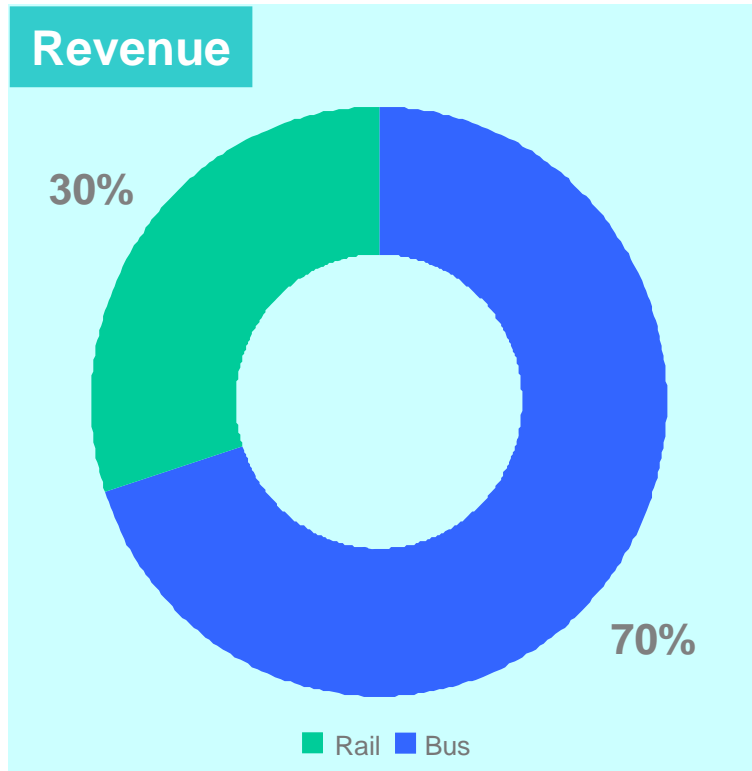
■ Revenue\*



■ Operating profit\*

# Mainland Europe – bus/ rail split\*

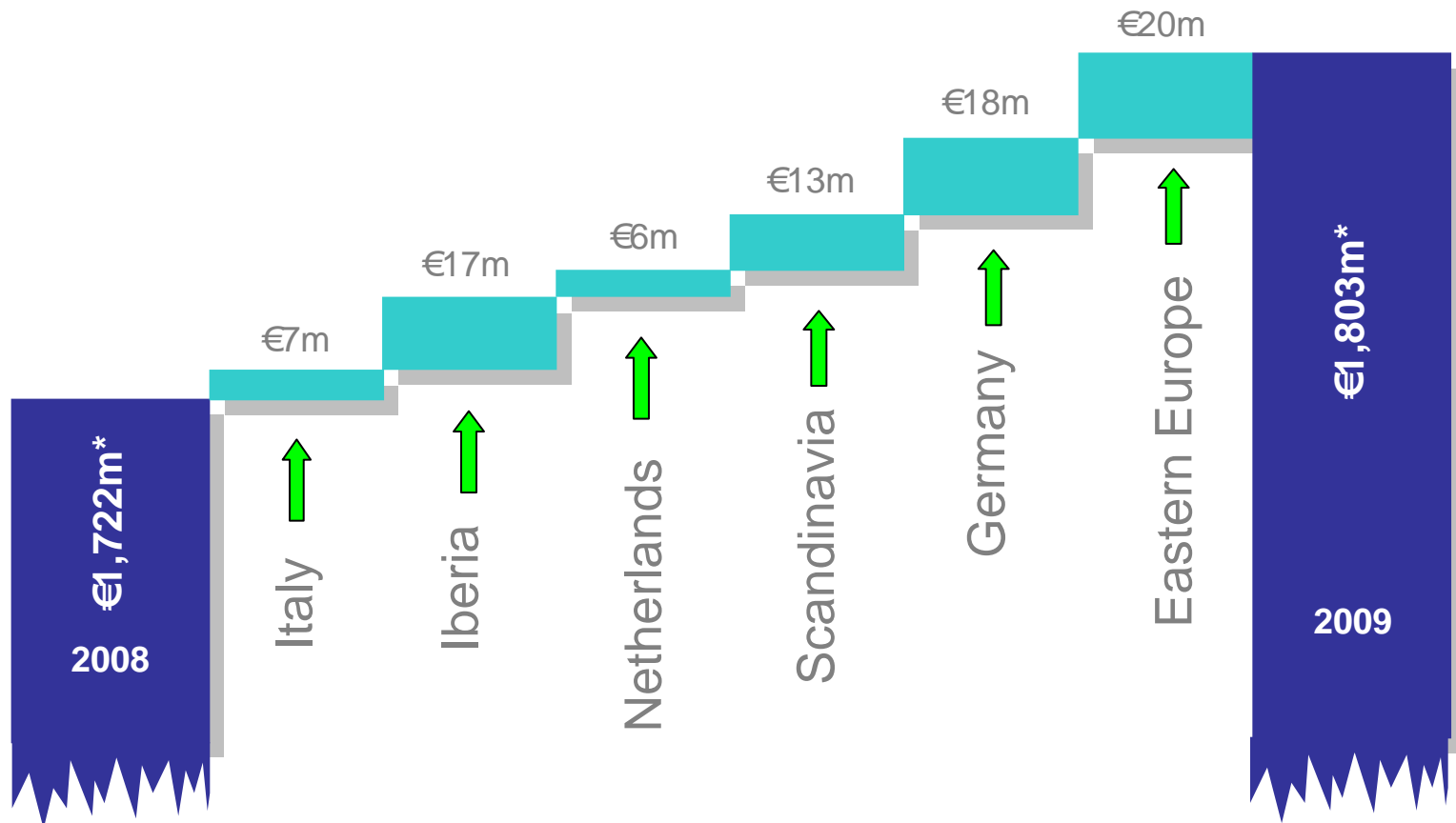
## Year to 31 December 2009



\* Excluding central

\*\* Including share of associated companies' revenue and operating profit, before goodwill impairment & intangible asset amortisation

# 2009 Mainland Europe revenue growth

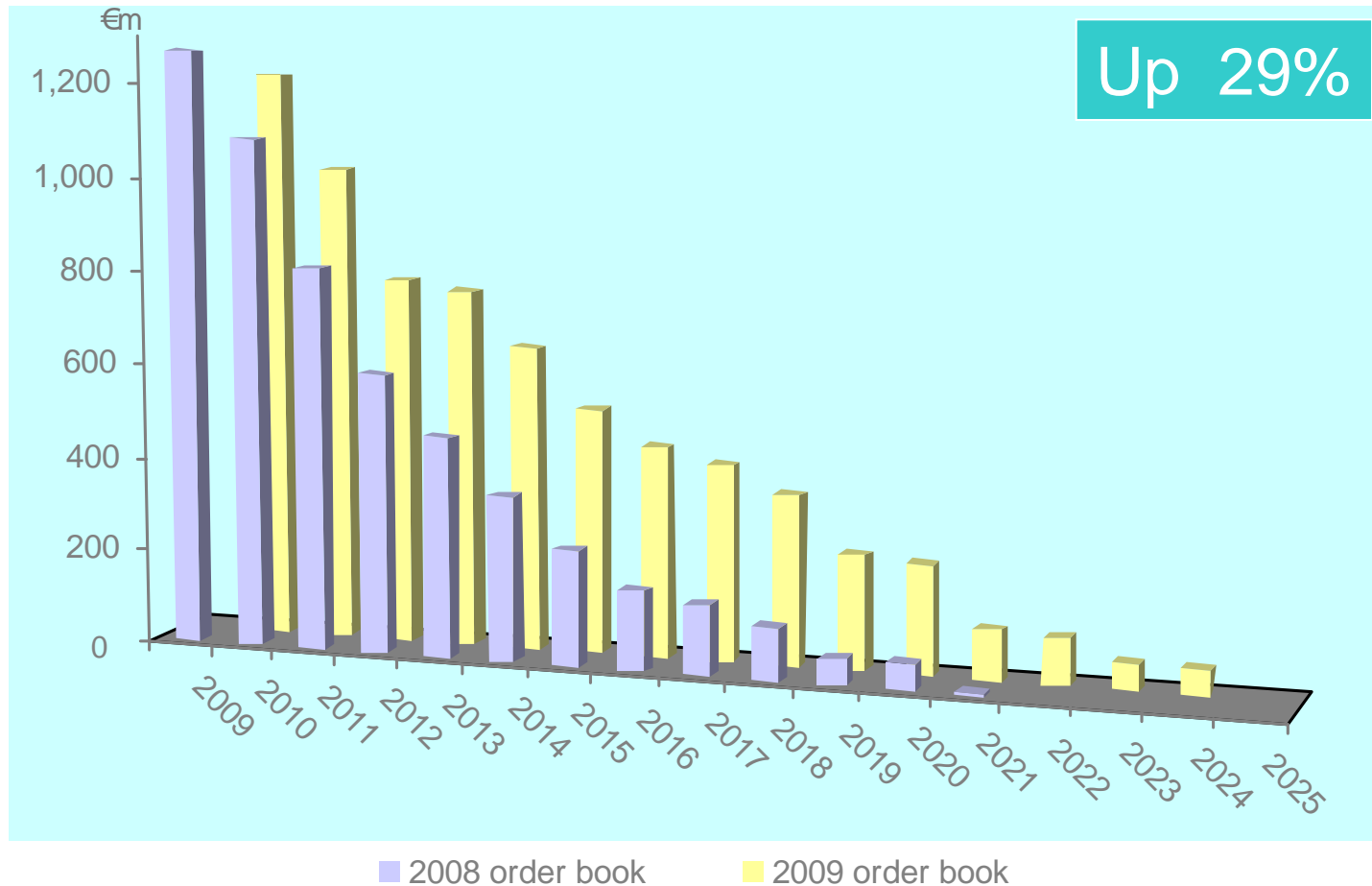


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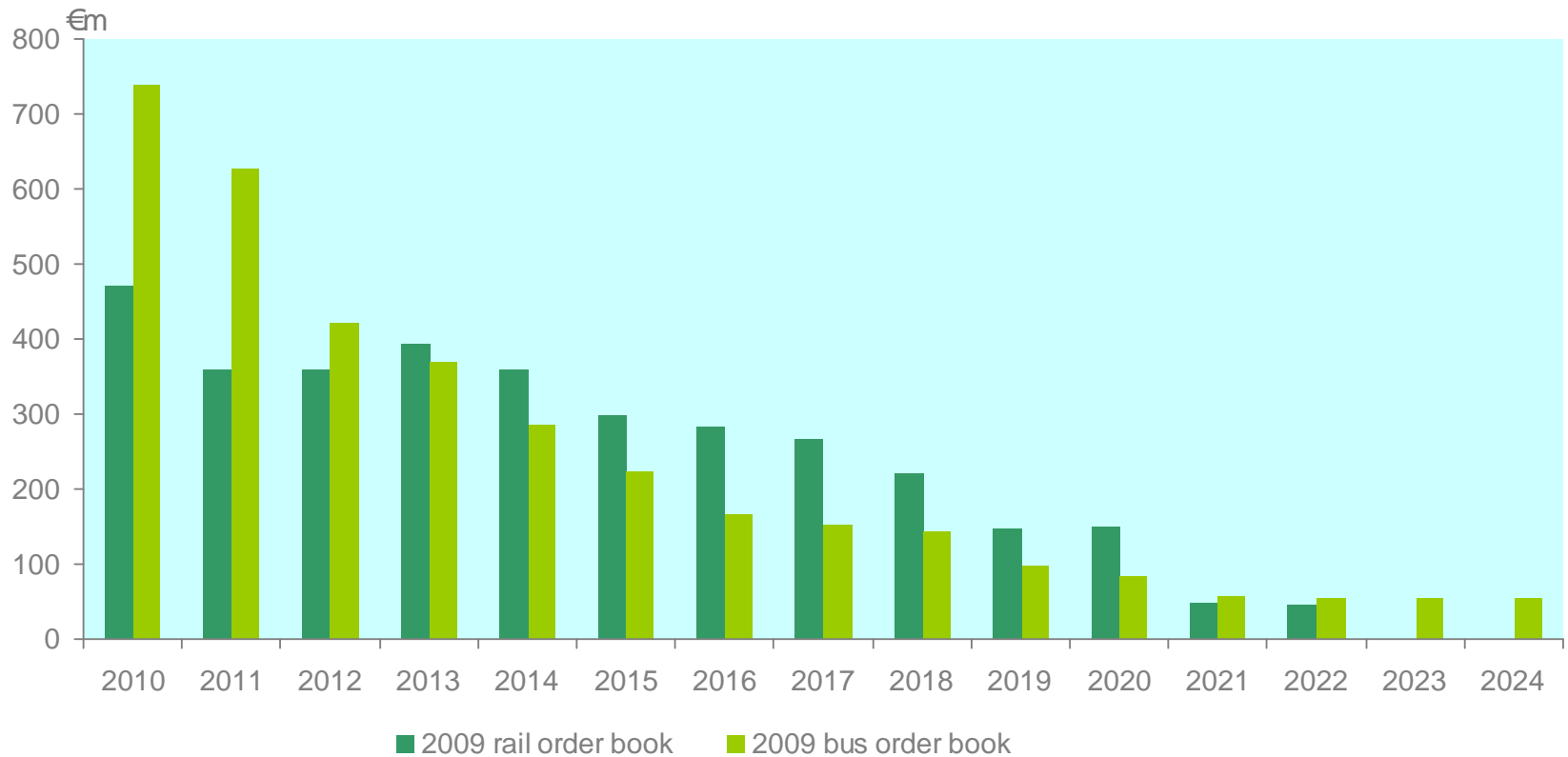
\* Including share of associates

# Mainland Europe – order book



# Mainland Europe - order book

## 2009 bus/ rail



# Mainland Europe

- ❑ Another year of growth
- ❑ £22m fuel cost headwind substantially absorbed
- ❑ Volatile economic conditions, particularly in Iberia
- ❑ Challenges continue in the Netherlands
- ❑ Business development & improvement
  - Targeted savings
  - Mileage reductions
  - Excellent operational performance
  - High customer satisfaction
- ❑ PSR

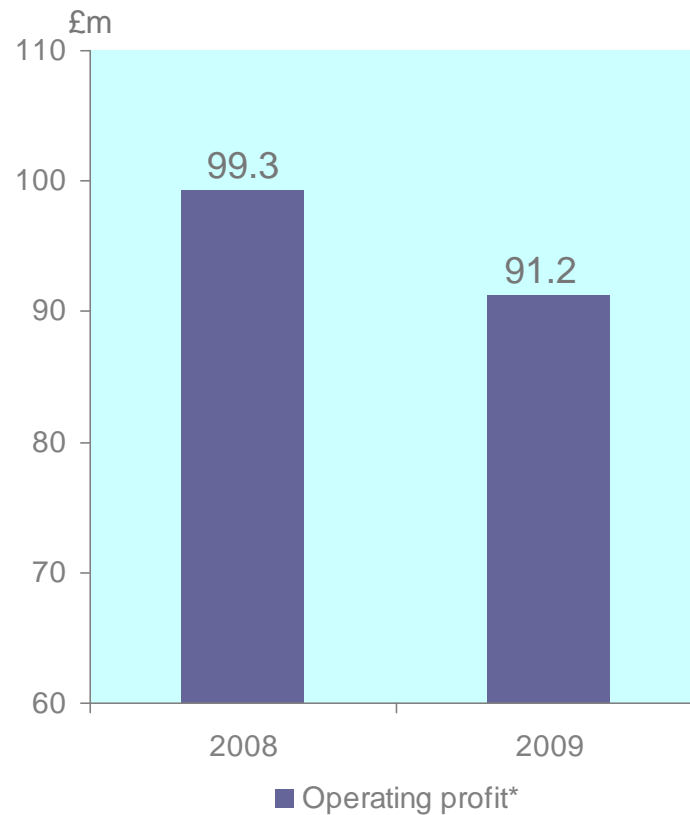
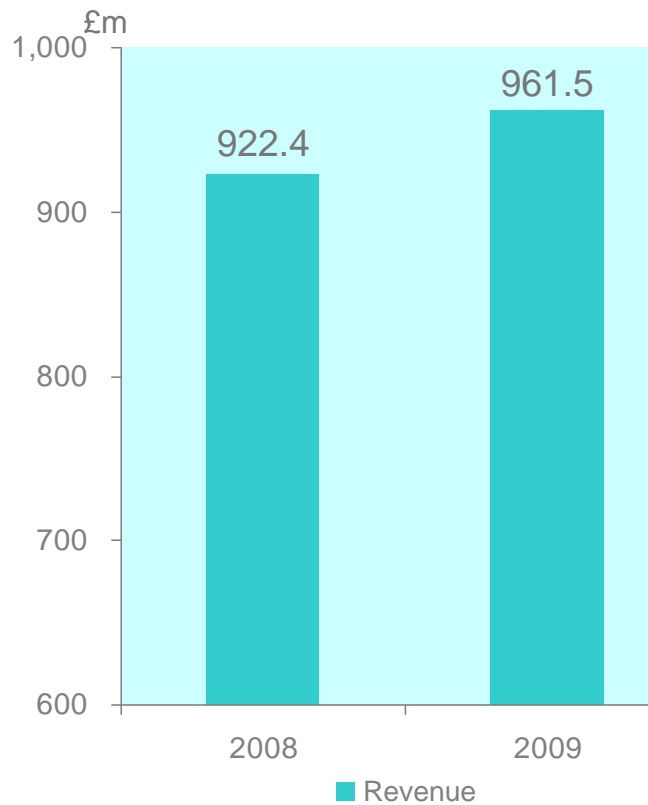
# New contracts

Country	Area	Mode	Start date	Value <sup>1</sup> €m
Sweden	Stockholm	Bus	March 2009	164
Germany	Bavaria	Rail	Dec 2009	40 <sup>2</sup>
Denmark	Jutland	Rail	Dec 2010	475
Sweden	Halland	Bus	June 2010	138
Germany	North east	Rail	Dec 2011/ Dec 2012	500 <sup>2</sup>
Netherlands	Gelderland	Bus/ rail	Dec 2010/ Dec 2012	600
Germany	Hamburg	Rail	Dec 2010	700 <sup>3</sup>
Denmark	Fyn	Bus	June 2010	300
Portugal	Metro do Porto	Light rail	April 2010	200 <sup>4</sup>

# UK Bus

# UK Bus

## Year to 31 December 2009



# UK Bus

- ❑ Robust performance
- ❑ £30m fuel cost increase mitigated
- ❑ Strong operating performance
  - Record levels of customer satisfaction - 93%
- ❑ Efficiencies
  - Management attention to cost control
  - Swift reaction to changes in demand
  - 3.4% commercially operated year-on-year mileage reduction
- ❑ London
  - 2% mileage growth in London
  - Excellent contract retention
  - Order book grown 27%

# UK Bus

## ❑ Investment for future

- New fleet
- Technology
- Training

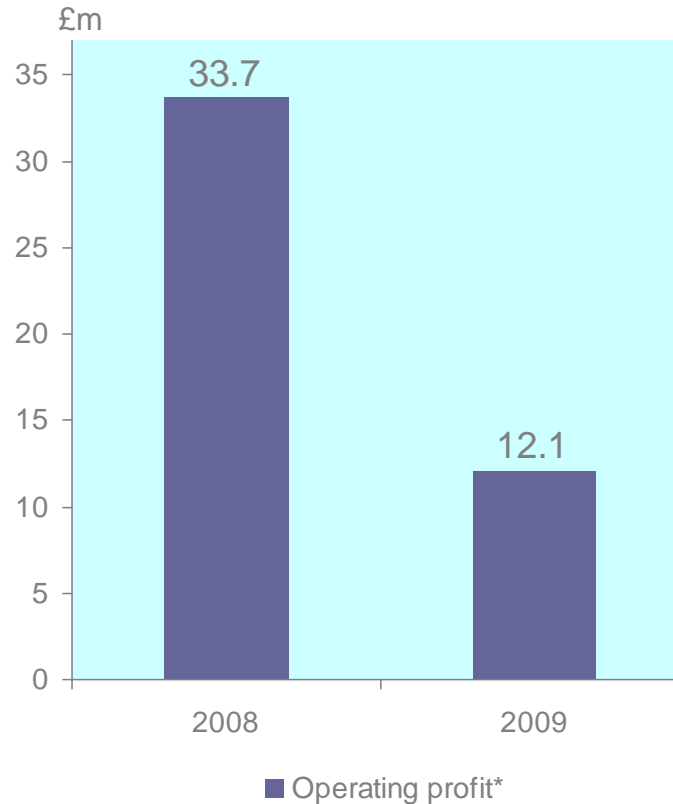
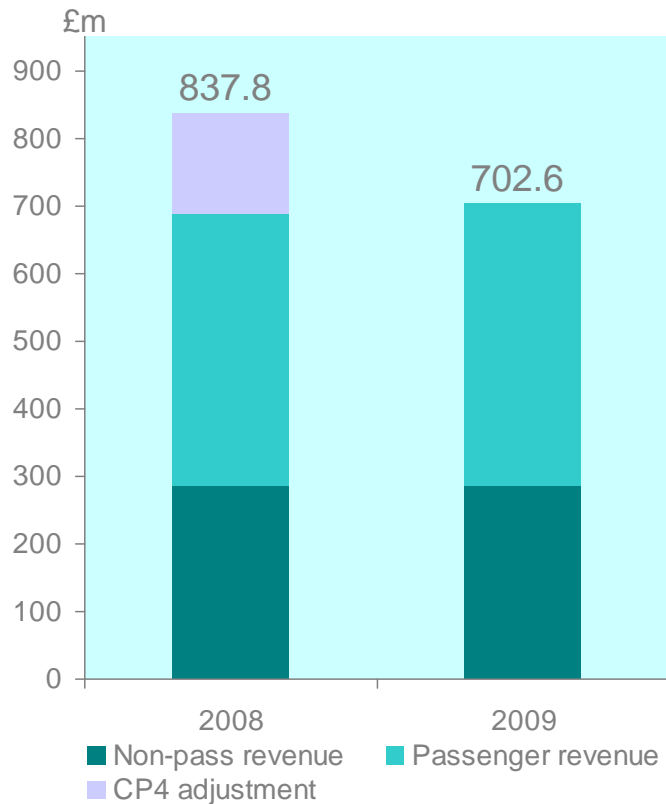
## ❑ Pensions

- Capped increase in accrual in APSPP
- Lower cost for employer and employee

# UK Trains

# UK Trains

## Year to 31 December 2009



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\* Pre intangible asset amortisation

# Cost savings

- In-house transport cover
- Marketing
- Station services
- Catering
- Cleaning
- Fuel fix

# Arriva Trains Wales

- ❑ Passenger revenue growth 7.2%
  - 8.7% in first 7 weeks of 2010
- ❑ One of best performing operators in UK
  - PPM 94.7% (2008: 92.5%)
- ❑ Working in partnership with Welsh Assembly Government

# CrossCountry

- ❑ Excellent PPM improvement to 90.5% (2008: 89.6%)
- ❑ Ticketing improvements
  - Online ticketing, including e-ticketing
- ❑ Passenger revenue growth 2.6%
- ❑ Stronger trend at end of 2009 continues
  - 8.8% in first 7 weeks of 2010
- ❑ Revenue support, Nov 2011

# Outlook

# Outlook

- ❑ £30 million reversal of fuel hit in 2010
- ❑ Pension, tax and cost benefits rolled forward
- ❑ Resilient UK Bus business
- ❑ UK Trains passenger revenue growth accelerating
  - Revenue support available in XC from November 2011
- ❑ Order book growth providing long-term visibility
- ❑ Favourable competitive landscape
- ❑ Mainland Europe opportunities
- ❑ Excellent prospects for substantial progress

Arriva plc

# Preliminary Results

Year to 31 December 2009



# Appendix

# EBITDA (before exceptional item)

## Year to 31 December 2009

	2009 £m	2008 £m
Mainland Europe	170.6	151.4
UK Bus	155.1	159.8
UK Trains	16.8	37.6
Central	(18.4)	(18.4)
Total	324.1	330.4

# Capital Expenditure

	2009 £m	2008 £m
Mainland Europe	165.4	155.5
UK Bus	90.6	82.8
UK Trains	7.3	8.0
Central	0.1	(1.5)
Total	263.4	244.8

# Euro/ sterling foreign exchange translation rates

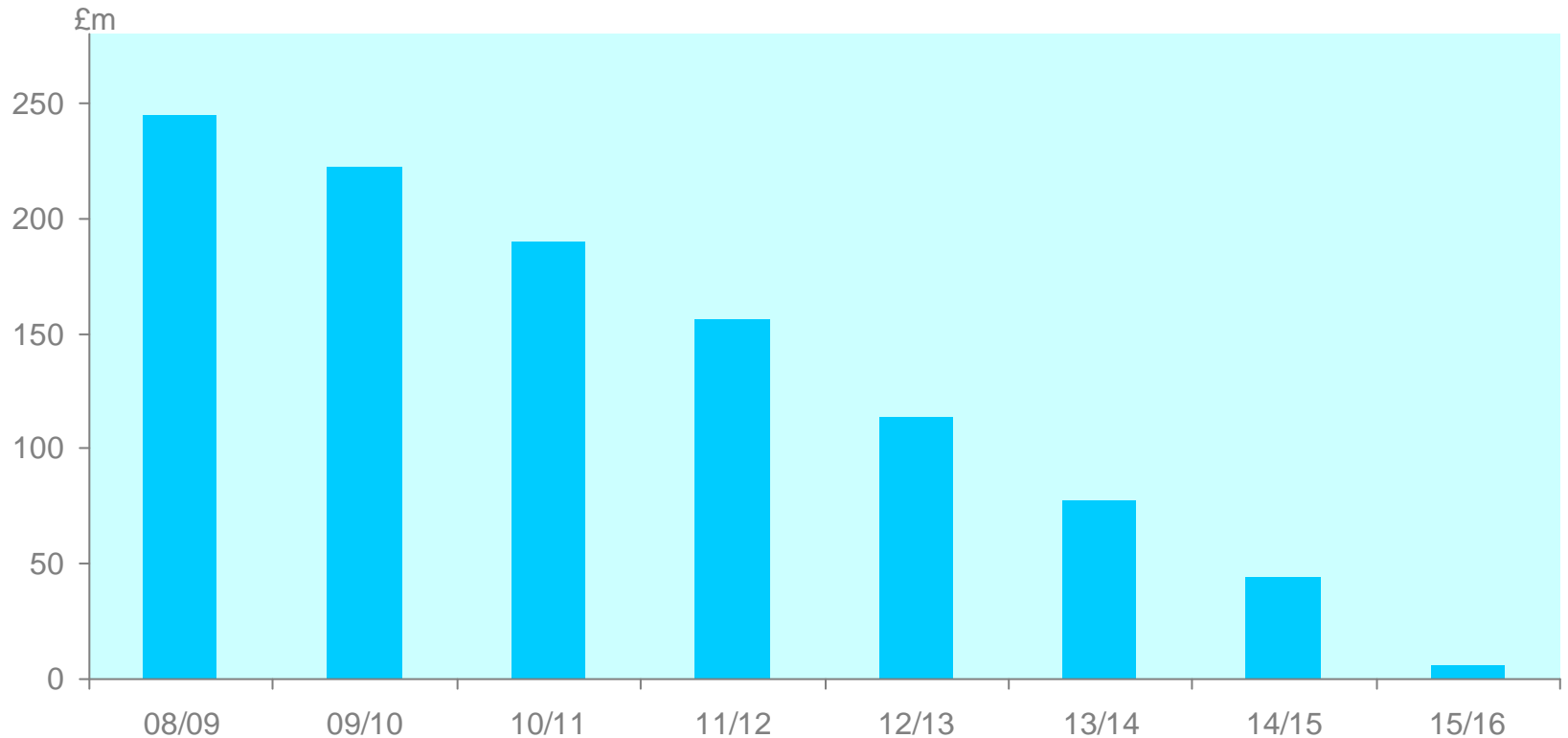
## Income statement and cash flow statement

Full year to December 2009	£0.89
Full year to December 2008	£0.81

## Balance sheet

At 31 December 2009	£0.89
At 31 December 2008	£0.97

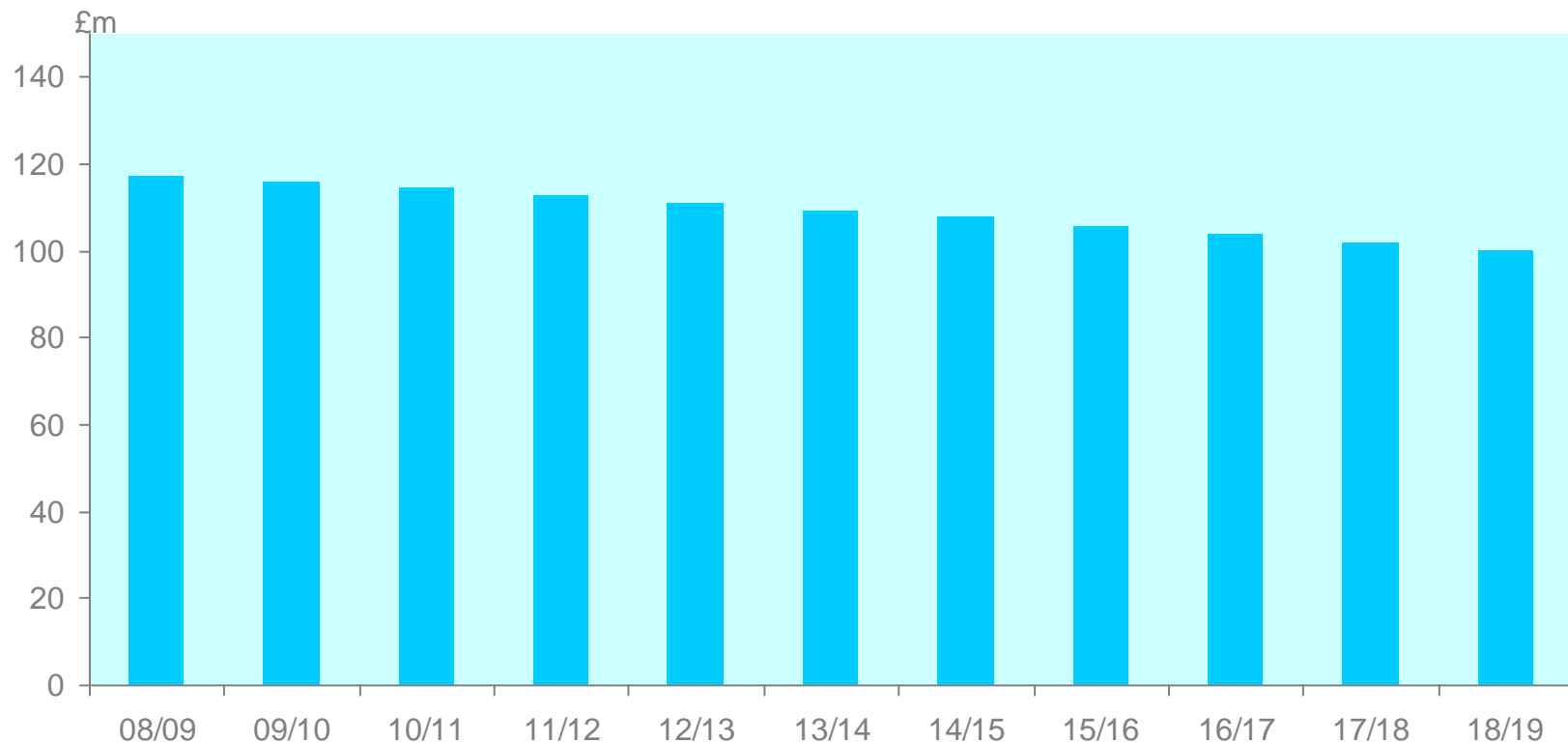
# Support payment profile - CrossCountry



- Based on DfT annual franchise payments, published at the start of each franchise
- Subject to indexation
- Before CP4 adjustments

Franchise operator  
year, ending March

# Support payment profile - ATW



- Based on DfT annual franchise payments, published at the start of each franchise
- Subject to indexation
- Before CP4 adjustments

Franchise operator year,  
ending March

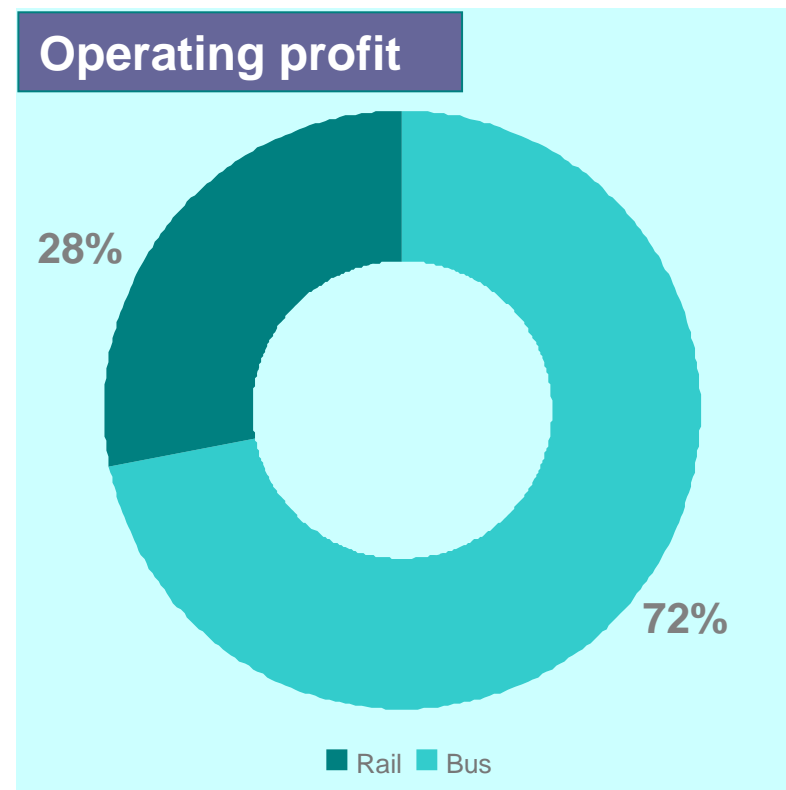
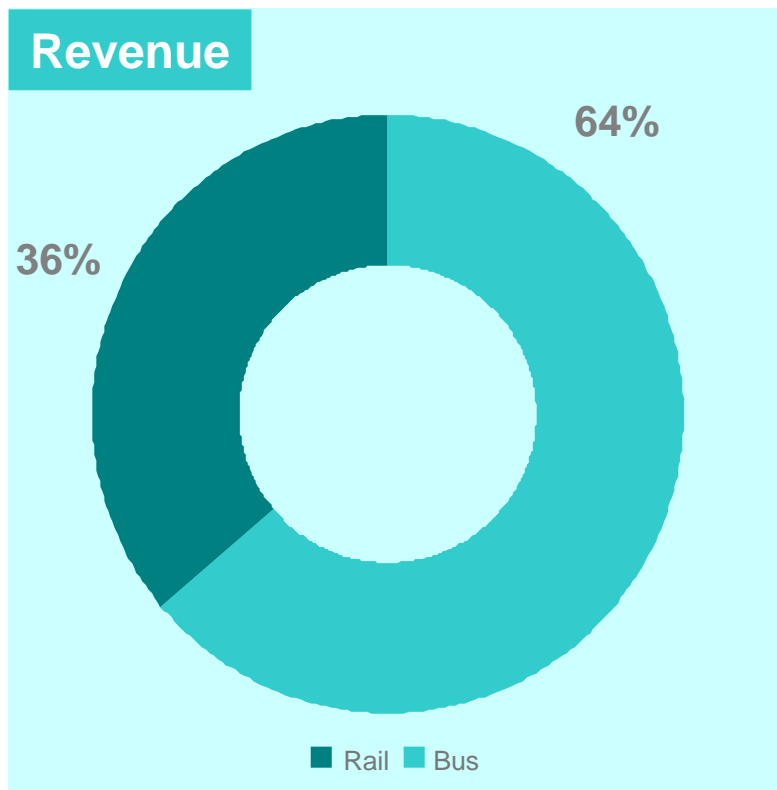
# UK Trains

## Indexation timings

	Based on	Effective from
Regulated fares	July RPI +1%	January
Network Rail	Nov RPI	April
Franchise support	ATW – Jan AEI/RPI	April
	XC – Feb AEI/RPI	April

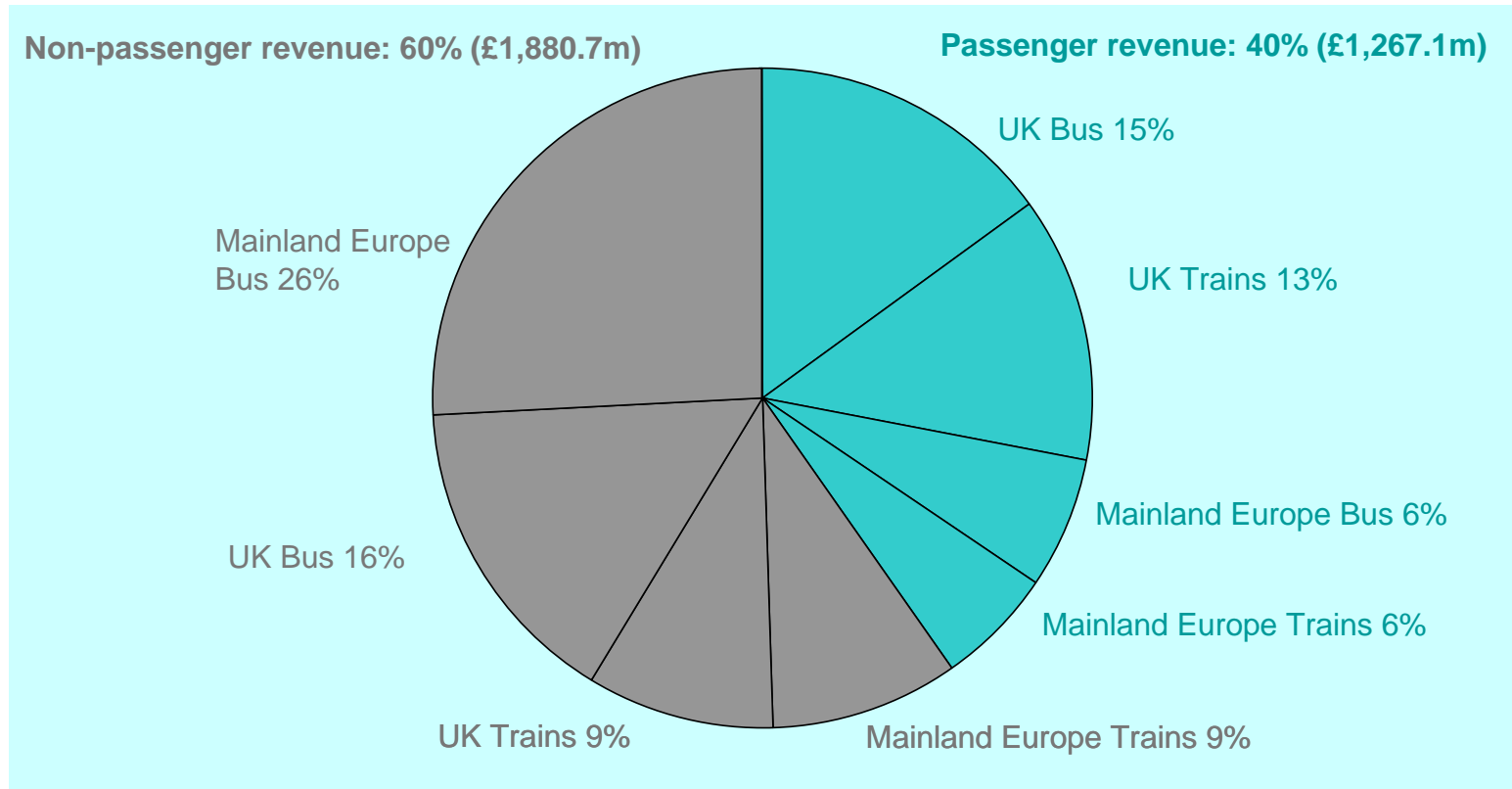
# Group – bus/ rail split\*

## Year to 31 December 2009



# Group revenue split – passenger v non-passenger

## Year to 31 December 2009

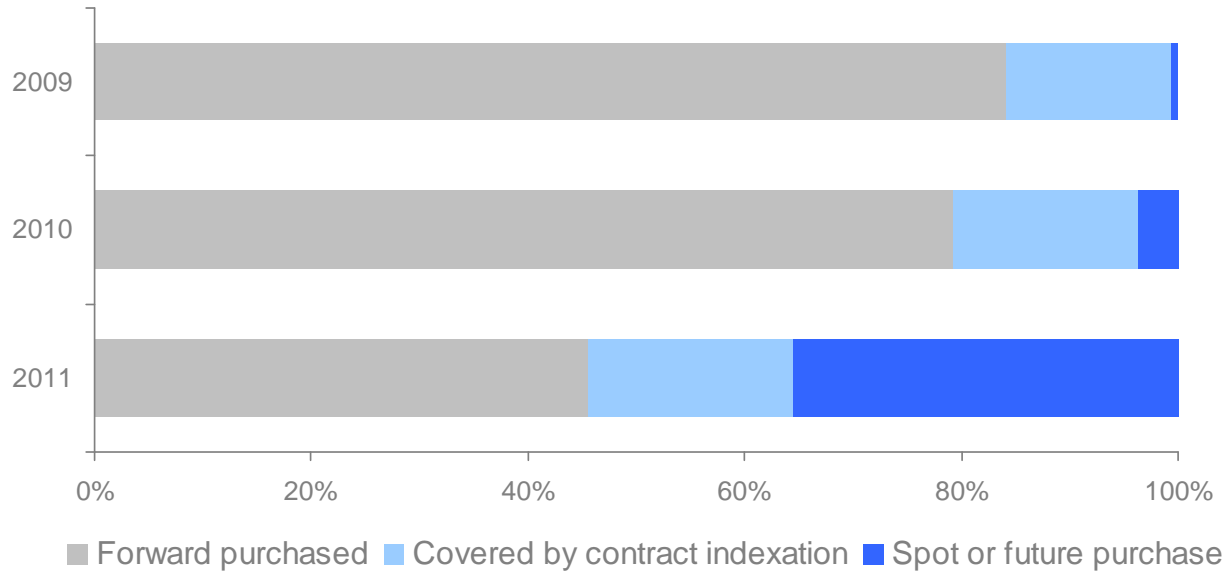


# Liquidity and funding

## Maturity & headroom of facilities at 31 December 2009

Facility	Maturity	Limit £m	Drawn £m	Headroom £m
Syndicated revolving credit facility	2012	615	414	201
Additional €100m term facility	2012	89	-	89
Amortising facilities	to 2024	631	618	13
Other term facilities	to 2018	59	19	40
<b>Committed facilities</b>		<b>1,394</b>	<b>1,051</b>	<b>343</b>
Uncommitted facilities	2009	84	39	45
<b>As at 31 December 2009</b>		<b>1,478</b>	<b>1,090</b>	<b>388</b>
Less cash			(238)	
Net debt			<b>852</b>	

# Fuel



Excluding Barraqueiro

- ☐ Fuel fixed at least 12 months ahead
- ☐ £30m reduction in 2010
- ☐ 2009 volume c.520m litres
- ☐ CrossCountry 75% fixed until 2016 at 26.5p per litre

Division	2009 Fuel usage %
UK Bus	36
UK Trains	23
M.Europe	41

Year	Average price per litre*
2009	43.1p
2010	35.9p
2011	32.4p (so far)