



28 October 2008

Arriva plc

Interim Management Statement

The outlook for 2008 continues to be positive with substantial revenue and earnings growth for the year being anticipated, in line with management expectations. While no business is wholly immune from current economic uncertainties, the Group's diversified nature, with bus and rail operations in 12 countries, a £12 billion order book, and more than 60 per cent of revenues from government contracts, gives it a high degree of resilience and stability.

Business Performance

Arriva plc has continued to deliver a year of substantial growth. Group revenue increased by more than 57 per cent year-on-year in the nine months ended 30 September 2008, reflecting growth in mainland Europe and the effect of the CrossCountry rail franchise which began in November 2007. Across all three divisions close attention to cost control has been maintained.

Year-on-year revenue in our mainland Europe division is up by 51 per cent for the first nine months, reflecting acquisitions, new tender starts, and the impact of the euro strengthening against sterling.

In our CrossCountry rail franchise, like-for-like* passenger revenues have increased by 11.9 per cent for the period from 6 January to 11 October 2008. Arriva Trains Wales passenger revenues have increased by 12.0 per cent for same period year-on-year.

In our UK regional bus business, revenue for the first nine months of the year has increased by 6.3 per cent year-on-year, and mileage in our London business has increased by 4.5 per cent.

Business Developments

In the UK, the introduction of more than 460 new buses into service during 2008 is continuing, representing an investment of more than £63 million.

We continue to work with the industry to make constructive contributions to the remaining stages of the legislative process for the Local Transport Bill. We support the Government objective of encouraging even closer partnership working between operators and local authorities to make productive investments in improved services.

In our UK Trains division, we have introduced the first of five refurbished High Speed Trains (HSTs) for our CrossCountry franchise. In addition to providing much-needed capacity on routes which are experiencing heavy demand, the refurbished HSTs are re-engined to improve fuel efficiency, reliability and reduce emissions. The introduction of the HSTs, refurbishment of existing rolling stock, and the development of new customer-facing IT systems for CrossCountry are all going to plan.

In mainland Europe, in July we significantly increased our position in the growing Madrid transport market, with the acquisition of De Blas, one of the largest privately owned contractors to the Madrid transport authority. Also in July, we completed our purchase of 80 per cent of Eurobus Invest, the largest privately owned Hungarian bus group, which provides regional, urban and contracted bus operations in Hungary and Slovakia. In August we were awarded a seven-year Swedish rail contract

(with a two-year extension option) to operate services between Goteborg and Orebro from mid-June 2009.

Financial Position

The group's financial position remains robust with a strong balance sheet and strong operational cash flows. We have continued to see attractive investment opportunities and gearing has increased since the half year as we have taken advantage of these opportunities.

We continue to manage fuel costs proactively. Our hedging policy is protecting the group from material impact during 2008. The final average price paid for fuel in 2008 is anticipated to be 28.2 pence per litre, before delivery and duty.

We now have 82 per cent of our anticipated 540 million litre fuel requirement for 2009 fixed in price, with additionally around 14 per cent covered by indexation and 4 per cent remaining unfixed. The current average price fixed for 2009 is now 41.3 pence per litre. Assuming the same volumes for 2010 we have so far fixed around 38 per cent of our anticipated requirement at an average price of 34.3 pence per litre. Excluding the CrossCountry fuel fix**, our position for 2010 is 27 per cent fixed at an average price of 39.4 pence per litre before delivery and duty.

* Estimated like-for-like passenger revenues for the re-mapped franchise

** As reported previously, 75 per cent of the approximate 100 million litre annual fuel requirement for CrossCountry remains fixed at 26.5 pence per litre, until 2016

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Notes to editors:

Arriva is one of the largest transport services organisations in Europe, with operations in 12 countries: the Czech Republic, Denmark, Germany, Hungary, Italy, the Netherlands, Poland, Portugal, Slovakia, Spain, Sweden and the United Kingdom. With some 40,000 employees, including share of associate companies, Arriva provides more than one billion passenger journeys every year through an extensive range of public transport services, including buses, trains, commuter coaches, airside transport and water buses. In the UK, the group is also engaged in bus and coach distribution.