

Press Release

5 March 2009

Arriva plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Highlights

- Adjusted EPS* up 32 per cent to 61.5 pence
- PBT up 30 per cent to £150.0 million. Revenue up 52 per cent to £3,042.2 million
- Significantly higher cash generated from operations: up 35 per cent to £334.0 million
- Strong UK Bus performance: revenue and operating profit up 13 per cent
- UK Trains operating profit up 349 per cent, revenue up 160 per cent, on first full year of CrossCountry, with excellent operational performance in both franchises
- Mainland European division 50 per cent revenue growth, and 22 per cent operating profit growth**. Revenue and operating profit now both more than doubled since 2004
- Five per cent increase in proposed final dividend

* Before goodwill impairment, intangible asset amortisation and exceptional items

** Before goodwill impairment and intangible asset amortisation and including share of associated companies' revenue and operating profit

Commenting on the results, Arriva's chief executive, David Martin, said:

"Arriva's strong position in 2008 is the outcome of a decade in which we have consistently implemented our distinctive strategy. Built up through a disciplined, patient process of market entries, organic contract wins and carefully targeted acquisitions, our European business represents the benefits of our accumulated learning and expertise.

"2009 will be a demanding year for our industry. Nonetheless, Arriva's high cash generation, diverse portfolio and relative lack of sensitivity to passenger revenues increase the group's resilience against the recession affecting European economies and the continuing tightness of capital markets.

"The present economic headwinds coincide with a substantial increase in the fuel costs we need to absorb in 2009. Though macro-economic uncertainty makes it impossible to predict short-term passenger revenues with confidence, we stand ready to take contingency action wherever practicable. The business is well positioned in the medium term with fuel costs set to ease substantially in 2010.

"Our striking growth in 2008 has enabled us to continue with our progressive dividend policy. With the reassurance of excellent operational performance, the resilience exemplified by our £13 billion order book, and the stability of our diversified portfolio of operations, Arriva is well placed to drive on through market turbulence, ready to act swiftly and surely as the consequent opportunities emerge."

ENDS

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Notes to Editors:

- Arriva is one of the largest private sector providers of passenger transport in Europe, employing more than 43,000 people 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.

High resolution images are available for the media to view and download free of charge from www.vismedia.co.uk

Chairman's statement

Balance and stability

A year ago I said I believed that Arriva's commercial success during 2007 would be reflected in results during 2008 and beyond.

With significant growth in revenue, operating profit and earnings in 2008, Arriva has delivered record results this year. Behind the financial numbers is a pattern of continuing strategic progress.

No company can regard itself as insulated from upheaval in the world economy, but the turmoil of 2008 has illuminated several benefits of Arriva's strategic position. The business continues to be highly cash generative, and benefits from structural stability and diversity provided by its three divisions, UK Bus, UK Trains and Mainland Europe. Deriving a significant portion of its revenue from its long-term contracted base, it has relatively low exposure to fluctuations in passenger revenue.

While current macro-economic conditions make it impossible to predict with accuracy the short to medium-term trends in passenger demand, they highlight the benefits of Arriva's geographical and market diversity. With operations in 12 countries and a balance between bus and rail we do not depend solely on the different economics of either mode of transport. Our balance between consumer and government business gives us an order book with long-term visibility of future revenues. Our strong and predictable cash flows support our ability to face the challenges of the macro-economic environment.

The first full year of our CrossCountry franchise has, as anticipated, transformed our UK Trains division. Both of our rail franchises performed well during 2008 with satisfactory growth in passenger revenues.

With demand continuing to be healthy during 2008, our UK Bus division has grown through increased passenger numbers, increased contract mileage in London, and acquisitions.

Our extensive presence in mainland European countries continues to increase. Through acquisitions this year, we have entered the Hungarian and Slovakian markets, significantly developed our position in the greater Madrid area, and reinforced our positions in Italy, Germany and Portugal. We have re-won a number of significant contracts and won a number of smaller new ones.

For 2008, I am delighted to report substantial growth in revenue, up 52 per cent to £3,042.2 million (2007: £2,000.7 million) and operating profit up 34 per cent to £171.8 million (2007: £128.0 million). Profit before taxation was up 30 per cent to £150.0 million (2007: £115.8 million). Basic earnings per share before goodwill impairment, intangible asset amortisation and exceptional items, our preferred measure, increased by 32 per cent to 61.5 pence (2007: 46.5 pence).

During 2008 we continued to invest in future growth. In 2009 we will make further disciplined capital investments in our fleet to make our existing business more attractive to our customers, and in preparation for contract starts. We will continue to invest in the talent and skills of our people, through training and development, and by enabling them to network across the group to learn from each other. We will also continue to invest in long-term relationship building with all our stakeholders. Economic adversity drives change, and change creates opportunities. As those opportunities start to emerge we will be ready to find new ways to create value for our shareholders and for our customers.

The long-term issues of urban congestion and the sustainability of travel may appear less prominent while economic uncertainty captures the headlines, but they have not gone away. Responsible stewardship of our business and the environment gives us a mandate to make the best possible use of fuels and other resources, and to continue to innovate with alternative fuels, both in experimental trials and increasingly in passenger service. It remains crucial to maintain the environmental advantages that well-managed public transport can bring to society, and to provide Europe's citizens with the mobility that is essential to our economic and social needs. The need has never been greater to keep people moving safely and sustainably. However working patterns and the fortunes of different sectors of the

economy may fluctuate, those needs will continue to provide opportunities for the public transport industry to serve its customers to mutual advantage.

The successes of 2008 are a solid base from which to take advantage of future opportunities that emerge from economic and market developments as they arise. The group's diversified nature, balance of revenue sources, and healthy order book are a strong basis for us to confront the challenges of the expected downturn in the European economy in 2009.

Over the last 12 months we increased our final 2007 and interim 2008 dividends by 10 per cent, double the rate of previous years, in anticipation of this year's increase in earnings. For the 2008 final dividend, we propose to revert to an increase of five per cent resulting in a payment of 17.91 pence per share. Combined with the interim dividend of 6.15 pence per share paid in October 2008, the proposed total dividend will be 24.06 pence per share, an increase of 6.2 per cent for the year. The final dividend will be paid on 1 May 2009 to all shareholders on the register at close of business on 27 March 2009.

Sir Richard Broadbent
Chairman

Chief executive's review

Arriva made substantial progress towards achieving its vision in 2008. Through the year we continued to drive on determinedly into Europe to build our distinctive business. Our strength and stability entering 2009 are the result of a decade of pursuing our strategy, focusing the group tightly on the opportunities in public transport.

We value highly our unique position in the European public transport market. We benefit from diversification by geography and market, and have an attractive balance between government and passenger revenues. These advantages may have become more apparent over the last 12 months, but such positions are not achieved overnight, and our journey continues. During 2008 we consolidated and developed our leading position across 12 countries, through integration and improvement of past acquisitions, further targeted acquisitions and investments and the start of new contracts. Built up through a disciplined, patient process of market entries, organic contract wins and carefully targeted acquisitions, our European business represents the benefits of more than a decade of learning and expertise.

Public transport is a long-term business with deep roots. Even against the current background of economic downturn and financial sector crisis, attractive, integrated public transport networks are increasingly seen as a kingpin for long-term prosperity, all over Europe. Whilst there are clear historic links between economic activity and demand for the services our industry provides, transport is also an enabler of growth. Recession presents challenges for every part of the economy, transport included. It also provides strong motives for fresh thinking, and opportunities for accelerated change.

During 2008 our acknowledged operational proficiency continued to pay off, with reliability, punctuality and quality of service across the group at high levels overall. We will continue to focus on improving the everyday deliverables that underpin today's customer satisfaction and tomorrow's business opportunities. Our three divisions delivered well for their passengers and transport authority customers and the business as a whole has demonstrated significant growth for shareholders.

Divisional results

	Revenue		Operating profit	
	2008	2007	2008	2007
	£m	£m	£m	£m
Mainland Europe*	1,394.6	927.5	78.5	64.5
UK Bus	922.4	814.7	99.3	87.9
UK Trains	837.8	322.4	33.7	7.5
Central	-	-	(18.8)	(17.1)
	<u>3,154.8</u>	<u>2,064.6</u>	<u>192.7</u>	<u>142.8</u>
Associated companies				
- Mainland Europe	(112.6)	(63.9)	(8.9)	(7.4)
Total operations	<u>3,042.2</u>	<u>2,000.7</u>	<u>183.8</u>	<u>135.4</u>
Goodwill impairment and intangible asset amortisation	-	-	(12.0)	(7.4)
Group revenue and operating profit	<u>3,042.2</u>	<u>2,000.7</u>	<u>171.8</u>	<u>128.0</u>

* Including share of associated companies' revenue and operating profit

Mainland Europe

Our Mainland Europe division recorded another year of double-digit growth. Operating profit rose 22 per cent to £78.5 million (2007: £64.5 million), on revenue up 50 per cent at £1,394.6 million (2007: £927.5 million).

The exchange rate used to translate euro results was £0.81 to the euro, with sterling 19 per cent weaker than last year.

There was a mixed performance from our mainland Europe businesses. In 2008, our Italian and Scandinavian businesses traded particularly well, however during the year we dealt with

a number of unconnected challenges in other areas which collectively held back growth in operating profits. These included a strike in the Netherlands, some challenging results from rail contract starts in Germany, and higher fuel costs in our Portuguese associate.

The order book for the division, reflecting estimated revenue over the life of contracted business based on prices at the 2008 year end, was up 30 per cent to £5.2 billion (2007: £4.0 billion), although in local currency it was maintained broadly at 2007 levels. Contract wins in the year for new business were lower than in previous years, though the retention level of existing contracts was highly satisfactory.

Scandinavia

Scandinavia revenue was £404.0 million (2007: £270.2 million). In local currency, revenue was up 24 per cent, reflecting the acquisition of loss making Veolia Denmark in August 2007, and a full year of rail operations in Sweden.

We are pleased with the progress made in the integration of Veolia Denmark and are particularly encouraged to see signs of more sensible pricing in the bus market in the core Copenhagen area, where we have retained former Veolia contracts at improved prices. Having established scale in the market, our strategy in Denmark will focus on continuing to improve the quality of our contract portfolio.

The Jutland rail contract, which expires at the end of 2010, is currently being retendered and we believe our credentials as the top-performing rail operator in Denmark will help in our endeavours to retain the contract. A decision is due to be made shortly.

On 1 March 2009, we began bus operations in the Swedish capital, Stockholm, with two five-year bus contracts, with five-year extension options and a combined fleet of 164 buses.

Germany

Revenue at our German operations was £365.0 million (2007: £219.2 million). In local currency, revenue was up 41 per cent reflecting the start or first full-year of a number of new rail contracts, and the first full-year impact of Osthannoversche Eisenbahnen AG (OHE).

Lower Saxony-based subsidiary OHE started two rail operations in December 2007, and these are operating well one year on. In southern Germany we completed the first full year of operations at two new 10-year rail franchises, started in December 2007. Mobilisation of two franchises in Bavaria proved more challenging than expected, and we have taken steps to improve operations. In December 2008, we started operating the 10-year Spree-Neisse rail contract in the east of the country, as part of the 50/50 ODEG joint venture.

In November 2008, we acquired a small bus company in eastern Germany, operating 79 buses and we have recently expanded our position in Frankfurt, starting three bus contracts in and around the city, adding more than 60 buses.

The Netherlands

Revenue was £221.9 million (2007: £178.5 million). In local currency, revenue was up five per cent.

In a challenging year for our Netherlands business, a three-way national dispute between the public transport companies, public transport authorities and trades unions over collective labour agreements and indexation on contracts (particularly indexation relating to fuel and labour costs) caused major disruption across the country. Disappointingly, despite an agreement being reached in June, the fuel indexation element has yet to be finally agreed and received and a new working agreement has yet to be established. The disruption cost more than €5 million. In addition, the business has as yet been unable to reflect fuel indexation recovery in its results. We are confident of resolving these issues in 2009.

More positively, at our DAV operations in the central Dordrecht region, a €30 million (£26 million) investment saw the introduction of seven new electric trains in September 2008, with a further three trains due to be added during 2011. In addition to the DAV contract we ordered seven diesel trains to operate in north Holland, which are due for delivery in 2009 and 2010.

Italy

Our Italian business had an excellent year, with revenue rising to £190.5 million (2007: £146.8 million). In local currency, revenue, including share of associates, was up 10 per cent.

We have continued our strategy of increasing investment in existing subsidiary and associate companies over time. In January 2008, we increased our holding in SAIA Trasporti Capital, a bus operator in the Brescia area, by acquiring the remaining 12 per cent of the company. In October 2008, we purchased the remaining 20 per cent interest in Sadem S.p.A and its subsidiary Sapav S.p.A, bus companies in the Piemonte region, taking our ownership to 100 per cent.

Successive changes in government have delayed the liberalisation process, which is disappointing in one respect, but paradoxically, in the short term, reinforces our position as one of the incumbent operators. Nevertheless, we continue to believe that further opening of the market remains in the long-term interests of the authorities as well as presenting long-term opportunities for Arriva. We welcomed the passing of the Italian Budget Law which brought a further three-year commitment to state funding for public transport provision.

Iberia

Operations in Portugal and Spain reported revenue, including share of associates, of £175.3 million (2007: £105.4 million). In local currency, the increase was 41 per cent, primarily reflecting our increased stake in associate company Barraqueiro, in which we acquired a further 10 per cent in January 2008, taking our overall interest to 31.5 per cent. Our results were adversely affected by state regulated fare increases lagging fuel price increases, and by some weakening in patronage in the run-up to Christmas.

In Spain, we further expanded our strategic position in the busy Madrid transport market with the acquisition of Empresa de Blas y Cia S.L. (De Blas) in July 2008. De Blas is one of the largest contractors to the Madrid transport authority, operating 222 buses. Included in these results is revenue of €26.8 million (£22.2 million) and operating profit of €3.6 million (£3.0 million) from De Blas.

Eastern Europe

Revenue from the Czech Republic and Poland rose 159 per cent to £19.2 million (2007: £7.4 million), reflecting the first full year of Polish rail operations and the two Czech bus companies acquired in 2007. Hungary and Slovakia contributed a further £18.7 million from the acquisition of Eurobus Invest (Eurobus) in July, taking revenue for Eastern Europe to £37.9 million.

Our three bus operations in the Prague area of the Czech Republic are now managed by a central Arriva team, and are making good progress. The Polish rail operation made a small loss.

UK Bus

Our UK Bus division has continued to grow, and a robust operating performance was reflected in operating profit up 13 per cent to £99.3 million (2007: £87.9 million), on revenue of £922.4 million (2007: £814.7 million), up 13 per cent. Margins were maintained at 10.8 per cent.

Growth in the division was driven by increased passenger numbers in the regions and increased contract mileage in London, with a contribution from the acquisition of bus, coach and airside passenger transport operator, Tellings Golden Miller Group (TGM), in January 2008, and the Excel Group in April 2008. Included in these results is revenue of £48.7 million and operating profit of £2.0 million from these acquisitions.

UK Regions

In addition to ongoing cost-control, our teams continue to focus on network development, matching services to demand, and using a range of marketing initiatives to stimulate passenger growth on key corridors. In 2008 patronage increased by approximately two per cent, including the effects of the extended concessionary fare scheme.

Investment in fleet renewal continues. We added more than 460 new buses in 2008, and plan to put approximately 500 more new buses into service during 2009, improving the passenger experience and representing a total investment of more than £130 million.

We continue to develop new technologies and were pleased to be the first UK bus operator to introduce a mobile ticketing trial on our Fastrack services in Kent. The trial proved successful and in 2009 we will roll out mobile ticketing across other services in Kent and Yorkshire. We have also initiated an LED display trial using colour digital displays on the outside of buses to provide customers with information on services, fares, destinations and promotions.

Cost control and responsible environmental stewardship are continuing areas of focus. Building on successful trials, we have continued to roll out driving aid technology which, combined with driver training, is helping to reduce fuel consumption. Further deployment is planned during 2009.

We were pleased to see improved customer satisfaction in our annual survey, based on interviews with 20,000 customers. 91 per cent were satisfied overall and 86 per cent of customers stated that they would recommend our services to others. We are working to improve this yet further.

London

Arriva continues to be one of the largest bus operators in London, running around 20 per cent of the capital's buses, with annual mileage of almost 65 million miles. In 2008, year-on-year mileage growth of five per cent was achieved. An excellent level of contract retention was maintained for all work retendered in 2008. In particular, we were pleased to retain the high profile route 38, on which the substitution of double deckers for articulated buses has added 24 per cent to the contracted mileage.

Street works continue to disrupt services, particularly in Arriva's north London heartland and around Brixton in the south, but the business has done well to mitigate this impact, and punctuality remains high.

The Original Tour continues to perform well, benefiting from a rise in London tourists in 2008, and the new Trafalgar Square visitor centre which opened in August 2007.

UK Trains

Our UK Trains division, which operates Arriva Trains Wales and CrossCountry, delivered significant growth in both franchises. Operating profit for the division rose by 349 per cent to £33.7 million (2007: £7.5 million), on revenue up by 160 per cent to £837.8 million (2007: £322.4 million), reflecting the first full year of operating the CrossCountry franchise.

In November 2008, we acquired train maintenance company LNWR and its maintenance depot in Crewe, for £2.2 million. The Crewe depot is a leading facility for servicing electric and diesel trains on the West Coast Main Line, with clients including Bombardier, Siemens, Freightliner and Arriva Trains Wales.

CrossCountry

The CrossCountry franchise, which we started in November 2007, performed well. Passenger revenue for CrossCountry was up 11.2 per cent for the year ended 31 December 2008, on the equivalent services in 2007, based on estimated like-for-like passenger revenues for the re-mapped franchise, slowing slightly in the fourth quarter of the year.

The franchise is operating efficiently, and improved consistently over the year. The Public Performance Measure (PPM) for the year ended 31 December 2008, based on the percentage of franchised passenger trains arriving at their destination within 10 minutes of schedule, increased to 89.6 per cent, from 86.3 per cent in 2007.

Developments within the CrossCountry franchise are well under way. All five refurbished High Speed Trains are now in service and refurbishment of the 57 Voyagers has started, adding around 4,000 seats to our fleet. We are well on track to increase capacity by 35 per cent at peak periods during 2009.

In December, CrossCountry became the UK's first train operator to offer e-tickets nationwide, enabling customers to purchase and print tickets at home, by 6.00 pm the day before departure. Plans to introduce mobile phone based ticketing are well advanced. Passengers will soon be able to access live train times, and book train tickets and seats via their mobile phones.

Arriva Trains Wales

Patronage continued to grow at Arriva Trains Wales, and passenger revenue was up 10.9 per cent for the year ended 31 December 2008.

Arriva Trains Wales' strong operational record continues, with PPM showing 92.5 per cent of services arriving at their destination within five minutes of schedule, up from 91.8 per cent in 2007, making Arriva Trains Wales one of the highest performing train operators in the UK.

In February, Arriva Trains Wales started operating passenger rail services on the newly re-opened Ebbw Valley Railway for the first time in 40 years, providing more than a hundred services a week to Cardiff. The line has proven to be very popular, with 11,000 passengers per week.

December 2008 saw the implementation of a new timetable, delivering major enhancements to services, particularly in mid and north Wales with the extension of services to Birmingham International Airport. A new, faster, North South Premier Class service was also introduced in December 2008, delivering journey time improvements between north and south Wales, and adding a First Class service for the first time on the Arriva Trains Wales network.

In 2009, Arriva Trains Wales will continue to work closely with the Welsh Assembly Government to develop rail services in Wales and the border regions, including, from May 2009, the addition of a new half hourly service between Merthyr Tydfil and Cardiff.

Outlook

In the medium and long term, Arriva's strategic opportunities remain clear and the outlook for the business is positive.

As we have previously reported, 2009 presents the challenge of a significant increase in the cost of fuel, falling mainly on UK Bus and some mainland Europe businesses which do not have fuel indexation protection. We anticipate that the year-on-year impact of fuel cost increases across the group will be approximately £60 million in 2009. Fuel fixes for 2010, already in place for approximately 65 per cent of anticipated consumption, are at an average price of 35.7 pence per litre compared with an average of 42.9 pence for 2009, recovering about half the increase.

The effects of recessionary conditions in Europe are uncertain, but are likely to affect each of our three divisions in different ways.

In our UK Trains division, the scheduled support payments in relation to our CrossCountry franchise reduce over the life of the franchise. To maintain 2008 levels of profitability, against that background, CrossCountry needs to continue to achieve passenger revenue growth of around 10 per cent in 2009, from a 2008 base of £319 million. Revenue protection applies to the franchise from 2011. Passenger revenue has continued to grow in recent weeks, despite the effects of bad weather and network disruption, though at a slower rate than in 2008.

The characteristics of our Arriva Trains Wales franchise make it more resilient to economic downturn. Most of its revenue consists of a stable stream of support payments based on social need and its economic sensitivity to fluctuations in passenger revenue is therefore modest.

In our UK Bus division, the London-based business, about one-third of the division by revenue, has no exposure to passenger revenues, and has an excellent record of contract retention. In the deregulated UK Regions business, experience of previous recessions suggests that overall demand for bus travel may be relatively resilient. The flexible commercial nature of the business in any event enables it to match supply to the level of

demand. Our position is reinforced by substantial investment in new fleet during 2008 and 2009, helping to improve the attractiveness and marketability of our services.

In our Mainland Europe division, less than 30 per cent of 2008 revenue was from passengers, reflecting the dominant contracted model of bus and rail provision in mainland European countries. The overwhelming majority of contracts have steady or increasing profiles of support payments. The Spanish and Portuguese bus markets have some characteristics in common with the UK regional bus market, being principally driven by passenger revenues. Overall in the division there is some sensitivity to passenger revenue fluctuations but we anticipate that our investments in acquisitions and tender wins will go some way to mitigating the effects of recession.

Further ahead, Arriva continues to be well positioned for growth with a proven strategy and a growing market share in a huge European public transport market.

Whilst recession presents challenges in the short term, it also presents opportunities. All recessions take their toll on the weakest businesses with the strong surviving to take advantage of long-term growth when economic circumstances improve. Already in our Scandinavian bus businesses we are seeing contract prices recover from artificially depressed levels following the exit of a major competitor which was unable to sustain its position.

The long-term social need for public transport remains beyond dispute. EU regulation provides a clear road map to hundreds of millions of euros of business coming out to tender across Europe by 2018. Further market opening is thereby built into the agendas of governments and public authorities, who are also highly motivated to find ways of achieving better value for money.

Arriva's unique strategy and business model remain attractive, with considerable opportunity for growth and great determination to achieve it. The group continues to be highly cash generative, well diversified and strategically focused on its long-term goals.

David Martin
Chief Executive

Financial review

Progress in the development of the group was reflected in record financial results and substantial growth in 2008. However, the year also saw unprecedented volatility in financial markets. In many of the countries in which we operate, economic growth has given way to recession.

This review of the financial results and position of the group therefore takes place against a significantly different economic background to that of a year ago. Nevertheless, our diversified portfolio of operations, and our financial strength continue to limit the impact of adverse external factors on the group and its prospects, and position us to take advantage of opportunities as Europe's economies come out of economic downturn.

Group income statement

Revenue was over £3 billion for the first time, at £3,042.2 million (2007: £2,000.7 million), reflecting strong growth across all three divisions, in particular in the UK Trains division, which benefited from the results of the first full year of the CrossCountry rail franchise.

Operating profit grew 34 per cent to £171.8 million from £128.0 million. Operating profit before goodwill impairment and intangible asset amortisation, our preferred internal measure, was up 36 per cent to £183.8 million (2007: £135.4 million). The operating results reflect a strong performance across the group, the impact of CrossCountry and the £10.6 million effect of translating the results of mainland Europe from euro to sterling at an average rate of £0.81 to the euro compared to £0.68 to the euro in 2007. Our policy of fixing fuel costs at least 12 months in advance largely negated the impact of higher prices for fuel in the group's subsidiaries.

The share of post tax profits from associates increased to £4.4 million from £4.3 million. The impact of increasing our 21.5 per cent holding in Barraqueiro to 31.5 per cent in January was largely offset by the adverse impact of higher fuel costs in that business. The net finance cost for the year was higher at £26.2 million (2007: £16.5 million) as a result of increased debt arising from acquisitions and investments, higher borrowing costs, and the £6.6 million impact of translating euro-based interest costs into sterling at a higher rate than in the previous year.

Profit before taxation thereby increased to £150.0 million (2007: £115.8 million). The change to UK tax rules in respect of Industrial Buildings Allowances has resulted in an exceptional deferred tax charge, in 2008, of £7.7 million, increasing the taxation charge to £38.8 million (2007: £25.8 million). The underlying effective rate of tax, excluding this exceptional item, has fallen from 22.3 per cent to 20.7 per cent. This rate of tax remains lower than the standard rate in the UK primarily due to the release of provisions for taxation, in respect of prior years, no longer required and the recognition of previously unrecognised tax assets. Profit for the year increased to £111.2 million (2007: £90.0 million).

After taking account of minority interests, principally in our Italian, German and eastern European subsidiaries, earnings per share, excluding goodwill impairment, intangible asset amortisation and exceptional items, increased significantly by 32 per cent to 61.5 pence (2007: 46.5 pence). Basic earnings per share was 52.6 pence (2007: 43.5 pence). The net impact of the year-on-year change in the average euro / sterling exchange rate was a benefit of 1.3 pence per share.

Cash flow

EBITDA increased by 33 per cent to £330.4 million (2007: £249.2 million) reflecting the substantial growth in the group's activities. A working capital inflow of £3.6 million (2007: outflow £1.0 million) contributed to net cash generated from operations for the year of £334.0 million, up 35 per cent (2007: £248.2 million).

There was a significant increase in investment for the future. Net capital expenditure was £244.8 million, compared to £145.2 million in 2007, whilst expenditure on acquisitions, including the absorption of net debt, in 2008 was £218.7 million (2007: £73.5 million).

The increase in capital expenditure was mainly due to the introduction of more than 460 new vehicles in UK Regions, further bus and rail expansion in mainland Europe, and the impact of translating mainland Europe expenditure into sterling at a higher rate than previous years.

In January we acquired TGM, followed by the Excel Group in April for a combined consideration, including net debt acquired, of £36.7 million. Goodwill on the acquisitions amounted to £15.9 million. Also in January, we acquired an additional 10 per cent holding in Barraqueiro for €50 million (£37.4 million), with goodwill on the acquisition amounting to £38.4 million. In July we acquired De Blas for €118.1 million (£93.6 million), including net debt acquired, and also completed the acquisition of 80 per cent of Eurobus for £39.8 million including net debt acquired. Goodwill on the acquisitions amounted to £52.9 million and £23.1 million respectively. Expenditure, on the same basis, on other smaller acquisitions in Germany, Italy and the UK, was £11.2 million, with goodwill of £8.9 million arising.

Interest and dividend payments absorbed £78.1 million (2007: £59.4 million), whilst there were net corporation tax receipts during the year of £16.9 million (2007: payments £5.4 million). New shares issued on exercise of share options generated £0.2 million (2007: £1.3 million).

There was a significant increase in net debt to £823.4 million (2007: £448.5 million). This reflected the increased acquisition and investment activity and the £184.4 million impact of translating overseas debt into sterling at £0.97 to the euro (2007: £0.73 to the euro), sterling having weakened considerably in the final weeks of the year.

Treasury and financial risk management

The group's financial risks are managed by the group treasury function in accordance with a formal Board-approved treasury policy. The policy sets a range of formal targets for managing the group's exposure to fuel prices, interest rate changes and foreign currency movements. These targets are achieved through the use of forward fuel price fixes, interest rate and exchange rate swaps, and fixed rate finance.

Commodity risk

The group's general policy is to maintain fuel price fixes at least 12 months ahead on a rolling basis. The requirement to fix fuel is determined after taking into account the extent to which businesses are protected from fuel price volatility through contract price indexation. Following the award of the CrossCountry contract in 2007, a fuel fix was put in place covering 75 per cent of the anticipated 100 million litres annual fuel usage of the contract up to its expiry. The group's forward fixing of fuel, excluding Barraqueiro which has its own arrangements, for 2009 and 2010, at 24 February 2009, compared with 2008, was:

	2008	2009	2010
	%	%	%
Protected by indexation arrangements	12.3	13.8	13.8
Forward purchased*	81.3	85.3	64.7
Subject to spot or future forward purchase	6.4	0.9	21.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
*Average price per litre of forward purchased fuel, excluding fuel taxation and delivery	29.5 pence	42.9 pence	35.7 pence

During 2008, the forward price of fuel was both relatively high and volatile, peaking in the summer. With forward fixes undertaken against this background, fuel costs (excluding fuel taxation) will increase in 2009 by approximately £60 million on a like-for-like basis. Fuel costs will decrease substantially in 2010 if current prices in the market are maintained. The total fuel consumption in 2008 was approximately 500 million litres.

Interest rate risk

Fluctuations in interest rates are managed by interest rate swaps and the use of fixed rate debt. Actual hedged debt at 31 December 2008 was 71 per cent. The target level of hedged debt is 80 per cent of group net debt, achieved within a banding of 65 per cent to 95 per cent of net debt, which allows for the impact of short-term variations arising from the fair value of interest rate hedging instruments. Hedged debt for this purpose represents fixed rate finance and swaps with over one year's duration.

Foreign currency risk

The group policy on foreign exchange exposure is that the risk to equity of translating non-UK assets and liabilities into sterling should be reduced to around 50 per cent of the balance sheet exposure. At 31 December 2008, the exposure was 26 per cent of non-UK assets. The risk is managed through the use of funding in local currencies and by entering into foreign currency swaps of durations up to three years. The majority of such swaps also encompass fixed interest rates, thus also providing interest rate protection between EURIBOR, LIBOR and CIBOR. The group also enters into foreign exchange forward contracts to hedge specific cash flows arising with overseas suppliers. The fair value of the group's cross currency swaps and foreign exchange forward contracts at 31 December 2008 is a liability of £90.6 million (2007: £23.1 million). The policy was amended in December 2008, from the previous policy of reducing the risk to equity to insignificant levels. Whilst increasing the risk to equity, the new policy will reduce the risk of sterling denominated facilities being eroded by increases in the sterling value of euro borrowings drawn on those facilities.

Credit risk

Credit risk arising from operational suppliers and customers is managed at a local level and is subject to periodic reviews by central management and the group's internal audit function. Credit limits are in place for customers, many of which are local authorities or local transport authorities. Due to the nature of certain contractual arrangements, particularly where the agreement and settlement of allocations of passenger revenues between multiple service providers can take more than one year to complete, certain customer debts can often exceed one year before settlement. This is common, and the incidence of impairment of such debt is both rare and immaterial. The group also manages its exposure to debit risk in respect of financial institutions that provide credit to the group, and operational suppliers and customers. The group nominates and approves banks and lease providers with whom it will deal with. All group companies are required to bank with nominated banks.

Liquidity risk

In addition to daily local monitoring, the liquidity of the group is monitored fortnightly, via group net debt reports showing the level of drawdown compared to available facilities for all components of net debt, and monthly against forecasts and budget. Future liquidity is monitored through detailed 15-month cash forecasts prepared monthly, and through forecasts for each financial year, updated approximately quarterly throughout the year. At a strategic level, long-term liquidity is assessed as part of the five-year strategic planning process, which is updated annually. These reviews support compliance with group policy, which is to maintain an average weighted maturity of hedged debt of at least 18 months at any point in time, and to maintain a 12 months in advance, foreseeable level of unutilised available facilities of over £100 million. At 31 December 2008, hedged debt maturity was 22 months (2007: 19 months). Headroom on committed facilities was approximately £258 million (2007: £470 million) as set out in the table included in the borrowing facilities section below.

Capital risk

The group monitors its capital risk on a continuous basis to ensure that, having regard to the anticipated and possible future requirements, sufficient capital exists to fund operations and provide returns to shareholders, and that the Weighted Average Cost of Capital (WACC) of the group is optimised. There are a number of alternative methods of calculating WACC and variations caused by operating in different markets in Europe. Our current assessment is that the group WACC is around eight per cent. Recent volatility in the capital markets has made calculation of the WACC more subjective but these calculations will continue to be updated as the long-term impact of the credit crunch becomes more evident.

Capital structure

Total shareholders' equity was £682.5 million (2007: £710.2 million) at the end of the year. Retained profits contributed £58.4 million to group distributable reserves. Actuarial losses on employment benefits reduced equity by £51.2 million whilst the fair value of derivatives caused a reduction of £66.5 million. The value of derivatives has fluctuated considerably over the year and, at the year end, was significantly impacted by the fall in value of sterling against the euro. Gearing for the group at 31 December 2008 was 115 per cent (2007: 61 per cent).

The 2008 interest cover (the ratio of EBITDA to net finance costs) was 13 times (2007: 15 times).

The ratio of year end net debt to EBITDA was 2.5 times (2007: 1.8 times). This ratio was inflated at the year end by euro debt being translated at £0.97 to the euro, and euro-based EBITDA being translated at £0.81 to the euro. Translating euro-based EBITDA at the year end exchange rate adjusts the ratio to 2.3 times. Arriva remains comfortably within the financial covenants set by its lenders, the principal covenants being that the ratio of EBITDA to net finance costs is not less than 3:1 and the ratio of net debt to EBITDA is not more than 3.5:1.

Borrowing facilities

The group's principal borrowing facility is the £615 million, five-year, revolving credit facility agreement, signed in August 2007 with a group of leading European banks.

Much of the group's bus fleet is financed on medium-term hire purchase or finance lease arrangements, typically three to five years in length. As part of the UK rail franchising arrangements, the group has provided guarantees of £47 million. The rolling stock of the UK, Netherlands, Danish and German rail businesses that is provided through operating leases have annual commitments of approximately £133 million. All material commitments will cease on expiry of the franchises. Bonds amounting to £31 million have been provided in respect of the Netherlands, Danish and German rail businesses. Letters of credit amounting to £11 million are provided as part of the group's UK insurance arrangements.

The group's working capital and ancillary requirements are mainly provided by our principal bankers and reviewed annually.

The group's facilities at 31 December 2008, and their maturity and drawdown are set out in the table below.

Facility	Maturity	Limit £m	Drawn £m	Headroom £m
Syndicated revolving credit facility	2012	615	435	180
Amortising facilities	to 2024	477	460	17
Term facilities	to 2011	104	43	61
Committed facilities		1,196	938	258
Uncommitted facilities		94	33	61
As at 31 December 2008		1,290	971	319

Amortising facilities include £372 million drawn on a secured asset backed basis. The £460 million drawn on amortising facilities includes £116 million repayable within one year, £110 million repayable between one and two years, £166 million repayable between two and five years and £68 million repayable over five years. Term facilities include £11 million repayable within one year. £80 million of amortising asset backed finance has been raised since the year end.

Group net debt of £823 million comprises the drawdown of £971 million in the table above, and cash balances of £148 million.

The principal sources of credit to the group have been the banking markets of the UK and mainland Europe. Whilst this may remain the preferred option, a reduction in liquidity to the corporate sector from these sources may cause the group to consider other sources of debt finance in future.

Retirement benefit obligations

At 31 December 2008, total liabilities in respect of retirement benefit obligations increased to £120.1 million (2007: £73.7 million). The retirement benefit obligations in respect of the Arriva Trains Wales and CrossCountry sections of the Railways Pension Scheme are £11.7 million (2007: £4.0 million) and £19.3 million (2007: £8.0 million) respectively. The overall increase in the group obligation was primarily due to a fall in the value of equities, partially offset by higher long-term interest rates used to discount liabilities and a reassessment of expected mortality rates. The related deferred tax asset recognised in the balance sheet was £27.0 million (2007: £17.3 million).

Return on Capital Employed

The financial return obtained from the capital employed by the group is a key measure of financial performance, and is monitored monthly. The definition of return on capital employed (ROCE) used by the group is the last twelve months' operating profit, before goodwill impairment and intangible asset amortisation (excluding the impact of pension finance charges or credits), expressed as a percentage of the weighted monthly average total tangible assets less liabilities (excluding borrowings, deferred tax liabilities and retirement benefit obligations) ignoring derivatives. The ROCE on this basis for 2008, reported in the group's December 2008 management accounts, was 17.9 per cent (2007: 16.7 per cent).

Financial summary

The consequences of financial volatility and economic uncertainty for the group are likely to be mixed.

Distress in the banking market has reduced general liquidity and may increase the marginal cost of finance for Arriva, but also affects our competitors. There will be a significant increase in fuel costs in 2009 but a substantial proportion of this increase is expected to be temporary with fuel already being fixed for 2010 at lower prices. Importantly however, our cash generation has grown substantially, remains strong and provides the foundation for investment in the business and returns to shareholders. The strongest companies will emerge from the economic downturn with competitive advantage and a robust position from which to develop their businesses. We believe Arriva has the qualities to be one of those companies.

Steve Lonsdale
Group Finance Director

**Group Income Statement
for the year ended 31 December 2008**

	notes	2008 £m	2007 £m
Revenue	1	3,042.2	2,000.7
Net operating expenses		<u>(2,870.4)</u>	<u>(1,872.7)</u>
Group operating profit		171.8	128.0
Share of post tax profits from associates		4.4	4.3
Net finance costs	2	<u>(26.2)</u>	<u>(16.5)</u>
Profit on ordinary activities before taxation		150.0	115.8
Tax on profit on ordinary activities	3	<u>(38.8)</u>	<u>(25.8)</u>
Profit for the year		<u>111.2</u>	<u>90.0</u>
Attributable to:			
Equity holders of the parent		104.5	86.4
Minority interests		<u>6.7</u>	<u>3.6</u>
		<u>111.2</u>	<u>90.0</u>
Dividends per ordinary share	4	24.06p	22.65p
Earnings per share			
Basic earnings per share	5	52.6p	43.5p
Diluted earnings per share	5	52.3p	43.4p
Basic earnings per share before goodwill impairment, intangible asset amortisation and exceptional items	5	61.5p	46.5p

**Group Balance Sheet
at 31 December 2008**

	2008	2007
	£m	£m
Non-current assets		
Goodwill	509.9	328.2
Other intangible assets	75.7	43.2
Property, plant and equipment	1,559.9	1,164.4
Investments	141.9	63.6
Derivative financial instruments	51.8	39.6
	<u>2,339.2</u>	<u>1,639.0</u>
Current assets		
Inventories	52.3	41.1
Trade and other receivables	430.4	360.3
Cash and cash equivalents	147.7	95.7
Derivative financial instruments	10.0	21.8
	<u>640.4</u>	<u>518.9</u>
Total assets	<u>2,979.6</u>	<u>2,157.9</u>
Current liabilities		
Trade and other payables	707.8	546.5
Tax liabilities	51.2	34.5
Borrowings	174.1	128.4
Derivative financial instruments	98.8	10.4
	<u>1,031.9</u>	<u>719.8</u>
Non-current liabilities		
Borrowings	797.0	415.8
Retirement benefit obligations	120.1	73.7
Deferred tax liabilities	95.4	87.6
Other non-current liabilities	133.0	114.3
Derivative financial instruments	84.0	12.7
	<u>1,229.5</u>	<u>704.1</u>
Total liabilities	<u>2,261.4</u>	<u>1,423.9</u>
Net assets	<u>718.2</u>	<u>734.0</u>
Equity		
Share capital	9.9	9.9
Share premium account	24.4	24.2
Other reserves	38.5	105.0
Retained earnings	609.7	571.1
	<u>682.5</u>	<u>710.2</u>
Total shareholders' equity	<u>682.5</u>	<u>710.2</u>
Minority interest in equity	<u>35.7</u>	<u>23.8</u>
Total equity	<u>718.2</u>	<u>734.0</u>

**Group Cash Flow Statement
for the year ended 31 December 2008**

	notes	2008 £m	2007 £m
Cash flows from operating activities			
Cash generated from operations	6(b)	334.0	248.2
Interest and finance charges paid		(27.7)	(16.5)
Tax received/(paid)		16.9	(5.4)
Net cash inflow from operating activities		323.2	226.3
Cash flows from investing activities			
Acquisitions of businesses		(132.6)	(35.5)
Net cash assumed on acquisitions		1.2	12.3
Investment in associates		(39.4)	(2.8)
Purchase of property, plant and equipment		(263.8)	(232.6)
Disposal of property, plant and equipment		19.0	87.4
Net cash used in investing activities		(415.6)	(171.2)
Cash flows from financing activities			
Proceeds from issuing ordinary share capital		0.2	1.3
Decrease in loans due within one year		(4.3)	(39.4)
Increase in loans due after one year		215.3	36.0
Decrease in finance lease obligations		(24.0)	(15.2)
Dividends paid to the company's shareholders		(46.1)	(41.9)
Dividends paid to minority interests		(4.3)	(1.0)
Net cash generated/(used) in financing activities		136.8	(60.2)
Net increase/(decrease) in cash, cash equivalents and overdrafts	6(c)	44.4	(5.1)
Cash, cash equivalents and overdrafts at the beginning of the year	6(c)	62.4	71.1
Exchange gains/(losses) on cash, cash equivalents and overdrafts	6(c)	6.5	(3.6)
Cash, cash equivalents and overdrafts at the end of the year	6(c)	113.3	62.4

**Group Statement of Recognised Income and Expense
for the year ended 31 December 2008**

	2008	2007
	£m	£m
Net foreign exchange adjustments offset in reserves, net of tax	37.2	4.1
Cash flow hedges, net of tax	(66.5)	47.0
Actuarial (losses)/gains on employment benefits, net of tax	(51.2)	70.6
Tax relief on share option schemes	-	0.5
Net (expense)/income recognised directly in equity	(80.5)	122.2
Profit for the year	111.2	90.0
Total recognised income and expense	30.7	212.2
Attributable to:		
Equity holders of the parent	16.1	206.7
Minority interests	14.6	5.5
	30.7	212.2

Notes to the accounts

1. Segmental reporting

Primary reporting format – business segments

Year ended 31 December 2008

	UK Bus £m	Mainland Europe £m	UK Trains £m	Central £m	Total operations £m
Revenue	922.4	1,282.0	837.8	-	3,042.2
EBITDA	159.8	151.4	37.6	(18.4)	330.4
Depreciation	(60.5)	(81.8)	(3.9)	(0.4)	(146.6)
Operating profit*	99.3	69.6	33.7	(18.8)	183.8
Goodwill impairment and intangible asset amortisation	-	(9.8)	(2.2)	-	(12.0)
Group operating profit	99.3	59.8	31.5	(18.8)	171.8
Share of post tax profits from associates	-	4.4	-	-	4.4
Net finance costs					(26.2)
Profit on ordinary activities before taxation					150.0
Tax on profit on ordinary activities					(38.8)
Profit for the year					111.2
Profit attributable to minority interests					(6.7)
Net profit attributable to equity shareholders					104.5

* Before goodwill impairment and intangible asset amortisation

Included above is £41.8 million of revenue and £3.9 million of operating profit, before goodwill impairment and intangible asset amortisation, relating to the acquisitions made by the Mainland Europe division during the year. There is £49.0 million of revenue and £2.1 million of operating profit relating to acquisitions made by the UK Bus division and £0.8 million of revenue and nil operating profit relating to acquisitions made by the UK Trains division.

Tax on profit on ordinary activities includes an exceptional deferred tax charge of £7.7 million relating to the abolition of Industrial Buildings Allowances in the UK.

Year ended 31 December 2007

	UK Bus £m	Mainland Europe £m	UK Trains £m	Central £m	Total operations £m
Revenue	814.7	863.6	322.4	-	2,000.7
EBITDA	144.2	111.0	10.7	(16.7)	249.2
Depreciation	(56.3)	(53.9)	(3.2)	(0.4)	(113.8)
Operating profit*	87.9	57.1	7.5	(17.1)	135.4
Goodwill impairment and intangible asset amortisation	-	(6.4)	(1.0)	-	(7.4)
Group operating profit	87.9	50.7	6.5	(17.1)	128.0
Share of post tax profits from associates	-	4.3	-	-	4.3
Net finance costs					(16.5)
Profit on ordinary activities before taxation					115.8
Tax on profit on ordinary activities					(25.8)
Profit for the year					90.0
Profit attributable to minority interests					(3.6)
Net profit attributable to equity shareholders					86.4

* Before goodwill impairment and intangible asset amortisation

Included above is £113.0 million of revenue and £2.7 million of operating profit, before goodwill impairment and intangible asset amortisation, relating to the acquisitions made by the Mainland Europe division during the year. There is £1.3 million of revenue and £0.1 million operating loss relating to acquisitions made by the UK Bus division.

2. Net finance costs

	2008	2007
	£m	£m
Finance costs	35.7	23.2
Finance income	(9.5)	(6.7)
Net finance costs	26.2	16.5

3. Tax on profit on ordinary activities

Analysis of charge in the year	2008	2007
	£m	£m
Current tax	12.2	26.0
Deferred tax	18.9	(0.2)
Exceptional deferred tax charge	7.7	-
Taxation	38.8	25.8

The exceptional deferred tax charge is due to the abolition of Industrial Buildings Allowances in the UK.

4. Dividends

	2008	2007
	£m	£m
Final dividend paid for the year ended 31 December 2007 of 17.06 pence (2007: final dividend paid for the year ended 31 December 2006 of 15.51 pence) per share	33.9	30.8
Interim dividend paid for the year ended 31 December 2008 of 6.15 pence (2007: interim dividend paid for the year ended 31 December 2007 of 5.59 pence) per share	12.2	11.1
	46.1	41.9

The directors are proposing a final dividend in respect of the financial year ending 31 December 2008 of 17.91 pence per share which will absorb an estimated £35.6 million of shareholders' funds taking the total dividend for the year to 24.06 pence. It will be paid on 1 May 2009 to shareholders who are on the Register of Members on 27 March 2009.

5. Earnings per share

Basic earnings per share is based on earnings of £104.5 million (2007: £86.4 million) and on the weighted average number of ordinary shares of 198.6 million (2007: 198.4 million).

Diluted earnings per share is based on the same earnings for each of the years and on the weighted average number of ordinary shares of 199.7 million (2007: 199.1 million). The difference in the number of shares between the basic and the diluted calculation represents the weighted average number of dilutive potential ordinary shares.

	2008	2007
	p	p
Basic earnings per share	52.6	43.5
Diluted earnings per share	52.3	43.4
Basic earnings per share	52.6	43.5
Goodwill impairment and intangible asset amortisation	5.0	3.0
Exceptional deferred tax	3.9	-
Basic earnings per share before goodwill impairment, intangible asset amortisation and exceptional items	61.5	46.5

6. Notes to the group cash flow statement

	2008 £m	2007 £m
(a) Reconciliation of net debt		
At 1 January	448.5	378.4
(Increase)/decrease in cash, cash equivalents and overdrafts	(44.4)	5.1
Decrease in loans due within one year	(4.3)	(39.4)
Increase in loans due after one year	215.3	36.0
Decrease in finance lease obligations	(24.0)	(15.2)
Loans acquired	23.7	19.5
Finance leases acquired	24.2	28.0
Currency translation adjustments	184.4	36.1
At 31 December	<u>823.4</u>	<u>448.5</u>

	2008 £m	2007 £m
(b) Reconciliation of operating profit to cash generated from operations		
Operating profit	171.8	128.0
Depreciation	146.6	113.8
Goodwill impairment and intangible asset amortisation	12.0	7.4
EBITDA	<u>330.4</u>	<u>249.2</u>
Increase in inventories, excluding acquisitions	(1.3)	(1.0)
Decrease/(increase) in trade and other receivables, excluding acquisitions	23.5	(87.2)
(Decrease)/increase in creditors, excluding acquisitions	<u>(18.6)</u>	<u>87.2</u>
Cash generated from operations	<u>334.0</u>	<u>248.2</u>

(c) Analysis of net debt

	1 January 2008 £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Exchange differences £m	31 December 2008 £m
Cash, cash equivalents and overdrafts	(62.4)	(44.4)	-	(6.5)	(113.3)
Loans due within one year	84.6	(4.3)	12.5	17.8	110.6
Loans due after one year	326.5	215.3	11.2	139.9	692.9
Finance leases	99.8	(24.0)	24.2	33.2	133.2
	<u>448.5</u>	<u>142.6</u>	<u>47.9</u>	<u>184.4</u>	<u>823.4</u>

7. Financial information

The unaudited financial information set out above does not constitute the group's statutory accounts, within the meaning of section 240 of the Companies Act 1985, for the year ended 31 December 2008. While the financial information included in this preliminary announcement has been computed in accordance with EU endorsed International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 1985 and 2006 applicable to companies reporting under IFRS, this announcement itself does not contain sufficient information to comply with the above. The group expects to publish full financial statements that comply with EU endorsed IFRS, IFRIC interpretations and the Companies Act 1985 and 2006 applicable to companies reporting under IFRS in March 2009.

The financial information for the year ended 31 December 2007 is derived from the latest statutory accounts which have been delivered to the Registrar of Companies. The report of the auditors on those filed accounts was unqualified and did not contain a statement under section 237(2) and (3) of the Companies Act 1985.

The results for the year ended 31 December 2008 have been prepared on the basis of the accounting policies as set out on pages 65 to 69 in the Annual Report and Accounts 2007.

The preliminary announcement was approved by the Board of Directors on 4 March 2009.