

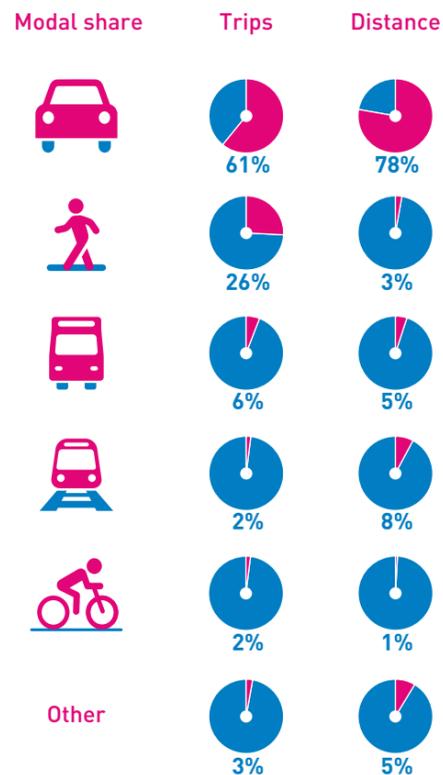
# Well positioned in dynamic markets

## UK transport

Transport in the United Kingdom is facilitated with road, air, rail and water networks. Our operations of passenger transport is spread across three divisions: regional bus, London bus and rail.

Passenger transport has grown in recent years with the latest figures from the DfT showing that total passenger travel inside the United Kingdom was 801 billion kilometres in 2017, the highest volume ever recorded. With people travelling over 6,500 miles per year on average, transport is a fundamental part of daily living and, therefore, plays an important role in our economy.

### How the UK travelled in 2017\*:



\* Source: DfT

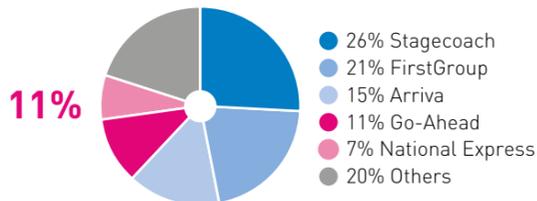
We have expertise and skills from our UK bus and rail operations and have leveraged this expertise in new international markets, offering considerable value to passengers and tendering authorities, which has been proven successful through our Singapore bus contract in the last year.

## Regional bus

### Overview

This market comprises of all our UK bus operations outside London. While most services are operated on a commercial basis, some contract services are operated on behalf of local authorities and educational institutions. Operators are responsible for their own vehicles and depots, as well as setting routes, fares and service frequency. Full revenue risk is taken by the operator.

### Regional bus market share



### Trends

Passenger journeys outside London have either remained static or have slightly declined. With over 31% of British workers now working from home at least one day per week, increased car usage, as well as other changing customers' habits such as online shopping, and competition from the growth in ride hailing car services all contributing to this decline in bus passenger numbers. These factors have led to a rise in congestion as well raising pressure on the issue of improving air quality.

### Our approach

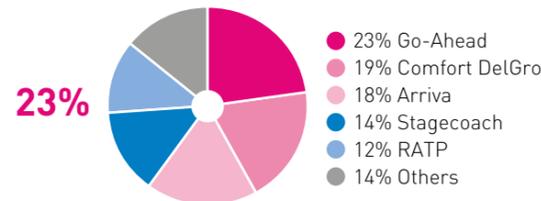
We have been promoting bus travel as the way forward by working with local companies, councils and developers to make bus central to their thinking and alleviate the impact on air quality. We have also conducted a pilot with logistic partners to help manage deliveries in local area and help reduce congestion. To attract customers, we continue to invest in our bus networks with comfortable high specification vehicles, advanced retail systems and cutting-edge information systems making travelling with us easy and helped maintain our high customer satisfaction score. We recently launched demand responsive transport services in Oxford and have rolled out simpler under 18 fares to attract younger passengers, as well as 'kids for a quid' and continue to look for growth opportunities through bolt-on acquisitions, focusing predominantly on urban areas with growth potential.

## London bus

### Overview

Transport for London (TfL) tenders individual bus contracts which run for five to seven years. Operators are responsible for their own vehicles and depots and are paid through gross cost contracts on a revenue per mile basis. TfL sets routes and service frequency, while the Mayor of London is responsible for setting fares.

### London bus market share



### Trends

Congestion in London remains challenging, both in terms of service reliability and its impact on the environment, leading to a corresponding decrease in bus passenger numbers. Recent budgetary constraints on TfL has resulted in reduced service frequency, mileage and vehicle requirement, despite continued population growth in the capital, and has intensified the level of competition amongst operators. This was followed by the Mayor's Transport Strategy 2018, setting out the policies and proposals to reshape transport.

### Our approach

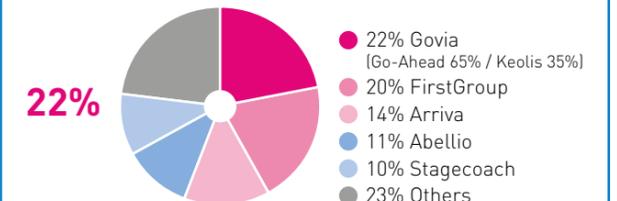
Buses are the most popular means of public transport in London and are the best solution to serve the growing population. We continue to focus on operational delivery, negating the impact of congestion and declining passenger numbers, by running our operations to ensure the delivery of punctual services. This has led to a recent increase in our QIC bonuses from TfL for targets achieved. Our network of depots are strategically located, enabling us to bid cost effectively in the competitive market for TfL contracts. We formally responded to the Mayor's Transport Strategy, highlighting what works well, while calling for greater bus priority and sustained network funding. We have held discussions with representatives from the government and TfL to generate thought leadership on air quality and continue to roll out low emission and electric buses to reduce our environmental impact. We remain the largest operator of electric buses in the UK.

## UK Rail

### Overview

UK train operators run rail services through contracts tendered by the DfT. The track and other infrastructure is largely owned and managed by Network Rail. The extent to which an operator is able to vary fares, routes and service frequencies depends on the contract. Trains are usually owned by leasing companies and rented to operators.

### Rail market share



### Trends

In recent years, the competitive UK rail industry has seen well publicised challenges faced by operators. This has led to recent changes taken by the DfT which motivate all bidders to rigorously identify and address operational and financial risks during the tendering process. With ongoing significant infrastructure improvements and modernisation of the railway, governmental initiatives have been introduced which encourage closer working with Network Rail, greater involvement of local stakeholders and more convenient and flexible ticketing products that better fit with passenger needs.

### Our approach

In the UK, we are prioritising service improvement at GTR and have submitted a sensible and deliverable bid for the next South Eastern franchise. We have contributed our views to the DfT on how rail franchising could be improved and are proactively working with all major industry stakeholders. We consider that contracting rail services provides best value for customers and taxpayers and continue to focus on urban and inter-urban franchises where our expertise lies and where we can add value. We are also using our rail expertise to selectively bid for rail contracts in attractive international markets. To date, we have won four rail contracts in Germany and are actively pursuing other opportunities.