

14 January 2005

WEST COAST MAIN LINE RAIL FRANCHISE NEGOTIATIONS

Stagecoach Group plc announces that Virgin Rail Group ("VRG") has agreed with the Strategic Rail Authority ("SRA") that a further period of time is required to assess revenue, passenger and operational data as part of its negotiations regarding the West Coast Trains rail franchise.

VRG and the SRA have agreed to allow a full year's impact of the new 125mph West Coast timetable to be assessed up to September 2005, which will assist negotiations over a new franchise agreement.

In the meantime, VRG will continue to operate the West Coast franchise under the terms of the Letter Agreement signed in July 2002 and is committed to working with all other stakeholders to further improve services to passengers.

Both VRG and the SRA believe that this sensible and constructive approach will facilitate their discussions as they seek to reach a new franchise agreement which is sustainable and in the long-term interests of passengers, taxpayers and shareholders.

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NOTES TO EDITORS

Stagecoach Group has a 49% shareholding in Virgin Rail Group.

The Letter Agreement of July 2002 between the SRA and VRG followed the failure of Railtrack to deliver the upgrade of the West Coast Main Line. Under the Letter Agreement, VRG operates the West Coast franchise on the basis of an annual budget set by the SRA until a new long-term commercial franchise is agreed.

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