

7 May 2004

STAGECOACH PARTNERS WITH VIRGIN AND DEUTSCHE BAHN IN JOINT VENTURE TO TARGET UK INTER-CITY RAIL FRANCHISES

- **Joint Venture invited by SRA to bid for East Coast rail franchise**

Stagecoach Group plc is pleased to announce that it has partnered with the Virgin Group of Companies and Deutsche Bahn to form a new joint venture to bid for intercity rail franchises in the UK.

The Joint Venture will be one-third owned by Stagecoach, Virgin and Deutsche Bahn as partners. The Joint Venture will operate independently of both Virgin and Stagecoach's existing UK rail interests, Virgin Rail Group and South West Trains.

It was also confirmed today by the Strategic Rail Authority that the Joint Venture, following its successful pre-qualification, has been selected as one of the organisations to be invited to tender for the Intercity East Coast rail franchise.

This will be the first time that Deutsche Bahn, which has an exceptional reputation for customer service and is extremely experienced in the high-speed rail sector, has entered the UK intercity rail franchise market.

Deutsche Bahn is one of the largest rail operators in the world, running 30,000 passenger trains each day. DB carries 1.6 billion passengers each year over some 70 billion passenger kilometres, and its Passenger Division has annual revenues of £7.55 billion.

Commenting on the formation of the joint venture, Brian Souter, Chief Executive, Stagecoach Group, said:

“It is very exciting to have an organisation with the reputation of DB joining us in this new venture. DB has a formidable reputation for the quality of its operations in all sectors of the German rail market. The “ICE” passenger train in Germany has set

new standards in European high-speed rail and DB's infrastructure experience is second to none."

Sir Richard Branson, Chairman, Virgin Group, said:

"Collectively, Virgin, Stagecoach and DB's extensive experience of high speed passenger services, new rolling stock procurement and complex infrastructure projects in both the UK and Germany means the Joint Venture represents a powerful new force in the industry."

Hartmut Mehdorn, Chairman and CEO, Deutsche Bahn, welcomed the formation of the new venture and commented:

"We are really looking forward to working with our new UK partners in this exciting venture. Railways all over the world are faced with increasing liberalisation and the introduction of a de-regulated, commercial approach to the business of providing customers with a safe, reliable and pleasant railway. DB wishes to be at the forefront of these changes and, as a result, has committed to expanding its activities into the UK with Virgin and Stagecoach."

Details of the Joint Venture's bid for the Intercity East Coast Franchise will not be made public until the appropriate time in the bid process. However, passengers can expect an innovative bid, involving rolling stock and service enhancements to one of Britain's busiest long distance rail routes, which links London with several cities in both England and Scotland, including Edinburgh, the Scottish capital.

For further information please contact:

Steve Stewart, Head of Media and Public Affairs, Stagecoach Group
01738 442111

Will Whitehorn, Corporate Affairs & Brand Development Director, Virgin
020 7229 4738

Gunnar Meyer, Director of Communications, Passenger Division, DB
+49 30 297 60010

Notes to Editors

Stagecoach Group PLC:

Stagecoach Group is a leading international transportation group, with operations in the UK, the USA, Canada and New Zealand. The Group's businesses, which include bus, train, tram, express coach, and ferry operations, operate around 16,000 vehicles and rolling stock and employ around 30,000 people. In the UK, Stagecoach is one of the biggest bus operators and also runs the largest rail franchise, South West Trains. Formed in 1980, the company floated on the London Stock Exchange in 1993 and now has an annual turnover of around £1.3 billion.

The Virgin Group of Companies:

The Virgin Group of Companies was established by Richard Branson in 1970 and now encompasses more than 200 companies around the world, operating in sectors ranging from transportation to financial services, mobile telephony, entertainment and retail. Virgin Group employs more than 25,000 people and its total worldwide sales in 2003 exceeded £4.5 billion.

Deutsche Bahn:

Deutsche Bahn Group is the largest transport undertaking in Europe, with annual revenues totalling £12.6 billion. Every day it carries more than 4.5 million people on 30,000 passenger trains and some 1.0 million tonnes of cargo on more than 5,500 freight trains over a total of around 35,800 km of track. DB owns and operates almost 5,500 railway stations. DB's operative business is structured into four corporate divisions; Passenger Traffic, Freight Traffic, Passenger Stations and Track Infrastructure.