

7 December 2005

Stagecoach Group plc - Interim results for the six months ended 31 October 2005

Highlights

- Bus operator of the year AND train operator of the year
- Strong revenue growth in bus and rail operations in UK and North America
- Increased operating profits* at UK Bus operations⁺, despite increase of £9.2m in fuel costs
- Expansion of UK Bus division with acquisition of Glenvale Transport Limited in Merseyside and joint venture with ComfortDelGro in Scotland
- Further improvement in operating margins* in North American bus operations
- Revenue at UK Rail subsidiaries up 4.6% despite impact of London terrorist incidents
- Pre-qualification documentation submitted for South Western rail franchise
- Disposal of Stagecoach New Zealand in November 2005 for NZ\$250.5m (approximately £100m) enterprise value

* excluding restructuring costs, intangible asset amortisation and exceptional items (refer to definition of exceptional items in note 3 of the interim financial information)

+ excluding acquisition of Glenvale

Financial Highlights

First Stagecoach interim results to be reported under IFRS accounting policies:

- 20.6% increase in earnings per share
- 28.6% increase in earnings per share, excluding intangible asset amortisation and exceptional items
- Interim dividend up 10.0% at 1.1pence

| | Reported results | | Results excluding intangible asset amortisation and exceptional items | |
|---|------------------|-------|---|-------|
| | 2005 | 2004 | 2005 | 2004 |
| Revenue from continuing operations, excluding Glenvale acquisition (£m) | 786.2 | 729.1 | 786.2 | 729.1 |
| Total operating profit (£m) | 69.5 | 74.1 | 82.7 | 80.7 |
| Profit before taxation (£m) | 54.9 | 59.3 | 72.1 | 70.6 |
| Earnings per share (pence) | 4.1 | 3.4 | 5.4 | 4.2 |
| Interim dividend (pence) | 1.1 | 1.0 | 1.1 | 1.0 |

Commenting on the results, Stagecoach Chief Executive, Brian Souter said: "We are continuing to deliver on our strategy for organic growth in our bus and rail operations. Our focus on innovation, investment and targeted marketing is producing further revenue growth in our bus operations and we will continue to bid for new rail franchises. We remain confident in the prospects for the rest of the year and the opportunities to deliver further shareholder value."

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Note to Editors:

High resolution photographs are available to the media free of charge at www.newscast.co.uk (telephone +44 (0) 207 608 1000).

Chairman's statement

I am pleased to report that Stagecoach Group is continuing to deliver on our strategy for organic growth in our bus and rail operations in the UK and North America.

Strong management action, coupled with excellent operational performance, effective marketing, continuing innovation and investment in new vehicles, have produced further revenue growth across the Group.

In July, many people lost their lives as a result of the terrorist attacks in London and these shocking events touched our Group directly. Stagecoach operated both of the buses that were involved in the attacks. Everyone at Stagecoach has been deeply saddened and shocked by these events and our thoughts remain with the victims and their families. I would like to thank our staff, whose commitment and determination has been remarkable. Our customers can remain assured that the safety and security of our passengers and our people is a key priority for the Group and is underpinned by a proactive safety culture. While there was a short-term reduction in the number of passengers using public transport in London in the immediate aftermath of the terrorist attacks, volumes are recovering.

Revenue for the six months ended 31 October 2005 was £793.0m (2004: £735.7m). Excluding the impact of acquisitions and disposed businesses, revenue grew 7.8% from £729.1m to £786.2m. Total operating profit (before intangible asset amortisation and exceptional items) was £82.7m (2004: £80.7m). Earnings per share before intangible asset amortisation and exceptional items were up 28.6% at 5.4p (2004: 4.2p).

The Board has declared an interim dividend of 1.1p per share (2004: 1.0p), a 10.0% increase, which reflects our continued confidence in the prospects for the Group. The interim dividend is payable to shareholders on the register at 10 February 2006 and will be paid on 8 March 2006. Based on continued strong cash flows and profits, we will look to continue to increase the dividend year on year.

We have made a good start to the second half of our financial year and current trading of the Group remains in line with our expectations. We recently completed the disposal of our New Zealand operations, which will allow us to focus on our strategy of organic growth in our core markets and explore the potential for complementary acquisition opportunities in the UK and North American bus markets.

We believe that we submitted competitive bids for the Thameslink/Great Northern and Greater Western rail franchises. Final decisions are expected from the Department for Transport ("DfT") before Christmas. However, we are not in active discussions with the DfT on these franchises at the current time.

The Group will continue to innovate and invest in quality services to attract more people to public transport. All of our employees are central to that strategy and I would like to pay tribute to their continued hard work and commitment to first-class customer service.

We will continue to bid for new rail franchises and we look forward to capitalising on further opportunities for organic growth in our bus operations, both of which can deliver increased value to our shareholders.

Robert Speirs
Chairman
7 December 2005

Chief Executive's review

Overview

Stagecoach Group has made a good start to the financial year ending 30 April 2006. The strength of the Group lies in our ability to innovate, control costs, effectively market our products and deliver a consistent, high quality range of transport services to our customers.

Revenue by division is summarised below:

| REVENUE | 6 months to 31 October 2005 | | Currency | 6 months to 31 October 2004 | | Growth % |
|--------------------------------------|-----------------------------|--------------|----------|-----------------------------|--------------------|----------|
| | £m | £m | | Local currency (m) | Local currency (m) | |
| Continuing Group operations | | | | | | |
| UK Bus | 381.1 | 351.1 | £ | 381.1 | 351.1 | 8.5 |
| North America | 130.8 | 117.0 | US\$ | 235.4 | 212.1 | 11.0 |
| New Zealand | 28.7 | 26.2 | NZ\$ | 73.7 | 73.4 | 0.4 |
| UK Rail | 245.6 | 234.8 | £ | 245.6 | 234.8 | 4.6 |
| | 786.2 | 729.1 | | | | |
| Acquisitions | | | | | | |
| UK Bus - Glenvale | 6.8 | Nil | £ | 6.8 | Nil | n/a |
| Discontinued Group operations | | | | | | |
| North America | Nil | 6.6 | US\$ | Nil | 12.0 | (100.0) |
| Total Group revenue | 793.0 | 735.7 | | | | |

Operating profit by division is summarised below:

| OPERATING PROFIT | 6 months to 31 October 2005 | | 6 months to 31 October 2004 | | Currency | 6 months to 31 October 2005 | | 6 months to 31 October 2004 | |
|--|-----------------------------|--------------|-----------------------------|--------------|----------|-----------------------------|--------------------|-----------------------------|--|
| | £m | % of revenue | £m | % of revenue | | Local currency (m) | Local currency (m) | | |
| Continuing Group operations | | | | | | | | | |
| UK Bus | 41.1 | 10.8 | 40.5 | 11.5 | £ | 41.1 | 40.5 | | |
| North America | 15.7 | 12.0 | 14.6 | 11.8 | US\$ | 28.3 | 26.5 | | |
| New Zealand | 3.5 | 12.2 | 3.9 | 14.9 | NZ\$ | 9.1 | 10.9 | | |
| UK Rail | 24.4 | 9.9 | 22.5 | 9.6 | £ | 24.4 | 22.5 | | |
| Group overheads | (5.0) | | (4.4) | - | | | | | |
| Restructuring costs | (0.7) | | (0.3) | - | | | | | |
| | 79.0 | | 76.8 | | | | | | |
| Acquisitions | | | | | | | | | |
| UK Bus - Glenvale | (0.8) | | Nil | | | | | | |
| Joint ventures and associates | | | | | | | | | |
| Virgin Rail Group | 4.5 | | 4.1 | | | | | | |
| Other | Nil | | (0.2) | | | | | | |
| Total operating profit before intangible asset amortisation and exceptional items | 82.7 | | 80.7 | | | | | | |
| Intangible asset amortisation | (13.2) | | (6.0) | | | | | | |
| Exceptional items | Nil | | (0.6) | | | | | | |
| Total operating profit | 69.5 | | 74.1 | | | | | | |

UK Bus

Stagecoach operates around 7,000 buses in nearly 100 towns and cities across the UK, from the Highlands of Scotland to south-west England. We have substantial operations in a number of key cities, including London, Manchester, Liverpool, Newcastle, Hull, Oxford and Cambridge.

Revenue from our continuing UK Bus operations⁺ was up 8.5% to £381.1m, compared to £351.1m in the prior year. Operating profit^{**} was £41.1m (2004: £40.5m). Operating margin⁺ was 10.8%, compared to 11.5% in 2004, which reflects ongoing cost pressures, particularly in relation to fuel.

Our UK Bus division has delivered further organic passenger growth in the first half of the year with revenue⁺ outside London up 8.1% on the equivalent period in the previous year. We have achieved encouraging results from our targeted telemarketing programme, strong partnerships with local authorities and our Kickstart initiatives. Passenger volumes are continuing to grow in Wales following the introduction of the concessionary fares scheme and we have successfully bid for a number of Kickstart initiatives in Scotland supported by the Scottish Executive. Our investment in improved services is seeing large numbers of people return to the nation's buses and independently-audited research compiled by the Confederation of Passenger Transport UK earlier this year shows that Stagecoach runs 11 of the 15 fastest growing bus networks in the UK.

The integration of Glenvale Transport Limited, the Merseyside bus operations we acquired in an £11.2m deal in July 2005, is progressing. As we anticipated at the time of acquisition, the business has incurred losses as we restructure the operations. In the period from acquisition to 31 October 2005, revenue was £6.8m and an operating loss of £0.8m was recognised.

We are excited by the prospects for our joint venture with ComfortDelGro to operate inter-city coach services in Scotland, which we believe can compete strongly with existing rail services and attract car users to public transport. We are in discussions with the Office of Fair Trading as we demonstrate that the new venture offers a credible competitor to current alternative transport services.

We have been pleased at the continuing growth in revenue at our innovative megabus.com product, which offers low-cost inter-city travel between major locations in the UK. Megabus.com's financial performance continues to improve as average fares and load factors increase.

In London, where we operate buses on behalf of Transport for London ("TfL"), we have grown revenue by 9.7%. We were one of two operators chosen to operate TfL's new Routemaster heritage tours and these services have now been launched.

Stagecoach is continuing to invest heavily in its bus fleet. The first of 600 vehicles for our UK operations in 2005-06, with a total value of more than £60m, have already entered service. Our investment includes 75 new vehicles for our Merseyside operations and a £3.5m order for 25 new accessible coaches.

Stagecoach was named Britain's best bus operator at the 2005 bus industry Oscars. The Group's West Scotland operation, which runs around 400 buses stretching from Dumfries to Glasgow, took the headline Belmont International Bus Operator of the Year Award and the award for Best Large Fleet operator.

⁺ excluding acquisition of Glenvale

^{*} References to the operating profit or loss of a particular division in the Chief Executive's review refer to operating profit or loss before restructuring costs, intangible asset amortisation and exceptional items. References to the operating margin of a particular division are on the same basis. Further details of the divisional split of operating profit can be found in Note 5 to the interim financial information contained in this announcement.

North America

We operate 2,750 vehicles in the United States, covering the states of New York, New Jersey, Pennsylvania, West Virginia, Ohio, Indiana, Illinois and Wisconsin. In Canada, we serve the provinces of Ontario and Quebec, running more than 500 vehicles.

North American trading continues to be encouraging, despite increased fuel costs. Revenue for the six months to 31 October 2005 was US\$235.4m (2004: US\$224.1m). On a like for like basis, revenue was up by 9.6%. Operating profit was US\$28.3m (2004: US\$26.5m), resulting in an operating margin of 12.0%, compared to 11.8% the previous year. Converted to sterling, revenue for the six months to 31 October 2005 was £130.8m (2004: £123.6m). Operating profit for the six months was £15.7m (2004: £14.6m).

In the Northeast area, we continue to experience strong revenue growth in our highly successful New York Sightseeing business following the introduction of new double-decker buses and improved services, with passenger volumes up around 14% year on year.

There has been solid growth in our express, commuter and scheduled airport services. We have been awarded a number of new contracts in our Chicago, Wisconsin and Pittsburgh businesses, while our Chicago sightseeing and tour operations have expanded services.

Student transportation services in Wisconsin continue to grow, through contract awards and service efficiencies, and are performing extremely well, despite the continuing trend by state government to reduce overall school spending.

In Canada, charter revenue remains strong and scheduled service operations have performed well. There has been a significant growth in sightseeing revenue, and we were recently awarded a major new contract for airport employee and apron services at Toronto Airport.

New Zealand

Stagecoach New Zealand operates around 1,000 buses in Auckland and Wellington, the country's largest metropolitan areas.

Revenue from the New Zealand businesses was in line with our expectations at NZ\$73.7m (2004: NZ\$73.4m), while operating profit was NZ\$9.1m (2004: NZ\$10.9m). This represents an operating margin of 12.3% (2004: 14.9%). Converted to sterling, revenue was £28.7m (2004: £26.2m) and operating profit was £3.5m (2004: £3.9m).

The New Zealand operations have been tremendously successful under our ownership, delivering excellent financial returns. However, the market in New Zealand was changing with the prospect of a more regulated environment and a move away from the current commercial operating model. In addition, the business faced increasing competition from rail services in Auckland. Following several approaches and, after assessing these issues and the prospects for the business, we decided it was in the best interests of shareholders to sell the business to Infratil Limited.

Rail

We operate two wholly owned UK heavy rail franchises – South West Trains and Island Line - and Sheffield Supertram.

Revenue from our UK Rail subsidiaries for the six months to 31 October 2005 was up by 4.6% to £245.6m (2004: £234.8m). Operating profit increased to £24.4m (2004: £22.5m), with an operating margin of 9.9% (2004: 9.6%). Revenue was impacted in the aftermath of terrorist incidents in London in July 2005, but passenger volumes are recovering.

South West Trains was recently named Passenger Train Operator of the Year and its recent operational performance is amongst the best achieved by train operating companies in London and the South East, with punctuality now in excess of 90% (measured using the DfT's Public Performance Measure).

The full fleet of state-of-the-art new Desiro trains is now in operation, bringing a step-change in passenger comfort, and we have achieved an impressive improvement in the reliability of our service. Our focus on providing a safe and secure travelling environment has also resulted in significant cuts in crime on the network.

Strong management action has resulted in a significant increase in passenger satisfaction with our service at South West Trains, particularly in terms of the provision of on-board information, improved cleanliness and the upkeep and repair of our new fleet.

We have submitted prequalification documentation for the new South Western franchise, which runs from February 2007. We believe that our record of achievement at South West Trains will enhance the Group's bid for the new South Western franchise.

Last month, Stagecoach launched megatrain.com, a new budget train service offering rail fares from just £1. The concept is being piloted at South West Trains on some off-peak services on the Portsmouth-London and Southampton-London routes. This is a further example of Stagecoach leading the way with innovative ideas to attract more people to public transport and we believe there is potential to expand the concept elsewhere on the UK rail network.

Stagecoach Group submitted competitive bids for the Thameslink/Great Northern and Greater Western franchises. We expect a decision on both franchises before Christmas. However, we are not in active discussions with the DfT on these franchises at the current time. All three remaining bids for the Greater Western franchise have been referred to the UK Competition Commission and we are continuing to assist the Commission with its review.

The Group was disappointed that our bid with the Danish State Railways ("DSB") for the Integrated Kent franchise was not successful. We believe that we submitted a strong bid with an acceptable level of risk for our shareholders. The Group remains committed to bidding for further UK rail franchises and we believe that our strong track-record, operational expertise and innovative ideas position the Group well for these further bids.

Virgin Rail Group

Our joint venture with Virgin, Virgin Rail Group ("VRG"), in which Stagecoach has a 49% share, operates the West Coast and CrossCountry rail franchises. Our share of VRG's profit after tax for the six-month period amounted to £4.5m (2004: £4.1m), which comprises a share of operating profit of £6.1m (2004: £5.5m), a share of finance income of £0.8m (2004: £0.8m) and a share of taxation charges of £2.4m (2004: £2.2m).

VRG has now re-started negotiations with the Government over new commercial terms for the West Coast franchise that extends through to 2012. VRG's objective is to secure an agreement which is sustainable and in the long-term interests of passengers, taxpayers and shareholders. Meanwhile, passenger volumes are continuing to grow on West Coast and performance of the new Pendolino trains has improved further. Passenger volumes have continued to increase: West Coast volume is approximately 30% up and CrossCountry is approximately 3% up for VRG's financial year to date, despite the severe impact of the London bombings on leisure travel in the summer.

The Government announced in October 2005 that a new CrossCountry franchise would be created by incorporating the current Central Trains inter-regional routes into the existing CrossCountry network. As part of the re-mapping process, the DfT also announced its decision to re-let the CrossCountry franchise in autumn 2007. There has been significant

growth in passenger numbers and improvements in operational performance in recent years and, based on that strong track record, we believe that VRG can submit an attractive bid for the new CrossCountry franchise.

In the short term, VRG's two rail franchises continue to operate on the basis of an agreement entered into in July 2002 (the "Letter Agreement"). Under the Letter Agreement, the DfT sets an annual budget for each franchise that determines the amount of financial support to be paid to the franchises. To the extent that the actual costs materially exceed those assumed in the DfT's budget or the actual revenues are materially less than those assumed, the franchises (subject to certain conditions) are legally entitled to claim for additional financial support. The DfT set very challenging budgets for VRG's financial year to 4 March 2006. As a result, both franchises are claiming for additional financial support. The Group's share of VRG's operating profit for the six months ended 31 October 2005 is £6.1m (2004: £5.5m), which includes £29.8m (2004: £Nil) of income relating to claims for additional financial support that have not yet been settled. Of the £29.8m income recognised, £7.6m relates to VRG's entitlement for additional financial support for periods prior to 1 May 2005, which was fully provided against as at 30 April 2005. VRG is continuing to discuss various aspects of the Letter Agreement with the DfT with a view to ensuring it receives the financial support necessary for the franchises to earn the level of profits envisaged.

Depreciation and amortisation

Earnings before interest, taxation, depreciation, intangible asset amortisation and exceptional items (pre-exceptional EBITDA) amounted to £117.0m (2004: £112.2m). Depreciation for the period increased from £31.5m to £34.3m. Amortisation of intangible assets increased from £6.0m to £13.2m. This principally reflects the increase in the goodwill charge for Virgin Rail Group, which totalled £10.6m (2004: £4.1m) for the six months. During the year ended 30 April 2005, the Directors reviewed the period over which the goodwill in respect of Virgin Rail Group was being expensed, in light of the status of negotiations on Virgin Rail Group's franchises. As a result, it was decided that the expensing of goodwill in respect of Virgin Rail Group should be accelerated. This has led to the increased charge for the six months.

Rail bid costs

Rail bid costs of £6.9m (2004: £1.5m) were expensed in the six month period in arriving at the UK Rail operating profit of £24.4m. These were principally in relation to our bids on the Greater Western, Great Northern/Thameslink and Integrated Kent franchises.

Exceptional items

Net exceptional charges before tax of £4.0m (2004: £5.3m) were reported. This comprised a net loss in respect of previously disposed operations of £3.8m, principally in relation to the taxi businesses disposed of in previous years, and a loss on sale of properties of £0.2m.

Interest

Net finance charges increased from £10.1m to £10.6m. The ratio of pre-exceptional EBITDA to net finance charges was 11.0 times for the six months ended 31 October 2005 (2004: 11.1 times).

At 31 October 2005, 67% of the Group's gross borrowings of £395.8m were covered by fixed and capped/floored interest rates.

Taxation

Including the tax charge presented as a component of the share of profit from joint ventures, the tax charge for the interim period of £13.7m (2004: £18.2m) represents an effective tax rate of 23.9% (2004: 29.6%), with the effective tax rate before the amortisation of intangible assets and all exceptional items being 22.1% (2004: 27.5%).

Earnings per share

Overall, earnings per share before intangible asset amortisation and exceptional items increased 28.6% to 5.4p, from 4.2p in the prior year reflecting the strong performance at each of our core divisions and the earnings enhancing effect of the return of capital that took place in September 2004. Basic earnings per share increased 20.6% from 3.4p to 4.1p.

Shares in issue

The weighted average number of ordinary shares used to calculate basic earnings per share for the six months ended 31 October 2005 was 1,068.2m. The number of ordinary shares ranking for dividend at 31 October 2005 was 1,072.4m, with a further 5.3m ordinary shares held by employee trusts and not ranking for dividend.

Net assets

Net assets at 31 October 2005 were £145.8m (30 April 2005: £121.4m) with the increase principally reflecting the strong results for the six months.

The reported net assets of £145.8m (30 April 2005: £121.4m) are after taking account of retirement benefit obligations of £220.2m (30 April 2005: £220.9m) and related deferred tax assets. Of the total retirement benefit obligations, £158.8m (30 April 2005: £160.3m) relates to the Stagecoach Group Pension Scheme ("SGPS"). The triennial valuation of SGPS is due to be completed by April 2006 and we will consider any implications of this valuation as part of our wider evaluation of the Group's capital structure.

Net debt

IFRS does not explicitly define net debt. The Group will therefore continue to use the definition of net debt contained under UK GAAP.

Net debt decreased from £214.6m at 30 April 2005 to £208.9m at 31 October 2005. This reflects the benefit of ongoing cash generation from our core operations offset by the redemption of the remaining redeemable 'B' preference shares of £13.9m and the impact of acquisitions of £12.1m.

Our net debt has further decreased since 31 October 2005 as a result of the disposal of our New Zealand operations. We will continue to evaluate the capital structure of the Group taking account of all relevant factors, including the status of rail re-franchising, other investment opportunities and the Group's ongoing funding requirements.

The strong cash generative nature of the Group is once again highlighted by free cash flow for the six months of £106.2m (2004: £128.8m).

The impact of purchases of property, plant and equipment for the six months on net debt was £44.8m (2004: £59.4m). This primarily related to expenditure on passenger service vehicles, and comprised cash outflows of £39.1m (2004: £35.6m) and new hire purchase debt of £5.7m (2004: £23.8m).

Acquisitions and disposals

The Group acquired the entire share capital of Glenvale Transport Limited (“Glenvale”) on 12 July 2005. The consideration paid for the shares was £3.4m in cash and the Group assumed the net debt of Glenvale at acquisition totalling £7.8m. The fair value of the net liabilities acquired totalled £6.0m (including the £7.8m of assumed net debt) resulting in goodwill of £9.4m. In the period from acquisition to 31 October 2005, Glenvale contributed £6.8m to revenue and made an operating loss of £0.8m.

On 12 September 2005, Stagecoach acquired 35% of the share capital of Scottish Citylink Limited (“Citylink”) in return for transferring certain rights to the Motorvator and megabus.com operations in Scotland. In the period from creation to 31 October 2005, Citylink made no significant contribution to the Group’s operating profit.

On 29 November 2005, the Group disposed of its entire New Zealand operations to Infracore Limited, a company listed on the New Zealand Exchange that is a specialist investor in infrastructure and utility assets. The cash consideration received for the disposal was NZ\$250.5m (approximately £100m). After transaction costs and the impact of the Group’s foreign exchange hedges, the disposal will result in a net gain of approximately £20m.

Fuel Hedging

We currently use the equivalent of approximately 1.8m barrels per annum of diesel fuel in our bus operations. As a result, we are exposed to the movement in the underlying price of crude oil, which is the major driver of diesel prices. We manage the year on year volatility in our fuel costs by maintaining an ongoing fuel hedging programme where we use derivatives to effectively fix or cap the variable unit cost of a percentage of our current and future diesel volumes. If we had no hedging in place a US\$10 a barrel movement in the underlying prices would affect our fuel costs by US\$18m-US\$19m per annum.

For the six months ended 31 October 2005 we had hedged approximately 87% of our fuel usage at a crude oil price of approximately US\$46 per barrel. This compares to the average price for the period of US\$60.

For the second half of the financial year to 30 April 2006, we have hedged approximately 90% of expected usage at a crude oil price equivalent to US\$50 per barrel compared to a crude oil price at the end of October 2005 of US\$60.

The full year variable fuel price is fixed or capped at an equivalent price of approximately US\$48 a barrel (April 2005: US\$35) and after taking account of foreign exchange rates and cap premiums gives an expected year on year increase in variable fuel costs of approximately £19m, which we have taken into consideration when setting fares and contract prices.

For the financial year to 30 April 2007 we have presently hedged or capped approximately 15% of our variable fuel costs at a crude oil equivalent price of US\$57 a barrel.

Accounting policies

The Group’s interim results have been prepared using accounting policies based on International Accounting Standards (“IAS”) and International Financial Reporting Standards (“IFRS”), which we refer to collectively as IFRS. All of the comparatives referred to in this document are restated for IFRS: further details of this were provided in our announcement on 29 September 2005. A copy of this announcement can be found on the Stagecoach Group plc website at <http://www.stagecoach.com/scg/ir/finanalysis/reports/>

These results have been prepared on the basis of IFRSs expected to be applicable at 30 April 2006. New standards and interpretations may be issued by the International Accounting Standards Board ("IASB") and/or endorsed by the European Union ("EU") prior to the completion of our first full reporting period under IFRS on 30 April 2006. There are a number of new and revised standards included within the body of Standards that comprise IFRS. There is not yet any significant established practice upon which to draw in forming opinions regarding their interpretation and application. Accordingly practice is continuing to evolve. At this stage, therefore, the full financial effect of reporting under IFRS, as it will be applied and reported on in the Group's first IFRS financial statements, cannot be determined with certainty and may be subject to change. The financial information contained in this announcement represents our current view and may be impacted by changes in the business or to IFRS or the interpretation thereof. This announcement and the results included within it are unaudited.

Current Trading and Outlook

We believe our strategy of focusing on core local transport operations with organic growth potential and targeting new rail franchise opportunities can deliver further value to shareholders. Our key strengths of innovation, strong marketing, partnership working and operational expertise are continuing to attract more people to the benefits of public transport.

Stagecoach has a strong set of bus businesses in the UK. We are continuing to progress with the integration of our Merseyside bus operations and we will consider other acquisition opportunities in the provincial bus market. We are encouraged by the growth in passenger revenue in our existing rail businesses and we will seek to expand our rail portfolio as new franchises are put out to competition.

In North America, trading remains encouraging and despite the high cost of fuel we expect to see further revenue and profit growth.

We have delivered a good performance in the first six months of the year and I am pleased to report that current trading remains in line with our expectations. I remain confident that the Group's portfolio of businesses offers good potential for further growth and added value to our shareholders.

Brian Souter
Chief Executive
7 December 2005

CONSOLIDATED INCOME STATEMENT

Unaudited

| | Notes | 6 months to 31 October 2005 | | | 6 months to 31 October 2004 | | | Year to 30 April 2005* |
|---|-------|---|-----------------------------------|------------------------|---|-------------------------------------|-------------------------|------------------------|
| | | Performance pre intangibles and exceptional items | Intangibles and exceptional items | Results for the period | Performance pre intangibles and exceptional items * | Intangibles and exceptional items * | Results for the period* | |
| | | £m | £m | £m | £m | £m | £m | |
| Revenue | 5 | 793.0 | Nil | 793.0 | 735.7 | Nil | 735.7 | 1,479.5 |
| Operating costs | | (818.9) | (2.6) | (821.5) | (743.6) | (2.5) | (746.1) | (1,508.5) |
| Other operating income (net) | 4 | 104.1 | Nil | 104.1 | 84.7 | Nil | 84.7 | 175.0 |
| Operating profit of Group companies | 5 | 78.2 | (2.6) | 75.6 | 76.8 | (2.5) | 74.3 | 146.0 |
| Share of profit/(loss) of joint ventures – after finance charges and taxation | | 4.5 | (10.6) | (6.1) | 4.1 | (4.1) | Nil | (5.0) |
| Share of profit/(loss) of joint ventures: | | | | | | | | |
| Operating profit/(loss) | | 6.1 | (10.6) | (4.5) | 5.5 | (4.1) | 1.4 | (1.5) |
| Finance income (net) | | 0.8 | Nil | 0.8 | 0.8 | Nil | 0.8 | 1.7 |
| Taxation | | (2.4) | Nil | (2.4) | (2.2) | Nil | (2.2) | (5.2) |
| | | 4.5 | (10.6) | (6.1) | 4.1 | (4.1) | Nil | (5.0) |
| Share of loss from interest in associates – after finance charges and taxation | | Nil | Nil | Nil | (0.2) | Nil | (0.2) | (0.4) |
| Total operating profit: Group and share of joint ventures and associates | 5 | 82.7 | (13.2) | 69.5 | 80.7 | (6.6) | 74.1 | 140.6 |
| (Loss)/gain on sale of properties | 3 | Nil | (0.2) | (0.2) | Nil | 1.3 | 1.3 | 1.3 |
| Loss on disposed operations | 3 | Nil | (3.8) | (3.8) | Nil | (6.0) | (6.0) | (7.4) |
| Profit before interest and taxation | | 82.7 | (17.2) | 65.5 | 80.7 | (11.3) | 69.4 | 134.5 |
| Finance costs | | (13.5) | Nil | (13.5) | (21.0) | Nil | (21.0) | (35.2) |
| Finance income | | 2.9 | Nil | 2.9 | 10.9 | Nil | 10.9 | 13.6 |
| Profit before taxation | | 72.1 | (17.2) | 54.9 | 70.6 | (11.3) | 59.3 | 112.9 |
| Taxation | 6 | (14.1) | 2.8 | (11.3) | (17.8) | 1.8 | (16.0) | (27.0) |
| Profit for the period | | 58.0 | (14.4) | 43.6 | 52.8 | (9.5) | 43.3 | 85.9 |
| Profit attributable to equity shareholders of the parent | | 58.0 | (14.4) | 43.6 | 52.8 | (9.5) | 43.3 | 85.9 |
| Earnings per share | | | | | | | | |
| - Adjusted/Basic | 8 | 5.4p | | 4.1p | 4.2p | | 3.4p | 7.4p |
| - Diluted | 8 | 5.3p | | 4.0p | 4.1p | | 3.4p | 7.3p |
| Dividends per ordinary share | 7 | | | | | | | |
| - Interim | | | | 1.1p | | | 1.0p | 1.0p |
| - Final | | | | - | | | - | 2.3p |

The accompanying notes form an integral part of this consolidated income statement.

* Results are restated for the impact of the transition to International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”).

CONSOLIDATED BALANCE SHEET

| | Unaudited | | |
|---|--------------------------------|---------------------------------|-------------------------------|
| | As at 31 October 2005 £m | As at 31 October 2004* £m | As at 30 April 2005* £m |
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 109.4 | 96.9 | 93.6 |
| Other intangible assets | 7.8 | 9.8 | 9.2 |
| Property, plant and equipment | 711.6 | 689.9 | 694.2 |
| Investment in joint ventures | 53.0 | 82.2 | 62.1 |
| Investment in associates | 2.0 | 1.2 | 1.0 |
| Available for sale and other investments | 5.0 | 2.2 | 1.8 |
| Deferred tax asset | 4.3 | Nil | 4.1 |
| Trade and other receivables | 5.1 | 10.1 | 6.7 |
| | 898.2 | 892.3 | 872.7 |
| Current assets | | | |
| Inventories | 14.1 | 12.2 | 12.5 |
| Trade and other receivables | 181.4 | 162.3 | 169.2 |
| Derivative instruments at fair value | 11.0 | Nil | Nil |
| Cash and cash equivalents | 157.7 | 363.1 | 140.0 |
| | 364.2 | 537.6 | 321.7 |
| Assets held for sale | Nil | 3.5 | Nil |
| Total assets | 1,262.4 | 1,433.4 | 1,194.4 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 358.3 | 387.0 | 357.6 |
| Current tax liabilities | 30.4 | 35.5 | 33.3 |
| Borrowings | 135.8 | 282.7 | 126.5 |
| Derivative instruments at fair value | 2.1 | Nil | Nil |
| Dividends payable | Nil | 0.1 | Nil |
| | 526.6 | 705.3 | 517.4 |
| Non-current liabilities | | | |
| Trade and other payables | 8.2 | 9.1 | 8.1 |
| Borrowings | 260.0 | 294.1 | 228.1 |
| Provisions | 101.6 | 119.3 | 98.5 |
| Retirement benefit obligations | 220.2 | 170.7 | 220.9 |
| | 590.0 | 593.2 | 555.6 |
| Liabilities associated with assets held for sale | Nil | 0.7 | Nil |
| Total liabilities | 1,116.6 | 1,299.2 | 1,073.0 |
| Net assets | 145.8 | 134.2 | 121.4 |
| EQUITY | | | |
| Ordinary share capital | 6.8 | 6.7 | 6.8 |
| Redeemable 'B' preference shares | Nil | 21.0 | 13.9 |
| Share premium account | 166.7 | 154.1 | 163.4 |
| Retained earnings | (283.0) | (271.9) | (288.4) |
| Capital redemption reserve | 243.0 | 222.1 | 229.1 |
| Own shares | (6.1) | (3.9) | (6.8) |
| Translation reserve | 7.9 | 6.1 | 3.4 |
| Available for sale reserve | 1.7 | Nil | Nil |
| Cash flow hedging reserve | 8.8 | Nil | Nil |
| Total equity | 145.8 | 134.2 | 121.4 |

*Results are restated for the impact of the transition to IFRS and IAS.

The retained earnings deficit of £283.0m is the consolidated position. The holding company's distributable reserves as at 31 October 2005 under UK GAAP were £287.6m.

CONSOLIDATED CASH FLOW STATEMENT

| | Notes | Unaudited | | |
|--|-------|---|--|---------------------------------|
| | | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 10 | 120.2 | 141.4 | 200.7 |
| Tax paid | | (14.0) | (12.6) | (27.1) |
| Net cash from operating activities (“free cash flow”) | | 106.2 | 128.8 | 173.6 |
| Investing activities | | | | |
| Acquisition of subsidiaries, net of cash acquired | | (2.0) | (1.6) | (5.9) |
| Disposals of subsidiaries and other business | | 4.0 | 14.4 | 14.7 |
| Purchases of property, plant and equipment | | (39.1) | (35.6) | (73.5) |
| Disposals of property, plant and equipment | | 2.8 | 6.0 | 7.1 |
| Purchase of intangible assets | | (0.3) | (0.9) | (0.3) |
| Purchase of other investments | | (1.5) | (0.1) | (0.2) |
| Disposal of other investments | | 0.6 | Nil | 0.6 |
| Movement in loans to joint ventures | | Nil | 6.7 | 6.7 |
| Net cash used in investing activities | | (35.5) | (11.1) | (50.8) |
| Financing activities | | | | |
| Issue of shares | | 3.3 | 3.5 | 5.3 |
| Redemption of ‘B’ shares | | (13.9) | (220.4) | (227.4) |
| Expenses on issue of ‘B’ shares | | Nil | (0.4) | (0.4) |
| Redemption of ‘B’ shares by employee ownership trusts | | Nil | Nil | 1.7 |
| Investment in own ordinary shares by employee share ownership trusts | | Nil | Nil | (1.9) |
| Sale of own ordinary shares by employee share ownership trusts | | 0.7 | Nil | 4.8 |
| Repayments of hire purchase and lease finance | | (11.3) | (12.8) | (92.5) |
| (Decrease)/increase in borrowings | | (3.3) | 30.6 | (110.1) |
| Dividends paid | | (24.6) | (26.6) | (37.2) |
| Sale of tokens | | 2.6 | 2.8 | 10.2 |
| Redemption of tokens | | (6.2) | (5.7) | (10.9) |
| Decrease in collateral balances | | 0.4 | 1.7 | 3.0 |
| Net cash used in financing activities | | (52.3) | (227.3) | (455.4) |
| Net increase/(decrease) in cash and cash equivalents | | 18.4 | (109.6) | (332.6) |
| Cash and cash equivalents at the beginning of the period | | 104.2 | 439.2 | 439.2 |
| Exchange rate effects | | 0.8 | (2.1) | (2.4) |
| Cash and cash equivalents at the end of period | | 123.4 | 327.5 | 104.2 |

* Results are restated for the impact of the transition to IFRS and IAS.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

| | Unaudited | | |
|---|---|--|------------------------------------|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Balances recognised on the adoption of IAS 32 and IAS 39, net of taxation | 6.2 | Nil | Nil |
| Cash flow hedges, net of taxation | | | |
| - net fair value gains | 10.9 | Nil | Nil |
| - reclassified and reported in profit for the period | (9.4) | Nil | Nil |
| Net fair value gains on available for sale investments | 1.7 | Nil | Nil |
| Exchange differences on translation of foreign operations (net of hedging) | 4.8 | 6.1 | 3.4 |
| Actuarial losses on Group defined benefit pension schemes | Nil | Nil | (50.9) |
| Tax effect of actuarial losses on Group defined benefit schemes | Nil | Nil | 15.3 |
| Actuarial losses on joint ventures' defined benefit pension schemes | Nil | Nil | (9.1) |
| Tax effect of share of joint ventures' actuarial losses | Nil | Nil | 2.7 |
| Net income/(expense) not recognised in income statement | 14.2 | 6.1 | (38.6) |
| Profit for the financial period attributable to equity shareholders of the parent | 43.6 | 43.3 | 85.9 |
| Total recognised income and expense for the period attributable to equity shareholders of the parent | 57.8 | 49.4 | 47.3 |

* Results are restated for the impact of the transition to IFRS and IAS.

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

| | Unaudited | | |
|--|---|--|------------------------------------|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Profit for the financial period | 43.6 | 43.3 | 85.9 |
| Equity dividends | (24.6) | (26.6) | (37.2) |
| Non-equity dividends | n/a⁺ | (0.1) | (0.4) |
| | 19.0 | 16.6 | 48.3 |
| Other recognised income and expense relating to the period | | | |
| - Balances recognised on the adoption of IAS 32 and IAS 39, net of taxation | 6.2 | Nil | Nil |
| - Cash flow hedges, net of taxation | 1.5 | Nil | Nil |
| - Net fair value gains on available for sale investments | 1.7 | Nil | Nil |
| - Exchange differences on translation of foreign operations (net of hedging) | 4.8 | 6.1 | 3.4 |
| - Actuarial losses on Group defined benefit pension schemes | Nil | Nil | (50.9) |
| - Actuarial losses on joint ventures' defined pension schemes | Nil | Nil | (9.1) |
| - Tax on actuarial losses | Nil | Nil | 18.0 |
| Share based payment expense | 1.1 | 0.6 | 1.4 |
| Equity ordinary share capital issued less costs | 3.3 | 3.5 | 12.8 |
| Own ordinary shares purchased | Nil | Nil | (5.4) |
| Own ordinary shares sold | 0.7 | Nil | 2.5 |
| Redemption of 'B' preference shares | (13.9) | (220.4) | (227.4) |
| Expenses on issue of 'B' shares set against share premium | Nil | (0.4) | (0.4) |
| Net increase/(decrease) in equity | 24.4 | (194.0) | (206.8) |
| Equity at the start of the period | 121.4 | 328.2 | 328.2 |
| Equity at the end of the period | 145.8 | 134.2 | 121.4 |

* Results are restated for the impact of the transition to IFRS and IAS.

⁺ Note on adoption of IAS 32 and IAS 39, non-equity dividends form part of finance costs.

NOTES

1 BASIS OF PREPARATION

Stagecoach Group plc ("the Group") previously prepared its primary consolidated financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") for periods up to and including 30 April 2005. From 1 May 2005 onwards, the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as adopted by the European Union ("EU"). The results for the six months ended 31 October 2005 represent the Group's first interim financial statements prepared in accordance with accounting policies based on IFRS. The comparatives for the six months ended 31 October 2004 and the year ended 30 April 2005 have been restated. Detailed transitional UK GAAP to IFRS reconciliations for the comparatives were issued on 29 September 2005 and can be found on the Group's website at: <http://www.stagecoach.com/scg/ir/finanalysis/reports/> The Group's first IFRS Annual Report and Accounts will be for the year ending 30 April 2006.

The accounting policies, used in the interim results, are consistent with the standards expected to be endorsed by the EU and applicable for the preparation of the financial statements for the year ending 30 April 2006. As permitted by IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement', the Group has chosen not to restate its comparative information for the year ended 30 April 2005 for financial instruments. The Group has applied IAS 32 and IAS 39 with effect from 1 May 2005.

The financial information provided in this document has not been audited. As the comparative financial information for the year ended 30 April 2005 has been restated from UK GAAP to IFRS, it does not reflect the information contained in the Company's last annual accounts. The UK GAAP annual accounts received an unqualified audit report and have been filed with the Registrar of Companies.

The Board of Directors approved this announcement on 7 December 2005.

The interim report for the six months to 31 October 2005 will be published in the Financial Times on 8 December 2005. The interim report, which is extracted from this announcement and which includes the independent review report by the auditors, has been prepared in accordance with the Listing Rules of the Financial Services Authority. The full text of the interim report is included at the end of this announcement released to the London Stock Exchange.

2 FOREIGN CURRENCIES

The principal rates of exchange used to translate the results of foreign operations are as follows:

| | 6 months to 31 October 2005 | 6 months to 31 October 2004 | Year to 30 April 2005 |
|---------------------------|--|-----------------------------------|-----------------------------|
| New Zealand Dollar | | | |
| Period end rate | 2.5295 | 2.6784 | 2.6088 |
| Average rate | 2.5706 | 2.7985 | 2.7240 |
| US Dollar | | | |
| Period end rate | 1.7703 | 1.8323 | 1.9099 |
| Average rate | 1.7989 | 1.8131 | 1.8530 |
| Canadian Dollar | | | |
| Period end rate | 2.0881 | 2.2350 | 2.3969 |
| Average rate | 2.1836 | 2.4114 | 2.3621 |

3 EXCEPTIONAL ITEMS

Unlike UK GAAP, there is no definition of “exceptional items” in IFRS. Where applicable, the Group intends to continue to highlight amounts before the amortisation of intangible assets and exceptional items as well as clearly reporting the results in accordance with IFRS. This is intended to enable the users of the accounts to determine more readily the impact of amortisation and exceptional items on the results of the Group. For this purpose, “exceptional items” are items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the accounts are to present fairly the financial performance of the Group.

The following items have been highlighted as being exceptional:

| | Unaudited | | |
|------------------------------------|---|--|------------------------------------|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Loss on disposed operations | (3.8) | (6.0) | (7.4) |
| Return of capital costs | Nil | (0.3) | (0.3) |
| Impairment of minority investment | Nil | (0.3) | (0.3) |
| Loss re flooding at Carlisle depot | Nil | Nil | (0.8) |
| (Loss)/gain on sale of properties | (0.2) | 1.3 | 1.3 |
| | (4.0) | (5.3) | (7.5) |
| Tax effect of exceptional items | 1.7 | 1.2 | 1.6 |
| | (2.3) | (4.1) | (5.9) |

The loss on disposed operations includes gains and losses arising on the disposal and closure of operations and adjustments to the estimated insurance provisions relating to the Group’s former US taxi operations.

* Results are restated for the impact of the transition to IFRS and IAS.

4 OTHER OPERATING INCOME

| | Unaudited | | |
|--|---|--|------------------------------------|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Miscellaneous revenue | 26.5 | 21.3 | 48.3 |
| Losses on disposal of assets, other than properties | (0.2) | (1.3) | (3.0) |
| Rail liquidated damages | Nil | Nil | 2.6 |
| Rail franchise support, excluding incentive payments | 56.4 | 49.1 | 91.8 |
| Rail incentive payments | 21.4 | 15.6 | 35.3 |
| | 104.1 | 84.7 | 175.0 |

* Results are restated for the impact of the transition to IFRS and IAS.

Miscellaneous revenue comprises revenue incidental to the Group’s principal activity. It includes advertising income, maintenance income and property income.

Rail franchise support is the gross amount of financial support receivable from the Department for Transport (“DfT”). Partly offsetting this, South West Trains recognised amounts payable to the DfT under revenue and profit share agreements totalling £27.8m (2004: £20.5m).

5 SEGMENTAL ANALYSIS
(A) REVENUE

| | Unaudited | | |
|--|---|---|---|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004 £m | Year to 30 April 2005 £m |
| Continuing operations | | | |
| UK Bus - continuing | 381.1 | 351.1 | 720.3 |
| - acquisitions - Glenvale | 6.8 | Nil | Nil |
| North America | 130.8 | 117.0 | 213.7 |
| New Zealand | 28.7 | 26.2 | 59.0 |
| Total bus continuing operations | 547.4 | 494.3 | 993.0 |
| UK Rail | 245.6 | 234.8 | 479.4 |
| Total continuing operations | 793.0 | 729.1 | 1,472.4 |
| Discontinued operations | | | |
| North America | Nil | 6.6 | 7.1 |
| Total discontinued operations | Nil | 6.6 | 7.1 |
| Group revenue | 793.0 | 735.7 | 1,479.5 |

5 SEGMENTAL ANALYSIS (CONTINUED)
(B) OPERATING PROFIT

| | Unaudited | | | | | | |
|---|--|--|-----------------------------------|---|---|------------------------------------|---------------------------------------|
| | 6 months to 31 October 2005 | | | 6 months to 31 October 2004 | | | Year to 30 April 2005* |
| | Performance pre intangibles and exceptional items | Intangibles and exceptional items | Results for the period | Performance pre intangibles and exceptional items* | Intangibles and exceptional items* | Results for the period* | |
| £m | £m | £m | £m | £m | £m | £m | |
| Continuing operations | | | | | | | |
| UK Bus - continuing | 41.1 | Nil | 41.1 | 40.5 | Nil | 40.5 | 86.9 |
| - acquisitions - Glenvale | (0.8) | Nil | (0.8) | Nil | Nil | Nil | Nil |
| North America | 15.7 | Nil | 15.7 | 14.6 | Nil | 14.6 | 15.5 |
| New Zealand | 3.5 | Nil | 3.5 | 3.9 | Nil | 3.9 | 8.7 |
| Total bus continuing operations | 59.5 | Nil | 59.5 | 59.0 | Nil | 59.0 | 111.1 |
| UK Rail | 24.4 | Nil | 24.4 | 22.5 | Nil | 22.5 | 50.0 |
| Total continuing operations | 83.9 | Nil | 83.9 | 81.5 | Nil | 81.5 | 161.1 |
| Group overheads | (5.0) | Nil | (5.0) | (4.4) | (0.6) | (5.0) | (9.6) |
| Intangible amortisation | Nil | (2.6) | (2.6) | Nil | (1.9) | (1.9) | (4.1) |
| Redundancy/restructuring costs | (0.7) | Nil | (0.7) | (0.3) | Nil | (0.3) | (1.4) |
| Total operating profit of continuing Group companies | 78.2 | (2.6) | 75.6 | 76.8 | (2.5) | 74.3 | 146.0 |
| Share of profit/(loss) of joint ventures after finance charges and taxation | | | | | | | |
| Continuing | | | | | | | |
| - Virgin Rail Group | 4.5 | Nil | 4.5 | 4.1 | Nil | 4.1 | 9.7 |
| Operating profit | 6.1 | Nil | 6.1 | 5.5 | Nil | 5.5 | 13.2 |
| Finance charges (net) | 0.8 | Nil | 0.8 | 0.8 | Nil | 0.8 | 1.7 |
| Taxation | (2.4) | Nil | (2.4) | (2.2) | Nil | (2.2) | (5.2) |
| | 4.5 | Nil | 4.5 | 4.1 | Nil | 4.1 | 9.7 |
| Goodwill charged on investment in continuing joint ventures | Nil | (10.6) | (10.6) | Nil | (4.1) | (4.1) | (14.7) |
| Share of loss of associates after finance charges and taxation | | | | | | | |
| Continuing - other | Nil | Nil | Nil | (0.2) | Nil | (0.2) | (0.4) |
| Total operating profit: Group and share of joint ventures and associates | 82.7 | (13.2) | 69.5 | 80.7 | (6.6) | 74.1 | 140.6 |

* Results are restated for the impact of the transition to IFRS and IAS.

The operating profit from the discontinued element of North America for the prior year is not separately shown because it is not clearly distinguishable due to certain "shared" costs that relate to North America as a whole. However, the discontinued element of North America's operating profit is not believed to be material in the context of the Group's annual operating profit as a whole.

6 TAXATION

The taxation charge comprises:

| | Unaudited | | | | | | Year to 30 April 2005* £m |
|----------------------|---|---|------------------------------|--|--|-------------------------------|------------------------------|
| | 6 months to 31 October 2005 | | | 6 months to 31 October 2004 | | | |
| | Performance pre intangibles and exceptional items £m | Intangibles and exceptional items £m | Results for the period £m | Performance pre intangibles and exceptional items* £m | Intangibles and exceptional items* £m | Results for the period* £m | |
| Group companies - UK | 9.1 | (0.4) | 8.7 | 13.1 | (0.5) | 12.6 | 27.0 |
| - Overseas | 5.0 | (2.4) | 2.6 | 4.7 | (1.3) | 3.4 | Nil |
| | 14.1 | (2.8) | 11.3 | 17.8 | (1.8) | 16.0 | 27.0 |

* Restated for the impact of the transition to IFRS and IAS.

7 DIVIDENDS

| | Unaudited | | |
|---|-----------------------------------|------------------------------------|------------------------------|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Amounts recognised as distributions in the period | | | |
| <u>Dividends on ordinary shares</u> | | | |
| Final dividend paid of 2.0p per share for the year ended 30 April 2004 | - | 26.6 | 26.6 |
| Interim dividend paid of 1.0p per share for the year ended 30 April 2005 | - | - | 10.6 |
| Final dividend paid of 2.3p per share for the year ended 30 April 2005 | 24.6 | - | - |
| Amounts recognised as distributions to equity holders in the period | 24.6 | 26.6 | 37.2 |
| <u>Dividends on redeemable 'B' preference shares</u> | | | |
| Accrued for the period | n/a | 0.1 | 0.4 |
| | 24.6 | 26.7 | 37.6 |
| Dividends proposed but not paid or included as liabilities in the accounts | | | |
| <u>Dividends on ordinary shares</u> | | | |
| Interim dividend paid of 1.0p per share for the year ended 30 April 2005 | - | 10.7 | - |
| Final dividend paid of 2.3p per share for the year ended 30 April 2005 | - | - | 24.4 |
| Interim dividend proposed of 1.1p per share for the year ending 30 April 2006 | 11.8 | - | - |
| | 11.8 | 10.7 | 24.4 |

The proposed interim ordinary dividend of 1.1p per ordinary share was approved by the Board on 7 December 2005 and has not been included as a liability as at 31 October 2005. It is payable on 8 March 2006 to shareholders on the register at close of business of 10 February 2006.

The dividends proposed and the actual dividends recognised as distributions differ slightly due to the number of shares at the balance sheet date being different to that of the record date.

8 EARNINGS PER SHARE

Earnings per ordinary share have been calculated by calculating the profit after taxation and non-equity dividends divided by the weighted average number of ordinary shares in issue during the period based on the following:

| | Unaudited | | |
|---|--|------------------------------------|--------------------------------|
| | 6 months to 31 October 2005 | 6 months to 31 October 2004* | Year to 30 April 2005* |
| Basic weighted average ordinary share capital (number of shares, million) | 1,068.2 | 1,252.2 | 1,154.5 |
| Dilutive ordinary shares | | | |
| - Executive Share Option Scheme | 19.0 | 18.2 | 20.0 |
| - Employee SAYE Scheme | 0.8 | 3.0 | 3.6 |
| Diluted weighted average ordinary share capital (number of shares, million) | 1,088.0 | 1,273.4 | 1,178.1 |
| | £m | £m | £m |
| Profit after taxation and non-equity dividends (for basic EPS calculation) | 43.6 | 43.2 | 85.5 |
| Amortisation of intangible assets | 13.2 | 6.0 | 18.8 |
| Exceptional items (see note 3) | 4.0 | 5.3 | 7.5 |
| Tax effect of amortisation of intangible assets and exceptional items | (2.8) | (1.8) | (2.7) |
| Profit for adjusted EPS calculation | 58.0 | 52.7 | 109.1 |
| | Earning per share pence | Earnings per share pence | Earnings per share pence |
| Basic | 4.1 | 3.4 | 7.4 |
| Adjusted basic | 5.4 | 4.2 | 9.4 |
| Diluted | 4.0 | 3.4 | 7.3 |
| Adjusted diluted | 5.3 | 4.1 | 9.3 |

* Restated for the impact of the transition to IFRS and IAS.

9 INVESTMENT IN JOINT VENTURES

| | Unaudited 6 months to 31 October 2005 £m |
|------------------------------------|---|
| Cost at 1 May 2005* | 73.4 |
| Additions | 0.4 |
| Share of recognised profits | 4.5 |
| At 31 October 2005 | 78.3 |
| Amounts written off at 1 May 2005* | (14.7) |
| Goodwill charged during period | (10.6) |
| At 31 October 2005 | (25.3) |
| Net book value, 1 May 2005* | 58.7 |
| Net book value, 31 October 2005 | 53.0 |

* Restated for the impact of the transition to IFRS and IAS.

10 RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW FROM OPERATING ACTIVITIES

| | Unaudited | | |
|--|---|--|--|
| | 6 months to 31 October 2005 £m | 6 months to 31 October 2004* £m | Year to 30 April 2005* £m |
| Operating profit of Group companies | 75.6 | 74.3 | 146.0 |
| Adjustments for: | | | |
| Depreciation | 34.3 | 31.5 | 67.3 |
| Loss on disposal of property, plant and equipment | 0.2 | 1.3 | 3.0 |
| Amortisation of intangible assets | 2.6 | 1.9 | 4.1 |
| Share based payment expense | 1.1 | 0.6 | 1.4 |
| Impairment of investment | Nil | 0.3 | 0.4 |
| Operating cashflows before working capital | 113.8 | 109.9 | 222.2 |
| (Increase)/decrease in inventories | (1.1) | 0.1 | (0.4) |
| Increase in receivables | (6.7) | (8.5) | (13.2) |
| Increase in payables | 30.7 | 29.1 | 4.7 |
| Decrease in provisions | (4.0) | (2.9) | (14.8) |
| Cash generated by operations | 132.7 | 127.7 | 198.5 |
| Interest paid | (13.7) | (7.4) | (26.2) |
| Interest received | 2.9 | 10.1 | 13.6 |
| Interest element of hire purchase contracts and finance lease payments | (1.7) | (3.7) | (8.3) |
| Non equity dividends paid | Nil | Nil | (0.4) |
| Dividends received from joint ventures and associated | Nil | 14.7 | 23.5 |
| Net cash from operating activities | 120.2 | 141.4 | 200.7 |

* Restated for the impact of the transition to IFRS and IAS.

During the period, the Group entered into hire purchase arrangements in respect of new assets with a total capital value at the inception of the contracts of £6.0m (31 October 2004: £25.1m). After taking account of deposits paid up-front, new hire purchase liabilities of £5.7m (31 October 2004: £23.8m) were recognised.

11 ANALYSIS OF NET DEBT

IFRS does not explicitly define “net debt”. The analysis provided below therefore shows analysis of net debt as UK GAAP defines it. The analysis below further shows the other items classified as net borrowings in the consolidated balance sheet.

| | Opening £m | IAS 32 & IAS 39 adoption £m | Cashflows £m | Cash collateral £m | New hire purchase £m | Foreign exchange movements £m | Acquisitions £m | (Charged)/ credited to income statement £m | Closing £m |
|---|----------------|--------------------------------------|-----------------|--------------------------|----------------------------|--|--------------------|--|----------------|
| Cash | 104.2 | Nil | 18.4 | Nil | Nil | 0.8 | Nil | Nil | 123.4 |
| Cash collateral | 34.3 | Nil | (0.2) | (0.2) | Nil | Nil | Nil | Nil | 33.9 |
| Hire purchase and finance lease obligations | (66.1) | Nil | 11.3 | Nil | (5.7) | Nil | Nil | Nil | (60.5) |
| Bank loans and loan stock | (112.1) | Nil | 3.1 | 0.2 | Nil | (0.6) | (10.1) | Nil | (119.5) |
| Bonds | (174.9) | Nil | Nil | Nil | Nil | (11.3) | Nil | Nil | (186.2) |
| UK GAAP Net Debt | (214.6) | Nil | 32.6 | Nil | (5.7) | (11.1) | (10.1) | Nil | (208.9) |
| Accrued interest on bonds | n/a | (6.9) | 7.8 | Nil | Nil | (0.4) | Nil | (8.0) | (7.5) |
| Separate recognition of foreign exchange forward contract | n/a | 0.4 | Nil | Nil | Nil | Nil | Nil | (2.5) | (2.1) |
| Redeemable 'B' shares | n/a | (13.9) | 13.9 | Nil | Nil | Nil | Nil | Nil | Nil |
| Unamortised gain on early settlement of interest rate swaps | n/a | (23.5) | Nil | Nil | Nil | Nil | Nil | 3.9 | (19.6) |
| Net borrowings | (214.6) | (43.9) | 54.3 | Nil | (5.7) | (11.5) | (10.1) | (6.6) | (238.1) |

The net total of cash and cash collateral of £157.3m (30 April 2005: £138.5m) is classified in the balance sheet as £157.7m (30 April 2005: £140.0m) cash and cash equivalents and £0.4m (30 April 2005: £1.5m) as bank overdrafts within borrowings. The cash collateral balance as at 31 October 2005 of £33.9m (30 April 2005: £34.3m) comprises balances held in trust in respect of loan notes of £33.3m (30 April 2005: £33.5m) and North America restricted cash balances of £0.6m (30 April 2005: £0.8m). In addition, cash includes train operating company cash of £92.2m (30 April 2005: £61.3m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained profits.

APPENDIX 1

**Stagecoach Group plc
Interim Report for the six months ended 31 October 2005
(to be published in the Financial Times on 8 December 2005)**

| Consolidated Income Statement For the six months to 31 October 2005 | Unaudited 6 months to 31 Oct 2005 £m | Unaudited 6 months to 31 Oct 2004* £m | Unaudited Year to 30 April 2005* £m |
|---|---|--|--|
| Revenue | 793.0 | 735.7 | 1,479.5 |
| Operating costs | (821.5) | (746.1) | (1,508.5) |
| Other operating income (net) | 104.1 | 84.7 | 175.0 |
| Operating profit of Group companies | 75.6 | 74.3 | 146.0 |
| Share of loss of joint ventures | (6.1) | Nil | (5.0) |
| Share of loss from interest in associates | Nil | (0.2) | (0.4) |
| Total operating profit: Group and share of joint ventures and associates | 69.5 | 74.1 | 140.6 |
| (Loss)/gain on sale of properties | (0.2) | 1.3 | 1.3 |
| Loss on disposed operations | (3.8) | (6.0) | (7.4) |
| Profit before interest and taxation | 65.5 | 69.4 | 134.5 |
| Finance costs | (13.5) | (21.0) | (35.2) |
| Finance income | 2.9 | 10.9 | 13.8 |
| Profit before taxation | 54.9 | 59.3 | 113.1 |
| Taxation | (11.3) | (16.0) | (27.0) |
| Profit for the period | 43.6 | 43.3 | 85.9 |
| Profit attributable to equity shareholders of the parent | 43.6 | 43.3 | 85.9 |
| Earnings per share | | | |
| - Basic | 4.1p | 3.4p | 7.4p |
| - Adjusted | 5.4p | 4.2p | 9.4p |
| - Diluted | 4.0p | 3.4p | 7.3p |
| Dividends per ordinary share | | | |
| - Interim | 1.1p | 1.0p | 1.0p |
| - Final | - | - | 2.3p |

| Consolidated Balance Sheet As at 31 October 2005 | Unaudited 31 Oct 2005 £m | Unaudited 31 Oct 2004* £m | Unaudited 30 April 2005* £m |
|--|--------------------------------|---------------------------------|-----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 109.4 | 96.9 | 93.6 |
| Other intangible assets | 7.8 | 9.8 | 9.2 |
| Property, plant and equipment | 711.6 | 699.9 | 694.2 |
| Investment in joint ventures | 53.0 | 82.2 | 62.1 |
| Investment in associates | 2.0 | 1.2 | 1.0 |
| Available for sale and other investments | 5.0 | 2.2 | 1.8 |
| Deferred tax asset | 4.3 | Nil | 4.1 |
| Trade and other receivables | 5.1 | 10.1 | 6.7 |
| | 898.2 | 892.3 | 872.7 |
| Current assets | | | |
| Inventories | 14.1 | 12.2 | 12.5 |
| Trade and other receivables | 181.4 | 162.3 | 169.2 |
| Derivative instruments at fair value | 11.0 | Nil | Nil |
| Cash and cash equivalents | 157.7 | 363.1 | 140.0 |
| | 364.2 | 537.6 | 321.7 |
| Assets held for sale | Nil | 3.5 | Nil |
| Total assets | 1,262.4 | 1,433.4 | 1,194.4 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 358.3 | 387.0 | 357.6 |
| Current tax liabilities | 30.4 | 35.5 | 33.3 |
| Borrowings | 135.8 | 282.7 | 126.5 |
| Derivative instruments at fair value | 2.1 | Nil | Nil |
| Dividends payable | Nil | 0.1 | Nil |
| | 526.6 | 705.3 | 517.4 |
| Non-current liabilities | | | |
| Trade and other payables | 8.2 | 9.1 | 8.1 |
| Borrowings | 260.0 | 294.1 | 228.1 |
| Provisions | 101.6 | 119.3 | 98.5 |
| Retirement benefit obligations | 220.2 | 170.7 | 220.9 |
| | 590.0 | 593.2 | 555.6 |
| Liabilities associated with assets held for sale | Nil | 0.7 | Nil |
| Total liabilities | 1,116.6 | 1,299.2 | 1,073.0 |
| Net assets | 145.8 | 134.2 | 121.4 |
| EQUITY | | | |
| Ordinary share capital | 6.8 | 6.7 | 6.8 |
| Redeemable 'B' preference shares | Nil | 21.0 | 13.9 |
| Share premium account | 166.7 | 154.1 | 163.4 |
| Retained earnings | (283.0) | (271.9) | (288.4) |
| Capital redemption reserve | 243.0 | 222.1 | 229.1 |
| Own shares | (6.1) | (3.9) | (6.8) |
| Translation reserve | 7.9 | 6.1 | 3.4 |
| Available for sale reserve | 1.7 | Nil | Nil |
| Cash flow hedging reserve | 8.8 | Nil | Nil |
| Total equity | 145.8 | 134.2 | 121.4 |

| Consolidated Cash Flow Statement For the six months to 31 October 2005 | Unaudited 6 months to 31 Oct 2005 £m | Unaudited 6 months to 31 Oct 2004* £m | Unaudited Year to 30 April 2005* £m |
|--|---|--|--|
| Cash generated from operations | 120.2 | 141.4 | 200.7 |
| Tax paid | (14.0) | (12.6) | (27.1) |
| Net cash from operating activities | 106.2 | 128.8 | 173.6 |
| Net cash used in investing activities | (35.5) | (11.1) | (50.8) |
| Net cash used in financing activities | (52.3) | (227.3) | (456.4) |
| Net increase/(decrease) in cash and cash equivalents | 18.4 | (109.6) | (332.6) |
| Cash and cash equivalents at the beginning of the period | 104.2 | 439.2 | 439.2 |
| Exchange rate effects | 0.8 | (2.1) | (2.4) |
| Cash and cash equivalents at the end of the period | 123.4 | 327.5 | 104.2 |

| Reconciliation of Movements in Consolidated Equity For the six months to 31 October 2005 | Unaudited 6 months to 31 Oct 2005 £m | Unaudited 6 months to 31 Oct 2004* £m | Unaudited Year to 30 April 2005* £m |
|--|---|--|--|
| Profit for the financial period | 43.6 | 43.3 | 85.9 |
| Dividends | (24.6) | (26.7) | (37.6) |
| | 19.0 | 16.6 | 48.3 |
| Other recognised income and expense relating to the period | 14.2 | 6.1 | (38.6) |
| Share based payment expense | 1.1 | 0.6 | 1.4 |
| Equity ordinary share capital issued less costs | 3.3 | 3.5 | 12.8 |
| Own ordinary shares repurchased | Nil | Nil | (5.4) |
| Own ordinary shares sold | 0.7 | Nil | 2.5 |
| Redemption of 'B' preference shares | (13.9) | (220.4) | (227.4) |
| Expenses on issue of 'B' shares set against share premium | Nil | (0.4) | (0.4) |
| Net increase/(decrease) in equity | 24.4 | (194.0) | (206.8) |
| Equity at the start of the period | 121.4 | 328.2 | 328.2 |
| Equity at the end of the period | 145.8 | 134.2 | 121.4 |

Chairman's Statement

I am pleased to report that Stagecoach Group is continuing to deliver on our strategy for organic growth in our bus and rail operations in the UK and North America.

Strong management action, coupled with excellent operational performance, effective marketing, continuing innovation and investment in new vehicles, have produced further revenue growth across the Group.

Revenue for the six months ended 31 October 2005 was £793.0m (2004: £735.7m). Excluding the impact of acquisitions and disposed businesses, revenue grew 7.8% from £729.1m to £786.2m. Total operating profit (before intangible asset amortisation and exceptional items) was £82.7m (2004: £80.7m). Earnings per share before intangible asset amortisation and exceptional items were up 28.6% at 5.4p (2004: 4.2p).

The Board has declared an interim dividend of 1.1p per share (2004: 1.0p), a 10.0% increase, which reflects our continued confidence in the prospects for the Group. The interim dividend is payable to shareholders on the register at 10 February 2006 and will be paid on 8 March 2006. Based on continued strong cash flows and profits, we will look to continue to increase the dividend year on year.

We believe that we submitted competitive bids for the Thameslink/Great Northern and Greater Western rail franchises. Final decisions are expected from the Department for Transport ("DfT") before Christmas. However, we are not in active discussions with the DfT on these franchises at the current time.

The Group will continue to innovate and invest in quality services to attract more people to public transport. All of our employees are central to that strategy and I would like to pay tribute to their continued hard work and commitment to first-class customer service.

We will continue to bid for new rail franchises and we look forward to capitalising on further opportunities for organic growth in our bus operations, both of which can deliver increased value to our shareholders.

Robert Speirs, Chairman

Basis of preparation

Stagecoach Group plc ("the Group") previously prepared its primary consolidated financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") for periods up to and including 30 April 2005. From 1 May 2005 onwards, the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as adopted by the European Union ("EU"). The results for the six months ended 31 October 2005 represent the Group's first interim financial statements prepared in accordance with accounting policies based on IFRS. The comparatives for the six months ended 31 October 2004 and the year ended 30 April 2005 have been restated. Detailed transitional UK GAAP to IFRS reconciliations for the comparatives were issued on 29 September 2005 and can be found on the Group's website at <http://www.stagecoach.com/scg/ir/finanalysis/reports/>. The Group's first IFRS Annual Report and Accounts will be for the year ending 30 April 2006.

The accounting policies, used in the interim results, are consistent with the standards expected to be endorsed by the EU and applicable for the preparation of the financial statements for the year ending 30 April 2006. As permitted by IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement', the Group has chosen not to restate its comparative information for the year ended 30 April 2005 for financial instruments. The Group has applied IAS 32 and IAS 39 with effect from 1 May 2005.

Independent review report to Stagecoach Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 October 2005 which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement and reconciliation of movements in consolidated equity. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in the basis of preparation, the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in the basis of preparation.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in the basis of preparation, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 30 April 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2005.

PricewaterhouseCoopers LLP, Chartered Accountants, Glasgow
7 December 2005

* Results are restated for the impact of the transition to IFRS and IAS