3 November 2003

THUS Group plc
Interim Results
six months ended 30 September 2003

ON TARGET FOR CASH FLOW POSITIVE IN FINAL QUARTER
OPERATING PROFIT IN SIGHT

Financial highlights

Sustained growth and margin expansion

- Turnover up 10% to £157.5 million. (H1 2003: £143.0 million)
- EBITDA[1] up 89% to £20.6 million. (H1 2003: £10.9 million)
- EBITDA margin 13%. (H1 2003: 8%)
- Loss before tax reduced 67% to £10.2 million. (H1 2003: £30.8 million)
- Capital expenditure £16.7 million reduced to 11% of turnover.
  (H1 2003: £23.7 million and 17%)

Financially strong

- Net cash outflow[2] reduced by 48% to £8.3 million. (H1 2003: £15.8 million)
- Net debt £40.9 million. Gearing 11%
- EBITDA less capex positive for first time at £3.9 million

Operating highlights

- New corporate customers include Virgin, GWR, Greenland, The Funding Corporation and Granada Interactive
- Data growth includes over 1,000 Ethernet circuits and four-fold increase in DSL broadband to over 50,000 customers
- Quality reputation reinforced with another strong performance in Oftel's latest Comparable Performance Indicators

1 Earnings before interest, tax, depreciation and amortisation. See Note 3 to the Accounts.
2 Cash outflow after returns on investments and servicing of finance and capital expenditure.

Commenting on today's results, William Allan, Chief Executive said:

'THUS has delivered sustained turnover growth, strong EBITDA progression and sharply reduced losses despite difficult trading conditions. EBITDA less capital expenditure was positive for the first time, demonstrating rapid progress towards our target to be net cash flow positive on a sustainable basis.

During the period, we won a number of significant new corporate customers for our national services and further expanded our services into key accounts. As expected, our scale and continued operating efficiencies have enabled us to improve bottom line performance and to absorb price erosion from distressed competitors.

Although we remain cautious on the macro-economic outlook for the UK economy and on the market structure and pricing for telecommunication services, we remain confident that THUS will meet full year expectations on turnover and EBITDA and deliver sustainable positive cash flow after interest and capital expenditure in quarter four of this year as expected.

In addition, the Board believes that the business is on a steady trajectory to turn operating profit positive in the second half of the next financial year ending 31 March 2005.'

Further information

THUS Group plc

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An analysts' conference will be held this morning at 9.00am for 9.30am at the offices of Investec, 2 Gresham Street, London, EC2V 7QP. A simultaneous webcast of the conference will be screened at www.thus.net/interimresults.htm Webcast participants are advised to visit the web address at least 15 minutes before the start of the conference to ensure they have all necessary software to take part.

Performance Review

Turnover

Group turnover grew 10% to £157.5 million.

Segmental analysis of turnover

Data and telecoms

Data and telecoms turnover grew by 16% to £90.8 million, driven forward by major new contract wins and expansion of existing customer relationships.

New contracts included a major national data contract with GWR, the UK's largest commercial radio group, and services to the Virgin Group, Greenland, The Funding Corporation and Granada Interactive.

Data services have seen the fastest growth. Rapid take up of Ethernet services, launched in the autumn of last year, has seen over 1,000 Ethernet circuits provided to corporate customers, including TOTAL E&P UK and UHI Millennium, the higher education institution.

Traditional voice services grew strongly, with directly connected outgoing voice minutes up 69% to 462 million and indirectly connected minutes up 48% to 985 million.

Indirect service growth benefited from the implementation of carrier pre-select (CPS) which improves the capture of indirectly connected customer calls by automatically routing this traffic over the THUS network. Growth from SkyTalk, Sky's consumer telephone offering, was particularly strong.

Internet

Internet turnover grew 10% to £48.6 million.

Broadband customers grew four-fold to over 50,000 compared to the first half last year. UK customers were up three times to 39,500 and Demon Netherlands customers up more than five times to over 14,000.

Building on our position as the broadband provider of choice for business, new innovations to our broadband product portfolio were implemented, including a range of high speed, cost-effective, self-install options and the addition of private access DSL that allows customers to use broadband as a secure connection into private networks.

Strong growth was also achieved in Internet access, email and SMS services provided to support Amstrad's emailer, as UK households with the emailer grew to nearly 300,000.

Contact centre services

Contact centre turnover fell 23% to £9.7 million.

Contact centre revenue declined following the loss of the Microsoft account due to the consolidation of Microsoft's contact centres in Continental Europe. Despite this loss, the division is confident of recovery in the second half from the recent expansion of existing accounts and new contracts.

Interactive

Interactive turnover was stable at £8.4 million, reflecting the division's continued success with its premium rate services and competition formats.

Margin expansion and progress to profit

Gross profit showed good absolute growth, up 9% to £56.3 million excluding depreciation and amortisation and up 19% to £35.1 million after these items.

First half gross margins were stable at 36% excluding depreciation and amortisation compared with the same period last year, and up slightly to 22% after these items.

Selling, distribution and administration costs (S,D&A) excluding depreciation and amortisation fell 12% to £35.7 million, down from 29% to 23% of sales, demonstrating that THUS is now able to add significantly to turnover without adding corresponding incremental S,D&A costs. The reduction in S,D&A reflects efficiency improvements made over the course of the year from increased scale, as well as a good exit run rate on S,D&A from the last financial year. The second half will also benefit from the savings generated as a result of the implementation of a new, single billing platform.

Combining revenue growth with increased operating leverage, EBITDA grew 89% to £20.6 million.

Depreciation and amortisation was £29.4 million, split £21.2 million and £8.2 million between cost of goods sold and S,D&A expenses respectively. This was £6.7 million lower than the first half last year which included impairment charges of approximately £4.0 million.

After depreciation and amortisation, the operating loss was reduced 65% to £8.8 million. Net interest was £2.8 million compared with £3.9 million last year, resulting in a 67% improvement in the loss before tax to £10.2 million.

The loss per ordinary share was reduced by 67% to 0.78p.

Capital investment

Capital investment was £16.7 million compared with £23.7 million in the equivalent period last year, falling from 17% to 11% of turnover. About two-thirds of capital expenditure was tied to revenue growth either through customer connections, product development or platform capacity upgrades. For the full year, it is anticipated that accruals based capital expenditure will be less than £40.0 million.

Cash flows and net debt

As a result of the improved growth and continued cost and capital expenditure control, cash outflow after returns on investments and servicing of finance and capital expenditure was almost halved from £15.8 million to £8.3 million.

At the period end, net debt was £40.9 million compared with £32.7 million at the year end and gearing remained at 11%.

Draw down on the £60 million bank facility remained unchanged from the year end at £40.0 million.

Outlook

Over the last six months, we have increased momentum from new customer contracts, adding to our scale and productivity UK-wide.

Although we are cautious on the macro-economic outlook for the UK economy and on the market structure and pricing for telecommunication services, we remain confident that THUS will meet full year expectations on turnover and EBITDA, and deliver sustainable positive cash flow after interest and capital expenditure in quarter four of this year as expected.

In addition, the Board believes that the business is on a steady trajectory to turn operating profit positive in the second half of the next financial year ending 31 March 2005.

Ends

THUS Group plc

Unaudited Group Profit and Loss Account
for the six months ended 30 September 2003

	Notes	**First half 2003-04 £'000**	First half 2002-03 £'000	Full year 2002-03 £'000
Turnover from continuing operations	2	**157,507**	142,996	291,236
Cost of sales		**(122,382)**	(113,514)	(227,039)
Gross profit from continuing operations		**35,125**	29,482	64,197
Selling and distribution		**(10,463)**	(15,140)	(27,180)
Administration expenses		**(33,500)**	(39,531)	(87,816)
Operating loss from continuing operations		**(8,838)**	(25,189)	(50,799)
Exceptional items				
- Gain on sale of fixed assets		**-**	250	250
Loss on ordinary activities before interest and other similar charges		**(8,838)**	(24,939)	(50,549)
Amounts written back to / (off) investments		**1,483**	(1,894)	(1,325)
Net interest payable and other similar charges		**(2,810)**	(3,949)	(6,915)
Loss on ordinary activities before taxation		**(10,165)**	(30,782)	(58,789)
Taxation on loss on ordinary activities	4	**(212)**	(213)	(196)
Loss transferred to reserves		**(10,377)**	(30,995)	(58,985)
Loss and diluted loss per ordinary share (pence)	5	**(0.78)**	(2.33)	(4.44)

There were no acquisitions or discontinued operations in the period.

The Notes on pages 9 to 11 form part of these Accounts.

THUS Group plc

Unaudited Consolidated Statement of Total Recognised Gains and Losses
for the six months ended 30 September 2003

	Note	**First half 2003-04 £'000**	First half 2002-03 £'000	Full year 2002-03 £'000
Loss for the period		**(10,377)**	(30,995)	(58,985)
Currency translation differences on overseas net assets		**(6)**	(14)	(62)
Unrealised gains / (losses) on fixed asset disposals	**6**	**839**	-	(507)
Total recognised gains and losses relating to the period		**(9,544)**	(31,009)	(59,554)

Unaudited Reconciliation of Movements in Shareholders' Funds
for the six months ended 30 September 2003

	Note	**First half 2003-04 £'000**	First half 2002-03 £'000	Full year 2002-03 £'000
Loss for the period – transferred to reserves		**(10,377)**	(30,995)	(58,985)
Currency translation differences on overseas net assets		**(6)**	(14)	(62)
Merger reserve movement		**-**	-	814
Unrealised gains / (losses) on fixed asset disposals	**6**	**839**	-	(507)
Net movement in shareholders' funds		**(9,544)**	(31,009)	(58,740)
Opening shareholders' funds		**407,412**	466,152	466,152
Closing shareholders' funds		**397,868**	435,143	407,412

The Notes on pages 9 to 11 form part of these Accounts.

THUS Group plc

Unaudited Group Balance Sheet
as at 30 September 2003

	Note	30 September 2003 £'000	30 September 2002 £'000	31 March 2003 £'000
Fixed assets				
Intangible assets		**219**	396	301
Tangible assets		**423,630**	457,168	436,508
		423,849	457,564	436,809
Current assets				
Stocks		**2,583**	5,748	2,867
Debtors		**91,231**	85,440	90,837
Investments		**3,149**	1,097	1,666
Cash at bank and in hand		**3,830**	13,063	12,143
Total current assets		**100,793**	105,348	107,513
Creditors: amounts falling due within one year				
Other creditors		**(85,298)**	(105,785)	(95,511)
Loans and other borrowings		**(122)**	(111)	(117)
Total creditors falling due within one year		**(85,420)**	(105,896)	(95,628)
Net current assets / (liabilities)		**15,373**	(548)	11,885
Total assets less current liabilities		**439,222**	457,016	448,694
Creditors: amounts falling due after more than one year				
Loans and other borrowings		**(41,104)**	(20,973)	(40,666)
Total creditors falling due after more than one year		**(41,104)**	(20,973)	(40,666)
Provisions for liabilities and charges		**(250)**	(900)	(616)
Net assets		**397,868**	435,143	407,412
Capital and reserves				
Called-up share capital		**33,715**	33,715	33,715
Merger reserve		**566,560**	565,746	566,560
Capital redemption reserve		**23,248**	23,248	23,248
Other reserves	6	**19,193**	19,810	18,840
Profit and loss account		**(244,848)**	(207,376)	(234,951)
Total equity shareholders' funds		**397,868**	435,143	407,412

The Notes on pages 9 to 11 form part of these Accounts.

Approved by the Board on 31 October 2003 and signed on its behalf by

William Allan
Chief Executive

John Maguire
Chief Financial Officer

THUS Group plc

Unaudited Group Cash Flow Statement
for the six months ended 30 September 2003

	Notes	**First half 2003-04 £'000**	First half 2002-03 (Restated) £'000	Full year 2002-03 £'000
Net cash inflow from continuing operating activities	7	**10,198**	16,782	26,076
Returns on investments and servicing of finance		**(2,556)**	(4,609)	(8,413)
Free cash flow*		**7,642**	12,173	17,663
Capital expenditure		**(15,896)**	(28,005)	(54,362)
Cash outflow before financing		**(8,254)**	(15,832)	(36,699)
Financing		**(59)**	19,447	39,394
(Decrease) / increase in cash in the period	8	**(8,313)**	3,615	2,695

*Free cash flow represents cash flow from continuing operating activities after adjusting for returns on investments and servicing of finance.

The restatement of the cash flow statement for the prior period represents a reclassification of expenses paid in connection with issue of debt from financing to returns on investments and servicing of finance of £4,354,000.

Unaudited Reconciliation of Net Cash Flow to Movement in Net Debt
for the six months ended 30 September 2003

	Note	**First half 2003-04 £'000**	First half 2002-03 £'000	Full year 2002-03 £'000
(Decrease) / increase in cash in the period	8	**(8,313)**	3,615	2,695
Cash outflow / (inflow) from reduction / (increase) in debt	8	**59**	(19,447)	(39,394)
Changes in net debt resulting from cash flows	8	**(8,254)**	(15,832)	(36,699)
Net (debt) / funds at the beginning of the period	8	**(32,657)**	4,042	4,042
Net debt at the end of the period	8	**(40,911)**	(11,790)	(32,657)

The Notes on pages 9 to 11 form part of these Accounts.

THUS Group plc

Notes to the Accounts
for the six months ended 30 September 2003

1 Basis of preparation

These interim Accounts have been prepared on the basis of accounting policies consistent with those set out in the Annual Report and Accounts for the year ended 31 March 2003.

The interim Accounts are unaudited but have been formally reviewed by the auditors and their report to the Company is set out on page 12.

The information shown for the year ended 31 March 2003 does not constitute statutory Accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the full Accounts for the year ended 31 March 2003 filed with the Registrar of Companies. The report of the auditors on those Accounts was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

2 Segmental reporting

Turnover has been analysed below between Internet services, interactive services, data and telecom services, and contact centre services. The Directors consider these to be the same class of business and accordingly no segmental analysis of operating loss or net assets has been given.

	First half 2003-04 £'000	First half 2002-03 £'000	Full year 2002-03 £'000
Turnover analysis			
Internet services	**48,584**	44,007	90,273
Interactive services	**8,352**	8,145	15,776
Data and telecom services	**90,852**	78,222	160,556
Contact centre services	**9,719**	12,622	24,631
	157,507	142,996	291,236
Turnover by origin			
United Kingdom	**151,773**	138,727	281,920
Europe	**5,734**	4,269	9,316
	157,507	142,996	291,236
Turnover by destination			
United Kingdom	**150,330**	136,859	278,503
Europe	**7,177**	5,642	12,134
USA	**-**	495	599
	157,507	142,996	291,236

Notes to the Accounts
for the six months ended 30 September 2003

3 Earnings before interest, taxation, depreciation and amortisation (EBITDA)

	First half 2003-04 £'000	First half 2002-03 £'000	Full year 2002-03 £'000
Operating loss	**(8,838)**	(25,189)	(50,799)
Depreciation charge for the period	**29,343**	36,014	77,737
Amortisation charge for the period	**82**	70	165
EBITDA	**20,587**	10,895	27,103

4 Taxation

Taxation on the loss for the period / year:	**First half 2003-04 £'000**	First half 2002-03 £'000	Full year 2002-03 £'000
Overseas taxation	**212**	213	196

No taxation charge is required for the period due to the availability of taxation losses. No provision for deferred taxation is considered necessary at 30 September 2003, since accumulated tax losses are expected to offset any reversal of accelerated capital allowances.

5 Loss per ordinary share

The loss and diluted loss per ordinary share have been calculated in accordance with Financial Reporting Standard 14 "Earnings per Share" (FRS 14) for all periods. The loss for the period, divided by the weighted average number of ordinary shares in issue during the period, has been used to calculate the loss and diluted loss per ordinary share.

	First half 2003-04	First half 2002-03	Full year 2002-03
Loss for the period (£'000)	**(10,377)**	(30,995)	(58,985)
Basic and diluted weighted average share capital (number of shares, thousands)	**1,329,715**	1,329,178	1,329,347

The basic and diluted weighted average share capital excludes shares held by the Company under Trust in connection with the Employee Share Schemes.

Notes to the Accounts
for the six months ended 30 September 2003

6 Other reserves

	Notes	**First half 2003-04 £'000**	First half 2002-03 £'000	Full year 2002-03 £'000
Opening balance		**18,840**	20,292	20,292
Unrealised gains / (losses) on fixed asset disposals	(i)	**839**	-	(507)
Transfer to Profit and Loss Account reserve	(ii)	**(486)**	(482)	(945)
Closing balance		**19,193**	19,810	18,840

(i) The unrealised gains on fixed asset disposals, for the current period, represents sales made under Indefeasible Rights of Use (IRU) arrangements. The unrealised losses on fixed asset disposals, for the prior year, reflect revisions to cost estimates made in the previous year for IRU sales.

(ii) The transfer to the Profit and Loss Account reserve represents the element of previously unrealised gains on fixed asset disposals attributable to the current year.

7 Reconciliation of operating loss to net cash inflow from continuing operating activities

	First half 2003-04 £'000	First half 2002-03 £'000	Full year 2002-03 £'000
Operating loss	**(8,838)**	(25,189)	(50,799)
Depreciation of tangible fixed assets	**29,343**	36,014	77,737
Amortisation of intangible fixed assets	**82**	70	165
Profit on disposal of tangible fixed assets	**-**	-	(66)
Movements in provisions for liabilities and charges	**(366)**	-	(284)
Decrease / (increase) in stocks	**284**	(425)	2,456
Increase in debtors	**(395)**	(2,275)	(7,961)
(Decrease) / increase in creditors	**(9,912)**	8,587	4,828
Net cash inflow from continuing operating activities	**10,198**	16,782	26,076

8 Analysis of net debt

	At 1 April 2003 £'000	**Cash flow £'000**	**At 30 September 2003 £'000**
Cash at bank and in hand	12,143	(8,313)	**3,830**
Loans – due after one year	(40,600)	-	**(40,600)**
Finance leases	(4,200)	59	**(4,141)**
	(44,800)	59	**(44,741)**
Total	**(32,657)**	**(8,254)**	**(40,911)**

9 Contingent liabilities

There have been no material changes to the Group's contingent liabilities disclosed in the Annual Report and Accounts for the year ended 31 March 2003.

Independent Review Report by KPMG Audit Plc to THUS Group plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 5 to 11 and 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.

The report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

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 which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding Annual Accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

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 30 September 2003.

KPMG Audit Plc
Chartered Accountants
31 October 2003

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