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**30 January 2001**

**THUS PLC  
SUMMARY RESULTS AND TRADING UPDATE  
QUARTER ENDED 31 DECEMBER 2000**

**Highlights**

- Third quarter sales growth accelerates, with overall turnover up 12% to £59.9 million on quarter two and up 11% year on year. Business service sales grow 26% on quarter two to £43.4 million and 42% year on year
- Growth driven by increased sales across Internet, data and telecoms and contact centre services
- Internet sales under the Demon brand up 13% to £20.3 million on quarter two and up 6% year on year. Internet Magazine awards Demon 'Best ISP on the Planet'
- National connectivity in place. Completion of Southern network ring and service launched in Birmingham, Bristol, Gloucester and Milton Keynes during current period
- Third quarter EBITDA improved by 45% compared with quarter two to negative £4.7 million
- Board confirms intention to dispose of consumer facing Interactive division

**Commenting on the results, William Allan, Chief Executive said:**

'These results demonstrate a strong improvement in both our sales growth and in the management of our operating costs.

'Our transition to a national, business focused telecommunications services company is now largely complete. We are beginning to see the scale effects from corporate contracts for data and telecoms, Internet and contact centre services announced earlier this year. Business customers are attracted by our comprehensive national network, advanced data and service strategy and leading quality of service. Going forward, our aim is to increase both the share and the value of the sales that we achieve in this faster growing, higher value market segment.

'During the third quarter, we have continued to add to our corporate customer base and expanded our SME sales, reflecting our increased focus on the business market. We have also begun discussions to dispose of our consumer facing Interactive division.

'The acceleration in sales growth achieved in the third quarter gives us further confidence that the Company will deliver enhanced revenue growth throughout the second half of the current financial year.'

## **Summary of results**

Third quarter turnover was £59.9 million, up 12% compared with second quarter sales of £53.3 million and up 11% compared with the corresponding period last year. This represents a marked acceleration against both the previous consecutive quarter on quarter growth of 5% and first half year on year sales growth of 3%.

Excluding the ScottishPower facilities management (SPFM) contract, third quarter sales were up 20% on quarter two to £55.9 million and up 16% on quarter three last year. Excluding consumer facing operations, sales in business services grew by 26% on quarter two to £43.4 million and by 42% year on year. This acceleration reflects the implementation of large scale corporate data and telecoms, Internet and contact centre services contracts announced in the first half, such as those with Sky, GE Capital, Scottish Provident, Intelligent Finance, Broadssystem Ventures Limited, Wincanton Logistics and Virgin Cars, as well as more recent wins from Bootsphoto.com and London Electricity.

Enhanced growth together with tight control of operating costs enabled a 45% improvement in third quarter EBITDA, down from negative £8.6 million in quarter two to negative £4.7 million in quarter three. The operating loss improved 22% to £13.8 million over the same period.

## **Segmental analysis of turnover**

### **Data and telecoms**

Third quarter turnover increased 12% to £26.4 million compared with quarter two and 49% against quarter three sales last year.

Excluding the SPFM contract, third quarter sales to business customers were £21.9 million, up 35% against the second quarter and 98% compared with the same period last year.

The addition of new business customers resulted in a substantial increase in network traffic, with total outgoing minutes in quarter three up 3.5 times to 463 million and incoming minutes up 16% to 105 million compared with the same period last year.

Of the remaining third quarter turnover, £4.0 million was earned under the SPFM contract and £0.5 million from residential telephony.

### **Internet**

Under the Demon brand, third quarter Internet sales grew 13% to £20.3 million compared with quarter two and by 6% year on year.

This improvement was driven by higher sales as a result of increased focus on business services, up 27% on quarter two to £8.2 million and 145% higher than the same period last year. Business service sales include business access services, commercial web hosting, media streaming and ISP services to corporate customers. At the end of the period, the business service base had expanded to over 1,500 ADSL customers, 1,800

leased line Internet access customers and some 18,500 commercial web hosting customers.

Turnover from dial-up subscription charges and termination of dial-up Internet traffic was £12.1 million for the quarter.

70% of Internet revenues for the quarter are estimated to be attributable to business customers, up from 67% in quarter two and 58% for the same period last year.

During the period, Thus began hosting services for the enhanced Sky Text service allowing viewers to go online to bet on sporting events while watching TV and drill down for in-depth news, sport and information from Sky.com.

Demon also continued to build on its quality reputation, receiving the Internet Magazine award for 'Best ISP on the Planet' following the achievement last quarter of the No.1 position in the J.D. Power and Associates, UK ISP Customer Satisfaction Study.

### **Interactive**

Sales were stable at £5.9 million against quarter two, demonstrating improved management of both the competitions and the information service operations against a background of tougher market conditions in the premium rate market as previously reported.

### **Contact centre services**

Sales within contact centre services increased 20% on quarter two to £7.3 million, assisted by new customers including Wincanton Logistics.

### **Infrastructure and services**

Implementation of the national network continued in line with plan, with countrywide connectivity, completion of the Southern ring and service launch in Birmingham, Bristol, Gloucester and Milton Keynes achieved during the period. Network points of presence are now 104, up from 79 at the beginning of roll-out. From March, service will be available from all the UK's major business centres, giving Thus one of the most comprehensive and advanced service platforms in the UK.

The period was also marked by the launch of our managed customer premise equipment (CPE) service, bringing new services launched by Thus in the current financial year to eight. Managed CPE enables customers to pass responsibility for the installation, configuration, monitoring and management of routing equipment to Thus. The initial launch offers a range of options for SMEs to large corporates and future development will see CPE used in conjunction with new IP services.

## **Strategy and Outlook**

The Company remains committed to its overall strategy of increasing focus on the faster growing, higher value business market throughout the UK.

Against this background, preparations have begun for the sale of the consumer facing Interactive division. However, it is anticipated that the sale process may take several months.

Given the accelerated sales growth achieved in quarter three, combined with the increased focus and success in the business segment of the market, the Board remains confident that the Company will deliver enhanced revenue growth in the second half of the year compared with first half performance.

## **Ends**

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