14 August 2002 **Embargoed until 7.00am**

THUS Group plc
Summary Results and Trading Update
Quarter ended 30 June 2002

First quarter highlights

- Loss before tax reduced 39%[1] year on year to £13.9 million
- Cash outflow before financing £5.9 million compared with £45.0 million for the first quarter last year
- EBITDA £4.5 million positive compared with negative £4.2 million for the first quarter last year
- Total turnover up 11% year on year to £71.0 million, with sales from ongoing operations[2] up by 17%
- Gross margin before depreciation up 37% year on year to £25.7 million, up from 29% to 36% of sales
- Selling, distribution and administration costs excluding depreciation reduced by 8% year on year to £21.2 million and down from 36% to 30% of sales
- Cash £8.7 million. Net debt £6.2[3] million. £80 million undrawn from banking facility, sufficient to see the business through to cash flow positive

1 42% year on year improvement after £0.6 million adjustment to the carrying value of own shares held in trust
2 Ongoing operations excludes Interactive Branded and Media Sales sold in October 2001, the residential telephone service ceased in November 2001 and Scotland On-Line Limited sold in January 2002
3 Includes £4.3 million long term finance leases

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

'We have maintained our focus on quality customers, margin enhancement and sound cash management across our business. Our results for this quarter demonstrate good year on year sales growth in our target markets of data, telecommunications and Internet business services. In addition, in keeping with recent performance, our earnings and cash flow trends are strongly positive compared to the same period last year and leave us on track to meet our business plan objectives.

'As seen in previous years, we have experienced a seasonal decline in the first quarter compared with quarter four largely as a result of a decline in revenue from the ScottishPower Facilities Management (SP FM) contract to its lowest level since flotation. Nevertheless, the overall seasonal decline this year is slightly less than the year before.

'Our focus remains on winning profitable recurring revenue. In this regard we have maintained our reputation for class leading quality and innovative services, winning additional business from companies and public sector bodies across the UK including metropolitan area networks for the Scottish education sector together with services for BSkyB, Intelligent Finance, Stiell Networks, Transocean Offshore, Glasgow City Council, Portman Travel and Citylink.

‘The well publicised corporate failures and financial restructurings within our sector continue to create uncertainty in our target markets. It is clear that some of our competitors are reacting to these events with unsustainable pricing. The underlying non-financial drivers in our business remain strong but, as we have stated previously, we are not prepared to grow our revenues at the expense of the bottom line and cash flow.

‘The strength of our balance sheet allows us to maintain focus on sustainable business delivering solid margin. We expect pricing pressure to remain a factor throughout the year, resulting in slightly lower than expected revenue growth. Nevertheless, while the Board continues to target the business to achieve year on year turnover growth of between 20% and 25%, a continuation of the pricing pressure into the second half would drive growth to the bottom end of this range. We continue to target EBITDA of between 7% and 9% of sales and strong year on year growth in operating profit.’

A telephone conference for analysts and investors will be held this morning at 9.30am. Dial in 020 8401 1043 (Replay 020 8288 4459 Passcode 897372 available until 21 August 2002). A copy of the presentation slides will be available to download from 7.15am at http://www.thus.net/qtr-results.htm

Further information

THUS Group plc

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Performance Review

Turnover

First quarter Group turnover grew by 11% year on year to £71.0 million, with ongoing operations[1] up by 17%.

Data and telecoms

Data and telecoms turnover was £38.5 million, rising 16% year on year.

Excluding SP FM, business services sales grew 24% year on year to £34.9 million. Notwithstanding, first quarter sales were down slightly compared with quarter four as steady growth across core service areas was offset by lower volumes in the BVL account, under which THUS provides relatively low margin network services to support the SkyTalk residential telephone offering. Excluding BVL, total switched minutes rose by 48% year on year to 445 million and by 10% on quarter four.

SP FM first quarter turnover was £3.6 million, down 22% compared with same period last year and down from £7.4 million in quarter four. This is the lowest level of quarterly revenue from the SP FM contract since flotation, representing just 5% of total turnover. ScottishPower remains an important customer but full year revenue is now expected to fall below last year reflecting reduced spend by the customer.

Internet

Internet turnover was £22.5 million, up 22% year on year and up 4% from quarter four.

Business services continued to show strong growth, up 35% year on year to £10.8 million. This was driven by strong growth in ADSL customers, up to 8,142 customers at the end of the first quarter compared with 1,806 at the end of the same quarter last year, as well as increases in leased line and hosting customers. Despite an average 21% reduction in ADSL prices from April 2002, following the reduction in wholesale rates received from BT, business service sales remained stable against quarter four.

Dial-up subscription revenues fell to £4.5 million in line with lower standard dial-up customer numbers, down from £5.4 million in the same period last year and from £5.0 million in quarter four. In contrast, dial up termination revenues were £7.2 million, up from £5.1 million in quarter one last year and £5.8 million in quarter four, benefiting from greater efficiencies from the migration of traffic onto the THUS network.

Contact centre

Contact centre sales were £6.3 million, up from £6.0 million in quarter four last year. This reverses the pattern of quarterly decline seen last year following the exit from low margin business and the addition of some new business. In keeping with our focus on higher value services, the positive margin trend for this business has been maintained with gross margin at 34% for the quarter.

Interactive

Creative Services turnover was £3.7 million, benefiting from two successful promotions. Turnover was stable compared with the first quarter turnover last year of £3.8 million and up from £2.3 million in quarter four.

Cost control and profits

Cost of goods sold, excluding depreciation, was £45.3 million, resulting in a gross profit before depreciation of £25.7 million, up 37% year on year, and a margin of 36% compared with 29% in quarter one last year.

Selling, distribution and administration costs (S,D & A), excluding depreciation, totalled £21.2 million, down from £23.0 million in the first quarter last year and falling from 36% of sales to 30% of sales.

EBITDA grew to £4.5 million, up from negative £4.2 million in quarter one last year and ahead of the underlying EBITDA recorded in quarter four, delivering a first quarter EBITDA margin of 6%.

After depreciation of some £18.0 million, the operating loss was reduced to £13.5 million, a 27% year on year improvement.

In addition, following the refinancing, interest fell from £4.7 million in the first quarter last year to £0.1 million, with the loss before tax improving 39% year on year to £13.9 million.

Capital expenditure

Capital expenditure at £8.2 million compared with £10.7 million in quarter one last year and £18.1 million in quarter four. With up front investment in the national network complete, capital expenditure is now much more closely linked to customer demand and is currently expected to be between £60 million and £70 million for the full year.

Cash flow, financing and net debt

The higher EBITDA combined with the lower level of interest and capital investment reduced the first quarter cash outflow before financing to £5.9 million compared with £45.0 million for the first quarter last year and £11.7 million in quarter four.

£10 million was drawn on the new £90 million bank facility and, as at 30 June, THUS had net debt of £6.2 million, including £4.3 million of long term finance leases.

Outlook

The well publicised corporate failures and financial restructurings within our sector continue to create uncertainty in our target markets. It is clear that some of our competitors are reacting to these events with unsustainable pricing. The underlying non-financial drivers in our business remain strong but, as we have stated previously, we are not prepared to grow our revenues at the expense of the bottom line and cash flow.

The strength of our balance sheet allows us to maintain focus on sustainable business delivering solid margin. We expect pricing pressure to remain a factor throughout the year, resulting in slightly lower than expected revenue growth. Nevertheless, while the Board continues to target the business to achieve year on year turnover growth of between 20% and 25%, a continuation of the pricing pressure into the second half would drive growth to the bottom end of this range. We continue to target EBITDA of between 7% and 9% of sales and strong year on year growth in operating profit.

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Ends