

2 October 2002

THUS Group plc
Pre-Close Period Trading Update
Second Quarter and First Half ended 30 September 2002

THUS BRINGS FORWARD FREE CASH FLOW POSITIVE

THUS Group will shortly be speaking to analysts ahead of its close period. The following is an update of the trading position of the Group ahead of the Interim results for the six months ended 30 September 2002 that will be published on 4 November 2002.

Following an encouraging second quarter performance which shows further consistent improvement in key financial measures, THUS expects to become free cash flow positive on a sustainable basis in quarter four of the financial year ending 31 March 2004, approximately one fiscal year earlier than anticipated.

Expected highlights of the second quarter's financial performance include:

- Cash outflow before financing of approximately £5 million compared to £15.8 million for the same period last year and £5.9 million in quarter one
- EBITDA of at least £5.5 million compared to negative £4.8 million for the same period last year and up from £4.5 million in quarter one
- Second quarter sales of circa £72 million, up approximately 12% year on year and compared to £71.0 million in quarter one; and
- Net debt of approximately £11 million.

Looking ahead to the full year, THUS anticipates:

- Revenue growth in the region of 13% to 18%. Commodity data and telecoms services have continued to be subject to what the Company believes is unsustainable pricing, led by distressed competitors. In contrast, THUS has focused on higher margin business. This decision will affect headline revenue growth for the full year but is expected to contribute to an increase in EBITDA margin to between 7% and 10%
- EBITDA of between £20 million and £30 million, in line with previous expectations. Forward momentum on EBITDA is expected as a result of additional cost of sales benefits from reduced reliance on other operators and improved traffic routing, as well as process improvements and operating cost efficiencies from property rationalisation measures undertaken last year
- Full year capital expenditure of approximately £45 million, in line with customer growth
- Cash outflow before financing of less than £35 million compared to £86.3 million last year; and
- A peak funding requirement of less than £60 million, well within the parameters of the £90 million bank facility.

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

'We are encouraged by trading in the second quarter, with positive momentum in all our key sectors. Business services sales have increased over quarter one for both telecommunication and Internet services. Compared to the first quarter our bid pipeline has strengthened with a number of new contracts in data and telecoms, and contact centres.

'As stated at quarter one, we remain cautious on the general economic outlook and the pricing behaviour of some distressed competitors. Nevertheless, our consistent focus on quality revenue coupled with tight control of our cost base provides resilience and ability to scale our resources to meet customer demand to generate positive cash flow faster than originally planned.

'Over the last two years, our focus on quality revenue growth has generated stronger EBITDA and cash flow. In addition, despite the turbulence in the telecommunication market, we have strengthened our balance sheet whilst improving our portfolio of services and service innovation capability. We will maintain our focus on margins and cash flow which together with our steady growth in customers and quality services, we believe, will deliver long term value to our customers and shareholders.'

A telephone conference for analysts and investors will be held this morning at 9.00am. Dial in 020 8240 8242 (Replay 020 8288 4459 Pass code 514900 available until 8 October 2002).

Further information

THUS Group plc

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