

Situation

- first:telecom is one of Europe's fastest growing telecommunications companies with operations in the United Kingdom, Germany and France. first:telecom focuses on serving the communications needs for voice and data services of SMEs and SoHos
- In October 1999, first:telecom raised private equity financing of £40 million from Providence Equity Partners and Morgan Stanley Capital Partners to accelerate its broadband data services strategy in Europe, both organically and through acquisitions
- ARC Associates was retained by first:telecom to identify potential internet service provider ("ISP") acquisitions for first:telecom in its countries of operation

Approach

- Using criteria agreed with first:telecom, ARC Associates commenced a review of both the German and UK business ISP markets. An extensive call programme was required in Germany due to the highly fragmented nature of the German market
- Interactive Network GmbH ("Interactive Network") was identified as being a technically capable ISP with a strong and growing customer base in Frankfurt
- ARC Associates contacted the company in late November, completed preliminary due diligence and structured a part cash part share offer to acquire Interactive Network

The Transaction

- After a series of negotiations with the vendor, the offer was accepted and ARC Associates co-ordinated the accounting, legal, commercial and technical due diligence teams in the transaction
- The acquisition was completed in a very short timeframe on 3 February 2000, only one month after the offer was agreed

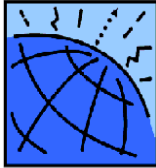
February 2000

first:telecom

First Telecom Plc

has acquired

INTERACTIVE



NETWORK

**Interactive Network
Informationssysteme GmbH**

The undersigned acted as financial adviser to
First Telecom Plc in this transaction

ARC
ARC ASSOCIATES
London, New York

Transaction Value: N/A