

TELECOM PLUS PLC

Half Year Trading Statement

Telecom Plus PLC (trading as the Utility Warehouse), which supplies a wide range of utility services (gas, electricity, fixed line telephony, mobile telephony and broadband) to both residential and business customers, is today issuing a trading update in advance of its half year results for the period ended 30 September 2014.

Highlights:

- **Continuing strong organic growth**
- **Performance in line with market expectations for the full year**
- **Customer numbers up by 34,733 to 565,372**
- **Service numbers up by 126,537 to 2,033,697**
- **Appointment of new Finance Director**

Trading update

As we reported in our Interim Management Statement on 15 July 2014, the first quarter of the financial year saw strong organic growth in both customer (+16,739) and service (+56,574) numbers. We are delighted that this momentum accelerated during the second quarter, with customer numbers up by 17,994 and service numbers up by 69,963 representing annualised growth rates of 13% and 14% respectively.

Combining these figures, our customer numbers for the half-year rose by 34,733 (2014: 33,908) demonstrating a continuation of the strong organic growth we achieved last year. This takes our total customer base to 565,372 (31 March 2014: 530,639), and keeps us on track to achieve our growth target of around 70,000 customers for the full year.

It is particularly satisfying to have achieved this strong organic growth during a period when smaller independent suppliers have enjoyed such a significant short-term pricing advantage due to a combination of falling wholesale energy prices and their not being required to make a full contribution towards certain social and environmental charges. We anticipate that this gap will narrow over the coming year.

Underlying churn has continued to fall, reflecting the steady and continuing improvement in the quality of our customer base. This has been underpinned by our ongoing focus on delivering exceptional customer service.

We remain committed to delivering the best value in the market through a unique combination of savings, simplicity and service, and are delighted that the sustained progress we have made in achieving this continues to be endorsed by *Which?* who has recently recognised us once again as the UK's Best Phone and Broadband Provider. In addition we have been recognised by *Moneywise* in their latest survey as the UK's Best Energy Provider for both Value for Money and Customer Service, building on the Most Trusted Broadband Supplier and Best Broadband Customer Service awards we received from them in the Spring.

We anticipate that our half yearly report will show adjusted pre-tax profit and earnings per share that are significantly ahead of the figures for the comparable period last year, leaving the Board comfortable (subject to unforeseen circumstances) with full year market expectations that adjusted pre-tax profit will increase by almost 50% to £63m. Shareholders can also expect a 19% increase in our interim dividend payment to 19p per share, reflecting the Board's confidence in the outlook for the full year, and the Board confirms that

shareholders can look forward to continuing progressive growth in the level of our dividend payments.

Cash flow

Cash generation during the period has remained strong. For the full year, our net debt is expected to increase by about £10 million in line with previous guidance as we complete the £20 million refurbishment of our new headquarters office building.

Operating update

Partner recruitment remains steady, with the total number of Partners increasing by over 2,000 during the last six months to a new record of 46,570, boosted by an introductory offer that we ran during April.

On 14 and 15 September we held motivational sales conferences in Aintree and Cheltenham. Both venues were packed to capacity, with a total attendance of around 5,000 Partners spread across the two days. The atmosphere was extremely positive reflecting recent strong levels of activity within the channel (both in relation to customer gathering and recruitment of new Partners), and we took advantage of the high turnout to launch a number of incremental improvements to the way new Partners are trained. These changes are designed to harness their initial high levels of enthusiasm, and help ensure their new business gets off to the best possible start.

We continue to make good progress with the refurbishment of our new 130,000 sq ft headquarters office building in north-west London, and anticipate taking occupation early in the New Year. This is expected to provide sufficient accommodation to meet our growing business needs for the foreseeable future.

Regulatory Update

The CMA has recently commenced its enquiry into the retail energy markets. While this is creating additional short-term work as we comply with their extensive requests for data, we believe that as one of the leading 'challenger' brands it is unlikely any remedies they might impose in due course will have a material adverse impact on our business – if anything, the reverse is more likely to be the case. And although the energy market currently faces considerable political uncertainty, the structure of our long-term supply arrangements with npower should insulate us from any gross margin pressure in the event an energy price freeze is implemented following the forthcoming general election.

We have not yet started to see any material benefit from the changes to supplier licences following Ofgem's Retail Market Review last year, in particular the anticipated narrowing of the gap between suppliers' standard variable and discounted introductory fixed term tariffs. It is unclear whether this is due to customers failing to read and understand their bills, or simply reflects the fact that many customers only receive a bill on a quarterly or annual basis, but we would expect Ofgem to take further action in due course unless the desired changes in customer behaviour start to become more evident.

Appointment of new Finance Director

We are pleased to announce that Nick Schoenfeld will join the Board as Chief Financial Officer in the New Year.

Since 2006, Nick has been Group Finance Director of Hanover Acceptances, a substantial diversified private company with holdings in the food manufacturing, real estate, and agri-business sectors. He was previously employed at Kingfisher plc, where he was responsible for the group's financial planning and analysis functions. Prior to this, he held senior strategic

and development roles within Castorama and the Walt Disney Company, having started his career as a management consultant at the Boston Consulting Group. Nick also has an MBA from the Harvard Business School, and is a member of the supervisory board of Refresco Gerber B.V, the leading European bottler of soft drinks and fruit juices for retailers and branded players.

No information is required to be disclosed pursuant to Listing Rule 9.6.13R.

Notice of Half Year Results

Our half year results for the six months ended 30 September 2014 will be announced on Wednesday 19 November 2014.

Commenting on current trading, Andrew Lindsay, Chief Executive said:

"I am pleased with the continued healthy organic growth we have seen in customer and service numbers during the first half of the year; we are confident that we can build upon this strong performance and look forward to announcing record half yearly results in November."

"I am delighted to be welcoming Nick to the Board of Telecom Plus in the New Year, and look forward to leveraging his financial and strategic expertise in the consumer-focused arena to build on the existing strong momentum within the business"

"With a UK market share of less than 2%, and a unique approach to the way we attract and look after our customers, we face the future with considerable confidence."

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About Telecom Plus PLC:

Telecom Plus which owns and operates the Utility Warehouse brand, is the UK's only fully integrated provider of a wide range of competitively priced utility services spanning both the Communications and Energy markets.

Customers benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional levels of customer service. The Company does not advertise, relying instead on "word of mouth" recommendation by existing satisfied customers in order to grow its market share.

Telecom Plus holds a significant minority stake (20%) in Opus Energy plc, the leading independent energy supplier to the SME and corporate business markets. It also has a wholly owned subsidiary called TML purchased in 2002, which supplies predominantly fixed line telephony to small and medium sized business customers through a network of authorised resellers and dealers.

Telecom Plus is listed on the London Stock Exchange (Ticker: TEP LN). For further information please visit: www.telecomplus.co.uk.