

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 2013.

Highlights:

- **Significant acceleration in new customer and service growth**
- **Further improvement in customer quality**
- **Record recruitment of new distributors**

Trading update

As we reported in our Interim Management statement on 17 July 2013, the first quarter of the financial year saw strong organic growth in both customers (+13,372) and services (+64,267) numbers.

We have been delighted to see a significant acceleration in this positive trend during the second quarter, with customer numbers up by 20,536 and service numbers up by 101,447 representing annualised growth rates of 17% and 24% respectively.

Combining these figures, we achieved customer growth for the half-year of 33,908 (2013: 22,657) and service growth of 165,714 (2013: 107,722), representing an improvement in customer and service growth of almost 50% and 54% respectively compared with the corresponding period last year. This takes our total customer base to 494,940 (31 March 2013: 461,032) and the number of services we are providing to 1,767,774 (31 March 2013: 1,602,060).

Encouragingly, the number of new residential Club customers taking at least four core services has remained comfortably above 55%, taking our installed base of Gold Status members (those with at least four major services) up to 42.1% (31 March 2013: 39.5%), and helping to drive the average number of services taken by each residential Club customer to a record high of 3.92 (31 March 2013: 3.80).

We were pleased to retain our place as a 'recommended provider' for Home Phone and Broadband in the latest *Which?* magazine survey, and saw strong demand for both these services last month despite the recent high profile advertising campaigns from some of our competitors (who are including free television and/or free sports bundled in with their broadband services). The continued strong growth and low churn of our own broadband proposition, with its clear focus on providing value for money and award-winning customer service, clearly demonstrates the strength and continuing attractiveness of our unique multi-utility business model, and helped drive the proportion of new Gold Status members to a record high of over 65% last month.

The ongoing improvement we are seeing in the quality of our overall customer base derives directly from a clear focus by our distribution channel on introducing home owners who take a combination of energy and communications services from us, and thus benefit from the simplicity and convenience of our integrated billing and customer service system; we are particularly pleased with the impact this continues to have on reducing both customer churn and delinquency levels.

Notwithstanding the extra short-term costs associated with our faster organic growth, and from starting to implement the changes associated with Ofgem's Retail Market Review, we anticipate that our half yearly report will show pre-tax profits and earnings per share that are modestly ahead of the figures for the comparable period last year. Shareholders can also look forward to an increase of over 20% in our interim dividend payment to 16p per share, in line with our previously announced intention of achieving a more equal balance between our interim and final payments each year.

The Board remains comfortable (subject to unforeseen circumstances) with consensus market expectations, and look forward to reporting record figures for turnover, profits, earnings and dividends for the full year in due course.

Cash flow

Cash generation during the period has been in line with management expectations, and our reported net cash balance at 30 September 2013 will show a small overdraft position. This is a marginal reduction on the level we reported at 31 March 2013, reflecting both the £12.7 million dividend payment made in August and higher customer acquisition costs during the period associated with the significant increase in our organic growth.

Operating update

Distributor recruitment remains strong, with over 8,755 new distributors signing up during the last six months, boosted by a successful promotion during August. Going forward, we expect recruitment levels to average around 1,000 per month over the medium term, reflecting the continuing attractiveness of the secure and reliable part-time income opportunity we provide.

On 14 and 15 September we held motivational sales conferences in Bradford and Cheltenham. Both venues were packed to capacity, with a total attendance of over 4,200 distributors. Spirits were exceptionally high on the back of the record recent levels of activity within the channel (both in relation to customer gathering and distributor recruitment) and we took advantage of the high turnout to launch a new short-term holiday incentive designed to encourage consistent activity over the next four months.

We strongly welcome the final proposals contained in the Retail Market Review issued by Ofgem recently. As these are implemented in phases over the coming months, they will improve transparency, ensure customers who are switching achieve real savings, and strengthen competition in the domestic supply market. We believe our unique business model places us in a strong position to be one of the main net beneficiaries from these changes, and we have developed a clear strategy to re-position our current service proposition to further increase our organic growth in future. We look forward to sharing these changes with our customers shortly.

We note recent press speculation about the possibility of separating the generation and supply activities of the 'Big 6', and imposing a period of retail energy price controls after the next general election, but take comfort from the basis of our long-term wholesale supply arrangements, under which we would be largely insulated from any resultant pressure on supplier gross margins which might result from such regulatory or government action.

Notice of Half Year Results

Our half year results for the six months ended 30 September 2013 will be announced on Tuesday 26 November 2013.

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

"I am extremely pleased to report a marked acceleration in our growth rate over the last few months. Not only have we seen record numbers of new customers and distributors joining the business during the period, but this has been accompanied by a further improvement in the quality of our customer base.

We believe the implementation of Ofgem's Retail Market Review over the coming months will create an exciting opportunity for us to build on the strong momentum we have created in the business, and look forward to announcing our half yearly results in November."

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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.