

Telecom *plus* PLC (the “Company”)

Interim Management Statement

Quarter Ended 31 December 2009

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 internet) to both residential and business customers, today issues its Interim Management Statement to cover the period from 1 October 2009 to 15 February 2010, incorporating information relating to the performance of the business for its third quarter ended 31 December 2009.

Highlights

- Continuing profitable organic growth
- Total Group services up by 41,957 during the quarter to 1,012,045
- Improvement in customer quality
- Encouraging take-up of CashBack Cards by new customers
- Cash balance of £30m as at 31 December 2009 (30 September 2009: £27.9m)
- Oxford Power Holdings trading significantly ahead of budget
- Comfortable with market expectations for the current financial year
- Forecast total dividend increase of 25% to 22p for the full year (2009: 17.5p)

Operating Review

Growth continued at strong double digit annualised rates during Q3 (distributors 21%, customers 13%, services 17%) in spite of the traditional slowdown in activity over the Christmas period and our decision during July 2009 to focus our distribution channel predominantly on gathering customers who own their homes. As a result, we have already noticed an encouraging trend in the quality and profitability of our customer base, with an increasing proportion of home owners, better penetration of higher margin telephony services, improved customer retention levels and lower bad debts.

We are also excited by the increase we have seen recently in the proportion of new customers applying for our CashBack Card (a pre-paid MasterCard that enables them to save an extra 5% on everything they purchase with it from a wide range of leading UK retailers, credited to their Utility Warehouse bill each month) which has now reached around 30% of all new applications. Funded wholly by participating retailers, we credited our cardholders in aggregate with almost £200,000 off their January bills, with many customers receiving a credit equivalent to a reduction of over 25% on the total cost of their utilities from us.

Our focus on improving the quality of our customer base, rather than purely on volume growth, has given us valuable breathing space in which to automate some of the processes that, of necessity, were being carried out manually over the last two years, as we strove to maintain customer service standards during a period of particularly rapid growth. Redeployment of the additional staff we added during that period to support those manual processes has enabled us to keep our overall headcount at a similar level to last March, notwithstanding an increase of over 16% in the size of our customer base since our last financial year end. All areas of the business are coping comfortably with current work loads, and we believe that further economies of scale will be achievable in the future as our enhanced systems are capable of managing a significantly larger customer base, with only a small increase in staff numbers.

We were delighted to start 2010 with two *Which?* Magazine awards for our communications services - for the UKs “Best Home Phone Service” and a prestigious “Best Buy” recommendation for our Home Phone and Broadband bundle, with a customer satisfaction rating of 80% (February 2010). These commendations, in addition to our recognition by *Which?* Magazine as the UK’s Best Energy Supplier in each of their last three surveys on the energy market, gives our distribution channel increasing confidence in the high standards of service and consistently good value we are providing to the customers they are gathering.

Over the last six weeks, a total of seven motivational seminars were held at venues across the country. These were organised by a number of the key leaders within the distributor network, to remind their teams of the potential financial benefits of building their Telecom *plus* businesses consistently over the coming months. Notwithstanding the exceptionally difficult road and weather conditions during this period, over 3,000 distributors attended these events and the general feedback we received has been extremely positive.

Oxford Power Holdings, in which we have a 20% equity investment, is performing significantly ahead of budget and is on track to deliver record numbers when it announces its results for the current financial year. Its recent decision to start supplying gas in addition to its core electricity service proposition has enabled it to grow its share of the highly competitive market for business energy in which it is the sole remaining independent provider of any scale, and we expect it to make a material contribution to Group profitability in the current year.

Customer, Distributor and Service Numbers

In order to provide stakeholders with a fuller understanding of the business, we will in future be including the data in the table below on a quarterly basis. Previously, our reported customer and service numbers only incorporated those supplied under our main Utility Warehouse brand, and excluded information on business customers supplied within our TML subsidiary and CashBack Cards.

Telecom Plus Group	FY2010			FY09	
	Q3	Q2	Q1	Q4	Q3
As at Quarter end					
Distributors	33,544	31,852	29,789	27,051	23,773
Customers					
Residential Club	265,143	256,263	242,779	222,705	201,017
Business Club	20,479	19,137	17,809	16,163	14,292
Total Club	285,622	275,400	260,588	238,868	215,309
Non Club	41,871	41,988	41,772	42,307	43,531
Total Telecom Plus	327,493	317,388	302,360	281,175	258,840
TML	11,912	11,140	10,292	9,651	9,192
Total Group	339,405	328,528	312,652	290,826	268,032
Services					
Electricity	259,853	248,169	231,207	209,262	184,328
Gas	218,359	208,663	195,013	177,452	155,973
Fixed Telephony	207,934	203,025	195,745	188,426	181,527
Fixed Line Rental	147,970	143,400	134,193	124,762	114,818
Broadband	93,982	90,685	83,687	77,049	69,674
Mobile	34,961	35,610	35,951	36,127	36,075
Cashback card	32,818	24,468	17,262	11,146	5,525
Freephone	16,168	16,068	15,824	15,417	15,140
Total Group	1,012,045	970,088	908,882	839,641	763,060
Residential Club	857,653	815,933	760,009	695,542	621,074
Business Club	50,182	47,012	43,528	39,585	36,881
Total Club	907,835	862,945	803,537	735,127	657,955
Non Club	66,324	70,460	70,063	70,137	70,997
Total Telecom Plus	974,159	933,405	873,600	805,264	728,952
TML	37,886	36,683	35,282	34,377	34,108
Total Group	1,012,045	970,088	908,882	839,641	763,060

Cash Flow

The warm weather during October and November led to stronger cash inflows than anticipated during Q3, with our cash balance increasing to £30.0 million as at 31 December 2009 (30 September 2009: £27.9m). We always expect to see a substantial cash outflow during the final quarter of each financial year due to the high proportion of our customers paying us for their energy in regular equal monthly instalments, which will be exacerbated this winter due to the recent exceptionally cold weather conditions throughout the UK.

Outlook

Following the severe weather conditions last month, which restricted distributor activity in much of the country, and the introduction by OFGEM of new marketing rules on 18 January 2010 requiring all new energy customers to be given a written quotation showing their estimated future annual energy costs prior to entering into a contract with a new supplier, we anticipate low double digit annualised growth in the number of services we supply during the final quarter of the current financial year.

Our main distributor sales conference this year is being held over the weekend of 17/18 April, and we expect a record attendance of over 6,000 distributors. Activity levels have historically increased slightly in the run up to this event due to the focus by a number of distributors on reaching the personal goals they had set themselves, in time for their achievement to be recognised on stage. More importantly, the enthusiasm generated by the event can reasonably be expected to underpin additional activity and faster growth throughout the coming financial year.

We remain comfortable with consensus market expectations for our financial performance to 31 March 2010 and, in the absence of unforeseen circumstances, it remains our intention to recommend a final dividend of 14p per share, which would bring the total dividend for the year to 22p per share. Our performance for the financial year to 31 March 2011 will reflect the impact on both turnover and profits of the significant growth in new customers achieved during the current year, the progressive improvement in the quality of our customers, and the benefit from further economies of scale within the business.

Final Results Date

Our results for the year ending 31 March 2010 will be announced on Tuesday 25 May 2010.

Charles Wigoder, Chief Executive said:

"I am delighted we have already started to see the first signs of the positive impact that the changes we made last summer are having on the quality of our customer base, with a greater proportion of homeowners, an increase in the average number of services, better customer retention and falling bad debts. We anticipate a record attendance at our annual distributor sales conference in April, and I look forward to the effect this will have on our future growth."

For more information please contact:

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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* 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.