

## **Telecom Plus PLC (the “Company”)**

### **Interim Management Statement**

#### **Quarter Ended 31 December 2010**

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 2010 to 14 February 2011, incorporating information relating to the performance of the business for its third quarter ended 31 December 2010.

#### **Highlights**

- Full year profits to be slightly ahead of market expectations for the current financial year
- Continuing steady organic growth
- Total Group services up by 27,608 during the quarter to 1,134,825
- Record spend by members on their ‘CashBack’ cards
- Mobile service successfully re-launched
- Opus Energy Group Ltd (20% owned) trading significantly ahead of budget
- Intention to pay a total dividend of 22p for the current financial year (2010: 22p)

#### **Operating Review**

We have continued to make encouraging progress since the date of our last review. However, the severe weather conditions during December restricted distributor activity in much of the country, which led to a slightly lower rate of growth in customer numbers during the 3<sup>rd</sup> quarter compared with the preceding period.

We re-launched our mobile service in December, making it both more competitive and simpler to understand. Early indications are that these new tariffs have been well received by our distributors, and we have seen a significant increase in the proportion of new customers who are including this service in their multi-utility bundle over the last eight weeks. We regard mobile telephony as a core element of our business, and are committed to building our share of this substantial market over the next few years.

We continue to see a high level of applications from new customers for our ‘CashBack’ card, which we are now sending out at a rate of around 1,000 new cards every week. Funded wholly by participating retailers, we credited our cardholders in aggregate with over £440,000 off their January bills (January 2010: £200,000) with many customers receiving a credit equivalent to a reduction of over 25% on the total cost of their utilities from us.

We continue to focus on installing prepayment meters into properties where the occupiers are unwilling to pay for the energy they are using by any other means, and successfully installed 1,224 of them during the quarter, taking our installed base of prepayment meters to 14,798 (31/12/2009: 9,501). Unfortunately, there remains a considerable backlog in carrying out this work due to ongoing delays in obtaining a court date, the recent severe weather conditions, the limited availability of engineers in certain areas, and the Christmas holiday period.

We are delighted to start 2011 with a further two *Which?* Magazine awards, being named by them as their recommended supplier of residential fixed-line telephony services, as well as receiving the accolade of ‘UK’s best energy supplier’ for the third year in succession. We believe these commendations are extremely important in giving our distributors confidence in the high quality service and consistent good value we are providing to the customers they gather.

Opus Energy Group Ltd, in which we have a 20% equity investment, is performing significantly ahead of budget and is on track to deliver record profits for the current financial year. It continues to grow its share of the highly competitive market for business energy, in which it is the sole remaining independent provider of any scale.

#### **Customer, Distributor and Service Numbers**

Telecom Plus Group	FY2011			FY2010	
	Q3	Q2	Q1	Q4	Q3
<b>Distributors</b>	29,818	30,696	30,116	29,565	28,331
<b>Customers</b>					
Residential Club	285,450	280,009	275,097	269,893	265,143
Business Club	23,729	23,066	22,259	21,523	20,479
<b>Total Club</b>	<b>309,179</b>	<b>303,075</b>	<b>297,356</b>	<b>291,416</b>	<b>285,622</b>
Non Club	43,197	43,552	42,821	42,276	41,871
<b>Total Telecom Plus</b>	<b>352,376</b>	<b>346,627</b>	<b>340,177</b>	<b>333,692</b>	<b>327,493</b>
TML	10,452	10,673	11,265	12,070	11,912
<b>Total Group</b>	<b>362,828</b>	<b>357,300</b>	<b>351,442</b>	<b>345,762</b>	<b>339,405</b>
<b>Services</b>					
Electricity	288,895	282,135	274,519	267,186	259,853
Gas	243,064	236,836	230,251	224,256	218,359
Fixed Telephony	214,093	214,096	212,656	211,565	207,934
Fixed Line Rental	162,911	160,400	156,611	153,074	147,970
Broadband	109,813	107,052	102,835	98,595	93,982
Mobile	36,607	35,795	35,360	34,067	34,961
Cashback card	63,412	54,661	46,814	39,433	32,818
Non Geographic numbers	16,030	16,242	16,317	16,340	16,168
<b>Total Group</b>	<b>1,134,825</b>	<b>1,107,217</b>	<b>1,075,363</b>	<b>1,044,516</b>	<b>1,012,045</b>
Residential Club	971,354	943,577	913,537	883,904	854,106
Business Club	58,403	56,807	54,685	52,949	50,182
<b>Total Club</b>	<b>1,029,757</b>	<b>1,000,384</b>	<b>968,222</b>	<b>936,853</b>	<b>904,288</b>
Non Club	70,616	71,590	70,712	69,855	69,871
<b>Total Telecom Plus</b>	<b>1,100,373</b>	<b>1,071,974</b>	<b>1,038,934</b>	<b>1,006,708</b>	<b>974,159</b>
TML	34,452	35,243	36,429	37,808	37,886
<b>Total Group</b>	<b>1,134,825</b>	<b>1,107,217</b>	<b>1,075,363</b>	<b>1,044,516</b>	<b>1,012,045</b>

## Cash Flow

Our cash balance increased slightly to £18.6 million as at 31 December 2010 (30 September 2010: £18.0m) notwithstanding the impact of higher balances due from delinquent customers as a result of delays in installing prepayment meters, and a lower aggregate net credit balance on customer budget plan accounts arising from colder than expected weather in both October and November.

Our customer profile, where a high proportion choose to pay us for their energy by budget plan (ie: in regular equal monthly instalments) means that we always experience substantial cash outflows during the final few months of each financial year. This year, the cash outflow will be exacerbated by the exceptional weather conditions in December (which according to Met Office records was the coldest the UK has experienced for more than 100 years).

This means that our cash balances are likely to be below the levels we have seen historically, as it can take up to 24 months for the debit balances on budget plans created during an exceptionally cold month to be fully recovered from the customer. As a result, we now expect our year-end balance sheet to show an overdraft of between £10m and £15m, before peaking shortly thereafter. Recognising the impact on our working capital requirements of the recent extreme weather conditions, Barclays have recently increased our existing facilities by £12.5m, providing us with a total facility of up to £27.5m.

We are confident that our strong balance sheet and the facilities now in place are more than sufficient to meet all foreseeable working capital requirements, and enable us to resume our historic progressive dividend policy in future.

### **Trading since 1 January 2011 and Outlook**

A record number of distributors (over 3,200) attended the New Year motivational meetings which were held at seven locations spread geographically across the UK, and we have seen activity levels picking up strongly over the last few weeks boosted by strong demand for our new mobile tariffs.

Our main distributor sales conference this year is being held over the weekend of 2<sup>nd</sup> and 3<sup>rd</sup> April. This is an important event in our calendar, which we use to announce new sales initiatives, recognise achievement, and to motivate our channel for the forthcoming year. Activity levels have historically been high in the run up to this event, a period during which many distributors are striving to reach the personal goals they had set themselves, in time for their achievement to be recognised on stage. We are delighted to have secured the attendance at this year's event of Chris Gardner, whose life story was the focus of a major Hollywood movie 'The Pursuit of Happyness' starring Will Smith and Thandie Newton; Chris will be making a keynote speech sharing some of the key secrets behind his astonishing success against all the odds.

Our financial performance for the second half of the current financial year will reflect a small positive contribution from the impact of the latest retail energy price increases, as well as from the recent cold weather. Whilst the financial benefit to us from these factors is likely to be partially offset by an increase in our bad debt charge (as more customers experience difficulties in paying for the energy they have used), we are now confident that our full year earnings will be slightly ahead of current consensus market expectations.

Notwithstanding the rising working capital requirements referred to above, it remains our intention in the absence of unforeseen circumstances to recommend a final dividend for this financial year of 14p per share, which would bring the total dividend for the year to 22p per share.

### **Final Results Date**

Our results for the year ending 31 March 2011 will be announced on Wednesday 25 May 2011.

### **Andrew Lindsay, Chief Executive said:**

"I am delighted with the continuing strong performance of the business during the current uncertain economic climate. The quality of our customer base is improving steadily, and I am particularly encouraged by the warm reception we have seen to our new mobile tariffs. I look forward to reporting record profits and turnover when we announce our full year figures in May."

### **For more information please contact:**

#### **Telecom Plus PLC**

Charles Wigoder, Executive Chairman	020 8955 5000
Andrew Lindsay, Chief Executive	
Chris Houghton, Finance Director	

#### **Peel Hunt**

Richard Kauffer / Dan Webster	020 7418 8900
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#### **Brewin Dolphin**

Nick Owen	0845 059 6412
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## **MHP Communications**

Reg Hoare / Katie Hunt

020 3128 8100

### **About Telecom Plus PLC ('Telecom Plus'):**

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. Telecom Plus does not advertise, relying instead on 'word of mouth' recommendation by existing satisfied customers in order to grow its market share.

Telecom Plus has a wholly owned subsidiary called TML which was purchased in 2002. TML supplies predominantly fixed line telephony and broadband internet to small and medium sized business customers through a network of authorised resellers and dealers.

Telecom Plus also has a 20% shareholding in Opus Energy Group Ltd (which changed its name from Oxford Power Holdings Ltd on 28 October 2010), a successful, profitable and fast growing independent supplier of Gas and Electricity to small, medium and large business customers.

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