

**EMBARGOED UNTIL 7.00 AM ON 8th FEBRUARY 2018
THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

8 February 2018

**TalkTalk Telecom Group PLC (“TalkTalk”)
Q3 Trading Update – Continued Strong Net Adds and Full Fibre Plan (“FTTP”)**

Q3 FY18 Trading Update and Guidance

- Q3 Net adds +37k with strong on-net base growth in both retail and wholesale (Q1 FY18: +20k, Q2 FY18: +26k)
- Reduction in churn to 1.3% (Q3 FY17: 1.6%)
- Continued growth in TalkTalk Business with strong Ethernet demand
- Headline¹ Group revenue growth of 1.0% (Q2 FY18: 0.8%, Q3 FY17: -4.0%) excluding Carrier and Off-Net
- Acceleration in net adds, with current forecast raised to 150k-160k for the full year
- Anticipated investment in customer growth in Q4, resulting in FY18 EBITDA guidance of £230m-£245m

FY19 Guidance

- Headline Group revenue growth
- Targeting net add growth consistent with FY18
- ARPU stabilising
- Significant cost reduction
- EBITDA growth of 15%

TalkTalk in discussion with Infracapital to provide full fibre roll out across the UK

- Heads of terms² agreed with Infracapital, the infrastructure equity investment arm of M&G Prudential, for creation of an independent company with Infracapital funding 80% and TalkTalk 20%
- Potential equity investment of up to £500m (enabling total investment of c.£1.5bn) to provide full fibre to more than 3 million homes and businesses in mid-sized towns and cities in the UK
- TalkTalk to be a founding wholesale customer of the new company, providing a minimum volume commitment.
- Builds on successful TalkTalk full fibre trial in York. Network currently reaches 14,000 homes and is in the process of being extended to 54,000

TalkTalk has separately announced a proposed equity placing

- Intention to raise up to £200m by way of accelerated bookbuild
- Executive Chairman and other Directors to participate in the placing and intending to contribute up to £40m
- Net proceeds will be used to strengthen the Group’s balance sheet, support continued customer growth and invest in long-term FTTP plans

Dividend policy updated to reflect next phase of growth

- Dividend temporarily reduced to 2.5p per annum to fund continued investment in growth and our share in FTTP investment
- Final dividend of 1.5p in FY18, consistent with new dividend policy
- Return to normalised dividend of 7.5p when leverage reduced to 2.0x EBITDA

¹ Headline revenue excludes revenue from MVNO proposition during the period

² Heads of terms are subject to contract

Charles Dunstone, Executive Chairman of TalkTalk commented:

“It’s 12 months since I announced my intention to take a more active role in the management of TalkTalk. Since then, we have reset the business and returned it to quarter-on-quarter customer growth.

By signing heads of terms with Infracapital we are making good progress towards putting TalkTalk at the heart of Britain’s fibre future by building a full fibre network, bringing faster, more reliable internet to millions of homes and businesses.

Looking ahead we see real opportunity to continue growing the core business whilst also investing in full fibre. We have therefore strengthened our balance sheet and temporarily reduced our dividend to take full advantage of the opportunities available.

We anticipate revenue growth and strong earnings growth in the year ahead, as the benefits of a growing customer base and rigorous cost control begin to deliver the results this business is capable of.”

Tristia Harrison, Chief Executive of TalkTalk commented:

“We said our priority for the year was growth and we are delivering it. In Q3 we built on the strong customer growth over the first half with another material step-up in net adds, the fourth consecutive quarter of growth in the retail and B2B businesses. With customers increasingly looking for value and certainty, our unique Fixed Priced Plans are resonating strongly. Combined with the ongoing transformation of customer service, they are delivering significant reductions in year on year churn, providing a larger, more stable customer base. We will continue to make significant cost reductions as we radically simplify the business in line with the strategy we set out last year.

The outlook for next year is positive. We will see stabilising ARPU and strong customer growth consistent with FY18. We expect EBITDA growth of 15%, driven by the benefits of a bigger base, lower wholesale charges and significant cost reduction as we continue to radically simplify the business.”

The person responsible for arranging the release of this Announcement on behalf of the Company is Tim Morris, Group General Counsel and Company Secretary

Conference Call: there will be a conference call for analysts and investors at 8.00am

Live call: +44 (0) 20 3003 2666
Replay (available for 7 days): +44 (0) 20 8196 1998 PIN code 4615717#

Participants do not need a PIN for the live call – they simply need to ask to be put through to the TalkTalk results call.

Webcast link:

<http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16532/98352/Lobby/default.htm>

Enquiries

Investor Relations: Tim Warrington +44 (0) 203 417 1821
Media: Iain Wood +44 (0) 75 8470 8351

About Infracapital

Infracapital is a leading European infrastructure investor, and is part of M&G Investments, the European investment management arm of Prudential plc. Infracapital has raised and managed over £4.5 billion across five European infrastructure funds to date, and has a team of over 35 professionals with investment, management and operational expertise. Infracapital’s approach to investment offers long-term value through the acquisition and active management of a diversified portfolio of core European infrastructure assets in both the operating and greenfield space. Target sectors include essential communications, transportation, utilities and renewables infrastructure. Infracapital has extensive experience of investing in full fibre broadband, including investments in Gigaclear and Wightfibre in the UK and Nexera, a joint venture with Nokia, in Poland.

TalkTalk Q3 FY18 Trading Update

For the quarter ended 31 December 2017

We have continued with our disciplined approach to trading, delivering materially higher on-net base growth of +37k (Q3 FY17: -42k, Q1 FY18: +20k, Q2 FY18: +26k), with double-digit growth once again in both our retail and wholesale bases. This is the fourth consecutive quarter of growth in the on-net base and our highest quarterly net adds number since Q4 FY15.

In Consumer there remained a strong demand for our Fixed Low Price Plans ("FLPP"), with both re-contracting and new acquisition activity driving the total number of customers on FLPP to 1.8m by the end of the quarter, representing 61% of the retail base. We continue to see customers skewing towards 18m and 24m contracts, highlighting the importance of price certainty for consumers.

Demand for fibre (+89k) was again very strong (Q3 FY17: 74k, Q2 FY18: 89k) with over 40% of new customers choosing to take the product.

The growth of the in-contract base continues to contribute to improvements in churn, with on-net churn falling to 1.3% during the quarter (Q3 FY17: 1.6%, Q2 FY18: 1.4%).

Once again, we saw strong growth in the TalkTalk Business Ethernet & EFM base, with 1.8k new lines added, taking the total installed base of data connections to 48k.

Headline Group revenues of £388m (excluding Carrier of £20m and Off-Net of £6m) increased by 1.0% year-on-year during the quarter. This continues the improving trends in Group revenues (excluding Carrier and Off-Net) versus Q2 revenue growth of 0.8% and Q1 decline of 1.8%. On-net revenues at £316m were flat on the same period in the prior year, impacted by the dilutive effect of re-contracting activity offset by legacy package pricing and a higher average base year-on-year. Corporate revenues of £72m (excluding Carrier) grew strongly by 5.9% (Q3 FY17: +3.0%, Q2 FY18: -1.4%) driven in the most part by 7.7% growth in Data revenues (of £42m) due to the Ethernet base growth noted above.

Having initially trialled the FTTP roll-out in York, we have been delighted with the progress made so far. The roll-out, which already covers 14,000 homes is now rolling-out to an additional 40,000 homes and businesses. Build costs have continued to fall and levels of customer satisfaction have also been incredibly positive with industry leading NPS scores and minimal levels of churn.

We have also now finalised and launched our new simple and compelling mobile proposition with O2, following the announcement of our decision in the prior year to exit our MVNO operations.

For the FY18 outlook, an acceleration in net adds leads us to raise the current forecast to 150k-160k for the full year. This investment in growth has resulted in us revising our EBITDA guidance to be £230m-£245m.

Looking forward to FY19, we expect growth in Headline Group revenue, net adds growth consistent with FY18, stabilising ARPU and significant cost reduction as we continue to radically simplify the business. We expect EBITDA growth of 15%.

To reflect the next phase of growth we will temporarily reduce the dividend to 2.5p per annum to fund continued investment in growth and our share in full fibre investment. There will be a final dividend of 1.5p in FY18, consistent with this new dividend policy. FY19 will see an interim dividend of 1.0p and a final dividend of 1.5p. We intend on returning to a normalised dividend of 7.5p when leverage is reduced to 2.0x EBITDA.

Preliminary results are expected to be released on 11 May 2018.

TalkTalk has separately announced a proposed equity placing

TalkTalk Telecom Group plc (TIDM: TALK)("TalkTalk", the "Company" or, together with its subsidiary undertakings, the "Group") today announces a placing of new ordinary shares of 0.1 pence each ("Ordinary Shares") in the capital of the Company (the "Placing Shares") to raise up to £200 million (before expenses).

The number of Placing Shares to be issued by the Company will not exceed 19.99 per cent. of the existing issued share capital of the Company.

The Placing will be conducted through an accelerated bookbuilding process which will be launched immediately following this Announcement. The Executive Chairman and other directors of the Company have indicated their intention to participate in the Placing up to an aggregate amount of £40m.