

Chairman's statement

Sustainable value for our shareholders

> Continued progress:

- year on year growth in EBITDA and profit before tax
- recommended final dividend of 4.00 pence per share
- extending minimum dividend commitment of 6.00 pence per share for the year ending 31 March 2019

Dear Shareholder

In a challenging environment, we have made continued progress and have achieved year on year growth in EBITDA and profit before tax, ahead of our expectations. Our objective remains to deliver long-term sustainable value for our shareholders. The operating segments we established last year have allowed us to more clearly articulate our segments' goals and understand their individual performance and value. This leads to our continued refinement of the allocation of investment and resources.

Strategic focus

Our Hull & East Yorkshire performance this year was particularly pleasing, with our ultrafast fibre deployment firmly on target for completion next year and another strong performance secured in our key Consumer market. Enterprise delivered strengthened margins against a difficult backdrop, largely driven by an unexpected slowdown in government spending. We remain focused on capitalising on the growing trend for business applications moving to the cloud, our Enterprise team's greatest strength.

Board changes and effectiveness

We are making good progress with the important work to manage leadership changes within our business. We are well advanced in our search for a replacement for our CEO Bill Halbert, who is providing strong continuity whilst we complete that task. We have also announced the appointment of Anna Bielby as interim Chief Financial Officer on 1 July 2018 and have new leadership in place in Hull & East Yorkshire.

Throughout this period of change the Board has remained focused on its responsibility for the long-term success of the Group and each Director has contributed significant time and effort to ensure the continued effectiveness of the Board.



Graham Holden
Non-Executive Chairman



Dividend

I am pleased to confirm that the Board is recommending a final dividend of 4.00 pence per share which, if approved, will bring our full year dividend to 6.00 pence per share – in line with our commitment. We are extending the minimum dividend commitment of 6.00 pence per share for the year ending 31 March 2019.

Good governance and responsible business

Good governance is essential to the business and we seek to adopt best practice. During the year, we have maintained our ongoing dialogue with our major shareholders and we thank them for the valuable insight and appropriate challenge that they provide to members of the Board.

Last year was an exciting time for the city of Hull, as it celebrated being the UK City of Culture. As a major business in the region, we are proud to have played an important part in the programme. It was particularly pleasing to see over 30 of our employees participating in the City of Culture volunteer scheme, welcoming people from all over the world to the wide variety of cultural and artistic events. Already the city has benefited enormously from the investment in regeneration and a substantial increase in visitors to the area. We are very confident that it will leave a legacy well into the future.

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We are proud to have played an important part in Hull's UK City of Culture programme.”

As ever, we continue to operate in a rapidly changing environment. This presents both opportunities and challenges as we move forward with our strategy. Our people remain our most valuable asset and, as always, they have demonstrated energy and passion in delivering exceptional services to our customers. It is clear from the regular feedback we receive that they remain committed to making life easier and better for each and every customer.

We truly appreciate and thank them for their continued support as we move forward into the next phase of the Group's development.

Graham Holden
Non-Executive Chairman
8 June 2018