



29 January 2018

KCOM Group plc

Trading Update and Management Change

KCOM Group PLC (KCOM.L) (the "Group") issues the following update on trading ahead of the Capital Markets Day it will host on Thursday, 1 February.

The Group remains on track to deliver an overall EBITDA performance that is slightly ahead of the Board's expectation, and a revenue performance slightly behind, for the financial year ending 31 March 2018.

Hull and East Yorkshire continues to enjoy a successful year, with revenue tracking in line with the Board's expectations. EBITDA for the period will benefit from a multi-year rebate on hereditament (rateable value) relating to the Hull and East Yorkshire network infrastructure. In December, we achieved our target of making fibre available to 150,000 premises. We have now started the second wave of our fibre deployment to make it available to the remaining premises in our addressable market. Fibre take up remains strong and we expect by the end of February to reach a point where more of our broadband customers are taking the service on fibre than on copper ADSL.

The Group also announces today that Gary Young, the Executive Vice President responsible for Hull and East Yorkshire, is leaving the Group to pursue another opportunity. A process to find his successor is underway and Mr Young will remain with the business whilst an orderly handover of his responsibilities takes place. The Board wishes to thank Gary for his significant contribution over his years with the Group and particularly the past 6 years leading the Hull & East Yorkshire business.

In **Enterprise**, our contract with NFUM has been renewed and extended to include the provision of additional cloud services. In December, we were selected by a large automotive manufacturer to develop a platform solution using our Cloud Native skills. Also in December, we signed a 12 month extension to our contract with HMRC, taking this contract through to 2020. As recently reported by the Public Accounts Committee, HMRC is re-phasing the timeline for its internal transformation programme and we expect this re-phasing to have a negative impact on project-based revenue for Enterprise in the final quarter of this financial year. This, together with delays to the finalisation of certain contracts, is expected to have a flattening effect on revenue and consequently reduce EBITDA performance in Enterprise for the full year compared to last year. We do not expect these factors to affect the long term growth prospects of the segment.

National Network Services has continued to perform in line with the Board's expectations and we maintain our view that revenue and EBITDA will begin to stabilise going into next year.

Bill Halbert, Chief Executive said:

"We continue to execute against our strategy, bringing fibre to the final corners of Hull and East Yorkshire, refining our propositions in Enterprise and winning the trust of new and existing customers, and managing National Network Services for value. I would like personally to thank Gary Young for his significant contribution to our Group. I've worked closely with Gary over the past 6 years, a period in which he has led successfully our Hull and East Yorkshire business and overseen our successful deployment of fibre broadband. All of us at KCOM wish him every success in his new role."

The Group expects to announce its preliminary results for the year ending 31 March 2018 on 5 June 2018.

For further information please contact:

KCOM Group PLC

Bill Halbert, Chief Executive Officer
Jane Aikman, Chief Financial Officer
Cathy Phillips, Investor Relations

01482 602 595

FTI Consulting LLP

Edward Bridges
Matt Dixon
Jamie Ricketts

020 3727 1137

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