



London, 24 July 2013.

EE Interim Results for 6 Months Ended 30 June 2013

Postpaid growth and cost savings drive strong margin improvement as company doubles rate of 4G take-up and doubles 4G speeds to world's fastest

- **Stable underlying service revenue performance:** Q2 service revenue excluding regulatory Mobile Termination Rate (MTR) and roaming cuts improves to 0.0% year-on-year (yoy) (Q1 2013: -0.4%); including impact of regulation -4.4% (Q1 2013: -5.4%)
- **Significant adj. EBITDA improvement:** H1 adj. EBITDA¹ up 9.1% yoy to £734m, a margin of 22.9% (H1 2012 20.3%); best margin performance since formation of the company, driven by growth in postpaid customers and strong progress on network optimisation and retail integration
- **Accelerating 4G demand with strong high value postpaid customer adds:** 4G adoption rate doubles in Q2 over previous five months; 4G base reaches 687k, on track to exceed target of one million 4G customers by year end; existing customers moving to 4G showing approximately +10% ARPU (Average Revenue Per User); strong Q2 postpaid net adds of 216k; postpaid base +6.3% yoy, with 55% (Q2 2012: 50%) of base now postpaid, delivering 6 times higher ARPU than prepaid; prepaid base down 671k, with revenue trend in line with industry shift towards postpaid
- **Excellent customer retention:** postpaid churn rate improves to 1.1% (Q2 2012: 1.2%), the ninth consecutive quarter at 1.2% or below, driven by differentiated network experience and compelling propositions
- **Strong 4G smartphone adoption and data revenue growth:** successfully seeding customer base as 56% of new/upgrading postpaid customers opt for 4G contract or 4G-ready devices, +12 ppts from Q1; non-messaging data revenue +12ppts yoy at 41% (Q2 2012: 29%) of ARPU; non-voice revenues (data and messaging) +8ppts yoy to 55% (Q2 2012: 47%) of ARPU
- **Officially the UK's biggest and fastest network:** Independent benchmarking by RootMetrics^{®2} has ranked EE number one for overall call, text and mobile data performance of any UK network in all 16 cities tested in the first half of 2013, with average download speeds as high as 23.3 Mbps; 4G coverage today covering nearly 60% population, with double speed 4G in 15 cities, delivering fastest network speeds in the world

First half unless otherwise noted	Six months ended 30 June 2013	H1 yoy change (%)	Q2 yoy change (%)
Turnover	£3,211m	(3.1%)	(2.3%)
Service revenue	£2,843m	(4.9%)	(4.4%)
Service revenue change (ex. regulation)		(0.2%)	0.0%
Adj. EBITDA	£734m	9.1%	
Adj. EBITDA margin	22.9%	2.6ppts	
Q2 Postpaid Net Adds (excluding MVNOs)	216k		
Q2 Postpaid Churn	1.1%		(0.1ppts)

Olaf Swantee, Chief Executive Officer of EE, commented: *"Today's results demonstrate our success in building our new brand and differentiating our network to drive commercial momentum while continuing to deliver cost savings to increase our margin performance. We've doubled the rate at which we're adding 4G customers and doubled our 4G speeds across 15 cities to deliver the world's fastest network for our customers – indoors, outdoors and on key commuter routes."*

¹ Adjusted EBITDA is EBITDA before Management and Brand Fees and restructuring costs

² Performance rankings and fastest speeds based on RootMetrics RootScore[®] reports across 3G and 4G in 16 UK large urban zones, Jan-Jun 2013. Your experience may vary. See rootmetrics.co.uk for more info.

Operating review

In the first half, EE made excellent progress implementing our strategy of maintaining commercial leadership, delivering operational excellence, and creating long term value through 4G and smartphones. Our focus on brand and network differentiation, building an efficient business and targeting postpaid customers is driving our commercial momentum, significantly improving our adj. EBITDA margin and delivering the fastest 4G take-up in Europe.

Our Customers: Improved value mix through strong postpaid adds and sustained low churn

Underlying service revenue in Q2 was stable at 0.0%. Including the impact of regulatory cuts, service revenue was 4.4% lower yoy at £1,421m. We continued to improve our customer value mix with 216k net postpaid adds in the quarter. 55% of our customers are now on postpaid plans that generate six times higher ARPU than prepaid, with underlying ARPU growth in Q2 of 2.8% yoy. Customer retention further improved, with postpaid customer churn reaching a record low of 1.1%.

In Q2, we doubled the average run rate of 4G adoption versus the first five months after launch and reached 687k 4G customers. We are on track to exceed our target of 1 million 4G customers by year end. Existing postpaid customers migrating to 4G are showing an ARPU uplift of approximately 10%.

We further led the market announcing ground-breaking propositions including 4GEE Shared plans, 30 day SIM-Only and prepaid mobile broadband plans. We today have double speed 4G - with average speeds of 24-30 Mbps - across 15 cities, before any other networks have launched any 4G services. Later in the year, we plan to introduce speed-differentiated 4G plans allowing new customers to choose between 4G and double speed 4G, plus other benefits.

We today have 4G covering 95 towns and cities and nearly 60% of the population, and are on track to reach 98% coverage by 2014. Independent benchmarking by RootMetrics® has ranked EE number one for overall call, text and mobile data performance of any UK network in all 16 cities tested in the first half of 2013.

Our Company: Strong margin improvement

We made very good progress growing our postpaid base and delivering synergy programmes, which helped the business reach an adj. EBITDA margin of 22.9%, up 2.6 ppts yoy. This is the highest level of adj. EBITDA margin since the creation of the company in 2010. We have reached £410m (92%) of the £445m annual gross opex savings target.

We have achieved a 3.8% yoy reduction in our indirect cost base. Capex increased to £295m in H1, up 20% yoy, as our ambitious 4G network rollout programme remained on track. In the second quarter, our network optimisation programme passed the halfway mark, and we successfully streamlined our retail estate by over 130 locations to 600 stores.

Our Future: Successfully leveraging the data opportunity

4G smartphone penetration and data revenue growth continued apace. The proportion of new and upgrading postpaid customers choosing 4G contracts or 4G-ready smartphones rose to 56% (Q2 2013: 45%). Non voice revenues (data and messaging) grew to 55% of ARPU revenues (Q2 2012: 47%), with non-messaging data reaching 41% of ARPU (Q2 2012: 29%).

4G continues to be a clear market differentiator with private and public sector corporate customers who are increasingly requiring faster mobile data services. At the end of June, we had more than 2,400 corporate accounts using 4G, including IKEA, Jewson, Lloyd's Register Group, The Royal Borough of Windsor & Maidenhead and Berkshire Healthcare NHS Foundation Trust.

Our fixed broadband business saw strong 9% yoy revenue growth in Q2. We are making good progress on our strategy of selling fixed products across our entire mobile customer base. Our machine-to-machine customer base increased 34% yoy to more than 1.5m connections.

Capital Structure and dividend

Our Net Debt to EBITDA ratio as of 30 June 2013 was 1.72. We remain committed to our financial policy of maintaining, in the medium term, a leverage ratio of below 1.75-2.0x Net Debt to EBITDA. We paid in the first half of 2013 a final 2012 dividend of £189m to our shareholders, and the Board of Directors have recommended an interim 2013 dividend of £159m to be paid in September 2013.



Media Contacts:

Dan Perlet
dan.perlet(at)ee.co.uk

Investor Relations Contacts:

Deutsche Telekom Investor Relations:
peer.rossbach(at)telekom.de or +49 228 181 88 120

Orange Investor Relations:

didier.kohn(at)orange.com or +33 1 44 44 72 53

Bond Programme contacts:

Taylor Rafferty
Severine Camp
ee(at)king-worldwide.com

About EE

EE is the largest and most advanced digital communications company in Britain, delivering mobile and fixed communications services to consumers, businesses, government and the wholesale market. With more than 15,000 employees and 600 retail stores, EE serves more than 27 million customers on EE, Orange and T-Mobile mobile and broadband plans.

EE runs the UK's biggest and fastest mobile network, having introduced the UK's first and only superfast 4G mobile service in 2012. In July 2013 EE's 4G coverage reached nearly 60% of the UK population, with plans to cover 98% of the population by 2014. EE's 2G coverage today reaches 99% of the population and 3G reaches 98% of the population. EE's superfast fibre broadband service covers 54% of the UK population, and ADSL broadband service covers 98.7% of the population.

EE has received extensive independent recognition including being ranked the UK's best overall network by RootMetrics®, and Best Network for Business at the 2013 Mobile Industry awards.

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EE Interim Results for 6 Months Ended 30 June 2013

		Q2/12	Q2/13	Movement
Customers (end of period)	('000)	28,182	27,517	(2.4%)
- Postpay mobile	('000)	13,143	13,976	6.3%
- Prepay mobile	('000)	13,185	11,312	(14.2%)
- Fixed total	('000)	719	709	(1.4%)
- Fixed broadband	('000)	714	704	(1.4%)
- Fixed narrowband	('000)	5	5	0.0%
-Machine-to-Machine	('000)	1,135	1,520	33.9%
Net customer additions	('000)	(79)	(378)	
- Postpay mobile	('000)	150	216	
- Prepay mobile	('000)	(313)	(671)	
- Fixed broadband	('000)	0	10	
- Fixed narrowband	('000)	(9)	0	
-Machine-to-Machine	('000)	93	67	
Average monthly churn mobile	(%)	2.2%	2.7%	0.5ppts
- Postpay mobile	(%)	1.2%	1.1%	(0.1ppts)

		Q2/12	Q2/13	H1/12	H1/13	Movement	
						Q2 yoy	H1 yoy
Turnover	(£'m)	1,644	1,606	3,314	3,211	(2.3%)	(3.1%)
Turnover underlying growth yoy	(%)					1.7%	1.2%
Mobile service revenue	(£'m)	1,486	1,421	2,989	2,843	(4.4%)	(4.9%)
Mobile service revenue underlying growth yoy	(%)					0.0%	(0.2%)
EBITDA	(£'m)			551	595		8.0%
Adjusted EBITDA	(£'m)			673	734		9.1%
Restructuring costs included in EBITDA	(£'m)			16	46		188%
EBITDA margin (turnover)	(%)			16.6%	18.5%		1.9ppts
Adj EBITDA margin (turnover)	(%)			20.3%	22.9%		2.6ppts
Capital expenditure	(£'m)			245	295		20.4%

Mobile		Q2/12	Q2/13	Movement
Subscriber Acquisition Cost (SAC) per gross addition	(£)	57	56	(1.8%)
-Postpay	(£)	165	147	(10.9%)
-Prepay	(£)	7	5	(28.6%)
Subscriber Retention Cost (SRC) per gross addition	(£)	183	168	(8.2%)
Average Revenue Per User (ARPU) (monthly average)	(£)	18.7	18.4	(1.6%)
ARPU underlying growth yoy	(%)			2.8%
- Postpay	(£)	31.7	29.7	(6.3%)
- Prepay	(£)	5.9	5.0	(15.3%)
Voice ARPU (monthly average)	(£)	9.9	8.4	(15.2%)
Non-voice % of ARPU	(%)	47.1	54.6	7.5ppts
Minutes Of Use per customer per month	(min)	199	201	1.0%
- Postpay	(min)	352	335	(4.8%)