



London. 22 October 2014.

EE Results for the Third Quarter to 30th September 2014

4G customer base up fourfold year-on-year to 5.6m – largest of any European operator; EE again ranked UK's #1 overall network by RootMetrics¹ as 4G pop. coverage passes 75%

Highlights:

Clear network leadership delivers biggest 4G base of any European mobile operator:

- 4G customer base up 1.4m in Q3 to reach 5.6m – the most quarterly 4G net adds and biggest 4G base of any operator in Europe. 6,203 corporate accounts using 4G including MasterCard, Reading Council and SGN. On track to significantly exceed target of 6m 4G customer by year end.
- Over 82% of new postpaid customers selected 4G, of which a third opted for double speed 4GEE Extra.
- 4G rolled out to over 75% of the population, with double speed 4G in 40 cities by end of the year.
- Independently ranked in latest RootMetrics¹ study as the UK's #1 network for overall voice, text, data and reliability performance¹ for January to June 2014, named #1 for UK-wide call performance by Ofcom² and selected as best network at 2014 Mobile Choice Awards.

Stable underlying operating revenue performance:

- Operating revenue stable at 0% year-on-year (yoy) excluding regulatory cuts; including regulatory impact -1.2% yoy.
- Mobile average revenue per user (ARPU) growth of 1.6% yoy (Q2 2014: 2.7%) excluding regulatory impact, and 0.5% (Q2 2014: 2.2%) including regulatory cuts.
- Data (non-text) revenue +6 ppts yoy to 49% (Q3 2013: 43%) of ARPU.

Further postpaid mobile growth and continued excellent customer retention:

- Q3 postpaid mobile net adds of 178k including machine-to-machine (M2M). Total EE connections of 31.0m (Q3 2013: 31.0m).
- 60.3% of consumer/B2B base on postpaid plans, delivering six times higher ARPU than prepaid. Prepaid base reduced by 169k, with revenue trend in line with industry shift towards postpaid.
- Postpaid churn (excluding M2M) at 1.1%, the 14th consecutive quarter at 1.2% or below.

Strong fixed revenue and customer growth ahead of EE TV launch:

- Fixed revenue growth +20% yoy, the 11th consecutive quarter of growth, with 18k fixed broadband net adds.
- In October, announced EE TV, an innovative smart TV service that allows viewers to simultaneously watch multiple live and recorded programmes on TVs, tablets and mobile phones in the home.

	Quarter ended 30 September 2014	Change year-on-year %, comparable basis
Turnover	£1,591 m	(2.5%)
Operating revenue	£1,523 m	(1.2%)
Operating revenue change (excl. regulation)		0.0%
Postpaid Net Adds	178k	
Postpaid Churn	1.1%	0.0ppts

Neal Milsom, Chief Financial Officer of EE, commented: *"We are delivering consistent underlying performance in a highly competitive environment while continuing to face significant regulatory pressure on our revenues. We are investing to further innovate on behalf of our customers by delivering not just the best network but also improvements in customer service, a range of attractive EE branded devices, Shared Plans, and soon EE TV."*

¹ Performance rankings based on [RootMetrics RootScore[®]](#) reports across 3G and 4G Jan-Jun 2014 published in August 2014.

² Ofcom [Consumer experiences of mobile phone calls](#) published August 2014.

Operating Review

During the third quarter, EE continued to execute successfully on our strategy to maintain commercial leadership, deliver operational excellence and create long-term value through clear network differentiation.

Our strategy is delivering for the business with 5.6m customers now enjoying our award-winning 4G network, which was named in the latest RootMetrics® study as the UK's best overall network for the period January to June 2014. Business demand for 4G remains strong, with our corporate base reaching 6,203 accounts. Our 4G service now exceeds 75% of the UK population – over 48 million people – in 281 major towns and cities, and over 2,500 villages and small towns.

Our Customers: Maintaining commercial leadership

Underlying operating revenue, excluding the impact of regulation, was stable at 0% yoy in the quarter, supported by continued postpaid growth. Operating revenue including the impact of regulatory cuts, was 1.2% lower yoy at £1,523m.

We saw a net increase of 178k postpaid connections including M2M. Our value mix further improved in Q3, with a net increase of 119k postpaid mobile customers (excluding M2M), with 60.3% of our customers now on postpaid plans, generating an average of six times higher ARPU than prepaid customers. Postpaid customer growth helped drive +1.6% yoy growth in underlying mobile ARPU. Postpaid customer churn remains amongst the lowest in the industry at 1.1%, the 14th consecutive quarter at 1.2% or below. We also slowed the decline in our prepaid business, supported by a good response to our new range of EE branded devices, 4G Wifi plans and launch of new 4G prepaid offers starting at £1 a week to further extend our leadership in the 4G prepaid market.

Our fixed telephony, ADSL broadband and fibre business continued to make very strong progress, with revenue growth of +20% yoy and a net addition of 18k fixed broadband customers.

Our Company: Operational excellence to deliver the best network and best service

Our three year £1.5bn network investment programme, including £275m each year from 2012 to 2014 to focus on voice coverage, is delivering results. In August, Ofcom announced that EE had the highest call success rate across the UK at 97% and was also best in rural areas, with 93.7% success rate.

We are making further improvements in coverage, including being the first and only UK operator to announce seamless WiFi calling on major new devices including the iPhone 6. We are investing in rural coverage improvements, upgrading 2G equipment and installing new 4G equipment in rural areas to rollout voice over 4G (VoLTE) using 800 MHz spectrum next year. We are this year extending our unique double speed 4G service to 40 of the UK's busiest cities, and were the first UK operator to roll out LTE-Advanced, demonstrating speeds up to 300 Mbps in Tech City, London – ahead of a city-wide launch.

We are maintaining our focus on further improving customer service. In the quarter, we acquired 58 retail stores from Phones 4u, extending our retail footprint into new areas to strengthen our direct sales presence. We have also opened new customer service centres in Derby and Londonderry/Derry as part of our programme to on-shore 1,000 customer service roles to the UK by early 2016.

Our Future: Building value through clear network leadership

Data revenues continued to grow rapidly. Non voice revenues (data and messaging) grew to 59% of ARPU revenues (Q3 2013: 56%), with non-messaging data reaching 49% of ARPU (Q3 2013: 43%). We are seeing excellent demand for 4GEE Extra plans, with a third of new 4G customers selecting our exclusive double speed 4G.

We are leveraging our network capacity to drive growth in our wholesale business. Our MVNO base reached 3.8m, up +5.6% yoy, bringing the total number of connections on the EE network to 31.0m. In August, BT launched its B2B MVNO service on the EE network.

In October, we announced plans to launch EE TV, an exciting new service that features the UK's most advanced TV smart box that allows viewers to watch and record over 70 Freeview channels as well as on-demand services on their living room TV as well as on up to three tablets and smartphones in the home. Building on our mobile leadership and fixed broadband offering, the introduction of EE TV enables us to provide customers with attractive, best value propositions for mobile, broadband, fixed line and TV.



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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. EE has approximately 15,000 employees and 580 retail stores, and serves 31 million customers across its mobile, fixed and wholesale businesses.

EE runs the UK's biggest, fastest and most reliable mobile network, pioneering the UK's first superfast 4G mobile service in October 2012. EE's 4G coverage today reaches more than 75% of the UK population. EE's 2G coverage reaches 99% of the population while 3G reaches 98%. EE's superfast fibre broadband service covers 54% of the UK population, and ADSL broadband service covers 98.7% of the population.

In the last few years, EE has received extensive independent recognition including being ranked the UK's best overall network by RootMetrics®, Best Consumer Network and Best Business Network at the 2014 Mobile Industry Awards, Best Network at the 2014 Mobile News Awards, Fastest Network at the 2013 uSwitch Awards, Best Network at the 2013 and 2014 Mobile Choice Consumer Awards and What Mobile Awards, Network Innovation at the 2013 Recombu awards and Best Network for Business at the 2013 Mobile Industry awards.

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EE Results for the Third Quarter to 30 September 2014

		Q3/13	Q3/14	Movement
Total network connections (end of period)	('000)	31,012	30,959	(0.2%)
Postpay mobile	('000)	14,156	14,757	4.2%
Postpay mobile base percentage (ex. M2M/MVNO)	(%)	56.3%	60.3%	4.0ppts
Prepay mobile	('000)	10,967	9,732	(11.3%)
Machine-to-Machine	('000)	1,567	1,869	19.3%
Fixed broadband	('000)	714	793	11.1%
Fixed narrowband	('000)	4	2	(50%)
MVNO¹	('000)	3,604	3,806	5.6%
Net customer additions	('000)	(120)	155	
Postpay inc. M2M	('000)	228	178	
- Postpay mobile	('000)	181	119	
- Machine-to-Machine	('000)	47	59	
Prepay mobile	('000)	(345)	(169)	
Fixed broadband	('000)	10	18	
Fixed narrowband	('000)	0	0	
MVNO¹	('000)	(12)	128	
Average monthly churn own mobile (ex. M2M/MVNO)	(%)	2.2%	1.9%	(0.3ppts)
Postpay mobile (ex. M2M/MVNO)	(%)	1.1%	1.1%	0.0ppts

¹ MVNO base and Net adds reported a quarter in arrears

		Q3/13	Q3/14	Movement
Turnover	(£'m)	1,631	1,591	(2.5%)
Turnover underlying growth yoy	(%)			(1.3%)
Operating revenue²	(£'m)	1,542	1,523	(1.2%)
Operating revenue underlying growth yoy	(%)			0.0%
Mobile service revenue	(£'m)	1,446	1,411	(2.4%)
Mobile service revenue underlying growth yoy	(%)			(1.1%)

² Operating Revenue is Mobile Service Revenue plus revenue from fixed and wholesale business areas

Mobile (ex. M2M/MVNO)		Q3/13	Q3/14	Movement
Average Revenue Per User (ARPU) (monthly average)	(£)	19.0	19.1	0.5%
ARPU underlying growth yoy	(%)			1.6%
- Postpay	(£)	30.1	28.9	(4.0%)
- Prepay	(£)	4.8	4.4	(8.3%)
Voice ARPU (monthly average)	(£)	8.5	7.8	(8.2%)
Non-voice % of ARPU	(%)	55.5	59.0	3.5ppts
Minutes Of Use per customer per month	(min)	201	203	1.0%
- Postpay	(min)	325	313	(3.7%)