



London. 28 April 2014.

EE Results for the First Quarter to 31 March 2014

Best ever 4G take up in a single quarter driven by growing appetite for superfast mobile internet

Highlights:

Strong demand for superfast 4G services underpinned by clear network differentiation:

- 4G customer base reached 2.9m, an increase of 889k in the quarter, with nearly 5,100 medium and large companies using 4G including Fujitsu, NEC and Europcar. On target to exceed 6m 4G customers by the end of 2014.
- 50% of new and renewing (Orange and T-Mobile) postpaid customers selected 4G, with strong uptake of double speed 4GEE Extra plans. 4G rolled out in 200 cities, with double speed 4G in 20 cities. Speed-tiered price plans based on network differentiation driving growth in average access fees.
- EE independently ranked the UK's #1 network for voice, text, mobile internet and reliability performance by RootMetrics® and named Network of the Year at 2014 Mobile News Awards.

Growth in underlying operating revenue¹, average revenue per user and data revenues:

- Operating revenue +0.8% year-on-year (yoy) excluding regulatory Mobile Termination Rate (MTR) and roaming cuts; including regulatory impact -1.7% yoy.
- Mobile average revenue per user (ARPU) growth of +5.1% yoy (Q4 2013: +6.1%) excluding regulatory impact, and +2.2% (Q4 2013: 3.2%) including regulatory cuts.
- Data (non-text) revenue +11 ppts yoy to 47% (Q1 2013: 36%) of ARPU.

Continued acquisition and retention of postpaid mobile customers and growth of MVNO base:

- Postpaid mobile net adds of 214k including machine-to-machine (M2M).
- 59% of consumer/B2B base on postpaid plans, delivering six times higher ARPU than prepaid. Prepaid base reduced by 321k, with revenue trend in line with industry shift towards postpaid.
- Effectively retaining postpaid customers, with consumer/B2B postpaid churn of 1.2%, the twelfth consecutive quarter at 1.2% or below.
- Mobile Virtual Network Operator (MVNO) base +3.2% yoy to 3.66m bringing the total number of connections on the EE network including M2M, MVNOs and fixed to 30.7m (Q1 2013: 31.4m).

Sustained fixed revenue and customer growth:

- Fixed revenue growth +12.5% yoy, the 9th consecutive quarter of growth.
- Fixed broadband net adds of 20k, driven by attractive combined fixed/mobile promotions.

	Quarter ended 31 March 2014	Change year-on-year %, comparable basis
Turnover	£1,548 m	(3.6%)
Operating revenue	£1,486 m	(1.7%)
Operating revenue change (excl. regulation)		+0.8%
Postpaid Net Adds	214k	
Postpaid Churn	1.2%	0.0 ppts

Neal Milsom, Chief Financial Officer of EE, commented: *"We are delivering strong, consistent commercial performance and continue to successfully create value through our award winning network. We signed up nearly 900,000 4G customers in a single quarter, with over one in four new customers opting for EE's exclusive double speed 4GEE Extra plans. In line with our vision to provide the best network and best service, we're also further improving customer service across all channels to support our long term growth."*

¹ Operating Revenue is Mobile Service Revenue plus revenue from fixed and wholesale business areas. To better reflect company revenue performance, Operating Revenue is now the primary revenue measure for quarterly external reporting. For additional disclosure please see table below. All other KPIs are unaffected.

Operating Review

During the first 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 determined focus on building the best network for the UK is delivering for our customers and our business. We continue to successfully attract users to our superfast 4G services with a net increase of 889k 4G connections in the quarter – our best quarter yet. 2.9m customers are now enjoying the UK's biggest and fastest 4G network. Business demand for 4G remains strong, with our corporate account base reaching nearly 5,100. We are confident that we will exceed 6m 4G customers by the end of the year. Our 4G service now reaches 72% of the UK population – 46m people – covering 200 towns and cities. We are the only operator in the UK to offer double speed 4G, which is available in the UK's 20 largest cities and to 25% of the population as of April.

Our Customers: Winning and retaining postpaid customers

Underlying operating revenue excluding the impact of regulation improved +0.8% yoy, strengthened by continued high value postpaid growth. Operating revenue including the impact of regulatory cuts was -1.7% yoy at £1,486m.

We saw a net increase of 214k postpaid customers including M2M. Our customer value mix further improved in the quarter, with a net increase of 123k postpaid consumer/B2B customers. 59% (excluding M2M) of our customers are now on postpaid plans, generating an average of six times higher ARPU than prepaid customers. Postpaid customer growth helped drive +5.1% yoy growth in underlying mobile ARPU. Postpaid customer churn remains amongst the lowest in the industry at 1.2%, the 12th consecutive quarter at 1.2% or below. In late March, we announced new entry level 4G price plans and a more affordable 4G smartphone to further broaden the appeal of our 4G services.

Our fixed telephony, ADSL broadband and fibre business continued to make excellent progress, with revenue growth of +12.5% yoy and a net addition of 20k fixed broadband customers.

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

Our network optimisation programme to simultaneously remove redundant sites, upgrade our network and rollout 4G is delivering results. In March, EE was named the number one mobile network in the UK, following comprehensive independent testing from RootMetrics®. EE was ranked number one in performance across every category including mobile internet, call, text and reliability across the UK. EE also won Mobile Network of the Year at the 2014 Mobile News Awards.

We advanced initiatives to further improve customer service in all channels. We revamped our digital customer experience including launching a new best-in-class website and 'MyEE' app, with enhanced self-service features. We announced cost-neutral plans to on-shore 1,000 customer service roles to the UK and create 1,300 apprenticeships over the next two years. In store, we further improved sales and service with new staff training programmes and improved processes.

Our Future: Building value through clear network leadership

We continue to monetise our mobile internet experience with standard 4GEE and 4GEE Extra plans. We are accelerating the rate at which we are upgrading existing customers to 4G. Migrations continue to show high single digit percentage increases in ARPU, driving an increase in the proportion of our revenue captured in monthly access fees. We are also seeing good demand for our new double speed 4G Extra plans. Data and messaging revenues continue to rise rapidly, reaching 58% of ARPU in Q1, against 51% in Q1 2013, with data (non-text) revenue up to 47% of ARPU compared to 36% in Q1 2013.

We are also leveraging our network capacity to maximise connections on our network. We finalised an MVNO agreement with BT. Our MVNO base reached 3.66m, up +3.2% yoy, bringing the total number of connections on the EE network to 30.7m.

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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:

Fairvue Partners
Severine Camp
EE(at)fairvuepartners.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. EE has approximately 15,000 employees and 550 retail stores, and serves more than 30 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 70% 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 network at the 2014 Mobile News Awards, Fastest Network at the 2013 uSwitch Awards, Best Network at the 2013 Mobile Choice Consumer Awards and What Mobile Awards, Network Innovation at the 2013 Recomubu awards and Best Network for Business at the 2013 Mobile Industry awards.

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EE Results for the First Quarter to 31 March 2014

		Q1/13	Q1/14	Movement
Total network connections (end of period)	('000)	31,439	30,718	(2.3%)
Postpay mobile	('000)	13,759	14,473	5.2%
Postpay mobile base percentage (ex. M2M/MVNO)	(%)	53.4%	58.9%	5.5ppts
Prepay mobile	('000)	11,983	10,103	(15.7%)
Machine-to-Machine	('000)	1,453	1,735	19.4%
Fixed broadband	('000)	694	745	7.3%
Fixed narrowband	('000)	5	4	(20.0%)
MVNO¹	('000)	3,545	3,658	3.2%
Net customer additions	('000)	(307)	(35)	
Postpay inc. M2M	('000)	233	214	
- Postpay mobile	('000)	166	123	
- Machine-to-Machine	('000)	67	91	
Prepay mobile	('000)	(571)	(321)	
Fixed broadband	('000)	1	20	
Fixed narrowband	('000)	0	(1)	
MVNO¹	('000)	30	53	
Average monthly churn own mobile (ex. M2M/MVNO)	(%)	2.6%	2.0%	(0.6ppts)
Postpay mobile (ex. M2M/MVNO)	(%)	1.2%	1.2%	(0.0ppts)

¹ MVNO base and Net adds reported a quarter in arrears

		Q1/13	Q1/14	Movement
Turnover	(£'m)	1,605	1,548	(3.6%)
Turnover underlying growth yoy	(%)			(1.2%)
Operating revenue²	(£'m)	1,512	1,486	(1.7%)
Operating revenue underlying growth yoy	(%)			0.8%
Mobile service revenue	(£'m)	1,422	1,387	(2.5%)
Mobile service revenue underlying growth yoy	(%)			0.2%

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

Mobile (ex. M2M/MVNO)		Q1/13	Q1/14	Movement
Average Revenue Per User (ARPU) (monthly average)	(£)	18.3	18.7	2.2%
ARPU underlying growth yoy	(%)			5.1%
- Postpay	(£)	30.0	28.8	(4.0%)
- Prepay	(£)	5.0	4.3	(14.0%)
Voice ARPU (monthly average)	(£)	8.9	7.8	(12.4%)
Non-voice % of ARPU	(%)	51.1	58.4	7.3ppts
Minutes Of Use per customer per month	(min)	199	206	3.5%
- Postpay	(min)	338	325	(3.8%)