



London, 23 April 2013.

EE Results for the First Quarter to 31 March 2013

Strong 4G take-up as company makes good progress focusing on high value segments

Key Highlights:

- **Strong demand for superfast 4G services:** 4G customer base reaches 318k after just five months of trading, firmly on track to meet target of more than one million 4G customers by the end of 2013; over 1,600 medium and large companies using 4G; network rollout to reach 70% UK population by year end
- **Secured UK's best spectrum portfolio for superfast 4G data services:** acquired 2x5MHz of 800MHz and 2x35MHz of 2.6GHz spectrum for £589m; now hold industry-leading 36% share of UK mobile spectrum, an unrivalled foundation for the future
- **Steady underlying service revenue performance:** service revenue excluding regulatory Mobile Termination Rate (MTR) and roaming cuts of -0.4% (Q4 2012: +1.5%) year-on-year (yoy) following macroeconomic/competitive pressures; including regulatory impact -5.4% yoy (Q4 2012: -3.9%)
- **Attracting high value customers:** postpaid mobile net adds of 166k (Q1 2012: 151k) (excluding MVNOs and M2M), the best Q1 postpaid net adds performance since the creation of the company; 53% (Q1 2012: 49%) of mobile customers now on postpaid plans that deliver five times higher Average Revenue Per Customer (ARPU) than prepaid; in-line with industry shift toward postpaid and reflecting post-Christmas seasonality, prepaid customers decreased by -571k (Q1 2012: -494k)
- **Growing underlying Average Revenue Per User (ARPU):** underlying blended mobile ARPU +2.2% (Q4 2012: 3.9%)
- **Strong customer retention:** low postpaid mobile churn of 1.2%, the eighth consecutive quarter at 1.2% or below
- **Rapid postpaid smartphone adoption driving data revenue growth:** postpaid smartphone penetration up 11 ppts yoy to 82% (Q1 2012: 71%); non-messaging data revenue increases to 36% of ARPU (Q1 2012: 27%); non-voice revenue (data and messaging) at 51% of ARPU (Q1 2012: 45%)

	Quarter ended 31 March 2013	Change year-on-year %, comparable basis
Service revenue	£1,422m	(5.4%)
Service revenue change (excluding regulation)		(0.4%)
Postpaid Net Adds	166k	
Postpaid Churn	1.2%	0.0 ppts

Neal Milsom, Chief Financial Officer of EE, commented: *"Today's results are in-line with our expectations, and we are making good progress focusing on high value segments. We're announcing 318,000 4G customers after just five months of trading, strong postpaid net adds and continued growth in our underlying average revenue per user. We expect to strengthen our industry leadership position in the year ahead as the 4G roll out continues and we introduce double-speed 4GEE."*

Operating Review

The business over the quarter continued to see steady underlying service revenue performance as well as success in retaining and adding high value postpaid, 4G and 4G-ready subscribers to our base. There is strong demand for our 4G services – with a base of 318k customers or 2.3% of our postpaid base – after only five months of trading. We are making strong progress towards reaching our target of more than one million 4G customers by the end of 2013 after 14 months of trading.

We are successfully extending our leading network position and are on track to expand our 4G coverage to 80 towns and cities and 55% of the population by the end of June, and over 70% by the end of the year. On 9th April, we announced plans to introduce double-speed 4G in ten cities by the end of June using our 2x20MHz of 1800 MHz spectrum assets, firmly establishing EE as both the biggest and fastest network in the UK.

We have secured our long term network leadership position by winning 2x5MHz of 800MHz and 2x35MHz of 2.6GHz spectrum at a price of £589m in the recent auction. EE now holds the UK's largest spectrum portfolio and best for delivering superfast mobile data services.

Our Customers: Focusing on high value acquisition and retention

Underlying service revenue was steady at -0.4% following macroeconomic and competitive pressures. Including the impact of regulatory cuts, service revenue was down -5.4% yoy to £1,422m.

We achieved a net increase of 166k postpaid customers in the quarter, the best Q1 postpaid net adds performance since the creation of the company. 53% of our customers are now on postpaid plans, improving the value mix of our customer base and driving underlying ARPU growth of 2.2% yoy. Across the postpaid base, we are seeing continued growth in average price plan access fees. Customer retention remains very healthy, with sustained low postpaid customer churn of 1.2%.

Our Company: Driving successful integration

During the quarter, we rapidly progressed our retail store integration programme and are on track to streamline our retail estate to approximately 600 stores by the end of Q2. Despite the reduction in our retail footprint, we maintained sales performance through our direct channels.

We continued our Network Optimisation programme, removing redundant sites while simultaneously supporting the rollout of our double-speed 4G services. In the quarter we decommissioned 548 redundant sites, bringing the total number to 3,207 since the programme began.

For the first time, EE ranked in the Sunday Times Top 25 Best Big Companies to Work For in the UK, as determined by an independent survey of our employees.

Our Future: Creating a platform for growth through smartphones and data

The business is successfully monetising the changing usage patterns of our rapidly growing smartphone-enabled customer base. The number of our postpaid customers with smartphones increased 11 ppts yoy to 82%. 93% of new and renewing postpaid handset connections are smartphones, of which 42% are 4G or 4G-ready. Data revenue continues to increase accordingly, with non-messaging data revenue up 9 ppts yoy to 36% of ARPU. Non-voice revenue (data and messaging) is up 6 ppts yoy to 51% of ARPU.

The strong take-up of 4G services amongst new and existing customers validates our data monetisation strategy. We continue to successfully migrate Orange and T-Mobile customers with 4G-ready phones to high value EE 4G price plans in areas where 4G coverage is available. We are seeing continued strong demand for 4G from businesses, with more than 1,600 now using the service including NG Bailey, PA News, Reed Recruitment, RAC, Tate & Lyle and United Utilities.

We continue to see growth in our fixed broadband business, with revenues up 11% yoy and 95% of new fixed-line customers selecting broadband and line rental in addition to mobile.



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About EE

EE is the most advanced digital communications company in Britain, providing mobile and fixed-line services to more than 26 million customers, and is the first company in the UK to provide 4G mobile services alongside fixed-line fibre. EE runs the Orange, T-Mobile and EE brands in the UK.

Its 4G service is on track to cover more than 70% of the population by the end of 2013 and 98% by the end of 2014. Its fibre service already covers 50% of the population. EE's mobile service currently provides coverage to 99% of the population with 2G and 98% of the population with 3G.

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EE Results for the First Quarter to 31 March 2013

		Q1/12	Q1/13	Movement
Customers (end of period)	(’000)	27,218	26,441	(2.9%)
- Postpay mobile	(’000)	12,993	13,759	5.9%
- Prepay mobile	(’000)	13,498	11,983	(11.2%)
- Fixed total	(’000)	727	699	(3.9%)
- Fixed broadband	(’000)	713	694	(2.7%)
- Fixed narrowband	(’000)	14	5	(64.3%)
Net customer additions	(’000)	(344)	(404)	
- Postpay mobile	(’000)	151	166	
- Prepay mobile	(’000)	(494)	(571)	
- Fixed broadband	(’000)	0	1	
- Fixed narrowband	(’000)	(2)	0	
Average monthly churn mobile	(%)	2.4%	2.6%	0.2ppts
- Postpay mobile	(%)	1.2%	1.2%	0.0ppts

		Q1/12	Q1/13	Movement
Turnover	(£’m)	1,670	1,605	(3.9%)
Turnover underlying growth yoy	(%)			0.6%
Mobile service revenue	(£’m)	1,503	1,422	(5.4%)
Mobile service revenue excluding regulation	(%)			(0.4%)

Mobile		Q1/12	Q1/13	Movement
Average Revenue Per User (ARPU) (monthly average)	(£)	18.7	18.2	(2.7%)
- Postpay	(£)	32.4	30.0	(7.4%)
- Prepay	(£)	5.8	5.0	(13.8%)
ARPU underlying growth yoy (excluding regulation)	(%)			2.2%
Voice ARPU (monthly average)	(£)	10.2	8.9	(12.7%)
Non-voice % of ARPU	(%)	45.5	51.1	5.6ppts
Minutes Of Use per customer per month	(min)	198	199	0.5%
- Postpay	(min)	357	338	(5.3%)