



London. 22 October 2013.

EE Results for the Third Quarter to 30 September 2013

**4G base up half million to c.1.2m, establishing EE as Europe's fastest growing 4G operator;
network leadership drives momentum in enterprise space with key B2B, M2M and Wholesale wins**

Highlights:

- **Rapid 4G customer growth:** 4G postpaid base up 493k or 72% over Q2 base to nearly 1.2m, exceeding target of 1m 4G customers four months early. Strong progress upgrading existing customers to 4G, with migrations showing high single digit percentage increase in Average Revenue Per User (ARPU). 4G available in 117 towns and cities.
- **Underlying service revenue performance:** Service revenue excluding impact of Mobile Termination Rates and roaming regulations of -0.6% year-on-year (yoy) (Q2 2013: 0.0%). Service revenue including impact of regulation -3.3% (Q2 2013: -4.4%). Mobile ARPU growth +3.3% yoy (Q2 2013: +2.8%) excluding regulation, and +0.5% (Q2 2013: -1.6%) including impact of regulation, driven by continued postpaid customer growth.
- **Successfully acquiring and retaining high value customers:** Postpaid mobile net adds of 181k driving postpaid base +5.7% higher yoy. 56% of customer base now postpaid, delivering six times higher ARPU than prepaid. Prepaid base reduced by 345k, with revenue trend in line with industry shift towards postpaid. Effectively retaining postpaid customers, with postpaid churn of 1.1%, the tenth consecutive quarter at 1.2% or below.
- **Data (non-text) revenues up by a quarter yoy driven by strong smartphone adoption:** data (non-text) revenues +12 pts yoy to 43% (Q3 2012: 31%) of ARPU, and data/text (non-voice) revenues +8 pts yoy to 56% (Q3 2012: 48%) of ARPU. 64% of new/renewing postpaid customers select 4G contracts or 4G-ready devices, +8 pts on Q2 2013 and further seeding base for 4G growth.
- **Major brands ASDA, BT, Canon, Expedia, Kimberly-Clark and Virgin Media select EE network:** 3,200+ companies on 4GEE, including Canon, Expedia and Kimberly-Clark. Machine-to-machine (M2M) base +26%, with agreement for future growth signed with RAC. Partner of choice for Mobile Virtual Network Operators (MVNOs), re-signing Virgin Media, signing ASDA Mobile and, subject to final contract, agreement for BT's customers and 88,000 employees.

	Quarter ended 30 September 2013	Change year-on-year %, comparable basis
Turnover	£1,631m	(2.4%)
Service revenue	£1,446m	(3.3%)
Service revenue change (excluding regulation)		(0.6%)
Postpaid Net Adds (excluding MVNOs)	181k	
Postpaid Churn	1.1%	(0.1 pts)

Neal Milsom, Chief Financial Officer of EE, commented: "Consumers and businesses across the UK are recognising that EE has the best network for the smartphone era, with more superfast 4G coverage than all the other networks combined. We attracted half million 4G customers in the quarter and large companies including ASDA, BT, Canon, Expedia, Kimberly-Clark and Virgin Media selected EE's network to help grow their businesses."

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 the adoption of smartphones, superfast 4G services and increased data usage.

Our network differentiation strategy is delivering for the business. We have achieved among the fastest 4G adoption rates in the world, surpassing our target of 1m 4G customers four months early and reaching 1.18m customers by the end of the quarter. Our 4G service now covers 117 towns and cities – with plans to cover 140 by the end of the year. We are the only operator in Britain to offer double speed 4G, which is already available in 20 cities.

Our Customers: Winning and retaining high value customers

Underlying service revenue excluding the impact of regulation was -0.6% in the quarter, with postpaid growth offset by an industry-wide decline in prepaid. Service revenue including the impact of regulatory cuts was -3.3% at £1,446m.

Our customer value mix further improved, with a net increase of 181k high value postpaid customers. 56% of our customers are now on postpaid plans, generating an average of six times higher ARPU than prepaid customers. Postpaid customer growth helped drive +3.3% yoy growth in underlying mobile ARPU. Postpaid customer churn remains amongst the lowest in the industry at 1.1%.

We added 493k 4G customers in Q3, a 72% increase over our Q2 base. We saw a greater proportion of new customers selecting 4G across all customer segments. We continued to migrate a significant level of customers on Orange and T-Mobile plans to 4GEE when coverage goes live in their area. Our 4G corporate account base surpassed 3,200, adding Canon, Expedia and Kimberly-Clark.

In October, we announced new 4GEE price plans to expand our addressable market and effectively monetise our network differentiation. These includes entry level 4GEE postpaid plans and 4GEE Extra postpaid plans with added benefits, as well as the UK's first 4G prepaid device plans.

Our Company: Operational excellence through successful integration

We made steady progress optimising our network, removing redundant sites while simultaneously upgrading existing sites and continuing the rollout of our double-speed 4G services. In the quarter we decommissioned 679 redundant sites, bringing the total number of decommissioned sites to 5,553 since the programme began. We maintained a stable direct sales mix following the consolidation of our retail estate.

The three year £1.5bn network integration and investment programme is delivering clear network differentiation. In its most recent reports for each city, independent benchmarking by RootMetrics®¹ ranked EE number one for overall call, text and mobile data performance of any UK network in Belfast, Birmingham, Cardiff, Edinburgh, Glasgow, Leicester, London, Newcastle and Nottingham. EE also won the "Best Network" award in the *Mobile Choice* magazine 2013 Consumer Awards, as voted by 21,000 readers.

Our Future: Strong data revenue growth and 4G smartphone adoption

Data revenues increased 24% yoy in the quarter on the back of strong smartphone adoption. Data/text (non-voice) revenues grew to 56% of ARPU revenues (Q3 2012: 48%), with data (non-text) revenues reaching 43% of ARPU (Q3 2012: 31%). The proportion of new and renewing postpaid customers choosing 4G contracts or 4G-ready smartphones rose to 64% (Q2 2013: 56%).

We published our first [4GEE Mobile Living Index](#), which revealed an increase in mobile shopping, social media use and video and music streaming. 4GEE customers benefit from a selection of inclusive add-ons such as unlimited access to 25 million music tracks with Deezer Premium+, 17 UK TV channels and a catalogue of top rated games, plus downloading films from the EE Film store.

Our fixed broadband business maintained strong revenue growth for the seventh consecutive quarter, up 9% in the third quarter on the back of customer growth and take up of fibre services. Our machine-to-machine connections grew 26% yoy to 1.6 million, and we signed an agreement for future connections with RAC. We advanced key MVNO partnerships, re-signing Virgin Mobile, signing ASDA Mobile and, subject to final contract, signing an agreement for BT's customers and 88,000 employees.

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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. With approximately 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. EE's 4G coverage has reached approximately 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®, Best Network at the 2013 Mobile Choice Consumer 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 2013

		Q3/12	Q3/13	Movement
Customers (end of period)	('000)	28,155	27,408	(2.7%)
- Postpay mobile	('000)	13,393	14,156	5.7%
- Prepay mobile	('000)	12,792	10,967	(14.3%)
- Fixed total	('000)	728	718	(1.4%)
- Fixed broadband	('000)	723	714	(1.2%)
- Fixed narrowband	('000)	5	4	(20.0%)
- Machine-to-Machine	('000)	1,242	1,567	26.2%
Net customer additions	('000)	(27)	(107)	
- Postpay mobile	('000)	250	181	
- Prepay mobile	('000)	(393)	(345)	
- Fixed broadband	('000)	9	10	
- Fixed narrowband	('000)	0	0	
- Machine-to-Machine	('000)	107	47	
Average monthly churn mobile	(%)	2.3%	2.2%	(0.1ppts)
- Postpay mobile	(%)	1.2%	1.1%	(0.1ppts)

		Q3/12	Q3/13	Movement
Turnover	(£'m)	1,671	1,631	(2.4%)
Turnover underlying growth yoy	(%)			0.1%
Mobile service revenue	(£'m)	1,496	1,446	(3.3%)
Mobile service revenue underlying growth yoy	(%)			(0.6%)

Mobile		Q3/12	Q3/13	Movement
Average Revenue Per User (ARPU) (monthly average)	(£)	18.9	19.0	0.5%
ARPU underlying growth yoy	(%)			3.3%
- Postpay	(£)	31.8	30.1	(5.3%)
- Prepay	(£)	5.7	4.8	(15.8%)
Voice ARPU (monthly average)	(£)	9.8	8.5	(13.3%)
Non-voice % of ARPU	(%)	48.4	55.5	7.1ppts
Minutes Of Use per customer per month	(min)	194	201	3.6%
- Postpay	(min)	338	325	(3.8%)