



London. 24 October 2012.

## EE Results for the Third Quarter to 30 September 2012

*Strong commercial momentum driven by growth in postpaid smartphone adoption as company prepares for new customer brand and 4G launch*

- Service revenue excluding regulated Mobile Termination Rate (MTR) and roaming cuts +3.1% (Q2 2012: +3.4%) year-on-year (yoy); including impact of regulatory cuts -3.0% (Q2 2012: -1.1%)
- Further improved mobile customer value mix with postpaid net adds of 250k (Q3 2011: 185k); 51% of customers now on postpaid agreements (Q3 2011: 47%) that deliver five times higher ARPU (Average Revenue Per User) than prepaid; in line with industry trends, prepaid customers decreased by 393k (Q3 2011: -227k)
- Postpaid smartphone penetration reaches 74% of customer base (Q3 2011: 65%), increasing non-messaging data revenue to 31% of ARPU (Q3 2011: 23%); non-voice revenue (data and messaging) at 48% of ARPU (Q3 2011: 42%)
- Strong mobile customer retention maintained, with churn of 1.2% (Q3 2011: 1.1%); 32% yoy increase in Q3 contract renewals, with further average access fee growth
- Fixed broadband continues to gain momentum, delivering 12% yoy revenue growth, driven by strong multiproduct adoption, with 97% of new broadband customers also taking line rental
- Company introduces EE; a new business name, network name and, from 30 October, a new customer brand that will launch the UK's first 4G mobile services, with plans to cover 16 UK cities by end of this year and 98% of the population by end of 2014

|  | Quarter ended 30<br>September 2012 | Change year-on-year<br>%, comparable basis |
|--|------------------------------------|--|
| Service revenue                                  | £1,496m                            | (3.0%)                                     |
| Service revenue change<br>(excluding regulation) |                                    | 3.1%                                       |
| Postpaid Net Adds                                | 250k                               |  |
| Postpaid Churn                                   | 1.2%                               | 0.1 ppts                                   |

**Neal Milsom, Chief Financial Officer of EE, commented:** "We are delivering solid revenue performance and successfully attracting high value contract customers, while creating growth opportunities through our new superfast EE brand that will soon launch the UK's first 4G mobile services. We have achieved key business goals in the past quarter and firmly established EE as the UK market leader."

## **Operating Review**

EE made good progress in the third quarter by improving the value mix of our mobile business and the revenue growth of our fixed broadband business, while announcing plans to launch superfast 4G mobile and fibre broadband services to create platforms for growth. Despite significant competitive, economic and regulatory pressures, we delivered strong commercial performance, with healthy postpaid customer acquisition and take up of smartphones.

We announced our new brand strategy including plans to launch EE as a superfast customer brand standing alongside Orange and T-Mobile. It is our ambition to rollout 4G in 16 cities covering 20 million people by the end of 2012, and 98% of the population by the end of 2014, making it the fastest ever rollout of mobile network technology in the UK, underscoring EE's relentless focus on execution. We also announced plans to offer superfast fibre broadband to 11 million households and businesses this year.

### **Our Customers: Market leadership and customer loyalty**

Underlying service revenue, which excludes the impact of regulated MTR and roaming cuts, grew 3.1%. Including the impact of regulatory cuts, service revenue was down 3.0% yoy to £1,496m.

A net increase of 250k postpaid customers was the main driver behind the underlying revenue growth in the quarter. 51% of our customers are now on postpaid plans, improving the value mix of our customer base and driving underlying blended (combining pre- and postpaid) ARPU growth of 5% yoy. Customer retention remains very strong, with sustained low customer churn of 1.2%. We are successfully upgrading existing customers to higher value plans, with 32% yoy increase in contract renewals and further average access fee growth. 80% of our postpaid customers are on two year contracts, up from 70% a year ago.

### **Our Company: Operational excellence**

During the quarter, we introduced "EE" as a shorter, snappier name for our company and network. The introduction of the EE network indicator signifies the completion of the network sharing programme, demonstrating that we are now providing all customers with seamless access to the UK's largest 3G network.

We also progressed plans to open refurbished EE-branded stores. Integrating multiple IT systems across our entire retail footprint to a single more effective and cost efficient IT platform means our customers will soon be able to access sales and service for Orange, T-Mobile and EE in any of our 700+ stores across the UK.

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

Smartphone penetration and data revenues continued to increase rapidly in Q3 as more customers increased data use. 74% of postpaid customers are now using smartphones, up 9ppts yoy, with 92% of new postpaid customers opting for smartphones, up 8ppts yoy. Non voice revenues (data and messaging) were up 6ppts yoy to 48% of ARPU, with non messaging data revenue up 8ppts yoy to 31% of ARPU.

Our fixed broadband business continued to gain momentum, with 9k net customer additions and 12% revenue growth, with 97% of new fixed broadband customers also taking line rental.

The mobile payment and advertising joint venture with Vodafone and Telefonica received EU competition clearance in the quarter.

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**About EE**

EE is the UK's most advanced digital communications company, providing mobile and fixed line services to 27 million customers, and will soon become the only company in the UK to provide 4G mobile services alongside fibre broadband.

EE is the company that runs the Orange and T-Mobile brands in the UK, and will be launching its new superfast 4G brand – EE – on 30 October. Its 4G service will cover a third of the population by the end of 2012, and its fibre service will be available to more than 11 million households and businesses by the end of the year. EE's mobile service currently provides coverage to 99% of the population with 2G and 98% of the population with 3G.

For more information on EE please call the Media Centre on 0870 373 1500, or visit [www.ee.co.uk](http://www.ee.co.uk).



## EE Results for the Third Quarter to 30 September 2012

|                                     |               | Q3/11  | Q3/12  | Movement |
|-------------------------------------|---------------|--------|--------|----------|
| <b>Customers (end of period)</b>    | <b>(’000)</b> | 27,493 | 26,913 | (2.1%)   |
| - Postpay mobile                    | (’000)        | 12,529 | 13,393 | 6.9%     |
| - Prepay mobile                     | (’000)        | 14,233 | 12,792 | (10.1%)  |
| - Fixed total                       | (’000)        | 731    | 728    | (0.4%)   |
| - Fixed broadband                   | (’000)        | 713    | 723    | 1.4%     |
| - Fixed narrowband                  | (’000)        | 18     | 5      | (72.2%)  |
| <b>Net customer additions</b>       | <b>(’000)</b> | (48)   | (134)  |          |
| - Postpay mobile                    | (’000)        | 185    | 250    |          |
| - Prepay mobile                     | (’000)        | (227)  | (393)  |          |
| - Fixed broadband                   | (’000)        | (3)    | 9      |          |
| - Fixed narrowband                  | (’000)        | (3)    | 0      |          |
| <b>Average monthly churn mobile</b> | <b>(%)</b>    | 2.2%   | 2.3%   | 0.1ppts  |
| - Postpay mobile                    | (%)           | 1.1%   | 1.2%   | 0.1ppts  |

|   |              | Q3/11 | Q3/12 | Movement |
|---|--------------|-------|-------|----------|
| <b>Turnover</b>                                     | <b>(£’m)</b> | 1,697 | 1,671 | (1.5%)   |
| <b>Turnover underlying growth yoy</b>               | <b>(%)</b>   |       |       | 4.0%     |
| <b>Mobile service revenue</b>                       | <b>(£’m)</b> | 1,542 | 1,496 | (3.0%)   |
| <b>Mobile service revenue underlying growth yoy</b> | <b>(%)</b>   |       |       | 3.1%     |

| <b>Mobile</b>  |              | Q3/11 | Q3/12 | Movement |
|--|--------------|-------|-------|----------|
| <b>Average Revenue Per User (ARPU) (monthly average)</b> | <b>(£)</b>   | 19.1  | 18.9  | (1.0%)   |
| <b>ARPU underlying growth yoy</b>                        | <b>(%)</b>   |       |       | 5.0%     |
| - Postpay  | (£)          | 33.6  | 31.8  | (5.4%)   |
| - Prepay   | (£)          | 6.6   | 5.7   | (13.6%)  |
| <b>Voice ARPU (monthly average)</b>                      | <b>(£)</b>   | 11.1  | 9.8   | (11.7%)  |
| <b>Non-voice % of ARPU</b>                               | <b>(%)</b>   | 41.7  | 48.4  | 6.7ppts  |
| <b>Minutes Of Use per customer per month</b>             | <b>(min)</b> | 198   | 194   | (2.0%)   |
| - Postpay  | (min)        | 363   | 338   | (6.9%)   |