

EE

2012 Results



19TH FEBRUARY 2013

Olaf Swantee, CEO

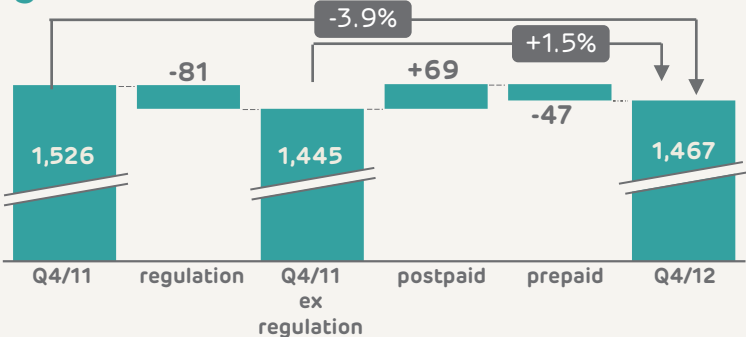
Neal Milsom, CFO

2012 Summary: Continued commercial momentum while building a strong platform for growth

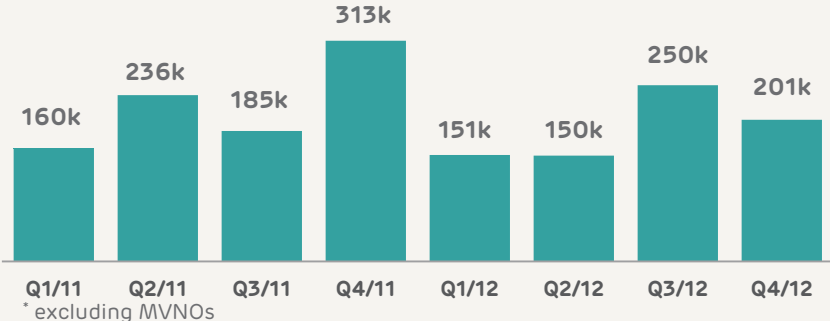
- **Maintained solid commercial momentum:** Full Year (FY) underlying service revenue growth +2.7% yoy (FY/11 +2.1% yoy); including impact of regulatory cuts -2.6% (FY/11 -2.1%); Q4/12 underlying service revenue growth +1.5% yoy (Q3/12 +3.1%); including impact of regulatory cuts -3.9% (Q3/12 -3.0%)
- **Achieved progress on adj. EBITDA margin in competitive market:** FY adjusted EBITDA margin of 21.2% (FY/11: 20.9%); H2/12 margin reached 22.0% (H2/11: 21.5%)
- **Achieved good progress delivering synergies:** Cost savings reached £369m (83%) of £445m annual gross opex savings target; on track to reach £3.5bn+ NPV by 2014
- **Further improvements in customer value mix and data revenue:** FY postpaid base +5.9% yoy; Q4 postpaid net adds of 201k; 52% of customers now postpaid (Q4/11 48%); non-voice revenues (data and messaging) up 7ppts yoy to 50% (Q4/11: 43%) of ARPU
- **Successfully introduced the EE brand and 4G:** fresh identity for company and new 4G services, achieved 43% spontaneous awareness in 2 months and 43% pop coverage
- **Invested in platforms for growth:** increased capex to 9.1% of turnover as 4G network rolled out; full year customer renewals increased 15% year-on-year (yoy)

Customer loyalty: Improved customer value mix through solid postpaid adds and sustained low churn

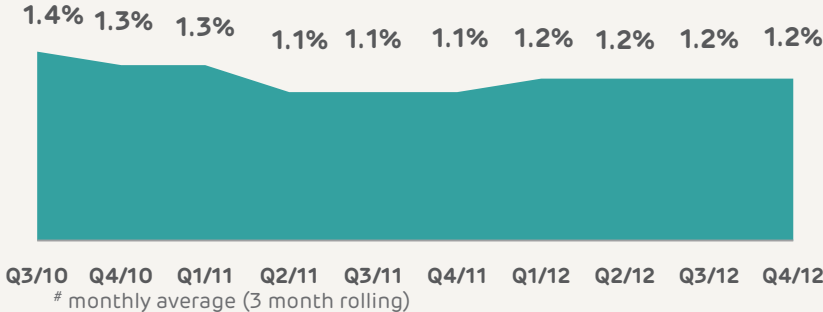
Q4 mobile service revenue +1.5% ex regulation, £m



Solid postpaid net adds*



Sustained low postpaid churn#



Insights

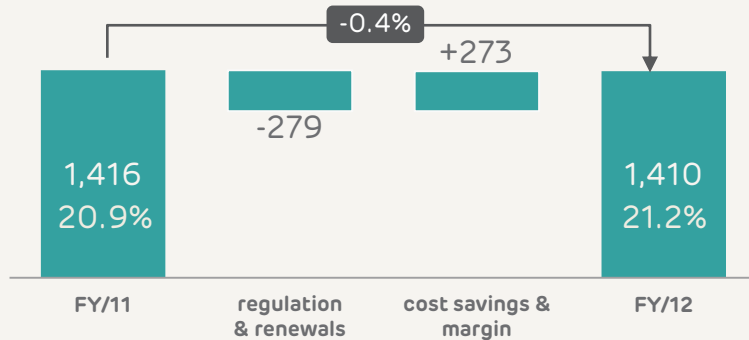
- Underlying service revenue driven by +9ppts yoy increase in postpaid smartphone penetration; postpaid mix 52%
- Improved customer value mix; smartphones 94% of new postpaid connections
- Strong customer retention with 1.2% churn for 4 quarters

Initiatives

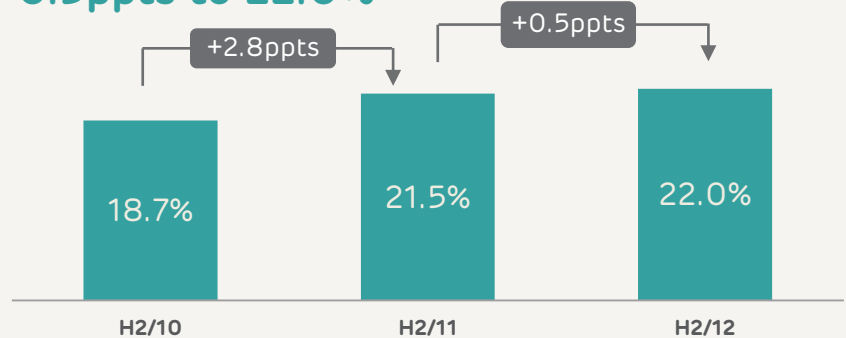
- Introduced new 4G price plans with broad 4G device range
- Launched EE Film; Clone Phone (data backup service); Content Adds Ons e.g. Deezer Music
- New retail estate increased service presence for Orange and T-Mobile customers

Operational excellence: Progress in lowering cost base

FY adj EBITDA margin improved to 21.2%, £'m



H2 adj EBITDA margin increased 0.5ppts to 22.0%



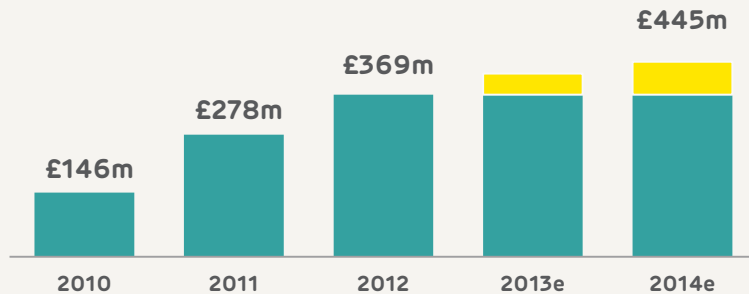
Insights

- FY/12 improved to 21.2% despite impact of regulation and +15% postpaid renewals; H2/12 margin 22.0%, up 0.5ppts yoy
- Synergy savings delivered 3.1% indirect cost reduction FY12 v FY11

Initiatives

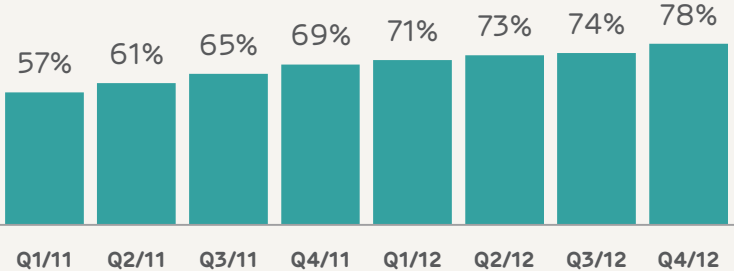
- Network Optimisation: 2,659 redundant sites switched off in 2012 (39% in Q4), savings to increase in 2013
- IT: supply chain and retail integration completed
- Implemented new performance management system and value based management
- Retail integration: 78 duplicate stores to be closed

On track to reach £445m gross opex synergies by 2014 v 2009 cost base

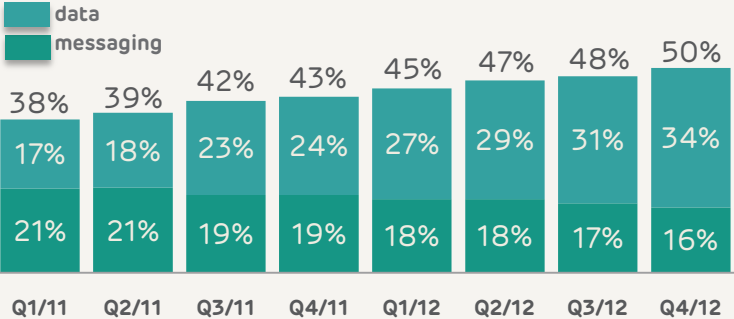


Platforms for growth: Successfully leveraging the data opportunity

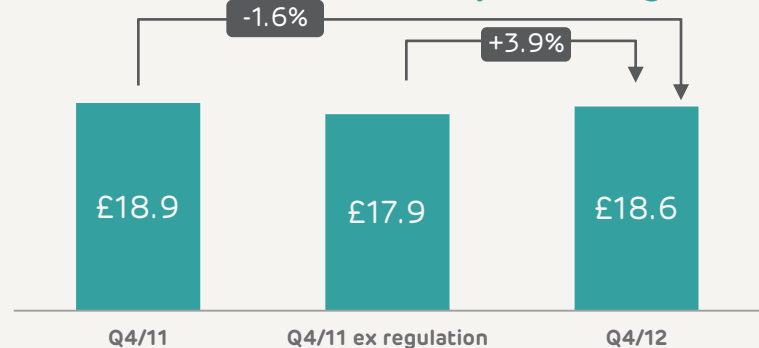
Increased postpaid smartphone base % of postpaid base with smartphones



Exploited data opportunity Non voice % ARPU



Mobile blended monthly ARPU growth



Insights

- Blended ARPU ex regulation +3.9% yoy, as postpaid base mix increases to 52% (Q4/11 48%)
- Increasing smartphone data usage drove non-voice revenues, with data revenues +10ppts yoy to 34% of ARPU

Initiatives

- 4G to 65 towns and 55% of pop. by June; RootMetrics found EE runs fastest, most reliable network
- Good progress migrating Orange/T-Mobile customers to EE; early results show c.10% ARPU uplift
- Strong business interest in 4G; c. 10% of business customers trialling 4G
- Further fixed broadband improvement: 11% revenue growth yoy. Machine-to-Machine base up nearly 40% yoy

2013: A Step Ahead

- **Background of fragile economy, regulation and intense competition:** cautious consumers, further (smaller) regulatory cuts and increased competition from other operators and retailers
- **Building blocks for the future growth in place:** best network, maximising 4G opportunity, winning propositions, strong and growing brand identity
- **Further strengthen the UK's best network:** continue roll-out and densification of 4G network, further 3G/2G improvements; continue extension of fibre coverage
- **Focus on business market segment:** leverage superfast network leadership and new propositions to gain share in business segment
- **Continue to pursue merger synergies:** progress Network Optimisation and retail integration
- **Reaffirm 2014 financial commitments:** 25% adjusted EBITDA margin, #1 in service revenue terms, double digit cash flow growth, synergies £3.5bn+ NPV