

EE

# INTERIM 2013 RESULTS



24<sup>th</sup> July 2013

Olaf Swantee, CEO

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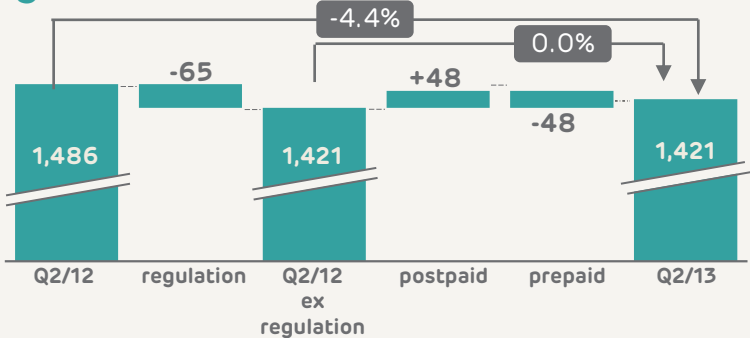
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# Postpaid growth and cost savings driving strong financial performance

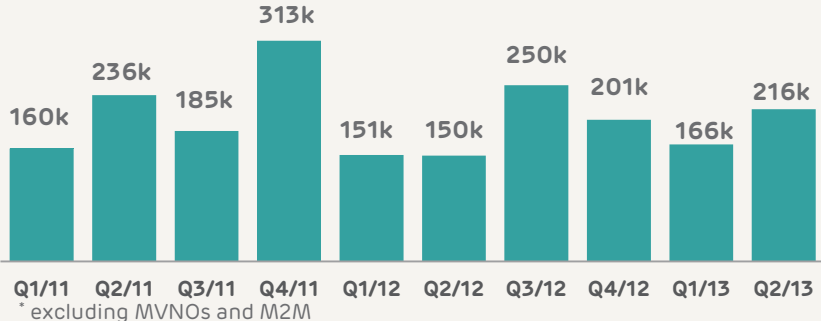
- **Stable underlying service revenue performance:** Q2/13 underlying service revenue improves to 0.0% yoy (Q1/13 -0.4% yoy); including impact of regulatory cuts -4.4% (Q1/13 -5.4%)
- **Significant adj. EBITDA improvement:** H1 adj. EBITDA +9.1% yoy to £734m; margin of 22.9% (H1/12 20.3%), best since formation of company, driven by postpaid growth and strong progress on cost savings, in particular from network optimisation and retail integration
- **Accelerating 4G demand drives strong high value postpaid customer net adds:** 4G monthly adoption rate doubles in Q2 over previous five months; 4G base of 687k, on track to exceed target of 1 million 4G customers by year end; existing customers moving to 4G show c. +10% ARPU; strong Q2 postpaid net adds of 216k; postpaid now 55% (Q2/12: 50%) of base, delivering 6x higher ARPU than prepaid; prepaid base down 671k, with revenue trend in line with industry shift towards postpaid
- **Excellent customer retention:** postpaid churn rate improves to 1.1% (Q2/12: 1.2%), driven by differentiated network experience and compelling propositions
- **Strong 4G device adoption and data revenue growth:** 56% of new postpaid adds on 4G contract or 4G-ready devices, +12 ppts from Q1; non-messaging data revenue +12ppts yoy at 41% (Q2/12: 29%) of ARPU; non-voice revenues (data and messaging) +8ppts yoy to 55% (Q2/12: 47%) of ARPU
- **Officially the UK's biggest and fastest network:** Independent benchmarking by RootMetrics® ranks EE as best overall call, text and data experience in all 16 cities tested in first half of 2013

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

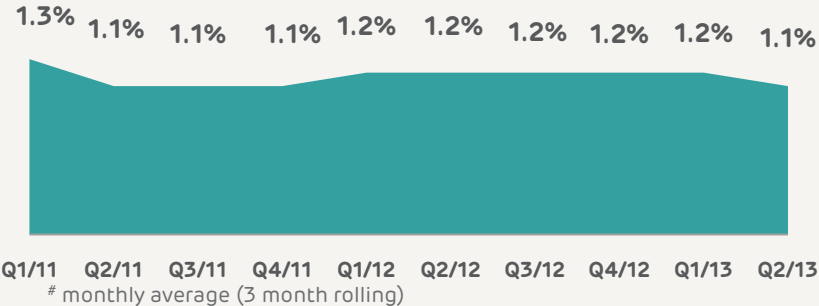
## Q2 mobile service revenue 0.0% ex regulation, £m



## Solid postpaid net adds\*



## Sustained low postpaid churn#



## Insights

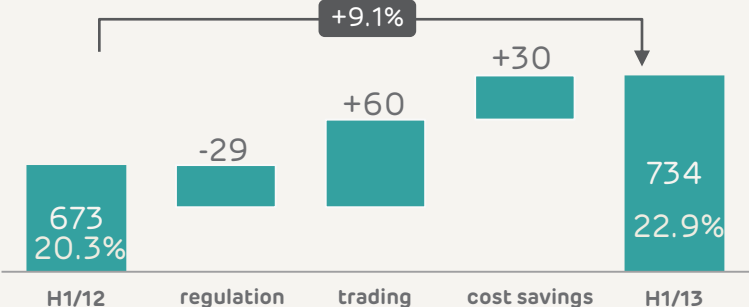
- Service revenue growth improves by 0.4ppts yoy over Q1/13, driven by strong postpaid performance
- 95% of new/upgrading handset connections are smartphones; 56% are 4G contracts or 4G ready devices
- Strong customer retention, churn improved to 1.1%

## Initiatives

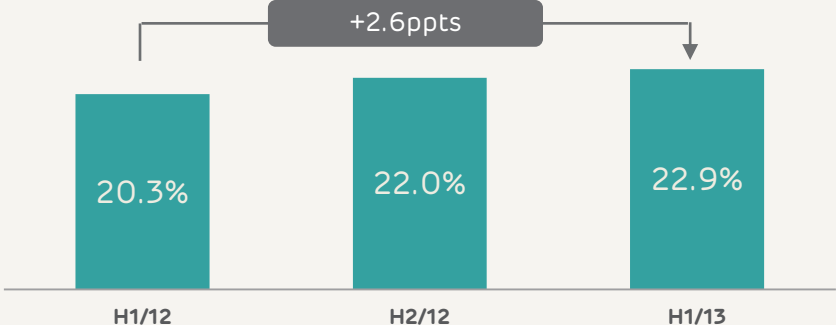
- In July, expanded 4G offering with innovative Shared plans and UK's first 4G prepaid mobile broadband plans
- Inflation-based price increases for customers on Orange and T-Mobile postpaid plans
- Strong success upgrading customers with 4G ready devices to 4G plans

# Operational excellence: Strong margin improvement

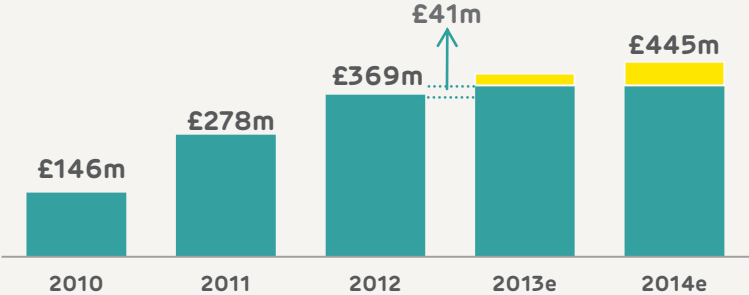
H1 adj EBITDA margin improved to 22.9%, £'m



Sustained adj. EBITDA margin growth



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



## Insights

- H1/13 adj EBITDA increased 9.1% yoy, driven by postpaid growth and cost savings
- 3.8% indirect cost reduction H1/13 v H1/12

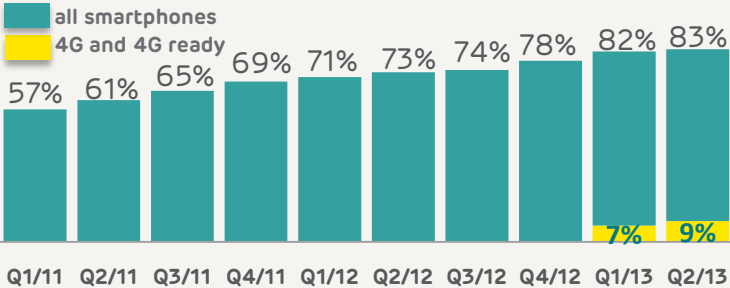
## Initiatives

- Network optimisation: 2,215 redundant sites switched off in H1/13, total now 4,874, savings to increase through H2
- Consolidated network maintenance suppliers
- Retail footprint reduced by over 130 locations to 600 stores
- FTEs reduced by 6% yoy

# Platforms for growth: Successfully leveraging the data opportunity

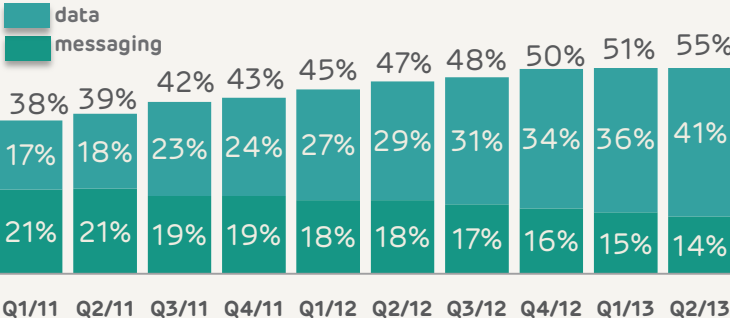
## Increased postpaid smartphone base

% of postpaid base with smartphones

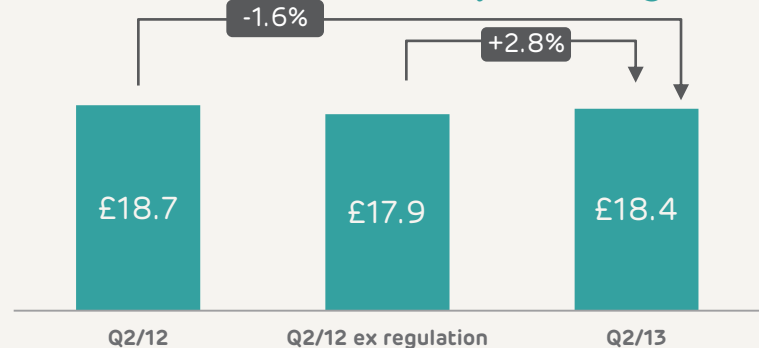


## Exploited data opportunity

Non voice % ARPU



## Mobile blended monthly ARPU growth



## Insights

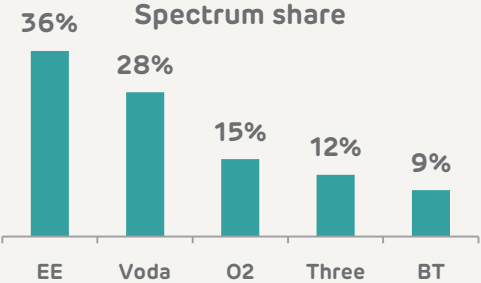
- Blended ARPU ex regulation +2.8% yoy, as postpaid base mix increases to 55% (Q2/12 50%)
- Increased smartphone data usage drives non-voice revenues, with data revenues +12ppts yoy to 41% of ARPU

## Initiatives

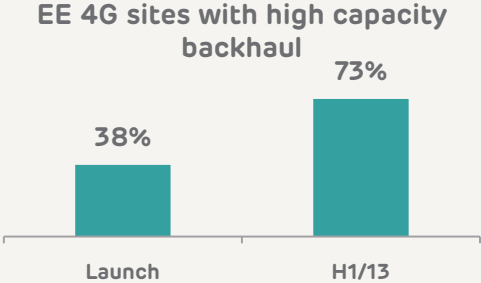
- In July, launched double speed 4G in 15 cities
- Strong business interest in 4G; 2.4k accounts using 4G
- Further fixed broadband improvement with 9% revenue growth yoy
- Machine-to-machine base up 34% yoy

# Network leadership: officially the UK's biggest and fastest mobile network

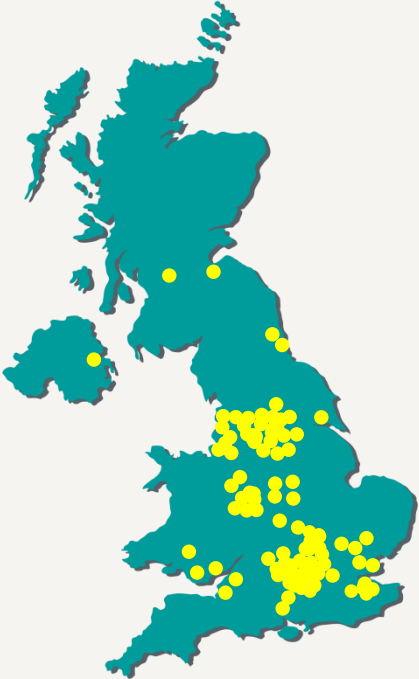
## Sustainable advantage



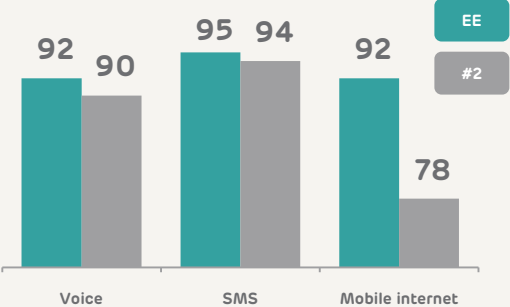
## High capacity backhaul



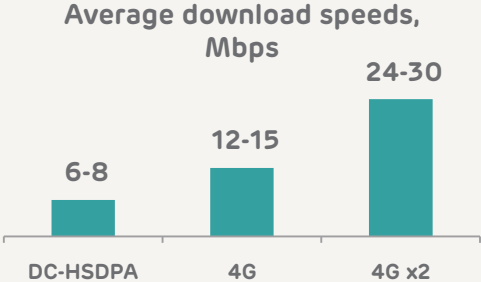
4G today in 95 towns and cities and nearly 60% of the population



## Officially UK's best overall network\*



## Unrivalled customer experience



\*Scale 1 to 100; Rootmetrics London survey April 2013