



London 21 October 2015.

## EE Results for the Third Quarter to 30 September 2015

***Strong commercial momentum drives underlying revenue growth as Europe's largest 4G operator doubles 4G base in 12 months; 190k additional postpaid customers over quarter bring total connections to 31.3m***

### Highlights:

**Network leadership continues to drive postpaid growth. 4G customers now represent more than 52% of total EE mobile customer base:**

- Strong postpaid net adds of 190k including machine-to-machine (M2M) take postpaid base up 3% yoy to 15.2m.
- 4G customer base up 1.7m (+7.0m yoy) to reach 12.6m, maintains position as largest in Europe. On track to exceed target of 14m 4G customers by year-end.
- 63% of base now on postpaid, delivering seven-times higher ARPU than prepaid.
- 4G now rolled out to 93% of the population, around 20% more than competitors. Unique double-speed 4G is now available to 75% of the population. Rollout of 4G+ (LTE-A<sup>1</sup>) has brought the world's fastest speeds and capacity, beginning with sites in central London.

### Underlying operating revenue performance complements low churn:

- Operating revenue up +1.2% yoy excluding regulatory impact; including regulatory impact -0.6% yoy.
- Market leading postpaid ARPU (-3.1% yoy), at £28.0, with combined mobile ARPU steady at £19.1.
- Service improvements continue to drive loyalty and support low postpaid churn, at 1.1%.
- Data (non-text) revenue increased by 5ppts to 54% (Q3 2014: 49%) of ARPU.

### Continued investment in growth areas drives momentum:

- **B2B:** Base up 7% yoy, as businesses increasingly value the benefits of 4GEE. New public sector wins of Lancashire Constabulary and Durham & Darlington NHS Foundation Trust.
- **M2M:** Strong growth in M2M connections, driven by growing Internet of Things (IoT) market, with base now at 2.1m (+12.4% yoy). Major investment in IoT with EE Connect, the UK's first dedicated 4G IoT platform; Royal Mail Group announced as the first major customer of the platform.
- **Connected:** Cross-selling strategy continued to drive growth in new Connected products<sup>2</sup>. Multiple Product Attach Rate (MPAR)<sup>3</sup>, which tracks average number of connected products adopted per postpaid voice customer, is up 2.3% yoy to 1.24.
- **Fixed:** Fixed Broadband base increased +17% yoy, as 8k net adds helped drive Q3 fixed-line revenue +12% yoy.

	Third Quarter ended 30 September 2015	Q3 yoy change (%)
Turnover	£1,586m	(0.3%)
Operating revenue	£1,514m	(0.6%)
Operating revenue change (excl. regulation)	-	1.2%
Q3 Postpaid Net Adds (inc M2M)	190k	-
Q3 Postpaid Churn	1.1%	0.0ppts

**Neal Milsom, Chief Financial Officer of EE, commented:** "We've seen strong commercial momentum as business and consumers embrace the benefits of our network, with more than two-thirds of postpaid mobile customers now using 4G, providing a solid platform for the future. Our broader portfolio has boosted total connections to 31.3m. Our new Connected products range, combined with a mix of premium and low cost 4G devices, now offer more choice than ever for our customers."

<sup>1</sup> LTE-A uses network advances and carrier aggregation to dramatically increase the speed of the 4G data connection, with peak speeds witnessed of around 150Mbps.

<sup>2</sup> Connected products defined as non-voice devices.

<sup>3</sup> MPAR is calculated using the following equation and components: (A+B+C+D+E)/A. (A) Postpaid handset and SIMO base; (B) Postpaid Mobile WiFi base; (C) Fixed broadband base; (D) Fixed telephone base (E) EETV base.

## **Operating review**

During the third quarter EE maintained growth in underlying operating revenue, made service improvements that increased customer loyalty, and continued to execute successfully on its strategy to maintain commercial leadership and deliver operational excellence.

Strong net additions +147k and continued low churn of 1.1% contributed to positive postpaid customer base growth of +3% yoy. Direct sales now account for 77% of postpaid upgrades and new connections.

The B2B base grew 7% yoy, with the addition of new corporate accounts including Lancashire Constabulary, and the Durham and Darlington NHS Foundation Trust.

Continued investment in network differentiation delivered strong growth in Wholesale. EE also launched the UK's first dedicated 4G (and 3G/2G) IoT platform, EE Connect, helping drive growth in the IoT market.

### **Our Customers: Broader portfolio, with more innovation**

A broader portfolio, with sales of new tablets and the 4GEE Action Cam, saw MPAR up 2.3%. The 4G Connected base now exceeds 1m, resulting from the successful execution of the Connected strategy in Q3.

High-profile organisations continue to trust EE to keep them connected. Growth of around 40% yoy in the number of Corporates using 4G has seen the base reach more than 8,710.

Exciting customer propositions introduced in Q3 included the launch of the iPhone 6s, and the UK's lowest priced 4G handset, the EE Rook, as well as successful new roaming propositions. Further developments to the EETV platform, including personalisation and social sharing, helped drive a 17% yoy growth in home broadband customers.

### **Our Company: Network Leadership and service focus drives improved loyalty**

As part of an ambition to be number one for service, EE has embarked upon a major retail investment programme, including store refits, mobile tills, and new in-store service capabilities across the estate. This has led to major service improvements, with 4 out of 5 customers who seek support in store having their issues resolved first time.

With more than a thousand service roles brought back to the UK in the past 12 months, significant progress is being made in mobile service, with complaints to Ofcom halved over the past year. Further improvements, including billing processes, EE website and MyEE app, led to a 31% yoy reduction in customer service calls.

In addition, EE has begun an overhaul of Fixed Broadband customer service operations, with the introduction of a new operations hub, backed by the creation of 500 new roles.

Continued investment in 4G saw our 10,000<sup>th</sup> 4G site switched on, driving major coverage advantages with 4G now available to 93% of UK population. Rollout of unique double-speed 4G and 4G+ (LTE-A) maintained speed leadership.

EE continues to be recognised for 4G network leadership, with domination of recent awards including Best Network at Mobile Choice Awards 2015 and the latest Rootmetrics' National report.

### **Our Future: Building value through network innovation for new consumer & business markets**

EE is committed to maintaining its place as the UK's most advanced mobile network. The rollout of LTE-A, now covering around 45% of Greater London, and using more of our spectrum will extend the unique speed and capacity advantage.

Innovation continues to drive voice coverage improvements, as major uptake of EE's WiFi Calling product saw more than 125m WiFi Calls made since launch in Q1, and more than 1.7m activated users.

Q3 saw the Royal Mail Group agreed as first major customer for EE Connect, the UK's first dedicated 4G IoT platform, including 76,000 future 4G connections. The Royal Mail Group, working with BT, will use EE's 4G network and the EE Connect platform to keep Royal Mail's 123,000 postmen and women connected through 4G "Postal Digital Assistants".

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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. EE has approximately 14,000 employees and 553 retail stores, and serves more than 30 million customers across its mobile, fixed and wholesale businesses.

EE runs the UK's biggest and fastest mobile network, pioneering the UK's first superfast 4G mobile service in October 2012 and is the first European operator to surpass the 10million 4G customer landmark. EE's 4G coverage today reaches more than 93% of the UK population. EE's 2G coverage reaches 99% of the population while 3G reaches 98%. EE's superfast fibre broadband service covers around 80% of the UK population, and ADSL broadband service covers 98.7% of the population.

In the last few years, EE has received extensive independent recognition, including being ranked the UK's best overall network by RootMetrics®; Best Network at the 2014 and 2015 Mobile News Awards and Winner of Best Innovative service for EE Cash on Tap; Best Network for Business at the 2014 Mobile Industry Awards; Best Consumer Network at the 2014 Mobile Industry Awards; Best Network at the 2014 and 2015 Mobile Choice Consumer Awards and What Mobile Awards 2014; Fastest Network at the 2014 uSwitch Mobile Awards; Best Mobile Network at the 2014 Recombu Awards; and winners of the TV Technology award for content innovation at the 2015 DTVE Europe Awards. The 4GEE Action Cam also won Best Connected Gadget at the Mobile Choice Consumer Awards 2015.

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## EE Third Quarter Results to 30 September 2015

		Q3/14	Q3/15	Movement
<b>Total network connections (end of period)</b>	<b>(‘000)</b>	30,959	31,276	1.0%
<b>Postpay mobile</b>	<b>(‘000)</b>	14,757	15,197	3.0%
<b>Postpay mobile base percentage (ex. M2M/MVNO)</b>	<b>(%)</b>	60.3%	62.8%	2.5ppts
<b>Prepay mobile</b>	<b>(‘000)</b>	9,732	9,001	(7.5%)
<b>Machine-to-Machine</b>	<b>(‘000)</b>	1,869	2,100	12.4%
<b>Fixed broadband</b>	<b>(‘000)</b>	793	927	16.9%
<b>Fixed narrowband</b>	<b>(‘000)</b>	2	-	nr
<b>MVNO<sup>1</sup></b>	<b>(‘000)</b>	3,806	4,051	6.4%
<b>Net customer additions</b>	<b>(‘000)</b>	155	330	
<b>Postpay inc. M2M</b>	<b>(‘000)</b>	178	190	
- Postpay mobile	(‘000)	119	147	
- Machine-to-Machine	(‘000)	59	43	
<b>Prepay mobile</b>	<b>(‘000)</b>	(169)	(195)	
<b>Fixed broadband</b>	<b>(‘000)</b>	18	8	
<b>Fixed narrowband</b>	<b>(‘000)</b>	0	0	
<b>MVNO<sup>1</sup></b>	<b>(‘000)</b>	128	327	
<b>Average monthly churn own mobile (ex. M2M/MVNO)</b>	<b>(%)</b>	1.9%	2.1%	(0.2ppts)
<b>Postpay mobile (ex. M2M/MVNO)</b>	<b>(%)</b>	1.1%	1.1%	0.0ppts

<sup>1</sup> MVNO base and Net adds reported a quarter in arrears

		Q3/14	Q3/15	Movement
<b>Turnover</b>	<b>(£'m)</b>	1,591	1,586	(0.3%)
<b>Turnover underlying growth yoy</b>	<b>(%)</b>			1.4%
<b>Operating revenue<sup>2</sup></b>	<b>(£'m)</b>	1,523	1,514	(0.6%)
<b>Operating revenue underlying growth yoy</b>	<b>(%)</b>			1.2%
<b>Mobile service revenue</b>	<b>(£'m)</b>	1,411	1,391	(1.4%)
<b>Mobile service revenue underlying growth yoy</b>	<b>(%)</b>			0.5%

<sup>2</sup> Operating Revenue is Mobile Service Revenue plus revenue from fixed and wholesale business areas

<b>Mobile (ex. M2M/MVNO)</b>		Q3/14	Q3/15	Movement
<b>Average Revenue Per User (ARPU) (monthly average)</b>	<b>(£)</b>	19.1	19.1	0.0%
<b>-ARPU underlying growth yoy</b>	<b>(%)</b>			2.1%
<b>Postpay ARPU</b>	<b>(£)</b>	28.9	28.0	(3.1%)
<b>Prepay ARPU</b>	<b>(£)</b>	4.4	4.2	(4.5%)
<b>Voice ARPU (monthly average)</b>	<b>(£)</b>	7.8	7.0	(10.3%)
<b>Non-voice % of ARPU</b>	<b>(%)</b>	59.0	63.3	4.3ppts
<b>Minutes Of Use per customer per month</b>	<b>(min)</b>	203	194	(4.4%)
<b>- Postpay</b>	<b>(min)</b>	313	286	(8.6%)