

EE

FULL YEAR 2014 RESULTS



Olaf Swantee, CEO

Neal Milsom, CFO

Company achieves 2014 targets with record 5.7m 4G customers to become Europe's largest 4G operator

Delivered 2014 financial targets, including 25%+ adj. EBITDA margin:

- FY adj. EBITDA¹ +1.0% yoy to £1,589m, a 25.1% (FY 2013: 24.3%) margin; H2 adj. EBITDA margin of 25.8% (H2 2013: 25.3%).
- Retained mobile service revenue market leadership. Operating revenue steady at -0.2% yoy excluding regulation and 1.4% lower including regulatory impact. Generated 5.5% growth in EBITDA minus CAPEX².

Record 4G growth driven by network leadership:

- 4G base up 5.7m (+284%) to 7.7m, largest of any European operator, exceeding 6m target, with 7,000+ corporate accounts using 4G.
- In Q4, 94% of new postpaid customers selected 4G; nearly half opted for double-speed 4GEE Extra.
- 4G base growth supports Q4 ARPU growth +1.1% yoy (Q3 2014: 1.6%), excluding regulatory impact.
- Data (non-text) revenues up +7ppts yoy to 51% (Q4 2013: 44%) of ARPU.

Strong customer growth across postpaid mobile and fixed:

- FY postpaid mobile base up +824k (+5.2%), Q4 +192k³ yoy including M2M; total connections now 30.94m (Q4 2013: 30.75m). Q4 prepaid base reduced by 157k, with revenue trend in line with industry shift towards postpaid.
- Retaining postpaid customers, with Q4 churn of 1.2%, the 15th quarter in a row at 1.2% or below.
- Strong fixed growth, with FY broadband base up +108k (+14.9%) yoy, and +41k in Q4; full year revenues +18% yoy, as ground-breaking EE TV launched.

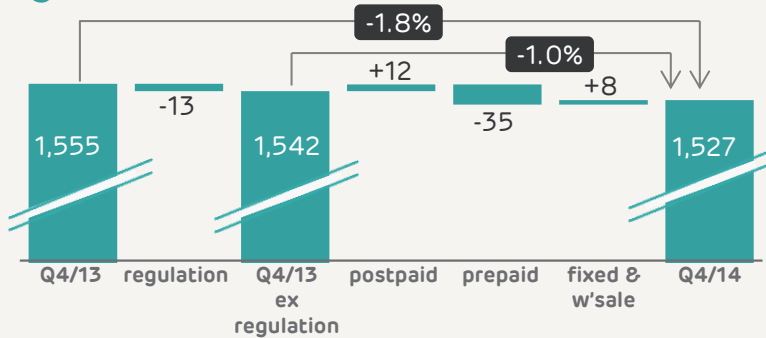
¹ Adj. EBITDA is EBITDA before Management and Brand Fees, one-off items and restructuring costs

² Excluding one-off items

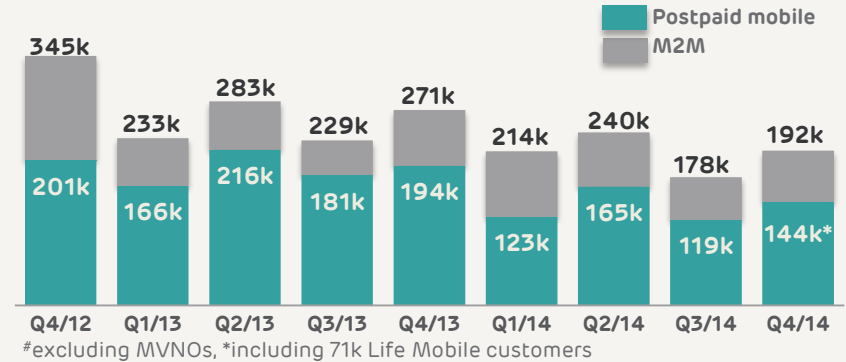
³ Including 71k customer additions from Life Mobile acquisition

Customer loyalty: maintaining commercial leadership

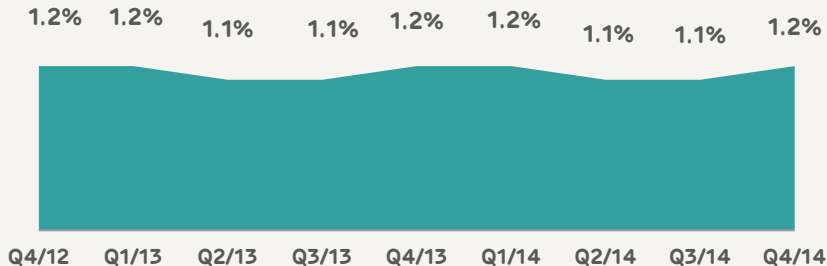
Q4 operating revenue -1.0% ex. regulation, £m



Continued postpaid growth#



Sustained low postpaid churn^a



^a monthly average (3 month rolling)

Insights

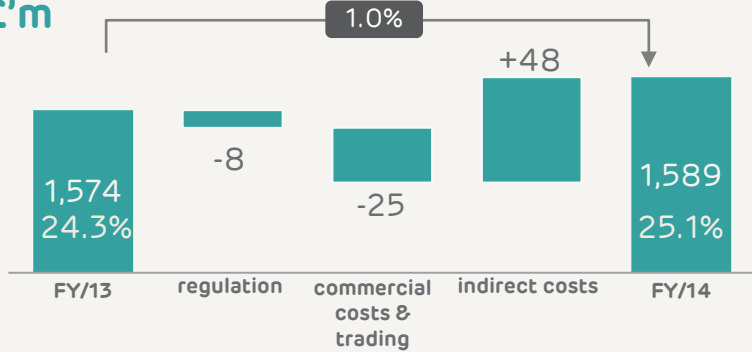
- Q4 underlying operating revenue -1.0% yoy, with postpaid and fixed growth offset by prepaid decline
- 4G base of 7.7m; addition of 2.0m 4G customers in Q4
- Strong customer retention; churn 1.2%, 15th quarter at 1.2% or below
- Q4 fixed-line revenue growth +18% yoy; 41k net adds

Initiatives

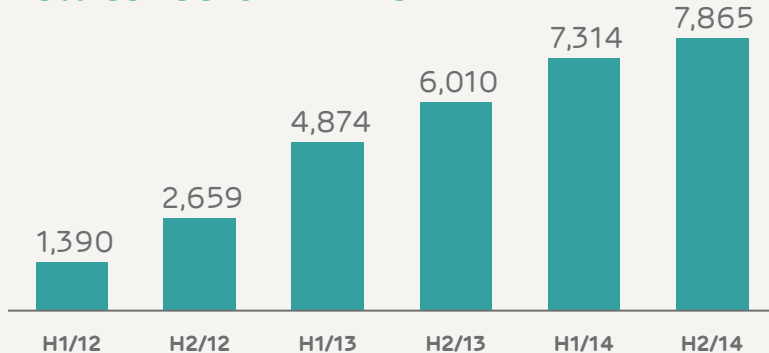
- 4G pop. coverage nearly 84%, target 98% by the end of 2015
- Double-speed 4G coverage reaches 60% of the UK population; 4G+ (LTE-A) in central London, speeds up to 150Mbps
- Announced 4G coverage in Eurotunnel, and micro network technology to cover 1,500 villages by end of 2017

Operational excellence: 25% adj. EBITDA margin delivered

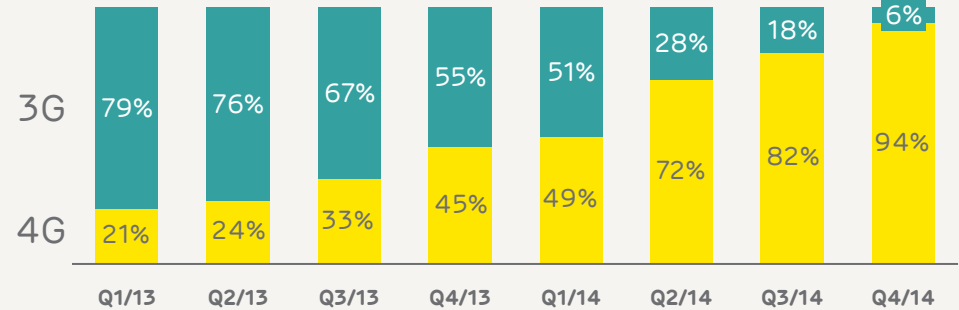
FY adj EBITDA margin improved to 25.1%,
£'m



Network site decommissioning process,
2k switched-off in 2014



New customers, 4G share, Q2/14 inflection



Insights

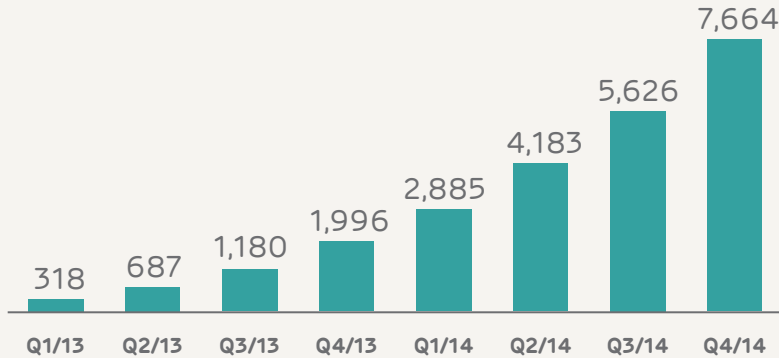
- FY/14 adj. EBITDA up 1.0% yoy, with increased commercial costs offset by lower indirect costs
- Full year indirect costs reduced 3.2% yoy
- Higher commercial costs from increased customer retention acts

Initiatives

- Distribution review – fewer, deeper indirect relationships; direct retail estate streamlined to 580 stores while expanding number of areas served
- Site optimisation programme largely completed. Core network optimisation continues
- Streamlined head office operations, removing duplication

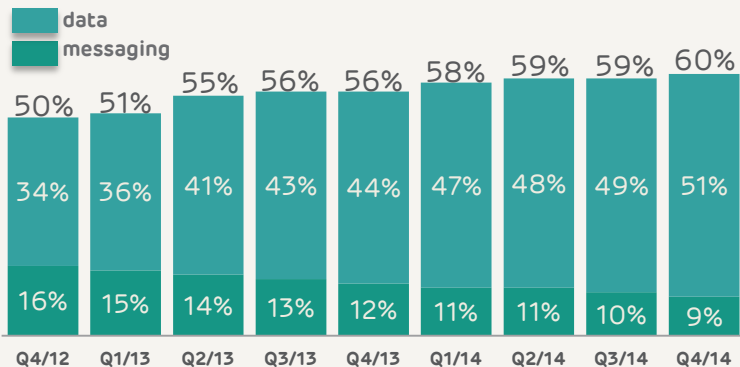
Platforms for growth: 4G supporting data revenue growth

Strong 4G base growth, '000

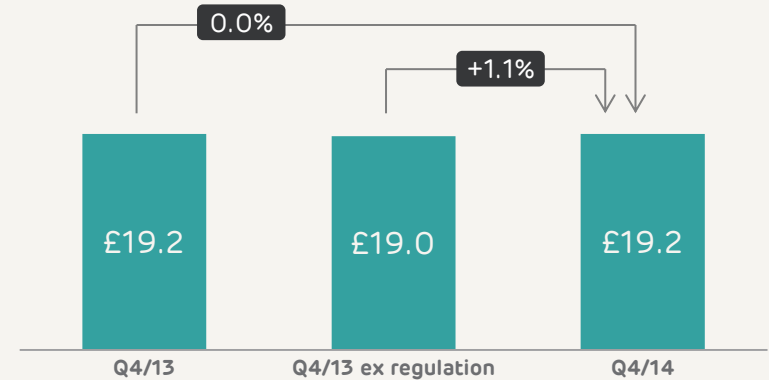


Continued data revenue growth

Non voice % ARPU



Mobile blended monthly ARPU growth



Insights

- Blended ARPU ex regulation +1.1% yoy, as postpaid base mix increases to 60.9% (Q4/13 57.9%), exc M2M/MVNO
- 4G base growth drives non-voice revenues, with data/text revenues +4ppts yoy to 60% of ARPU
- 68% base growth yoy in tablets, 25% growth yoy in mobile WiFi and 16.6% growth in M2M

Initiatives

- Promotion of best-value EE-branded device range, including smartphone, tablet, 4G WiFi and in-car WiFi
- Launched UK's lowest priced 4G tablet
- Launched EETV, putting mobile at the heart of the TV experience, with compelling mobile cross-selling promotions

2015 Priorities: Best service, best network, strong financials

Service

- Realise #1 for Service ambition, focus on Propensity To Call and drivers of customer satisfaction
- Introduce cross-product loyalty programmes to reduce churn and drive engagement

Network

- Strengthen #1 network position
- 98% 4G population coverage by end of year
- Start rollout of micro network technology to reach 1,500 villages by 2017

Connected

- Leverage new products and services to drive cross-selling across customer base
- Lead development of new connected categories
- Monetise new partnerships to drive revenue growth

Financials

- Retain mobile service revenue leadership
- Further improve our adj. EBITDA margin
- Grow EBITDA minus CAPEX