



London. 5 February 2015.

EE Results for the Year Ended 31 December 2014

Company achieves 2014 targets – delivers 25% adj. EBITDA¹ margin, retains revenue market leadership and adds record 5.7m 4G customers to become Europe’s largest 4G operator

Full Year highlights:

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

- Adj. EBITDA¹ +1.0% year-on-year (yoy) to £1,589m, a 25.1% (FY 2013: 24.3%) margin, with strong delivery of network and retail optimisation synergies. 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 with regulatory impact. Generated 5.5% growth in EBITDA minus CAPEX².

Record 4G growth driven by network leadership, exclusive double-speed 4GEE and EE device range:

- 4G base up 5.7m or +284% to 7.7m, exceeding 6m target; now Europe’s largest 4G operator. 33% of consumer postpaid 4G base on double-speed 4GEE Extra plans.
- 4G leadership drives double-digit yoy growth in total number of corporate accounts, with 7,000+ now on 4G, including Deloitte, Sky, Rightmove, L’Occitane and Cumbria Constabulary.
- Ranked UK’s #1 network by RootMetrics®, winning or joint first in 183 out of 192 tests, as well as first or joint first in all national tests. 4G coverage now to 80%+ and double-speed 4G to 60%+ of the population.
- Led development of new 4G connected categories with range of best-value EE-branded 4G devices, including Kestrel smartphone, Eagle tablet and 4G WiFi.

Strong customer growth in postpaid and new connected categories, as well as fixed:

- Postpaid base up +824k³ (+5.2%) yoy including machine-to-machine (M2M), with strong growth in new connected categories, including 68% growth yoy in tablets and 25% growth yoy in mobile WiFi.
- Strong fixed growth, with broadband base up +108k (+14.9%) yoy, driving revenues +18% yoy, as ground-breaking EE TV successfully launched.
- Total connections of 30.94m (Q4 2013: 30.75m).

Q4 highlights:

4G customer base up 2m to 7.7m, supporting underlying ARPU and data revenue growth:

- 94% of new postpaid customers selected 4G, of which nearly half opted for double-speed 4GEE Extra.
- 4G base growth supporting average revenue per user (ARPU) growth of +1.1% yoy (Q3 2014: 1.6%) excluding regulatory impact; data (non-text) revenues up +7ppts yoy to 51% (Q4 2013: 44%) of ARPU.

Successful acquisition and retention of postpaid mobile and fixed customers:

- Postpaid mobile net adds of 192k³ including M2M; 61% (Q4 2013: 58%) of base now postpaid (excluding M2M), delivering six times higher ARPU than prepaid. Prepaid base reduced by 157k, with revenue trend in line with industry shift towards postpaid.
- Effectively retaining postpaid customers, with churn of 1.2%, the 15th quarter in a row at 1.2% or below.
- 41k broadband net adds, boosted by EETV, with fixed revenue growth +18% yoy, the 12th consecutive quarter of growth.

Full year unless otherwise noted	Year ended 31 December 2014	Year-on-year change (%)	Q4 year-on-year change (%)
Turnover	£6,327m	(2.4%)	(1.2%)
Operating revenue	£6,041m	(1.4%)	(1.8%)
Operating rev change (excl. reg.)		(0.2%)	(1.0%)
Adj. EBITDA	£1,589m	1.0%	
Adj. EBITDA margin	25.1%	0.8ppts	
Q4 Postpaid Net Adds	192k		
Q4 Postpaid Churn	1.2%		0.0ppts

Olaf Swantee, Chief Executive Officer of EE, commented: “Over the past three years we have transformed our company into a clear market leader – EE – with the UK’s undisputed best network. We have achieved our goals of maintaining revenue leadership, generating £3.5bn in savings to reach a 25% adjusted EBITDA margin and building the UK’s best network with Europe’s largest number of 4G customers.”

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

Operating Review

During 2014, EE largely completed the merger phase of the joint venture with the transformation of our company into the clear market leader. Over the past few years, we have created the UK's biggest, fastest and best network; built EE into a leading UK mobile brand; revamped our sales model and streamlined our retail estate by 20%; were named one of the *Sunday Times* Best 25 Big Companies To Work For, and generated significant operational efficiencies and synergies, with our indirect cost base down nearly 20% since 2010.

At the same time, we led market innovation with UK firsts including double-speed 4G and 4G+, 4G speed-tiered, Shared, prepaid and WiFi plans as well as a range of EE branded 4G devices. We turned around our fixed business by focussing on effective cross-selling and marketing, and launching the ground-breaking EE TV service. This enabled us to achieve our 2014 financial targets: reaching 25%+ adj. EBITDA margin, retaining our lead in mobile service revenue market share and growing EBITDA minus CAPEX.

Our Customers: Maintaining commercial leadership

We maintained good commercial momentum throughout the year, with underlying operating revenue steady at -0.2% yoy. Including the impact of regulatory cuts, operating revenue was 1.4% lower yoy at £6,041m. In Q4, underlying operating revenue was 1.0% lower yoy and 1.8% lower including regulatory impact.

Over the year, we added 824k net postpaid customers, with 551k excluding M2M. In Q4, we added 192k net postpaid customers, with 144k excluding M2M. Our value mix further improved with our consumer/B2B postpaid base up to 61% (Q4 2013: 58%), helping drive underlying ARPU up +1.1% (Q3 2014:1.6%). Postpaid churn in Q4 was 1.2%, the 15th quarter in a row at 1.2% or below. Our 4G base reached 7.7m, with an increase of 2m in Q4. Strong B2B demand for 4G continued with 7,000+ corporate accounts now using 4G.

Our fixed broadband business grew rapidly, driven by our strategy to cross-sell mobile and fixed products. Full year fixed revenue growth was up +18%, the third year in a row of strong growth. In the year, we added 108k net fixed broadband customers, including 41k in Q4, with encouraging early demand for EE TV, enabling us to provide customers with attractive, best value propositions for mobile, broadband, fixed line and TV.

Our Company: Operational excellence to extend network leadership and improve service

Throughout the year we maintained strong cost discipline by progressing network, retail, supplier and other operational optimisation programmes while maintaining focus on delivering the best network and best service. Full year indirect costs were reduced 3.2% yoy.

We have completed 93% of our network optimisation, while simultaneously upgrading our 2G equipment and rolling out 4G. 4G coverage today reaches nearly 84% of the population, and is on track to reach 98% by the end of 2015. We have rolled out double-speed 4G across 60%+ of the population and 4G+ (LTE-Advanced) in central London. We announced plans to further extend coverage with innovations including WiFi Calling, 4G over 800 MHz, voice over 4G and building innovative new micro networks across 1,500 rural communities.

We continued to invest in becoming number one for customer service. We have on-shored 600 customer service roles and had 835 apprentices in our award-winning apprenticeship scheme. We streamlined our retail estate to 580 stores, including acquiring 50+ Phones 4u stores where we had limited direct sales presence.

Our Future: Effectively leveraging the connected opportunity

We are making excellent progress leveraging our network to grow data revenues, supported by our EE-branded 4G device range. In Q4, 94% of new and 92% of renewing postpaid customers selected 4G, with migrations showing an increased portion of revenue from monthly access fees. Data/text revenues rose, reaching 60% of ARPU in Q4, against 56% in Q4 2013, with data (non-text) revenues up to 51% of ARPU versus 44% in Q4 2013. We continue to maximise network connections, with our postpaid bases for tablets up +68%, mobile WiFi up +25%, and M2M up +16.6% yoy, and our Mobile Virtual Network Operator base up +2.9% yoy to 3.7m, including the BT MVNO.

Dividend, Capital Structure and one-off items

In the second half, we paid £159m in dividends. At the end of the year, our leverage ratio was 1.2x Net Debt to EBITDA⁴. Standard & Poors and Moody's both maintained EE's investment grade ratings. The administration of Phones 4u resulted in the accelerated recognition, with no impact on cash, of £336m upfront customer investment costs that would have otherwise been recognised over the next five years, and which are recognised as a one-off item within 2014 EBITDA.

2015 Priorities

In 2015, we plan to retain mobile service revenue leadership, further improve our adj. EBITDA margin and grow EBITDA minus CAPEX. We remain committed to a leverage ratio below 1.75-2x.

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⁴ Excluding one-off items

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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 13,000 employees and 580 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. EE's 4G coverage today reaches more than 80% of the UK population. EE's 2G coverage reaches 99% of the population while 3G reaches 98%. EE's superfast fibre broadband service covers 54% 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 Mobile News Awards, Fastest Network at the 2013 uSwitch Awards, Best Network at the 2014 Mobile Choice Consumer Awards and What Mobile Awards 2013, Network Innovation at the 2013 Recombu awards and Best Network for Business at the 2013 Mobile Industry awards.

EE Results for the year to 31 December 2014

		Q4/13	Q4/14	Movement
Total network connections (end of period)	('000)	30,753	30,936	0.6%
Postpay mobile	('000)	14,350	14,901	3.8%
Postpay mobile base percentage (ex. M2M/MVNO)	(%)	57.9%	60.9%	3.0ppts
Prepay mobile	('000)	10,424	9,575	(8.1%)
Machine-to-Machine (M2M)	('000)	1,644	1,917	16.6%
Fixed broadband	('000)	726	834	14.9%
Fixed narrowband	('000)	4	-	nr
MVNO ¹	('000)	3,605	3,709	2.9%
Net customer additions	('000)	(260)	(23)	
Postpay inc. M2M	('000)	271	192	
-Postpay mobile	('000)	194	144 ^a	
-Machine-to-Machine	('000)	77	48	
Prepay mobile	('000)	(543)	(157)	
Fixed broadband	('000)	12	41	
Fixed narrowband	('000)	(1)	(2)	
MVNO ¹	('000)	1	(97) ^b	
Average monthly churn own mobile (ex. M2M/MVNO)	(%)	2.5%	2.1%	(0.4ppts)
Postpay mobile (ex. M2M/MVNO)	(%)	1.2%	1.2%	0.0ppts

¹ MVNO base and net adds reported a quarter in arrears

^a includes 71k acquisition of Life Mobile MVNO

^b includes 71k Life Mobile MVNO transfer

		Q4/13	Q4/14	H2/13	H2/14	Q4 yoy	H2 yoy	FY/13	FY/14	Movement
Turnover	(£'m)	1,639	1,622	3,270	3,213	(1.2%)	(1.8%)	6,482	6,327	(2.4%)
Turnover underlying growth yoy	(%)					(0.3%)	(0.8%)			(1.3%)
Operating revenue ²	(£'m)	1,555	1,527	3,097	3,050	(1.8%)	(1.5%)	6,128	6,041	(1.4%)
Operating revenue underlying growth yoy	(%)					(1.0%)	(0.5%)			(0.2%)
Mobile service revenue	(£'m)	1,445	1,415	2,891	2,826	(2.0%)	(2.2%)	5,734	5,619	(2.0%)
Mobile service revenue underlying growth yoy	(%)					(1.2%)	(1.1%)			(0.7%)
Adjusted EBITDA	(£'m)			828	829		0.0%	1,574	1,589	1.0%
Restructuring and one-off costs included in EBITDA	(£'m)			33	386 ^c		1070%	79	413 ^c	423%
EBITDA	(£'m)			706	373 ^c		(47.2%)	1,313	1,030 ^c	(21.6%)
Adj EBITDA margin (total revenue)	(%)			25.3%	25.8%			24.3%	25.1%	
EBITDA margin (total revenue)	(%)			21.6%	11.6%			20.3%	16.3%	
Capital expenditure	(£'m)			270	328		21.5%	587	596	1.5%

² Operating Revenue is Mobile Service Revenue plus revenue from fixed and wholesale business areas

^c includes £336m one-off, non-cash, accelerated recognition of Phones 4U prepayments

Mobile (ex. M2M/MVNO)		Q4/13	Q4/14	Movement
Subscriber Acquisition Cost (SAC) per gross addition	(£)	61	62	1.6%
-Postpay	(£)	142	154	8.5%
-Prepay	(£)	7	4	(42.9%)
Subscriber Retention Cost (SRC) per retained customer	(£)	155	162	4.5%
Average Revenue Per User (ARPU) (monthly average)	(£)	19.2	19.2	0.0%
ARPU underlying growth yoy	(%)			1.1%
- Postpay	(£)	29.7	28.7	(3.4%)
- Prepay	(£)	5.1	4.5	(11.8%)
Voice ARPU (monthly average)	(£)	8.4	7.6	(9.5%)
Non-voice % of ARPU	(%)	56.1	60.2	4.1ppts
Minutes Of Use per customer per month	(min)	208	212	1.9%
- Postpay	(min)	332	329	(0.9%)