

EE

FULL YEAR 2013 RESULTS



Olaf Swantee, CEO

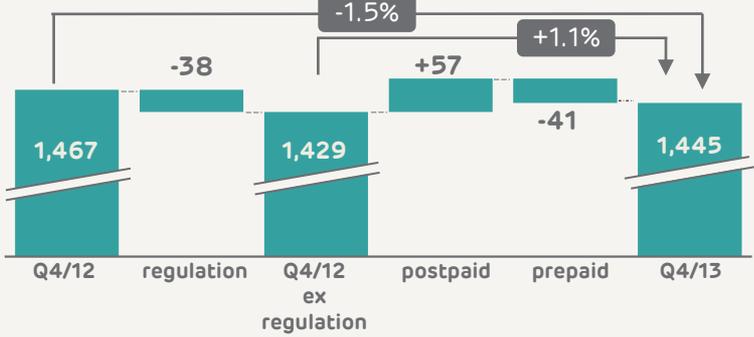
Neal Milsom, CFO

Strong financial performance: 25%+ adj. EBITDA* margin in H2, +1.1% underlying service revenue growth in Q4

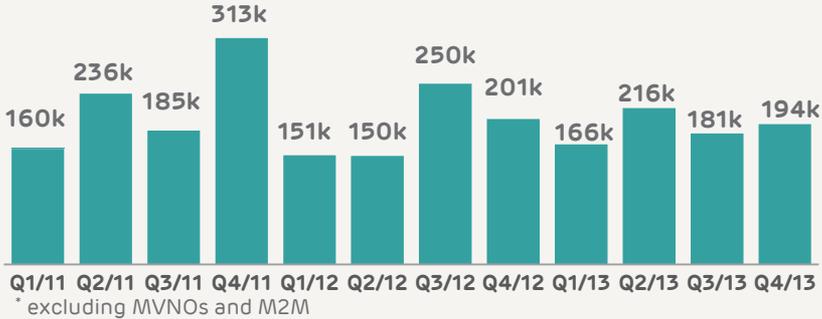
- **Strong adj. EBITDA margin improvement:** Full year adj. EBITDA* improved +10.1% yoy to £1,574m, a 24.3% margin (FY 2012: 21.5%). H2 adj. EBITDA margin of 25.3% (H2 2012: 22.4%).
- **Excellent progress delivering post-merger synergy savings:** £457m (103%) of £445m target of annual gross opex merger synergies realised through relentless focus and successful execution of network, retail and supplier optimisation programmes.
- **Improving commercial momentum driven by strong 4G demand:** Full year underlying service revenue stable at 0.0% yoy and -3.7% including regulatory impact. Q4 underlying service revenue +1.1% yoy and -1.5% including regulatory impact.
- **4G customer base surges 816k in Q4 to c. 2m:** 4G customer base grew +68% from Q3 to Q4 to reach 1.996m, putting EE's 4G adoption rate on par with the world's fastest. 4G base surpassed 2m in early January 2014.
- **Successfully acquiring and retaining high value customers:** Full year postpaid base +756k (+5.6%) yoy. 194k postpaid net adds in Q4, with 58% (Q4 2012: 52%) of total base now postpaid, excluding machine-to-machine (M2M), delivering six times higher ARPU than prepaid. Prepaid base reduced by 543k; prepaid revenue trend in line with industry shift towards postpaid. Effectively retaining postpaid customers, with churn of 1.2%, the 11th consecutive quarter at 1.2% or below.
- **Strengthening brand awareness and clear network leadership driving growth areas:** Independent recognition as the UK's biggest and fastest network, with 70% 4G population coverage, underpinned improved performance: in B2B, winning big UK businesses including Hoover, National Grid, Tate & Lyle Sugars and in 2014, Sky; in wholesale, secured Mobile Virtual Network Operator (MVNO) agreements with Asda, Phones 4u and Virgin Mobile; and in Fixed Broadband, grew revenues +10% yoy and customer base +4.6% yoy.

Customer loyalty: Improving service revenue through strong postpaid adds and sustained low churn

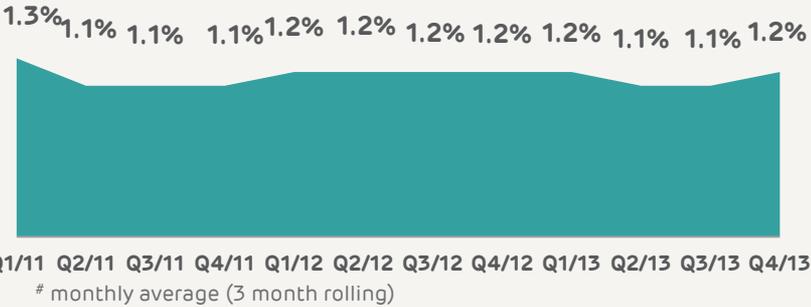
Q4 mobile service revenue grows 1.1% ex regulation, £m



Solid postpaid net adds*



Sustained low postpaid churn#



Insights

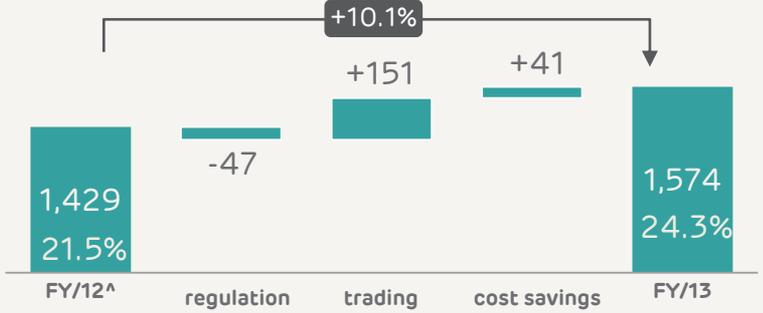
- Underlying service revenue growth yoy improves +1.7ppts over Q3/13, driven by strong postpaid performance
- 4G base 1.996m, with addition of 816k 4G customers in Q4
- Consistently strong customer retention, churn 1.2%, eleventh quarter at 1.2% or below

Initiatives

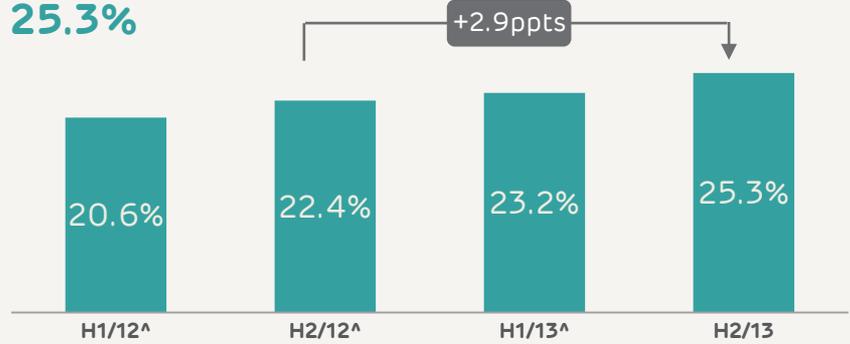
- New entry-level 4G postpaid plans (from £18.99 per month)
- Monetising double speed 4G with new '4G Extra' postpaid plans
- First in UK to launch 4G Shared and prepaid plans

Operational excellence: FY margin improves to 24.3%; strong progress optimising operations

FY adj. EBITDA margin improved to 24.3%, £'m



H2/13 adj. EBITDA margin improved to 25.3%



Insights

- FY/13 adj EBITDA increased 10.1% yoy, driven by postpaid growth and cost savings
- 3.1% indirect cost reduction FY/13 v FY/12

Initiatives

- Network optimisation progressed with 6,010 redundant sites switched off to date
- Retail estate streamlined by 59 to c. 600 shops, a 9% reduction yoy, while covering same number of high streets; introduced new franchise stores
- FTEs reduced 3% yoy and temporary contractors down 46% yoy

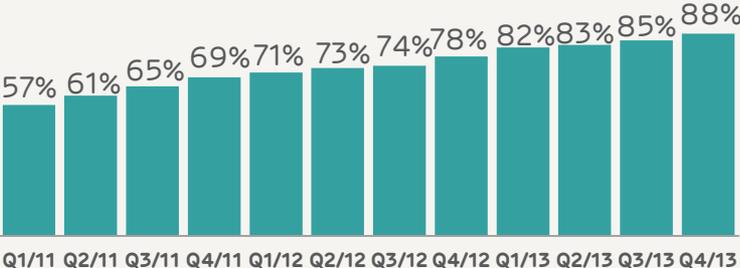
Synergy target of £445m exceeded



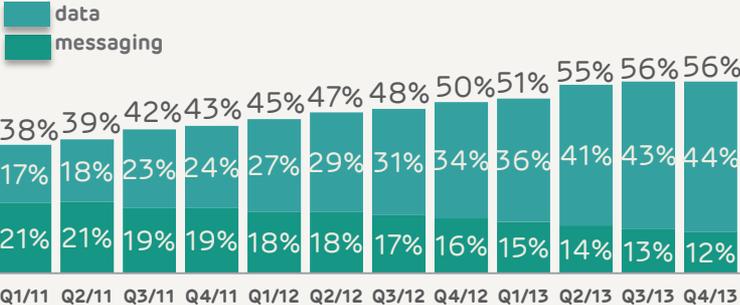
[^] restated for MBNL line by line consolidation, see press release appendix for details

Platforms for growth: Effectively monetising 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 +6.1% yoy, as postpaid base mix increases to 58% (Q4/12 52%), excluding M2M
- Increased smartphone data usage drives non-voice revenues, with data revenues +10ppts yoy to 44% of ARPU

Initiatives

- Network leadership, 70% 4G coverage in January, double speed 4G in 20 cities, first with 4G roaming for UK visitors
- Strong business interest in 4G; +4.1k corporates using 4G
- Further fixed broadband improvement with FY revenue growth +10%, Q4 revenue growth +12.5% yoy
- M2M base up 18.6% yoy

2014 Priorities: Best network, best service, strong financials

Network

- Invest in voice coverage, quality and reliability
- Maintain lead in 4G coverage and speeds
- Continue network optimisation
- Leverage network assets by accelerating growth in mobile broadband and wholesale

Service

- Deliver great service:
 - Rebalance customer service resources, increasing percentage of on-shore agents
 - Improve customer joining and online experiences
 - 50 stores open in new locations; net reduction of 25 stores

Financials

- Retain mobile service revenue leadership
- Deliver 25%+ adj. EBITDA margin
- Growth in EBITDA minus Capex
- Maintain leverage ratio below 1.75-2x