

Trading update

for the quarter ended 30 September 2020





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Active Customer ⁽²⁾

42.1 mn

Y-o-Y ↓ 5%

Contract Churn ⁽³⁾

1.2%

Y-o-Y ↓ 0.1%-pts

Revenue

€7.6bn

Y-o-Y ↓ 4%

Capex ⁽⁴⁾

€1.3bn

Y-o-Y ↑ 12%

Total Margin

€5.4bn

Y-o-Y ↓ 1%

Net Debt ⁽⁵⁾

€7.0bn

Y-o-Y ↓ 9%

(1) Unless otherwise specified, the discussion of the Group's operating results in this presentation is on a Pre-IFRS 16 basis.

(2) An active customer is a mobile customer that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

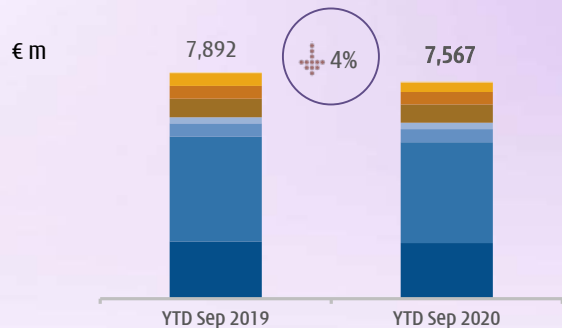
(3) Represents monthly average churn of contract customers.

(4) Capex amount excludes licence costs.

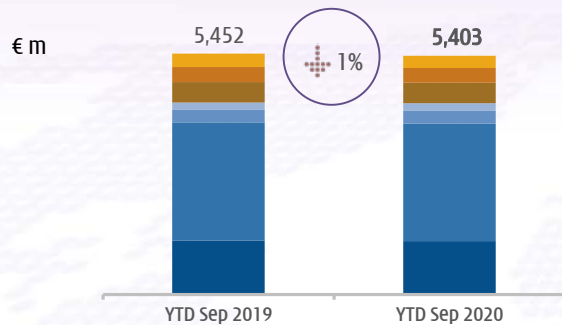
(5) Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts. Net debt is defined as total bank and other debts less total cash and cash equivalents.



Revenue



Total Margin



- UK
- Italy
- Sweden
- Denmark
- Austria
- Ireland
- Hong Kong
- Corporate & others

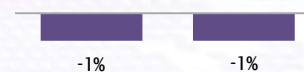
Total Margin

€5,403m

-1%



Total Margin Change % (in local currencies)



Total Margin %⁽¹⁾



(1) Total margin % represents total margin as a % of total revenue excluding handset revenue.

Key Financials

Results Highlights

£ m	YTD Sep 2020	YTD Sep 2019	% Variance
Total Revenue	1,719	1,759	-2%
Total Margin	1,074	1,082	-1%
Total Margin (%) ⁽¹⁾	85%	85%	
Capex ⁽²⁾	(395)	(221)	+79%
Net ARPU (£) ⁽³⁾	12.66	13.12	-4%
Net AMPU (£) ⁽⁴⁾	11.07	11.39	-3%
Active customer ('000) ⁽⁵⁾	9,909	10,346	-4%
Active contract customer ('000)	7,386	7,078	+4%
Monthly average contract churn (%)	1.4%	1.2%	

- Market landscape remained challenging for most of 2020 with consumer sentiments impacted by the pandemic
- Encouragingly, total margin has been relatively stable year-on-year
- Total margin % remains strong through retention of higher value customers
- The proportion of active contract customers continues to increase (2020: 75%; 2019: 68%), providing stable margin contributions
- Churn % trend increased since Q3 2019 with regulatory change on out-of-contract notifications, which eased mobile porting procedures for consumers.
- Capex increase as 3UK progresses to complete IT transformation and planned acceleration of 5G rollout

(1) Total margin % represents total margin as a % of total revenue excluding handset revenue.

(2) Capex amount excludes licence costs.

(3) Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

(4) Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

(5) An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Key Financials

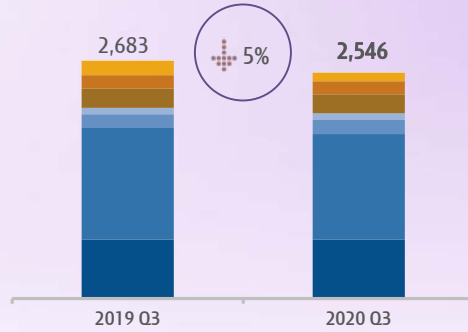
€ m	YTD Sep 2020	YTD Sep 2019	% Variance
Total Revenue	3,513	3,656	-4%
Total Margin	2,653	2,673	-1%
Total Margin (%)	80%	79%	
Capex	(542)	(578)	+6%
Net ARPU (€)	11.01	10.75	+2%
Net AMPU (€)	9.33	8.87	+5%
Active customer ('000)	19,897	22,239	-11%
Active contract customer ('000)	9,775	9,779	-
Monthly average contract churn (%)	1.3%	1.5%	

Results Highlights

- Aggressive competition from Iliad and other MVNOs remained high throughout 2020, with a slight reprieve during the lockdown periods
- Revenue declined as a result, but Margin remained relatively stable through effective customer value management
- Margin % remained at a healthy level of approximately 80%
- Positive AMPU trend as a result of customer value management initiatives
- Continuous increase in proportion of active contract customers (2020: 49%; 2019: 44%) in a predominantly prepaid market
- Churn rates gradually stabilised since mid 2019, with reduced churn in 2020 due to long periods of lockdown
- Best network with fastest upload and download speed based on independent surveys, enhancing customer experience and satisfaction
- Reduced capex compared to 2019 as part of cash flow management

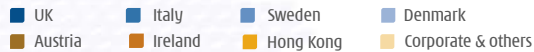
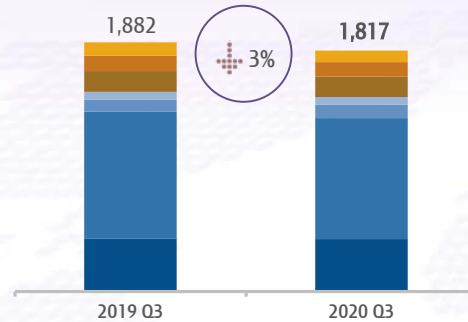
Revenue

€ m



Total Margin

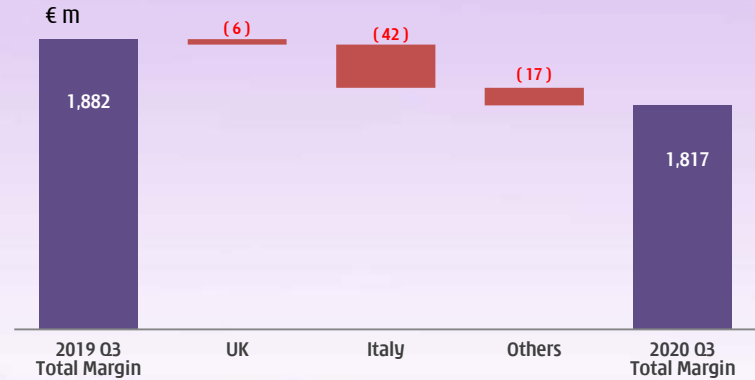
€ m



Total Margin

€1,817m

-3%


 Total Margin
Change %
(in local currencies)

flat

-4%

UK

Italy

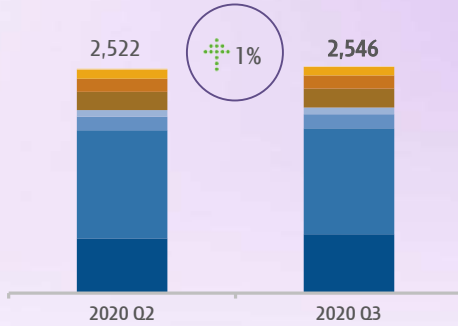
Total Margin %

85%

81%

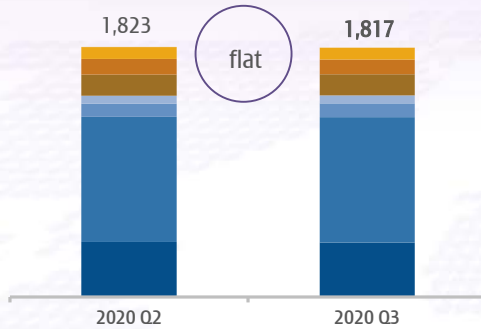
Revenue

€ m



Total Margin

€ m



■ UK
 ■ Italy
 ■ Sweden
 ■ Denmark
■ Austria
 ■ Ireland
 ■ Hong Kong
 ■ Corporate & others

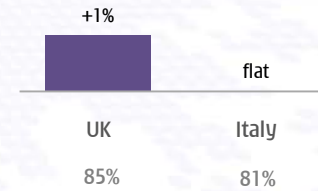
Total Margin

€1,817m

flat



Total Margin
Change %
(in local currencies)



Total Margin %

Region	Total Margin %
UK	85%
Italy	81%

Key Financials

£ m	2020 Q3	2019 Q3	% Variance	2020 Q2	% Variance
Total Revenue	603	592	+2%	546	+10%
Total Margin	361	361	-	357	+1%
Total Margin (%)	85%	84%		87%	
Capex	(203)	(66)	† 208%	(94)	† 116%
Net ARPU (£)	12.66	13.12	-4%	12.62	
Net AMPU (£)	11.07	11.39	-3%	10.96	+1%
Active customer ('000)	9,909	10,346	-4%	9,562	+4%
Active contract customer ('000)	7,386	7,078	+4%	7,259	+2%
Monthly average contract churn (%)	1.6%	1.4%		1.2%	

Results Highlights

- Volatile market landscape with resurgence of the pandemic towards the end of Q3 2020
- Encouragingly, total margin has been relatively stable year-on-year as well as quarter on quarter
- Total margin % remains strong through retention of higher value customers
- The proportion of active contract customers has improved in 2020, and remained relatively stable despite market competitiveness (Q3 2020: 75%; Q3 2019: 68%; Q2 2020: 76%), providing stable margin contributions
- Churn % demonstrated an increasing trend since Q3 2019 regulatory change on out-of-contract notifications which eased mobile porting procedures for consumers. This negative effect was mostly offset during lockdown in Q2 2020
- Increased capex was relatively stable as 3UK progresses to complete IT transformation and planned acceleration of 5G rollout

Key Financials

€ m	2020 Q3	2019 Q3	% Variance	2020 Q2	% Variance
Total Revenue	1,189	1,258	-5%	1,214	-2%
Total Margin	913	955	-4%	913	
Total Margin (%)	81%	81%		80%	
Capex	(194)	(226)	↓ 14%	(212)	↓ 8%
Net ARPU (€)	11.01	10.75	+2%	11.00	
Net AMPU (€)	9.33	8.87	+5%	9.26	+1%
Active customer ('000)	19,897	22,239	-11%	20,326	-2%
Active contract customer ('000)	9,775	9,779	-	9,684	+1%
Monthly average contract churn (%)	1.5%	1.5%		1.2%	

Results Highlights

- Aggressive competition from Iliad and other MVNOs remained high, with a slight reprieve during the lockdown periods
- Revenue and Margin have been impacted by the pandemic against last year but have stabilised during Q3 2020 against the last quarter
- Margin % remained at a healthy level of approximately 80% throughout the periods
- Positive AMPU trend as a result of customer value management initiatives
- Continuous increase in proportion of active contract customers (Q3 2020: 49%; Q3 2019: 44%; Q2 2020: 48%) in a predominantly prepaid market
- Churn rates gradually stabilised since mid 2019 at approximately 1.5%, with the exception of Q2 2020, where churn decreased due to lockdown
- Best network with fastest upload and download speed based on independent survey, a solid platform upon which to commence 5G rollout during 2020 and 2021
- Decreased capex compared to Q2 2020 mainly due to timing of network spending



Q & A