

London. 25 July 2012

Everything Everywhere Interim Results for 6 Months Ended 30 June 2012

Significant progress integrating legacy businesses while driving consistent commercial momentum

- Q2 service revenue growth of +3.4% (Q1 2012: +2.9%) year-on-year (yoy) excluding regulated MTR cuts; including impact of MTR cuts -1.1% (Q1 2012: -2.5%)
- H1 adjusted EBITDA¹ margin stable at 20.3% with additional 1.9ppts of margin invested in customer retention following 9% yoy increase in contract renewals
- Continued strong customer loyalty with low postpaid churn at 1.2% (Q2 2011: 1.1%); successfully upgrading customers to higher value postpaid plans, with average access fees +2.0% yoy
- Further improving customer value mix; postpaid base +6.5% yoy; Q2 postpaid net adds 150k (Q2 2011: 236k); 50% of customers now on postpaid agreements (Q2 2011: 46%) that deliver average of 5 times higher ARPU (Average Revenue Per User) compared to prepaid; prepaid down 313k in-line with industry trends
- Rapid smartphone adoption drives data revenue growth; postpaid smartphone penetration up 11 ppts yoy at 72% (Q2 2011: 61%) with 91% (Q2 2011: 85%) of new postpaid customers selecting smartphones; non-messaging data revenue up 11 ppts yoy at 29% (Q2 2011: 18%) of ARPU; non-voice revenues (data and messaging) up 8ppts yoy to 47% (Q2 2011: 39%) of ARPU
- Progress on business integration delivering cost savings surpassing £316m (71%) of £445m annual gross opex savings target; on track for synergy savings of £3.5bn+ NPV by 2014
 - Network Optimisation started with 1,390 redundant sites switched off, with cost savings accelerating in the second half
 - Commenced retail transformation; plan to remove 30 overlapping stores
 - Corporate function restructuring measures completed

<i>First half unless otherwise noted</i>	<i>Six months ended 30 June 2012</i>	<i>H1 year-on-year change (%)</i>	<i>Q2 year-on-year change (%)</i>
Service revenue	£2,989 m	(1.8%)	(1.1%)
Service revenue change (ex. regulation)		3.1%	3.4%
Adj. EBITDA	£673 m	(1.3%)	
Adj EBITDA margin	20.3%	0.0ppts	
Q2 Postpaid Net Adds	150k		(36%)
Q2 Postpaid Churn	1.2%		0.1ppts

Olaf Swantee, Chief Executive Officer of Everything Everywhere, commented: “In the first half, we delivered a solid commercial performance, with good underlying revenue growth. We are making strong progress integrating the legacy Orange and T-Mobile businesses to create cost efficiencies and deliver planned synergy targets, while investing in significant network upgrades to further improve our customer experience.”

¹ Adjusted EBITDA is EBITDA before restructuring costs, brand and management fees

Operating Review

Everything Everywhere made significant progress integrating the legacy businesses while driving commercial momentum in the first half of the year against a background of economic uncertainty, regulatory pressures and a highly competitive environment. We further improved the quality of our customer base, drove greater efficiencies in our operations, and continued to invest in our network, differentiating Everything Everywhere in our marketplace and underpinning our future growth and profitability.

Our Customers: Driving market leadership and customer loyalty

Excluding the impact of regulated MTR cuts, underlying service revenue in Q2 2012 was +3.4% yoy (Q1 2012: +2.9%); including the impact of MTRs Q2 service revenue was -1.1% yoy at £1,486 million. Underlying growth was driven by a 6.5% yoy increase in postpaid customers, including 150k net postpaid additions in Q2.

50% of our customers are now on postpaid plans. With postpaid customers generating five times more ARPU than prepaid, this continues to improve the value mix of our customer base and resulted in underlying blended (combining pre- and postpaid) ARPU growth of 5.1% yoy. Customer retention remains very strong, with sustained low customer churn of 1.2% in Q2 (Q1 2012: 1.2%). Across the business, 79% of our postpaid customers are now on two year contracts, up from 67% a year ago.

Our Company: Operational Excellence

We made good progress with business integration. This resulted in the business maintaining a stable EBITDA margin at 20.3% (H1 2011: 20.3%) following an incremental investment in retention of 1.9ppts driven by 9% yoy increase in contract renewals.

In the first half, we advanced several integration programmes including: progressing plans to reduce our head office property by 38%; integrating key IT systems; consolidating warehouses and our handset supply chain; and integration of our retail estate, with plans to close 30 stores. We are also rapidly progressing our Network Optimisation programme, which will deliver significant cost savings over the next two years. It is now ahead of plan, with 1,390 sites turned off in the first half, with cost savings accelerating in H2. We are on track to achieve £3.5bn+ NPV in synergies by 2014.

Our future: Creating a platform for growth through smartphones and data

Smartphone penetration and data revenues were again strong, illustrating the continuing improvement in the quality of our revenue streams and driving the underlying growth of the business. The proportion of postpaid customers using smartphones rose to 72% (Q2 2011: 61%) and 91% of new postpaid customers opted for smartphones (Q2 2011: 85%). Non voice revenues (data and messaging) grew to 47% of ARPU revenues (Q2 2011: 39%), with non-messaging data reaching 29% of ARPU (Q2 2011: 18%). Fixed broadband continues to gain momentum, delivering 11% yoy revenue growth, driven by strong multiproduct adoption, with 97% of new fixed broadband customers taking line rental and mobile.

Capital structure and dividend

We continued to progress the process commenced last year to move our funding to a standalone basis, which included repayment of the remaining shareholder loans put in place on the formation of Everything Everywhere. Under our successful bond issuance programme we raised Euro 500 million in January and £450 million in March; we remain committed to our financial policy of achieving, in the medium term, a leverage ratio of below 1.75-2x EBITDA. We paid in H1 2012 £543 million in dividends to our shareholders while ensuring we have the long term funding to achieve our operational goals.

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About Everything Everywhere

Everything Everywhere is the UK's largest communications company, providing mobile and fixed-broadband communications services to more than 27 million customers through the Orange and T-Mobile brands. It has invested over £15 billion since 2000 building Britain's biggest mobile networks, and plans to invest over £1.5bn in the next three years to further improve its network and introduce fast 4G LTE mobile broadband services. Recognised for award-winning customer service, Everything Everywhere employs more than 15,000 people and operates over 720 retail stores across the UK. It has revenues equivalent to a FTSE 40 company and is backed by two of the world's leading global communications groups, Deutsche Telekom and France Telecom, who are equal owners.

For more information on Everything Everywhere please call the Media Centre on 0870 373 1500, or visit www.everythingeverywhere.com.

everything everywhere™

		Q2/11	Q2/12	Movement
Customers (end of period)	('000)	27,541	27,047	(1.8%)
- Postpay mobile	('000)	12,343	13,143	6.5%
- Prepay mobile	('000)	14,460	13,185	(8.8%)
- Fixed total	('000)	738	719	(2.6%)
- Fixed broadband	('000)	716	714	(0.3%)
- Fixed narrowband	('000)	22	5	(77.3%)
Net customer additions	('000)	(189)	(172)	
- Postpay mobile	('000)	236	150	
- Prepay mobile	('000)	(412)	(313)	
- Fixed broadband	('000)	(10)	0	
- Fixed narrowband	('000)	(3)	(9)	
Average monthly churn mobile	(%)	2.4%	2.2%	(0.2ppts)
- Postpay mobile	(%)	1.1%	1.2%	0.1ppts

		Q2/11	Q2/12	H1/11	H1/12	Movement	
						Q2 yoy	H1 yoy
Turnover	(£'m)	1,663	1,644	3,367	3,314	(1.1%)	(1.6%)
Turnover underlying growth yoy	(%)					2.9%	2.9%
Mobile service revenue	(£'m)	1,503	1,486	3,044	2,989	(1.1%)	(1.8%)
Mobile service revenue underlying growth yoy	(%)					3.4%	3.1%
EBITDA	(£'m)			582	551		(5.3%)
Adjusted EBITDA*	(£'m)			682	673		(1.3%)
Restructuring costs included in EBITDA	(£'m)			26	16		(38.5%)
EBITDA margin (turnover)	(%)			17.3%	16.6%		
Adj EBITDA margin (turnover)	(%)			20.3%	20.3%		
Capital expenditure	(£'m)			216	245		13.4%

Mobile		Q2/11	Q2/12	Movement
Subscriber Acquisition Cost (SAC) per gross addition	(£)	57	57	0.0%
- Postpay	(£)	156	165	5.8%
- Prepay	(£)	14	7	(50.0%)
Subscriber Retention Cost (SRC) per retained customer	(£)	160	183	14.4%
Average Revenue Per User (ARPU) (monthly average)	(£)	18.6	18.7	0.5%
ARPU underlying growth yoy	(%)			5.1%
- Postpay	(£)	33.2	31.7	(4.5%)
- Prepay	(£)	6.4	5.9	(7.8%)
Voice ARPU (monthly average)	(£)	11.3	9.9	(12.4%)
Non-voice % of ARPU	(%)	39.1	47.1	8.0ppts
Minutes Of Use per customer per month	(min)	199	199	0.0%
- Postpay	(min)	367	352	(4.1%)