

London. 2 May 2012

Everything Everywhere Results for the First Quarter to 31 March 2012
Underlying service revenue growth driven by postpaid growth and smartphone penetration

- Service revenue excluding regulated MTR cuts +2.9%* (Q4 2011: +1.2%); including impact of MTR cuts -2.5% (Q4 2011: -4.0%)
- Continued rapid smartphone adoption and accelerating data revenue growth; postpaid smartphone penetration up 14 ppts at 71% (Q1 2011: 57%); non-messaging data revenue up 10 ppts at 27% (Q1 2011: 17%) of ARPU; non-voice revenues (data and messaging) up 17% to 45.5% (Q1 2011: 37.5%) of ARPU
- Customer value mix improves further; postpaid customer base up 7.3% year-on-year(yoy) with 886k net adds; Q1 net adds 151k (Q1 2011: 160k); 49% of customers now on postpaid plans (Q1 2011: 45%); in line with industry trend towards postpaid and reflecting post-Christmas seasonality, prepaid customers decreased by 494k (Q1 2011: -394k)
- Industry-leading customer retention, with churn of 1.2% (Q1 2011: 1.3%); successfully upgrading existing customers to higher value plans, with average access fees +1% yoy
- Further progress building the best network for the UK
 - 3G “Smart Signal” sharing doubles of the number of Orange and T-Mobile customers using the other network’s signal
 - Nationwide rollout of 3.5G (HSPA+21 Mbps), delivering up to 50% faster data speeds than 3G

	Quarter ended 31 March 2012	Change year-on-year %, comparable basis
Service revenue	£1,503m	(2.5%)*
Service revenue change (excluding regulation)		2.9%*
Postpaid Net Adds	151k	
Postpaid Churn	1.2%	(0.1) ppts

Olaf Swantee, Chief Executive Officer of Everything Everywhere, commented: “We are seeing improved underlying service revenues, driven by rapid data revenue growth, as we successfully upgrade customers to smartphones and higher value postpaid agreements. We continue to make major strides improving our current network experience such as better signal sharing and faster 3G data services, and we plan to start to introduce 4G LTE for the benefit of UK consumers and businesses by the end of the year, pending regulatory approval.”

Operating Review

The first quarter was a period of steady progress, with solid postpaid customer acquisition and retention performance. We aggressively advanced our strategy of building the best

*2011 Service Revenue restated, see appendix for details

network for the UK with further investment in the current and future development of our network to underpin the long term growth of our business.

Our Customers: Driving market leadership and customer loyalty

Excluding the impact of regulated Mobile Termination Rate (MTR) cuts, underlying service revenue grew 2.9%, up from 1.2% in the previous quarter; including the impact of MTR cuts, service revenue was down 2.5% to £1,503m. Underlying growth was driven by a 7.3% year-on-year increase in high value postpaid customers, including 151k net postpaid additions in Q1. We are successfully upgrading significant numbers of existing customers to higher value postpaid plans and continue to lead the industry in customer retention, with churn of 1.2%.

With nearly half our customers on postpaid plans that generate five times more ARPU (Average Revenue Per User) than prepaid customers, the value mix of our customers continues to improve, with underlying blended (combining pre- and postpaid) ARPU up 4.5%.

We rapidly delivered on our strategy to build the UK's best network. In March we rolled out "Smart Signal" sharing to provide seamless 3G handover between the Orange and T-Mobile networks, resulting in twice as many customers using the other network's signal than before. We have also completed the nationwide rollout of 3.5G (HSPA +21 Mbps), providing up to 50% faster data download speeds than 3G.

To provide high value postpaid customers with increased smartphone support, we are reorganising our customer service functions to ensure that we put the operating systems and devices at the heart of everything we do, resulting in increased rates of one-call resolution and positive customer feedback.

Our Company: Operational excellence

We continue to make progress in reducing costs and simplifying the business. In the first quarter we initiated our network optimisation programme to streamline the number of network masts.

We completed on a series of other business integration projects including: the head office restructuring in February; the consolidation of the Orange and T-Mobile warehouses and handset supply chain, generating cost savings, improved product availability to customers and stores and allowing quicker introduction of new products and services; and plans to reduce our head office space by 38%. We remain on track to achieve our targeted £3.5bn+ NPV in cost savings by 2014.

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

Smartphone penetration continued to increase rapidly and data revenues growth accelerated in Q1 as more customers increased data use. 71% (Q1 2011: 57%) of postpaid customers are now on smartphones, with 90% (Q1 2011: 82%) of new postpaid customers opting for smartphones. Non voice revenues (data and messaging) were up 17% to 45% of ARPU revenues this quarter, with non messaging data revenue up 10 ppts to 27% of ARPU.

We have achieved double digit fixed broadband revenue growth yoy with 90% of new customers in Q1 taking fixed broadband, line rental and mobile.

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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.

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		Q1/11	Q1/12	Movement
Customers (end of period)	('000)	27,729	27,219	(1.8%)
- Postpay mobile	('000)	12,107	12,993	7.3%
- Prepay mobile	('000)	14,871	13,498	(9.2%)
- Fixed total	('000)	751	728	(3.1%)
- Fixed broadband	('000)	726	713	(1.8%)
- Fixed narrowband	('000)	25	15	(40.0%)
Net customer additions	('000)	(253)	(344)	
- Postpay mobile	('000)	160	151	
- Prepay mobile	('000)	(394)	(494)	
- Fixed broadband	('000)	(15)	0	
- Fixed narrowband	('000)	(4)	(1)	
Average monthly mobile churn	(%)	2.7	2.4	(0.3ppts)
- Postpay mobile	(%)	1.3	1.2	(0.1ppts)

		Q1/11	Q1/12	Movement
Turnover	(£'m)	1,704	1,670	(2.0%)
Turnover underlying growth yoy	(%)			2.8%
Mobile service revenue	(£'m)	1,541*	1,503	(2.5%)
Mobile service revenue underlying growth yoy	(%)			2.9%

Mobile		Q1/11	Q1/12	Movement
Average Revenue Per User (ARPU) (monthly average)	(£)	18.9*	18.7	(1.1%)
ARPU underlying growth yoy	(%)			4.5%
- Postpay	(£)	34.1*	32.4	(5.0%)
- Prepay	(£)	6.8	5.8	(14.7%)
Voice ARPU (monthly average)	(£)	11.8*	10.2	(13.6%)
Non-voice % of ARPU	(%)	37.5	45.5	8.0ppts
Average Minutes Of Use per customer per month	(min)	193	198	2.6%
- Postpay	(min)	368	357	(3.0%)

*restated, see appendix for details

Appendix

Restated 2011 financials

As part of the business integration process, we have revised the accounting treatment in two areas, starting Q1/12:

1) *bundled mobile & fixed broadband revenues: previously, the whole revenue from a bundled mobile & fixed offer was assigned to Mobile service revenue. At the same time, for the fixed part of the bundle offer, a cost was charged to Mobile service revenue and also booked in the Fixed business as revenue. We now have a clear allocation of fixed broadband and mobile service revenue.*

2) *Service Provider revenue: previously assigned to Mobile service revenue, it is now booked as Other operating revenue.*

To give like for like comparisons, the relevant 2011 financials have been restated as detailed below.

All other historic published numbers are unchanged.

Restated	Q1/11	Q2/11	Q3/11	Q4/11
Mobile service revenue	£1,541m	£1,503m	£1,542m	£1,526m
Total ARPU	£18.9	£18.6	£19.1	£18.9
Postpay ARPU	£34.1	£33.2	£33.6	£32.5
Voice ARPU	£11.8	£11.3	£11.1	£10.8

As previously reported	Q1/11	Q2/11	Q3/11	Q4/11
Mobile service revenue	£1,555m	£1,516m	£1,556m	£1,540m
Total ARPU	£19.1	£18.7	£19.3	£19.1
Postpay ARPU	£34.5	£33.6	£34.0	£32.9
Voice ARPU	£11.9	£11.4	£11.3	£10.9