

*everything  
everywhere*<sup>™</sup>



*Q1 2012 Results*

*Unaudited*

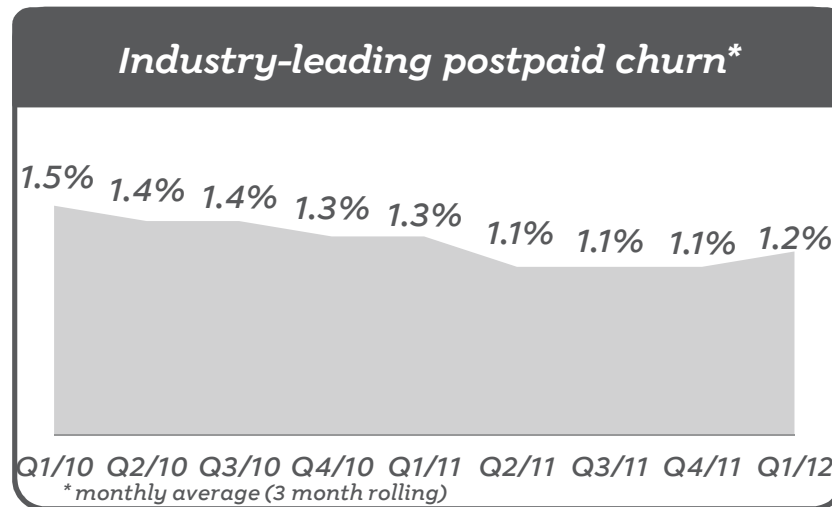
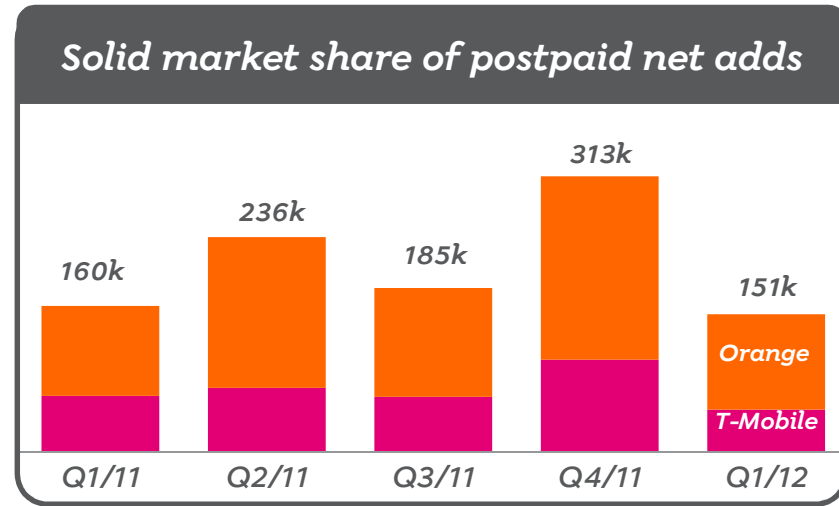
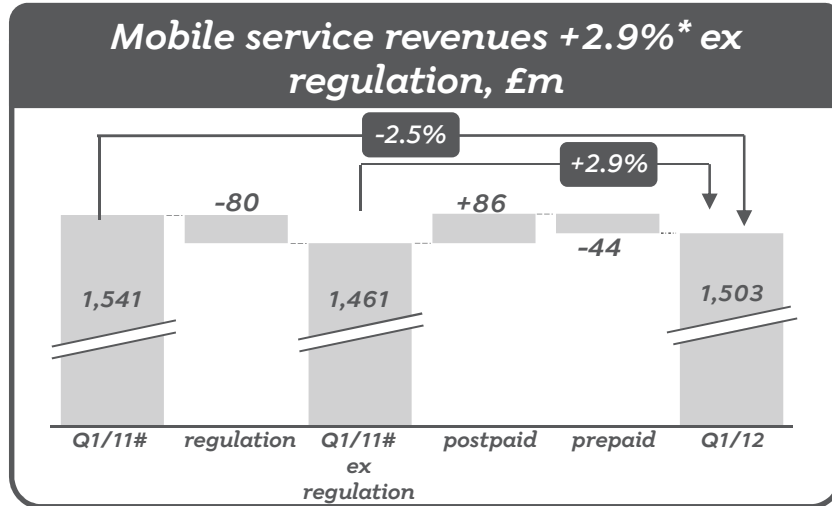
*2<sup>nd</sup> May 2012*

# *Underlying service revenue growth driven by postpaid growth and smartphone penetration*

- *Service revenue growth excluding regulated MTR cuts +2.9%\* (Q4/11 +1.2%), including impact of MTR cuts -2.5% (Q4/11 -4.0%)*
- *Further improving customer mix, postpaid base +7.3% yoy; Q1 postpaid net adds 151k (Q1 2011: 160k), 49% of customers now postpaid plans (Q1/11 45%)*
- *Industry-leading post paid churn of 1.2%*
- *Building the best network for the UK*
  - *3G “Smart Signal” sharing*
  - *Rolling out 3.5G (HSPA+ 21Mbps) nationwide*
- *Successful standalone refinancing, 2 bond issues in the quarter*
  - *€500m in February*
  - *£450m in March*
- *Final 2011 dividend of £293m paid in Q1/12*

*\*Using revised accounting for Q1/12 and Q1/11, +2.6% on the previous basis*

# Customer loyalty, solid share of postpaid net adds and industry leading postpaid churn



- Insights**
- Underlying mobile service revenue driven by growth in postpaid base, 886k net adds in last 12m
  - Postpaid, focus on retention as market slows after very active Q4/11
  - Investing in future value, 77% (Q1/11 63%) of postpaid base on 24m contracts

- Initiatives**
- More network improvements with 3G "Smart Signal" giving Orange & T-Mobile customers seamless use of both networks, and rollout of 3.5G (HSPA+21Mbps)
  - Strong brand differentiation, T-Mobile Full Monty launch and Orange Swapables promotion

# accounting for bundled fixed broadband revenues and service provider revenues changed in Q1/12, Q1/11 restated on a comparable basis, see press release appendix for details  
 \* Using revised accounting for Q1/12 and Q1/11, +2.6% on the previous basis

# *Operational Excellence, more effective and efficient operations*

## *Network optimisation*

- *Started to successfully consolidate sites whilst
  - *implementing “Smart Signal” sharing, doubling Orange/T-Mobile cross network usage*
  - *rolling out 3.5G (HSPA+ 21Mbps) nationwide, providing up to 50% faster data speeds than 3G**

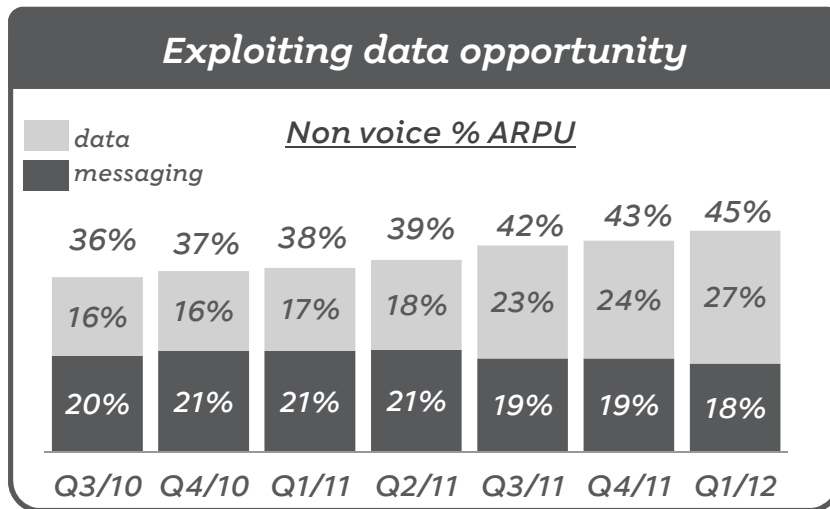
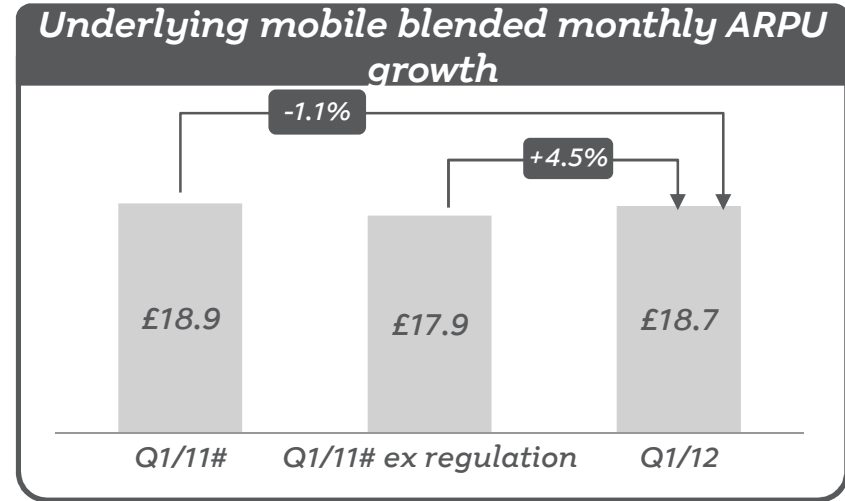
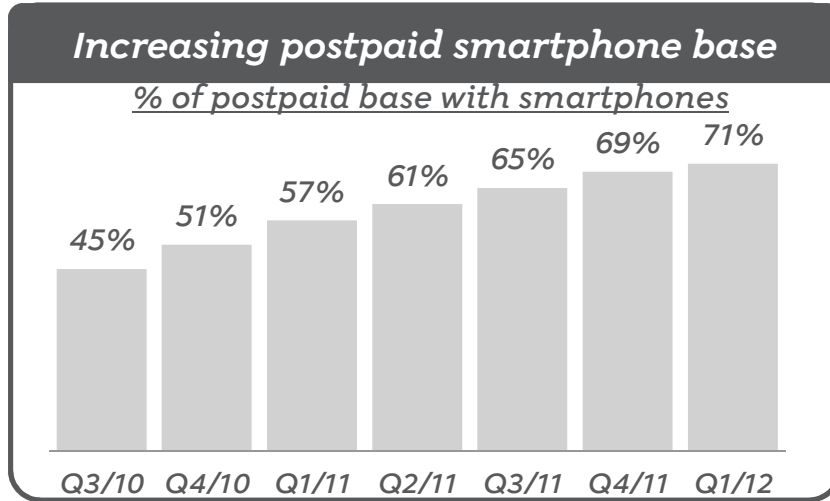
## *High performance organisation*

- *Completed Head Office reorganisation*

## *Operational improvements*

- *Completed consolidation of legacy supply chains and warehouses to reduce costs and improve product availability*
- *Property, 38% reduction in Head Office floor space*

# Platforms for growth, leveraging the data opportunity



# accounting for bundled fixed broadband revenues and service provider revenues changed in Q1/12, Q1/11 restated on a comparable basis, see press release for details

## Insights

- Blended ARPU ex regulation +4.5% yoy, as postpaid base mix increases to 49% (Q1/11 45%)
- Increasing smartphone data usage drives non-voice revenues, with data revenues +17% yoy

## Initiatives

- New fixed broadband plans deliver 12% yoy revenue growth in fixed broadband business
- 90% of new fixed broadband customers also take line rental and mobile