London. 21 February 2012

Everything Everywhere Results[1] for the Year Ended 31 December 2011

Good commercial momentum and solid, consistent operational performance

Full Year

- *Service revenue growth +2.1% year-on-year (pro-forma[2]) excluding regulated MTR cuts; including impact of MTRs -2.1%*
- *Improved business efficiency drives adj. EBITDA[3] margin up 1.3 ppts year-on-year to 20.9% (FY 2010: 19.6% pro-forma) with sequential progress (H2 2010: 18.7%; H1 2011: 20.3%; H2 2011: 21.5%); adj. EBITDA up 2.4% to £1,416m, with business surpassing £278m (60%) of £445m annual gross opex savings target; on track for £3.5bn+ NPV in synergy savings by 2014*
- *Strong commercial momentum with 894k net postpaid additions in 2011, and three consecutive quarters of industry leading 1.1% postpaid churn, driven by network performance improvements from Orange and T-Mobile 3G signal sharing*

Q4

- *Total mobile customer base increased by 72k; postpaid customers increased by a record 313k (Q4 2010: 300k) with T-Mobile seeing highest postpaid net adds since 2006*
- *Strong smartphone demand improves customer mix; 48% of customers on contracts (Q4 2010: 44%); postpaid smartphone penetration up 18 ppts at 69% (Q4 2010: 51%)*
- *Non-voice revenue (data and messaging) up 6ppts at 43% (Q4 2010: 37%) of ARPU; non-messaging data revenue up 8ppts at 24% (Q4 2010: 16%) of ARPU*

Full year unless otherwise noted	***As of 31 December 2011***	***Pro-forma year-on year change (%)***	***Q4 year-on-year change (%)***
Service revenue	*£6,167m*	*(2.1%)*	*(4.0%)*
Service revenue change (ex. regulation)		*2.1%*	*1.2%*
Adj. EBITDA	*£1,416m*	*2.4%*	
Adj EBITDA margin	*20.9%*	*1.3 ppts*	
Q4 Postpaid Net Adds	*313k*		*4.3%*
Q4 Postpaid Churn	*1.1%*		*(0.2ppts)*

Olaf Swantee, Chief Executive Officer of Everything Everywhere, *commented: "Our focus on operational excellence has generated solid performance over the year as we accelerated network and organisational integration to deliver planned cost savings. As a result of network sharing and customer experience improvements, we are seeing good commercial momentum and are capitalising on the smartphone and data opportunity to drive underlying growth."*

[1] Preliminary results
[2] Annual pro-forma figures are comparative for first nine months (1.4.10 to 31.12.10) of Everything Everywhere and three months (1.1.10 to 31.3.10) pro-forma results of Orange and T-Mobile
[3] Adjusted EBITDA is EBITDA before restructuring costs, brand and management fees

Operating Review

2011 was a successful year for Everything Everywhere in a highly competitive environment. We improved our financial and operational performance, growing adjusted EBITDA margin by 1.3 ppts to 20.9%. The results were underpinned by achieving a reduction in the indirect cost structure of the business and driving underlying growth through customers upgrading to smartphones and using more mobile data, leading to fast growing data revenues.

Our Customers: Driving market leadership and customer loyalty

Excluding the impact of Mobile Termination Rate (MTR) cuts, service revenue for the year to 31 December 2011 was + 2.1% year-on-year; including the regulated impact of MTRs, service revenue was -2.1% year-on-year. For Q4 mobile service revenue was +1.2% excluding the impact of regulation, while including the regulated impact of MTRs, service revenue was -4.0%.

Underlying service revenue growth was driven by a healthy 7.5% year-on-year increase (894k) in the postpaid customer base, and we had our strongest quarter of new postpaid customers ever in Q4, with a record 313k net additions. We achieved the best postpaid net additions performance on T-Mobile for both the year and Q4 since 2006.

With nearly half of the customer base now postpaid customers, who generate five times more ARPU (Average Revenue Per User) than prepaid customers, underlying Blended (combining pre- and postpaid) ARPU was +2.1% in Q4.

In Q4, we maintained our market leading postpaid customer retention with churn of 1.1% as a result of customer experience improvements. We unleashed network improvements including 3G signal sharing, giving Orange and T-Mobile customers the widest 3G coverage in the UK by providing access to our two networks for the price of one. More than 22 million customers have benefited from cross-network signal sharing since launch. Our customer service was also recognised by Ofcom, which jointly ranked Orange and T-Mobile highest in customer satisfaction in November 2011, with the fewest customer service complaints.

Our Company: Operational excellence keeps cost savings plans on track

During the year we made substantial progress simplifying and streamlining the business to reduce costs. We have now achieved an annual run rate of £278m in annual gross opex savings, more than 60% of the £445m annual run rate goal by 2014, and are on track for £3.5bn+ NPV in synergy savings by 2014.

During 2011, we improved the efficiency of the business through a number of business simplification programmes, including reducing the number of IT applications, outsourcing our IT testing capability, cutting the number of supplier relationships by 41% and reducing staff by more than 8%, focussed on senior management and head office roles. We have also successfully migrated fixed broadband customers from a legacy network to BT's network, which has lowered operating costs.

This has improved our adjusted EBITDA margin by 1.3 ppts year-on-year to 20.9%, with ongoing sequential improvement (H2 2010: 18.7%; H1 2011: 20.3%; H2 2012: 21.5%). We generated free cash flow after capex for the year of £595m, following investments in network and IT transformation projects to improve the customer experience and lower long term operating costs.

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

We continue to advance our goal of significantly increasing smartphone penetration and growing data revenues. The per cent of postpaid customers using smartphones has risen 18 ppts during the year to 69%.

Likewise, non voice revenues (data and messaging) have also risen rapidly, increasing to 43% in Q4, against 36% in Q4 2010, with non-messaging data revenue up to 24% against 16% in Q4 2010.

We are generating strong momentum in our machine-to-machine (M2M) business, achieving the milestone of more than 1 million connections, up by over 400k during the year.

Over the next three years, we plan to invest more than £1.5bn to improve network speed, reliability and coverage, including double digit growth in network investment in 2012 over 2011. This includes the implementation of 4G ready technology, following successful trials undertaken in Cornwall. This underlines our vision to give the UK the best network and the best service so that our customers trust us with their digital lives.

Dividend and Capital Structure

An interim dividend of £400m was paid in Q3 2011.

During the year, we also initiated stand-alone financing activities including new bank financing facilities of £875 million to refinance part of the £1.25 billion shareholder loan provided equally on Everything Everywhere's formation by its parent companies, Deutsche Telekom and France Telecom. In February 2012, we secured €500m in financing through a successful bond issuance for general corporate purposes.

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About Everything Everywhere Limited

Everything Everywhere Limited is the company running two of the UK's most famous brands – T-Mobile (UK) and Orange (UK). Owned jointly by Deutsche Telekom and France Telecom, Everything Everywhere is the UK's biggest communications company, with a combined customer base of over 27 million people and more than 700 retail stores across the country. Everything Everywhere plans to transform the industry by giving customers instant access to everything everywhere, offering the best value, best choice and best network experience in the country.

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

Everything Everywhere Preliminary Results for the Year Ended 31 December 2011

		Q4/10	Q4/11	Movement Q4 yoy
Customers (end of period)	('000)	27,984	27,563	(1.5%)
- Contract	('000)	11,948	12,842	7.5%
- Prepay	('000)	15,266	13,992	(8.3%)
- Fixed total	('000)	770	729	(5.3%)
- Fixed broadband	('000)	741	713	(3.8%)
- Fixed narrowband	('000)	29	16	(45.4%)
Net customer additions	('000)	88	70	
- Contract	('000)	300	313	
- Prepay	('000)	(187)	(241)	
- Fixed broadband	('000)	(18)	0	
- Fixed narrowband	('000)	(7)	(3)	
Average monthly churn	(%)	3.2	2.4	(0.8ppts)
- Contract	(%)	1.3	1.1	(0.2ppts)

		Q4/10	Q4/11	H2/10	H2/11	Movement Q4 yoy	Movement H2 yoy	FY/10	FY/11	Movement FY
Turnover	(£'m)	1,804	1,720	3,577	3,417	(4.6%)	(4.5%)	7,049	6,784	(3.8%)
Turnover underlying movement yoy	(%)					0.0%	0.3%			(0.1%)
Mobile service revenue	(£'m)	1,605	1,540	3,191	3,096	(4.0%)	(3.0%)	6,296	6,167	(2.1%)
Mobile service revenue underlying movement yoy	(%)					1.2%	2.4%			2.1%
EBITDA	(£'m)			528	589		11.6%	1,160	1,171	1.0%
Adjusted EBITDA*	(£'m)			668	733		9.7%	1,382	1,416	2.4%
Restructuring costs included in EBITDA	(£'m)			57	49		(13.5%)	71	75	5.2%
EBITDA margin (total revenue)	(%)			14.8%	17.2%			16.5%	17.3%	
Adj EBITDA margin (total revenue)	(%)			18.7%	21.5%			19.6%	20.9%	
Capital expenditure	(£'m)			217	351		62.0%	438	576	31.5%

Mobile		Q4/10	Q4/11	Movement Q4 yoy
Subscriber Aquisition Cost per gross addition	(£)	51.0	55.7	9.1%
- Contract	(£)	150.0	156.2	4.1%
- Prepay	(£)	18.0	10.2	(43.5%)
Subscriber Retention Cost per retained customer	(£)	148.0	172.0	16.2%
Average Revenue Per User (ARPU) (monthly average)	(£)	19.7	19.1	(3.2%)
ARPU underlying movement yoy	(%)			2.1%
- Contract	(£)	35.2	32.9	(6.7%)
- Prepay	(£)	7.6	6.7	(11.8%)
Voice ARPU (monthly average)	(£)	12.5	10.9	(12.4%)
Non-voice % of ARPU	(%)	36.8	42.8	6.0ppts
Minutes Of Use per customer per month	(min)	196	198	0.8%
- Contract	(min)	371	359	(3.3%)

*adj EBITDA - excluding restructuring costs, Brand & Management fees