

*everything  
everywhere*<sup>™</sup>



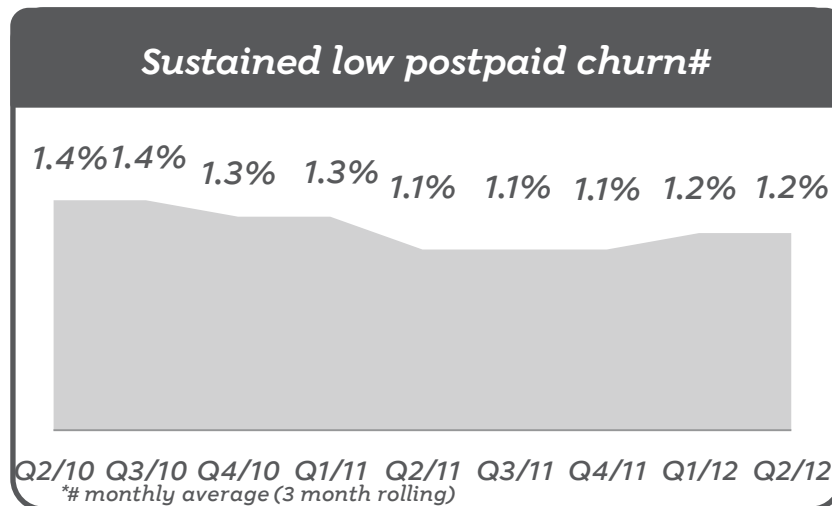
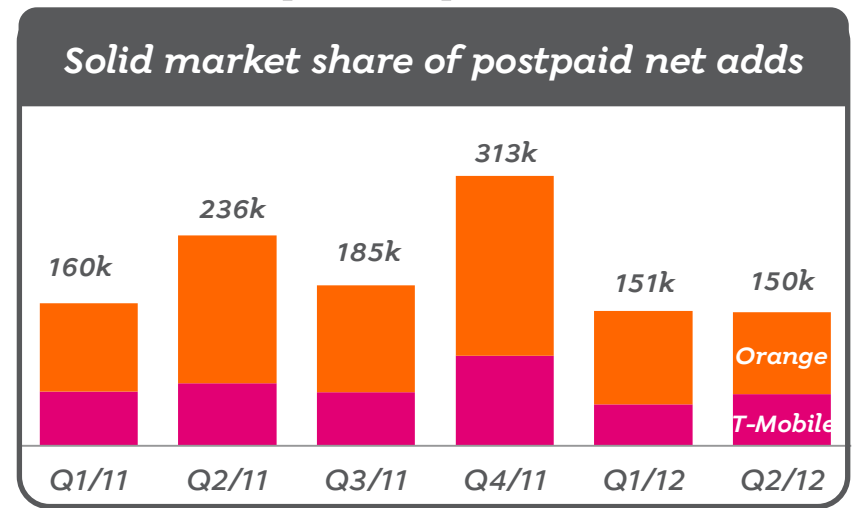
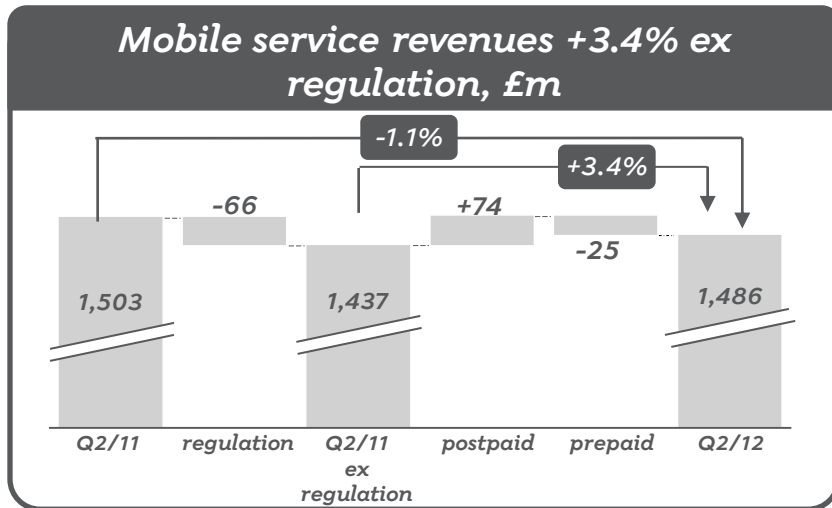
*H1 2012 Results*

*25<sup>th</sup> July 2012*

# *Significant progress integrating legacy businesses while driving commercial momentum*

- *Q2/12 service revenue growth yoy excluding MTR cuts +3.4% (Q1/12 +2.9%), including impact of MTR cuts -1.1% (Q1/12 -2.5%)*
- *Improving customer value mix; postpaid base +6.5% yoy; Q2 postpaid net adds 150k (Q2 2011: 236k); 50% of customers now postpaid (Q2/11 46%)*
- *Heavy customer retention activity, Q2 postpaid renewals+9% yoy; sustained low postpaid churn of 1.2%*
- *Adjusted EBITDA margin stable at 20.3% following 9% yoy increase in renewal activity*
- *Focus on cost efficiencies drives savings, with business on track for synergies of £3.5bn+ NPV by 2014*
  - *Network Optimisation accelerated with 1,390 redundant sites switched off*
  - *Commenced retail transformation, plan to remove 30 overlapping stores*
  - *Corporate function restructuring measures completed*

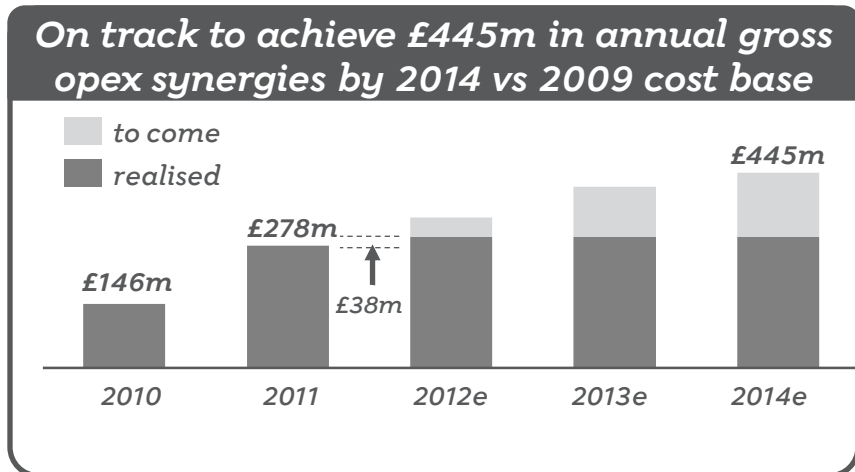
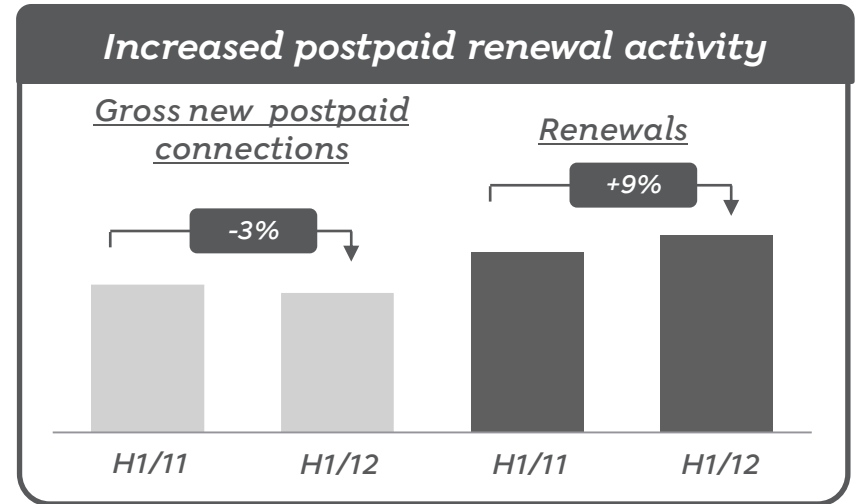
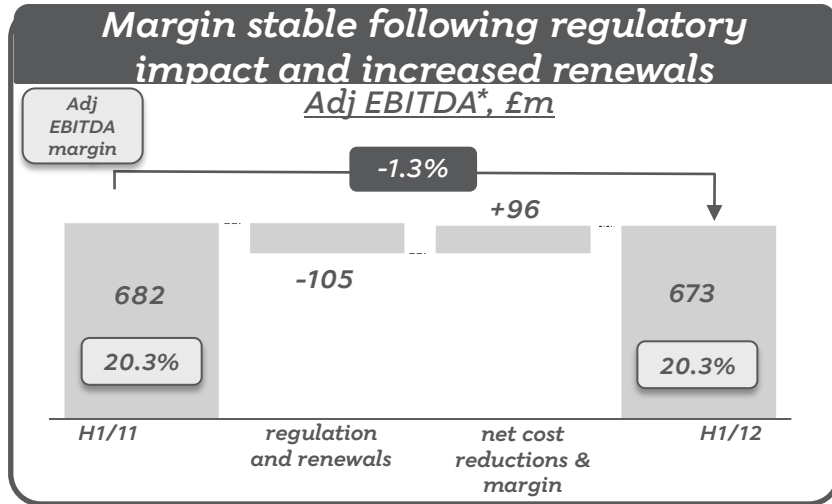
# Customer loyalty: solid share of postpaid gross connections and sustained low postpaid churn



- Insights**
- Underlying service revenue driven by +11 ppts yoy in postpaid smartphone penetration; postpaid mix reaches 50%
  - Targeted acquisition, smartphones 91% of postpaid handset connections
  - Low churn maintained with renewals up 9% yoy

- Initiatives**
- Smart Signal Sharing fully deployed to improve customer satisfaction and reduce churn
  - Success with new targeted offers, e.g. The Full Monty

# Operational excellence: EBITDA margin stable following increased retention activity



## Insights

- H1/12 adj EBITDA margin stable yoy as additional 1.9ppts of margin invested in customer renewals
- On track for £3.5bn+ NPV synergies by 2014

## Initiatives

- Network optimisation progressing rapidly with 1,390 redundant sites switched off; savings accelerating in H2
- Integration of headquarter property; key IT systems; warehouses and handset supply chain; and retail estate, with plans to close 30 stores

\* Adj EBITDA = EBITDA less restructuring costs, brand & management fees

# *Operational Excellence: Rapidly progressing Best Network strategy*

## *Network site optimisation*

- *1,390 redundant sites switched-off to date*
- *Programme to continue through to 2015*

## *Network capability*

- *Smart Signal Sharing implemented to enable seamless cross network roaming*
- *HSPA+ 21Mbps (3.5G) rolled out nationwide*
- *Successful 4G trials in Cornwall, Cumbria and Bristol*

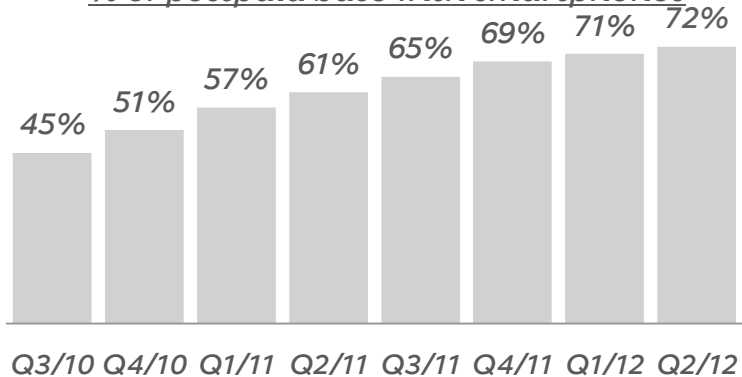
## *Network performance*

- *23% reduction in dropped voice call rate since summer 2011*
- *c. 90% of customers signal sharing across networks*

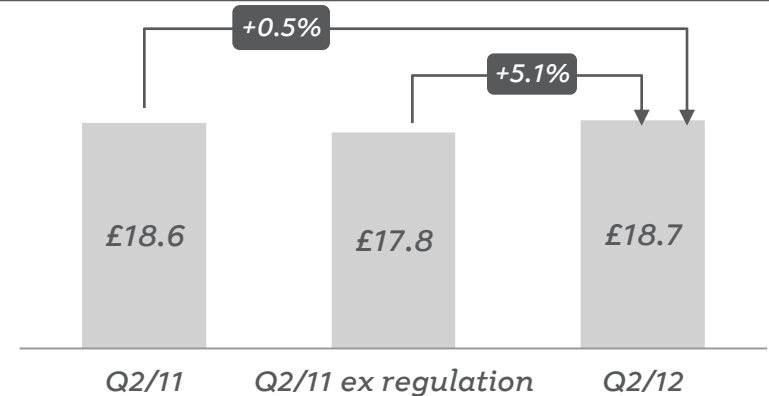
# Platforms for growth: leveraging the data opportunity

## Increasing postpaid smartphone base

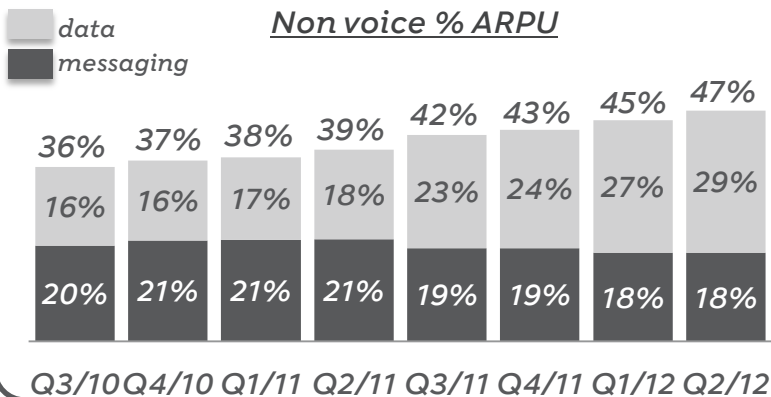
% of postpaid base with smartphones



## Mobile blended monthly ARPU growth



## Exploiting data opportunity



## Insights

- Blended ARPU ex regulation +5.1% yoy, as postpaid base mix increases to 50% (Q2/11 46%)
- Increasing smartphone data usage drives non-voice revenues, with data revenues +11 ppts yoy

## Initiatives

- Turnaround in fixed broadband business continues to deliver 11% yoy revenue growth, with 97% of new customers taking line rental and mobile
- T-Mobile shops sell Fixed Broadband from May