

London. 27th July 2011.

Everything Everywhere Announces Q2 and H1 2011 Financial Results

Delivery against strategic objectives, record smartphone sales and data revenue, record contract customer retention and continued improvement in value mix of customer base

H1 2011 results highlights – sustained underlying revenue growth:

- *Smartphone momentum delivers mobile service revenue of £3,071m, an increase of 1.8% over 1H 2010, excluding regulation*
- *Beginning to see economies of scale as industry leader, adjusted H1 EBITDA¹ is £682m with a margin of 20.3%, up from 18.7% in H2 2010*
- *Synergy capture of £57m in H1, and £203m cumulatively since JV inception, running ahead-of-target*

Q2 results highlights – record retention and improved customer value mix:

- *Contract churn falls to record low for Everything Everywhere at 1.1%*
- *67% of contract customers on 24 month contracts, up from 42% in Q2 2010*
- *Contract customer base grows by 236k; T-Mobile turnaround continues with 3rd consecutive quarter of sustained growth in net adds of customer contracts*
- *Biggest ever quarter of smartphone sales at the company; 85% of new contract customers opt for smartphones, up from 84% in Q1 2011 and from 64% year-on-year*
- *For the first time, Everything Everywhere sells more Apple iPhones to consumers than any other UK mobile operator in the final week of the quarter²*
- *Underlying mobile service revenue growth of 2.0% year-on-year, excluding regulatory impact; non voice revenues reach 39%, up from 36% in Q2 2010*
- *Monthly blended ARPU up 2.2% year-on-year, excluding regulation, reflecting progress in transitioning customers to high value contracts*

Q2 results highlights – delivery against strategic business goals:

- *Accelerated implementation of new customer service strategy with expansion of new service-oriented Everything Everywhere retail store format following a successful trial, and growing popularity of downloadable self-service apps that further strengthen customer relationships*
- *Welcomed Ofcom report on customer service satisfaction naming T-Mobile as the number one mobile network and Orange as the number one home broadband provider*

¹Adjusted EBITDA refers to EBITDA before restructuring costs, brand and management fees

²Source: GfK

- *Launched the UK's first contactless mobile payments service for customers in partnership with Barclaycard, and announced new mobile payments and advertising joint venture with Vodafone and O2 to create seamless backend infrastructure for payments and single point of contact for mobile advertising*
- *Partnered with BT to deliver the first live customer trial of 4G high speed broadband technology*
- *Selected Huawei to conduct significant 2G network upgrade*
- *Achieved synergy savings with transition of IT infrastructure activities to T-Systems and new five year IT Testing services outsourcing agreement with Capgemini Group*

Commenting on the results, Tom Alexander, Chief Executive Officer of Everything Everywhere, said: "The first half of 2011 was a period of good progress for Everything Everywhere. Leveraging our unique strengths and market leadership, we are delivering on our strategic plan set out in September 2010 and are ahead of plan with our synergy capture. We are investing in building the best network experience for our customers and in creating platforms for growth."

Chief Executive Officer's Statement

The first half of 2011 was a period of good progress for Everything Everywhere. Leveraging our unique strengths and market leadership, we are delivering on our strategic plan set out in September 2010 and are ahead of plan with our synergy capture. We are investing in building the best network experience for our customers and in creating platforms for growth.

Record customer retention and smartphone sales

Against the backdrop of a challenging economic, competitive and regulatory environment, as well as progressing the integration of two of Britain's biggest brands, we are achieving record customer loyalty and a record number of smartphone sales.

Contract customer churn is now at our best ever level at 1.1%, and two out of three customers are selecting 24-month contracts as they go for higher value smartphones. Our focus on taking a service rather than hard sales-oriented approach with our customers is paying off, as we retain and upgrade customers to contracts and see a continued improvement in monthly blended ARPU, excluding regulation. With our focus on delivering outstanding customer service, we welcomed Ofcom's report that ranked T-Mobile as number one in customer service satisfaction amongst mobile operators, and ranked Orange as number one in customer service satisfaction amongst broadband providers.

Growth in net contract adds improves value mix of customers

We're seeing strong momentum in signing new high value contract customers, with a net increase in Q2 of 236,000 contract customers. We continue to see growing smartphone adoption, with 85% of customers signing a new contract opting for a smartphone, up from 84% in the first quarter of 2011 – and 64% a year ago. As a result, we are continuing to improve the value mix of our customer base, with 46% of customers on monthly contracts, up from 42% over the first quarter of 2011. This also represents the third consecutive quarter of sustained growth in T-Mobile's contract customer base following our investment in the brand.

Leveraging the data opportunity to drive underlying revenue growth

As a result of harnessing the smartphone and data opportunity, we are seeing sustained underlying revenue growth. Over the first half of the year, we have grown our underlying service revenue by 1.8%, excluding regulation. We continue to grow revenue from data as well, with non voice revenue reaching 39% this quarter, up from 36% in Q2 2010. We expect this to continue as we roll out more innovative customer propositions over the course of the next year.

Strong synergy capture and cash-flow

We are starting to see results in leveraging our economies of scale across the business, with adjusted EBITDA at 20.3% this quarter, which is stable year-on-year and up from 18.7% in 2H 2010.

Everything Everywhere generated free cash flow¹ of £365m in the 6 month period to June 30, 2011, and the company completed a dividend payment to Deutsche Telekom and France Telecom of £466m. Everything Everywhere remains on track to deliver the £3.5bn NPV of the planned synergies and has made continued progress in H1 2011 in realising £203m of gross opex savings compared to the 2009 cost base.

Driving market leadership and innovation, and creating a lean and agile backbone

We recently celebrated the first birthday of Everything Everywhere on 1st July and the significant progress that we are making integrating two of Britain's biggest, most loved brands whilst also building a foundation for the future success of the business. Over the past quarter, we continued to drive market leadership and innovation as well as create a lean and agile backbone for the company. We introduced the UK's first contactless mobile payments service in partnership with Barclaycard, announced

¹ Free cash flow = EBITDA less capex

plans to expand the number of Everything Everywhere branded stores following a highly successful trial of the new format, and partnered with BT Wholesale to deliver the first live customer trial of 4G high speed broadband technology, amongst several other milestones.

The company remains committed to the long term corporate strategy, as outlined in September 2010, and expects to grow the contract customer base across both brands. In addition, Everything Everywhere reconfirms the synergy target and anticipates funding consistent dividends to the shareholders, as the company reaffirm the strategic commitments through to 2014: an ambition to continue leadership in revenue market share; to continuously grow the absolute level of EBITDA, with an expectation to achieve an EBITDA margin of 25%+ by 2014; and an ambition to achieve double digit cashflow CAGR from 2010 to 2014.

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About Everything Everywhere

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 respectively, Everything Everywhere Limited is the UK's biggest communications company, with a combined customer base of almost 28 million people and more than 720 retail stores across the country. Everything Everywhere Limited 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.

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Q2/H1 2011 Results

27th July 2011

Transforming for sustainable leadership: mid-term transition on track

Strategy	Creating a lean and agile backbone	Driving market leadership	Creating a platform for growth
	<ul style="list-style-type: none"> Partnered with BT to deliver first live 4G trial Completed transition of select IT activities to T-Systems Selected Huawei for 2G network upgrade 	<ul style="list-style-type: none"> Q2/11 postpaid churn down to 1.1% Q2/11 postpaid net adds up 47% over Q1 to 236k T-Mobile turnaround continues, 3rd straight quarter of net postpaid adds Announced expansion of EE store format 	<ul style="list-style-type: none"> 85% of new postpaid customers take smartphones Non voice reaches 39% of total ARPU in Q2/11 UK's 1st mobile payments service with Barclaycard Mobile payments and advertising JV with Vodafone and O2

Financial highlights

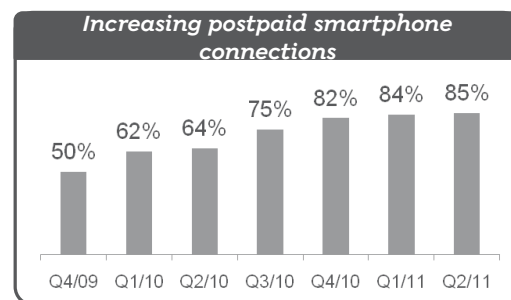
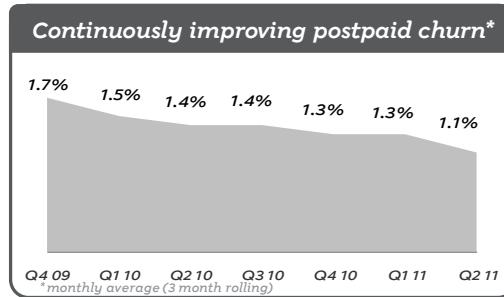
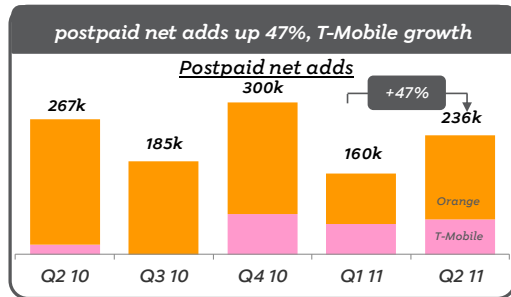
- Service revenue market share - H1 underlying growth of 1.8% yoy, (exc regulation)
- Profitability - H1/11 EBITDA margin stable at 20.3%
- Synergy capture - £203m to date vs. 2009 cost base
- Cash to shareholders - final 2010 and pre-JV dividend of £466m paid in H1/11

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Driving market leadership: strong postpaid net adds and record low churn in postpaid



Insight

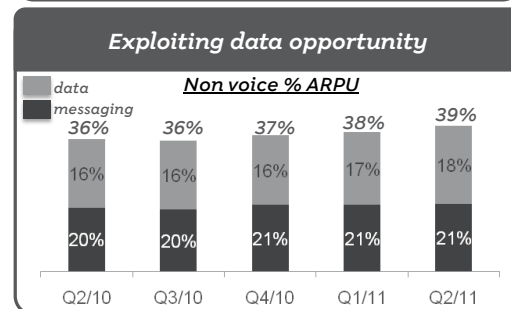
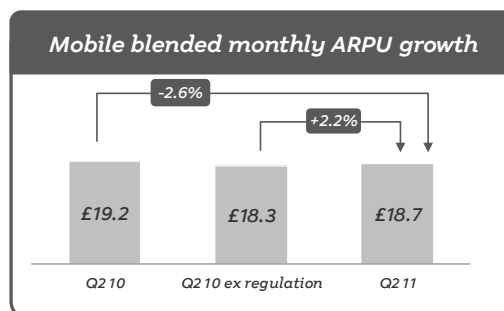
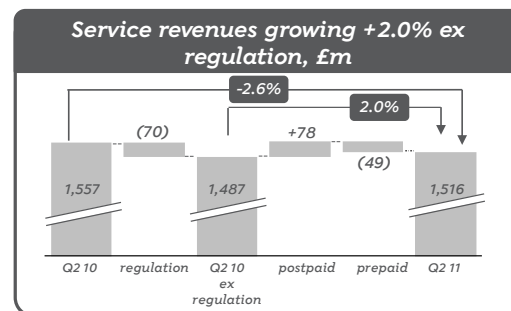
- Continued focus on future value through investment in postpaid growth and longer term commitments
 - 67% (42% Q2/10) of customer base on 24-month contracts
- Improved coverage - most of customer base now 2G roaming enabled

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Creating platforms for growth: harnessing the smartphone/data revolution



Insight

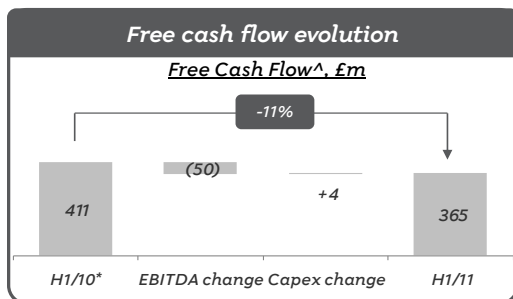
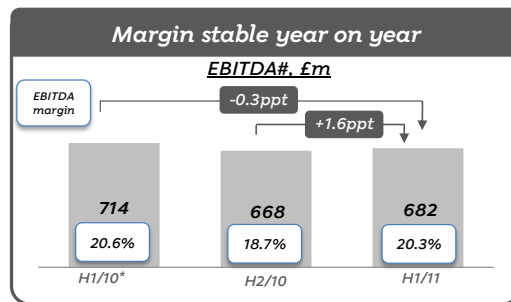
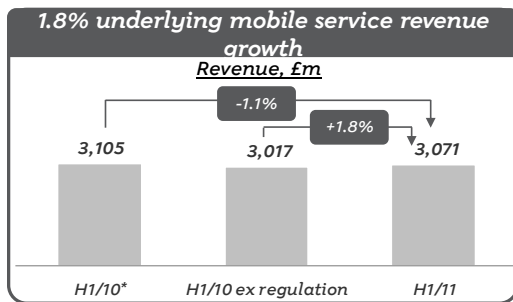
- Underlying service revenue growth underpinned by increase in postpaid base
 - 881k net adds in the last 12 months
 - Postpaid base mix improves to 46% (42% Q2/10)
- Blended ARPU post regulation increases by 2.2% yoy, with postpaid access fees up 3% yoy
- Increasing smartphone data usage drives non-voice revenues, with data revenues up 8% yoy

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Working towards improving profitability: H1/11 EBITDA# margin stable at 20.3%



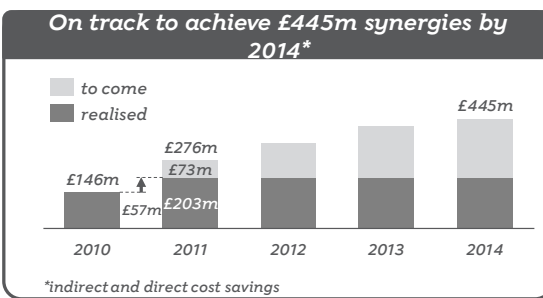
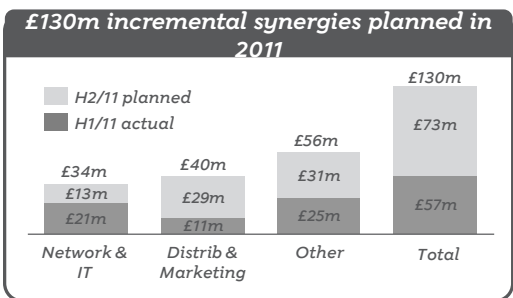
Insight

- H1/11 service revenue growth underpinned by postpaid base growth
- EBITDA margin stable yoy and up 1.6ppt from H2/10 to 20.3%, with synergy savings partly reinvested into growing the business

*Pro forma unaudited figures. ^ ebitda less capex
#, EBITDA = EBITDA less restructuring costs, brand & management fees

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Creating a lean and agile backbone: synergy capture on track, £203m achieved to date



Insight

- ahead of plans set out at the Investor Day
- £203m cumulated synergies achieved so far vs. 2009 cost base

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H2/11 outlook

- *Commercial pressures including macroeconomic uncertainty, highly competitive environment and regulation*
- *Olaf Swantee appointed CEO from 1st September*
- *Mid-term transition continues towards 2014 commitments with immediate priorities on*
 - *Extending service approach with retail expansion*
 - *Network leadership*
 - *Further execution of integration plans*
 - *Continuing to increase operational margins*
- *Consistent dividends to shareholders*

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		Q2/10	Q2/11	H1/10	H1/11
Customers (end of period)	('000)	27,931	27,541		
- Contract	('000)	11,463	12,343		
- Prepay	('000)	15,630	14,460		
- Home total	('000)	838	738		
- Home Broadband	('000)	797	716		
- Home Narrowband	('000)	41	22		
Net adds	('000)	47	(188)	(244)	(443)
- Contract	('000)	267	236	489	396
- Prepay	('000)	(195)	(412)	(675)	(806)
- Home	('000)	(25)	(13)	(58)	(33)
Average monthly churn	(%)	2.5%	2.4%		
- Contract	(%)	1.4%	1.1%		
		Q2/10	Q2/11	H1/10	H1/11
Turnover	(GBP million)	1,721	1,663	3,472	3,367
Mobile service revenue	(GBP million)	1,557	1,516	3,105	3,071
Mobile service revenue underlying growth yoy	(%)		2.0%		1.8%
EBITDA	(GBP million)			632	582
Adj EBITDA*	(GBP million)			714	682
Restructuring costs included in EBITDA	(GBP million)			14	25
EBITDA margin (total revenue)	(%)			18.2%	17.3%
Adj EBITDA margin (total revenue)	(%)			20.6%	20.3%
Capex	(GBP million)			221	216

Mobile

		Q2/10	Q2/11
SAC per gross add	(GBP)	55	57
- Contract	(GBP)	148	156
- Prepay	(GBP)	14	14
SRC per retained customer	(GBP)	155	160
ARPU (monthly average)	(GBP)	19.2	18.7
- Contract	(GBP)	35.5	33.6
- Prepay	(GBP)	7.2	6.4
Voice ARPU (monthly average)	(GBP)	12.2	11.4
Non-voice % of ARPU	(%)	36.4%	39.1%
MOU per customer per month	(min)	197	199
- Contract	(min)	372	367

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