

DELIVERING ON DT'S UK VALUE CREATION STRATEGY

February 5th 2015



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CONTINUED FOCUS ON ACTIVE VALUE ACCRETIVE PORTFOLIO MANAGEMENT

- ✓ Strong transaction rationale in line with DT strategy:
Building the leading converged UK operator in the dynamic UK market
- ✓ Transaction value of £12.5bn implies £3.9bn¹ value creation since formation of #1 mobile operator via merger of T-Mobile/ORa
- ✓ Further value upside through participation in £4.6bn NPV synergy potential

1. Reflects increase in Equity Value compared to Broker SOTP valuation prior to JV formation plus dividends received.

COMBINING #1 MOBILE AND #1 FIXED TO BUILD QUAD-PLAY LEADER IN THE UK

 <ul style="list-style-type: none"> ▪ Nationwide fixed network ▪ Fibre leader with 22m premises passed ▪ #1 fixed BB + Telephony ▪ #1 Fixed B2B ▪ Premium content 	+	 THE UK'S BIGGEST AND FASTEST NETWORK <ul style="list-style-type: none"> ▪ #1 mobile revenues¹ & subscribers ▪ #1 spectrum position ▪ #1 network quality ▪ #1 distribution ▪ #1 wholesale 				
<h3>OUTSTANDING 4P OFFERING</h3> <table border="1"> <tr> <td data-bbox="101 771 462 957">  Mobile #1 </td> <td data-bbox="462 771 813 957">  Fixed BB #1 </td> </tr> <tr> <td data-bbox="101 963 462 1149">  Fixed Telephony #1 </td> <td data-bbox="462 963 813 1149">  TV #3 </td> </tr> </table>	 Mobile #1	 Fixed BB #1	 Fixed Telephony #1	 TV #3	<h3>#1 B2B</h3> <p>Integrated #1</p> 	<h3>ATTRACTIVE PROPOSITION TO UK CONSUMERS</h3> <ul style="list-style-type: none"> ▪ Convergent consumer products ▪ Integrated business customer solutions ▪ Customer proximity through outstanding shop footprint ▪ Attractive content and TV offering ▪ Leading network service quality
 Mobile #1	 Fixed BB #1					
 Fixed Telephony #1	 TV #3					

1. Source: Analysys Mason, total service revenue for calendar H1 2014.

COMPELLING TRANSACTION RATIONALE

UNDERScores DT STRATEGY	<ul style="list-style-type: none">▪ DT's strategic goals covered (FMC, market leadership, best customer service and shareholder value)▪ DT to provide advice on FMC integration given its experience and know-how
ATTRACTIVE EE VALUATION	<ul style="list-style-type: none">▪ Premium to broker valuations and comparable transactions & significant value creation since formation of JV
FURTHER SHAREHOLDER VALUE UPSIDE	<ul style="list-style-type: none">▪ 12% stake gives DT upside potential from:<ul style="list-style-type: none">▪ Participation in synergy upside▪ Robust BT dividend payout reconfirmed▪ Enhanced market position of BT
INCREASED STRATEGIC OPTIONALITY / POTENTIAL FOR PARTNERSHIP	<ul style="list-style-type: none">▪ Exchange of illiquid JV stake into larger, more liquid entity (“IPO with synergies”)▪ Leverage-neutral transaction▪ Both BT and DT with strong cost transformation record and common DNA▪ Potential for further partnership with BT



TRANSACTION TERMS

TRANSACTION VALUE

- Purchase price of £12.5bn (on a debt/cash free basis)¹
 - EV/2014A adj. EBITDA of 7.9x (pre-synergies)

CONSIDERATION MIX

- Targeted proceeds to DT
 - 12% stake in BT
 - Additional cash depending on BT share price and EE net debt at closing
 - Collar price protection mechanism in place

CORPORATE GOVERNANCE

- DT to appoint one member of BT's BOD
- DT post transaction largest BT shareholder

LOCK-UP AND STANDSTILL

- Standstill: 3 years at 15%² (limited voting rights to 15% for a period of 2 years post standstill)
- Lock-up period: 18 months for public sale³

CONDITIONS AND CLOSING TIMELINE

- Class 1 Approval by BT shareholders
- Customary anti-trust and regulatory approvals
- Expected to close by March 2016
- Break fee agreed

1. Implied Equity value of £10.2bn based on illustrative adjusted net debt of £2.3bn.

2. For a period of three years post closing DT will be restricted from purchasing BT shares, unless it acquires these directly from Orange, in which case its holding can increase to 15%.

3. Allows market sales to financial investors (who will be subject to the same lock-up restrictions for the remainder of the 18 months).



CONSISTENT EXECUTION OF DT'S STRATEGY

April 2010

Everything Everywhere JV

Merger of #3 and #4 UK MNOs

JV STRATEGY ACHIEVED ITS FULL POTENTIAL ...

- Retained mobile revenue leadership
- Exceeded £3.5bn NPV synergy target
- Reaching 25%+ adj. EBITDA margin
- Best network and spectrum position
- Strong brand awareness
- Fastest 4G roll-out, widest 4G coverage and fastest 4G speed across the UK

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EE and BT Combination

Building a quad-play champion in the UK

... FOLLOWED BY BT/EE TRANSACTION THAT COVERS ALL OF DT'S STRATEGIC GOALS

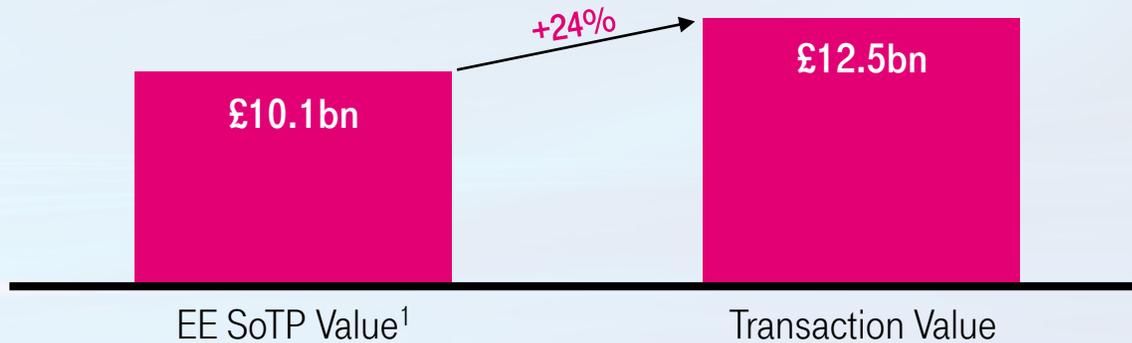
- Mobile-only converted to leading integrated offering
- Best customer experience and best network
- Win with partners: Option to join forces with BT
- Lead in business
- Generation of shareholder value incl. synergy upside



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ATTRACTIVE VALUE CREATION

PREMIUM REALISED OVER ANALYST EXPECTATIONS ...



... HIGHLIGHTING THE OUTSTANDING QUALITY OF THE ASSET & SYNERGY POTENTIAL

- Transaction value at above 20% premium to EE SoTP valuation
- Further value creation through synergies over time

1. SoTP value based on broker consensus estimates as of November 2014 (pre-announcement).

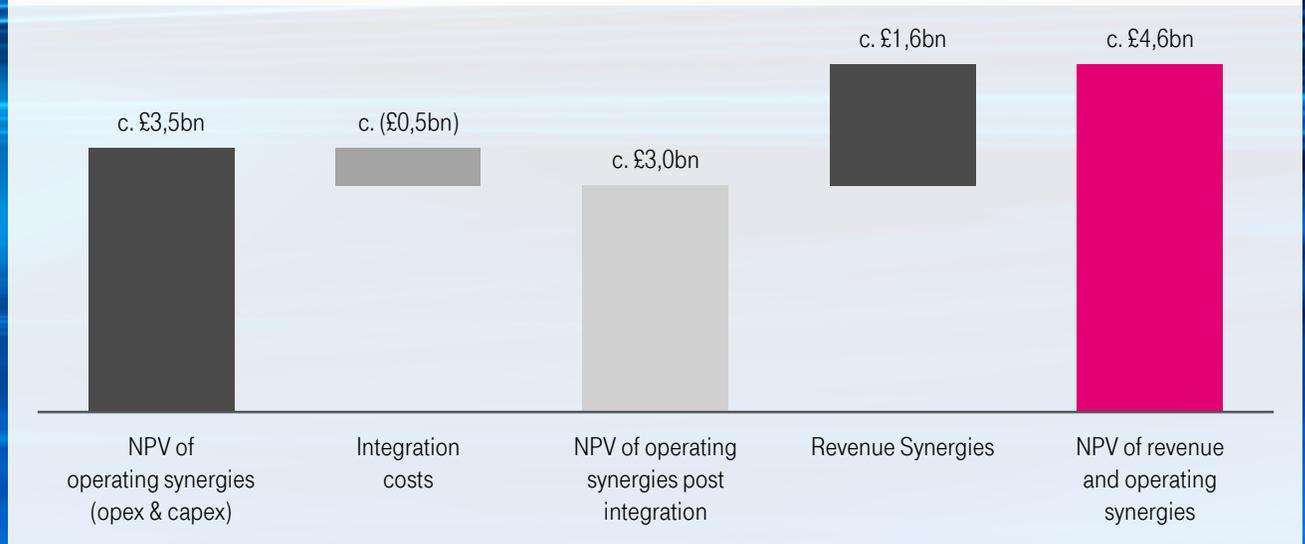


BT IDENTIFIED SUBSTANTIAL VALUE CREATION UPSIDE

RUN RATE EXPECTED IN FOURTH FULL YEAR¹

Commercial	▪ c.£70mn
IT	▪ c.£90mn
Network	▪ c.£80mn
Operational	▪ c.£120mn

SYNERGIES WORTH NPV OF £4.6BN AT CLOSING²



C.£360MN TOTAL OPEX AND CAPEX SYNERGY RUN RATE EXPECTED IN FOURTH FULL YEAR POST COMPLETION

C.£3.5BN TOTAL NPV OF OPEX AND CAPEX SYNERGIES

1. Post completion (Opex and Capex synergy run-rate).
 2. Based on synergy calculation of BT Group.