
mmO2

Interim results

David Varney
Chairman

mmO2

Safe Harbour

This presentation contains certain forward-looking statements. These are based on our current plans, expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions and speak only as of the date they are made. Statements that are not historical facts, including statements about our beliefs and expectations are forward-looking statements. Words like “believe”, “anticipate”, “expect”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “might”, “project”, “goal”, “target” and similar expressions often identify forward-looking statements but are not the only way these are identified. Our results could differ materially from those anticipated in these forward-looking statements. For further information on the risk factors inherent in forward-looking statements please refer to page 108 of the Annual Report and Accounts for the year ended 31 March 2002 and to page 3 of Form 20-F as filed with the SEC on 12 July 2002.

Interim results

Peter Erskine
Chief Executive

First half: Business highlights

- Improved UK EBITDA margin, on track
- Delivered positive EBITDA in Germany, ahead of schedule
- Completed restructuring in UK and Germany
- Generated positive Group cash flow
- Successfully re-branded to O_2
- Launched leading mobile data products
- Acquired 3G licence in Ireland

Delivering growth and performance improvement

First half: Financial summary

- Customer base 18.3 million, ↑ 8.9%
- Service revenue £2,086 million, ↑ 16.3%
- Total revenue £2,341 million, ↑ 11.5%
- EBITDA £378 million, ↑ 180%
- Post-tax loss £(277) million, ↓ 28.4%
- Capital expenditure £427 million, ↓ 31.5%
- Net debt £609 million (31 March: £617 million)

Delivering growth and performance improvement

mmO2

Second quarter: Business highlights

- Added 532,000 net new customers
  - 69.9% post-pay
- Achieved total base of 18.3 million customers
  - 36.9% post-pay
- Delivered strong ARPU growth
  - in line with full-year 4% – 8% target
- Grew data to 15.6% of service revenue
  - Q1: 14.6%

Delivering growth and performance improvement

mmO2

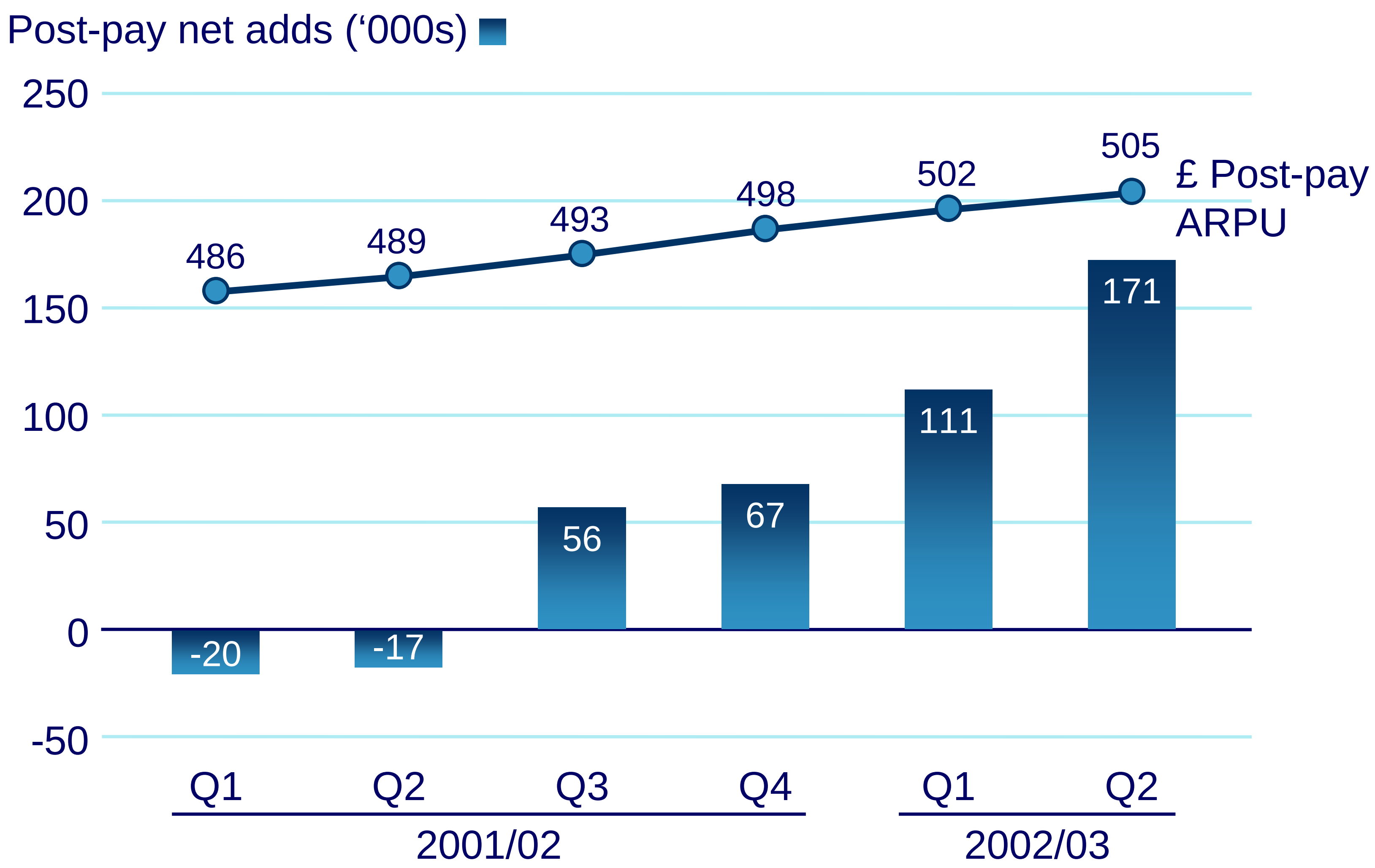
O_2 UK: First half highlights

- Customer base increased to 11.45 million
  - 33.4% post-pay
- Service revenue grew by 10.8%
- Delivered EBITDA of £391 million
  - 2001: £327 million
- Improved EBITDA margin to 26.6%
  - 2001: 23.9%
  - on track for 2004 30% target
- Capex/sales ratio reduced to 10.0%
  - 2001: 18.8%

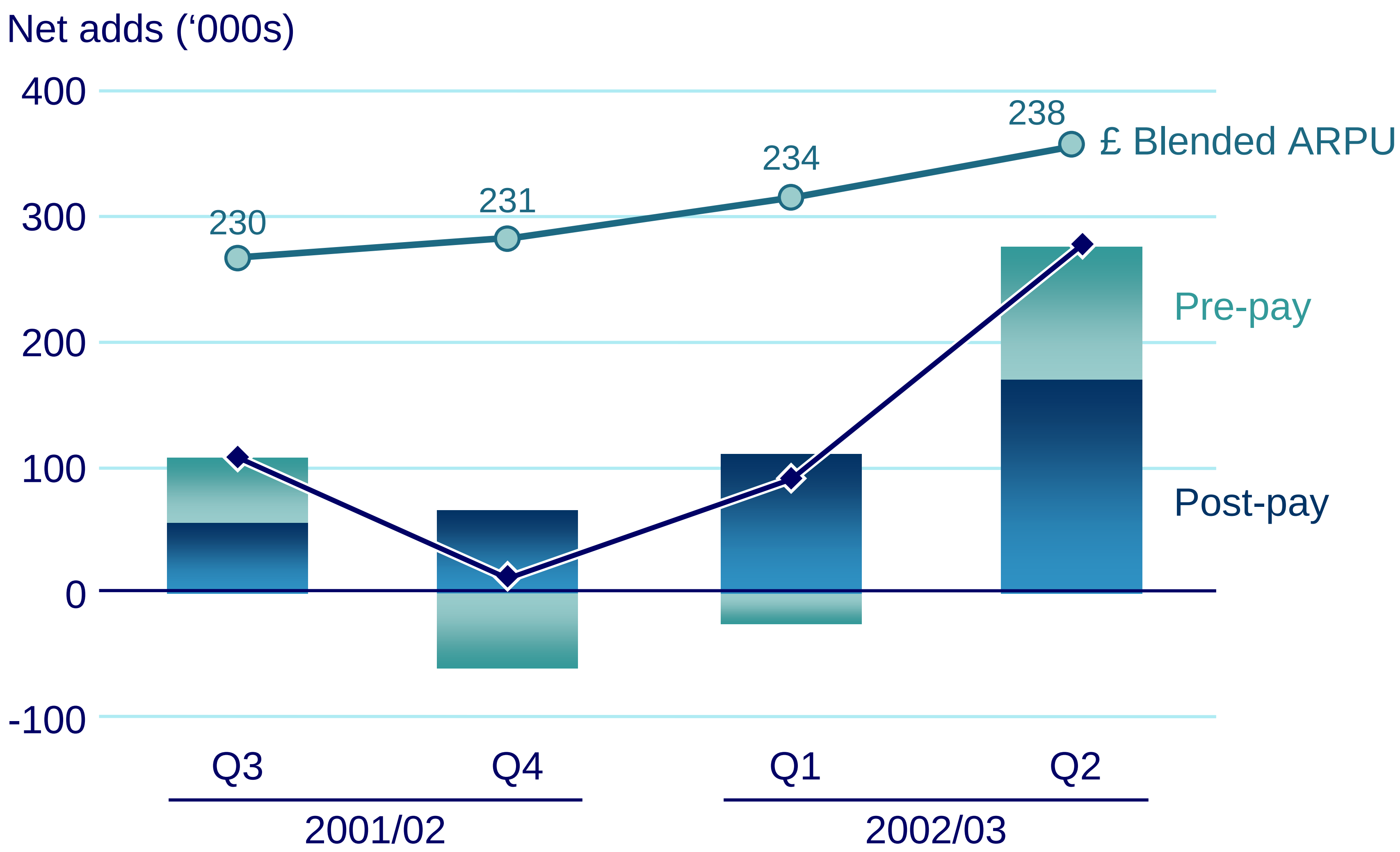
O_2 UK: Second quarter highlights

- 278,000 net new customers
  – 171,000 post pay
- Blended ARPU £238
  – ↑ 3.0% since start of year
- Post-pay churn 29%
  – Q1: 30%
- Data 15.3% of service revenue
  – Q1: 14.1%

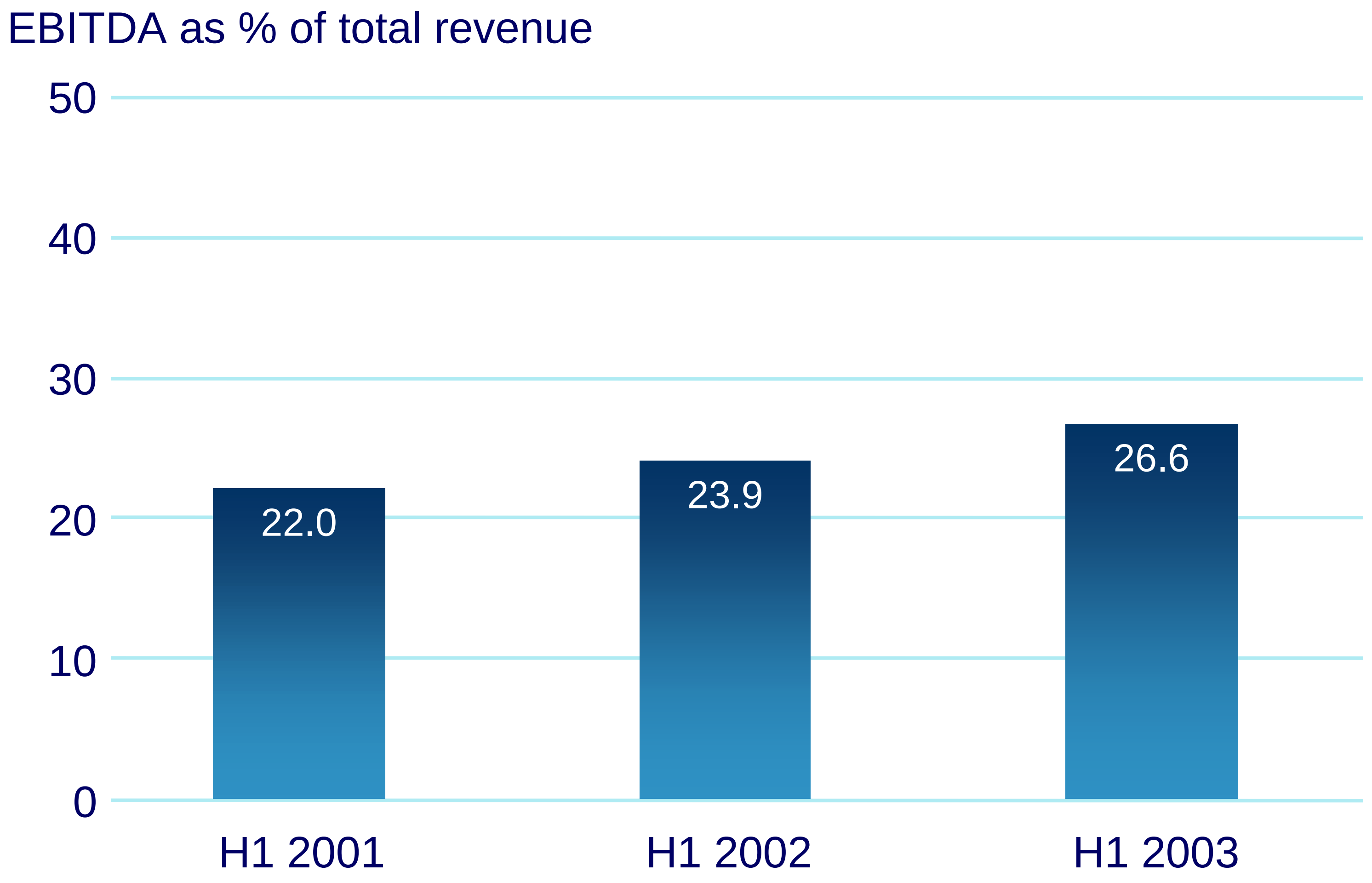
O_2 UK: Higher value customers



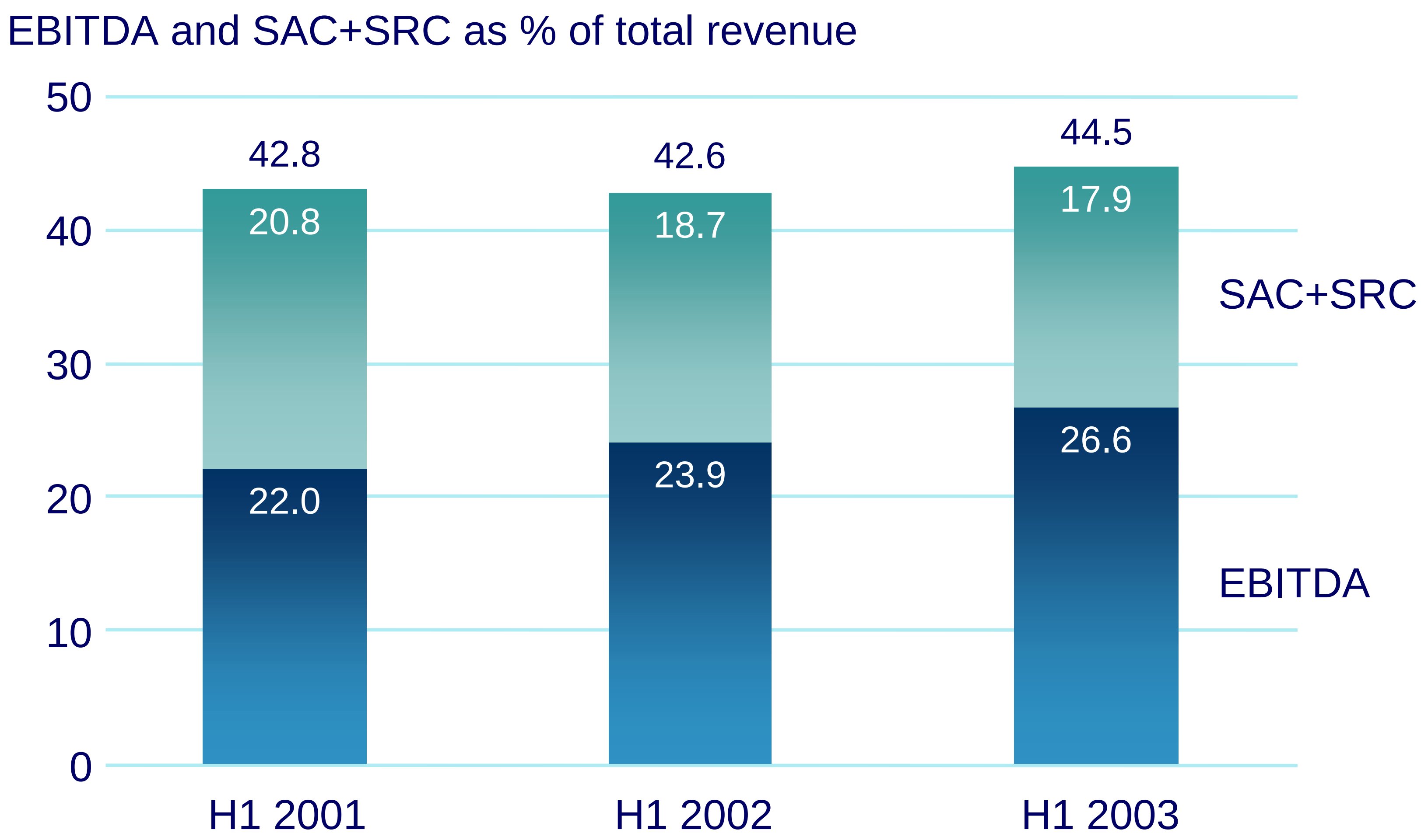
O_2 UK: Higher value customers



O_2 UK: EBITDA margin improvement



O_2 UK: EBITDA margin improvement



O_2 Germany: First half highlights

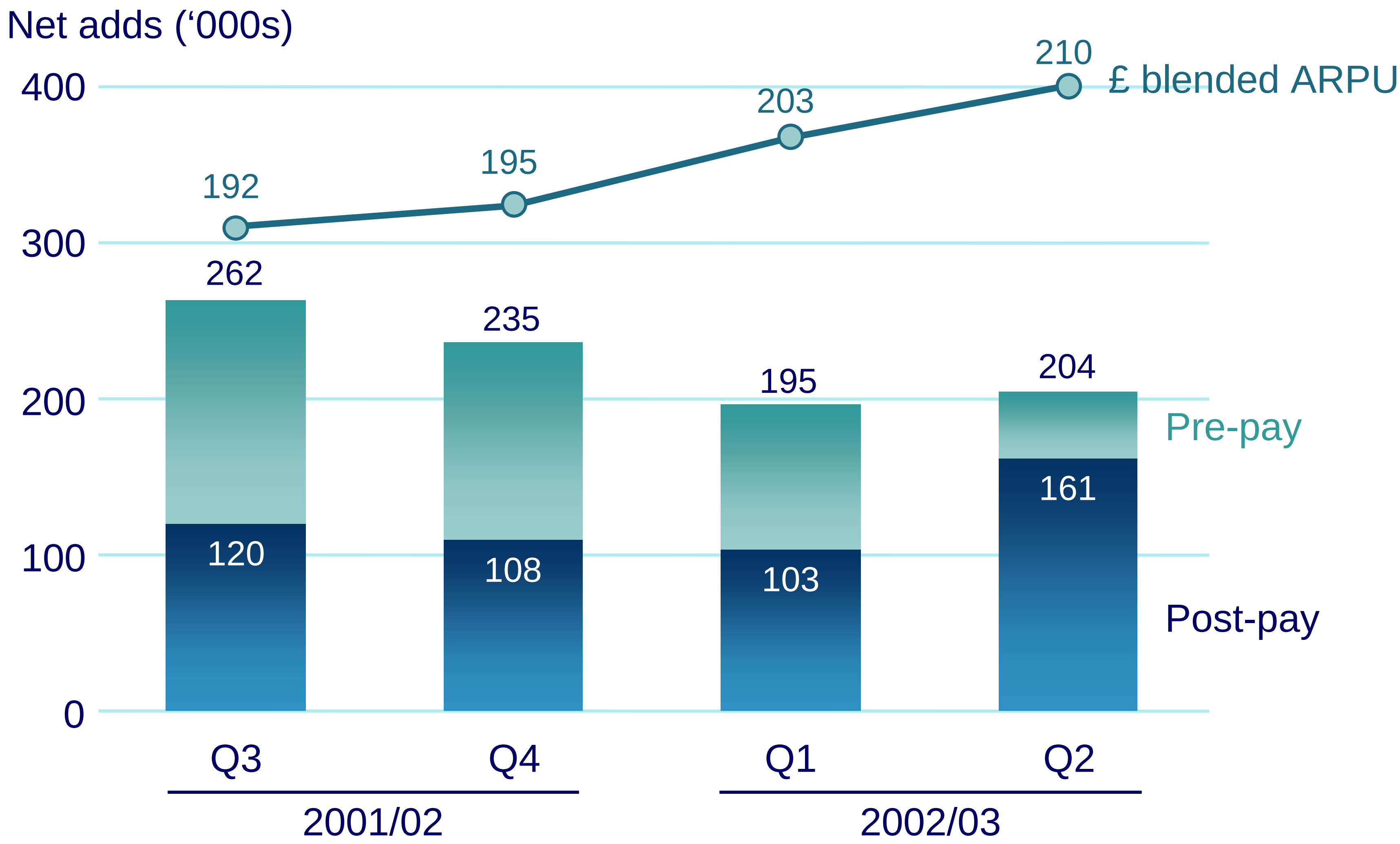
- Customer base increased to 4.29 million
  - 52.3% post-pay
  - 7.5% market share
  - 100% controlled
- Service revenue grew by 33%
- Delivered positive EBITDA of £1 million
  - 2001: (£114) million
  - ahead of schedule
- Capex reduced to £57 million
  - capex/sales: 11.8%
- Generated positive cash flow

mmO2

O_2 Germany: Second quarter highlights

- 204,000 net new customers
  - 161,000 post pay
  - continuing Genion Homezone success
- Blended ARPU £210
  - ↑ 7.7% since start of year
  - pre-pay ↑ 15.5%
  - post-pay ↑ 5.8%
- Data 18.1% of service revenue
  - Q1: 18.3%

O_2 Germany: Higher value customers



Other business highlights

O_2 Ireland

- Service revenue ↑ 12.8%
- EBITDA ↑ 22.0%
- EBITDA margin 33.5%
  - 2001: 30.6%
- Operating profit ↑ 34.5%
- 37,000 net new customers in Q2
- Blended ARPU £338
  - ↑ 2.7% since start of year
- UMTS licence acquired
  - Cost £73 million

O_2 Netherlands

- Service revenue ↑ 37.3%
- EBITDA loss £(9) million
  - 2001: £(54) million
- Post-pay customers ↑ 13.9% in Q2
  - to total 304,000
  - 23.5% of base (2001: 18.6%)

Other businesses

- Manx revenue and operating profit ↑ >10%

mmO2

O_2 Online: Mobile data driver

- Online sales channel for O_2 UK
  - 446,000 customers
  - High data, high ARPU
- O_2 Products
  - Devices – xda, Blackberry
  - MMS
  - Content – Java games
  - GPRS services
- Web and WAP portals
  - Platform for MMS / GPRS service delivery
- Data 15.6% of service revenue

mmO2

Airwave

- National emergency radio network
- 53 police forces by end 2005
- £2.9 billion, 19-year UK government contract
- First half:
  - 30,000 radios operational in 7 police forces
  - investment £69 million (2001: £51 million)
  - revenue £12 million
- Roll-out to 25 further forces by end December 2003
- Potential adoption by other services

mmO2

Interim results

David Finch
Chief Financial Officer

Group profit and loss account

Six months ended 30 September £m	2001	2002
Group turnover	**2,099**	**2,341**
EBITDA before exceptional items	**135**	**378**
Depreciation	(316)	(405)
Amortisation	(195)	(201)
Operating loss before exceptional items	(376)	(228)
Exceptional items	3	-
Group operating loss	**(373)**	**(228)**
Associates	6	2
Net interest	(1)	(33)
Loss on ordinary activities before taxation	**(368)**	**(259)**
Tax	(19)	(18)
Retained loss for the financial year	**(387)**	**(277)**
Basic and diluted loss per share (pence)	**(4.5)p**	**(3.2)p**

Financial summary

£m	Six months ended			
	Mar 2001 (pro forma)	Sep 2001	Mar 2002	Sep 2002
Subscribers (000)	15,555	16,784	17,457	18,281
Revenues	1,999	2,099	2,177	2,341
Service revenues	1,633	1,794	1,878	2,086
EBITDA	(12)	135	298	378
EBITDA margin	(0.6%)	6.4%	13.7%	16.1%
Capital expenditure	993	623	519	427

mmO2

Service revenue

£m	Six months ended		
	Sep 2001	Sep 2002	Change %
O_2 UK	1,201	1,331	+11%
O_2 Germany	330	438	+33%
O_2 Netherlands	83	114	+37%
O_2 Ireland	180	203	+13%
Group Total	1,794	2,086	+16%

Group EBITDA (before exceptional items)

£m	Six months ended		
	Sep 2001	Sep 2002	Change
O_2 UK	327	391	64
O_2 Germany	(114)	1	115
O_2 Netherlands	(54)	(9)	45
O_2 Ireland	59	72	13
O_2 Online	(55)	(37)	18
Airwave, Manx, Central Resources	(28)	(40)	(12)
Group Total	135	378	243

Consolidated balance sheet

£m	31 Mar 2002	30 Sep 2002
Tangible	4,094	4,081
Intangible	16,029	16,157
Fixed assets	**20,123**	**20,238**
Current assets	1,158	1,157
Current liabilities	(1,407)	(1,548)
Working capital	**(249)**	**(391)**
Provisions	(402)	(362)
Other	(21)	(35)
Net debt	(617)	(609)
Net assets	**18,834**	**18,841**

mmO2

Group capital expenditure

£m	Six months ended		
	Sep 2001	Sep 2002	Change %
O_2 UK	257	148	-42%
O_2 Germany	161	57	-65%
O_2 Netherlands	68	31	-54%
O_2 Ireland	44	27	-39%
O_2 Online	41	19	-54%
Other	1	3	
	572	**285**	**-50%**
Airwave	51	69	+35%
3G licence		73	
Group Total	**623**	**427**	**-31%**

Cash flow since 31 March 2002

£m		
Net debt 31 Mar 2002		**(617)**
EBITDA	378	
Working capital	142	
Capital expenditure	(427)	
Other	(13)	
Operating cash flow		**80**
Restructuring expenditure	(45)	
Tax & Interest	(27)	
		(72)
Reduction in net debt		**8**
Net debt 30 Sep 2002		**(609)**

Operating cash flow

£m	Six months ended Sep 2002
Mobile operations	151
Airwave	(71)
Operating cash flow	80

Financial ratios

£m	12 months to Mar 2002	12 months to Sep 2002
EBITDA	433	676
Interest (net)*	25	57
Net debt	617	609
Interest cover	17.3x	11.9x
Net debt / EBITDA	1.4x	0.9x

* Interest only paid from January 2002

Funding & liquidity

£m		30 Sep 2002
Committed facilities		
Bonds	Euro (5 year)	623
	Sterling (10 year)	375
Revolving credit facility (5 year)		1,725
		2,723
Net debt		(609)
Liquidity/headroom		2,114

In addition the Group retains £300m of further short-term committed facilities

mmO2

Interim results

Peter Erskine
Chief Executive

mmO2

First half summary

Achieved good progress towards financial and operating targets

- Service revenue growth
  - customer additions
  - growing ARPU
  - mobile data
- UK margin improvement
- Positive EBITDA in Germany
- Tight control of capex
- Positive Group cash flow

Delivered growth and performance improvement

Full year outlook

On track to deliver full year targets

- Group
  - ARPU growth 4% – 8%
  - data 16% of service revenue
- UK
  - service revenue growth >10%
  - improved EBITDA margin
  - contract churn maintained <30%
- Germany
  - further customer growth
  - positive EBITDA maintained

Well positioned to achieve further growth and improvement

Strategic issues

Industry consolidation

- Strategy driven by shareholder value

Development of 3G (UMTS) networks

- Roll-out currently not expected before mid-2003

Regulation

- National and pan-European

mmO2


mmO2