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A high-speed photograph of a water splash against a blue gradient background. The splash is centered at the top, with a large, clear droplet at the peak and a spray of smaller droplets falling downwards. The background transitions from a deep blue at the top to a lighter blue at the bottom.

Interim results

David Varney  
Chairman

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## 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

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## 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<sub>2</sub>
- 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

## 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

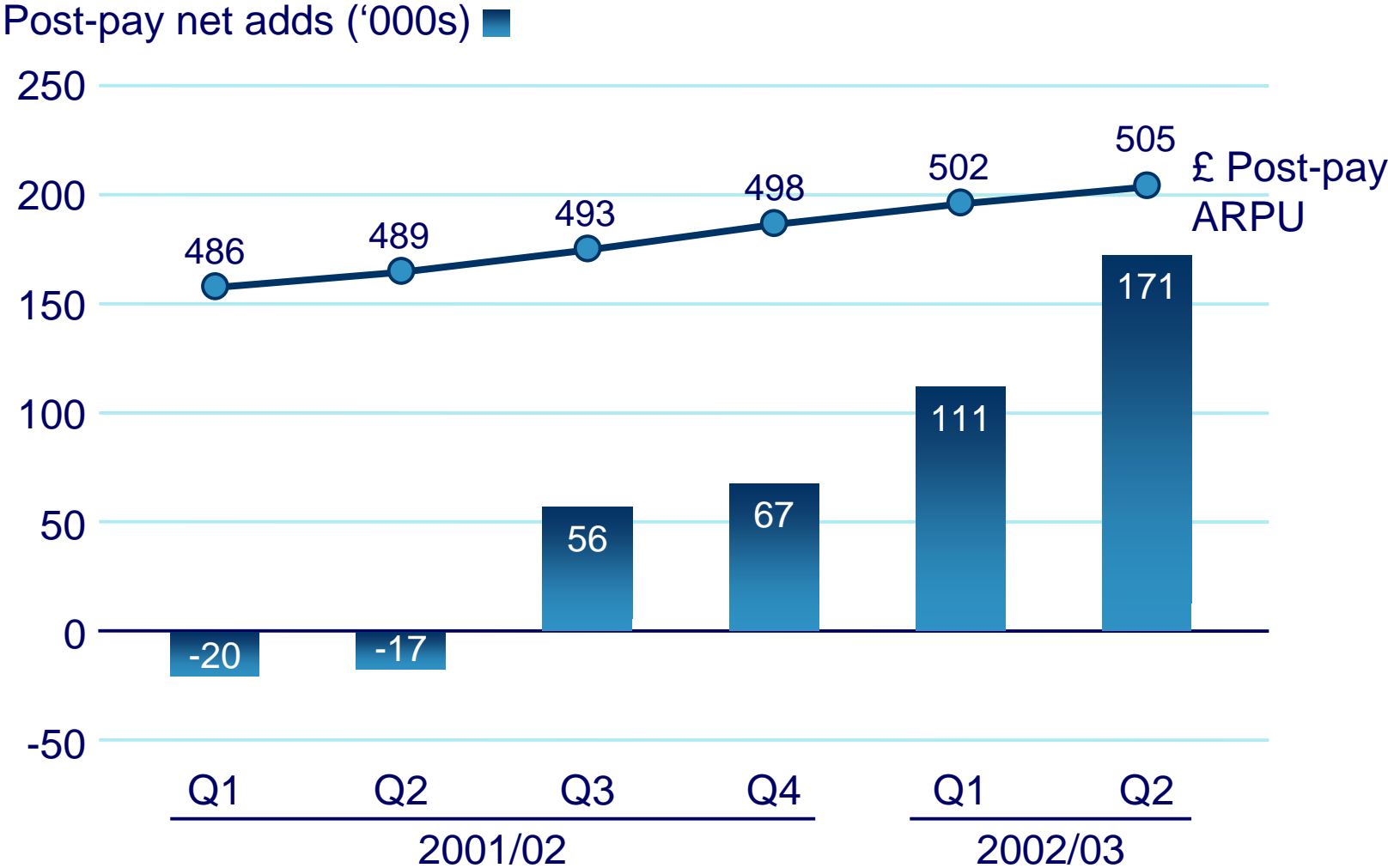
## O<sub>2</sub> UK: First half highlights

- 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%

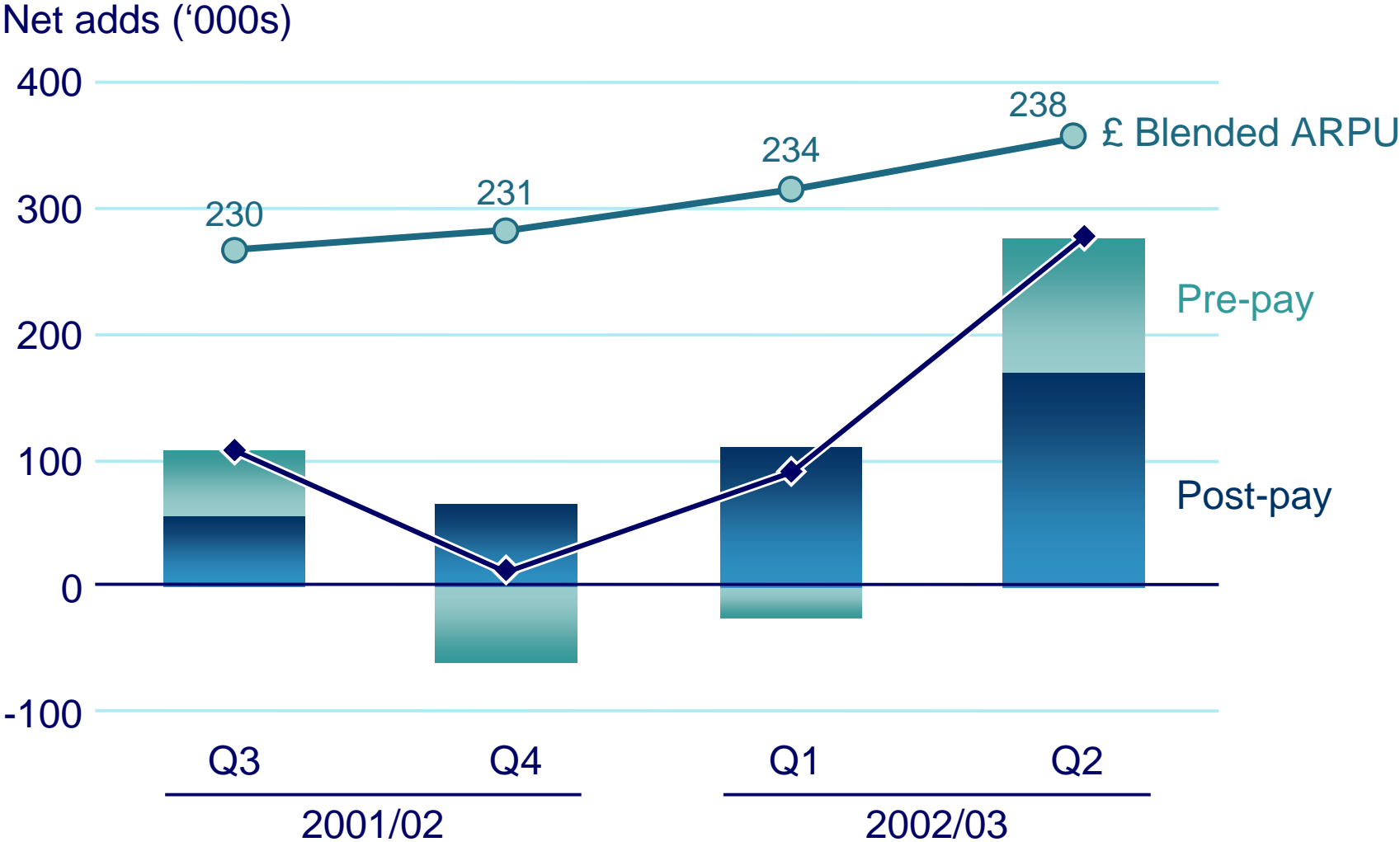
## O<sub>2</sub> UK: Second quarter highlights

- 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<sub>2</sub> UK: Higher value customers

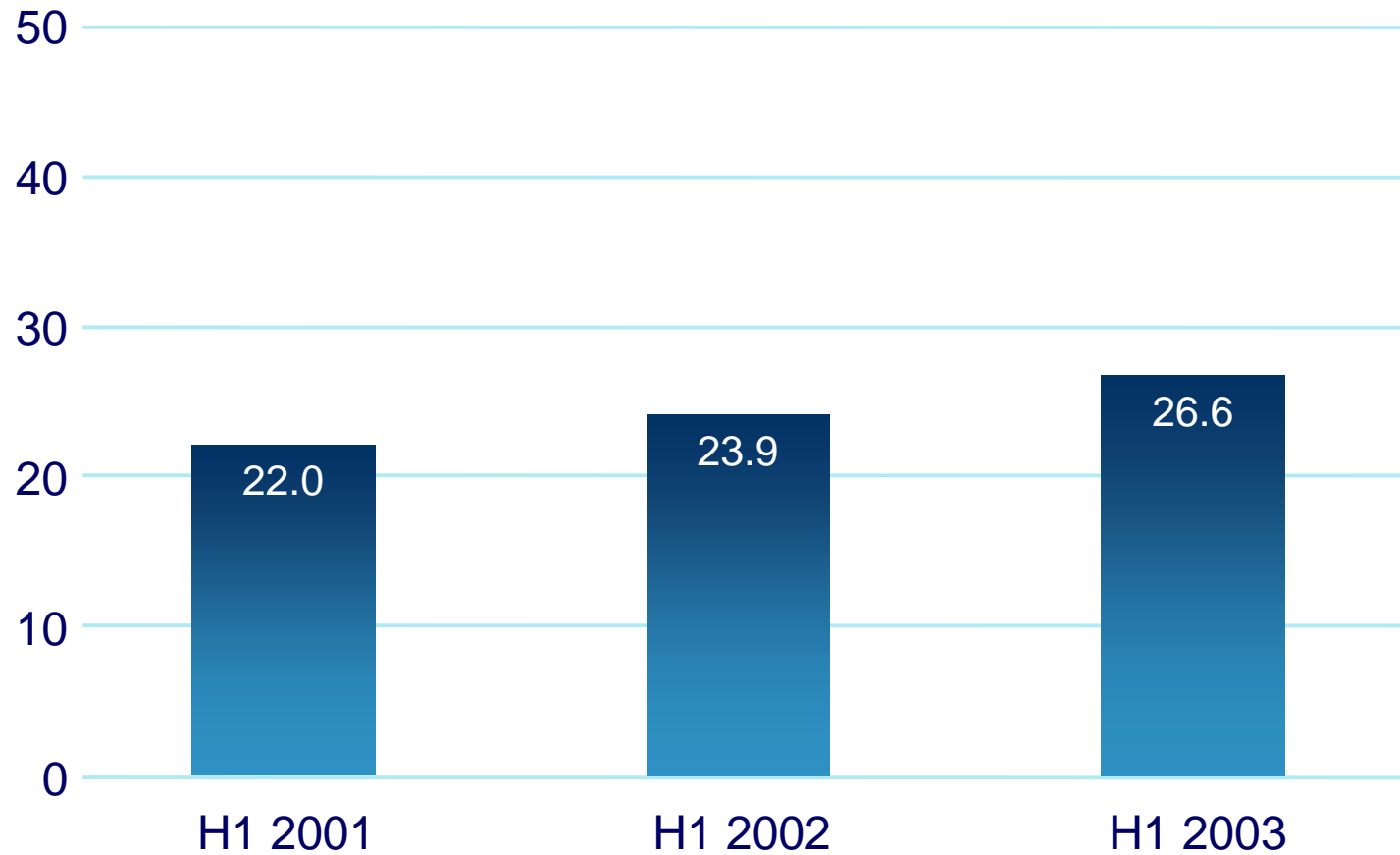


# O<sub>2</sub> UK: Higher value customers



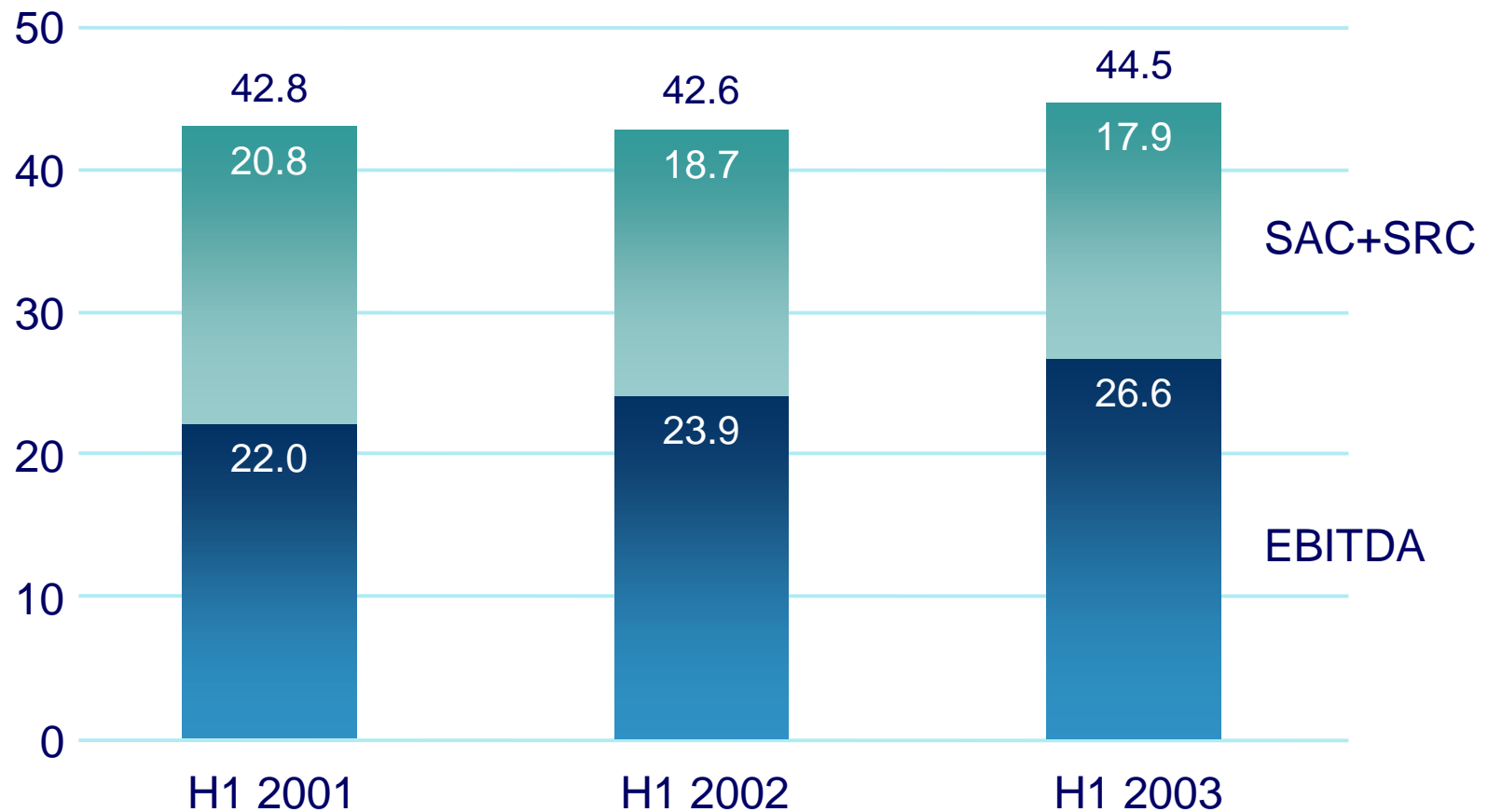
# O<sub>2</sub> UK: EBITDA margin improvement

EBITDA as % of total revenue



# O<sub>2</sub> UK: EBITDA margin improvement

EBITDA and SAC+SRC as % of total revenue



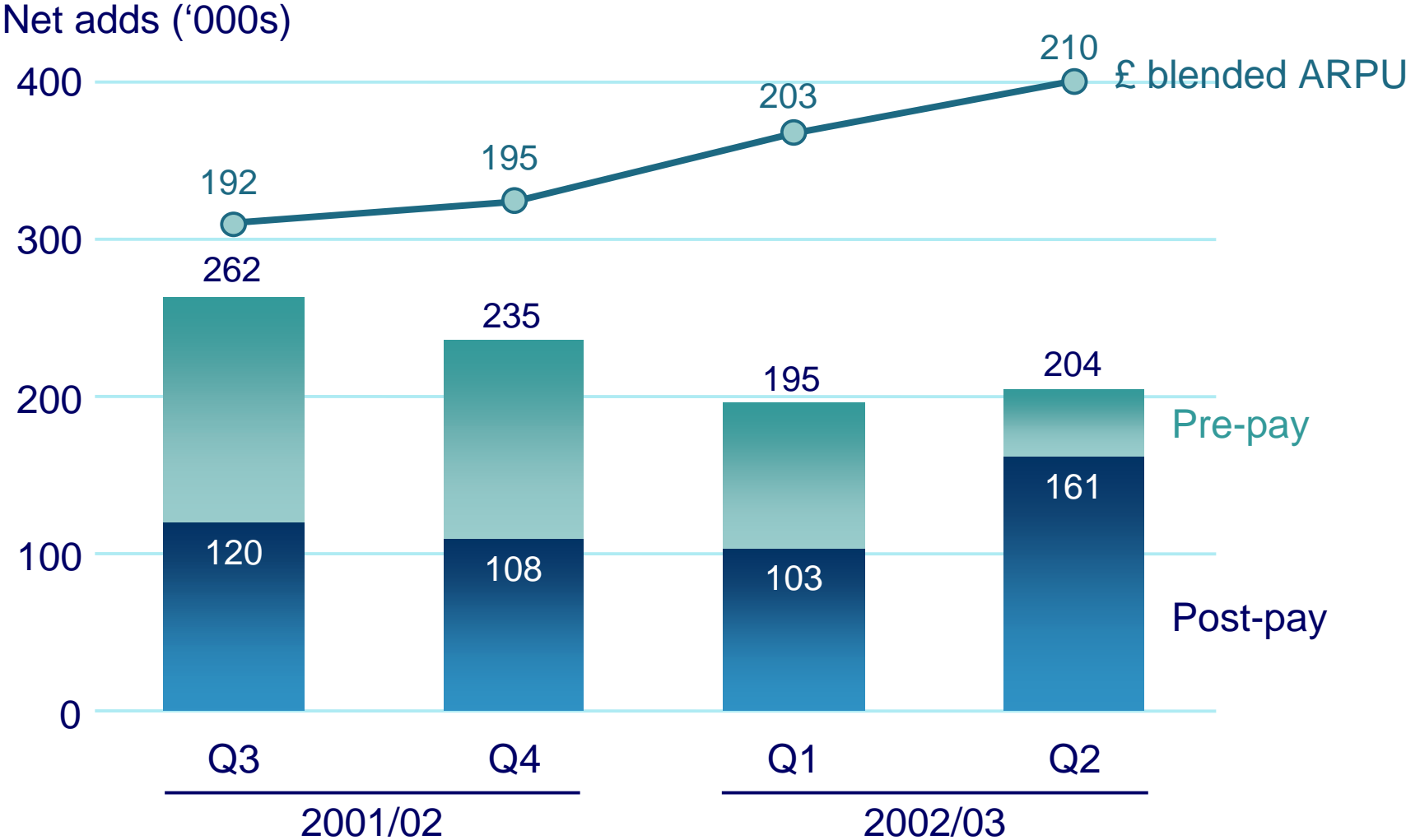
## O<sub>2</sub> Germany: First half highlights

- 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

## O<sub>2</sub> 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<sub>2</sub> Germany: Higher value customers



## Other business highlights

### O<sub>2</sub> 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<sub>2</sub> 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%

## O<sub>2</sub> Online: Mobile data driver

- Online sales channel for O<sub>2</sub> UK
  - 446,000 customers
  - High data, high ARPU
- O<sub>2</sub> 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



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# 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

A high-speed photograph of a water splash against a blue gradient background. The splash is centered in the upper half of the frame, with a large, clear droplet at the top and a spray of smaller droplets falling downwards. The background transitions from a deep blue at the top to a lighter blue at the bottom.

Interim results

David Finch  
Chief Financial Officer

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## Group profit and loss account

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

## 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

## Service revenue

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

## Group EBITDA (before exceptional items)

£m	Six months ended		
	Sep 2001	Sep 2002	Change
O <sub>2</sub> UK	327	391	64
O <sub>2</sub> Germany	(114)	1	115
O <sub>2</sub> Netherlands	(54)	(9)	45
O <sub>2</sub> Ireland	59	72	13
O <sub>2</sub> Online	(55)	(37)	18
Airwave, Manx, Central Resources	(28)	(40)	(12)
<b>Group Total</b>	<b>135</b>	<b>378</b>	<b>243</b>

## Consolidated balance sheet

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

## Group capital expenditure

£m	Six months ended		
	Sep 2001	Sep 2002	Change %
O <sub>2</sub> UK	257	148	-42%
O <sub>2</sub> Germany	161	57	-65%
O <sub>2</sub> Netherlands	68	31	-54%
O <sub>2</sub> Ireland	44	27	-39%
O <sub>2</sub> Online	41	19	-54%
Other	1	3	
	<b>572</b>	<b>285</b>	<b>-50%</b>
Airwave	51	69	+35%
3G licence		73	
<b>Group Total</b>	<b>623</b>	<b>427</b>	<b>-31%</b>

## Cash flow since 31 March 2002

£m

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

# Operating cash flow

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

## 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

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\* 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
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2,723

Net debt	(609)
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Liquidity/headroom	<u>2,114</u>
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In addition the Group retains £300m of further short-term committed facilities



Interim results

Peter Erskine  
Chief Executive

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## 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



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