



press release

PR0532

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2005

Released: 14 November 2005

q **First-half performance ⁽¹⁾:**

- **Customer base grew 17% to 25.7 million** (2004: 22.0 million)
- **Group turnover grew 12% to £3,615 million** (2004: £3,227 million)
- **EBITDA grew 15% to £975 million** (2004: £850 million)
- **Group operating profit⁽²⁾ increased to £463 million** (2004: £400 million)

q **Basic earnings per share increased to 4.0 pence** (2004: 3.9 pence)

q **Underlying earnings per share⁽²⁾ increased to 5.4 pence** (2004: 4.5 pence)

q **Group net cash balance £141 million** (2004: net debt £237 million)

q **Interim dividend 1.54 pence**

(1) Comparative period is 6 months ended 30 September 2004. (2) Before UMTS licence amortisation and exceptional items.

Sir David Arculus, Chairman of O2 plc, commented:

“The first half saw another good performance across the group, with strong growth in revenue, EBITDA and operating profit⁽¹⁾. Over the last year group cash flow has strengthened, and underlying earnings have increased by 21%. The Board is pleased to confirm that we will pay an interim dividend of 1.54 pence on 2 December.”

Financial highlights

	Six months ended 30 Sept. 2005 £m	Six months ended 30 Sept. 2004 £m	Year ended 31 March 2005 £m
Turnover	3,615	3,227	6,575
EBITDA	975	850	1,760
Operating profit before UMTS licence amortisation and exceptional items	463	400	747
Profit before taxation	357	339	500
Basic earnings per share (pence)	4.0	3.9	5.7
Underlying earnings per share (pence) ⁽¹⁾	5.4	4.5	8.4
Dividend per share (pence)	1.54	-	2.25
Net cash/(debt)	141	(237)	(79)

(1) Before UMTS licence amortisation and exceptional items.

Peter Erskine, Chief Executive of O2 plc, commented:

“Despite intense competition in all our markets, in the first half the group delivered 17% growth in the customer base, 12% growth in revenues, 15% growth in EBITDA and 16% growth in operating profit before UMTS licence amortisation and exceptional items.

All our mobile businesses delivered strong, high quality customer growth in the first half. In the UK, our customer plan was successful in both retaining existing customers and acquiring new customers. The recent launch of i-mode, along with the opening of our new call centre in Glasgow, will help us continue to differentiate our brand and service.

In Germany, we are seeing continued strong growth in a competitive market. We added almost 1 million customers in the first half, 41% ahead of last year, driven by our strong brand, new propositions and tariffs, and our Tchibo Mobile joint venture.

O2 Airwave is now a valuable cash generator for the group, and in the first half secured the contract for the English Ambulance Trusts. More recently, O2 Airwave has won the National Fallback Service (NFS) contract, and has also just been selected as the preferred bidder for the nationwide Fire and Rescue Service contract. O2 Airwave continues to bid for additional contracts with new and existing customers.”

Performance highlights – First Half ⁽¹⁾

O2 UK

- Total customer base grew by 8.9% to 15.09 million
- Service revenue grew by 3.5% to £1,848 million
- EBITDA grew by 2.9% to £598 million
- EBITDA margin 28.5% (2004: 29.4%)

O2 Germany

- Total customer base grew by 34% to 8.95 million
- At constant exchange rates, service revenue grew by 23%
- EBITDA grew by 51% to £246 million
- EBITDA margin increased to 22.8% (2004: 18.6%)

O2 Ireland

- Total customer base grew by 10.2% to 1.57 million
- At constant exchange rates, service revenue grew by 12.5%
- EBITDA grew by 14.2% to £121 million
- EBITDA margin 37.5% (2004: 37.9%)

O2 Airwave

- Revenue grew to £103 million (2004 : £76 million)
- EBITDA grew to £40 million (2004 : £24 million)

(1) Comparative period: 6 months ended 30 September 2004.

SUMMARY FINANCIAL DATA

Turnover

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
O2 UK	2,097	1,979	3,922
O2 Germany	1,079	877	1,865
O2 Ireland	323	280	585
Airwave	103	76	169
Manx	28	25	53
Eliminations	(15)	(10)	(19)
Group total	3,615	3,227	6,575

EBITDA

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
O2 UK	598	581	1,183
O2 Germany	246	163	340
O2 Ireland	121	106	223
Airwave	40	24	72
Manx	12	11	24
Central resources	(42)	(35)	(82)
Group total	975	850	1,760

Operating profit/(loss)

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
O2 UK	344	341	623
O2 Germany	57	16	19
O2 Ireland	87	74	158
Airwave	9	2	19
Manx	8	8	16
Central resources	(42)	(41)	(88)
Operating profit before UMTS licence amortisation and exceptional items	463	400	747
UMTS licence amortisation	(118)	(50)	(169)
Exceptional items	-	-	(45)
Group operating profit	345	350	533
Share of result of joint ventures and associates	-	(4)	(3)
Costs of capital reorganisation	-	-	(20)
Net financial income/(expense)	12	(7)	(10)
Tax	(7)	(3)	(7)
Profit for the period	350	336	493
Basic earnings per share (pence)	4.0	3.9	5.7
Underlying earnings per share (pence)	5.4	4.5	8.4

Capital expenditure

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
Continuing operations			
O2 UK	234	292	638
O2 Germany	340	130	388
O2 Ireland	55	42	100
Airwave	20	128	218
Manx	4	4	10
Central resources	-	3	4
Group total excluding German network sharing agreement	653	599	1,358
German network sharing agreement	-	57	57
Group total	653	656	1,415

GROUP FINANCIAL RESULTS

Income statement

Group turnover grew by 12% to £3,615 million, driven by continued strong customer growth in the Group's three mobile businesses, and by higher Airwave revenue. EBITDA grew by 14.7% to £975 million, and the Group EBITDA margin increased to 27.0% from 26.3% in the first half last year.

Operating profit before UMTS licence amortisation and exceptional items grew by 16% to £463 million. UMTS licence amortisation of £118 million was charged, compared to £50 million in the same period last year. This reflected the provision of UMTS services in Germany and the UK for the whole of the period, and a £1 million charge in O2 Ireland, which launched UMTS services towards the end of the first half.

There were no exceptional charges in the first half. The Group's share of the operating results of its joint ventures and associates in the first half was nil, compared to a loss of £4 million in the first half last year. This mainly reflected both Tesco Mobile and Tchibo Mobile moving towards break-even at the operating level.

The Group's net financial income was £12 million, compared to an expense of £7 million in the first half last year. This reflected the fall in net debt and the Group continuing to benefit from the difference between Euro and Sterling interest rates.

Profit before tax was £357 million in the first half, compared to £339 million in the same period last year. The tax charge was £7 million. Basic earnings per share in the half-year was 4.0 pence, compared to 3.9 pence for the first half last year. Underlying earnings per share, before UMTS licence amortisation and exceptional items, grew to 5.4 pence, from 4.5 pence in the same period last year. The Group will pay an interim dividend of 1.54 pence per share on 2 December 2005, totalling £135 million.

Capital expenditure and net cash

Group capital expenditure in the half-year was £653 million, compared to £656 million last year. Substantially higher UMTS network investment in Germany was offset by a reduction in Airwave capital expenditure, due to completion of the network roll-out, a reduction in UK capital expenditure on both the GPRS and UMTS networks, and the absence of further payments in respect of the network sharing agreement in Germany.

Group net cash at the end of the half-year was £141 million, compared to group net debt of £79 million at the start of the year, and of £237 million at the same time last year.

BUSINESS REVIEW

O2 UK

Interim results

In the first half O2 UK delivered continued strong growth, with net service revenue increasing by 3.5% year-on-year to £1,848 million. The underlying growth rate, excluding the impact of the 30% termination rate cut in September 2004 and the loss of the BT corporate contract, was approximately 10%. Total revenue was £2,097 million, 6% ahead of the first half last year.

Revenue growth was driven by the increase in customer numbers, comprising both higher acquisition of new customers and improved customer retention. O2 UK added 702,000 net new customers in the first half, taking the total active base to 15.086 million. This excludes Tesco Mobile's base of over 750,000 pre-pay customers at the end of September. Contract customers comprised 45% of the growth in subscribers in the first half, and accounted for 35% of the total base at the end of the period.

In April O2 UK launched its "O2 Rewards" retention programmes, offering prepay customers 10% of top-ups back every 3 months, and contract customers 50% extra minutes and texts. In the business market, O2's "Best for Business Unlimited" proposition built on the success of the unbundled "Best for Business" tariff by offering unlimited free on-net calls. These retention programmes started to have an impact on customer churn, with 12-month rolling contract churn falling to 30% at the end of the half year, from 31% at the start of the year. Pre-pay churn was 34% at the end of the half year, down from 37% at the start of the year.

EBITDA increased by 3% to £598 million. The EBITDA margin was 28.5%, down from 29.4% in the first half last year, reflecting the higher growth in the customer base compared to the same period last year.

Capital expenditure was £234 million in the first half, compared to £292 million in the previous year. This mainly reflected a reduction in expenditure on both the UMTS network, as the population coverage approached the target of 50%, and the GPRS network, which in the first half last year had included a network upgrade.

Second quarter key performance indicators

A total of 470,000 net new customers were added in the quarter, comprising 210,000 contract and 260,000 pre-pay customers. Blended ARPU was flat quarter-on-quarter, at £271. Contract ARPU increased £1 from the previous quarter to £524, and pre-pay ARPU remained flat quarter-on-quarter, at £137.

O2's own channels continued to grow in importance, accounting for 55% of gross sales in the quarter, compared to 48% a year ago. Mobile data accounted for 27.8% of service revenues. Data ARPU increased by £3 quarter-on-quarter to £75. The number of text messages grew by 6.2% to 3.44 billion and the number of non-SMS data users grew by 12.6% to 6.73 million, representing 45% of the total base.

O2 Germany

Interim results

O2 Germany continued to deliver strong growth in the first half, with service revenue up 23% at constant exchange rates, to €1,451 million (2004: €1,184 million). Total revenue was £1,079 million (2004: £877 million). First half EBITDA was £246 million, 51% ahead of last year (2004: £163 million), and the EBITDA margin increased to 22.8%, from 18.6% in the first half of last year. Operating profit before UMTS licence amortisation and exceptional items was £57 million, compared to £16 million in the first half last year.

Revenue growth was driven by strong net customer additions, with 970,000 customers added in the first half, compared with 687,000 in the same period last year. At the end of September the customer base stood at 8.95 million, compared to 6.67 million at the same time last year. In early October the customer base exceeded 9 million for the first time. Contract customers comprised 52% of the base at the end of the first half, down from 58% at the same time last year, partly reflecting the rapid growth in pre-pay customers acquired through Tchibo Mobile, which totalled 439,000 at the end of September.

Blended ARPU fell by €2 to €49, compared to €71 at the same time last year. This reflected both the approximately 17% cut in termination rates in December 2004 and the changing mix of the customer base. Contract ARPU was €523, compared to €540 at the same time last year. Prepay ARPU was flat year-on-year at €138.

Capital expenditure in the first half was £340 million, an increase of £210 million over the same period last year (excluding the payment of £57 million in the first half of last year in respect of the network sharing agreement), reflecting the rapid pace of the UMTS rollout in the first half to meet the licence requirement for 50% population coverage by the end of December 2005.

Second quarter key performance indicators

A total of 558,000 net customers were added during the quarter, of which 192,000 were contract customers. Blended ARPU fell €7 quarter-on-quarter, with contract ARPU down €4, and prepay ARPU down €1. Data ARPU was steady at €79, with data representing 22% of total service revenue.

O2 Ireland

Interim results

In the first half O2 Ireland's service revenue grew by 12.5% at constant exchange rates, to €451 million. Total revenue was £323 million, compared to £280 million last year. EBITDA in the first half was £121 million, £15 million higher than the first half last year, and the EBITDA margin was 37.5%, compared to 37.9% in the first half last year. Operating profit before UMTS licence amortisation and exceptional items was £87 million, compared to £74 million in the first half last year.

The drivers of growth were both new customer acquisitions, and increasing ARPU. The customer base grew by 10.2% year-on-year to 1.570 million, of which 26.9% were contract customers. Blended ARPU grew by 2.1% to €572, with contract ARPU up by €77 to €1,155 and pre-pay ARPU broadly flat at €359. This growth was driven by both

voice and data, with average minutes of use per customer increasing to 215 per month, from 203 at the same time last year, and data ARPU 6% higher at €126.

Second quarter key performance indicators

A total of 40,000 net new customers were added in the quarter, of which 11,000 were contract customers. Second quarter blended ARPU was €72, compared to €71 in the first quarter. Contract ARPU grew by € quarter-on-quarter, to €1,155, and pre-pay ARPU improved to €359, from €357 in the first quarter. Data ARPU was €126, which was € higher than in the first quarter. The volume of text messages was broadly flat quarter-on-quarter, as was data as a proportion of service revenue, at 22.0%.

O2 Airwave

During the first half Airwave won the contract to supply a secure communications service to the English Ambulance Trusts, with revenue of £390 million over 13 years. At the end of October, Airwave also won the contract to supply a National Fallback Service, which will provide enhanced levels of operational resilience to the Airwave network. This brought the total revenue over the life of the new contracts won in the year to date to £750 million. On 11 November Airwave was successful in its bid to equip all Fire and Rescue Services across England with a new resilient and secure voice and data communications service. Airwave will now work with the customer to conclude the terms of the final contract, which is expected to be awarded before the end of the year.

Revenue in the first half increased to £103 million, from £76 million last year. EBITDA was £40 million, compared to £24 million in the same period last year, and Airwave delivered an operating profit of £9 million, up from £2 million in the first half last year. With the network roll-out complete and service delivered to all of Britain's 51 police forces, plus the British Transport Police, the police contract is now at its full run rate.

Capital expenditure in the first half was £20 million, compared to £128 million last year, the reduction reflecting completion of the network roll-out, and a pause in the investment programme in advance of new contracts subsequently being awarded.

O2 Airwave has been short-listed for the contracts to supply communications services to the Scottish and Welsh Ambulance trusts, and is also bidding for a number of other contracts with new and existing customers.

OUTLOOK STATEMENT

Year ending 31 March 2006:

- **O2 UK**

O2 UK's net service revenue growth for the full year is expected to be in the 6-9% range. The full-year EBITDA margin is expected to be broadly stable.

- **O2 Germany**

Further strong service revenue growth is expected for the full year. The full-year EBITDA margin is expected to be in the low-twenties percent.

- **O2 Ireland**

O2 Ireland continued to trade well in the first half, and for the full-year is expected to deliver further service revenue growth and a broadly stable EBITDA margin.

- **Capital expenditure**

Capital expenditure for the full-year is expected to be in the range £1.4 - £1.5 billion, with the increase on last year mainly due to additional Airwave investment required to deliver further revenue-generating services to both new and existing customers.

The outlook statement provided above can be interpreted under Rule 28 of the Takeover Code as a forecast that full year Group EBITDA for the financial year ending 31 March 2006 will be higher than for the financial year ended 31 March 2005. Accordingly, this has been reported on for the purposes of Rule 28 of the Takeover Code and investors are referred to Appendix 2 to this announcement for full details.

Cautionary statement Regarding Forward-Looking Statements

This document contains certain forward-looking statements. We may also make written or oral forward-looking statements in:

- our annual report and accounts and half-yearly reports;
- our press releases and other written materials; and
- oral statements made by our officers, directors or employees to third parties.

We have based these forward-looking statements on our current plans, expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us. Forward-looking statements 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 ways we identify these statements.

These statements may be found in this document generally. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed in the above-mentioned sections.

If any one or more of the foregoing assumptions are ultimately incorrect, our actual results may differ from our expectations based on these assumptions. Also, the sector and markets in which we operate may not grow over the next several years as expected, or at all. The failure of these markets to grow as expected may have a material adverse effect on our business, operating results and financial condition and the market price of our ordinary shares.

The information on our web site, any web site mentioned in this document or any web site directly or indirectly linked to our or any other web site mentioned in this document is not incorporated by reference into this document and you should not rely on it.

Interim statement for the six months ended 30 September 2005

Consolidated income statement

Six months ended 30 September 2005 (unaudited)

	Note	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Revenue	2	3,615	3,227	6,575
Cost of sales		(2,073)	(1,786)	(3,691)
Gross profit		1,542	1,441	2,884
Administrative expenses		(1,197)	(1,091)	(2,351)
EBITDA¹		975	850	1,760
Depreciation before exceptional items		(361)	(324)	(760)
UMTS licences amortisation		(118)	(50)	(169)
Other amortisation		(151)	(126)	(253)
Exceptional items	3	-	-	(45)
Operating profit	2	345	350	533
Share of result of joint ventures and associates		-	(4)	(3)
Costs of capital reorganisation	3	-	-	(20)
Financial income	4	44	26	63
Financial expense	4	(32)	(33)	(73)
Profit before taxation		357	339	500
Taxation	5	(7)	(3)	(7)
Profit for the period attributable to equity shareholders		350	336	493
Basic earnings per share (pence)	7	4.0	3.9	5.7
Diluted earnings per share (pence)	7	4.0	3.8	5.6
Dividends (£m) - paid	6	(197)	-	-
Dividend per share (pence)	6	2.25	-	-
Dividends (£m) - proposed	6	(135)	-	-
Dividend per share (pence)	6	1.54	-	-

Consolidated statement of recognised income and expense

Six months ended 30 September 2005 (unaudited)

	Note	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Exchange differences on translation of foreign operations		(28)	125	122
Net investment hedges		15	(54)	(54)
Actuarial losses on defined benefit plans		-	-	(19)
Deferred tax on amounts recognised in reserves		39	-	-
Net income recognised directly in reserves		26	71	49
Profit for the period attributable to equity shareholders		350	336	493
Total recognised income relating to the period	9	376	407	542

¹EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items, excluding the Group's share of operating profits and losses of its joint ventures and associates.

Consolidated balance sheet
As at 30 September 2005 (unaudited)

	Note	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Assets				
Non-current assets				
Property, plant and equipment		4,038	3,645	3,843
Goodwill		3,207	3,212	3,211
Other intangible assets		4,429	4,757	4,627
Derivative financial instruments		17	23	21
Investments in joint ventures and associates		-	4	2
		11,691	11,641	11,704
Current assets				
Inventory		106	108	87
Trade and other receivables		1,085	1,119	1,029
Derivative financial instruments		28	25	28
Other financial assets		348	350	317
Cash and cash equivalents		1,206	843	1,009
		2,773	2,445	2,470
Current liabilities				
Borrowings		(94)	(105)	(71)
Derivative financial instruments		-	(24)	-
Trade and other payables		(1,879)	(1,799)	(1,766)
Current tax liabilities		(15)	(12)	(7)
Provisions		(5)	(17)	(9)
		(1,993)	(1,957)	(1,853)
Net current assets		780	488	617
Total assets less current liabilities		12,471	12,129	12,321
Non-current liabilities				
Borrowings		(1,385)	(1,399)	(1,370)
Retirement benefit obligations		(125)	(105)	(126)
Trade and other payables		(45)	(37)	(45)
Deferred tax liabilities		(447)	(492)	(489)
Provisions		(60)	(50)	(96)
		(2,062)	(2,083)	(2,126)
Net assets		10,409	10,046	10,195
Equity				
Ordinary share capital	9	9	9	9
Share premium	9	405	4	375
Other reserves	9	2,548	10,511	2,912
Retained earnings	9	7,447	(478)	6,899
Total equity		10,409	10,046	10,195

Consolidated cash flow statement
Six months ended 30 September 2005 (unaudited)

	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Operating profit	345	350	533
Depreciation and amortisation charges	630	500	1,188
Loss on disposal of non-current assets	2	-	2
Increase in inventory	(19)	(23)	(2)
Increase in trade and other receivables	(58)	(169)	(80)
Increase in trade and other payables	114	154	97
(Decrease)/increase in provisions	(41)	(28)	9
Income taxes paid	(2)	(4)	(15)
Other non-cash movements	7	3	8
Net cash from operating activities	978	783	1,740
Net cash used in investing activities	(650)	(616)	(1,328)
Net cash (used in)/from financing activities	(132)	1	(76)
Net increase in cash and cash equivalents	196	168	336
Cash and cash equivalents at start of period	1,009	668	668
Exchange gains on cash and cash equivalents	1	7	5
Cash and cash equivalents at end of period	1,206	843	1,009

Consolidated net debt
As at 30 September 2005 (unaudited)

	Note	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Cash and cash equivalents	8	1,206	843	1,009
Other financial assets	8	348	350	317
		1,554	1,193	1,326
Euro medium-term notes (net of issue costs)	8	(1,070)	(1,080)	(1,078)
Non-current derivative financial instruments	8	17	23	21
Obligations under finance leases and hire purchase contracts	8	(329)	(333)	(308)
Other loans and borrowings	8	(31)	(40)	(40)
Net cash/(debt)		141	(237)	(79)

1. Basis of preparation

Interim statement

These financial statements are the unaudited interim financial statements (the “interim statement”) of the O2 plc Group (“the Group”) and do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The interim statement has been reviewed by the auditors whose report is reproduced on page 18. The interim statement for the six months ended 30 September 2005 was approved by the Directors on 13 November 2005.

The Group is required, under European Union Regulation No. 1606/2002, to adopt International Financial Reporting Standards (“IFRS”) as its primary basis of accounting for the year ending 31 March 2006 in place of UK Generally Accepted Accounting Principles (“UK GAAP”). Up to and including 31 March 2005, the Group has prepared and presented its financial statements in accordance with UK GAAP.

Accordingly, this interim statement has been prepared on the basis of and in accordance with the accounting policies published in the Group’s press release “O2 plc adopts International Financial Reporting Standards” dated 20 July 2005 which is available on the Group’s website (www.o2.com). These comprise the accounting policies expected to be applied in the Group’s first IFRS financial statements for the year ended 31 March 2006, which will be prepared in accordance with the accounting standards and interpretations adopted for use in the European Union effective at that date.

The comparative figures included in this interim statement in respect of the six months ended 30 September 2004 and year ended 31 March 2005 have been restated to reflect the adoption of IFRS and reconciliations of the primary statements from UK GAAP to IFRS are also contained in the press release published on 20 July 2005.

The interim statement is based on all current IFRSs including International Accounting Standards (“IAS”) and interpretations issued by the International Accounting Standards Board (“IASB”) and its committees. The European Union has endorsed most IFRSs. The amendment to IAS 19 “Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures”, which the Group has elected to apply, has not yet been endorsed. In addition, the EU has adopted an amended version of IAS 39 “Financial Instruments: Recognition and Measurement” which excludes certain requirements arising on the fair value option for financial liabilities and certain aspects of hedge accounting. The Group has assumed the EU will endorse the amended IAS 19 in the preparation of the IFRS interim statement. The sections excluded from the EU endorsed version of IAS 39 are not relevant to the Group.

The comparative figures for the financial year ended 31 March 2005 are not the company’s financial statements for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the company’s auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Capital reorganisation

O2 plc was incorporated on 10 December 2004 as part of the Group’s capital reorganisation undertaken during the year ended 31 March 2005. The purpose of the capital reorganisation was to create distributable reserves in O2 plc to allow the implementation of the Group’s distribution policy. On 14 March 2005 O2 plc was introduced as the new holding company of the O2 Group pursuant to a Scheme of Arrangement (the Scheme) under section 425 of the Companies Act 1985, whereby O2 plc issued shares in return for the existing shares in mmO2 plc. Subsequently, O2 plc effected a reduction in its share capital to create distributable reserves.

The consolidated financial statements for the year ended 31 March 2005 comprise the results of O2 plc from incorporation to 31 March 2005 together with the results of the O2 plc group from 14 March 2005 to the end of the financial year and the results of the mmO2 plc group from 1 April 2004 to 13 March 2005.

Presentation of financial information

Items of income or expense which require separate disclosure, owing to their size or incidence, are disclosed as “exceptional items” on the face of the income statement, as the Group believes such presentation is relevant to an understanding of financial performance.

The Group defines “net debt” as its cash and cash equivalents and other financial assets and current and non-current borrowings together with the fair value of related derivatives, excluding liabilities relating to accrued interest on borrowings.

2. Segmental analysis

The Group operates two business segments:

1. the supply of mobile telecommunications services and products: and
2. other businesses, comprising O2 Airwave, a terrestrial trunked radio business, and Manx Telecom, the fixed and mobile telecommunications business in the Isle of Man.

The Group's business segments are managed on a country-by-country basis. Mobile telecommunication services and products are provided by the Group's subsidiaries in the UK, Germany and Ireland. The other businesses operate in the UK and the Isle of Man.

Definitions

Revenue is recorded according to the country in which the customer is located. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest bearing loans, borrowings, corporate assets and expenses. Inter-segment pricing is determined on an arm's length basis.

Segment reporting

	Six months ended 30 September 2005		
	Mobile telecommunications £m	Other businesses £m	Total £m
UK	2,097	131	2,228
Germany	1,079	-	1,079
Ireland	323	-	323
Eliminations	(15)	-	(15)
Revenue	3,484	131	3,615

	Six months ended 30 September 2004		
	£m	£m	£m
UK	1,979	101	2,080
Germany	877	-	877
Ireland	280	-	280
Eliminations	(10)	-	(10)
Revenue	3,126	101	3,227

	Year ended 31 March 2005		
	£m	£m	£m
UK	3,922	222	4,144
Germany	1,865	-	1,865
Ireland	585	-	585
Eliminations	(19)	-	(19)
Revenue	6,353	222	6,575

2. Segmental analysis (continued)

	Six months ended 30 September 2005			
	Mobile telecommunications £m	Other businesses £m	Central resources £m	Total £m
UK	287	17	(42)	262
Germany	(3)	-	-	(3)
Ireland	86	-	-	86
Operating profit/(loss)	370	17	(42)	345

	Six months ended 30 September 2004			
	£m	£m	£m	£m
UK	341	10	(40)	311
Germany	(35)	-	-	(35)
Ireland	74	-	-	74
Operating profit/(loss)	380	10	(40)	350

	Year ended 31 March 2005			
	£m	£m	£m	£m
UK	521	35	(88)	468
Germany	(91)	-	-	(91)
Ireland	156	-	-	156
Operating profit/(loss)	586	35	(88)	533

3. Exceptional items

In the year ended 31 March 2005, the Group incurred an exceptional operating charge of £45 million and an exceptional non-operating charge of £20 million.

The exceptional operating charge related to the redeployment of resources with O2 UK into customer facing areas and away from non-customer facing areas. This is in line with O2 UK's strategy of delivering an enhanced customer experience and increasing customer loyalty. The charge comprised redundancy and property costs. The exceptional non-operating charge related to the costs of the capital reorganisation to create distributable reserves.

4. Net financial income/(expense)

	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Financial income			
Interest income on cash, cash equivalents and other financial assets	26	14	33
Forward foreign exchange contracts	18	8	24
Other financial income	-	4	6
Total financial income	44	26	63
Financial expense			
Interest payable on euro medium-term notes	(37)	(37)	(74)
Gains on fair value hedges	8	9	17
Other financial costs	(3)	(5)	(16)
Total financial expense	(32)	(33)	(73)
Net financial income/(expense)	12	(7)	(10)

5. Taxation

		Six months ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
United Kingdom	- deferred tax	-	(5)	(8)
Overseas	- current tax	10	7	13
	- deferred tax	(3)	1	2
Taxation		7	3	7

6. Dividends

	pence per share	£m
Final paid – year ended 31 March 2005	2.25	197
Interim proposed – year ending 31 March 2006	1.54	135

The final dividend for the year ended 31 March 2005 of 2.25 pence per share was paid on 26 August 2005 to shareholders on the register at the close of business on 5 August 2005.

The interim dividend for the year ending 31 March 2006 of 1.54 pence per share has not been recognised in the interim statement, and will be paid on 2 December 2005 to shareholders on the register at the close of business on 11 November 2005.

7. Earnings per share

Earnings per share has been calculated for all periods by dividing the profit for the period by the weighted average number of ordinary shares in issue during that period, as follows:

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
Profit for the period attributable to equity shareholders (£m)	350	336	493
Basic weighted average share capital (number of shares, million)	8,723	8,672	8,681
Dilutive potential ordinary shares (number of shares, million)	104	83	120
Diluted weighted average share capital (number of shares, million)	8,827	8,755	8,801
Basic earnings per share (pence)	4.0	3.9	5.7
Diluted earnings per share (pence)	4.0	3.8	5.6

Underlying earnings per share has been calculated using the basic weighted average share capital and the underlying profit for the period calculated as follows:

	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Profit for the period	350	336	493
UMTS licences amortisation	118	50	169
Exceptional items	-	-	65
Underlying earnings	468	386	727
Underlying earnings per share (pence)	5.4	4.5	8.4

In accordance with the basis of preparation described in note 1, earnings per share have been calculated as if O2 plc had in issue the share capital of mmO2 plc prior to 14 March 2005.

8. Analysis of net debt

	At 1 April 2005 £m	Cash flow £m	Other non-cash movements £m	At 30 September 2005 £m
Cash and cash equivalents	1,009	196	1	1,206
Other financial assets	317	-	31	348
	1,326	196	32	1,554
Euro medium-term notes (net of issue costs)	(1,078)	-	8	(1,070)
Non-current derivative financial instruments	21	-	(4)	17
Obligations under finance leases and hire purchase contracts	(308)	6	(27)	(329)
Other loans and borrowings	(40)	9	-	(31)
	(79)	211	9	141

9. Consolidated reconciliation of changes in equity

	Called up share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total equity £m
At 1 April 2004 as previously reported under UK GAAP	9	3	11,074	(992)	10,094
Adjustments arising on the adoption of IFRS	-	-	(2)	(456)	(458)
At 1 April 2004 as restated for the adoption of IFRS	9	3	11,072	(1,448)	9,636
Total recognised income relating to the period	-	-	-	407	407
Transfer from profit and loss account	-	-	(561)	561	-
Transactions related to share schemes	-	1	-	2	3
At 30 September 2004	9	4	10,511	(478)	10,046
Total recognised income relating to the period	-	-	-	135	135
Transfer from profit and loss account	-	-	(538)	538	-
Transactions related to share schemes	-	23	-	5	28
Issue of shares in exchange for shares in mmO2 plc ¹	6,714	(26)	(7,062)	(15)	(389)
Placing of O2 plc shares on 17 March 2005 ¹	-	374	-	-	374
Court approved capital reduction ¹	(6,714)	-	-	6,714	-
Transfers from cash flow hedge reserve	-	-	1	-	1
At 31 March 2005	9	375	2,912	6,899	10,195
Total recognised income relating to the period	-	-	-	376	376
Dividends	-	-	-	(197)	(197)
Transfer from profit and loss account	-	-	(364)	364	-
Transactions related to share schemes	-	30	-	5	35
At 30 September 2005	9	405	2,548	7,447	10,409

¹ Transaction arising during the capital reorganisation described in note 1.

Independent review report by the auditors to O2 plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2005 which comprises the consolidated balance sheet as at 30 September 2005 and the related consolidated statements of income, cash flows and statement of recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is however a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 March 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
London
13 November 2005

Notes:

(a) The maintenance and integrity of the O2 plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Appendix 1: Key Performance Indicators

1. Customer numbers

	Customers at 30 September 2004 000's	Customers at 31 December 2004 000's	Customers at 31 March 2005 000's	Customers at 30 June 2005 000's	Net additions during period 000's	Customers at 30 September 2005 000's
O2 UK						
Pre-pay	9,003	9,341	9,472	9,598	260	9,858
Post-pay	4,853	4,875	4,912	5,018	210	5,228
Total	13,856	14,216	14,384	14,616	470	15,086
O2 Germany						
Pre-pay	2,808	3,253	3,620	3,888	366	4,254
Post-pay	3,861	4,145	4,356	4,500	192	4,692
Total	6,669	7,398	7,976	8,388	558	8,946
O2 Ireland						
Pre-pay	1,032	1,118	1,130	1,119	29	1,148
Post-pay	393	398	403	411	11	422
Total	1,425	1,516	1,533	1,530	40	1,570
Manx						
Pre-pay	45	41	41	47	(2)	45
Post-pay	22	22	22	21	0	21
Total	67	63	63	68	(2)	66
O2 Group						
Pre-pay	12,888	13,753	14,263	14,652	653	15,305
Post-pay	9,129	9,440	9,693	9,950	413	10,363
Total	22,017	23,193	23,956	24,602	1,066	25,668
Pre-pay percentage	58.5%	59.3%	59.5%	59.6%	61.3%	59.6%
Post-pay percentage	41.5%	40.7%	40.5%	40.4%	38.7%	40.4%

2. Non-SMS data users (90 day active)

	Customers at 30 June 2004 000's	Customers at 30 September 2004 000's	Customers at 31 December 2004 000's	Customers at 31 March 2005 000's	Customers at 30 June 2005 000's	Customers at 30 September 2005 000's
O2 UK	3,516	3,758	4,901	5,728	5,975	6,729
O2 Germany	1,314	1,487	1,753	1,906	1,891	1,993
O2 Ireland	286	333	411	516	493	482
O2 Group	5,116	5,578	7,065	8,150	8,359	9,204
% total base	24.0%	25.3%	30.5%	34.0%	34.0%	35.9%

3. Average revenue per user⁽¹⁾ (ARPU) - £

	30 September 2004 £	31 December 2004 £	31 March 2005 £	30 June 2005 £	30 September 2005 £
O2 UK⁽²⁾					
12 month rolling					
Pre-pay	139	139	138	137	137
Post-pay	525	530	527	523	524
Blended	273	275	273	271	271
Quarterly monthly average					
Pre-pay	12	11	11	11	12
Post-pay	45	43	43	44	45
Blended	23	22	22	23	23
O2 Germany					
12 month rolling					
Pre-pay	94	94	95	95	95
Post-pay	366	366	362	361	359
Blended	251	251	248	244	240
Quarterly monthly average					
Pre-pay	8	8	8	8	8
Post-pay	31	31	29	30	30
Blended	21	21	20	19	20
O2 Ireland					
12 month rolling					
Pre-pay	244	243	244	244	247
Post-pay	731	750	762	787	794
Blended	380	382	385	391	393
Quarterly monthly average					
Pre-pay	21	21	20	20	21
Post-pay	66	66	63	68	68
Blended	33	33	31	33	34

(1) ARPU in all businesses includes revenue from inbound roaming.

(2) Adjusted for the effect of adoption of IFRS.

4. Data ARPU (blended 12 month rolling) - £

	30 September 2004 £	31 December 2004 £	31 March 2005 £	30 June 2005 £	30 September 2005 £
O2 UK	62	65	68	72	75
O2 Germany	52	53	54	54	54
O2 Ireland	81	81	82	83	87

5. Average revenue per user⁽¹⁾ (ARPU) - €uro

	30 September 2004 €	31 December 2004 €	31 March 2005 €	30 June 2005 €	30 September 2005 €
O2 Germany					
12 month rolling					
Pre-pay	138	138	140	139	138
Post-pay	540	539	531	527	523
Blended	371	370	363	356	349
Quarterly monthly average					
Pre-pay	11	12	12	11	11
Post-pay	46	45	41	44	45
Blended	32	31	28	29	29
O2 Ireland					
12 month rolling					
Pre-pay	360	359	358	357	359
Post-pay	1,078	1,106	1,118	1,149	1,155
Blended	560	564	565	571	572
Quarterly monthly average					
Pre-pay	31	30	29	29	31
Post-pay	98	94	91	100	100
Blended	49	48	45	48	50
Euro rates					
Quarterly	1.4880	1.4384	1.4427	1.4744	1.4633
Annually	1.4736	1.4747	1.4669	1.4609	1.4547

(1) ARPU in all businesses includes revenue from inbound roaming.

6. Data ARPU (blended 12 month rolling) - €uro

	30 September 2004 €	31 December 2004 €	31 March 2005 €	30 June 2005 €	30 September 2005 €
O2 Germany	76	78	79	79	79
O2 Ireland	119	120	120	121	126

7. Voice minutes of use (mou) – blended monthly average⁽¹⁾

12 months ended:	31 March 2004	30 September 2004	31 March 2005	30 September 2005
O2 UK	123	131	137	144
O2 Germany	118	120	118	114
O2 Ireland	197	203	209	215

(1) Includes total incoming and billable outgoing minutes.

8. Data as percentage of service revenues

3 months ended:	30 September 2004 %	31 December 2004 %	31 March 2005 %	30 June 2005 %	30 September 2005 %
O2 UK ⁽¹⁾	23.7	25.7	28.6	28.2	27.8
O2 Germany	20.4	22.3	23.2	22.6	22.0
O2 Ireland	19.0	20.9	23.2	21.9	22.0
O2 Group⁽¹⁾	22.4	24.3	26.5	26.0	25.5

12 months ended:					
O2 Group⁽¹⁾			23.7	24.8	25.6

(1) Adjusted for the effect of adoption of IFRS.

9. SMS messages

3 months ended:	30 September 2004 million	31 December 2004 million	31 March 2005 million	30 June 2005 million	30 September 2005 million
O2 UK	2,470	2,834	3,097	3,234	3,436
O2 Germany	556	628	674	703	712
O2 Ireland	323	343	363	357	362
Manx	10	11	11	11	11
O2 Group	3,359	3,816	4,145	4,305	4,521

10. Non-SMS data as percentage of service revenues

3 months ended:	30 September 2004 %	31 December 2004 %	31 March 2005 %	30 June 2005 %	30 September 2005 %
O2 UK ⁽¹⁾	2.5	2.9	3.8	3.6	3.4
O2 Germany	3.1	3.8	4.4	4.7	4.6
O2 Ireland	1.4	1.6	1.9	1.8	1.8
O2 Group⁽¹⁾	2.6	3.0	3.8	3.8	3.6

(1) Adjusted for the effect of adoption of IFRS.

Appendix 2: Forecast for the financial year ending 31 March 2006

The Outlook Statement provided on page 8 of this announcement, which has not changed from that given in the 2005 Interim Results – pre-close update statement made on 27 September 2005, can be interpreted under Rule 28 of the Takeover Code as a forecast that full year Group EBITDA for the for the financial year ending 31 March 2006 will be higher than for the financial year ended 31 March 2005. EBITDA is defined as earnings before interest, tax, depreciation, amortisation and exceptional items, excluding our share of operating profits and losses of our joint ventures and associates. This statement set out above, is a forecast by the Directors under Rule 28 of the Takeover Code. In the absence of unforeseen circumstances and on the basis of the assumptions outlined below, the Directors confirm that the forecast remains valid.

The bases and assumptions underlying the forecast are set out in paragraph 2 below, and the letters issued in connection with the Forecast from the Company’s auditors PricewaterhouseCoopers LLP and its financial advisors, JPMorgan Cazenove and Merrill Lynch International, are set out on the following pages.

Basis of preparation and principal assumptions

The Group is required, under European Union Regulation No. 1606/2002, to adopt International Financial Reporting Standards (“IFRS”) as its primary basis of accounting for the year ending 31 March 2006 in place of UK Generally Accepted Accounting Principles (“UK GAAP”). Accordingly, the forecast has been prepared on the basis of and in accordance with the accounting policies published by the Group in its press release “O2 plc adopts International Financial Reporting Standards” dated 20 July 2005. These comprise the accounting policies expected to be applied in the Group’s first IFRS financial statements for the year ending 31 March 2006, which will be prepared in accordance with the accounting standards and interpretations adopted for use in the European Union effective at that date. The forecast is prepared on the assumption that there will be no changes to these accounting policies. The forecast is based on the unaudited interim results for the six months ended 30 September 2005, unaudited management information for the month ended 31 October 2005 and the Directors’ forecast for the five months ending 31 March 2006.

The following principal assumptions have been taken into account in preparing the forecast:

- (i) Factors outside the influence of the Directors:
 - a. There will be no fundamental change in the political, economic or regulatory environments in which the Group operates;
 - b. There will be no change to the International Financial Reporting Standards which are required to be applied to the financial statements for year ending 31 March 2006;
 - c. There will be no material change in the management and control of the Group, including any changes or charges arising from the proposed offer;
 - d. There will be no changes in exchange rates that have a material impact on the Group; and
 - e. There will be no adverse impact on the Group’s operations should the Offer not be approved and completed.
- (ii) Factors which the Directors may be able to influence:
 - a. There are no acquisitions or disposals of businesses; and
 - b. There will be no significant changes in trading relationships with suppliers or customers.

The following is the text of a letter from PWC to the Directors of O2 plc, in accordance with the requirements of Rule 28 of the Takeover Code:

The Directors
O2 plc
Wellington Street
Slough
Berkshire
SL1 1YP

JPMorgan Cazenove Limited
20 Moorgate
London
EC2R 6DA

Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ

13 November 2005

Dear Sirs

O2 plc (the “Company”)

The Directors of the Company have made the following statement on page 8 of the interim results announcement of O2 plc for the six months ended 30 September 2005 dated 13 November 2005 (“the Interim Results Announcement”).

“Full year Group EBITDA for the financial year ending 31 March 2006 will be higher than for the financial year ended 31 March 2005.”

We report on the forecast of earnings before interest, tax, depreciation, amortisation and exceptional items, excluding the share of operating profits and losses of joint ventures and associates (“EBITDA”) of O2 plc and its subsidiaries (together “the O2 Group”) for the year ending 31 March 2006 (the “EBITDA forecast”). The EBITDA forecast, and the material assumptions upon which it is based, are set out in Appendix 2 of the Interim Results Announcement. This report is required by Rule 28.3(b) of the City Code on Takeovers and Mergers and is given for the purpose of complying with that rule and for no other purpose. Accordingly we assume no responsibility in respect of this report to the Offeror or any person connected to, or acting in concert with, the Offeror or to any other person who is seeking or may in future seek to acquire control of O2 (an “Alternative Offeror”) or to any other person connected to, or acting in concert with, an Alternative Offeror.

Responsibilities

It is the responsibility of the Directors of O2 plc to prepare the EBITDA forecast in accordance with the requirements of the City Code on Takeovers and Mergers.

It is our responsibility to form an opinion as required by the City Code on Takeovers and Mergers as to the proper compilation of the EBITDA forecast and to report that opinion to you.

Basis of Preparation of the EBITDA Forecast

The EBITDA forecast has been prepared on the basis stated in Appendix 2 of the Interim Results Announcement and is based on the unaudited interim financial results for the six months ended 30 September 2005, the unaudited management information for the one month ended 31

October 2005 and a forecast to 31 March 2006. The EBITDA forecast is required to be presented on a basis consistent with the accounting policies of the O2 Group.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the EBITDA forecast has been prepared and considering whether the EBITDA forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the O2 Group. Whilst the assumptions upon which the EBITDA forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate whether any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the EBITDA forecast have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the EBITDA forecast has been properly compiled on the basis stated.

Since the EBITDA forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the EBITDA forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the EBITDA forecast has been properly compiled on the basis of the assumptions made by the Directors and the basis of accounting used is consistent with the accounting policies of the O2 Group.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

The following is the text of a letter from JPMorgan Cazenove and Merrill Lynch to the Directors of O2 plc, in accordance with the requirements of Rule 28 of the Takeover Code:

The Directors
O2 plc
Wellington Street
Slough
Berkshire SL1 1YP

14 November 2005

Dear Sirs

We refer to the Directors' forecast for O2 plc (the "Company") and its subsidiaries for the financial year ending 31 March 2006 (the "Forecast") set out on page 8 of the interim results announcement dated 14 November 2005 (the "Interim Results Announcement"). The forecast states that "Full year Group EBITDA for the financial year ending 31 March 2006 will be higher than for the financial year ended 31 March 2005".

We have discussed the Forecast, together with the basis and assumptions upon which it has been made, with you and PricewaterhouseCoopers LLP, the Company's auditors.

We have also considered the report dated 13 November 2005 to you and us from PricewaterhouseCoopers LLP regarding the accounting policies and calculations underlying the Forecast and discussed such report with PricewaterhouseCoopers LLP. We have also considered their letter addressed to you, JPMorgan Cazenove and Merrill Lynch International on this matter. You have confirmed to us that all information material to the Forecast has been disclosed to us. We have relied on the accuracy and completeness of all such information and have assumed such accuracy and completeness for the purpose of rendering this letter.

This letter is provided in compliance with Rule 28.3(b) and 28.4 of The City Code on Takeovers and Mergers and may be included in the Interim Results Announcement solely for the purposes of that Rule.

On the basis of these discussions and having regard to the aforementioned report and letter we consider that the Forecast, for which the directors of the Company are solely responsible, has been compiled with due care and consideration by the Company.

Yours faithfully

JPMorgan Cazenove

Merrill Lynch International

O2 Contacts:

Richard Poston
Director, Corporate Affairs
O2 plc
richard.poston@O2.com
t: +44 (0)1753 628039

David Boyd
Head of Investor Relations
O2 plc
david.boyd@O2.com
t: +44 (0)1753 628230

David Nicholas
Communications Director
O2 plc
david.nicholas@O2.com
t: +44 (0) 771 575 9176

John Crosse
Investor Relations Manager
O2 plc
john.crosse@O2.com
t: +44 (0)1753 628198

Simon Gordon
Head of Media Relations
O2 plc
simon.gordon@O2.com
t: +44 (0)771 007 0698

O2 press office: 01753 628402

All O2 Group news releases can be accessed at our web site: www.O2.com

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