



A repeat performance

Building sustainable outperformance

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Merrill Lynch TMT Conference, 3rd – 4th June 2008

Landmark Hotel, London

The UK in 2002



Market Leader

ARPU

£243



£287

Customers

12m (23% share)



13m

EBITDA (m)

£786



£1,503

Margin

26.5%



37.5%

Network QoS

#3



#1

% Sales Direct

~30%

?

Contract churn

30%



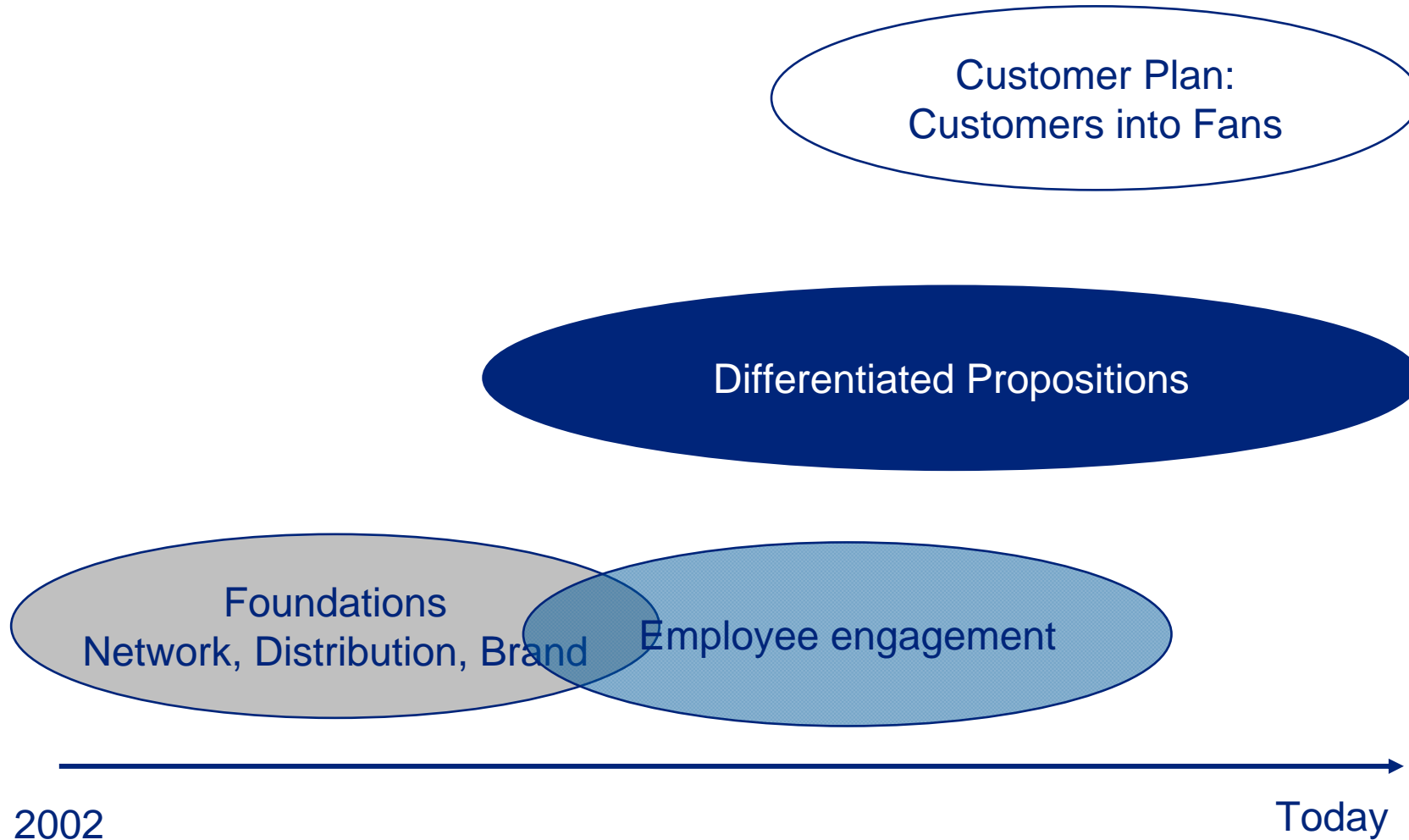
26%

Brand

#4



Ingredients for sustainable outperformance - O2 UK



We differentiated our propositions and rewarded customers' O₂ loyalty

Pay & Go™

10% of your Top-ups back every 3 months

Text 'reward' to 50202

3p text to anyone. No daily limits

No wonder more texts are sent with O₂ than any other network.

The O₂



Bolt On:
50% off calls and texts from Europe

Europe to UK only £1.99 a month compared to standard O2 rates

Apple iPhone

Coming 9th November.

Only on O₂

O₂ Home

Text "Home" & your postcode to 80202

o2.co.uk

Free minutes

REWARD

A 10% reward just for topping-up

Top-Up £50 or more between 1 October and 31 December 2004 and get a 10% calltime reward.

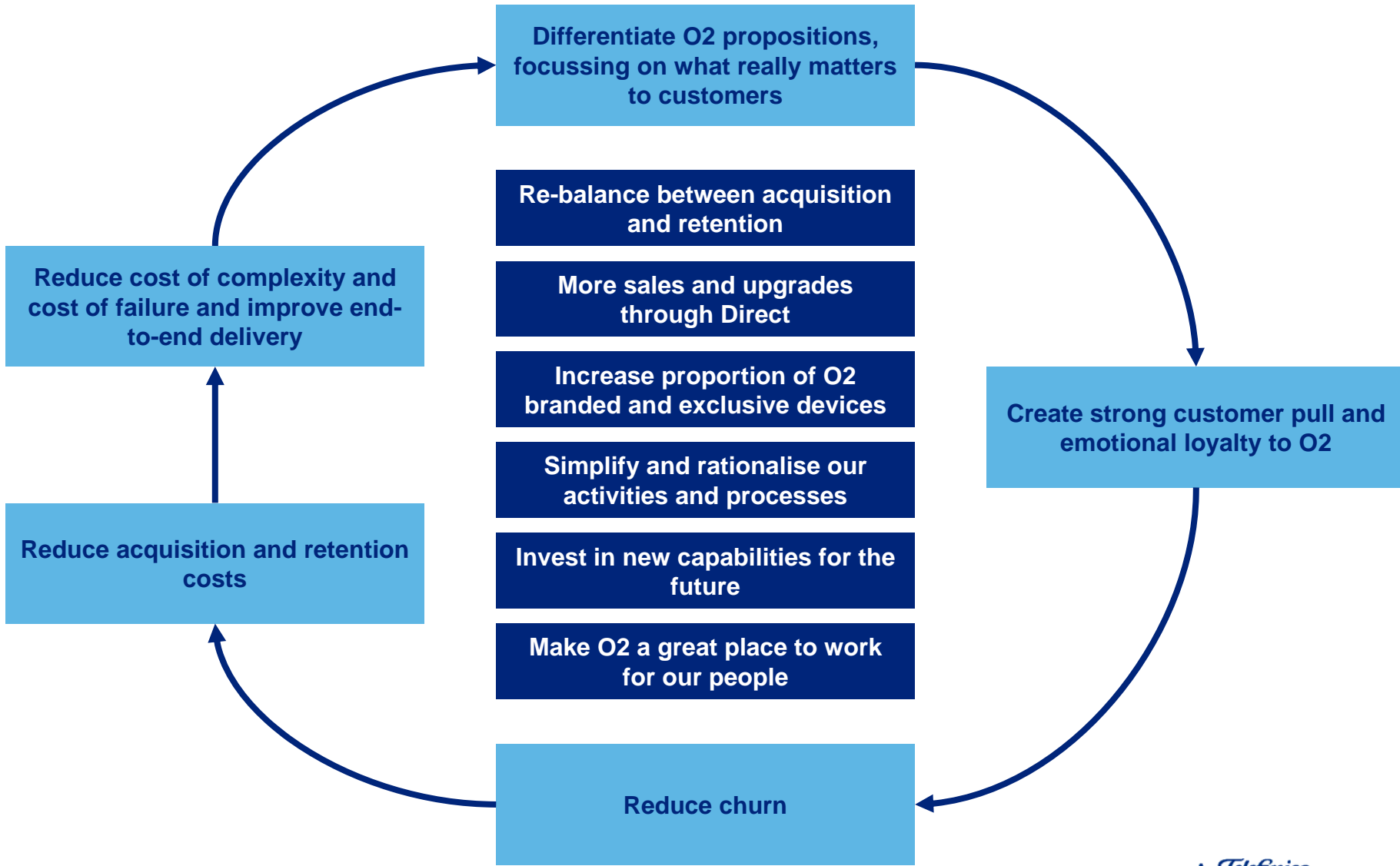
o2.co.uk

Stay with us and get 50% extra for life

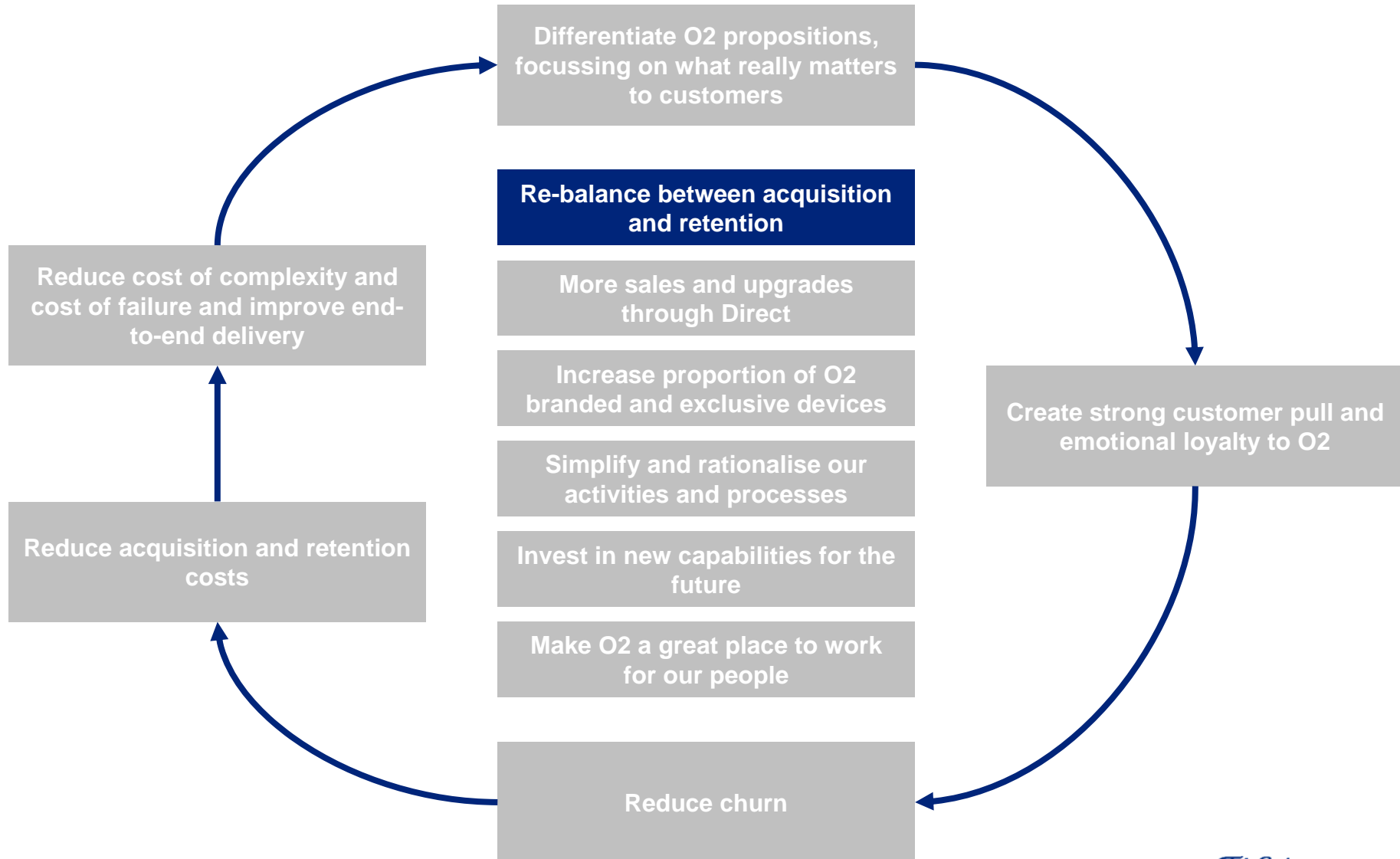
Pay Monthly

Upgrade in an O₂ Store

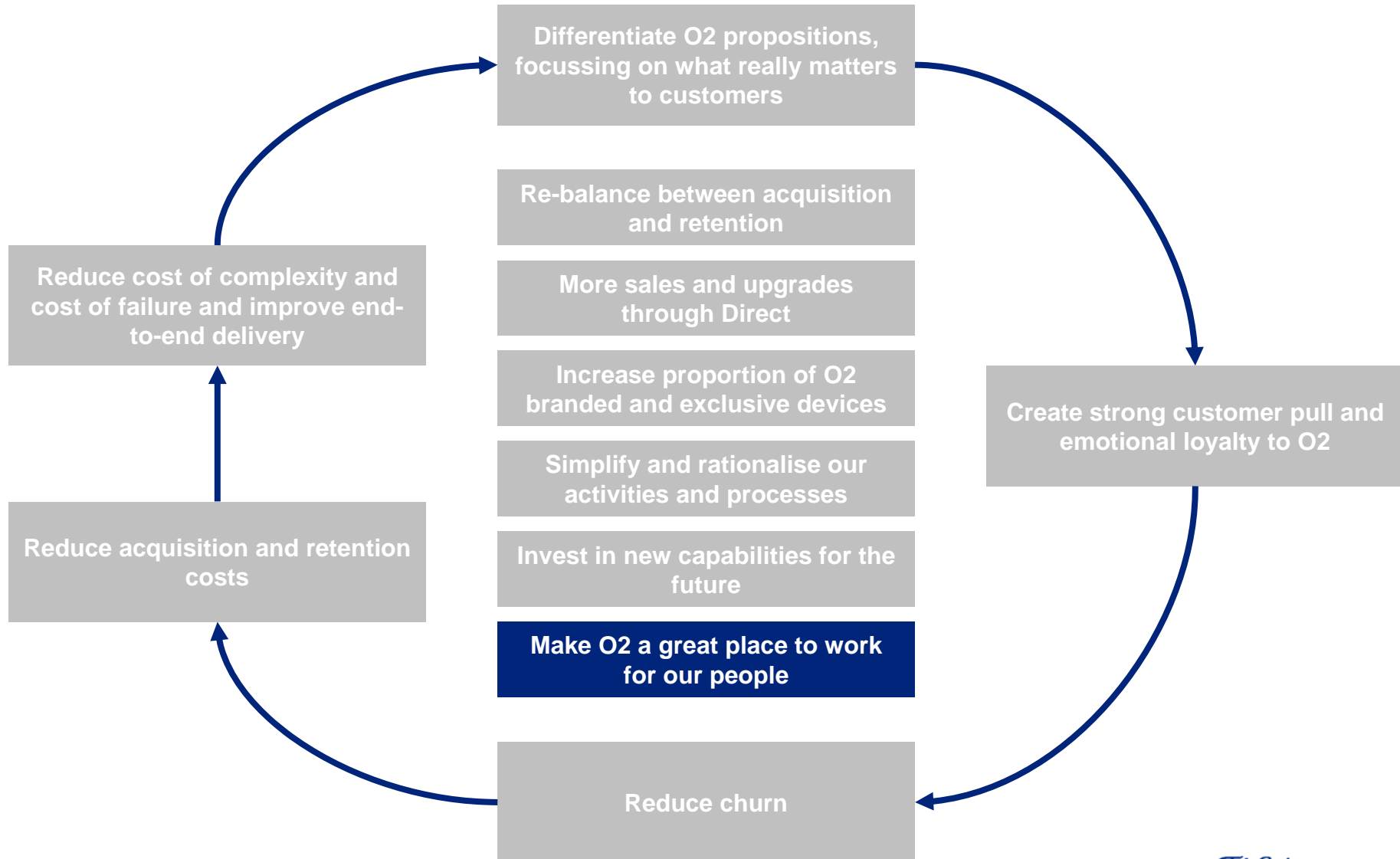
We created The Customer Plan- a core business strategy to enable both differentiation and cost savings **O₂**



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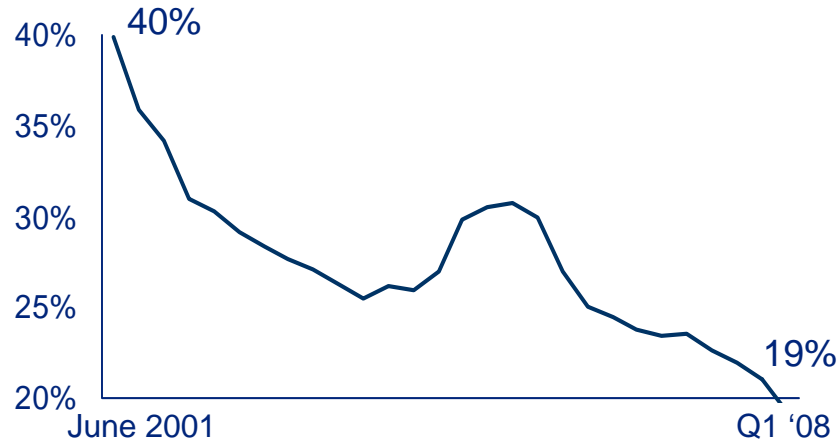
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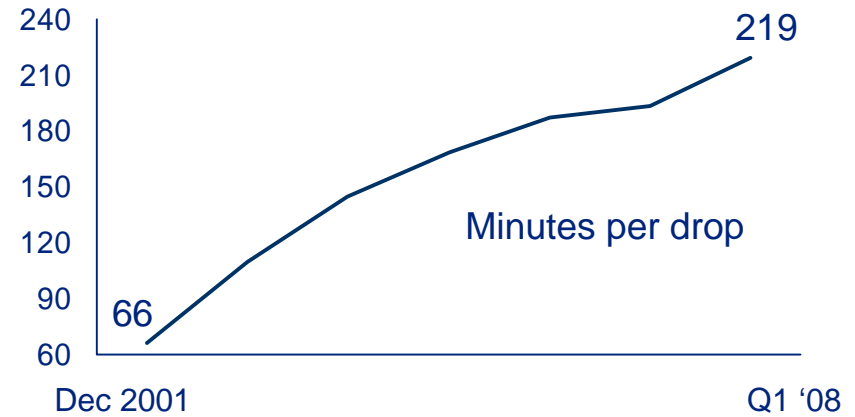


Our strategy worked

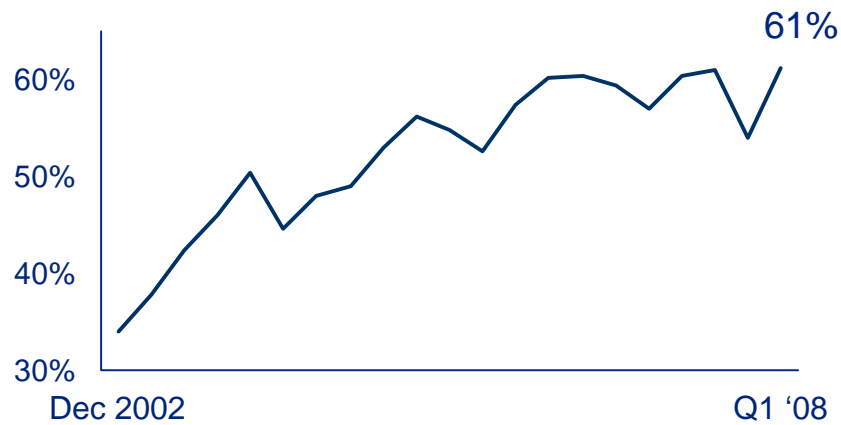
Reduce Postpay Churn



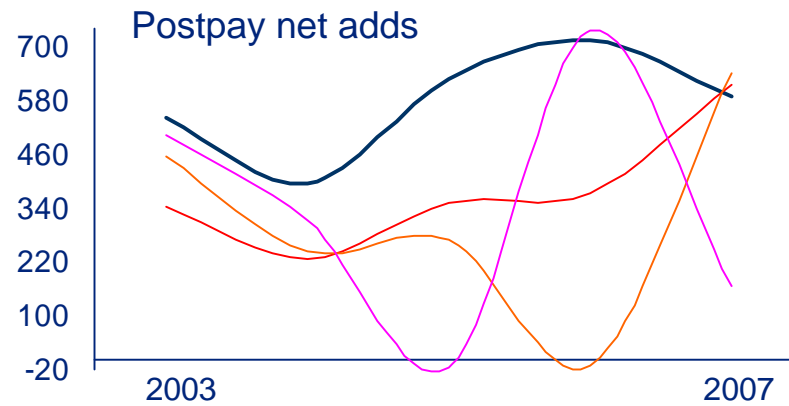
Improve network quality



More sales through Direct



Customer Focus and Consistency

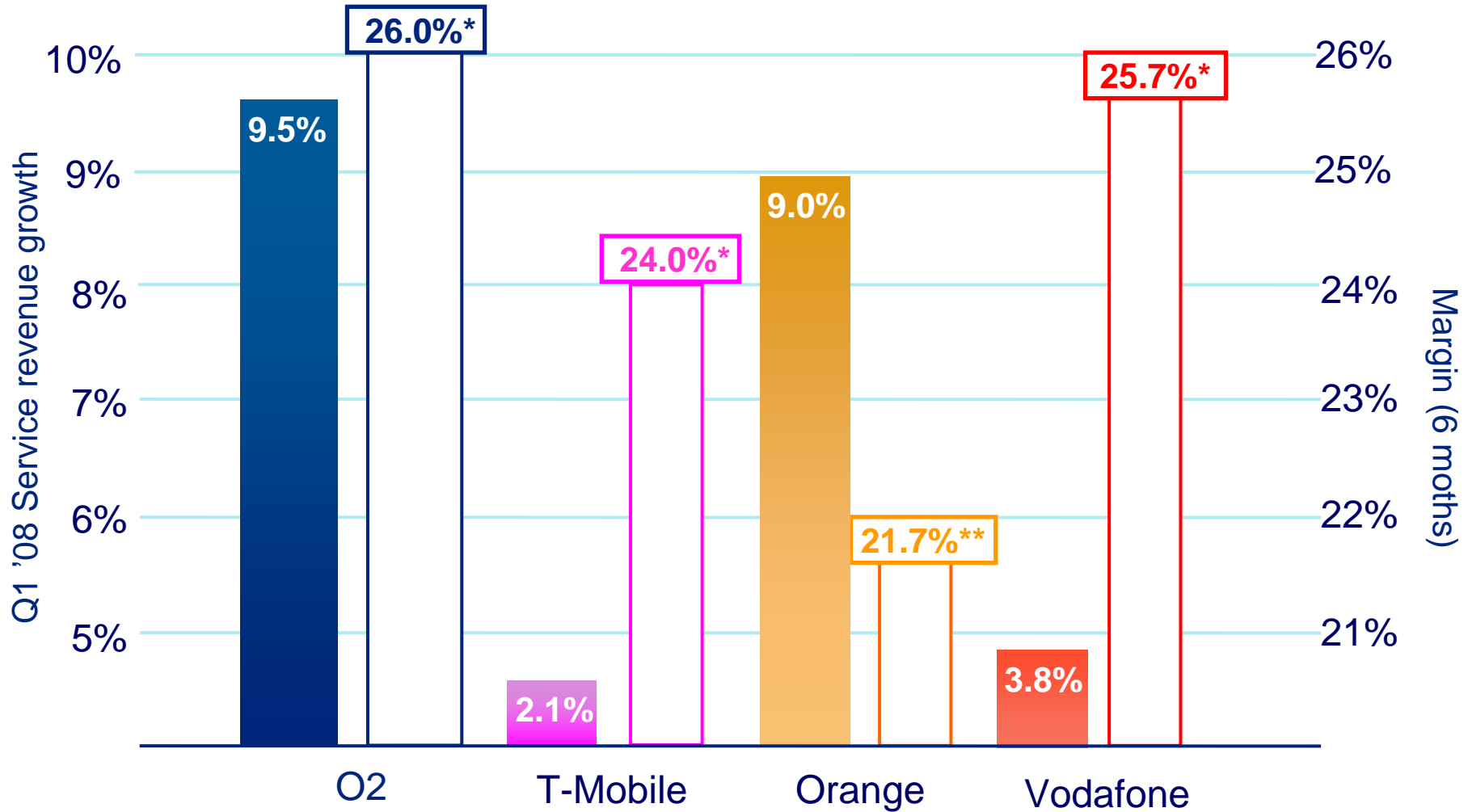


UK market

managing the growth / margin balance

Service revenue growth
 O₂

Margin



Source: Merrill Lynch / Company Reports

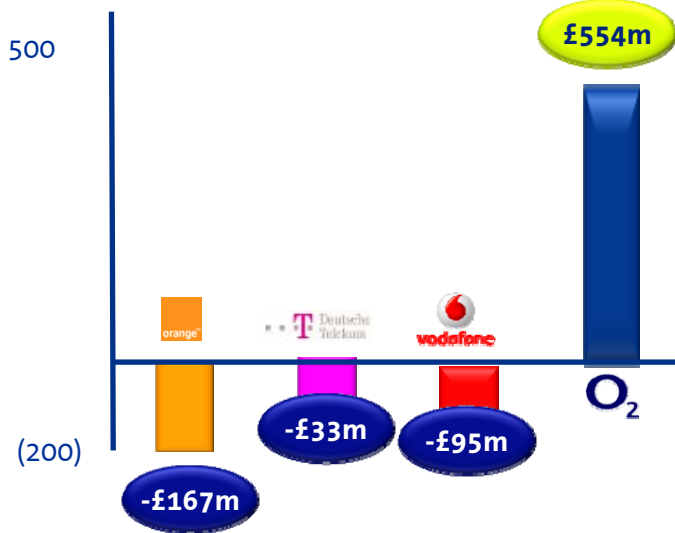
** 6 months to December 2007

* 6 months to March 2008

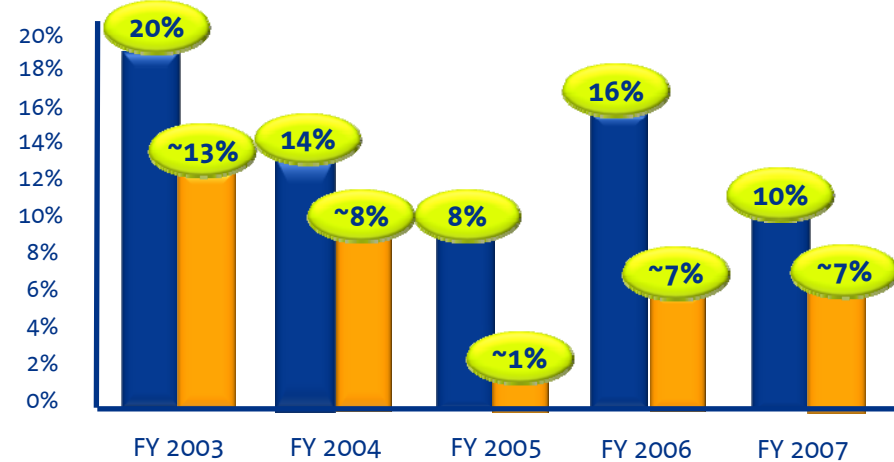
Our strategy worked



EBITDA change 2002 – 2007 (£ m)



Service Revenue growth



■ O2
■ Market

#1 EBITDA growth

#1 Service Revenue growth

GAINING SHARE



#1 Customer Satisfaction

#1 Active Customer Base

#1 Brand

The UK in 2002...and now today



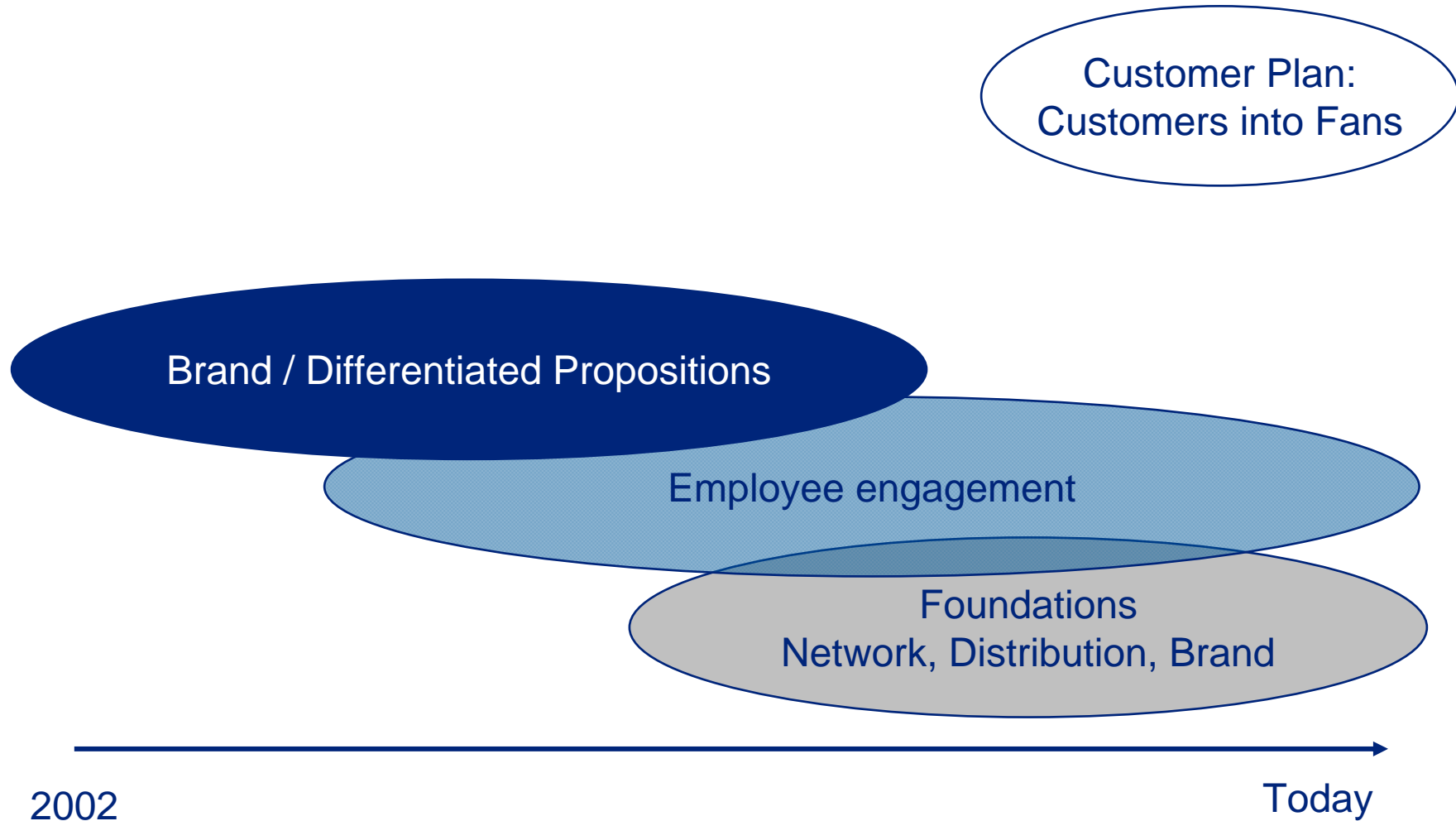
			Average 3 other major MNOs
ARPU	£243	£286 (+18%)	£263 (+5%)
Customers	12m (23% share)	18m (+54%) (29% share)	32% growth
EBITDA (m)	£786	£1,340 (FY '07) (+70%)	£1,061 (-9%)
Margin	26.5%	26.4% (FY '07)	24.6%
Network QoS	#3	=#1	-
% Direct	~30%	61%	-
Contract churn	30%	19%	21.1%
Brand	#4	#1	-

O2 Germany has already come a long way....



	2001	2007
Customers	4m (7% share)	12m (13% share)
Revenue (m)	€1,425	€3,541
EBITDA (m)	€(270)	€720
Margin	n.a.	20.3%
Network QoS	#3	#3
Brand	#4	#2

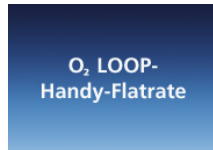
Timeline for Germany turnaround



Everything revolves around the customer



Product Innovations



- Innovative Products e.g.
- first prepaid flat rate in Germany
 - inclusive packages
 - simplified S/M/L/XL tariff structure

Brand Refresh



New campaign to communicate O2 is now
“mobile, fixed net and DSL”
Total communications supplier

Network Expansion



- €3.5 billion network investment 2007 – 2010:
- cessation of national roaming
 - enhanced network coverage
 - additional functionalities (e.g. HSDPA, EDGE)
 - enhanced network quality (dual vendor strategy)

Customer Service & Distribution

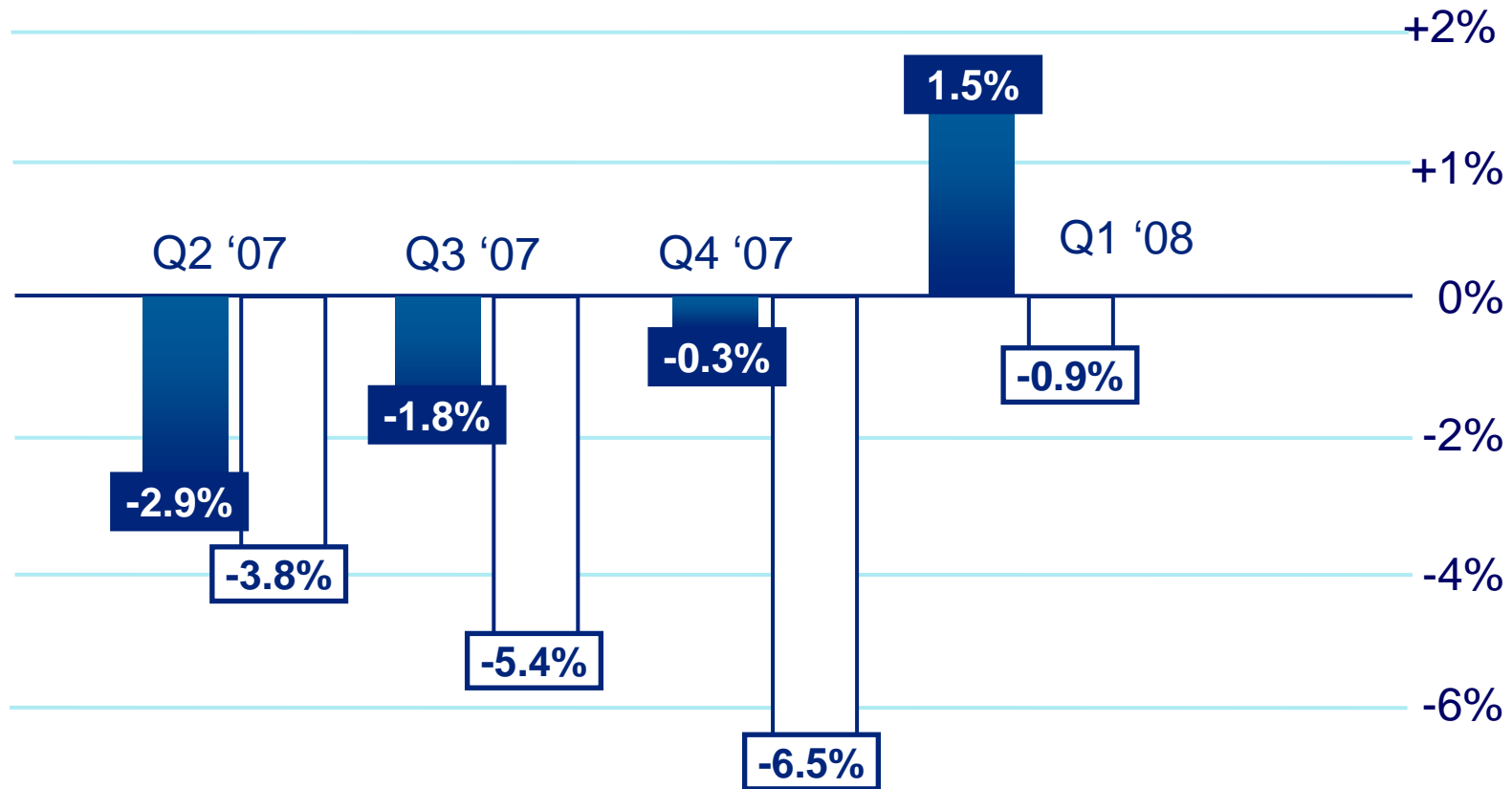


Partner channels
1,000+ own stores in 2 years
Online channel
Customer service: No IVR
Single bill & contact for all O2 services



Green shoots...

- Revenue growth
- Service revenue growth



Share of gross adds >17% for past 2 quarters

Summary

- O2 UK formula was successful
 - We are applying these lessons in Germany
- But we are not complacent in the UK
 - The market changes quickly and you're only as good as your last performance!
 - Maintain a “challenger” mindset
- We are building a sustainable business in Germany
 - Building the foundations
 - In parallel creating segmented propositions
- To create sustainable outperformance in a market takes time
 - But we are on the right track
 - Seeing green shoots in Q1
 - Lessons from the UK show it can be done

Confident we will continue to outperform in UK and
continue to gain momentum in Germany



The background of the slide is a dynamic splash of water against a dark blue gradient. The water is captured in mid-air, with numerous bubbles and droplets of varying sizes. The splash is most intense on the left side, where larger, more complex water structures are visible, and tapers off towards the right. The overall color palette is shades of blue, from deep navy to a lighter, sky-like blue.

O₂

Q & A