Customers, then Convergence

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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.

Agenda

Highlights - Q3 results

Communications market overview

O2's strategy

Q & A

Highlights - Q3 Results

- **O2 UK**

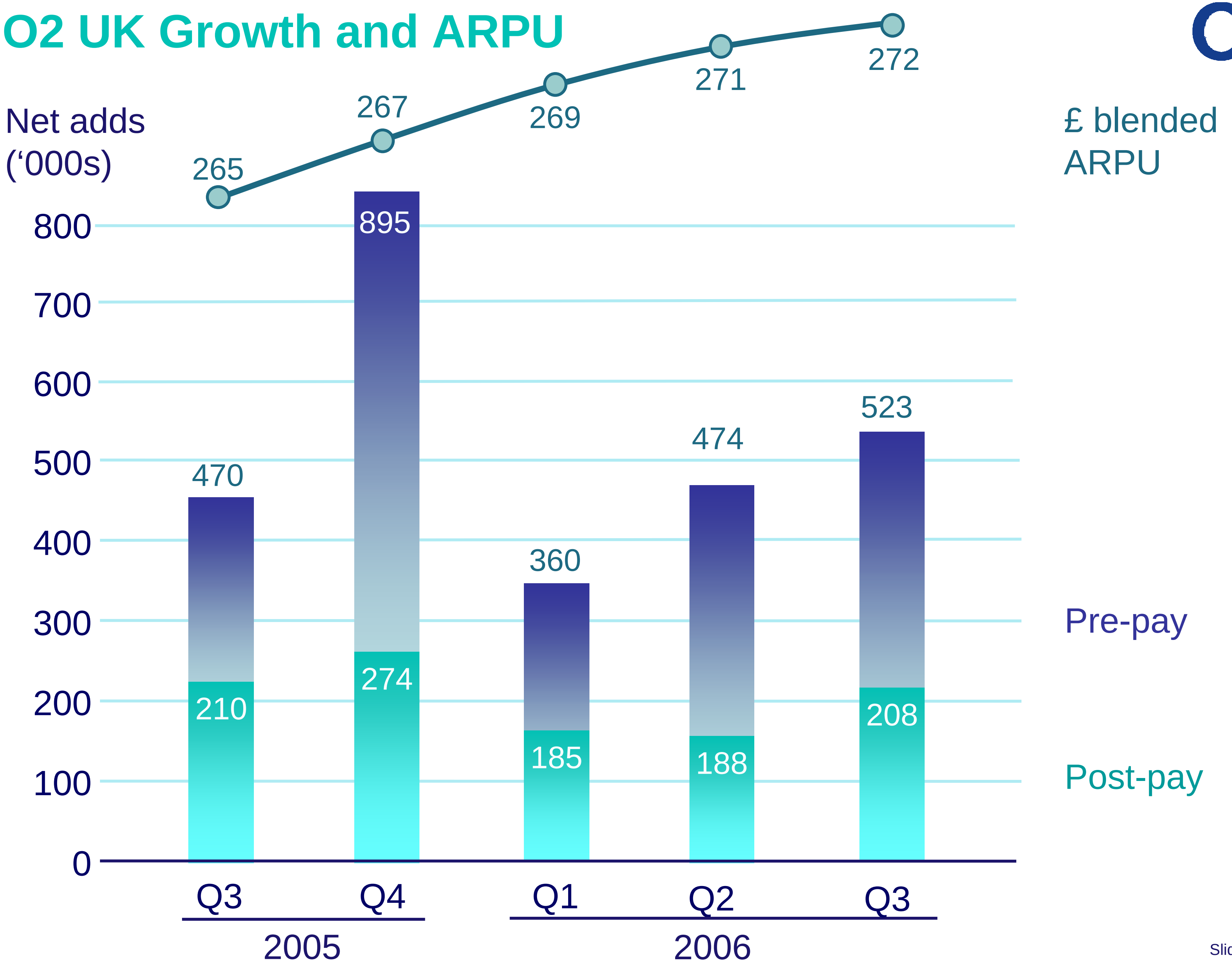
  – Customer base ↑ 15% to 17.338 million
  – 524,000 net adds
  – ARPU £ 272 ↑ £7 year on year (+3%)
  – MoU ↑ 11% to 175 minutes
  – Q3 net service revenue grew by 14.9%
  – OIBDA margin (8 months to 30 September) 27.6%
  – Contract churn ↓ for 5th consecutive quarter (24% Q3 06 vs. 30% Q3 05)

- **Outlook (11 months to 31 December 2006)[1]**

  – Service revenue growth 14% - 15%, from 8% - 11%
  – Margin around 1 percentage point lower than comparable period in 2005

1. Comparable period is 11 months to 31 December 2005

O2 UK Growth and ARPU



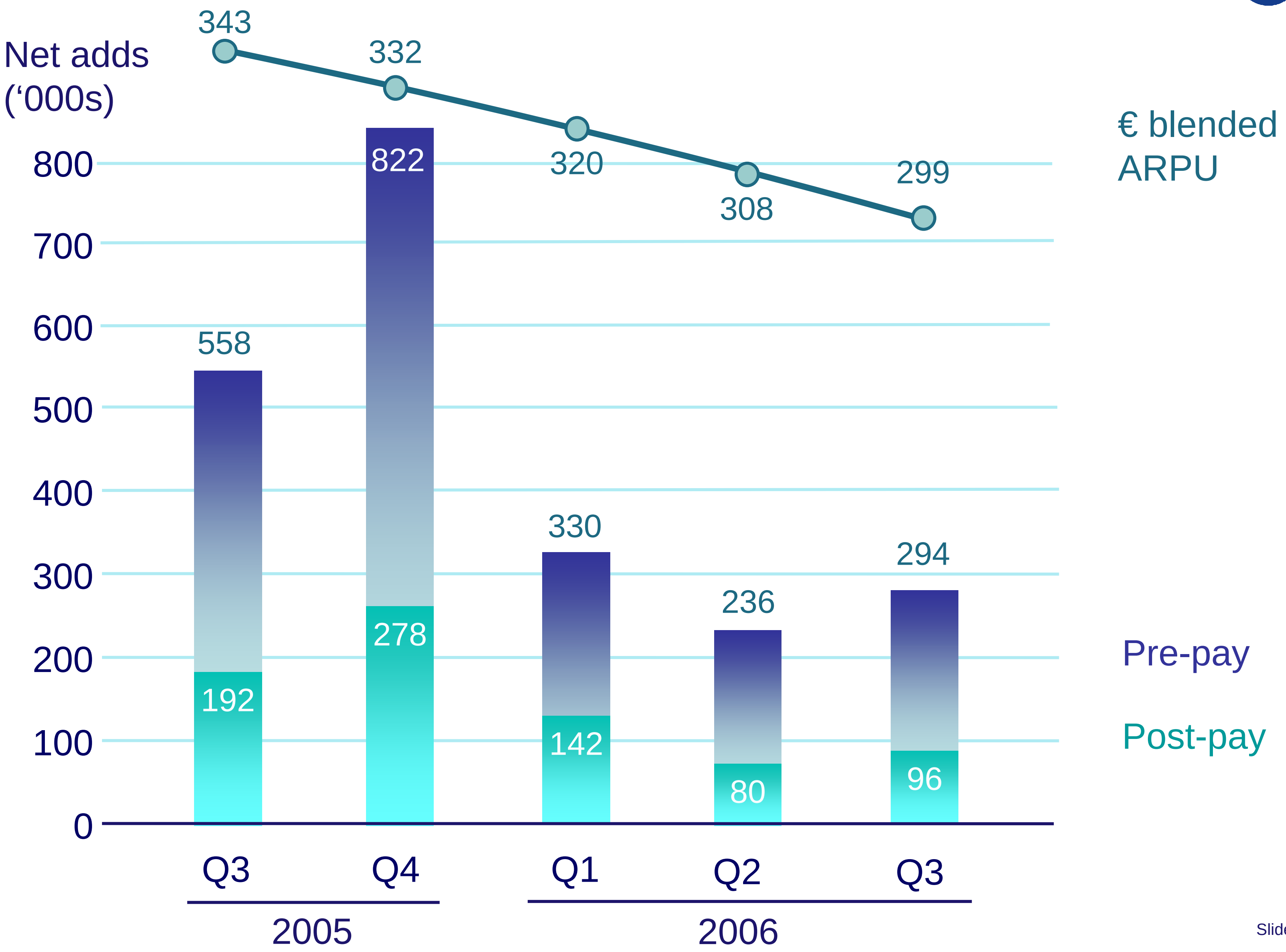
Highlights - Q3 Results

- **O2 Germany**
  - Customer base ↑ 19% to 10.629 million
    - Tchibo base 722,000
    - 3.8 million Genion customers (72% of contract base)
  - ARPU € 299 ↓ €44 year on year (-13%)
  - MoU ↑ 5% to 124 minutes
  - Q3 net service revenue grew by 6.1% (year to date ↑ 8.1%)
  - OIBDA margin (8 months to 30 September) 24.2%

- **Outlook (11 months to 31 December 2006)[1]**
  - Service revenue growth high single digit, from low double digits
  - Margin stable

1. Comparable period is 11 months to 31 December 2005

O2 Germany Growth and ARPU



Highlights - Q3 Results

- **O2 Czech Republic**
  - Q3 total revenue ↑ 2% year on year
  - Q3 OIBDA ↑ 2% year on year
  - Mobile customer base ↑ 6% to 4.760 million
    - ARPU CZK 6,089 ↓ CZK54 (-1%) year on year
    - MoU ↑ 9% to 102 minutes
    - Q3 mobile service revenue grew by 6.5%
  - Fixed
    - broadband revenues (9 months) ↑ 49% year on year
    - 427,000 DSL lines end Q3 (vs. 221,000 end Q3 2005)

- **Outlook (12 months to 31 December 2006)[1]**
  - Revenue flat
  - OIBDA growth around 2%, from flat

1. Comparable period is 12 months to 31 December 2005

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Mobile – a great success story

A challenging future:

2.5 billion customers worldwide in <15 years; >1000 customers signing up per minute[1]

More mobile phones on the planet than TV's and computers worldwide[2]

The 'internet generation' taking off

90% of people take their mobile wherever they go; 5% would rather lose their job or relationship than their mobile![3]

1 billion handsets forecast to be shipped worldwide during 2006' [4]

Industry barriers blurring

In India, mobile is the fastest selling consumer product, pushing bicycles to number two[1]

Mobile networks to cover 90% of the world's population by 2010[1]

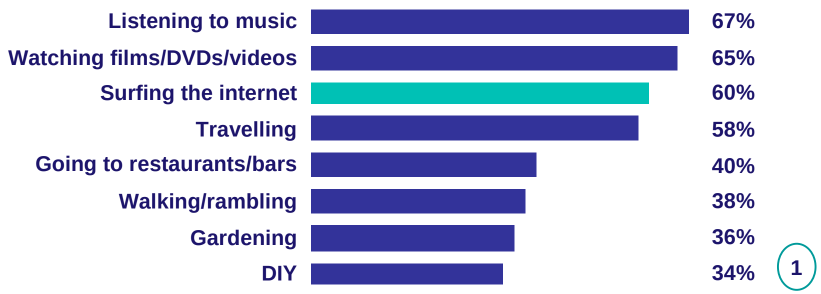
Increasing competition

Sources: 1.GSMA, Wireless Intelligence; 2.Nationmaster; 3.YouGov 4.IDC

The ‘Internet generation’ is taking off

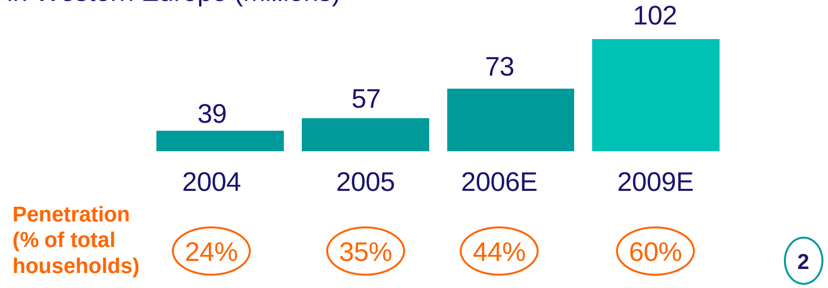
People are spending more and more free time online

Most popular leisure activities amongst ‘online’ Europeans



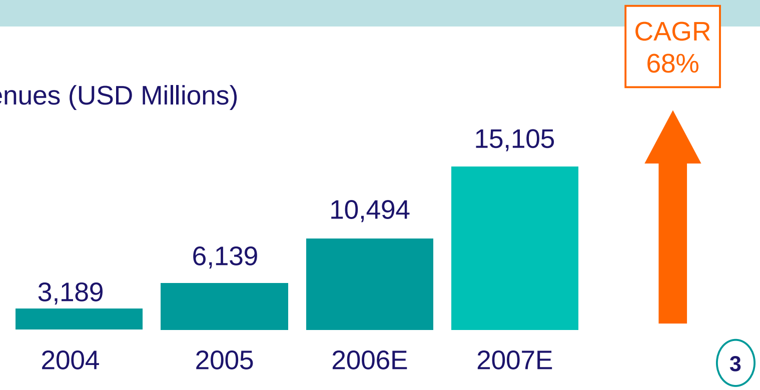
Broadband adoption continues to grow

Total broadband subscriptions
in Western Europe (millions)

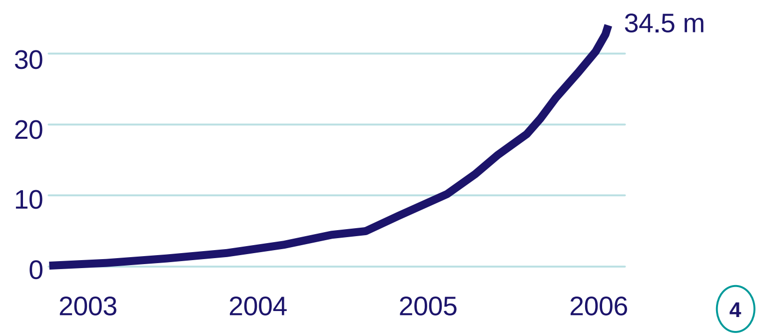


Google reporting massive growth

Revenues (USD Millions)



The number of web blogs doubles every 6 months



Sources: 1. Forrester; 2. Strategy Analytics March 2006; 3. Lehman Brothers Oct 2006; 4. Technorati

Industry barriers blurring

Internet players enabling their customers to go 'mobile' to increase ad revenues

…and expanding their communications portfolio

YAHOO! MESSENGER UK & IRELAND

ebay

Google talk BETA

skype

Ongoing battle for voice customers intensifying competition

orange

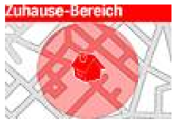
free broadband

up to 8 meg with 18 month pay monthly phone plans £30+

Free broadband …forever

When you join our Talk3 International plan

vodafone



O2 Genion & Flat-rate

Content owners seeking to go direct to consumers to achieve reach; in some cases bypassing the operators

BBC

UNIVERSAL

Bloomberg.com

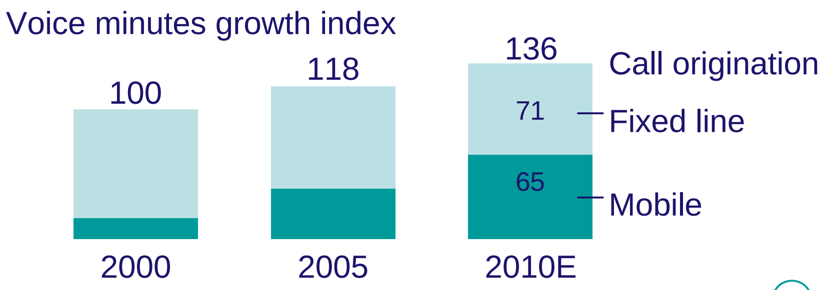
SKY

FT.com FINANCIAL TIMES

REUTERS

A reality check

People are talking to each other more than ever



1

In Europe, online shopping accounted for 2% of the total retail market in 2005, catching US at 2.2%

2

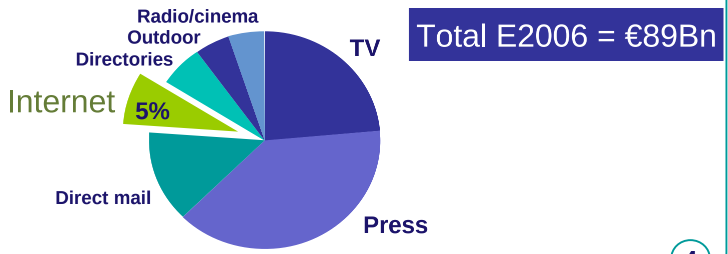
While high growth, YouTube remains niche

July 2006

YouTube	World Cup
3.5 million unique visitors	284 million viewers watched the World Cup final; 5.9 billion total viewers for tournament

3

Advertising revenues still largely from 'traditional' sources (European figures)



4

Sources: **1. JPMorgan (Ge, Fr, UK, Sp, Sw) ; 2. Researchandmarkets.com, Lehman Brothers; 3. Initiative; 4. Zenith Optimedia**

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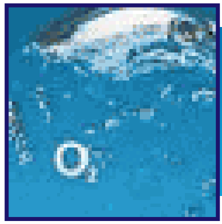
The O2 approach

2007 priorities



Maintain focus on performance and competitiveness

- Maximise customer value/ARPU
- Continue focus on loyalty and churn
- Maintain growth in the UK and Czech Republic

Drive best customer experience even harder

- Keep the brand 'fresh'
- End-to-end customer experience
- Use customer insight to drive propositions
- Offer 'virtual' and 'real' experiences (e.g. The O2)

Broaden scope of our business and build new capabilities

- Continue to grow SMS and non-SMS data usage
- Continue targeted 3G rollout and exploit capabilities
- Extend scope into fixed Broadband
- Expand revenue sources (e.g. mobile advertising)

Align O2 and Telefónica business

- Deliver tangible customer benefits (e.g. roaming)
- Share best practice and innovation (e.g. ITPV)
- Leverage cost share, purchase and partnership benefits

Different markets, different approaches

Population	4.23 m
Mobile penetration	103%
Fixed line	70%
BBand	10%
Pay TV	74%

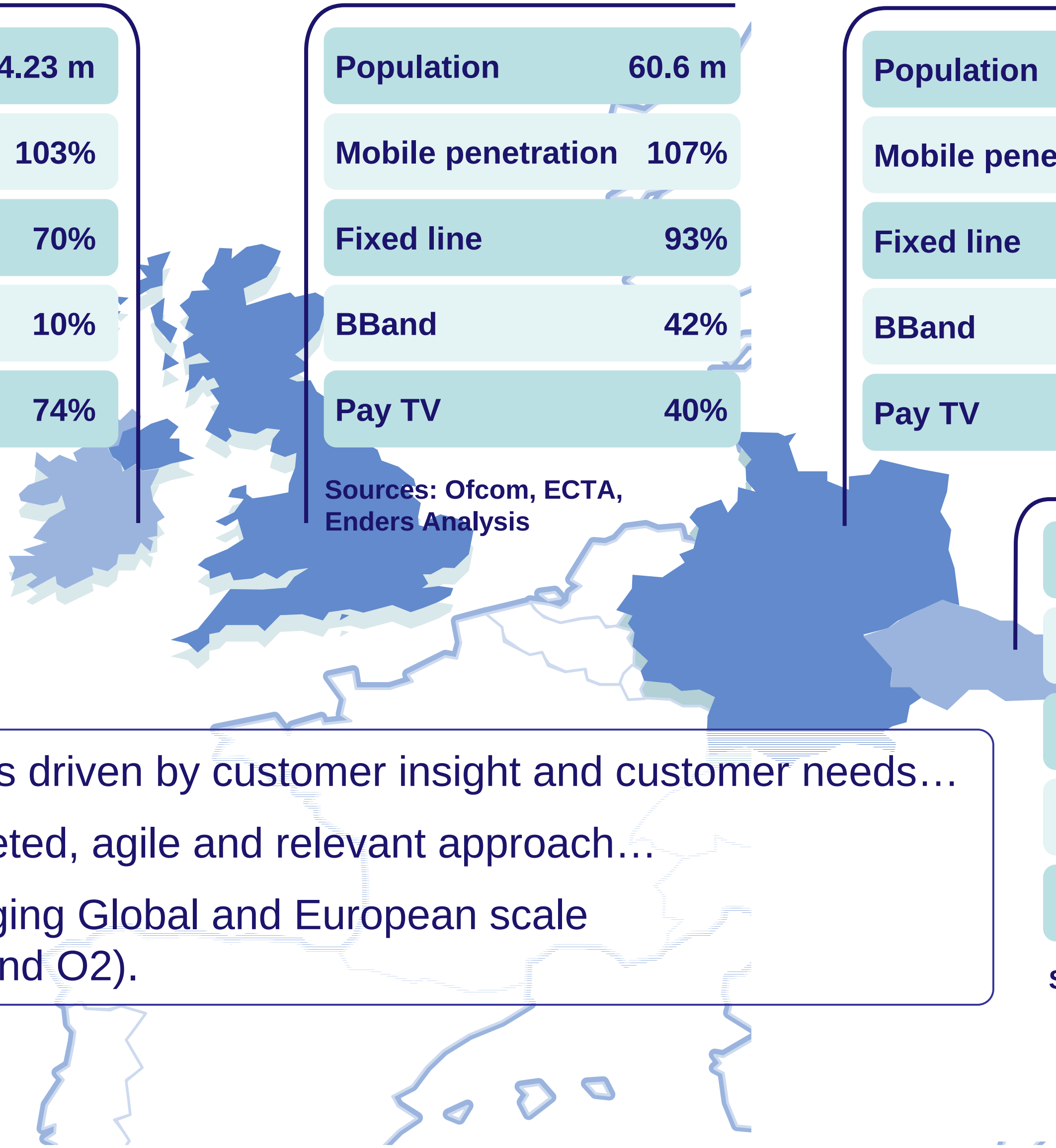
Source: ComReg

Population	60.6 m
Mobile penetration	107%
Fixed line	93%
BBand	42%
Pay TV	40%

Sources: Ofcom, ECTA, Enders Analysis

Population	82.4 m
Mobile penetration	99%
Fixed line	82%
BBand	~26%
Pay TV	11%

Sources: Federal Bureau of Statistics, O2 Research



Population	10.3 m
Mobile penetration	115%
Fixed line	30%
BBand (excl Wifi)	6.75%
Pay TV	29%

Sources: Mobile Operators + TO2 CR

- Local markets driven by customer insight and customer needs…
- enables targeted, agile and relevant approach…
- whilst leveraging Global and European scale (Telefónica and O2).

‘Customers’ then ‘convergence’

Customer requirements…	…drive customer propositions…	…enabled by the right combination of technologies
• Communications • Entertainment • Sharing/community • A consistent experience • Convenience • Simplicity • Value for money	• Best value calls/messaging and email (at home, at work, on the move) • Internet access • ‘Community’, blog and image capability • Music, anywhere • ‘The O2 Communication Centre’ • Navigation • Total customer service	• GSM, 3G, HSPA • SMS, MMS, IM • DSL • Wifi • IP/Internet • Devices

The future

Build and improve core mobile business

Extend scope into fixed broadband

Embrace the internet and expand revenue sources

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