

Financial highlights

continuing operations
(Year ended 31 March 2005)

Customers

24m

Group turnover

£6,683m

EBITDA

£1,768m¹

Operating profit
(before goodwill, UMTS (3G)
licence amortisation and
exceptional items)

£755m

Group reported pre-tax profit

£309m

Corporation tax paid

£15m

Capital expenditure

£1,415m²

Year-end net debt

£78m

Employees (Full-Time
Equivalent, FTE)

14,914³

Cost of employment

£613m⁴

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

² O2 UK £638m; O2 Germany £445m; O2 Ireland £100m; Airwave £218m; Manx Telecom £10m; and Central resources £4m

³ UK 9,141; Germany 3,919; Ireland 1,577; and Isle of Man 277

⁴ UK £361m; Germany £184m; Ireland £58m and Isle of Man £10m

Group overview

GRI References: 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.11, 2.13, 2.14, 2.15, 3.18, PA4 and EC1.

We are a leading provider of mobile communications services in Europe with wholly-owned businesses in the United Kingdom, Germany and Ireland.

O2 also provides radio communications to police forces and other public safety users through the Airwave business and full range of fixed, mobile and internet services on the Isle of Man. As at 31 March 2005, we employed 14,914 FTE people across the Group (equal to 16,059 people in post).

All our operating businesses trade under the O2 brand name, with the exception of Manx Telecom.

In 2005 we carried out a capital reorganisation under a Scheme of Arrangement in accordance with section 425 of the Companies Act 1985, as a result of which a new holding company O2 plc was inserted.

In the year ended 31 March 2005 – the period covered by this Corporate Responsibility report – we recorded pre-tax profits of £309 million (2004: £95 million) on sales of £6.7 billion (£5.7 billion). We increased our customer base by 16 per cent to 24 million, with growing numbers of subscribers in each of our main markets.

This report covers all our wholly owned businesses, excluding joint ventures we have set up with leading retailers in the UK and Germany, Tesco Mobile and Tchibo Mobilfunk respectively. We also mention our involvement in the Starmap Alliance with 10 other European operators, who are co-operating on purchasing and roaming across Europe.

The operating businesses

O2 UK's customer base continued to grow during the year and at 31 March 2005, O2 UK had 14.38 million customers, an increase of 8.4 per cent on prior year. Revenue growth in Ireland was strong too, with the number of subscribers increasing by 10.2 per cent over the year to 1.53 million. O2 Germany delivered strong revenue and EBITDA growth with customer numbers growing by approximately two million in the year, to 7.98 million as at 31 March 2005.

Airwave completed the roll-out of its radio communications service to the 51 police forces of England, Wales and Scotland in March, on time and within budget. More than 100,000 officers are now equipped to use Airwave. The network has been developed under a £2.9 billion, 19-year public finance initiative contract from the UK Government.

Manx Telecom continued to provide a complete range of telecoms services on the Isle of Man during the second year of a 15-year licence from the Manx Government.

Networks and services

As mobile devices become more sophisticated, more people are taking advantage of the new services we offer on our 2.5G (GPRS) networks, such as downloading music and sending picture messages. Towards the end of the year we launched 3G services in the United Kingdom and Germany. This will provide access to more data-rich services, such as video messaging.

We recently announced that we will launch a mobile internet service based on 'i-mode®' technology in 2005. This will make our 3G offer richer and complement the popular O2 Active portal.

Strategy

Our strategy aims to put our customers at the heart of everything we do. This means offering the best overall customer experience, including the in-store experience, our online presence, excellent customer service and making it simple for customers to use new products and services. We do not necessarily want to be the first to market but we do want to be the best. This extends from simple pay-and-go facilities to specially adapted technology for the hard of hearing or disabled. Our customers sent a total of 14.5 billion text messages in 2004/05 and new data services such as mobile email, picture messaging and music downloads are growing quickly in popularity.

We aim to provide high-quality mobile services – in innovative ways, competitively priced and in packages and bundles to suit a range of individual needs. We are determined that our customers, wherever and whenever they are, find our products and services highly valuable and rewarding.