



**GEO'S SIXTH ANNUAL CONFERENCE**  
**LONDON**  
22-24 JUNE 2005

## 'Ringing the changes'

O2 - case study


---

---

---


---

---

---



---

---



### The story...

- Who are O2 & what do they do?
- Employee Share Plans
- The Corporate Action
- Communicating with employees
- Outcomes and learning points


---

---

---

---

---

---

---

---



### Who are O2 & what do they do?

- Leading provider of mobile communication services
- Demerged from BT plc in November 2001
- 100% ownership of mobile network operators in 3 countries
- UK, Germany and Ireland - March '05 - almost 24 million mobile customers
- First company in the world to launch a commercial GPRS (2-G) network
- O2 have a presence in:
  - UK - c.9,700 employees
  - Germany - c.3,700 employees
  - Ireland - c.1,500 employees





---

---

---

---

---

---

---

---

O<sub>2</sub>

## Employee Share Plans - All employee

---

- **UK**
  - Demerger - 'One free share'
  - Sharesave - 3 & 5 Year terms
  - Share Ownership Plan (SIP)
- **Ireland**
  - Sharesave - 3 & 5 year term
  - Success Sharing Share Scheme (S<sup>4</sup>)
- **Germany**
  - Sharesave - 3 Year only





---

---

---

---

---

---

---



---

O<sub>2</sub>

## Employee Share Plans - Discretionary

---

- **Executive plans**
  - Deferred Bonus Plan
  - Share Participation Plan
  - Co-Investment Plan
  - Option Plan


---

---

---

---

---

---

---


---

O<sub>2</sub>

## The Corporate Action

---

- **What was it?**
  - Capital Reorganisation & Court Approved Scheme of Arrangement Sec.425 of Companies Act.
- **Reason for it?**
  - Capital Reserve - Non-distributable fund created following transfer of BT Group companies to mm02.
  - A wish to release funds to pay dividend.
  - Offer smaller shareholders the ability to sell shares in mm02 cost effectively
  - De-list from the US market - No business or employees in US
- **Benefits from it?**
  - mm02 Shareholders received one new O2 share for every one held.
  - Cash Alternative - Opportunity for small shareholder's to realise stake in mm02/O2 through cost effective method.




---

---

---

---

---

---

---

---

O<sub>2</sub>

## The Corporate Action cont.

---

**Key Dates**

- 17 November 2004 - Proposals announced to implement a sustainable dividend policy which will include a corporate reorganisation
- 12 January 2005 - Announcement that circular will be sent to shareholders confirming proposals of November 2004
- 17-19 January 2005 - Circular distributed
- 14 February 2005 - Court meeting and EGM
- 9 March 2005 - Scheme of Arrangement record date - closure of mm02 ordinary and 'Easy Share' securities
- 14 March 2005 - Scheme of Arrangement effective date
- 14 March 2005 - Dealings in New Ordinary shares commence on London Stock Exchange
- 16 March 2005 - Reduction of Capital in O2 becomes effective
- 17 March - 1 April 2005 - Despatch of cheques and crediting CREST accounts in respect of cash elections under the cash alternative
- 17 March - 1 April 2005 - Despatch of share certificates for New Ordinary Shares




---

---

---

---

---

---

---

---

---

---



O<sub>2</sub>

## Communicating with employees

---

### Issues

- Employee stakeholders as part of overall shareholder database
- Balance between information, education & advice
- Timing
- Preferred outcomes


---

---

---

---

---

---

---

---

---

---

O<sub>2</sub>

## Communication cont.


---

**Media**

- Paper** - Scheme circular, Forms of election or direction, Forms of Proxy etc. despatched to all
- Electronic** - Email broadcasts sent to all employees providing details of the reorganisation, how this would affect them and what they needed to do
- Face 2 Face** presentations

**Telephony**

- Dedicated employee helpline and a Corporate Action helpline for Ordinary shareholders at Lloyds TSB Registrars
- Total number of calls received 135,000
- 6,300 calls answered in a single day
- Approx. 90% of calls received were from ordinary shareholders
- Very few queries from employees - highlighting the good level of information available in the work place




---

---

---

---

---

---

---

---

---

---



O<sub>2</sub>

## Employee Share Plans - All employee

---

**UK**

- **Sharesave - 3 & 5 Year terms**
  - 4,000 participating employees
  - 14 Feb 2005 - First ever O2 SAYE maturity
  - 600 employees participated in the maturity, with over 300 exercising before the Scheme of Arrangement
  - Of these, half elected to sell their shares immediately with the remainder retaining shares
  - Less than 10 participants who exercised their Sharesave options received the cash payment resulting from the Scheme of Arrangement
- **Share Ownership Plan (SIP)**
  - 718 participating employees
  - Choice of receiving new shares in O2 or to make a cash election


---

---

---

---

---

---

---

---

---

---

O<sub>2</sub>

## Employee Share Plans - All employee

---

**Ireland**

- **Sharesave - 3 & 5 year term**
  - 500 participating employees
  - Split savings contracts
  - Given opportunity to exercise early
- **Success Sharing Share Scheme (S<sup>4</sup>)**
  - 1330 participating employees affected
  - 2 people elected for cash



**Germany**

- **Sharesave - 3 Year only**
  - 1,300 participating employees
  - Split savings contracts
  - 1st maturity exercise & sell or hold (withholding tax)
  - Given opportunity to exercise other contracts early





---

---

---

---

---

---

---

---

---




---

O<sub>2</sub>

## Employee Share Plans - Discretionary

---

- All Options held in the plans below were rolled over to the new O2 register
  - Deferred Bonus Plan
  - Share Participation Plan
  - Co-Investment Plan
  - Option Plan
- Total number of participants 1,850


---

---

---

---

---

---

---

---

---

---

O<sub>2</sub>

### Outcomes

- Register
  - Original size of register
  - Post Corporate Action
  - Employee holdings
- Employee reactions
  - Post Corporate Action
  - Employee holdings



---

---

---

---

---

---

---

---

O<sub>2</sub>

### Questions?

Thank you for your participation



---

---

---

---

---

---

---

---