

eircom Group plc

Full year results 31st March 2004

1st June 2004



eIRCOM

Delivery of this information to any other person or any reproduction of this information, in whole or in part, without the prior consent of *eircom* Group plc is prohibited.

This presentation is intended to provide a general overview of *eircom's* business and does not purport to deal with all aspects and details regarding *eircom*. Accordingly, neither *eircom* nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance should be placed on, the fairness, accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither *eircom* nor any of its directors, officers, employees or advisers nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

The material contained in this presentation reflects the business and financial affairs of *eircom* which are subject to change, audit and the provisions contained within legislation.

Dr Phil Nolan - CEO



eircom

Key highlights for 2003/04

- ❑ **Adjusted EBITDA* up 9% to €602 million** due to improved gross margins and lower operating costs, giving an increased Adjusted EBITDA margin of 37%.
- ❑ **Operating profit up 39% to €118 million**, an operating margin of 7.2%, up from 5%
- ❑ **Operating costs down 2%**, due primarily to reduced pay costs, increased capitalised labour costs and an ongoing policy of improved cost control across all other operating costs.
- ❑ **DSL customers exceed 38,000 at March 2004**, up from 3,400 at March 2003. DSL customers exceeded 50,000 at the end of May 2004, and the pace is accelerating.
- ❑ **Turnover down 3%** due primarily to loss of low-margin transit traffic and discontinued businesses.
- ❑ **Capital expenditure increased as planned by 6%** from €197 million to €208 million.
- ❑ **Year-end headcount 7,943 at March 2004**, down from 8,547 at March 2003.

Financial highlights

	2004	2003	Percentage Change
	€m	€m	
Turnover	1,628	1,682	-3%
Gross profit	1,218	1,183	3%
Operating costs before exceptional operating costs, depreciation and goodwill amortised	632	648	-2%
EBITDA before exceptional operating costs	586	535	9%
Adjusted EBITDA before exceptional operating costs and pension amortisation	602	551	9%
Operating profit	118	85	39%
Capital expenditure cash outflows	208	197	6%
Net debt	1,959	1,791	9%

Operational highlights

	2004	2003
Gross margin	75%	70%
EBITDA margin	36%	32%
Adjusted EBITDA margin	37%	33%

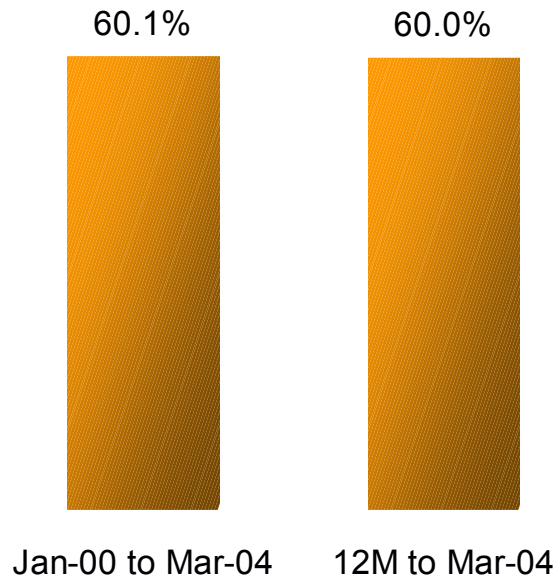
	2004	2003	Percentage Change
Total access channels ('000)	1,997	1,950	2%
- of which DSL (incl. Bitstream)	38	3	
Traffic minutes (millions)	13,155	13,093	-
Wholesale minutes (millions)	7,050	6,837	3%
Average headcount	8,306	9,129	-9%
Year-end headcount	7,943	8,547	-7%

€ M	Financial Year End March 2004
Core:	
- Traffic	(40)
- Access	51
- DSL	15
	26
Other:	
- Discontinued activities	(20)
- Mobile tariff reductions	(9)
- Transit interconnect traffic	(40)
- Other	(10)
	(79)
Overall revenue reduction	(54)

- ❑ Overall core revenues steady - reduction in traffic compensated for by tariff rebalancing and DSL. Rebalancing substantially complete.

Winback success

(Winback as % of gross losses)



Source: Company estimates

Competition for market share

Competitive marketplace features:

- Large number of OAO's, resellers and brokers
- Competitors increasingly aggressive and new entrants emerging - Euphony, ESAT, IFA, Smart, Access Telecom

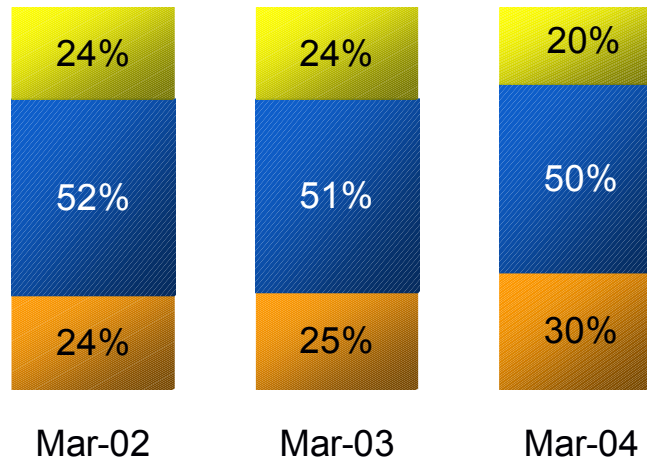
eircom's Winback response:

- Talktime:
 - New traffic discount proposition to take focus off line rental and move away from competition on price.
- **FOTS (Feet on the Street) increased door to door activity:**
- **Outbound sales:**
 - Increased outbound team with new offers.

- ❑ **Mobile-style packages combining access and voice call charges (bundling).**
- ❑ **First phase launched 12th May**
 - ➔ Packages for business and residential markets
 - ➔ Access, voice and value-add services
 - ➔ Early positive responses
- ❑ **Targeting to convert 300k customers by March 2005**
- ❑ **Drives package focus and mitigates line rental resistance**

Revenue breakdown ⁽¹⁾

(% of total turnover)



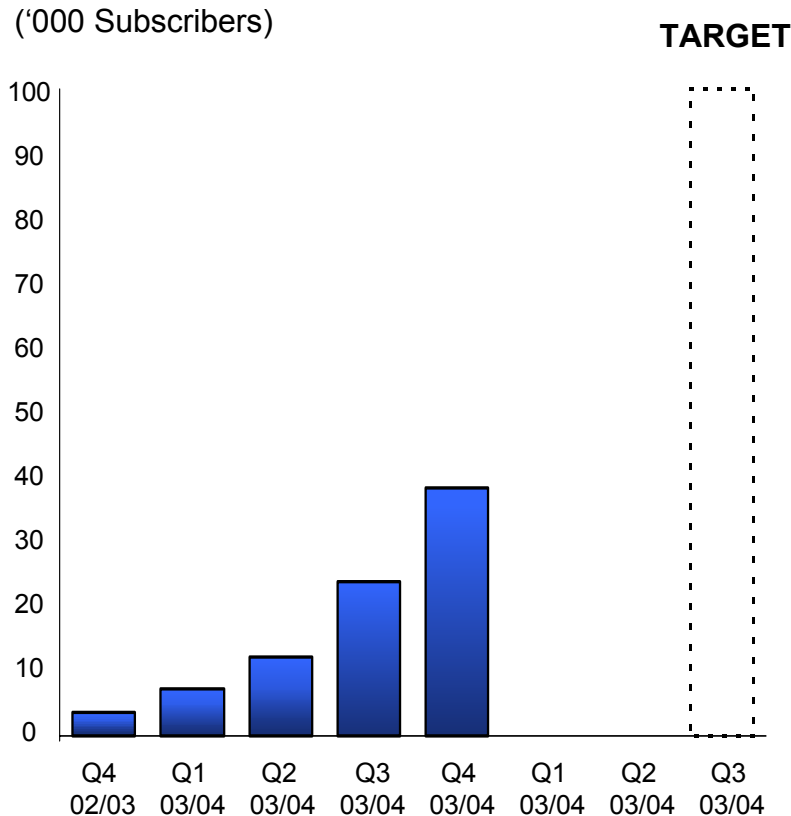
Revenue (€ m)	1,645	1,682	1,628
Gross margin⁽²⁾(%)	68.1	70.3	74.8

Access
 Voice, Traffic & Data
 Interconnect and Other

Notes:

- Discounts allocated to voice, traffic and data revenues
- Gross margin on continuing operations adjusted for intragroup costs of discontinued businesses
- Access includes ADSL and Bitstream revenue.

DSL take up and targets



- ❑ **Capturing market opportunity**
 - ➔ Limited cable threat
 - ➔ 80% Retail market share
 - ➔ Over 50k DSL customers end of May
- ❑ **Making DSL available**
 - ➔ 1.1 million lines connected to DSL enabled exchanges
- ❑ **Driving market development**
 - ➔ March 04 New price points
 - ➔ May 04 FRIACO promotion
 - ➔ June ~ Aug 04 Summer Surfing promotion

(Free Connection, Free modem & Free until September '04)

□ Key Prices secured for 12-18 months

- ➔ Wholesale Line Rental retail minus 10% until October 2005
- ➔ PPCs unchanged until April 2005
- ➔ Retail Price Cap @ CPI minus 0 until January 2006

□ Methodology achieved with ComReg

- ➔ Promotional pricing model developed (DSL)
- ➔ Bundled packages agreed
- ➔ Winback activity always under scrutiny
- ➔ No current legal disputes; and appeals mechanism now in place

□ Major issues pending

- ➔ LLU: Current price of €16.81 carried over pending new price from ComReg
- ➔ Universal Service Obligation: scope and funding issues to be agreed
- ➔ Mobile Regulation: focus on Mobile Network costs and access

Competitive context

- ❑ Among the highest ARPU in Europe⁽¹⁾

eircom assets

- ❑ Direct relationship with 1.7 million customers
- ❑ Strong brand awareness
- ❑ Established sales and distribution
- ❑ Core fixed network

Mobile opportunity

- ❑ **Structural barriers to re-entry**
 - ➔ Difficult to achieve favourable commercial terms;
 - ➔ Entry through regulated access likely to be long term prospect
- ❑ **Mobility options**
 - ➔ other options to be examined

Peter E. Lynch - CFO



eircom

Historical revenue breakdown

EUR M	Financial Year Ended March		
	2002	2003	2004
Access (rental, connections, DSL)	399	423	489
% growth		6%	16%
Traffic and Data Communications	972	959	903
% growth		-1%	-6%
Total Access, Traffic and Data	1,371	1,382	1,392
% growth		1%	1%
Interconnect/Other	404	397	318
Gross turnover	1,775	1,779	1,710
<i>Discounts</i>	<i>(108)</i>	<i>(97)</i>	<i>(82)</i>
Total turnover	1,667	1,682	1,628
<i>Less intragroup turnover</i>	<i>(22)</i>	0	0
Revised turnover	1,645	1,682	1,628

Historical operating performance

EUR M	Financial Year Ended March		
	2002	2003	2004
Turnover	1,645	1,682	1,628
Gross profit ⁽¹⁾	1,120	1,183	1,218
<i>Gross margin %</i>	68%	70%	75%
Adjusted EBITDA⁽²⁾	462	551	602
Adjusted EBITDA margin %	28%	33%	37%
Capex	(312)	(197)	(208)
Capex % revenue	19%	12%	13%
Operating profit/(loss)	(81)	85	118

Notes:

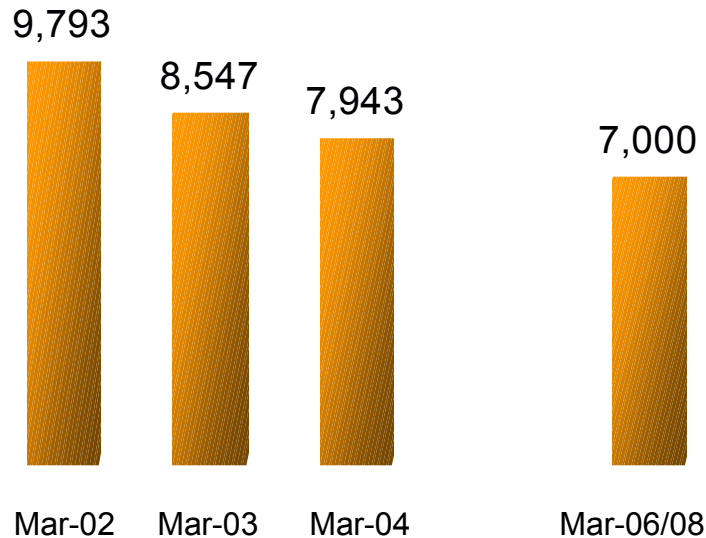
- FYE March 2002 gross profit on continuing operations adjusted for intragroup costs of discontinued businesses
- Adjusted EBITDA can be derived by adjusting EBITDA from continuing operations for exceptional charges and pension amortisation

Exceptional costs of €113 million

- ❑ **€24m transaction costs**
- ❑ **€38m property write-down**
- ❑ **€51m, swap buy-out of €24m and €27m for crystallising costs of the August 2003 re-financing.**
- ❑ **However these latter costs have allowed the company to lock into favourable interest rates and take down our blended interest rate by 1% per annum.**
- ❑ **2004 was a year of exceptional corporate activity, with two bank re-financings, a €1,050m bond issue, and an IPO.**

Headcount Evolution

(Number of Employees)



- ❑ **Substantial progress made to date, further reductions planned and launched.**
- ❑ **Headcount target of 7,000 by March 2008 or sooner**
 - ➔ Significant new VL programme commenced May 2004

Opex

(% of turnover)

18.0%



15.7%



15.7%



2002

2003

2004

€ m

296

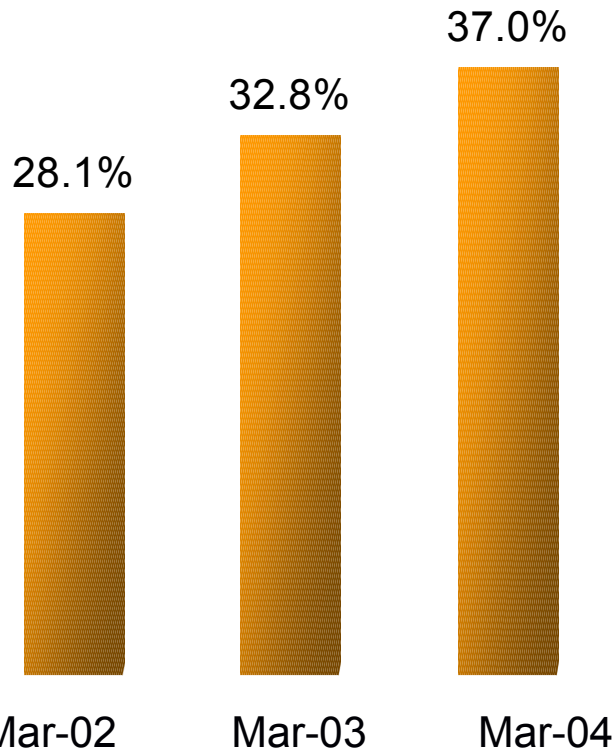
264

255

- ❑ Disposals/closures still on the agenda
- ❑ Supply chain management being tightened
- ❑ Cost consciousness objective restated for 2005.
- ❑ Outsourcing in scope
- ❑ Office consolidation continues

Adjusted EBITDA

(% Margin)



□ **Margin improvement continues**

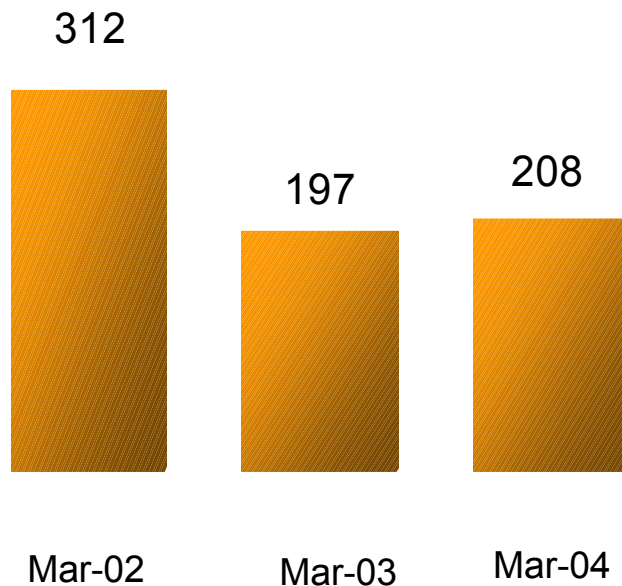
□ **Higher margin targeted**

- ➔ Gross margin improvement
- ➔ Workforce restructuring to continue
- ➔ Non pay cost reductions to be progressed

€ m	462	551	602
-----	-----	-----	-----

Historical Capital Expenditure

(€ m)



% Sales	19.0	11.7	12.8

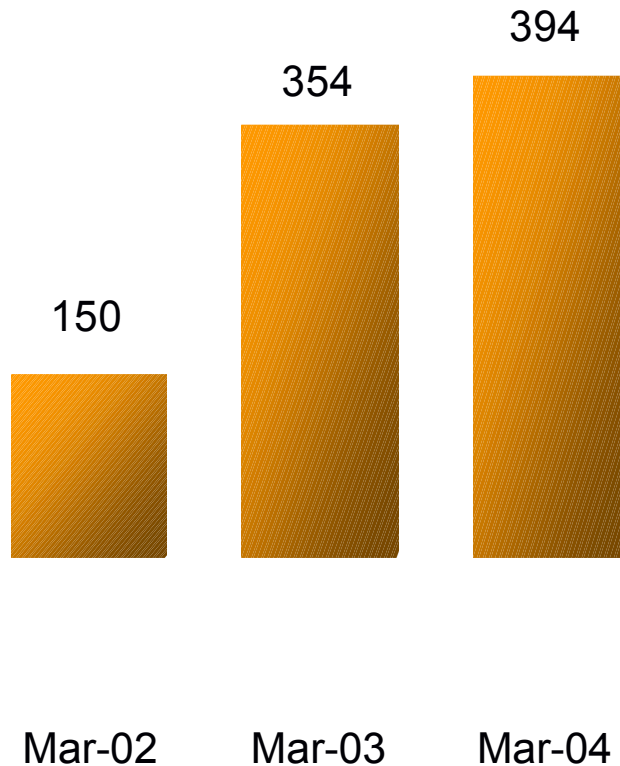
- ❑ **€1.2 Bn invested since 2001**
- ❑ **Investing at 13% of sales**
 - ➔ c. €200 m per year
 - ➔ In line with EU average
 - ➔ targeted 3 year programmes
 - ➔ Focus on network renewal, maintenance and improvement, to support DSL and improve network quality.

Note:

1. Capital expenditure is amount of payments made to acquire fixed assets in the year.

Adjusted EBITDA – Capex ⁽¹⁾⁽²⁾

(€ m)



- **Good cash flow available for**
 - ➔ interest payments
 - ➔ dividends,
 - ➔ voluntary leaver payments,
 - ➔ and de-gearing.

Notes:

- All continuing business restated as appropriate, Capex not restated for Golden Pages
- Adjusted EBITDA can be derived by adjusting EBITDA from continuing operations for exceptional charges and pension amortisation

Financial Year Ended March		
€million	2004	
Bonds ⁽¹⁾	1,060	
Term loans ⁽²⁾	1,250	
Overdrafts & other	1	
Total debt	2,311	
Cash on hand	(352)	
Net total debt⁽³⁾	1,959	
<i>Fixed interest proportion</i>	68%	
<i>Blended interest rate</i>	5.60%	***
<i>Note: fixed interest proportion includes amounts hedged</i>		

*** Based on debt profile as at 31 March 2004. This is lower than the average rate for 03/04 (debt refinanced close to the year end)

Notes:

- Unsecured high yield notes, maturing 2013, fixed interest rates
- Secured loan, maturing in 5 years; interest @ IBOR + 1.5%; €500m swapped to fixed interest rate
- Net debt at March 2004 is shown inclusive of debt issue costs of €47m that have been deducted from the total in arriving at net debt in the financial statements (Accounting requirement)

- ❑ **Net total debt of €1.96 Bn** (*incl. Issue costs*)
High level of fixed debt (67.5%)
- ❑ **Credit statistics - covenant levels well within target**
 - ➔ Net Debt / Adjusted EBITDA of 3.37x (*covenant 4.0x*)
 - ➔ Adjusted EBITDA / Net Interest of 4.11x (*covenant 3.25x*)
 - ➔ Senior debt / Adjusted EBITDA of 2.99x (*covenant 3.5x*)

Phil Nolan - CEO



eircom

- Solid results - EBITDA and operating profit have increased**
- Access and DSL growth compensates for reduction in traffic revenues**
- Rebalancing substantially complete**
- Revenue decline related mainly to low margin and discontinued businesses**
- Costs and CAPEX under control**
- Good cash position**
- Broadband take-off, affirming 100,000 broadband connections target for December 2004.**