

Quarter 1 results

25 August 2005



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Quarter 1 2006

Under international financial reporting standards



- ❑ Revenue of €399 million (compared to €401 million last year)
- ❑ EBITDA before restructuring programme costs, profit on disposal of property, and non-cash pension charges, of €149 million, resulting in an EBITDA, before restructuring programme costs, profit on disposal of property, and non-cash pension charges, margin of 37%
- ❑ Significant pre taxation profits on disposal of property in the quarter of c. €45 million, not included above, and c. €60 million of cash received after quarter end
- ❑ €60 million of cash outflow for capital investment in the quarter focused on increasing capacity, demand growth and DSL roll-out. This is in line with plan and prior year (€57 million)
- ❑ The company increased discounts and sales & marketing spend to drive DSL and Talktime packages. DSL customers increased to 141,000 at 30 June 2005, 156,000 customers as of 18 August 2005, (compared to 54,000 in June 2004)
- ❑ The final dividend of 6 cents was approved by the shareholders at Annual General Meeting on 25 July 2005 giving a total dividend of 11 cents per share for the full year
- ❑ Announcement on 25 July 2005 of the proposed acquisition of Western Wireless International Ireland Corporation, the ultimate holding company of Meteor Mobile Communications Limited for €420 million on a debt-free basis to be financed by a rights issue. The acquisition and rights issue are conditional upon, inter alia, the approval of *eircom* shareholders

Income statement for quarter 1 - under IFRS



	Jun-04 €m	Jun-05 €m
Revenue	401	399
Operating costs before depreciation & restructuring programme costs	(251)	(264)
Depreciation	(77)	(69)
Restructuring programme costs	(48)	-
Other gains/(losses)	-	-
Profit on disposal of property	-	46
Operating profit	25	112
Finance costs - net	(31)	(35)
Share of associates profit	-	-
Profit before tax	(6)	77
Tax		(17)
Profit for year	(6)	60
EBITDA before restructuring programme costs, non-cash pension charge and profit on disposal of property	154	149

- ❑ Operating costs are higher in the quarter due to non-cash pension charge of €14 million relating to IAS 19.
- ❑ Operating profit in the quarter is up significantly on last year due to the profit on disposal of property and that no restructuring costs were charged in this quarter.
- ❑ EBITDA before restructuring programme costs, non-cash pension charge and profit on disposal of property is reduced due to increased discounts and costs due to DSL and Talktime packages.

Quarterly historical revenue breakdown - under IFRS



	Jun-04 €m	Jun-05 €m	
Access: rental & connections	124	126	← Access revenue increased due to increased demand for ADSL and bitstream.
ADSL	8	19	
<i>% growth</i>		10%	
Traffic and Data Communications	213	196	← Traffic and data revenue decreased due to decline in volumes and migration of data users to ADSL.
<i>% growth</i>		(8)%	
Total Access, Traffic and Data	345	341	
<i>% growth</i>		(1)%	
Interconnect/Other	75	83	← Interconnect revenue grew due to growth in transit revenue and higher foreign terminating revenue.
Gross turnover	420	424	
Discounts	(19)	(25)	← Discounts include €4 million incurred to acquire DSL customers and €3 million on Talktime
Total turnover	401	399	
<i>% growth</i>		-	

Volume trends in the quarter



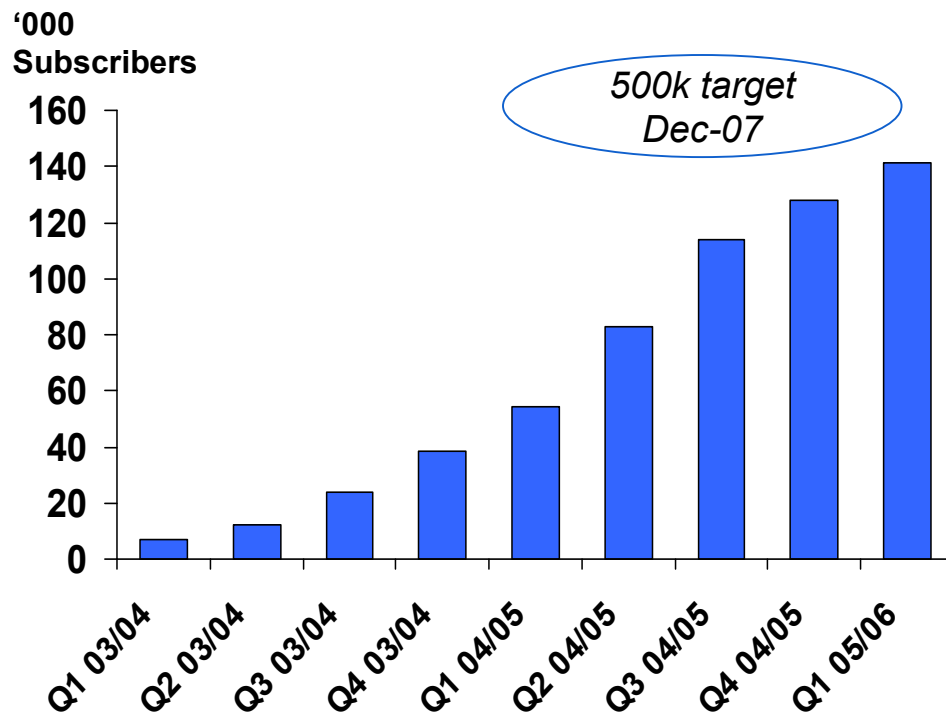
	At June 2004	At June 2005	% Change
Access - thousands of channels:			
- PSTN/ISDN	1,965	1,822	(7)
- DSL	54	141	-
- Wholesale line rental		162	-
Total access channels ('000)	2,019	2,125	5
Leased lines	27,470	25,645	(7)
	June qtr 2005	June qtr 2004	% Change
Traffic - millions of minutes:			
Voice traffic	1,695	1,558	(8)
Data traffic	1,376	1,163	(16)
Total retail traffic minutes (m)	3,071	2,721	(11)
Interconnect services minutes (m)	1,882	2,257	20
Total Retail and Wholesale minutes (m)	4,953	4,978	-

- ← Total channels have increased year on year.
- ← This is due to increased demand for DSL.
- ← Retail lines are dropping however as lines transfer to WLR.
- ← Voice traffic volumes are down due to increased competition and migration to mobiles, decrease in data minutes due to migration of dial up users to ADSL.
- ← Interconnect minutes are increasing, due to increases in transit and foreign terminating traffic.

Internet/broadband sector overview - balancing growth and profitability



DSL take up and targets



□ Capturing market opportunity

- ➔ ~156k customers as at 18 Aug 05
- ➔ ~76% retail market share

□ Making DSL available

- ➔ next phase announced - additional 200 rural communities by Mar-06
- ➔ ~90% of lines to be enabled by Mar-06

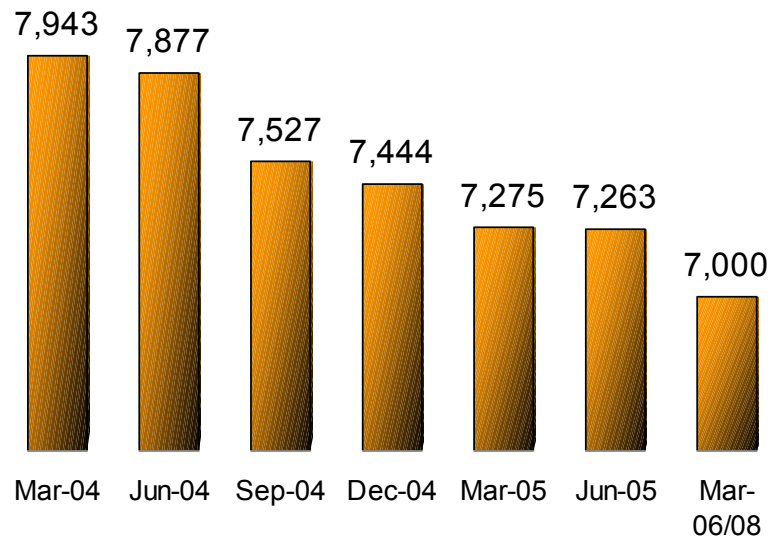
□ Balancing broadband subscriber growth and profitability

€m	Mar-04	Mar-05	Q1 04/05	Q1 05/06
Dial up traffic	113	96	26	24
DSL	17	55	8	19
Revenue	130	151	34	43

Headcount is ahead of target

Headcount Evolution

(Number of employees)



- Substantial progress made to date, further reductions planned and launched
- Headcount target of 7,000 by March 2008
- Voluntary Leaving programmes are ongoing
- Non-cash pension of €14m due to IAS 19 under IFRS

Pay costs under IFRS	Quarter ended		% Change
	Jun '04	Jun '05	
Staff costs before restructuring	86	82	(4)%
Non-cash pension charge	4	14	280%
Staff costs under IFRS	90	96	8%

Other operating costs under IFRS

Other operating costs	Quarter ended		% Change
	Jun '04	Jun '05	
	€m	€m	
Payments to telecommunications operators	77	78	2%
Purchase of goods for resale, commission and related costs	20	23	12%
Materials & services	12	11	(15)%
Other network costs	7	7	3%
Accommodation	14	14	3%
Sales & marketing	8	11	31%
Transport & Travel	5	5	(6)%
IT	4	3	(26)%
Miscellaneous	14	16	19%
Other operating costs	161	168	4%
Total operating costs before depreciation and restructuring programme costs	251	264	5%
% turnover	63%	66%	

- ❑ Under IFRS costs of sales are included in other operating costs
- ❑ Seeing reduced materials & services spend and increased direct costs and sales & marketing spend relating to DSL promotions.

High cash conversion over the quarter



<i>eircom</i> group consolidated cash flow	Qtr ended June '05 €m
EBITDA before restructuring programme costs and non-cash pension charges	135
Non-cash pension charges	14
Restructuring & exceptional costs	(8)
Working capital movement	5
Cash flow from operations	146
CAPEX	(60)
Receipts from disposal of fixed assets	1
Interest paid (net)	(9)
Other tax refund	2
Share options issued	
Net cash flow	80
Opening cash 31 March 05	388
Closing cash at 30 June 05	468

- ❑ Our business generated over €80 million cash in the quarter
- ❑ Strong cash flow available for
 - ➔ interest payments
 - ➔ dividends
 - ➔ voluntary leaver payments
 - ➔ de-gearing
- ❑ 71% of debt is fixed under IFRS
- ❑ Closing cash balance of €468 million at the end of June 2005

Debt profile under UK Gaap



As at	March '05 €m	June '05 €m
Bonds(1)	1,060	1,060
Term loans(2)	1,250	1,250
Overdrafts & other	0	0
Total debt	2,310	2,310
Cash on hand	(389)	(468)
Net total debt(3)	1,921	1,842
<i>Fixed interest proportion (4)</i>	68%	68%

Notes:

1. *Unsecured high yield notes, maturing 2013, fixed interest rates*
2. *Secured loan, maturing in 5 years; interest @ LIBOR + 1.25%; €500m swapped to fixed interest rate*
3. *Net debt is shown excluding capitalised debt issue costs of €41m 31 March 2005 and €40m 30 June 2005.*
4. *Fixed interest proportion includes amounts hedged*

Debt profile under IFRS

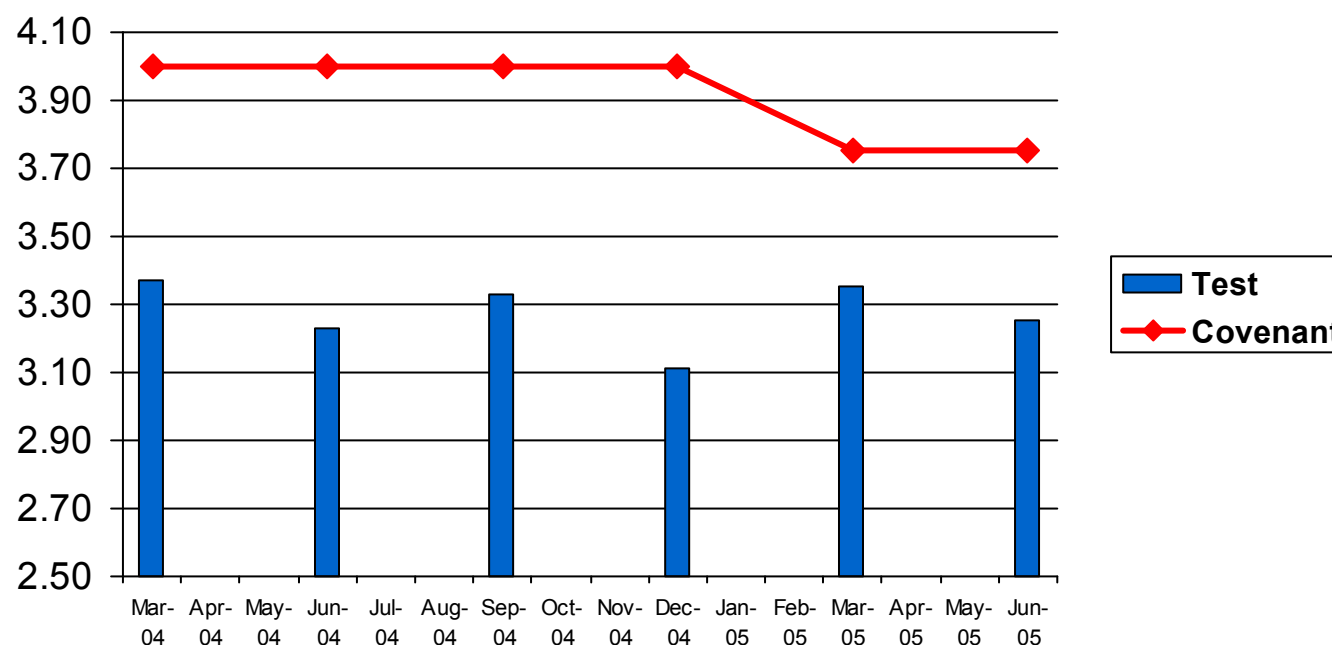
As at	March '05 €m	June '05 €m
Bonds	1,060	1,060
Term loans	1,250	1,250
Overdrafts & other	0	0
	<hr/> 2,310	<hr/> 2,310
Preference shares	0	160
Derivatives financial instruments pre interest rate hedge	0	26
Finance leases	127	136
Total debt	<hr/> 2,437	<hr/> 2,632
Cash on hand	<hr/> (389)	<hr/> (468)
Net total debt(1)	2,048	2,164
Fixed interest proportion (2)	68%	71%

- Preference share capital (€160 million) being reclassified under IFRS as debt

Notes:

1. Net debt is shown excluding capitalised debt issue costs of €41m 31 March 2005 and €40 m 30 June 2005.
2. Fixed interest proportion includes amounts hedged

Net debt / Adjusted EBITDA



❑ Credit statistics - covenant levels well within target

- ➔ Net Debt / Adjusted EBITDA of 3.249 (*covenant 3.75x*)
- ➔ Adjusted EBITDA / Net Interest of 4.91 (*covenant 4.0x*)
- ➔ Senior debt / Adjusted EBITDA of 2.95 (*covenant 3.4x*)

❑ The bank covenants are tested under UK Gaap at the Valentia Telecommunications company level

FY 2004/05 restated under IFRS

25 August 2005



Profit and Equity for 2004/05 under IFRS



FYE 2004/05	Profit after	
	tax €m	Equity €m
Reported under UK Gaap	32	412
Pension (1)	0	28
Capitalised interest (2)	3	16
Reversal of goodwill amortised (3)	38	38
Deferral of connection revenue (4)	(5)	(25)
Deferral of IRU revenue (5)	1	(23)
Property, plant & equipment valuations (6)	0	7
Proposed dividends (7)	0	45
Options charge	(1)	0
Deferred tax (8)	11	(123)
Reported under IFRS	79	375

- (1) Recognition of retirement benefit asset at 31 March 05.
- (2) Policy of capitalising interest on construction of property, plant & equipment adopted under IFRS.
- (3) No goodwill amortised after 1 April 2004 under IFRS.
- (4) Connection fees net of direct costs are deferred over life of customer (3 - 6 years).
- (5) Revenue on infeasible rights of use (IRU) service contracts deferred over life of contract (17 -25 years).
- (6) Net uplift in valuation of properties under IFRS.
- (7) Proposed dividends accrual at 31 March 2005 written back under IFRS.
- (8) Deferred tax on property, plant & equipment valuations/revaluations

Pension IAS 19

31 March 05

FRS 17 deficit	(€583m)
Unrecognised pension deficit IAS 19	<u>€773m</u>
Balance IAS 19 surplus	<u>€190m</u>

- ❑ amortisation of pension surplus 04/05 under IAS 19 €15m
- ❑ amortisation of pension surplus 04/05 in UK Gaap €15m
 - ➔ no profit impact in 04/05
- ❑ non-cash pension charge under IAS 19 is expected to be €56m for the year 05/06 (€14m for Q1)

Balance sheet for 2004/05 under IFRS

As at 31 March 2005	UK Gaap	Changes	IFRS
Summary balance sheet	€m	€m	€m
Non-current assets (1)	2,825	252	3,077
Current assets (2)	698	36	734
Total assets	3,523	288	3,811
Non-current liabilities (3)	2,448	294	2,742
Current liabilities (4)	663	31	694
Equity & reserves	412	(37)	375
Total liabilities & equity	3,523	288	3,811

- (1) Gross-up of defeased leases €118m, gross-up of TIS annuity €50m, Goodwill amortisation €38m, pension €28m, capitalised interest €16m.
- (2) Gross-up of TIS annuity €22m and gross-up of leases €9m.
- (3) Deferred tax €123m, gross-up of defeased leases €118m and gross-up of TIS €53m.
- (4) Deferred connection revenue €25m, deferred IRU revenue €23m, gross-up of TIS €19m, gross-up of leases €9m. Offset by reversal of proposed dividend €45m.

- ❑ **IFRS adjustments in line with previous indications to market**
 - ➔ pension
 - ➔ deferred tax
 - ➔ goodwill amortisation

- ❑ **Reclassifications under IFRS**
 - ➔ cost of sales now included in other operating costs
 - ➔ preference share capital included in debt
 - ➔ exceptional operating charges/credits reclassified into operating costs (FYE March 05 UK Gaap EBITDA €615m now €619m)

Additional Information

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