

# Half year results

15 November 2005



**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.**

- ❑ **Good progress on strategy**
- ❑ **Return to the mobile market**
- ❑ **Successful rights issue**
- ❑ **Continued broadband growth**
- ❑ **Solid operating performance**
- ❑ **Strong cashflow**
- ❑ **Interim dividend of 5 cent**
- ❑ **High level of corporate activity**

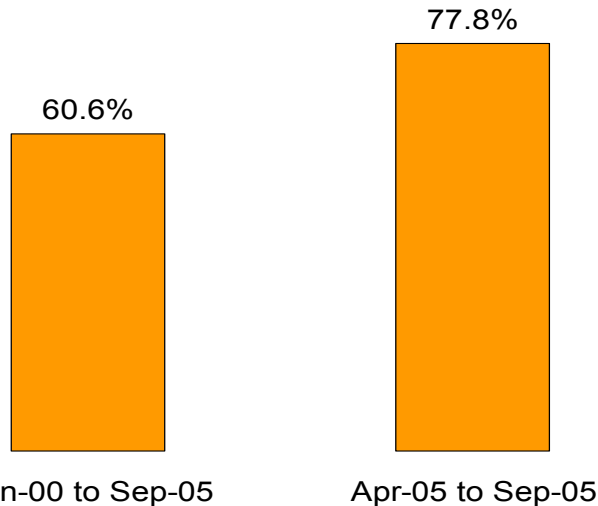
- ❑ Successful rights issue at 135 cent to fund the €420 million acquisition of Meteor, 99%+ take-up.
- ❑ Waiting for clearance from the Irish Competition Authority (ICA), all other outstanding matters cleared.
- ❑ If cleared in Phase 1 should know by end November, if Phase 2 more likely Feb-March.
- ❑ Meteor continues to grow aggressively in pre and post paid customers and is performing ahead of target
- ❑ 3G update.

- ❑ eircom has received a preliminary approach from a potential offeror that may or may not lead to an offer being made for the Company
- ❑ The company will advise the market on developments at the appropriate time and as permitted/directed by regulation and law.
- ❑ We are making no further comment on this today.

- ❑ **Maintain leadership in the fixed line sector**
- ❑ **Capture value in the mobile sector**
- ❑ **Position eircom for potential convergence opportunities**

## Winback

(Winback as % of gross losses)



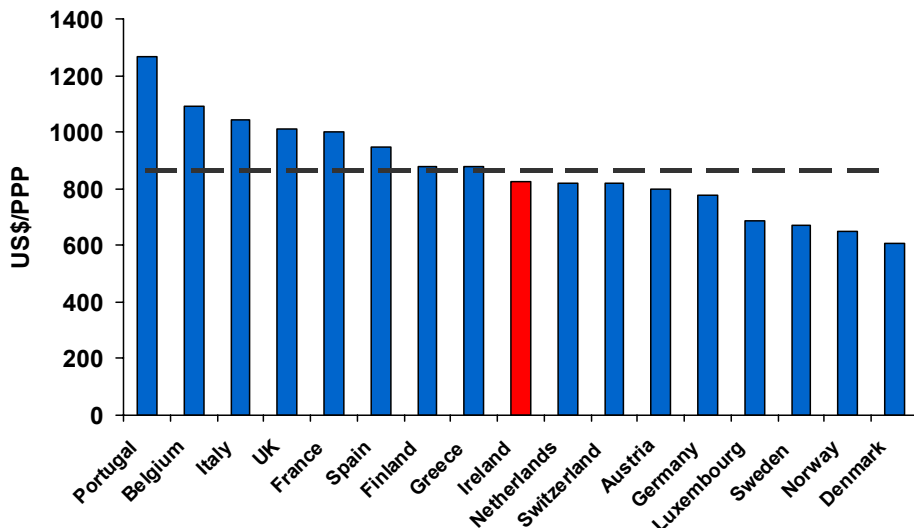
Source: Company estimates

To end September 2005	Winback success
Gross losses YTD	(95,697)
Winbacks YTD	74,450
Net losses YTD	<u>(21,247)</u>

## Competition for market share

- **Competitive marketplace features**
  - ➔ main competitors actively selling WLR with approx. 152k wholesale PSTN lines and 29k wholesale ISDN lines at end of Sep-05 (114k at end of Mar-05)
  
- **eircom's response through winback & customer acquisition programmes**
  - ➔ Talktime Anytime (launched on 3-May-05) driving strong winbacks
    - winbacks at 77.8% YTD to September
  - ➔ customer acquisition programme continues to deliver access growth:
    - 18k sales in H1 2005/06
    - cross-selling with broadband
  
- **Traffic minute market share estimated at 70.1% at end Q2 2005/06 (70.8% at end Mar-05)**
  - ➔ reduction reflects net losses from CPS or WLR
  - ➔ highlights importance of winback activities

ComReg Benchmark: OECD Business Basket (Nat)



Retail pricing is below average for EU 15

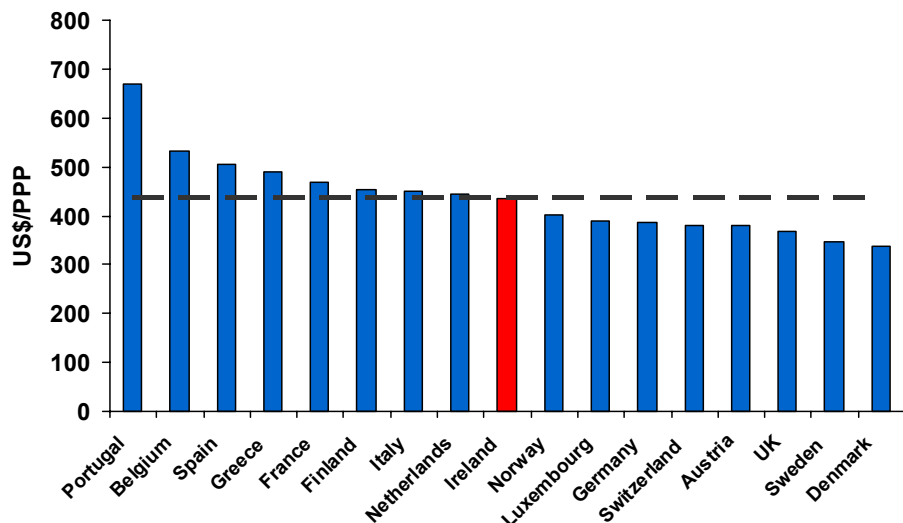
Price rebalancing completed  
 ➔ Sustains pricing strategy

New Price Cap proposed for 2006-09

➔ CPI minus zero

➔ Line rental at CPI minus CPI for first year

ComReg Benchmark: OECD Residential Basket (Nat)

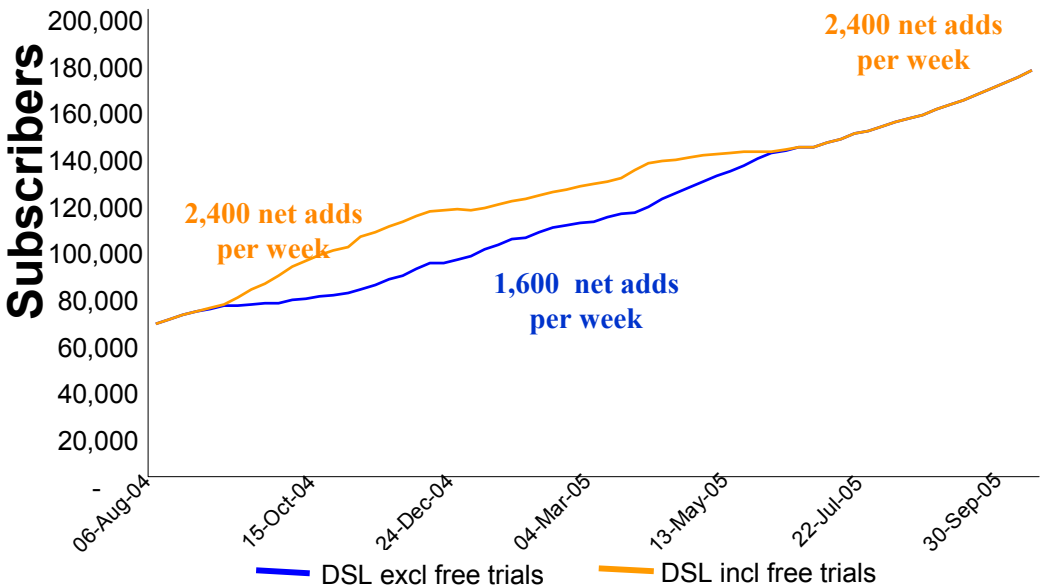


Bundles introduced:  
 ➔ Talktime Anytime

Well positioned to embrace the VOIP opportunity

➔ low call charges reduces exposure

## DSL line base: showing consistent growth



### □ Capturing market opportunity

- ➡ ~184k customers as at 10th Nov
- ➡ ~78% retail sector share

### □ Reiterate target of 500,000 subscribers by December 2007

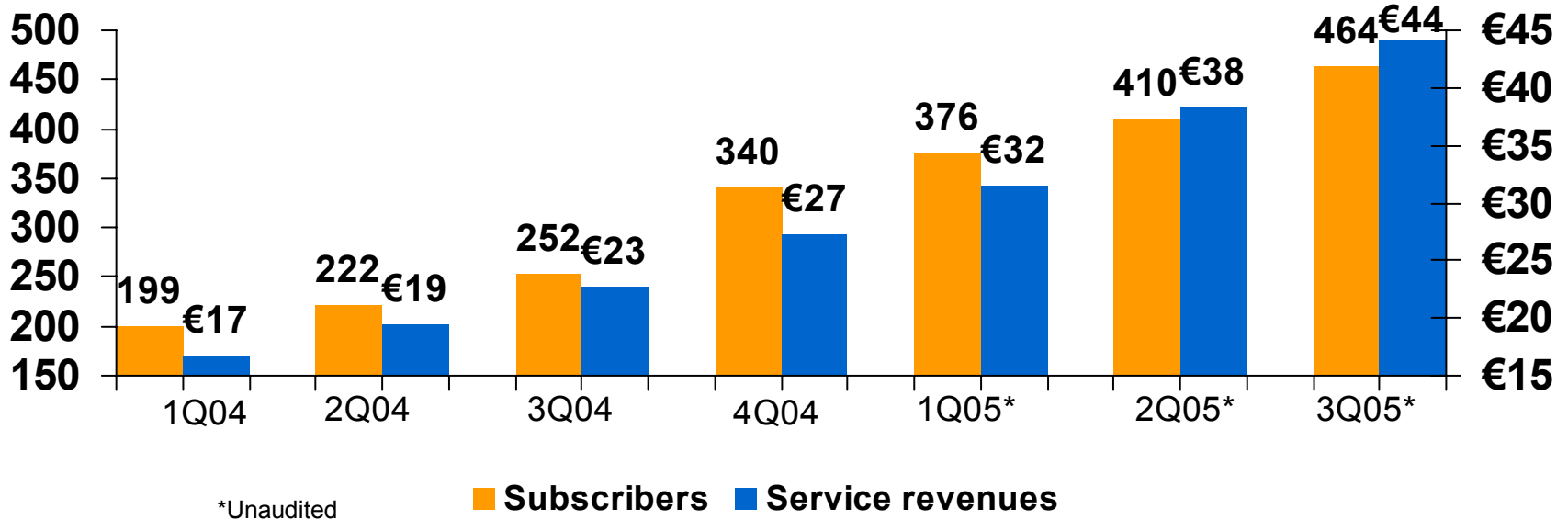
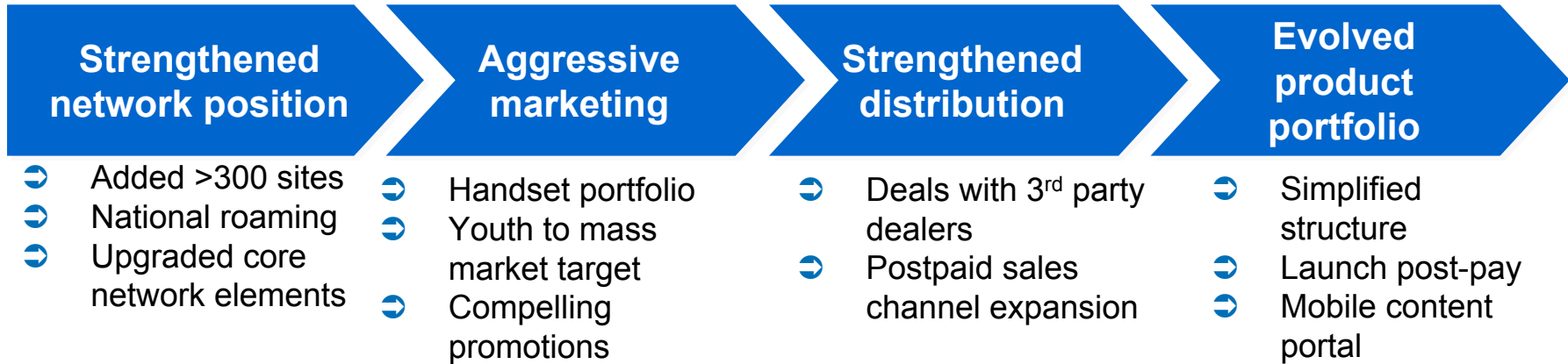
Broadband and internet revenue				
€m	Mar-04	Mar-05	H1 04/05	H1 05/06
Dial up traffic	113	96	51	45
DSL	17	55	20	42
	<b>130</b>	<b>151</b>	<b>71</b>	<b>87</b>

# Meteor update

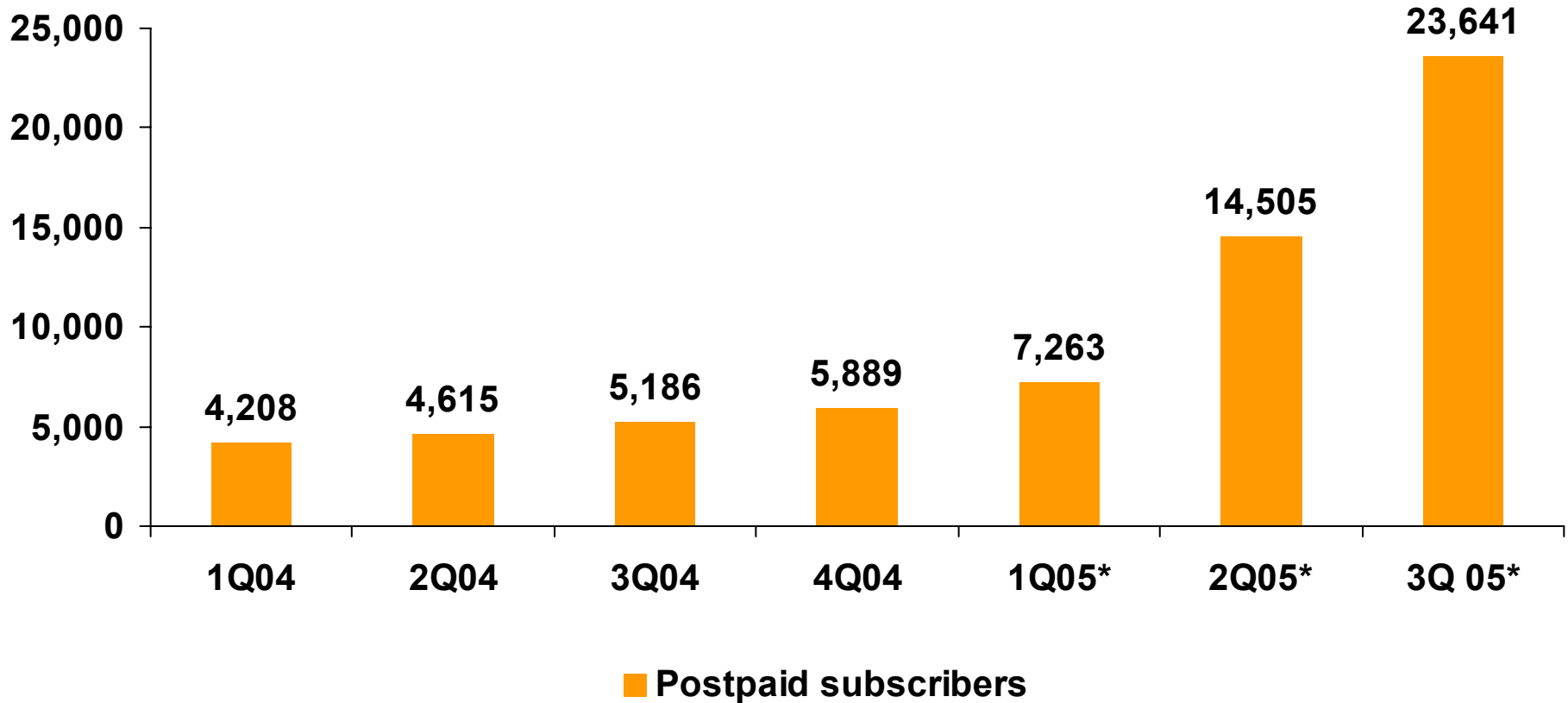


eircom

# Foundation for Meteor's recent success



(Subscribers in 000s, € in millions)



\*Unaudited

# Financial overview



eircom

# Half year September 2005

Under international financial reporting standards



- ❑ Revenue flat at €802 million.
- ❑ EBITDA of €298 million, a margin of 37%.
- ❑ Property disposal profits of €47 million, cash received of €59 million
- ❑ €115 million of cash outflow for capital investment in the half year focused on increasing capacity, demand growth and DSL roll-out.
- ❑ DSL customers increased to 164,000 at 30 September 2005, 184,000 customers as of 10 November 2005.
- ❑ €89 million cash inflow in the half year, after interest and dividend payments of €105 million.
- ❑ Successful rights issue of €420 million to acquire Meteor, 99%+ take up.
- ❑ Interim dividend of 5.0 cents approved by the board on 14 November with a payment date of 23 December. The share will go ex-dividend on 23 November, 2005 and the record date is 25 November, 2005.

# Income statement for half year

	Sep-04 €m Quarter	Sep-05 €m Quarter	Sep-04 €m Half year	Sep-05 €m Half year
<b>Revenue</b>	<b>399</b>	<b>403</b>	<b>800</b>	<b>802</b>
Operating costs before depreciation & restructuring programme costs	(252)	(268)	(503)	(532)
Depreciation	(77)	(68)	(154)	(137)
Restructuring programme costs	(6)		(54)	-
Profit on disposal of property		1	-	47
<b>Operating profit</b>	<b>64</b>	<b>68</b>	<b>89</b>	<b>180</b>
Finance costs - net	(30)	(30)	(61)	(65)
Share of associates profit	-	-	-	-
<b>Profit before tax</b>	<b>34</b>	<b>38</b>	<b>28</b>	<b>115</b>
Tax	(5)	(7)	(5)	(24)
<b>Profit for year</b>	<b>29</b>	<b>31</b>	<b>23</b>	<b>91</b>
EBITDA before restructuring programme costs, non-cash pension charge and profit on disposal of property	<b>150</b>	<b>149</b>	<b>304</b>	<b>298</b>
Percentage change		-1%		-2%

# Revenue breakdown

	Sept-04 €m Quarter	Sept-05 €m Quarter	Sept-04 €m Half year	Sept-05 €m Half year
Access: rental & connections	124	126	249	252
ADSL	13	23	20	42
<i>% growth</i>		9%		9%
Traffic and Data Communications	206	193	419	389
<i>% growth</i>		(6)%		(7)%
<b>Total Access, Traffic and Data</b>	<b>343</b>	<b>342</b>	<b>688</b>	<b>683</b>
<i>% growth</i>		(0)%		(1)%
Interconnect/Other	79	88	154	171
<b>Gross turnover</b>	<b>422</b>	<b>430</b>	<b>842</b>	<b>854</b>
Discounts	(23)	(27)	(42)	(52)
<b>Total turnover</b>	<b>399</b>	<b>403</b>	<b>800</b>	<b>802</b>
<i>% growth</i>		1%		-

← Access revenue increased due to increased demand for ADSL and bitstream.

← Traffic and data revenue decreased due to decline in volumes and migration of data users to ADSL.

← Interconnect revenue increased due to growth in transit revenue and higher foreign terminating revenue.

# Volume trends in the half year

	At Sept 2004	At Sept 2005	% Change
<b>Access - thousands of channels:</b>			
- PSTN/ISDN	1,925	1,806	-6%
- DSL	83	164	98%
- Wholesale line rental (PSTN/ISDN)	34	181	432%
<b>Total access channels ('000)</b>	<b>2,042</b>	<b>2,151</b>	<b>5%</b>
<b>Leased lines</b>	<b>26,859</b>	<b>25,508</b>	<b>-5%</b>
	Sept 2004	Sept 2005	% Change
<b>Traffic - millions of minutes:</b>			
Voice traffic	3,337	3,071	-8%
Data traffic	2,652	2,258	-15%
<b>Total retail traffic minutes (m)</b>	<b>5,989</b>	<b>5,329</b>	<b>-11%</b>
<b>Interconnect services minutes (m)</b>	<b>3,813</b>	<b>4,528</b>	<b>19%</b>
<b>Total Retail and Wholesale minutes (m)</b>	<b>9,802</b>	<b>9,857</b>	<b>1%</b>

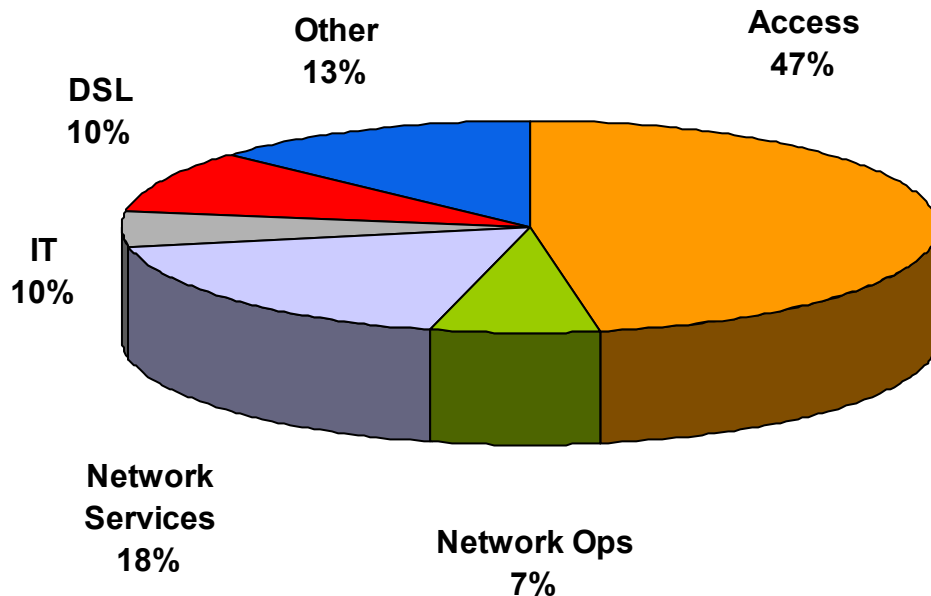
- ← Total channels have increased year on year.
- ← Partly due to increased demand for DSL.
- ← Retail lines are dropping however as lines transfer to WLR.
- ← Leased lines numbers are falling and customers are migrating to higher bandwidth.
- ← Some market share loss and migration to mobile/DSL.
- ← Interconnect minutes are increasing, due to increases in transit and foreign terminating traffic.

Other operating costs	Sept-04	Sept-05	Sept-04	Sept-05
	€m	€m	€m	€m
	Quarter	Quarter	Half year	Half year
Staff costs	89	90	175	172
Non Cash pension charges	3	14	7	28
<b>Total staff costs</b>	<b>92</b>	<b>104</b>	<b>182</b>	<b>200</b>
Payments to telecommunications operators	74	80	151	158
Purchase of goods for resale, commission and related costs	21	21	41	44
Materials & services	14	10	26	21
Other network costs	7	7	14	14
Accommodation	12	14	26	28
Sales & marketing	9	10	17	21
Transport & Travel	4	4	9	9
IT	4	3	8	6
Miscellaneous	15	15	29	31
<b>Other operating costs</b>	<b>160</b>	<b>164</b>	<b>321</b>	<b>332</b>
<b>Total operating costs before depreciation and restructuring programme costs</b>	<b>252</b>	<b>268</b>	<b>503</b>	<b>532</b>
<b>% change</b>		7%		6%

# High cash conversion over the half year

<i>eircom</i> group consolidated cash flow	Half year ended Sept '05 €m
<b>EBITDA before restructuring programme costs and non-cash pension charges</b>	<b>298</b>
Restructuring & exceptional costs	(14)
Working capital movement	(31)
<b>Cash flow from operations</b>	<b>253</b>
CAPEX	(118)
Receipts from disposal of fixed assets	59
Interest paid (net)	(50)
Tax	(1)
Restricted cash	1
Dividend payments	(55)
<b>Net cash flow</b>	<b>89</b>
Opening cash 31 March 05	388
<b>Closing cash at 30 Sept 05</b>	<b>477</b>

- ❑ Our business generated over €105 million cash in the quarter excluding interest and dividend payments.
- ❑ A total of €89 million cash generated in the half year.
- ❑ Cash flows in this quarter affecting the trend
  - ➔ interest payments €41m
  - ➔ dividend €55m
  - ➔ working capital (VAT €61m)
  - ➔ Property proceeds €59m
- ❑ Closing cash balance of €477 million at the end of September 2005 prior to rights issue receipts.



Note:

- Access includes service and household growth and renewal
- Network services includes Switching, transmission and data services

- c. €200m to €220m per year for operations
- 3 year rolling programmes
- Focus on network renewal, maintenance and improvement, to support DSL and improve network quality
- Property capex taken separately
- Cash outflow on Capex €115m in the half year. Capital expenditure incurred €94m year to date, the difference is due to timing of payments.

# Debt profile under IFRS

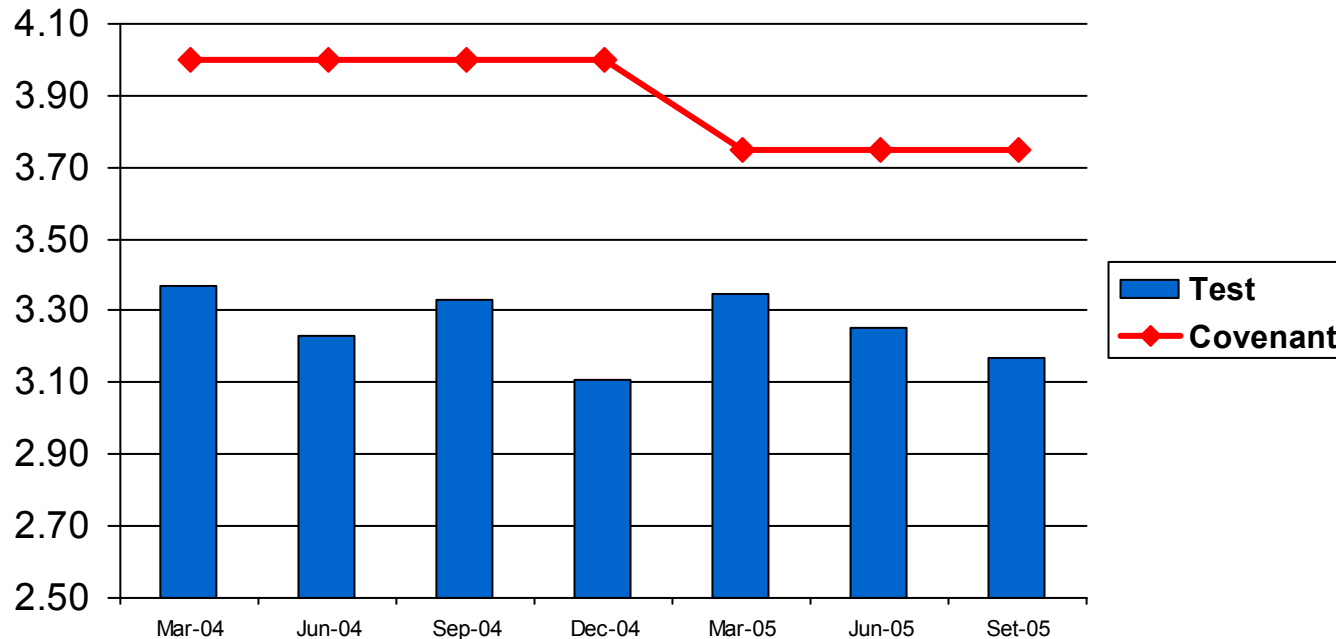
As at	March '05 €m	Sept '05 €m
<b>Bonds</b>	1,060	1,060
<b>Term loans</b>	1,250	1,250
<b>Overdrafts &amp; other</b>	0	0
	<hr/>	<hr/>
	2,310	2,310
<b>Preference shares</b>	0	145
<b>Derivatives financial instruments pre interest rate hedge</b>	0	28
<b>Finance leases</b>	127	139
	<hr/>	<hr/>
<b>Total debt</b>	2,437	2,622
<b>Cash on hand</b>	(389)	(477)
	<hr/>	<hr/>
<b>Net total debt(1)</b>	<b>2,048</b>	<b>2,145</b>
<b>Fixed interest proportion (2)</b>	68%	71%

**Preference share capital (€145 million) being reclassified under IFRS as debt**

**Notes:**

1. *Net debt is shown excluding capitalised debt issue costs of €41m 31 March 2005 and €39 m 30 September 2005.*
2. *Fixed interest proportion includes amounts hedged*

## Net debt / Adjusted EBITDA



- ❑ **Credit statistics - covenant levels well within target**
  - ➔ Net Debt / Adjusted EBITDA of 3.17 (*covenant 3.75x*)
  - ➔ Adjusted EBITDA / Net Interest of 4.94 (*covenant 4.0x*)
  - ➔ Senior debt / Adjusted EBITDA of 2.97 (*covenant 3.4x*)
- ❑ **The bank covenants are tested under UK Gaap at the Valentia Telecommunications company level**

# Concluding remarks



eircom

- Return to the mobile market**
- Successful rights issue**
- Continued broadband growth**
- Solid operating performance**
- Strong cashflow**
- Interim dividend of 5 cent**
- High level of corporate activity**

# Additional Information

## Investor Relations Contacts

Jennifer Creevey  
eircom Group plc  
Block A  
113-114 St Stephens Green  
Dublin 2  
Ireland

Ph: +353 1 701 5107

Fax: +353 1 679 9891

Email: [investor.relations@eircom.ie](mailto:investor.relations@eircom.ie)

Website: [www.eircom.ie/ir](http://www.eircom.ie/ir)