

eircom Group plc

Quarter three & nine months results to 31 December
2004

8th February 2005



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 Philip Nolan - CEO



eircom

- ❑ **Adjusted EBITDA* up 3% to €465 million**
- ❑ **Operating profit before restructuring programme costs and exceptional operating costs up to €195 million**
- ❑ **Turnover continues ahead of plan**
- ❑ **Broadband rollout continues apace - c.114,000 DSL lines by end December**
- ❑ **€146 million of capital investment in the first nine months**
- ❑ **Accelerated ongoing restructuring programme costs of €57 million**
- ❑ **Interim dividend of 5 cent per share paid in December**

* Adjusted EBITDA is EBITDA before exceptional operating costs, pension amortisation and restructuring programme costs

- ❑ **Introduction of further packages to defend market share in the core business**
- ❑ **New broadband target set of 500,000 by December 2007 - this is equivalent to penetration of 30% of all households in Ireland**
- ❑ **Continuing discussions with mobile operators on an entry strategy**
- ❑ **Spending on convergence trials**

Nine months financial highlights

	9 months ended		Percentage
	Dec '03	Dec '04	Change
Turnover	1,227	1,203	(2)%
Gross profit	911	919	1%
Operating costs before restructuring programme costs, exceptionals, depreciation and goodwill amortised	473	466	(1)%
EBITDA before restructuring programme costs and exceptionals	438	453	3%
Adjusted EBITDA before restructuring programme costs, pension amortisation and exceptionals	450	465	3%
Operating profit before restructuring programme costs and exceptionals	95	195	105%
Capital expenditure cash outflow	151	146	(3)%
Net debt excluding capitalised fees	2,184	1,915	(12)%

Nine months operational highlights

	Nine months ended	
	Dec '03	Dec '04
Gross margin	74%	76%
EBITDA margin	36%	38%
Adjusted EBITDA margin	37%	39%
Operating Margin before restructuring programme costs	8%	16%

	Nine months ended		Percentage Change
	Dec '03	Dec '04	
Total access channels ('000)	1,984	2,082	5%
Retail traffic minutes (millions)	9,859	8,790	(11)%
Wholesale minutes (millions)	5,237	5,847	12%
Average headcount	8,380	7,669	(8)%
Period-end headcount	8,191	7,444	(9)%

Nine months revenue movement ...

Nine months ended Dec '04	
€m	
Core:	
- Voice & other traffic	(46)
- Mobile termination charges **	(8)
- Access: PSTN & ISDN	26
DSL	28
	0
Other:	
- Interconnect revenue	(12)
- Traffic & Leased Line discounts	9
- DSL discounts	(8)
- Other: <i>Leased Lines & ISP</i>	(13)
	(24)
Overall revenue reduction	(24)
** re Calls to mobile	

- Significant reduction in traffic compensated for by access tariff rebalancing and DSL
- Large voice traffic losses, data moving to broadband
- Increases in origination and termination wholesale volumes offset by reductions in low margin transit traffic

Traffic revenue falling...

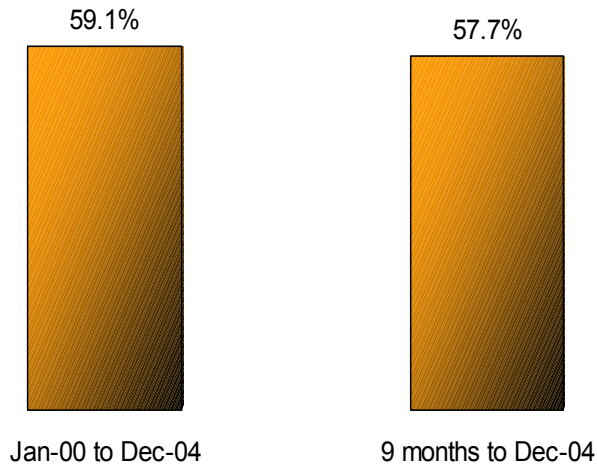
<i>Revenue movement YOY</i>	Nine months ended Dec '04 €m
Traffic:	
- Voice traffic	(42)
- Data traffic	(12)
	<hr/>
	(54)
	<hr/>
- due to price	(11)
- due to data volumes	(11)
- due to voice volumes	(32)
	<hr/>
	(54)
	<hr/>

<i>Retail traffic revenue movement</i>	Nine months ended Dec '04 €m
Gross reduction in traffic revenue	(54)
Due to reduction in mobile termination charges	8
Reduction in discounts	9
	<hr/>
Pure reduction in traffic revenue	(37)
	<hr/>

- ❑ Retail traffic volumes down by c. 11% compared to same period last year
- ❑ We estimate that market volumes have dropped by approx. 6.7% ...
- ❑ ... while eircom's market share has fallen by 6.1percentage points (Mkt share 71.5% end of December '04)
- ❑ We are seeing displacement of dial-up internet minutes to DSL and other flat rate internet packages

Winback

(Winback as % of gross losses)



Source: Company estimates

Competition for market share

Competitive marketplace features

- ➔ Large number of OAO's, resellers and brokers
- ➔ Wholesale Line Rental activity by our competitors has increased - approx. 76,000 lines had transferred to other operators by the end of December. All of our main competitors are actively engaged in selling WLR

eircom's winback response

- ➔ Talktime discount has helped to drive strong winbacks
- ➔ High sales conversions of Inbound Calls from Talktime marketing campaign
- ➔ Successful deployment of Feet on the Street (FOTS) agents to increase door to door sales and target WLR activity

eircom's traffic minute market share is now approx. 71.5%

To end December 2004:		Winback success
Gross losses ytd		(173,000)
Winbacks ytd		100,000
Net losses ytd		(73,000)

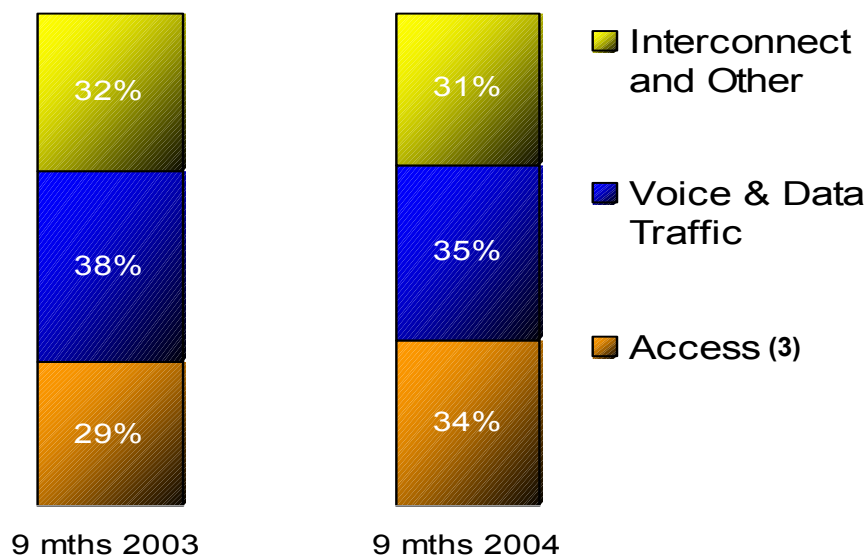
- ❑ **Launched on 1 June (following 3 week pre-launch campaign)**
 - ➔ Provides customers with a range of residential and business phone packages. Standard line rental bundled with:
 - call minute allowances
 - add-on phone services

- ❑ **The products have been well received.**
 - ➔ Over 200,000 packages sold by end December 2004, (c. 205,000 by 20 January 2005)
 - ➔ Almost 102,000 of these customers purchased an add-on service
 - ➔ c. 84% of packages sold to the Residential market
 - ➔ Further Talktime promotions being launched this month

Change in revenue mix drives gross margin expansion

Revenue breakdown (1)

(% total of turnover)

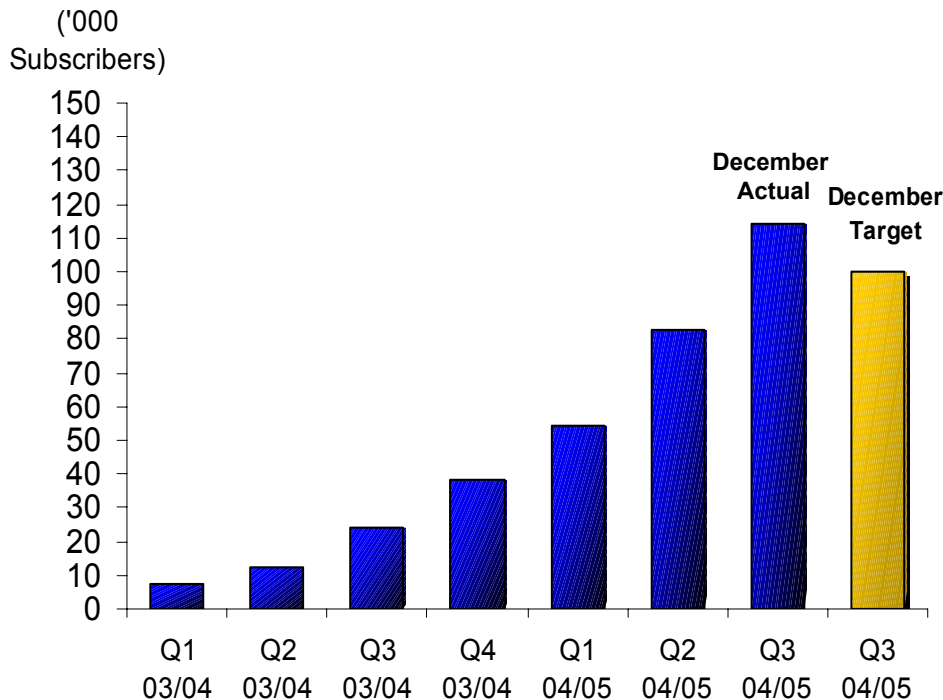


Revenue (€m)	1,227	1,203
Gross Margin (%) (2)	74	76

Notes:

- ¹ Discounts allocated to voice, traffic and data revenues
- ² Gross margin on continuing operations adjusted for intragroup costs of discontinued businesses
- ³ Access includes ADSL and Bitstream revenue

DSL take up and targets



- **Capturing market opportunity**
 - ➔ Approx. 117k* subscribers week ending 4th February
 - ➔ ~77% Retail market share
 - ➔ Penetration rate of 6%
 - ➔ End December target met 6 weeks early
- **Making DSL available**
 - ➔ Over 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
 - ➔ Aug ~ Dec 04: Free trial promotion
 - ➔ Oct ~ Dec 04: PC promotion
 - ➔ Further offers likely

- ❑ **500,000 users by December 2007**
- ❑ **Very aggressive target - represents some 30% of all households in the country**
- ❑ **Target could be reached earlier, subject to:**
 - ➔ regulatory support for our investment
 - ➔ positive government approach to our investment
 - ➔ increases in PC penetration
 - ➔ market development

Fixed and mobile regulation

Contrast of Regulatory Environment - Mobile Operators vs eircom		
Regulatory Remedy	Mobile Operators	eircom
Access to and use of networks	Yes	Yes
Transparency	Yes	Yes
Non-discrimination	Yes	Yes
Cost-Orientation	Yes*	Yes
Accounting Separation	Yes*	LRIC + CCA + HCA
USO obligation	No	Yes
Designated rate of return	No	11.50%
Selling Codes of Practice	No	Yes
No-contact period for lost customers	No	Yes
Publication of intended price changes	No	Yes
Wholesale equivalent products	No	Yes
Provide Carrier Select and Carrier Pre-Select	No	Yes
Cannot by-pass MTR using Mobile Gateways	No	Yes
<i>*These remedies may be enforced if commercial negotiations fail</i>		

Fixed markets seeing rollover of existing regulatory obligations: unbundling focus

Unbundling:

- ➔ Fixed Markets see rollover of existing obligations: unbundling focus
- ➔ LLU well above EU average and index-linked
- ➔ WLR at Retail minus 10%
- ➔ Line Share proposals to be challenged

Interconnect:

- ➔ RIO rates: marginal decrease in 2003/04
- ➔ RIO Market Review consultation: opportunity for legal review

Upcoming:

- ➔ negotiations to begin on renewal of the price cap in 2006
- ➔ light regulation on broadband may be reviewed

- ❑ We continue to explore opportunities in the mobile arena
- ❑ Regulator has issued decision on the mobile market in Ireland:
 - ➔ Vodafone and O2 have joint dominance with 94% of the market
 - ➔ Proposed remedy: MVNO access on commercial terms - if this is not forthcoming, remedies include requirements for cost orientation, accounting separation etc
 - ➔ Decision endorsed by EU Commission
 - ➔ Mobile operators will challenge this decision
- ❑ We will continue to have discussions with network operators on MVNO opportunities
- ❑ ... and would anticipate better commercial clarity from them going forward
- ❑ Our enthusiasm for this market remains strong, and we see technology convergence as an increasing opportunity

Peter E. Lynch - CFO



eircom

Nine months historical revenue breakdown

	Dec '03 €m	Dec '04 €m
Access: rental & connections	350	376
DSL	10	38
% growth		15%
Traffic and Data Communications	685	618
% growth		(10)%
Total Access, Traffic and Data	1,045	1,032
% growth		(1)%
Interconnect/Other	246	234
Gross turnover	1,291	1,266
Discounts	(64)	(63)
Total turnover	1,227	1,203
% growth		(2)%

DSL revenue shown gross. Discounts include €10 million incurred to acquire DSL customers

Nine month historical operating performance

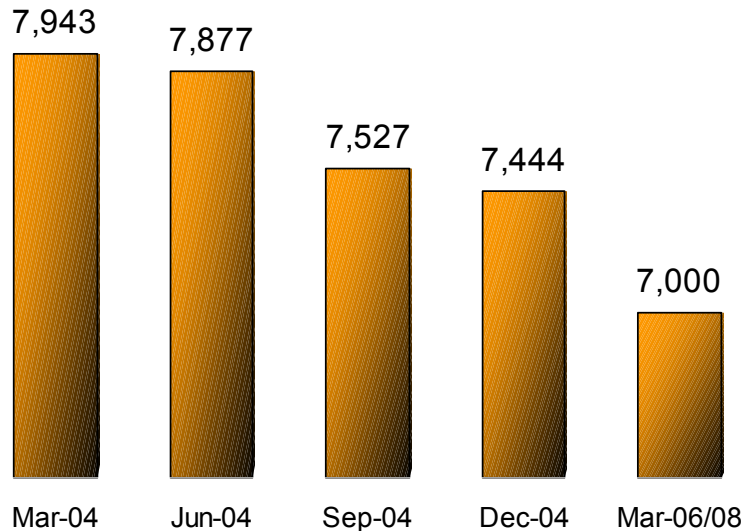
	Nine months ended	
	Dec '03	Dec '04
	€m	€m
Turnover	1,227	1,203
Gross profit	911	919
<i>Gross margin %</i>	74%	76%
Adjusted EBITDA *	450	465
<i>Adjusted EBITDA margin %</i>	37%	39%
Capex	151	146
<i>Capex % revenue</i>	12%	12%
Operating profit before restructuring	95	195
Charge for restructuring		(57)
Exceptional operating costs	(20)	
Operating profit after restructuring	75	138

Notes:

- *Adjusted EBITDA is EBITDA from continuing operations before exceptional operating costs, restructuring programme costs and pension amortisation*

Headcount Evolution

(Number of employees)

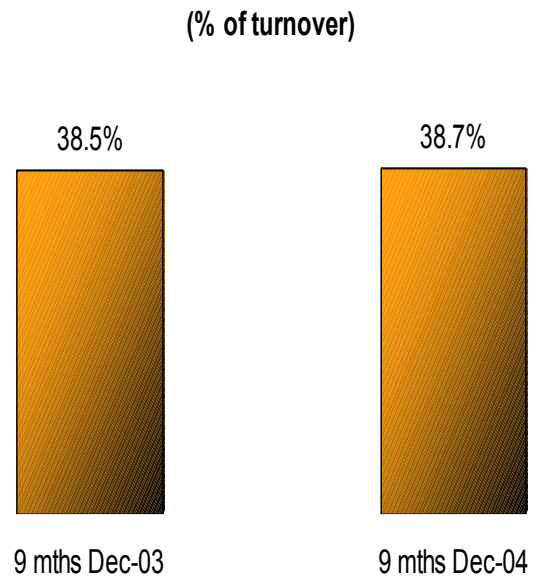


- ❑ Substantial progress made to date, further reductions planned and launched
- ❑ Headcount target of 7,000 by March 2008 or sooner
- ❑ Voluntary Leaving programmes are ongoing
- ❑ 499 people have left the organisation since 31 March
- ❑ €140M over 4 years to reduce headcount by 1,000. *eircom* has moved early in tackling this objective
- ❑ Approximately 600 VL planned for this year

Cost control - nine month opex is stable year on year



Opex (Note)

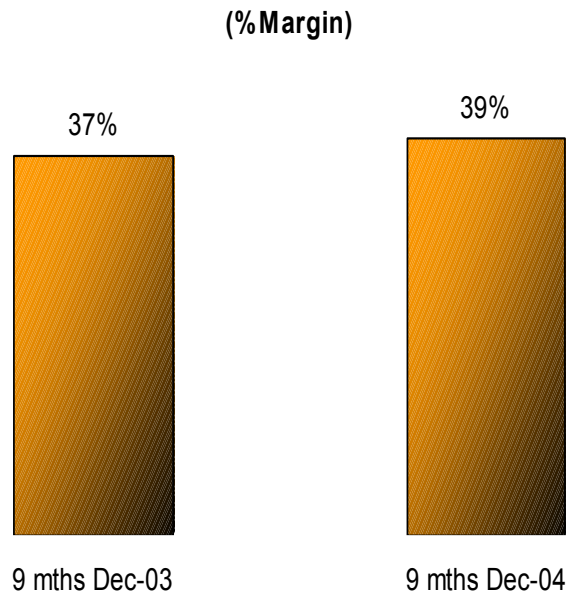


€m	473	466
----	-----	-----

- Seeing reduced materials & services spend and increased marketing (DSL promotions)
- Cost consciousness objective restated for 2005
- Outsourcing in scope - part of call centre activity to transfer to third party in Q4 (c. 200 staff)
- Office consolidation continues

Notes:
• Before restructuring programme costs

Adjusted EBITDA



€m

450

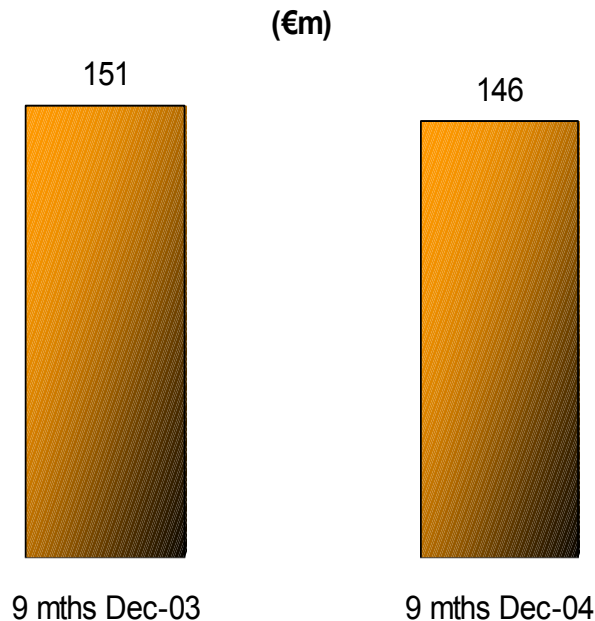
465

- **Margin improvement continues**
- **Higher margin targeted**
 - ➔ Gross margin improvement
 - ➔ Workforce restructuring to continue
 - ➔ Non pay cost reductions to be progressed

Note:

1. Adjusted EBITDA is EBITDA from continuing operations before exceptional operating costs, restructuring programme costs and pension amortisation

Historical Capital Expenditure



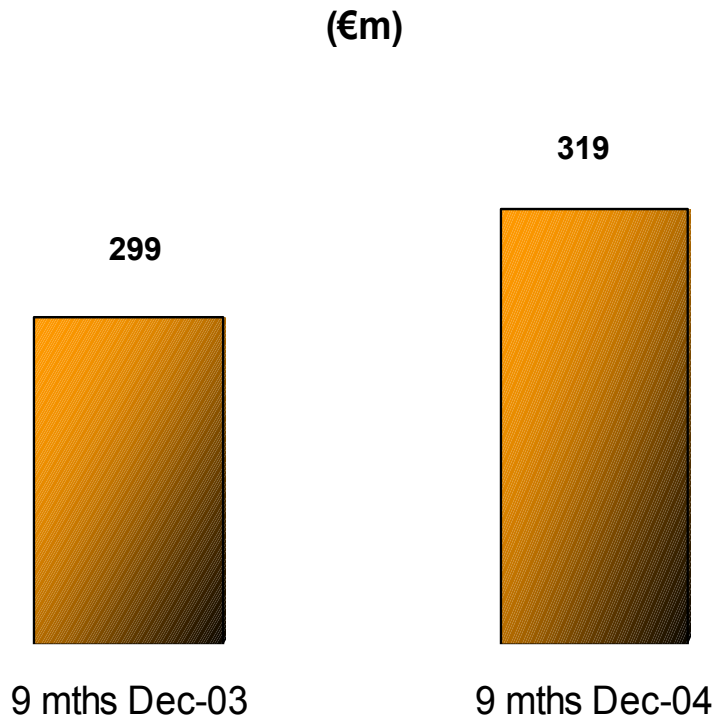
% Sales

12.3

12.1

- ❑ **€1.3 Bn invested since 2001**
- ❑ **Investing at 12% of sales**
 - ➔ c. €200m per year for operations
 - ➔ In line with EU average
 - ➔ targeted 3 year programmes
 - ➔ Focus on network renewal, maintenance and improvement, to support DSL and improve network quality

Adjusted EBITDA – Capex ⁽¹⁾



- ☐ **Strong cash flow available for**
 - ➔ interest payments
 - ➔ dividends
 - ➔ voluntary leaver payments
 - ➔ de-gearing

Notes:

1. *Adjusted EBITDA is EBITDA from continuing operations before exceptional operating costs, restructuring programme costs and pension amortisation*

	March '04 €m	Sept '04 €m	Dec '04 €m
Bonds(1)	1,060	1,060	1,060
Term loans(2)	1,250	1,250	1,250
Overdrafts & other	1	1	1
Total debt	2,311	2,311	2,311
Cash on hand	(352)	(320)	(396)
Net total debt(3)	1,959	1,991	1,915
<i>Fixed interest proportion</i>	<i>68.0%</i>	<i>67.5%</i>	<i>67.5%</i>
<i>Blended interest rate</i>	<i>5.6%</i>	<i>5.6%</i>	<i>5.6%</i>

NB: Fixed interest proportion includes amounts hedged

Increase in net debt at September was due to cash outflow, primarily for payment of tax liability on Golden Pages exit (€38m), as well as additional spending on restructuring

Notes:

1. Unsecured high yield notes, maturing 2013, fixed interest rates
2. Secured loan, maturing in 5 years; interest @ IBOR + 1.5%; €500m swapped to fixed interest rate
3. Net debt is shown inclusive of debt issue costs of €42m that have been deducted from the total in arriving at net debt in the financial statements (Accounting requirement)

- ❑ **Net total debt of €1.92 Bn** (*incl. Issue costs*)
High level of fixed debt (67.5%)

- ❑ **Credit statistics - covenant levels well within target**
 - ➔ Net Debt / Adjusted EBITDA of 3.21x (*covenant 4.0x*)
 - ➔ Adjusted EBITDA / Net Interest of 4.79x (*covenant 3.25x*)
 - ➔ Senior debt / Adjusted EBITDA of 2.58x (*covenant 3.5x*)

- ❑ **The company has commenced dividend payments as indicated at the IPO - interim ordinary and half year preference dividends totalling €53 million were provided for and paid in December**
- ❑ **After this, and after charging restructuring programme costs of €57 million, the Group still has a distributable buffer of well in excess of €200 million at December 2004**
- ❑ **At 31st March 2004 the group had a pension deficit of €256 million, which under IAS 19 is permitted to be charged against profits over several years. This will reduce the volatility of reserve movements**
- ❑ **Triennial pension review as at 31 December 2004 is currently under way**

Dr Philip Nolan - CEO



eircom

- ❑ **Solid results - adjusted EBITDA and operating profit for the quarter and 9 months have increased**
- ❑ **Access and DSL growth are compensating for the reduction in traffic revenues**
- ❑ **VL programmes launched. Approximately 499 people have left the organisation since March**
- ❑ **Costs and CAPEX under control**
- ❑ **Broadband rollout is continuing - 114,000 connections by 31 December 2004 ...**
- ❑ **... we are now tracking new target of 500,000 broadband lines - over 30% of homes - by 2007**
- ❑ **Continuing investigation of opportunities in the mobile arena - convergence is increasingly coming into play**
- ❑ **Good cash position, interim dividend of 5 cent per share paid in December**