THIRD QUARTER AND NINE MONTHS RESULTS ANNOUNCEMENT
31 MARCH 2014

- **Financial results continue to stabilise in the third quarter**
  - **Underlying Q3 EBITDA[1] of €119 million flat on prior year[2]**
  - **One-off network repair costs of €10 million due to unprecedented winter storms**
  - **Revenue decreases 5%[2] to €315 million**
  - **Operating costs[3] down by 2%[2], €100 million target achieved**
  - **Group broadband base grows 6%, fourth consecutive quarter of growth**
  - **Post-paid penetration of mobile base increases 8 percentage points to 39%**
- **Ireland's largest fibre network passes 800,000 premises[4]**
- **4G rollout reaches 50% population coverage ahead of schedule**
- **Only operator with quad play capability**
- **Working with advisors to explore options to further strengthen company's financial position**

(Issued Wednesday 28 May, 2014) eircom Group today announced results for the third quarter and nine months ended 31 March 2014.

Commenting on today's announcement, Herb Hribar, CEO eircom Group, said: "Our third quarter and nine month results highlight continued stabilisation in our underlying bottom line and progress on cost reduction. However, due to a series of unprecedented storms during January and February, we incurred €10 million in one-off costs to repair faults on our network that reduced our reported EBITDA during the quarter.

"Our significant programme of investment continued, and at the end of March 2014 the fibre footprint had passed 800,000[4] homes and businesses. We are on track to pass 1,000,000 premises during summer 2014 and 1,400,000 premises by 2016, which will provide 70% of all homes and businesses in Ireland access to high speed broadband. During the quarter, eircom became one of the first operators in Europe to deploy vectoring technology, which enables broadband speeds of up to 100Mb/s. We are starting to see the benefit of our investments with some 103,000 customers already taking up our high speed broadband services at the end of March, representing a 13% penetration of the 800,000 premises passed. Our 4G roll out is ahead of schedule and now covers 50% of the population in Ireland. Our investment in converged billing platforms enables us to be the only operator to offer a 'quad play' of services, including TV on a single bill.

Finally, the Irish macro economy continues to provide a positive backdrop for the business."

Commenting on the results, CFO Richard Moat said "The Group generated underlying EBITDA[1] of €119 million for the quarter to 31 March 2014, which is broadly in line with our expectations and the prior year, and demonstrates continued stabilisation in business performance. Reported EBITDA of €109 million included €10 million of network repair costs and as a result reduced by 8% compared to the same period in the prior year[2]. The Wholesale segment continues to perform strongly and year to date has gained an equivalent of 84% of Retail access losses. Mobile revenue is stabilising and the profitability of the mobile business continues to improve increasing by €4 million compared to the prior year quarter. The quality of the customer base also continues to improve and at the 31 March 2014 39% of our base comprised of postpaid customers (including mobile broadband), an increase from 31% in the prior year.

[1] Underlying Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items **excluding €10 million of storm costs** booked in the quarter in relation to a series of unprecedented storms which caused significant damage to the fixed line network

[2] Prior year comparatives have been adjusted to exclude the results of Phonewatch which was disposed of in May 2013.

[3] Operating costs are cost of sales, pay and non pay costs excluding non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items (includes storm costs of €10 million)

[4] Premises passed is defined as the number of premises in areas where the construction of the fibre network has been completed but service may not be available in all these areas as yet.

“Our programme of cost transformation continues. To date, 1,747 employees have exited the Group since 1 January 2013. A further 200 employees will leave the business by the end of December 2014. In addition to delivering cost savings, these exits deliver a flexible and streamlined organisation. We have also achieved €100 million[5] in operational cost savings on an annualised basis by the 31 March 2014, three months ahead of target.

During May 2014, we received an opinion of non-compliance from ComReg in relation to procedures regarding the termination of customer contracts. While we remain fully engaged with ComReg in relation to this matter and will vigorously defend our position, we have taken a prudent approach and during the quarter to March 31 2014 made a full exceptional provision of €7 million.

Finally, following the successful outcome of the Amend and Extend process, the maturity of a significant portion of our loan facility has been extended by two years from 2017 to 2019. Together with our advisors, we are now exploring a number of strategic options with a view to further strengthening the financial position of the company.”

Trading Update[6]

Revenue for the quarter and nine months ended 31 March 2014, was €315 million and €972 million respectively, down 5% and 6% respectively, on the corresponding prior year periods. Operating costs[7], including €10 million of one-off network repair costs as a result of unprecedented storms, for the quarter and nine months ended 31 March 2014, were €206 million and €630 million respectively, down €6 million or 2% and €54 million or 8% on the corresponding prior year period.

Underlying EBITDA[8] for the quarter and nine months ended 31 March 2014 was €119 million and €352 million respectively, flat on the prior year quarter and down 1%, compared to the nine months ended 31 March 2013. Reported EBITDA, including €10 million of one-off network repair costs as a result of unprecedented storms, was €109 million and €342 million respectively, down 8% and 4% compared to the corresponding prior year periods. The Retail customer base, comprising fixed and mobile customers, stood at 1,931,000 at 31 March 2014. This includes 1,072,000 mobile customers. The total customer base including wholesale customers was 2,408,000 at 31 March 2014.

In the fixed line segment, revenues (before intra company eliminations) for the quarter ended and nine months ended 31 March 2014, were €243 million and €742 million, respectively, down 6% and 9%, respectively, compared to the corresponding prior year periods. The fixed line revenue decline was partially offset by operating cost savings. Fixed line underlying EBITDA[1] for the quarter and nine months ended 31 March 2014, was €109 million and €329 million, representing a decrease of 3% and 5% respectively, compared to the prior year periods. When adjusted for storm costs, fixed line EBITDA for the quarter ended and nine months ended 31 March 2014, was €99 million and €319 million, representing a decrease of 11% and 8% respectively compared to the prior year periods.

Fixed line access net losses, for the quarter ended and nine months ended 31 March 2014, were 5,000[9] and 10,000 respectively, compared to 15,000 and 40,000 for the same periods in the prior year. Retail losses of 19,000 and 58,000 for the quarter and nine months ended 31 March 2014, were largely offset by an increase in wholesale customers of 14,000 and 48,000 respectively.

The total Group broadband customer base[10] stood at 704,000 at 31 March 2014, an increase of 8,000 in the quarter and 41,000 in the twelve months to March 2014, which was primarily driven by the Wholesale business. The Retail broadband base grew by 1,000 in the quarter ended 31 March 2014 and broadband lines

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5 Cost savings are based on annualised Q3 FY14 costs, **excluding storm costs**, cost of sales, SAC and Phonewatch costs, compared to the financial year end June 30, 2012.

6 Prior year comparatives have been adjusted to exclude the results of Phonewatch which was disposed of in May 2013.

7 Operating costs are cost of sales, pay and non pay costs excluding non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items (includes storm costs of €10 million)

8 Underlying Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items excluding **€10 million of storm costs** booked in the quarter in relation to a series of unprecedented storms which caused significant damage to the fixed line network

9 Combined Retail and Wholesale access line losses.

10 Combined Retail and Wholesale excluding LLU and Line Share.

in the Wholesale business increased by 7,000 during the same period. Compared to the 31 March 2013, the Retail base declined by 3,000 and Wholesale grew by 44,000. At 31 March 2014, there were 103,000 Retail and Wholesale customers availing of fibre based high speed broadband services, representing a penetration of NGA premises passed of 13%.

In the mobile segment, the Group's customer numbers at the 31 March 2014 increased by 6,000 compared to 31 March 2013, to 1,072,000. There were 59,000 net additions in the higher value postpaid segment during the nine months ended 31 March 2014, and compared to 31 March 2013 the postpaid base has grown by 84,000 (includes mobile broadband). The number of postpaid customers now accounts for 39% of the overall base, an increase from 31% at the end of March 2013. The prepay customer base decreased by 19,000 to 657,000 compared to 31 December 2013; a strong Christmas performance was offset by 8,000 migrations from the prepay to the postpay base but challenges remain in relation to churn. Mobile revenues for the quarter ended and nine months ended 31 March 2014 were €83 million and €263 million respectively. Revenue for the quarter ended 31 March 2014 was flat compared to the same prior year period due to strong growth in the higher value postpay base partially offset by prepay churn and lower ARPU. Revenue for the nine months ended 31 March 2014 was down 1% compared to the nine months ended 31 March 2013. However, mobile EBITDA for the nine months ended 31 March 2014 increased to €23 million, up €14 million compared to the same prior year period.

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