

FIRST QUARTER RESULTS ANNOUNCEMENT PERIOD ENDED 30 SEPTEMBER 2014

Financial performance continues to stabilise with growth in mobile, broadband and bundles

- **Revenue of €313m, down 3% year on year, up 1% quarter on quarter**
 - **Mobile revenue up 2% year on year, second consecutive quarter of growth**
- **Operating costs down 6%; pay costs reduced by 18%**
- **EBITDA of €114m, down 6% due to planned investment in subscriber growth**
- **Group KPIs show improving fundamentals**
 - **Continued broadband growth**
 - **731,000 broadband connections, up 8%**
 - **13,000 broadband connections added in the quarter**
 - **Strong high speed fibre uptake**
 - **172,000 fibre customers**
 - **17% penetration of premises passed**
 - **Continued traction in TV service**
 - **28,000 eVision TV customers**
 - **25% penetration of consumer fibre customers**
 - **Strong mobile post pay growth and improving prepay performance**
 - **16% post pay subscriber growth**
 - **91,000 4G customers**
 - **Sustained growth in triple and quad play bundles**
 - **17% of customers now availing of triple/quad play bundles**
 - **Revenue generating units (RGUs) per customer up to 1.8**
- **Business highlights**
 - **1,000,000 fibre broadband premises passed¹**
 - **Intention to rollout 1 gigabit speeds to 66 communities**
 - **eVision on Demand and 4G prepay launched**
- **Corporate highlights**
 - **Group to proceed with the corporate reorganisation of its operating company structure**

¹Premises 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.

(Issued Friday 28 November, 2014) eircom Group today announced results for the first quarter ended 30 September 2014.

Commenting on today's announcement, Richard Moat, CEO eircom Group, said: "We have maintained our momentum in the first quarter, through focused commercial execution and continued investment in our fixed and mobile network. The rate of revenue decline has slowed significantly, an encouraging sign of stabilisation, helped by two consecutive quarters of mobile revenue growth. Our bottom line performance remains in line with expectations, following a decision to make commercial investments this quarter that will deliver long term growth.

"Our next generation fibre network has passed the one million premises milestone during the quarter, and we are on course to deliver a fibre footprint of 1,600,000 premises by June 2016, capable of supporting broadband speeds of up to 100Mb per second. We also recently announced plans to bring 1 gigabit connectivity to 66 towns across Ireland using fibre to the home (FTTH) technology, demonstrating the scalability and future-proofed design of our network investment. Mobile network capability continues to improve and has been a key driver in the transformation of our mobile customer base, which now has 41% of customers on postpay contracts. At the end of September we had 91,000 4G customers, and we have recently launched 4G services for prepay.

"eircom remains the only operator to offer quad play bundles. Our leading network capability and the addition of services such as eVision On Demand means that we offer the most compelling bundles in the market. The retail customer base, comprising fixed and mobile customers, stood at 1,896,000 at 30 September 2014 and includes 1,065,000 mobile customers. The total customer base including Wholesale customers is 2,373,000 at 30 September 2014. Consumer market Revenue Generating Units (RGUs) for the period stood at 1.8 per customer, up from 1.6 per customer for the corresponding period.

"We are continuing to achieve benefits from cost savings programmes, as evidenced by an 18% saving in pay costs this quarter compared to the prior year quarter, and we believe that there are opportunities to reduce costs further. We have embarked on our next phase of cost transformation and have recently commissioned a benchmarking exercise to identify areas where further savings can be realised.

"Our EBITDA of €114 million for the quarter is in line with expectations. Top line improvements, especially evident within the mobile segment, coupled with further realisation of benefits from cost reduction programmes, are resulting in continued improvements in our financial performance. However, we recognise there are challenges as we execute on our commercial strategy and the Irish market remains highly competitive. We believe the transformation of the Group in the last two years has positioned us well to address these challenges.

"Finally, the Group will proceed with the proposed corporate reorganisation of its operating company structure outlined earlier this year. While it will not impact upon eircom's operations, customers or business partners, the reorganisation will provide the Group with greater flexibility for the future."

Trading Update

Revenue for the quarter ended 30 September 2014, declined to €313 million, down €10 million or 3% on the corresponding prior year quarter. Operating costs², excluding non-cash items, were €199 million for the quarter, down €3 million from the prior year quarter, a 2% improvement. EBITDA³

² 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

³ EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items

was in line with expectations, and showed a decrease of €7 million or 6% compared to the prior year quarter.

In the fixed line segment, revenue before intra company eliminations for the quarter ended 30 September 2014 fell 4% compared to the corresponding prior year quarter, to €238 million. This was partially offset by operating cost savings, resulting in a 5% decline in fixed line EBITDA³ to €106 million compared to the prior year quarter.

Fixed line access net losses were 7,000⁴ for the quarter ended 30 September 2014 compared to 30 June 2014. Retail losses of 13,000 for the quarter ended 30 September 2014 were 8,000 less compared to the prior year quarter, demonstrating continued progress as a result of our bundling strategy. Wholesale customers continued to grow, increasing by 6,000 in the quarter.

The total Group broadband customer base⁵ stood at 731,000 at 30 September 2014, an increase of 13,000 in the quarter, which was driven by our combined consumer and business retail divisions as well as our wholesale division. Our combined retail operation had 458,000 broadband customers at the end of September 2014, up 2,000 in the quarter and 11,000 compared to the prior year quarter. Broadband lines in our wholesale business have grown by 11,000 during the quarter and 43,000 compared to 30 September 2013, to a total of 273,000 lines. At 30 September 2014, there were 172,000 customers using our new fibre based high speed broadband services representing 17% penetration of premises passed with fibre broadband.

In the mobile segment, the Group's customer base returned to growth, increasing by 8,000 from the prior year quarter, and by 10,000 compared to the previous quarter, to reach a total base of 1,065,000. The higher value postpaid segment grew by 60,000, including mobile broadband, compared to 30 September 2013, and there were 14,000 net additions in the quarter. Mobile revenues increased by 2% for the quarter, compared to the quarter ended 30 September 2013. Mobile EBITDA³ was in line with expectations at €8 million, broadly in line with the prior year quarter despite increased commercial investments to drive longer term growth.

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⁴ Combined Retail and Wholesale access line losses

⁵ Combined Retail and Wholesale excluding LLU and Line share.

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For more information on today's announcement, please visit our Investor Relations site:
<http://investorrelations.eircom.net/>

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