**SECOND QUARTER AND SIX MONTHS RESULTS ANNOUNCEMENT**

1. **DECEMBER 2013**

* **Financial Results Continue to Stabilise in the Second Quarter**
* **EBITDA[[1]](#footnote-1) Decreases 1%[[2]](#footnote-2)**
* **Revenue Decreases 5%2**
* **Cost Transformation on Track , Operating Costs[[3]](#footnote-3) Reduce by 7%2**
* **Group Broadband Base Grows 5%, Third Consecutive Quarter of Growth**
* **Fibre Network Ahead of Schedule: 700,000 Premises Passed**
* **4G Reaches 40% Population Coverage**
* **Only Operator with Quad Play Capability**
* **Group Seeks Amendment and Extension to Senior Loan Facility**

**(Issued Friday 7 February, 2014)** eircom Group today announced results for the second quarter and half year ended 31 December 2013.

Commenting on today’s announcement, Herb Hribar, CEO eircom Group, said: “Our second quarter and half year results highlight continued stabilisation in our bottom line and progress on cost reduction. The macro economy in Ireland is demonstrating signs of recovery and consumer sentiment is at its brightest since 2007. We remain fully committed to addressing competitive challenges through continued investment in our fixed and mobile networks that enable the commercialisation of a new range of products and services.

“The rollout of high speed fibre broadband continued during the quarter, and at the end of December 2013 the fibre footprint had passed 700,000[[4]](#footnote-4) homes and businesses and we are now on track to pass 1,000,000 premises by summer 2014. This has been a major driver in the 5% year on year growth of the group’s broadband base, the third consecutive quarter of growth. When our fibre rollout is completed in July 2016, 1.4 million, or 70%, of all homes and businesses in Ireland will have access to high speed broadband. We also continue to roll out our 4G network, which now covers 40% of the population in Ireland. Finally, we remain the only operator in Ireland with the capability to offer a ‘quad play’ of services, including our new eVision IPTV offering.”

Separately, eircom Group also announced that it is seeking an amendment to the terms of its Senior Loan Facilities Agreement, by extending the tenure of the facility from September 2017 to September 2019. CFO Richard Moat, said, “We believe that improving the Group’s debt maturity profile is the next step in securing a sustainable and flexible long term capital structure for eircom, at a cost that is attractive to the Group.”

Commenting on the results, CFO Richard Moat said “The Group generated EBITDA1 of €233 million for the first half of the financial year, which is broadly in line with expectations, and demonstrates continued stabilisation in business performance. In particular, the profitability of the mobile business continues to improve, despite significant commercial spend in the run up to the Christmas period. While revenue decreased by 5% compared to the prior year quarter, this reflects a slowdown in the rate of revenue decline and on a quarter on quarter basis revenue has increased by 3%.

“Our programme of cost transformation continues. 1,679 employees have exited the Group during the past twelve months, including 840 under the most recent Incentivised Exit scheme. A further 260 FTEs will leave the business by the end of December 2014. In addition to delivering cost savings, these exits ensure we have a flexible, fit for purpose organisation. We remain on track to achieve €100 million[[5]](#footnote-5) in operational cost savings on an annualised basis by the fourth quarter of this financial year. To date, we have already delivered €72 million of those targeted cost savings. Finally, I am also pleased to announce today that the Triennial Funding Valuation of the Main Fund eircom Superannuation Scheme will be finalised shortly. The valuation indicates that there is a surplus, and thus no increase is being made to the company’s pension contributions.”

**Trading Update[[6]](#footnote-6)**

Revenue for the quarter and six months ended 31 December 2013, was €334 million and €657 million respectively, down 5% and 7% respectively, on the corresponding prior year periods. Operating costs3 excluding non-cash items, for the quarter and six months ended 31 December 2013, were €220 million and €424 million respectively, down €17 million or 7% and €48 million or 10% on the corresponding prior year period.

EBITDA**1** for the quarter and six months ended 31 December 2013 was €114 million and €233 million respectively, down 1%, compared to the prior year periods, driven primarily by increased investments in service acquisition costs. The retail customer base, comprising fixed and mobile customers, stood at 1,957,000 at 31 December 2013. This includes 1,079,000 mobile customers. The total customer base including wholesale customers was 2,405,000 at 31 December 2013.

In the fixed line segment, revenues (before intra company eliminations) for the quarter ended and six months ended 31 December 2013, were €251 million and €499 million, respectively, down 9% and 10%, respectively, compared to the corresponding prior year periods. The fixed line revenue decline was partially offset by operating cost savings. Fixed line EBITDA1 for the quarter ended and six months ended 31 December 2013 of €109 million and €220 million, respectively, decreased by 4% and 6% respectively compared to the prior year periods.

Fixed line access net losses, for the quarter ended and six months ended 31 December 2013, were 1,000[[7]](#footnote-7) and 5,000 respectively, compared to 10,000 and 25,000 for the same periods in the prior year. Retail losses of 18,000 and 39,000 for the quarter and six months ended 31 December 2013, were largely offset by an increase in wholesale customers of 17,000 and 34,000 respectively.

The total Group broadband customer base[[8]](#footnote-8) stood at 696,000 at 31 December 2013, an increase of 19,000 in the quarter and 27,000 in the six months to December, which was primarily driven by the Wholesale business. The Retail broadband base returned to growth in the quarter ended 31 December 2013 and broadband lines in our Wholesale business have grown by 15,000 during the quarter and 41,000 compared to 31 December 2012, to a total of 245,000 lines at 31 December 2013. eircom Retail had 451,000 broadband customers at the end of December 2013, a 2% decrease on its retail broadband customer base at the end of December 2012 but up 4,000 since 30 September 2013. At 31 December 2013, there were 75,000 customers availing of our new fibre based high speed broadband services, over 10% penetration of premises passed.

In the mobile segment, the Group’s customer numbers increased by 21,000 and 19,000 in the quarter and six months ended 31 December 2013, to 1,079,000. There were 46,000 net additions in the higher value postpaid segment during the six months ended 31 December 2013, and compared to 31 December 2012 the postpaid base has grown by 87,000 (includes mobile broadband). The number of postpaid customers now accounts for 37% of the overall base, an increase from 29% at the end of December 2012. The prepay customer base remained broadly flat at 675,000 compared to 30 September 2013; a strong Christmas performance was offset by challenges in relation to churn. Mobile revenues for the quarter ended and six months ended 31 December 2013 were €94 million and €180 million respectively. Revenue for the quarter ended 31 December 2013 was 1% higher 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 six months ended 31 December 2013 was down 2% compared to the six months ended 31 December 2012. However, mobile EBITDA1 for the sixmonths ended 31 December 2013 has grown to €13 million, up €10 million compared to the same prior year period.

**ENDS**

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**For more information on today’s announcement, please visit our Investor Relations site:**

[**http://investorrelations.eircom.net/**](http://investorrelations.eircom.net/)

7 February 2014

**eircom Holdings (Ireland) Limited**

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Other Data

Certain numerical figures set out in this document, including financial data presented in millions or thousands, certain operating data, and percentages describing movements in quarters, have been subject to rounding adjustments and, as a result, the totals of the data in this document may vary slightly from the information presented in this document or the actual arithmetic totals of such information.

1. Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items. [↑](#footnote-ref-1)
2. Prior year comparatives have been adjusted to exclude the results of Phonewatch which was disposed of in May 2013. [↑](#footnote-ref-2)
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. [↑](#footnote-ref-3)
4. Homes 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. [↑](#footnote-ref-4)
5. Cost savings are based on annualised Q4 FY14 costs, excluding SAC and Phonewatch costs, compared to the financial year end June 30, 2012. [↑](#footnote-ref-5)
6. Prior year comparatives have been adjusted to exclude the results of Phonewatch which was disposed of in May 2013. [↑](#footnote-ref-6)
7. Combined Retail and Wholesale access line losses. [↑](#footnote-ref-7)
8. Combined Retail and Wholesale excluding LLU. [↑](#footnote-ref-8)