

FIRST QUARTER RESULTS ANNOUNCEMENT 30 SEPTEMBER 2013

- **Earnings Continue to Stabilise**
 - **EBITDA¹ Down 1%²**
 - **Revenue Down 9%²**
 - **Operating Costs³ Reduced by 13%²**
 - **Broadband Growth Driven by Strong Wholesale Performance**
- **Approximately 1,100 Employees to Exit the Group**
 - **Delivering on Commitment to 2,000 Employee Reduction**
- **Fibre Network to be Extended to 1.4 Million Premises**

(Issued Friday 29 November, 2013) eircom Group today announced results for the first quarter ended 30 September 2013.

Commenting on today's announcement, Herb Hribar, CEO eircom Group, said "Our first quarter results demonstrate continued stabilisation in our bottom line, with particular progress on cost reductions. However, given the continued competitive intensity, significant challenges remain in our turnaround plans for both the consumer and business to business units. We are committed to addressing these challenges in the coming months, by exploiting the new range of products and services now available.

"Our commitment to strategic investment remains steadfast and eircom continues to deliver on its promise to build *a network for a nation*. In September we became the first operator in Ireland to launch 4G mobile services and that was followed by our recent launch of Ireland's first value based pay television proposition enabling a unique ability to offer a 'quad play' bundle in the Irish market. Our new capability and innovation is beginning to deliver real benefits for Irish consumers and businesses.

"Our rollout of fibre broadband continued during the quarter, and at the end of September 2013 the fibre network had passed 600,000⁴ homes and businesses. This is ahead of schedule and we are now on track to pass 700,000 premises by the end of December 2013.

"I am delighted to announce that we are extending our planned fibre footprint from 1.2 million to 1.4 million premises, which will enable high speed fibre broadband to reach an additional 562 communities across Ireland. When our rollout is completed in July 2016, 70% of all homes and businesses in Ireland will have access to our fibre broadband, offering speeds of up to 100Mb per second. We believe this largely completes the rollout of fibre broadband on a commercial basis in Ireland and eircom is fully committed to work with the Government to ensure everyone has access to high speed broadband".

Commenting on the results, CFO Richard Moat, said, "EBITDA¹ of €119 million for the first quarter was in line with expectations and demonstrated continued stabilisation in business performance. We continue to improve the profitability of the mobile business despite significant commercial investment to drive growth in the high value postpaid segment.

"Strong progress has been made on our cost transformation plans to reduce operating costs³. In October 2012, following a major benchmarking exercise, we set ourselves a challenge to rightsize the business by June 2014 by reducing our employee base by 2,000. Following an incentivised exit scheme launched in October 2013,

¹ Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items.

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.

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.

approximately 1,100 employees will exit the company over the next twelve months. Combined with the 842 leavers in the previous financial year, this will deliver that right-sized organisation.

“We are on track to achieve €100 million⁵ in operational cost savings, by quarter four of this financial year on an annualised basis, and to date we have delivered €68 million of those targeted cost savings.

“These achievements fundamentally transform the organisation and provide the necessary flexibility to deliver against our strategic objectives.”

Trading Update²

Revenue for the quarter ended 30 September 2013, declined to €323 million, down €32 million or 9% on the corresponding prior year quarter. Operating costs³, excluding non-cash items, were €204 million for the quarter, down €31 million from the prior year quarter, a 13% improvement. EBITDA¹ was in line with expectations and showed a slight decrease of €1 million or 1% compared to the prior year quarter. The retail customer base, comprising fixed and mobile customers, stood at 1,953,000 at 30 September 2013 and includes 1,057,000 mobile customers. The total customer base including Wholesale customers is 2,384,000 at 30 September 2013.

In the fixed line segment, revenues (before intra company eliminations) for the quarter ended 30 September 2013, fell 10% compared to the corresponding prior year quarter, to €249 million, which was partially offset by operating cost savings, resulting in a 6% decline in fixed line EBITDA¹ to €111 million compared to the prior year quarter.

Fixed line access net losses were 4,000⁶ for the quarter ended 30 September 2013 compared to 30 June 2013. Retail losses of 21,000 for the quarter ended 30 September 2013 were largely offset by an increase in Wholesale customers of 17,000. This compares to a net loss of 15,000 lines for the quarter ended 30 September 2012.

The total Group broadband customer base⁷ stood at 677,000 at 30 September 2013, an increase of 8,000 in the quarter which was driven by the Wholesale business. Broadband lines in our Wholesale business have grown by 12,000 during the quarter and 28,000 compared to 30 September 2012, to a total of 230,000 lines at 30 September 2013. eircom Retail had 447,000 broadband customers at the end of September 2013, a 3% decrease on its retail broadband customer base at the end of September 2012 but broadly flat compared to 30 June 2013. At 30 September 2013, there were 44,000 customers availing of our new fibre based high speed broadband services.

In the mobile segment, the Group's customer numbers remained broadly flat, reducing slightly by 1,800 in the quarter to 1,057,000. However, there were 24,000 net additions in the higher value postpaid segment during the quarter, and compared to 30 September 2012 the postpaid base has grown by 86,000 (includes mobile broadband). Mobile revenues reduced by 5% for the quarter, compared to the quarter ended 30 September 2012 however, mobile EBITDA¹ has grown to €8 million, up €6 million on the prior year quarter.

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⁵ Cost savings are based on annualised Q4 FY14 costs, excluding SAC and Phonewatch costs, compared to the financial year end June 30, 2012.

⁶ Combined Retail and Wholesale access line losses.

⁷ Combined Retail and Wholesale excluding LLU.

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