

Structural Separation

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Disclaimer



- Personal view
- Not eircom official position

eircom is the principal provider of fixed-line telecommunications services in Ireland with approximately 2.2 million fixed-line telephone access channels in service. Our mobile division, Meteor, acquired in November 2005, is the third largest mobile operator in Ireland with 683,000 subscribers.

- **We had turnover of approximately €1.7 billion in the financial year ended March 31, 2006**
- **EBITDA of €567 million in the financial year ended March 31, 2006**
- **Fixed-line services: 76% market share**

eircom ownership

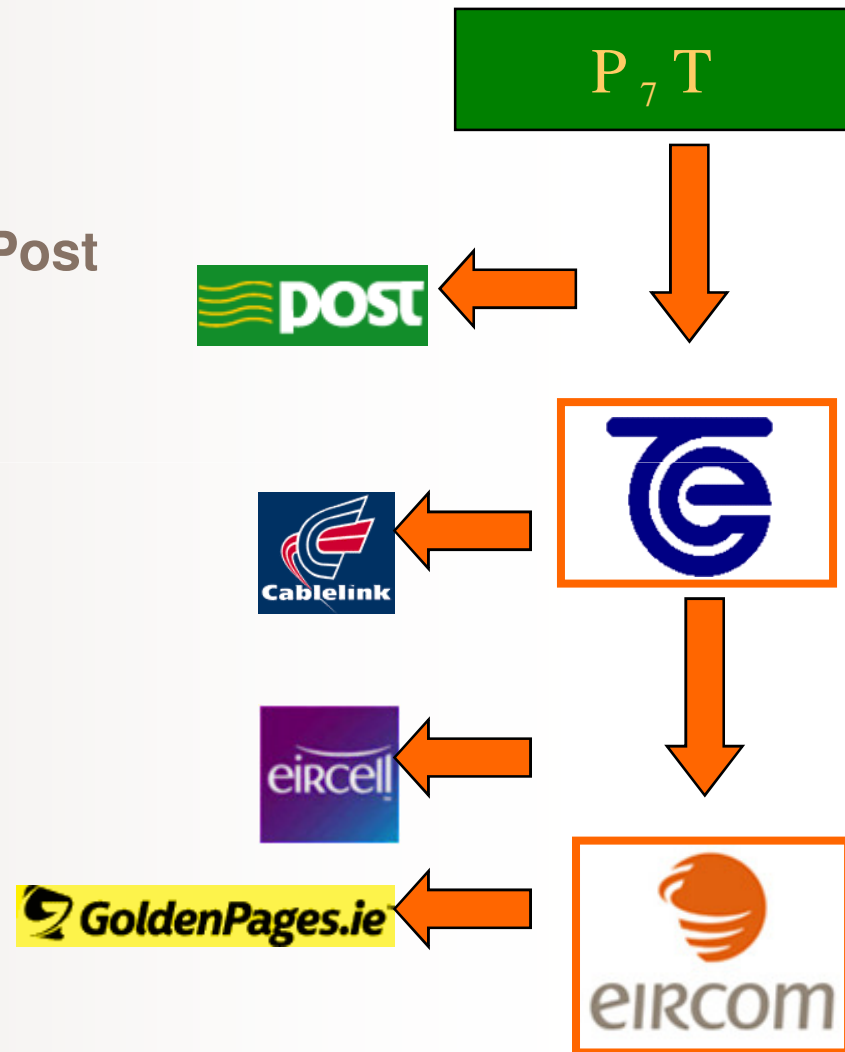


- 1924: Department of Posts and Telegraphs
- 1984: Telecom Eireann: 100% state owned company
- 1996: Strategic alliance with KPN and Telia : 20% share (later 35%)
- 1999: Initial Public Offering: 100% private shareholding
- 2001: Private equity takeover by Valentia
- 2004: Second IPO: eircom Group plc
- 2006: Private equity takeover by Babcock and Brown

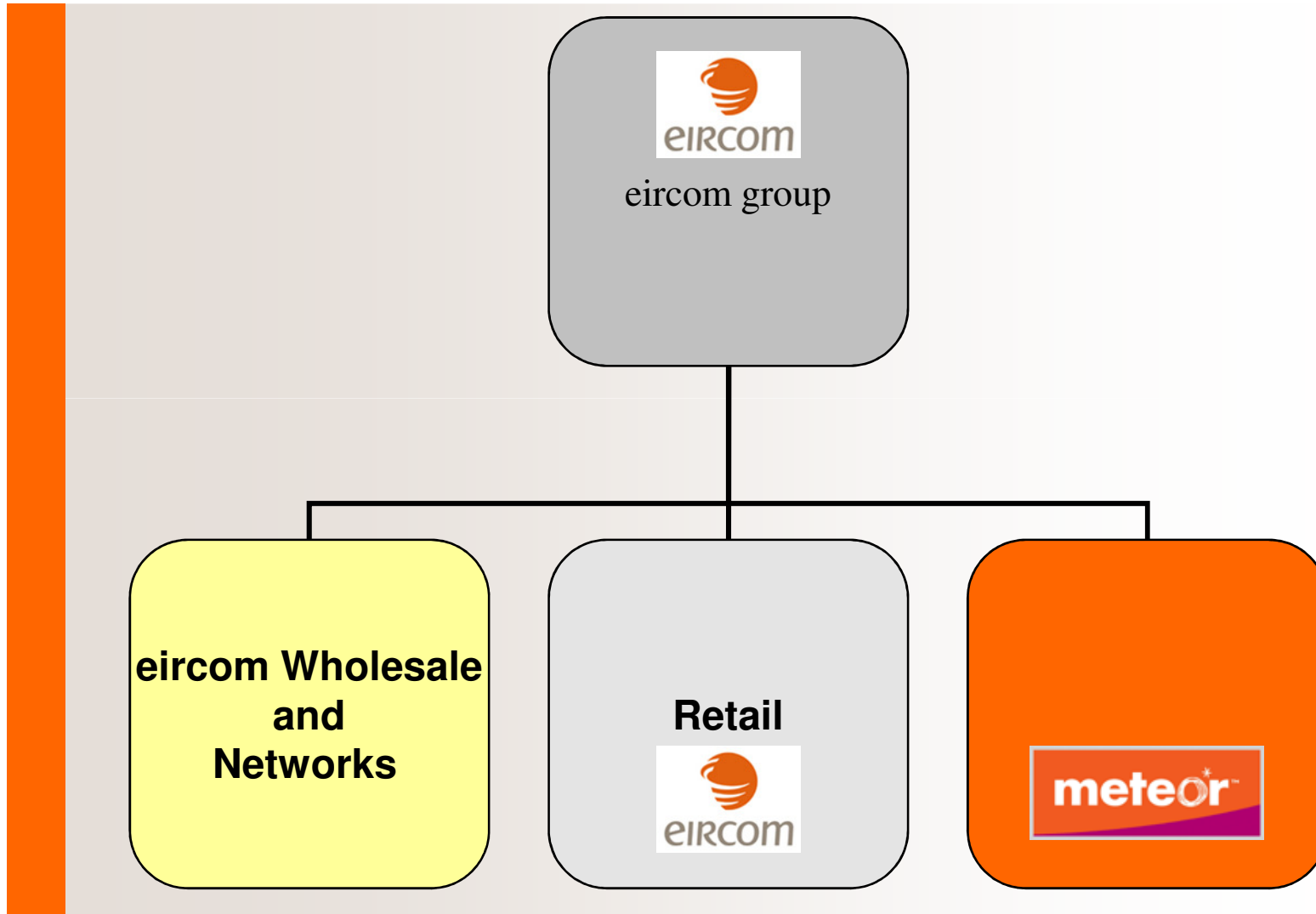
eircom: a History of Separation for Value



- 1924 Post and Telegraphs
- 1984 Telecom Eireann and An Post
- 1999 Cablelink sold to NTL
- 2000 eircell sold to Vodafone
- 2003 Directory Unit sold



eircom Divisional Structure



The Irish Context



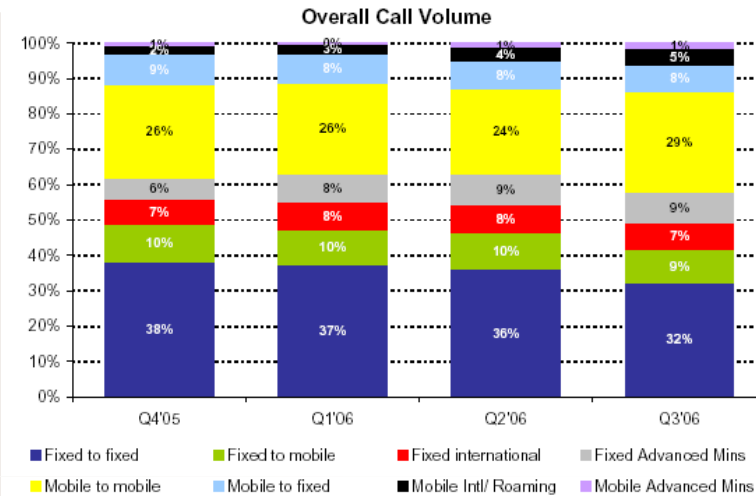
- Low population density
- Low urbanisation
- 1100+ exchange sites
- Average site size c. 1,800 lines (including all services + spares)

=> Poor economic case for alternative infrastructure

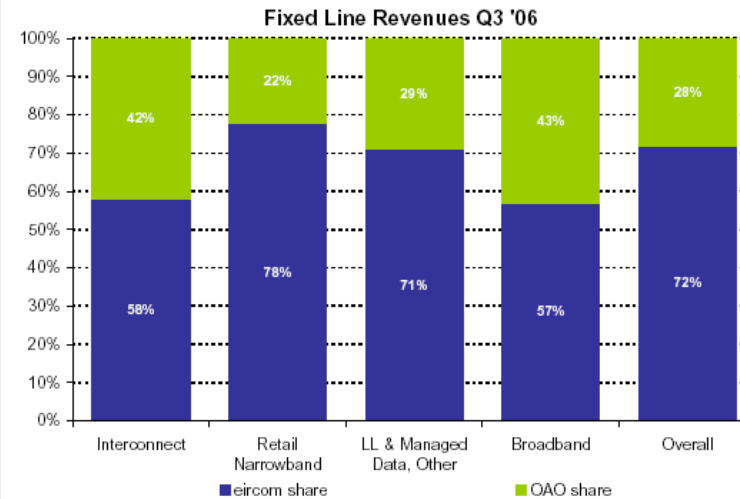
Competition in Ireland: 304 fixed/wireless operators



- Growing mobile substitution
- eircom market share challenged in all market segments

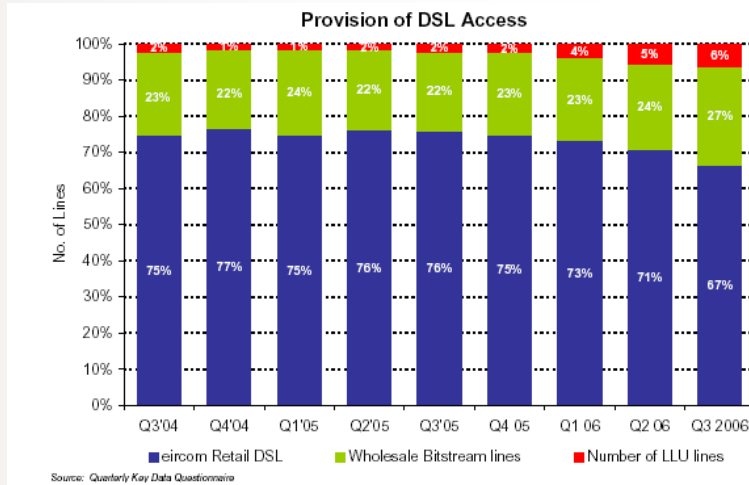
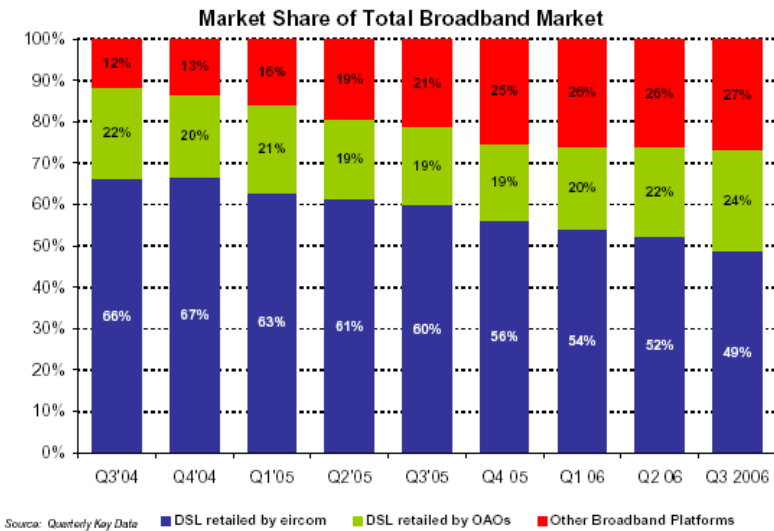
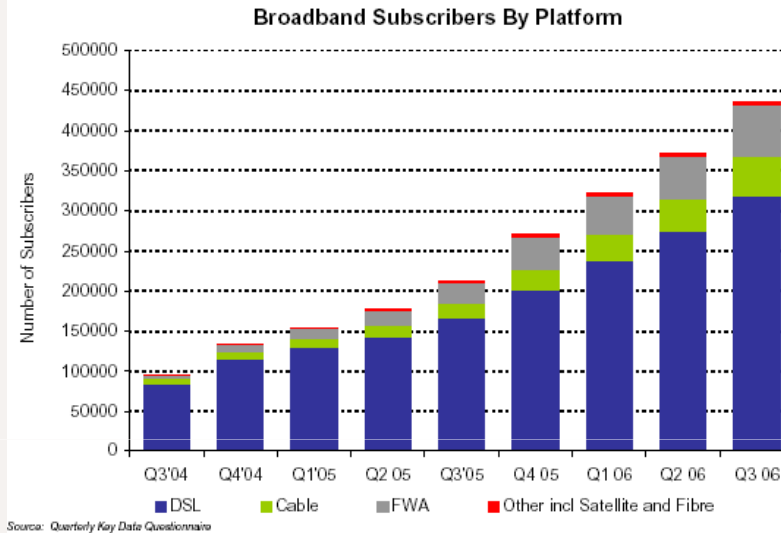
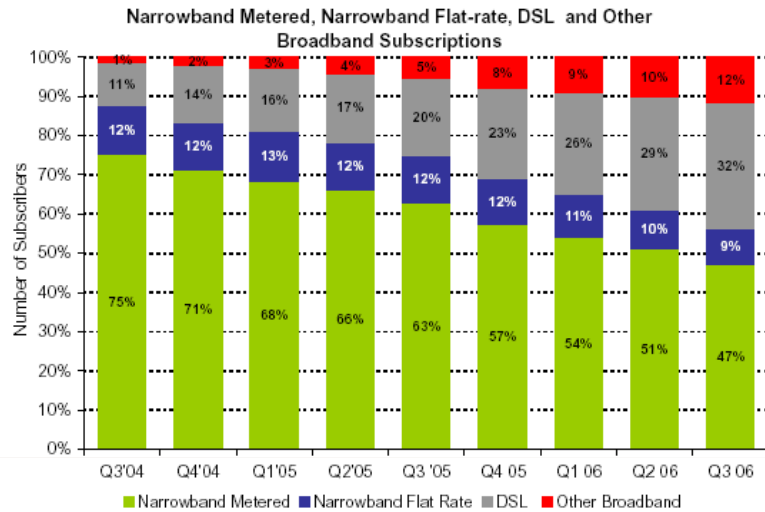


Source: Quarterly Key Data Questionnaire



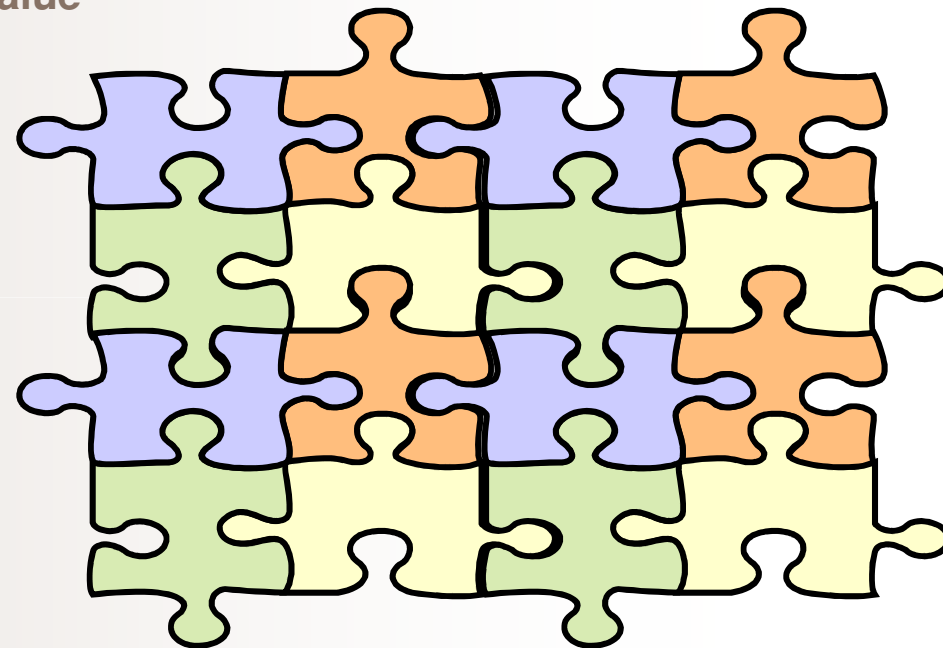
Source: Quarterly Key Data Questionnaire

Broadband competition in Ireland:



Separation options

- Why separate?
 - To maximise shareholder value
- How to separate?
 - Access v Core
 - Fixed v Mobile
 - Wholesale v Retail
 - Customer segment



Access Core W'sale Retail

Valuation depends on the buyer...



- **Access networks: fixed or mobile; wired or wireless; copper or co-ax...**
- **NGN=> VDSL=>fibre loops: blurs boundary of access and core: argues for integrated network?**
- **Infrastructure fund = Pension, securitisation: requires lowest risk assets be separated from higher risk**
- **Retail Channels: how to value/buyer/partner**
 - **Corporate: IT Services?**
 - **Consumer: Media or Retailer?**

eircom's separation plans



- Investigate options
- Understand implications for shareholders, and all other stakeholders (including customers, staff, government, regulator)
- Decide action based on best available evidence