

ERC IRELAND PREFERRED EQUITY LIMITED

ERC IRELAND FINANCE LIMITED

20 February 2012

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eircom Trading Update

1. Trading Update

eircom today presented an update on its financial and business plan to June 2017 along with estimated results for the month of December 2011 on a private basis to lenders under the Senior Facility Agreement in accordance with the provisions of a covenant waiver that has been agreed with those lenders. As expected, the estimated consolidated EBITDA for the six months through December 2011 shows a significant reduction in performance compared to the corresponding period in 2010. The results are also behind the results budgeted for the six months through December 2011 and the ability of cost control to compensate for declining revenue is diminishing. The consolidated EBITDA for ERCIPE and ERCIF is consistent with that of eircom.

The results indicate declining trends caused by, inter alia, continued reduced customer confidence and heightened industry competition. This is underlined by recently announced reductions in GNP projections for Ireland. Consequently, the Company has revised downward its forward forecasts through June 2017 to reflect the changing environment and business prospects.

Following the review, the updated management plan through June 2017 now reflects forecasted performance and earnings for eircom Group for the period that is significantly lower than originally anticipated. The reduction in earnings is largely concentrated in the Consumer and Small Business segment, driven in the mobile segment by reduced market share, an accelerated migration from pre-pay to post-pay customers and continuing pressure on mobile ARPU, and driven in the fixed segment by a decreased retention of fixed lines and an accelerated erosion of monthly minutes per line. eircom Wholesale, eircom Business and Group Technology divisions continue to perform in line or slightly ahead of expectations. The updated management plan also envisages accelerated fibre rollout but reduced overall capex.

The review reaffirmed the Company's commitment to the existing investment strategy. The first phase of fibre rollout commenced on schedule last month. It is expected to deliver fibre connections to 100,000 premises by the end of Summer 2012. In addition, the full rollout has been accelerated to reach 1 million homes in three years. The company will also continue its investment in both mobile networks and its customer acquisition programmes.

Cash held by ERCIPE and its subsidiaries amounted to approximately €326m at 31 December 2011.

2. Restructuring Update

As announced on 31 January 2012, the directors of ERCIH authorised the initiation of a process to assess the interest of third party strategic and financial investors in a sale of the Company. This process will be conducted as part of the wider balance sheet remediation process currently underway.

Morgan Stanley & Co International, has been appointed as advisor to the Company in respect of the sales process. Receipt of non-binding expressions of interest from interested parties is due in mid March 2012. The Company continues to consider and discuss the proposals received from the Coordinating Committee of the First Lien Senior Lenders and an ad hoc group of the Second Lien Senior Lenders, and will consider any expressions of interest received under the sales process as additional options for the balance sheet remediation process.

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