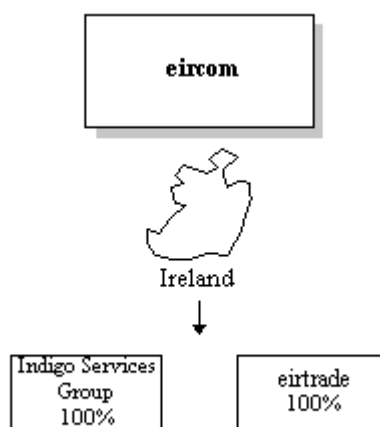


Eircom - Company profile**Irish in a stew over eircom bids**

eircom, Ireland's former monopoly operator, has been the object of a protracted struggle for control ever since its mobile arm, eircell, was seized by Vodafone in the closing weeks of 2000. From a plethora of initial suitors, the field has narrowed, with just two bidders still fighting for the 80% shareholder approval necessary. On one side is the eIsland consortium, led by former Esat Telecom chairman Denis O'Brien, which made the first approach for eircom's fixed line business with a USD2.25 billion offer in December 2000. Later into the fray was Sir Anthony O'Reilly's Valentia Group, which includes Goldman Sachs and George Soros. As things stand at August 2001, there is only a nominal difference between the two sides' bids, with both consortia offering around EUR3 billion. Valentia seems to have edged ahead on the strength of its future plans for the business, particularly in the eyes of eircom's Employee Share Ownership Trust, which is looking to increase its 14.9% interest in the company.

This information is taken from CIT Publications' [Datafile of European Telecommunications](#) which includes profiles of all telecoms sectors in 16 European countries as well as 36 company profile.

Organisational chart**Operational overview**

eircom (known as Telecom Eireann until September 1999) is the former monopoly telecoms operator of the Irish Republic. In June 1996 a 20% stake in the company was sold to ComSource, a 60/40 joint venture between KPN of the Netherlands and Telia of Sweden, after the partners made an initial payment of IEP183 million to the Irish state. In December 2000 a EUR2.25 billion offer for the company's fixed line business from the eIsland group was rejected. However, the bid set the wheels in motion for a full takeover of eircom's core business, which, at the time of writing (August 2001) seems close to fulfilment. In the intervening period there have been myriad rumours of potential bidders. After the initial offer from eIsland, the consortium led by former Esat Telecom chairman Denis O'Brien, other rumoured contenders included Kohlberg Kravis & Roberts, Blackstone, Pearse Flynn, and IIU, owned by O'Brien's former partner in Esat, Dermot Desmond, which was thought to

have had backing from UBS Warburg.

In November 2000 it was reported that Sir Anthony O'Reilly, chairman of Independent News and Media, which owns half of Chorus Communications, was also interested in bidding. This, at least, proved to be true; in June 2001 the eircom board approved a EUR2.8 billion bid from O'Reilly's Valentia consortium, backed by Goldman Sachs, George Soros Equity Fund and Providence Equity Partners. The following month it was announced that terms had been agreed with the board, triggering a 60-day timetable in which Valentia was required to secure 80% acceptance from eircom's shareholders before the deal became unconditional. ComSource, which by this time held 35%, signalled that it would agree to the offer, and Valentia also had the support of 14.9% eircom stakeholder Employee Share Ownership Trust (ESOT); the deal included an agreement to increase ESOT's share to 29.9%. However, while the deal remained in process, O'Brien's eIsland party persisted returning with revised offers in an attempt to seduce eircom shareholders away from Valentia and making a similar provision for the union-controlled ESOT. An offer high enough to break the irrevocable undertaking agreed by ComSource was made at the end of July 2001. The EUR1.36 per share price valued the company at around EUR3 billion, and immediately won approval from ComSource, but did not sway ESOT, which maintained that it preferred Valentia's business plans. After initially suggesting it would not raise its offer, Valentia then matched eIsland's bid and appears once again to be the favourite to take control of the company.

By 1 April 2001 eircom had 1.6 million main lines in service, an increase of 203,000 on the previous year. Strong demand for ISDN services resulted in a 50% increase in the number of access channels from 152,000 to 229,000, while the number of leased lines increased by 44% to 16,500. The company had 321,000 internet subscribers at this time. During fiscal 2001 the PTO witnessed a 3% increase in telephony call traffic to 10.6 billion retail minutes. The cancellation of an IEP12 million contract with Newbridge Networks has certainly delayed eircom's introduction of DSL technology beyond its planned launch date of summer 2001. The company has denied reports, however, that it has been postponed indefinitely.

In order to shore up its defences in the face of increasing competition and encourage its customers to remain loyal, eircom has been reducing its long-distance and international tariffs over recent years. In October 2000 it announced what it claimed was the biggest ever single reduction in telephone prices, purporting to save residential customers an average of 16% from their bills at a cost to itself of IEP82 million. By the time of eircom's March 2001 financial results the country's savings were estimated to be IEP150 million. In December 2000 it announced that its residential discount plan 'options' had signed up its 300,000th customer. Price decreases were a major reason behind the significant drop in group profits in the 2000/01 financial year.

After months of speculation, eircom's mobile arm eircell was acquired by Vodafone in December 2000 for EUR4.5 billion.

Eircom - Financial and operational highlights

Financial highlights

EUR million	3/1999	+/- (%)	3/2000	+/- (%)	3/2001
Fixed line	-	-	1,653	1%	1,667
International multimedia	-	-	39	95%	76
Mobile	-	-	487	46%	710
Inter business trading	-	-	(224)	-32%	(295)
Turnover	-	-	1,955	10%	2,158
Turnover (USDm)	-	-	1,794	10%	1,980
Profit before tax	-	-	271	-76%	66

Net profit	-	-	180	-56%	80
Profit margin	-	-	9.21%	-	3.71%

Operational highlights

	3/1999	+/- (%)	3/2000	+/- (%)	3/2001
PSTN lines in service	1,545,000	3%	1,585,000	1%	1,603,000
PSTN+ISDN lines in service	1,643,000	6%	1,737,000	5%	1,832,000
% digitalisation of local network	100	0%	100	0%	100
Payphones	8,400	-	-	-	-
ISDN B-channels	98,000	55%	152,000	51%	229,000
Leased lines	30,011	15%	34,400	-35%	22,500
Internet subscribers	-	-	243,000	32%	321,000
Minutes of traffic (m)	10,226	1%	10,330	3%	10,600
National minutes (m)	8,728	6%	9,269	-	-
International minutes (m)	1,498	-31%	1,031	-	-

Eirtel - Subsidiaries and ownership

Subsidiaries


Stake	Company	Operations
100.00%	Eirtrade	Operates the national public data network Eirpac. Provides messaging and transactional services, E-mail, EDI, fax store and forward and Minitel messaging.
100.00%	eircom Ireland (US)	Markets telecoms services in the US.
100.00%	eircom (UK)	Provides telecoms related services in the UK.
100.00%	eircom International Consultancy	Treasury management and consultancy services.
100.00%	eircom Phonewatch	Installation, monitoring and maintenance of residential security systems.
100.00%	Indigo Services Group	Provider of internet services.
100.00%	eirpage	National paging network operator launched in 1988.
100.00%	TNI (Telecom)	Provider of telecommunications services.
100.00%	Lan Communications	Data communications.
100.00%	Continuous Communications Systems	Network and communications service provider.
100.00%	Accuris	Telecoms software solutions provider.
100.00%	eircom (Infonet Ireland)	Provider of global data services.
100.00%	eircom Belfast	Provider of telecommunications services.
63.00%	Golden Pages	Publishes telephone directories.
51.00%	Person to Person	Mobile phone retailer.
49.00%	Beacon Integrated	Broadband telecommunications research and

	Solutions	development.
45.00%	Broadcom Eireann Research	Broadband telecommunications research and development.
33.00%	Altion TI	Telecoms software solutions provider.

Ownership

Distributed share ownership	49.00%
KPN Telecom	21.00%
Telia	14.00%
Eircom Employee Shareownership Trust	14.90%
Irish State	1.10%

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