

# **eircom Holdings (Ireland) Limited**

**Second quarter and six months unaudited results  
31 December 2015**



# SECOND QUARTER AND SIX MONTHS RESULTS ANNOUNCEMENT TO 31 DECEMBER 2015

## Second Quarter Financial Update



Revenue of €328m, representing 4% year on year growth

Third consecutive quarter of revenue growth



EBITDA<sup>1</sup> of €117m, up 4% year on year

Fourth consecutive quarter of EBITDA growth



Operating costs<sup>2</sup> in line with prior year

## Six Month Financial Update



Revenue of €653m, 4% year on year growth



EBITDA of €237m, up 5% year on year



Operating costs in line with prior year

## Business update



Acquisition of Setanta Sports Ireland



1,400,000 premises passed (up to 100Mb/s)

28,000 premises passed (up to 1000Mb/s)

Next FTTH trial location selected



Milestone of 500,000 postpay mobile subscribers (46% of base)

<sup>1</sup> EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items

<sup>2</sup> Operating costs are pay and non pay costs excluding non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items

**(Issued Wednesday 27 January 2016)** eir today announced results for the second quarter and half year ended 31 December 2015. Commenting on today's announcement, Richard Moat, CEO eir, said: "We have delivered a strong set of results with a third consecutive quarter of revenue growth coupled with our fourth consecutive quarter of EBITDA growth.

"During the quarter we announced the acquisition of Setanta Sports Ireland. This is a transformational opportunity for the business. It is part of our overall drive to offer great value and exciting services to our customers. Against the backdrop of a highly competitive market, the acquisition will deliver bottom line benefit in the future. This is subject to the necessary formal approvals, which are expected later in the financial year.

"Network investment continues as planned. There are now 1.4 million premises that can access high speed broadband with speeds of up to 100Mb/s via our open access network. We remain fully committed and on target to deliver our promise to reach 1.9 million premises by 2020, many of which will have access to speeds of up to 1,000Mb/s.

"The Government's National Broadband Plan has entered the pre-qualification phase and we are participating fully in the process to ensure eir makes a compelling submission.

"Quarterly revenue and EBITDA both increased by 4% year on year, to €328 million and €117m respectively. The EBITDA growth has been underpinned by continued strong performance in mobile and an improving number of postpay customers which topped 500,000 for the first time."



## Trading Update

Consistent growth across key products



### Broadband

817,000 total broadband connections, up 19,000 in the quarter

44% of network broadband connections are high speed broadband



### TV

eir Vision base at 45,000 customers

24% take up by consumer fibre base



### Mobile

1,091,000 total mobile base

Postpay base increased 14,000 in the quarter

348,000 4G customers

Avg data usage for prepay customers exceeded 1Gb for the first time



### Household Revenue Generating Units (RGUs)

Triple and quad-play bundle penetration increased

18% of households subscribing to 3P+ bundles

2.0 RGUs per household <sup>3</sup>

Huib Costermans, CFO eir, said “The Irish market provides a highly competitive landscape for the telecommunications sector. Nevertheless, half way through the year we remain on track for our stated outlook of low single digit bottom line growth for the full financial year.”

Revenue in the quarter of €328 million increased by 4% or €12 million compared to the corresponding prior year period. Year to date revenue of €653 million also increased by 4% compared to the six months ended 31 December 2014. Operating costs<sup>4</sup>, excluding non-cash items for the quarter ended 31 December 2015, were €133 million, broadly in line with the prior year period. Year to date operating costs of €264 million were flat compared to the same period in the prior year. EBITDA<sup>5</sup> for the quarter and six months ended 31 December

<sup>3</sup> Total number of fixed voice, broadband, TV and postpay mobile subscriptions divided by number of households with fixed access paths

<sup>4</sup> Operating costs are pay and non pay costs excluding non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items

<sup>5</sup> EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items

2015 was €117 million and €237 million respectively, an increase of 4% and 5% compared to the corresponding prior year periods.

As a result of the wettest December on record for Ireland, we have recorded storm costs of approximately €0.5 million in the second quarter. These costs will increase in the third quarter as much of the repair costs have been incurred in the new reporting period.

In the fixed line segment, revenue for the quarter before intra company eliminations was €245 million, an increase of 4% compared to the corresponding prior year period. The year to date figure of €490 million increased by 3% compared to the prior year. Fixed line EBITDA of €106 million increased by €3 million or 3% in the quarter and rose by 1% to €210 million in the six months to 31 December 2015 compared to the prior year period. Fixed line net access losses for the quarter ended 31 December 2015 were 10,000<sup>6</sup> and 27,000 since 30 June 2015.

The total group broadband customer base<sup>7</sup> was 817,000 at 31 December 2015, growing by 19,000 in the quarter and 35,000 in the six months to the end of December. The retail broadband base was 451,000 at the end of December 2015, a decline of 3,000 since 30 June 2015. However, the decline in broadband lines in our retail base has been more than compensated by gains in our wholesale business. Wholesale broadband connections grew by 22,000 during the quarter and 38,000 compared to 30 June 2015, bringing the total wholesale broadband lines to 366,000 lines at the end of December 2015.

A total of 358,000 customers were using our fibre based high speed broadband services at the end of the quarter which saw growth of 32,000 connections during the period and 77,000 since 30 June 2015. This represents 44% of the group's broadband customer base and a 26% penetration of all premises that our network passes throughout the country.

In the mobile segment, EBITDA for the quarter has grown to €11 million in the quarter, increasing by 24% from €9 million in the prior year quarter. Mobile EBITDA for the six months to the end of December was €27 million which was an increase of 60% compared to prior year. Mobile revenue (before intra company eliminations) was €94 million for the quarter, 3% higher compared to the prior year period and EBITDA margin was 12%. For the six months ended 31 December 2015 mobile revenue (before intra company eliminations) was €185 million which was an increase of 4% compared to the six months ended 31 December 2014 and the mobile EBITDA margin was 14% for the same period.

The Group mobile base stands at 1,091,000, an increase of 8,000 in the six months to the end of December 2015. There have been 25,000 net additions in the higher value postpaid segment since 30 June 2015, and postpaid customers accounted for 46% of the overall base, up from 42% a year ago. The prepaid customer base decreased by 13,000 in the quarter and 17,000 in the six months ended December to 591,000 customers.

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<sup>6</sup> Combined Retail and Wholesale net access line losses

<sup>7</sup> Combined Retail and Wholesale excluding LLU

ENDS

*For media queries, please contact:*

Paul Bradley  
eir  
Director of Corporate Affairs  
Tel: 01 600 4281  
Mob: 085 174 4281  
[Paul.bradley@eir.ie](mailto:Paul.bradley@eir.ie)

Brian Bell  
WHPR  
Managing Director  
Tel: 01 669 0030  
Mob: 087 2436130  
[brian.bell@ogilvy.com](mailto:brian.bell@ogilvy.com)

Chris Barrie  
Citigate Dewe Rogerson  
Executive Director  
Tel: +44 20 7638 9571  
Mob: +44 7968 727 289  
[Chris.barrie@citigatedr.co.uk](mailto:Chris.barrie@citigatedr.co.uk)

*For investor relations queries, please contact:*

Tadhg Mangan  
eir  
Head of Investor Relations  
Mob: 085 174 6953  
[Tadhg.mangan@eir.ie](mailto:Tadhg.mangan@eir.ie)

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

<https://www.eir.ie/investorrelations/>

27 January 2016

## **eircom Holdings (Ireland) Limited**

### **Unaudited second quarter and six months results to 31 December 2015**

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## **eircom Holdings (Ireland) Limited**

### **Trading highlights for the second quarter ended 31 December 2015\***

- Group revenue of €328 million increased by 4% compared to the quarter ended 31 December 2014
- Group adjusted EBITDA<sup>8</sup> of €117 million increased by 4% compared to the corresponding prior year period
- Fixed line revenue, before intra-company eliminations, of €245 million increased by 4% compared to the quarter ended 31 December 2014 reflecting broadband growth, managed services, TV and a price increase in April 2015.
- Fixed line adjusted EBITDA of €106 million, increased by 3% compared to the quarter ended 31 December 2014.
- Fixed line access net losses were 10,000<sup>9</sup> for the quarter ended 31 December 2015. Retail losses of 15,000 for the quarter ended 31 December 2015 are partially offset by growth of 5,000 in Wholesale.
- The broadband customer base<sup>10</sup> was 817,000 at 31 December 2015, an increase of 19,000 in the quarter. The Retail customer base reduced by 2,000 and the Wholesale base increased by 21,000. At 31 December 2015, there were 358,000 customers availing of our new fibre based high speed broadband services.
- Mobile revenue of €94 million was up 3% on the corresponding prior year quarter.
- Mobile EBITDA of €11 million increased by €2 million or 24% compared to the quarter ended 31 December 2014, driven by revenue growth and savings in operating costs.
- The postpay base for the quarter ended 31 December 2015 was 500,000, with growth of 14,000 or 9% in the quarter and 39,000 from 31 December 2014. The prepay base at the 31 December 2015 was 591,000, a reduction of 13,000 in the quarter and a decrease of 38,000 compared with 31 December 2014.
- Group operating costs<sup>11</sup> of €211 million, were 4% higher than the same period in the prior year, driven by higher costs of sales from increased revenues in managed services and TV costs.
- Total Full Time Equivalent (FTE) staff was 3,412 at 31 December 2015 which represented a reduction of 46 FTE since 31 December 2014.
- The Group continues to maintain strong liquidity with cash on hand of €186 million at 31 December 2015.

The figures presented above include amounts relating to the Groups 56% share in Tetra Ireland Communication Limited ("Tetra"). Following the adoption of IFRS 11, Joint Arrangements, Tetra is reported in the financial statements under the equity method as opposed to proportionate consolidation. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA.

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<sup>8</sup> Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, and non-cash pension charges and exceptional items.

<sup>9</sup> Combined Retail and Wholesale access line losses.

<sup>10</sup> Combined Retail and Wholesale excluding LLU.

<sup>11</sup> Operating costs include cost of sales, pay and non pay costs - excludes non cash pension charge and non cash lease fair value credits



# eircom Holdings (Ireland) Limited

## KPIs for the second quarter ended 31 December 2015 (unaudited)

	As at and for quarter ended	As at and for quarter ended	Better/ (Worse) % <sup>N1</sup>
	31 Dec 2014	31 Dec 2015	
<b><u>Access Line Base ('000)</u></b>			
Retail	814	742	(9%)
Wholesale	479	483	1%
Wholesale LLU	13	11	(18%)
<b>Total</b>	<b>1,306</b>	<b>1,236</b>	<b>(5%)</b>
<b><i>Net (decline) in quarter</i></b>	<b><i>(15)</i></b>	<b><i>(10)</i></b>	
Retail Voice traffic (m minutes in quarter)	503	435	(13%)
<b><u>Broadband Lines ('000)</u></b>			
Retail	460	451	(2%)
Wholesale	288	366	27%
<b>Total</b>	<b>748</b>	<b>817</b>	<b>9%</b>
<b><i>Net Growth in quarter</i></b>	<b><i>17</i></b>	<b><i>19</i></b>	
<b><u>Mobile Customers ('000)</u></b>			
Prepaid handsets	614	579	(6%)
Prepaid MBB	16	12	(27%)
Total prepaid customer base	630	591	(6%)
Postpaid handsets	429	466	8%
Postpaid MBB	31	34	10%
Total postpaid customer base	460	500	9%
<b>Total</b>	<b>1,090</b>	<b>1,091</b>	<b>0%</b>
<b><u>Net Mobile additions/(losses) in quarter ('000)</u></b>			
Prepaid base	6	(13)	
Postpaid	19	14	
<b>Total base movement</b>	<b>25</b>	<b>1</b>	
<b><u>ARPU'S € <sup>N2 &amp; N3</sup></u></b>			
Retail Voice & Line Rental	34.5	37.0	7%
Retail Blended ARPU	42.5	46.2	9%
WLR PSTN ARPU	16.7	18.0	8%
Bitstream ARPU	12.6	14.3	14%
Prepaid Handset ARPU	16.0	15.7	(2%)
Prepaid ARPU (including MBB)	15.8	15.6	(2%)
Postpaid Handset ARPU	39.3	38.5	(2%)
Postpaid ARPU (including MBB)	38.2	37.3	(2%)
<b>Closing Headcount</b>	<b>3,458</b>	<b>3,412</b>	<b>(1%)</b>

## **eircom Holdings (Ireland) Limited**

### **Trading highlights for the six months ended 31 December 2015\***

- Group revenue of €653 million increased by 4% compared to the six months ended 31 December 2014.
- Group adjusted EBITDA<sup>12</sup> of €237 million increased by €11 million or 5% compared to the six months ended 31 December 2014.
- Fixed line revenue, before intra-company eliminations, of €490 million increased by 3% compared to the six months ended 31 December 2014, reflecting growth in broadband, managed services, TV and last year's price increase partially offsetting declining access base.
- Fixed line adjusted EBITDA of €210 million, increased by 1% compared to the six months ended 31 December 2014.
- Fixed line access net losses were 27,000<sup>13</sup> for the six months ended 31 December 2015. Retail losses of 34,000 for the six months ended 31 December 2015 were partially offset by an increase in Wholesale customers of 8,000.
- The broadband customer base<sup>14</sup> was 817,000 at 31 December 2015, an increase of 35,000 compared to 30 June 2015 which was driven by Wholesale connections of 38,000 and partially offset by Retail reduction of 3,000. At 31 December 2015, there were 358,000 customers using our fibre based high speed broadband services, representing a 26% penetration of NGA premises passed.
- Mobile revenue of €185 million increased by 4% on the corresponding six months in the prior year, driven by higher mix of postpay customers. Postpay customers now represent 46% of mobile base compared to 42% at 31 December 2014.
- Mobile EBITDA of €27 million increased by 60% compared to the corresponding six months ended 31 December 2014, as a result of the continued increase of customers to the higher value postpay base.
- Total Mobile customers of 1,091,000 as of 31 December 2015 was stable compared to the corresponding prior year period. The postpay base for the quarter ended 31 December 2015 was 500,000, up 40,000 or 9% from 31 December 2014, while the prepay base declined by 39,000 or 6% and our Mobile broadband base reduced by 1,000.
- Group operating costs<sup>15</sup> of €416 million were €13 million or 3% higher than the corresponding prior year period. Direct cost of sales increased by €11 million due to higher costs associated with managed services and TV.
- Total Full Time Equivalent (FTE) staff was 3,412 at 31 December 2015 which represented a reduction of 46 FTE in since 31 December 2014.
- The Group continues to maintain strong liquidity with cash on hand of €186 million at 31 December 2015.

The figures presented above include amounts relating to the Groups 56% share in Tetra Ireland Communication Limited ("Tetra"). Following the adoption of IFRS 11, Joint Arrangements, Tetra is reported in the financial statements under the equity method as opposed to proportionate consolidation. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA.

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<sup>12</sup> Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items.

<sup>13</sup> Combined Retail and Wholesale access line losses

<sup>14</sup> Combined Retail and Wholesale excluding LLU

<sup>15</sup> Operating costs include cost of sales, pay and non pay costs - excludes non cash pension charge and non cash lease fair value credits

# eircom Holdings (Ireland) Limited

## KPIs for the six months ended 31 December 2015 (unaudited)

	As at and for six months ended	As at and for the six months ended	Better/ (Worse) % <sup>N1</sup>
	31 Dec 2014	31 Dec 2015	
<b><u>Access Line Base ('000)</u></b>			
Retail	814	742	(9%)
Wholesale	479	483	1%
Wholesale LLU	13	11	(18%)
<b>Total</b>	<b>1,306</b>	<b>1,236</b>	<b>(5%)</b>
<i>Net (decline) year to date</i>	<i>(22)</i>	<i>(27)</i>	
<hr/>			
Retail Voice traffic (m minutes year to date)	1,020	877	(14%)
<hr/>			
<b><u>Broadband Lines ('000)</u></b>			
Retail	460	451	(2%)
Wholesale	288	366	27%
<b>Total</b>	<b>748</b>	<b>817</b>	<b>9%</b>
<i>Net Growth year to date</i>	<i>29</i>	<i>35</i>	
<hr/>			
<b><u>Mobile Customers ('000)</u></b>			
Prepay handsets	614	579	(6%)
Prepaid MBB	16	12	(27%)
Total prepaid customer base	630	591	(6%)
Postpay handsets	429	466	8%
Postpaid MBB	31	34	10%
Total postpaid customer base	460	500	9%
<b>Total</b>	<b>1,090</b>	<b>1,091</b>	<b>0%</b>
<hr/>			
<b><u>Net Mobile additions/(losses) YTD ('000)</u></b>			
Prepaid	1	(17)	
Postpaid	34	25	
<b>Total base movement</b>	<b>35</b>	<b>8</b>	
<hr/>			
<b><u>ARPU'S € <sup>N2 &amp; N3</sup></u></b>			
Retail Voice & Line Rental	34.8	37.2	7%
Retail Blended ARPU	43.0	46.3	8%
WLR PSTN ARPU	16.6	18.0	8%
Bitstream ARPU	12.5	14.2	14%
Prepaid Handset ARPU	16.0	15.9	(1%)
Prepaid ARPU (including MBB)	15.8	15.8	(0%)
Postpaid Handset ARPU	39.4	39.0	(1%)
Postpaid ARPU (including MBB)	38.3	37.7	(2%)
<hr/>			
<b>Closing Headcount</b>	<b>3,458</b>	<b>3,412</b>	<b>1%</b>

# eircom Holdings (Ireland) Limited

## Basis of preparation

This financial information has been prepared to make available certain unaudited condensed consolidated financial information to the holders of the group's Senior Secured Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – “Interim Financial Information” and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 31 December 2015.

This condensed interim financial information has been prepared on the going concern basis, which assumes that eircom Holdings (Ireland) Limited will continue in operational existence for the foreseeable future.

The financial information, as at and for the period ended 31 December 2015, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2015, with the exception that the group commenced amortisation from 1 October 2015 of the Fixed Trademark intangible asset which has been assigned a five year useful life following the re-brand in September 2015. The Trademark (Fixed) intangible asset had an indefinite useful life as of 30 June 2015.

For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of EHIL for the year ended 30 June 2015.

## Reconciliation of statutory financial statements<sup>1</sup> to the results presented in the management discussion and analysis section within this quarterly document

	In the quarter ended 31 December 2014			In the quarter ended 31 December 2015		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	316	(4)	312	328	(4)	324
Operating costs excluding non-cash pension charge and fair value lease credits	(204)	1	(203)	(211)	1	(210)
<b>Adjusted EBITDA</b>	<b>112</b>	<b>(3)</b>	<b>109</b>	<b>117</b>	<b>(3)</b>	<b>114</b>
<b>Closing Cash</b>	<b>173</b>	<b>(10)</b>	<b>163</b>	<b>186</b>	<b>(9)</b>	<b>177</b>

  

	In the six months ended 31 December 2014			In the six months ended 31 December 2015		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	629	(8)	621	653	(8)	645
Operating costs excluding non-cash pension charge and fair value lease credits	(403)	3	(400)	(416)	3	(413)
<b>Adjusted EBITDA</b>	<b>226</b>	<b>(5)</b>	<b>221</b>	<b>237</b>	<b>(5)</b>	<b>232</b>
<b>Closing Cash</b>	<b>173</b>	<b>(10)</b>	<b>163</b>	<b>186</b>	<b>(9)</b>	<b>177</b>

# eircom Holdings (Ireland) Limited

<sup>1</sup>The statutory financial statements are prepared in accordance with IFRS accounting principles and from 1 July 2014 include the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA.

## eircom Holdings (Ireland) Limited

### Reconciliation of earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items to operating profit

	Second quarter ended Dec 2014 €m	Second quarter ended Dec 2015 €m	Six months ended Dec 2014 €m	Six months ended Dec 2015 €m
<b>Operating profit</b>	29	13	59	32
Exceptional items	7	10	13	24
Non-cash pension charge	3	3	6	7
<b>Operating profit before non-cash pension charges and exceptional items</b>	39	26	78	63
Depreciation	62	68	124	137
Amortisation	11	22	24	36
<b>EBITDA before non-cash pension charges and exceptional items</b>	112	116	226	236
IFRS 3 unfavourable lease fair value adjustment	(3)	(2)	(5)	(4)
<b>Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges and exceptional items</b>	109	114	221	232
EBITDA of joint ventures using proportionate consolidation	3	3	5	5
<b>Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges and exceptional items</b>	112	117	226	237
<b>Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges and exceptional items is split as follows:</b>				
Fixed line	103	105	209	210
Mobile	9	12	17	27
	112	117	226	237

*\* Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The statutory basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis.*

# eircom Holdings (Ireland) Limited

## *Consolidated Income Statement – unaudited* *For the second quarter ended 31 December 2015*

	Notes	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>
		<b>€m</b>	<b>€m</b>
Revenue	3	312	324
Operating costs excluding amortisation, depreciation and exceptional items		(203)	(211)
Amortisation	3	(11)	(22)
Depreciation	3	(62)	(68)
Exceptional items	3, 4	(7)	(10)
<b>Operating profit</b>	3	29	13
Finance costs – net	5	(49)	(45)
Share of profit of joint venture		1	1
<b>Loss before tax</b>		(19)	(31)
Income tax (charge)/credit	6	(3)	2
<b>Loss for the period</b>		(22)	(29)

# eircom Holdings (Ireland) Limited

## *Consolidated Income Statement – unaudited* *For the six-month period ended 31 December 2015*

	Notes	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>
		<b>€m</b>	<b>€m</b>
Revenue	3	621	<b>645</b>
Operating costs excluding amortisation, depreciation and exceptional items		(401)	<b>(416)</b>
Amortisation	3	(24)	<b>(36)</b>
Depreciation	3	(124)	<b>(137)</b>
Exceptional items	3, 4	(13)	<b>(24)</b>
<b>Operating profit</b>	3	59	<b>32</b>
Finance costs – net	5	(97)	<b>(92)</b>
Share of profit of joint venture		1	<b>1</b>
<b>Loss before tax</b>		(37)	<b>(59)</b>
Income tax credit	6	9	<b>3</b>
<b>Loss for the period</b>		(28)	<b>(56)</b>

## *Group statement of comprehensive income – unaudited* *For the six-month period ended 31 December 2015*

	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>
	<b>€m</b>	<b>€m</b>
<b>Loss for the financial period attributable to equity holders of the parent</b>	(28)	<b>(56)</b>
<b>Other comprehensive (expense)/income:</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Defined benefit pension scheme remeasurement (losses)/gains:		
- Remeasurement (loss)/gain in period	(88)	<b>232</b>
- Tax on defined benefit pension scheme remeasurement losses/(gains)	11	<b>(29)</b>
	(77)	<b>203</b>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net changes in cash flow hedge reserve:		
- Fair value (loss)/gain in period	(3)	<b>1</b>
Other comprehensive (expense)/income, net of tax	(80)	<b>204</b>
<b>Total comprehensive (expenses)/income for the financial period</b>	(108)	<b>148</b>

The accompanying notes form an integral part of the condensed interim financial information.

# eircom Holdings (Ireland) Limited

## *Consolidated Balance Sheet – unaudited As at 31 December 2015*

	Notes	30 June 2015	31 Dec 2015
		€m	€m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		192	192
Other intangible assets		435	414
Property, plant and equipment		1,527	1,499
Investment in joint venture		2	3
Derivative financial instruments		1	-
Deferred tax assets		6	5
Other assets		15	15
		2,178	2,128
<b>Current assets</b>			
Inventories		9	12
Trade and other receivables	7	232	216
Restricted cash		8	9
Cash and cash equivalents		186	177
		435	414
<b>Total assets</b>		2,613	2,542
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	8	2,106	2,122
Derivative financial instruments		2	5
Trade and other payables		152	150
Deferred tax liabilities		46	68
Retirement benefit liability	9	426	207
Provisions for other liabilities and charges	10	101	97
		2,833	2,649
<b>Current liabilities</b>			
Derivative financial instruments		2	4
Trade and other payables		461	425
Current tax liabilities		12	11
Provisions for other liabilities and charges	10	32	30
		507	470
<b>Total liabilities</b>		3,340	3,119
<b>Equity</b>			
Equity share capital		-	-
Capital contribution		47	50
Cash flow hedging reserve		-	1
Retained loss		(774)	(628)
<b>Total equity</b>		(727)	(577)
<b>Total liabilities and equity</b>		2,613	2,542

The accompanying notes form an integral part of the condensed interim financial information.



## eircom Holdings (Ireland) Limited

### *Consolidated cash flow statement – unaudited* *For the second quarter ended 31 December 2015*

	Notes	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>
		<b>€m</b>	<b>€m</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	107	<b>136</b>
Interest paid		(41)	<b>(40)</b>
Income tax paid		(9)	<b>(5)</b>
Net cash generated from operating activities		57	<b>91</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		(45)	<b>(61)</b>
Purchase of intangible assets		(12)	<b>(6)</b>
Restricted cash		5	-
Net cash used in investing activities		(52)	<b>(67)</b>
<b>Cash flows from financing activities</b>			
Net cash used in financing activities		-	-
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		5	<b>24</b>
Cash, cash equivalents and bank overdrafts at beginning of period		158	<b>153</b>
<b>Cash, cash equivalents and bank overdrafts at end of period</b>		<b>163</b>	<b>177</b>

The accompanying notes form an integral part of the condensed interim financial information.

## eircom Holdings (Ireland) Limited

### *Consolidated cash flow statement – unaudited* *For the six-month period ended 31 December 2015*

	Notes	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>
		<b>€m</b>	<b>€m</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	195	<b>220</b>
Interest paid		(65)	<b>(64)</b>
Income tax paid		(8)	<b>(5)</b>
Net cash generated from operating activities		122	<b>151</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		(132)	<b>(146)</b>
Purchase of intangible assets		(24)	<b>(10)</b>
Restricted cash		5	<b>(1)</b>
Net cash used in investing activities		(151)	<b>(157)</b>
<b>Cash flows from financing activities</b>			
Repayment on borrowings		-	<b>(2,367)</b>
Proceeds from loan borrowings		-	<b>2,367</b>
Amend and extend fees paid		(1)	<b>(3)</b>
Net cash used in financing activities		(1)	<b>(3)</b>
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>		(30)	<b>(9)</b>
Cash, cash equivalents and bank overdrafts at beginning of period		193	<b>186</b>
<b>Cash, cash equivalents and bank overdrafts at end of period</b>		<b>163</b>	<b>177</b>

The accompanying notes form an integral part of the condensed interim financial information.

## eircom Holdings (Ireland) Limited

### *Consolidated statement of changes in shareholders' equity – unaudited* *For the six-month period ended 31 December 2015*

	Equity share capital €m	Capital Contribution €m	Cash flow hedging reserve €m	Retained loss €m	Total equity €m
<b>Balance at 30 June 2014</b>	-	9	(1)	(655)	(647)
Loss for the year	-	-	-	(95)	(95)
Defined benefit pension scheme remeasurement losses	-	-	-	(27)	(27)
Tax on defined benefit pension scheme remeasurement losses	-	-	-	3	3
Cash flow hedges:					
- Fair value gain in year	-	-	1	-	1
Currency translation differences	-	-	-	1	1
Total comprehensive income/(expense)	-	-	1	(118)	(117)
Capital contribution in respect of MIP equity value event	-	11	-	-	11
Reclassification to equity of MIP debt value event provision	-	27	-	-	27
Dividends relating to equity shareholders	-	-	-	(1)	(1)
<b>Balance at 30 June 2015</b>	-	47	-	(774)	(727)
<b>Balance at 30 June 2015</b>	-	47	-	(774)	(727)
Loss for the period	-	-	-	(56)	(56)
Defined benefit pension scheme remeasurement gains	-	-	-	232	232
Tax on defined benefit pension scheme remeasurement gains	-	-	-	(29)	(29)
Cash flow hedges:					
- Fair value gain in year	-	-	1	-	1
<b>Total comprehensive income</b>	-	-	1	147	148
Capital contribution in respect of MIP equity value event	-	3	-	-	3
Dividends relating to equity shareholders	-	-	-	(1)	(1)
<b>Balance at 31 December 2015</b>	-	50	1	(628)	(577)

The accompanying notes form an integral part of the condensed interim financial information.

# **eircom Holdings (Ireland) Limited**

## *Selected notes to the condensed interim financial information – unaudited*

### **1. General information**

eircom Holdings (Ireland) Limited ("the company" or "EHIL") and its subsidiaries together ("the group" or "eircom Holdings (Ireland) Limited group" or "EHIL Group"), provide fixed line and mobile telecommunications services in Ireland.

This condensed consolidated interim financial information was approved for issue on 27 January 2016.

### **2. Basis of preparation**

This financial information has been prepared to make available certain unaudited condensed consolidated financial information to the holders of the group's Senior Secured Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 31 December 2015.

This condensed interim financial information has been prepared on the going concern basis, which assumes that eircom Holdings (Ireland) Limited will continue in operational existence for the foreseeable future.

The financial information, as at and for the period ended 31 December 2015, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2015, with the exception that the group commenced amortisation from 1 October 2015 of the Fixed Trademark intangible asset which has been assigned a five year useful life following the re-brand in September 2015. The Trademark (Fixed) intangible asset had an indefinite useful life as of 30 June 2015.

For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of EHIL for the year ended 30 June 2015.

## eircom Holdings (Ireland) Limited

### *Selected notes to the condensed interim financial information – unaudited (continued)*

#### 3. Segment information

The group provides communications services, principally in Ireland. The group is organised into two main operating segments: fixed line and mobile.

The segment results for the six-months period ended 31 December 2015 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
<b>Revenue</b>	490	185	(22)	<b>653</b>	(8)	<b>645</b>
<b>EBITDA **</b>	210	27	-	<b>237</b>	(5)	<b>232</b>
Non-cash lease fair value credits	4	-	-	<b>4</b>	-	<b>4</b>
Non-cash pension charges	(7)	-	-	<b>(7)</b>	-	<b>(7)</b>
Amortisation	(23)	(13)	-	<b>(36)</b>	-	<b>(36)</b>
Depreciation	(127)	(14)	-	<b>(141)</b>	4	<b>(137)</b>
Exceptional items	(24)	-	-	<b>(24)</b>	-	<b>(24)</b>
<b>Operating profit</b>	<b>33</b>	-	-	<b>33</b>	<b>(1)</b>	<b>32</b>

The segment results for the six-months period ended 31 December 2014 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
<b>Revenue</b>	474	178	(23)	<b>629</b>	(8)	<b>621</b>
<b>EBITDA **</b>	209	17	-	<b>226</b>	(5)	<b>221</b>
Non-cash lease fair value credits	5	-	-	<b>5</b>	-	<b>5</b>
Non-cash pension charges	(6)	-	-	<b>(6)</b>	-	<b>(6)</b>
Amortisation	(13)	(11)	-	<b>(24)</b>	-	<b>(24)</b>
Depreciation	(118)	(10)	-	<b>(128)</b>	4	<b>(124)</b>
Exceptional items	(13)	-	-	<b>(13)</b>	-	<b>(13)</b>
<b>Operating profit/(loss)</b>	<b>64</b>	<b>(4)</b>	-	<b>60</b>	<b>(1)</b>	<b>59</b>

\* Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The statutory basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis.

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

# eircom Holdings (Ireland) Limited

## *Selected notes to the condensed interim financial information – unaudited (continued)*

### 4. Exceptional items

	31 Dec 2014 €m	31 Dec 2015 €m
Restructuring programme costs	-	2
Management incentive plan	-	3
Re-branding and other strategic review costs	10	18
Other exceptional items	3	1
	13	24

The group has adopted an income statement format which seeks to highlight significant items within group results for the period. The group believe that this presentation provides additional analysis as it highlights one-off items. Judgement is used by the group in assessing the particular items, which by virtue of their scale and nature are disclosed in the group income statement and related notes as exceptional items.

#### ***Restructuring programme costs***

The group has included an exceptional charge of €2 million for staff exits in the period ended 31 December 2015. The exceptional charge reflects those staff who were committed to exiting the business at 31 December 2015. No provision has been included in respect of future staff exits not committed at 31 December 2015 and any further costs will be charged to the income statement in future periods.

#### ***Management incentive plan***

The management incentive plan ("MIP") was introduced in the year ended 30 June 2013 by the group's parent company, eircom Holdco SA, for certain directors and senior executives in the group. The MIP originally incentivised the participants to deliver full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value event") and to deliver maximum returns to shareholders on a sale of their shares ("sale event"). In December 2014, the shareholders of eircom Holdco S.A. elected to simplify the structure by removing the debt related elements of the plan and thereby aligning the returns to the participants with the returns to the shareholders. During the period ended 31 December 2014, the group recognised a charge of €1 million in its income statement in respect of its obligations in connection with potential debt value events prior to the amendment in December 2014. Following the amendment, the group reclassified the cumulative debt value event liability of €27 million to equity.

During the period ended 31 December 2015, the group recognised a charge of €3 million (31 December 2014: credit of €1 million, decrease in equity) in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the parent company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

#### ***Re-branding and other strategic review costs***

The group recognised an exceptional charge of €16 million for re-branding costs and €2 million for strategic review costs in the period ended 31 December 2015.

During the prior year period, the group recognised an exceptional charge of €10 million in respect of strategic review costs in the period ended 31 December 2014.

#### ***Other exceptional items***

The group recognised an exceptional charge of €3 million in respect of onerous lease contracts in the period ended 31 December 2015, which were partially offset by an exceptional credit of €2 million as a result of the release of dilapidation provisions in respect of Telephone House that were carried forward at the start of the year.

During the prior year period ended 31 December 2014, the group recognised an exceptional charge of €9 million in respect of certain legal matters, which were partially offset by exceptional credits of €6 million reflecting the release of provisions carried forward at the start of that financial year.

## eircom Holdings (Ireland) Limited

### *Selected notes to the condensed interim financial information – unaudited (continued)*

#### 5. Finance costs – net

	31 Dec 2014 €m	31 Dec 2015 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	64	64
Interest amortisation on non-current borrowings	25	14
Net interest cost on net pension liability	6	4
Capitalised interest on property, plant and equipment	(2)	-
Amortisation of debt issue costs on bank loans and amend and extend fees	2	2
Other unwinding of discount	1	1
Fair value movements on derivatives not qualifying for hedge accounting	-	7
Other	1	-
	97	92
(b) Finance income:		
Interest income	-	-
	-	-
<b>Finance costs – net</b>	<b>97</b>	<b>92</b>

In November 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group's Senior Credit Facility. The margin on the senior credit facility is 4.5% over Euribor on Facility B2 and B3 borrowings. These new swaps replaced the previous three year swaps which expired on 11 June 2015.

On 11 June 2015, the group effected an amendment and extension of the terms of its Facility B borrowings and as part of the 'Amendment and Restatement' this included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group's interest rate swaps. The hedges remain economically effective in hedging interest rate risk where EURIBOR is not negative.

#### 6. Income tax credit

The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the loss of the group as follows:

	31 Dec 2014 €m	31 Dec 2015 €m
<b>Loss before tax</b>	<b>(37)</b>	<b>(59)</b>
Tax calculated at Irish standard tax rate of 12.5%	(5)	(7)
<i>Effects of:-</i>		
Non-deductible expenses (net)	10	4
Adjustments in respect of prior periods	(14)	-
<b>Tax credit for the period</b>	<b>(9)</b>	<b>(3)</b>

The €14 million adjustment for prior periods recognised during the prior quarter ended 31 December 2014 mainly relates to the reversal of amounts previously charged to reflect the effect of uncertain tax treatments.

#### 7. Trade and other receivables

During the period ended 31 December 2015, the group recognised a provision for impaired receivables of €4 million (31 December 2014: €4 million), reversed provisions for impaired receivables of €Nil (31 December 2014: €1 million) and utilised provisions for impaired receivables of €10 million (31 December 2014: €6 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

## eircom Holdings (Ireland) Limited

### *Selected notes to the condensed interim financial information – unaudited (continued)*

#### 8. Borrowings

The maturity profile of the carrying amount of the group's borrowings is set out below.

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
<b>As at 31 December 2015</b>					
Bank borrowings (Facility B)	-	-	159	1,863	2,022
Unamortised fair value difference on borrowings	-	-	(17)	(204)	(221)
Amend and extend fees	-	-	(2)	(18)	(20)
	-	-	140	1,641	1,781
9.25% Senior Secured Notes due 2020	-	-	350	-	350
Debt issue costs	-	-	(9)	-	(9)
	-	-	341	-	341
	-	-	481	1,641	2,122
<b>As at 30 June 2015</b>					
Bank borrowings (Facility B)	-	-	159	1,863	2,022
Unamortised fair value difference on borrowings	-	-	(18)	(217)	(235)
Amend and extend fees	-	-	(2)	(20)	(22)
	-	-	139	1,626	1,765
9.25% Senior Secured Notes due 2020	-	-	350	-	350
Debt issue costs	-	-	(9)	-	(9)
	-	-	341	-	341
	-	-	480	1,626	2,106

At 31 December 2015, the group has Senior Bank borrowings of €2,022 million with a maturity date of 30 September 2019 for Facility B2 borrowings of €159 million and a maturity date of 31 May 2022 for Facility B3 borrowings of €1,863 million.

During the year ended 30 June 2013, the group undertook a permitted bond refinancing. In accordance with the terms of the Senior Facilities Agreement, €339 million of the net proceeds from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement at an average price of €0.933 per €1.00, with an equivalent reduction in the group's borrowings under the Senior Facilities Agreement.

On 4 April 2014, the group effected an amendment and extension of the terms of 94.7% of the outstanding principal under its Facility B bank borrowings. On 11 June 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The maturity date of the remaining non-extending Facility B2 borrowings of €159 million is unchanged at 30 September 2019. The new and amended Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin.

The borrowings under the Senior Facilities Agreement were recognised initially in accordance with IAS 39 at their fair value on the date of recognition, 11 June 2012, which was estimated to be 77% of the par value of the liability. The difference between the fair value on initial recognition and the amount that was payable on the maturity date is being amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 31 December 2015 was €221 million.

Interest accrued on borrowings at 31 December 2015 is €10 million (30 June 2015: €9 million). This is included in trade and other payables.



# eircom Holdings (Ireland) Limited

## *Selected notes to the condensed interim financial information – unaudited (continued)*

### 9. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The group undertakes a full review of the retirement benefit liability at each quarter end in accordance with IAS 19 (Revised). The balance sheet presented as at 31 December 2015 reflects the IAS 19 (Revised) deficit of €207 million as at 31 December 2015.

### Pension scheme obligation

The status of the principal scheme at 31 December 2015 is as follows:

	30 June 2014 €m	30 June 2015 €m	31 Dec 2015 €m
Present value of funded obligations	3,940	4,331	4,225
Fair value of scheme assets	(3,549)	(3,905)	(4,018)
Liability recognised in the Balance Sheet	391	426	207

### Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2014	At 30 June 2015	At 31 Dec 2015
Rate of increase in salaries	1.50%	1.50%	1.50%
Rate of increase in pensions in payment	1.50%	1.50%	1.50%
Discount rate	2.90%	2.40%	2.55%
Inflation assumption	1.80%	1.70%	1.70%
Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old male	88 years	88 years	88 years
Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old female	89 years	90 years	90 years
Mortality assumptions – Future retirements – Implied life expectancy for 65 year old male	91 years	91 years	91 years
Mortality assumptions – Future retirements – Implied life expectancy for 65 year old female	92 years	93 years	93 years

*The above assumptions reflect the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.*

# eircom Holdings (Ireland) Limited

*Selected notes to the condensed interim financial information – unaudited (continued)*

## 10. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Asset Retirement Obligations €m	Other €m	Total €m
<b>At 30 June 2015</b>	<b>24</b>	<b>8</b>	<b>56</b>	<b>45</b>	<b>133</b>
Charged to consolidated income statement:					
- Additional provisions	-	3	-	-	<b>3</b>
- Unused amounts reversed	-	-	-	(2)	<b>(2)</b>
Increase in provision capitalised as ARO	-	-	1	-	<b>1</b>
Utilised in the financial period	(4)	(1)	-	(3)	<b>(8)</b>
<b>At 31 Dec 2015</b>	<b>20</b>	<b>10</b>	<b>57</b>	<b>40</b>	<b>127</b>

Provisions have been analysed between non-current and current as follows:

	30 June 2015 €m	31 Dec 2015 €m
Non-current	101	<b>97</b>
Current	32	<b>30</b>
	<b>133</b>	<b>127</b>

## 11. Cash generated from operations

	31 Dec 2014 €m	31 Dec 2015 €m
Loss after tax	(28)	<b>(56)</b>
Add back:		
Income tax credit	(9)	<b>(3)</b>
Share of profit of joint venture	(1)	<b>(1)</b>
Finance costs – net	97	<b>92</b>
Operating profit	59	<b>32</b>
Adjustments for:		
- Depreciation and amortisation	148	<b>173</b>
- Non-cash lease fair value credits	(5)	<b>(4)</b>
- Non cash retirement benefit charges	6	<b>7</b>
- Restructuring programme costs	-	<b>2</b>
- Non cash exceptional items	10	<b>6</b>
- Other non cash movements in provisions	1	<b>1</b>
Cash flows relating to restructuring, onerous contracts and other provisions	(21)	<b>(10)</b>
<b>Changes in working capital</b>		
Inventories	1	<b>(2)</b>
Trade and other receivables	(9)	<b>15</b>
Trade and other payables	5	<b>-</b>
<b>Cash generated from operations</b>	<b>195</b>	<b>220</b>

# **eircom Holdings (Ireland) Limited**

## *Selected notes to the condensed interim financial information – unaudited (continued)*

### **12. Post Balance Sheet Events**

In December 2015, eir entered into an agreement to buy Setanta Sports Channel Ireland Limited, the international sports broadcaster, based in Ireland. The deal will require the approval of the Competition and Consumer Protection Commission together with the approval of the Minister for Communications, Energy and Natural Resources before completion.

The transaction allows eir to significantly expand its TV offering and further enhance the range of propositions on offer to customers. Setanta Sports Ireland offers a compelling range of exclusive sports content in the Republic of Ireland.

There have been no other significant events affecting the group since the period ended 31 December 2015.

### **13. Contingent liabilities**

There have been no material changes in our contingent liabilities since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2015.

### **14. Guarantees**

There have been no material changes in our credit guarantees and in derivatives since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2015.

### **15. Seasonality**

#### *Fixed line*

The group does not believe that seasonality has a material impact on our fixed line business.

#### *Mobile*

The group's mobile business tends to experience an increase in sales volumes in the weeks approaching Christmas due to the seasonal nature of its retail business. The group's mobile business experiences significant postpay and prepay subscriber growth and related costs of handset subsidies and commissions in November and December. Visitor roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer months.

### **16. Commitments**

#### *Operating lease commitments*

The group's operating lease contractual obligations and commitment payments were €338 million at 31 December 2015 (30 June 2015: €353 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

#### *Capital commitments*

The group's capital contractual obligations and commitment payments were €51 million at 31 December 2015 (30 June 2015: €45 million).

### **17. Related party transactions**

#### *Management incentive plan*

The management incentive plan ("MIP") was introduced in the year ended 30 June 2013 by the group's parent company, eircom Holdco SA, for certain directors and senior executives in the group. During the period ended 31 December 2015, the group recognised a charge of €3 million in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the parent company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

There have been no other material changes in our related party transactions since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2015.

## eircom Holdings (Ireland) Limited

### Management discussion and analysis on results of operations for the quarter ended 31 December 2015

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis.

Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.

#### Revenue

Group revenue of €328 million for the quarter ended 31 December 2015 increased by 4% compared to the quarter ended 31 December 2014.

The following table shows a segmental split of revenues for the period from our fixed line and mobile businesses:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Fixed line services and other revenue	236	245	4
Mobile services revenue	91	94	3
<b>Total segmental revenue</b>	<b>327</b>	<b>339</b>	<b>4</b>
Intracompany eliminations	(11)	(11)	(6)
<b>Total revenue</b>	<b>316</b>	<b>328</b>	<b>4</b>

#### *Fixed line services and other revenue*

Total fixed line services and other revenues, before intra company eliminations, for the quarter ended 31 December 2015 increased by 4% compared to the corresponding prior year quarter.

Fixed line revenues for the quarter, analysed by major products and services, are summarised as follows:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Access Rental and Connections	119	121	2
Voice Traffic	53	55	3
Foreign Inpayments	3	3	-
Data Services	25	24	(5)
Other Products and Services	36	42	18
<b>Total fixed line services and other revenue</b>	<b>236</b>	<b>245</b>	<b>4</b>

## eircom Holdings (Ireland) Limited

### *Access (rental and connections)*

The following table outlines rental, connection and other charges, the number of access lines in service and the percentage changes for the period:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Total access revenue</b>			
Retail PSTN/ISDN Rental and Connection	61	55	(10)
Wholesale PSTN/ISDN/LLU Rental and Connection	28	29	5
Broadband and bitstream rental and connection	30	37	22
<b>Total access revenue</b>	<b>119</b>	<b>121</b>	<b>2</b>
<b>Access lines (in thousands at period end, except percentages)</b>			
Retail Access lines	814	742	(9)
Wholesale Access Lines	479	483	1
Wholesale LLU	13	11	(18)
Total PSTN/ISDN/LLU	1,306	1,236	(5)
Broadband and Bitstream	748	817	9
<b>Total Customer Lines</b>	<b>2,054</b>	<b>2,053</b>	<b>-</b>

Access revenues increased by 2% compared to the corresponding prior year quarter. Lower Retail revenues were offset by strong growth in Wholesale revenues, driven by broadband.

Retail line rental and connection revenues for the quarter ended 31 December 2015 decreased by 10% compared with the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, and the continuing migration of customers to other operators and to mobile. Retail access lines at 31 December 2015 were 742,000, a reduction of 9% compared to 31 December 2014.

Wholesale access lines increased by 1% compared to the prior year. Wholesale SABB (Stand Alone BroadBand) increased by 56,000 compared to 31 December 2014. SABB is not included in the access line base but is included in Wholesale Bitstream volumes. Wholesale rental and connection revenue was €29 million in the quarter ended 31 December 2015, an increase of 5% compared with the corresponding quarter ended 31 December 2014, driven by higher wholesale line rental ARPU which increased by 8% compared to the same quarter in the prior year due to the expiration of a discount to operators in Large Exchange Areas (LEA) on 31 December 2014.

Broadband and Bitstream revenue for the quarter of €37 million increased by 22% compared with the corresponding quarter in the prior year. Wholesale bitstream volumes of 366,000 increased by 77,000 compared to 31 December 2014, with growth of 21,500 in the quarter, over half of which was from stand-alone broadband. The Retail broadband customer base stood at 451,000 at 31 December 2015 which was a decrease of 8,000 over the last 12 months.

During the quarter ended 31 December 2015, the rollout of our high speed fibre network continued passing 1,400,000 premises and we had connected 358,000 Retail and Wholesale customers to high speed broadband services offering speeds of up to 100Mb/s. e fibre customers increased by 32,000 in the quarter. We launched a TV proposition in October 2014, enabling the first quad play offering in Ireland and at 31 December 2015 we had 45,000 TV customers.

## eircom Holdings (Ireland) Limited

### Traffic

Overall traffic revenue for the quarter ended 31 December 2015 increased by 3% compared to the prior year.

The following table shows information relating to our total traffic revenue and volumes and the percentage change for the periods indicated:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Revenue</b>			
Retail Traffic	38	39	3
Wholesale Traffic	15	16	4
<b>Total traffic revenue</b>	<b>53</b>	<b>55</b>	<b>3</b>
<b>Traffic (in millions of minutes, except percentages)</b>			
Retail	503	435	(13)
Wholesale	1,146	1,059	(8)
<b>Total traffic minutes</b>	<b>1,649</b>	<b>1,494</b>	<b>(9)</b>

Overall traffic revenue increased by 3% in the quarter ended 31 December 2015 compared to the prior year. Retail voice traffic revenues increased by 3% for the quarter ended 31 December 2015, compared with the corresponding quarter ended 31 December 2014. This increase in revenues was primarily driven by the introduction of price increases in the quarter ended 30 June 2015 which was partially offset by the impact of declining traffic volumes. Wholesale traffic revenues increased by 4% in the quarter ended 31 December 2015 compared to the corresponding quarter in the prior year driven by a change in traffic mix.

### Data services revenue

Revenue from data communications for the quarter ended 31 December 2015 reduced by 5% compared with the corresponding prior year quarter. The following table shows information relating to revenue from data communications products and services:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	
<b>Data services revenue</b>			
Leased lines	14	13	(3)
Switched data services	5	5	(13)
Next generation data services	6	6	(3)
<b>Total data services revenue</b>	<b>25</b>	<b>24</b>	<b>(5)</b>

Leased line revenues reduced by 3% in the quarter, however for the six months ended 31 December 2015 leased lines revenue are flat with the same period in the prior year. Revenue from switched data reduced by 13% which reflects customers' move from legacy products to the next generation product portfolio.

## eircom Holdings (Ireland) Limited

### *Foreign Inpayments*

Revenue from foreign terminating traffic for the quarter ended 31 December 2015 were flat compared to the quarter ended 31 December 2014, despite an increase in minutes of 12% driven by a change in traffic mix.

The following table shows information relating to revenue and traffic from foreign inpayments and the percentage change for the periods indicated:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Foreign Terminating traffic Revenue</b>	<b>3</b>	<b>3</b>	<b>-</b>
<b>Foreign Terminating traffic minutes in millions</b>	<b>156</b>	<b>137</b>	<b>12</b>

### *Other products and services*

Revenue from other products and services include revenue from our operations in eir UK, operator services, managed services, data centres and our share of revenue from Tetra.

The following table shows information relating to revenue from other products and services and the percentage change for the periods indicated:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Operator Services	4	3	(13)
Managed Services	9	14	60
Tetra	5	5	-
UK/Ni	7	7	1
Datacentre	4	4	(9)
Other revenue	7	9	31
<b>Other products and services revenue</b>	<b>36</b>	<b>42</b>	<b>18</b>

Revenue from other products and services for the quarter ended 31 December 2015 increased by 18% compared with the quarter ended 31 December 2014. The increase is driven by an increase in Managed Services revenue by €5 million compared to the same corresponding quarter in the prior year. Operator services revenue fell by 13% as a result of declining calls to our 11811 directory enquiries service. Tetra revenue, UK/Ni and Data Centre revenues are broadly flat with the prior year.

## eircom Holdings (Ireland) Limited

### Mobile services revenue

The following table shows revenue from Mobile services, analysed by major products and services:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Prepay handset	30	28	(6)
Postpay handset	49	53	7
Mobile Broadband	2	2	(1)
Roaming	1	2	76
Other	9	9	7
<b>Total mobile services revenue</b>	<b>91</b>	<b>94</b>	<b>3</b>

	As at		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
			%
<b>Total subscribers (thousands):</b>			
Prepay handset customers (thousands)	614	579	(6)
Postpay handset customers (thousands)	429	466	8
Mobile Broadband customers (thousands)	47	46	(3)
<b>Total subscribers (thousands)</b>	<b>1,090</b>	<b>1,091</b>	<b>-</b>

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband, roaming and device sales.

Mobile Revenue of €94m for the quarter ended 31 December 2015 was 3% higher than the corresponding quarter in the prior year. This is primarily due to a strong performance on postpay handset revenue which has increased by 7% driven by growth in the postpay base of 8% year on year. Prepay handset revenue decreased by 6% compared to the same period in the prior year driven by a volume decrease of 6%. The proportion of postpay customers (including mobile broadband) within our base has increased from 42% at 31 December 2014 to 46% at 31 December 2015, representing an increase of 14,000 net additional postpay handsets offset by a reduction of 11,000 prepay handsets in the quarter.



## eircom Holdings (Ireland) Limited

### Operating costs before amortisation, depreciation and exceptional items

The following table shows information relating to our operating costs before amortisation, depreciation, and exceptional items, and the percentage change for the periods indicated:

	In the quarter ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Cost of Sales</b>			
Foreign Outpayments	3	2	(6)
Interconnect	27	28	5
Equipment Cost of Sales	23	24	6
Other including subsidiaries	19	24	23
<b>Total Cost of Sales</b>	<b>72</b>	<b>78</b>	<b>10</b>
<b>Pay Costs</b>			
Wages and salaries and other staff costs	62	62	-
Social welfare costs	3	3	(5)
Pension costs – defined contribution plans	1	1	3
Pension costs – defined benefit plans	4	4	(3)
<b>Pay costs before non-cash pension charge and capitalisation</b>	<b>70</b>	<b>70</b>	<b>(1)</b>
Capitalised labour	(17)	(18)	(3)
<b>Total pay costs before non-cash pension charge</b>	<b>53</b>	<b>52</b>	<b>(2)</b>
<b>Non Pay costs</b>			
Materials and Services	2	4	70
Other Network Costs	3	4	8
Accommodation	28	26	(6)
Sales and Marketing	20	20	(4)
Bad Debts	1	2	200
Transport and Travel	3	3	(1)
Customer Services	11	11	(4)
Insurance and Compensation	1	1	(13)
Professional and Regulatory Fees	2	2	19
IT Costs	6	6	13
Other Non-Pay costs	2	2	37
<b>Total non-pay costs</b>	<b>79</b>	<b>81</b>	<b>2</b>
<b>Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items</b>	<b>204</b>	<b>211</b>	<b>4%</b>
Non Cash Pension Charge	3	3	-
Non-cash lease fair value credits	(3)	(2)	(33)
<b>Operating costs before, amortisation, depreciation, and exceptional items</b>	<b>204</b>	<b>212</b>	<b>4%</b>

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items increased by 4%, compared with the corresponding quarter of the prior year.

### Cost of Sales

Cost of sales were €6 million higher in the quarter ended 31 December 2015 compared to the corresponding quarter in the prior year:

- Foreign outpayments and Interconnect payments are broadly flat with the prior year.
- Equipment cost of sales were €1 million higher mainly due to higher mobile direct subscriber acquisition / retention costs.
- Other cost of sales were €5 million higher than the corresponding period in the prior year driven by higher managed services revenue and TV costs.

## **eircom Holdings (Ireland) Limited**

### ***Pay costs***

Total staff pay costs, before non-cash pension charges, for the quarter ended 31 December 2015 decreased by 2% compared to the corresponding prior year quarter, mainly due to a reduction in FTE headcount. For the three months ended 31 December 2015 there was on average approximately 100 less FTEs compared to the same period in the prior year.

FTE Headcount at 31 December 2015 was 3,412 FTE, representing a net reduction of 46 FTE compared to 31 December 2014.

### ***Non-cash pension charge***

The non-cash pension charge represents the difference between the amount of cash contributions paid and payable, on an accruals basis, in respect of the group's defined benefit scheme, and the current service cost recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 accounting charge is not aligned with the principles that the group applies in measuring its EBITDA, and the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to Operating profit.

### ***Total non-pay costs***

Year on year non-pay costs increased by 2% in the quarter ended 31 December 2015 compared to the corresponding prior year quarter:

- Materials and services costs were €2 million higher year on year mainly due to a one-off credit in the prior year
- Accommodation costs were €2 million lower than prior year due to lower power costs and rationalisation of office space.
- Other network costs, customer services, insurance and compensation, professional and regulatory fees and IT costs were all broadly flat compared to the prior year quarter.
- Bad Debts has increased by €1 million on the same period in the prior year which represents one off credits in the prior year.
- All other costs are mainly in line with the prior year.

### ***Non-cash lease fair value credits***

The non-cash lease fair value credit included in the income statement during the quarter arises from the unfavourable lease provision recognised on acquisition of eircom Limited. At the date of acquisition, the group was required to recognise a liability for the difference between the amount of future rental payments that had been contractually committed to and the estimated market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of Operating profit to EBITDA.

### ***Amortisation***

Amortisation charges for the quarter ended 31 December 2015 were €22 million, €11 million higher than the prior year quarter, partly arising from higher amortisation as a result of new intangible assets and partly due to the group commencing amortisation from 1 October 2015 of the Fixed Line Trademark having an impact on the quarter of €6 million following the re-brand in September 2015. The Fixed Trademark intangible asset had an indefinite useful life as of 30 June 2015.

### ***Depreciation***

The depreciation charges for the quarter ended 31 December 2015 were €70 million, €6 million higher than the prior year quarter, due to higher depreciation as a result of new tangible assets in both the fixed line and mobile segment.

## **eircom Holdings (Ireland) Limited**

### ***Exceptional costs***

Net exceptional charges in the quarter ended 31 December 2015 of €10 million is made up of a number of items and includes €3 million for the management incentive plan (“MIP”), €3 million for onerous lease contracts, €2 million charge for re-branding costs, €1 million for strategic review costs and €1 million for restructuring staff exits.

The exceptional charges in the prior year quarter ended 31 December 2014 of €7 million included €2 million for strategic review costs and €7 million for certain legal matters offset by an exceptional credit of €2 million reflecting the release of provisions carried forward at the start of the financial year.

### ***Finance costs (net)***

The group’s net finance costs for quarter ended 31 December 2015 of €45 million were €4 million lower than the corresponding prior year quarter, mainly due to lower interest amortisation on the Facility B borrowings (€6 million) as a result of the debt repayment of €238 million in the year ended 30 June 2015 and the extension of €1,625 million of the Facility B borrowings to May 2022 offset by €3 million fair value movements on derivatives not qualifying for hedge accounting.

### ***Taxation***

The tax credit for the quarter ended 31 December 2015 was €2 million, compared with a €3 million charge in the prior corresponding period, which reflects the increased loss before tax and lower non-deductible expenses in the quarter.

### ***Liquidity***

#### ***Net cash generated from operating activities***

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation, impairment, non-cash pension charge, non-cash lease fair value credits and certain non-cash exceptional items. Cash flows from operating activities are also impacted by working capital movements and restructuring and other provision payments.

During the quarter ended 31 December 2015, net cash generated from operating activities was €97 million compared with €63 million in the prior corresponding quarter, increase of €34 million. The increase is mainly due to improvements in working capital receivables (€18 million), higher EBITDA (€5 million), lower provision payments (€4 million) and lower tax payments (€4 million).

#### ***Cash flows from investing activities***

Total cash used in investing activities was €67 million for the quarter ended 31 December 2015, compared to €52 million in the prior year quarter, increase of €15 million due to higher cash capital expenditure.

In addition, in the prior year quarter ended 31 December 2014, restricted cash of €5 million was refunded by ComReg in relation to our obligations under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (“USO”).

## eircom Holdings (Ireland) Limited

### Commentary on results of operations for the six months ended 31 December 2015

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis.

Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.

#### Revenue

Group revenue of €653 million for the six months ended December 2015 increased by 4% compared to the six months ended 31 December 2014.

The following table shows a segmental split of revenues for the period from our fixed line and mobile businesses:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Fixed line services and other revenue	474	490	3
Mobile services revenue	178	185	4
<b>Total segmental revenue</b>	<b>652</b>	<b>675</b>	<b>3</b>
Intracompany eliminations	(23)	(22)	(7)
<b>Total revenue</b>	<b>629</b>	<b>653</b>	<b>4</b>

#### *Fixed line services and other revenue*

Total fixed line services and other revenues, before intra company eliminations, increased by 3% in the six months ended 31 December 2015 compared to the corresponding period in the prior year.

Fixed line revenues for the six months, analysed by major products and services, are summarised as follows:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Access Rental and Connections	241	243	1
Voice Traffic	108	111	3
Foreign Inpayments	6	6	(11)
Data Services	48	48	(1)
Other Products and Services	71	82	16
<b>Total fixed line services and other revenue</b>	<b>474</b>	<b>490</b>	<b>3</b>

## eircom Holdings (Ireland) Limited

### Access (rental and connections)

Access revenues increased by 1% in the period compared with the corresponding six month period of the prior year. Lower Retail revenues were offset by strong growth in Wholesale revenues. The following table outlines rental, connection and other charges, the number of access lines in service and the percentage changes for the period:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Total access revenue</b>			
Retail PSTN/ISDN Rental and Connection	124	112	(9)
Wholesale PSTN/ISDN/LLU Rental and Connection	55	58	6
Broadband and bitstream rental and connection	62	73	17
<b>Total access revenue</b>	<b>241</b>	<b>243</b>	<b>1</b>
<b>Access lines (in thousands at period end, except percentages)</b>			
Retail Access lines	814	742	(9)
Wholesale Access Lines	479	483	1
Wholesale LLU	13	11	(18)
Total PSTN/ISDN/LLU	1,306	1,236	(5)
Broadband and Bitstream	748	817	9
<b>Total Customer Lines</b>	<b>2,054</b>	<b>2,053</b>	<b>-</b>

Retail Line rental and connection revenues decreased by 9% in the six months ended 31 December 2015, compared with the corresponding period in the prior year, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the continuing migration of customers to other operators and to mobile. Retail access lines at 31 December 2015 were 742,000, a reduction of 9% compared to 31 December 2014.

Wholesale access lines increased by 1% compared to the 31 December 2014. Wholesale SABB (Stand Alone BroadBand) increased by 56,000 compared to 31 December 2014. SABB is not included in the access line base but is included in Wholesale Bitstream volumes. Wholesale rental and connection revenue was €58 million for the six months ended 31 December 2015, an increase of 6% compared with the period ended 31 December 2014, driven by higher wholesale line rental ARPU which increased by 8% compared to the same period in the prior year due to the expiration of a discount to operators in Large Exchange Areas (LEA) on 31 December 2014.

Broadband and Bitstream revenue for the six months to 31 December 2015 of €73 million increased by 17% compared with the corresponding period in the prior year. Wholesale bitstream volumes of 366,000 increased by 77,000 compared to 31 December 2014, with growth of 21,500 in the quarter over half of which was from stand-alone broadband. The Retail broadband customer base stood at 451,000 at 31 December 2015 which was a 8,000 decrease over the last 12 months.

As at 31 December 2015, we have 358,000 eFibre Retail and Wholesale customers and 45,000 eTV customers.

## eircom Holdings (Ireland) Limited

### Traffic

Overall traffic revenue for the six months ended 31 December 2015 increased by 3% compared to the prior year.

The following table shows information relating to our total traffic revenue and volumes and the percentage change for the periods indicated:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Revenue</b>			
Retail Traffic	76	79	4
Wholesale Traffic	32	32	1
<b>Total traffic revenue</b>	<b>108</b>	<b>111</b>	<b>3</b>
<b>Traffic (in millions of minutes, except percentages)</b>			
Retail	1,020	877	(14)
Wholesale	2,281	2,178	(5)
<b>Total traffic minutes</b>	<b>3,301</b>	<b>3,055</b>	<b>(7)</b>

Overall traffic revenue increased by 3% in the six months ended 31 December 2015 compared to the corresponding period in the prior year. Retail voice traffic revenues increased by 4% for the period ended 31 December 2015, compared with the corresponding six months ended 31 December 2014. This increase in revenues was primarily driven by the introduction of price increases in the quarter ended 30 June 2015 which was partially offset by the impact of declining traffic volumes. Wholesale traffic revenues increased by 1% in the six months ended 31 December 2015 compared to the corresponding period in the prior year driven by a change in traffic mix.

### Data services revenue

Revenue from data communications for the six months ended 31 December 2015 decreased by 1% compared with the corresponding period in the prior year. The following table shows information relating to revenue from data communications products and services:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	
<b>Data services revenue</b>			
Leased lines	27	27	-
Switched data	10	10	(10)
Next generation data services	11	11	6
<b>Total data services revenue</b>	<b>48</b>	<b>48</b>	<b>(1)</b>

Leased Line revenues remained flat in the six months ended 31 December 2015 compared to the prior year. Revenue from switched data fell by 10%, while revenue from Next generation data services increased by 6% compared to the six months ended 31 December 2014 which reflects customers' move from legacy products to the next generation product portfolio.

## eircom Holdings (Ireland) Limited

### *Foreign Inpayments*

Revenue from foreign terminating traffic decreased by 11% compared the corresponding period in the prior year due to reduced traffic.

The following table shows information relating to revenue and traffic from foreign inpayments and the percentage change for the periods indicated:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Foreign Terminating traffic Revenue</b>	<b>7</b>	<b>6</b>	<b>(11)</b>
<b>Foreign Terminating traffic minutes in millions</b>	<b>313</b>	<b>232</b>	<b>(26)</b>

### *Other products and services*

Other products and services revenues include revenues from our operations in the UK, operator services, managed services, data centres, and our share of revenue from Tetra.

The following table shows information relating to revenue from other products and services and the percentage change for the periods indicated:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Operator Services	8	6	(17)
Managed Services	17	28	65
Tetra	10	10	2
UK/NI	14	15	2
Datacentre	8	8	(5)
Other revenue	14	15	12
<b>Other products and services revenue</b>	<b>71</b>	<b>82</b>	<b>16</b>

Revenue from other products and services for the six months ended 31 December 2015 increased by 16% compared with the six months ended 31 December 2014. Managed services revenue increased by €11 million in the six months ended 31 December 2015 compared to corresponding period in the prior year, driven by eirBusiness. Operator services revenue fell by 17% as a result of reduced calls to our 11811 directory enquiries service. Tetra revenue was in line with the corresponding period in the prior year. UK/NI, Datacentre and other revenues were also broadly flat compared to the prior year. Other revenue year on year increase is due to increasing TV income.

## eircom Holdings (Ireland) Limited

### Mobile services revenue

The following table shows revenue from Mobile services, analysed by major products and services:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
Prepay handset	60	57	(5)
Postpay handset	98	106	8
Mobile Broadband	4	4	1
Roaming	2	4	52
Other	14	14	7
<b>Total mobile services revenue</b>	<b>178</b>	<b>185</b>	<b>4</b>

	As at		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
			%
<b>Total subscribers (thousands):</b>			
Pre-paid handset customers (thousands)	614	579	(6)
Post-paid handset customers (thousands)	429	466	8
Mobile Broadband customers (thousands)	47	46	(3)
<b>Total subscribers (thousands)</b>	<b>1,090</b>	<b>1,091</b>	<b>-</b>

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband, roaming and device sales.

Mobile Revenue of €185 million for the six months ended 31 December 2015 was 4% higher than the corresponding period in the prior year. This is primarily due to a strong performance on postpay handset revenue which has increased by 8% driven by growth in the postpay base of 8% year on year. Prepay handset revenue decreased by 5% compared to the same period in the prior year driven by a volume decrease of 6%. The proportion of postpay customers (including mobile broadband) within our base has increased from 42% at 31 December 2014 to 46% at 31 December 2015, representing an increase of 14,000 net additional postpay handsets offset by a reduction of 11,000 prepay handsets.



## eircom Holdings (Ireland) Limited

### Operating costs before amortisation, depreciation and exceptional items

The following table shows information relating to our operating costs before amortisation, depreciation, and exceptional items, and the percentage change for the periods indicated:

	In the six months ended		Change <sup>(N1)</sup>
	31 Dec 2014	31 Dec 2015	2015/2016
	€m	€m	%
<b>Cost of Sales</b>			
Foreign Outpayments	6	5	(6)
Interconnect	55	57	2
Equipment Cost of Sales	43	43	(2)
Other including subsidiaries	37	47	32
<b>Total Cost of Sales</b>	<b>141</b>	<b>152</b>	<b>8</b>
<b>Pay Costs</b>			
Wages and salaries and other staff costs	125	123	(1)
Social welfare costs	6	6	(2)
Pension costs – defined contribution plans	2	2	1
Pension costs – defined benefit plans	7	7	(8)
<b>Pay costs before non-cash pension charge and capitalisation</b>	<b>140</b>	<b>138</b>	<b>(2)</b>
Capitalised labour	(36)	(34)	(8)
<b>Total pay costs before non-cash pension charge</b>	<b>104</b>	<b>104</b>	<b>1</b>
<b>Non Pay costs</b>			
Materials and Services	6	9	37
Other Network Costs	7	8	9
Accommodation	56	53	(5)
Sales and Marketing	39	37	(7)
Bad Debts	3	4	70
Transport and Travel	6	6	(7)
Customer Services	21	21	(2)
Insurance and Compensation	1	2	95
Professional and Regulatory Fees	4	4	2
IT Costs	12	12	7
Other Non-Pay costs	3	4	34
<b>Total non-pay costs</b>	<b>158</b>	<b>160</b>	<b>-</b>
<b>Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items</b>	<b>403</b>	<b>416</b>	<b>3%</b>
Non Cash Pension Charge	6	7	-
Non-cash lease fair value credits	(5)	(4)	(20)
<b>Operating costs before, amortisation, depreciation, and exceptional items</b>	<b>404</b>	<b>419</b>	<b>3%</b>

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 3%, compared with the corresponding six months of the prior year.

### Cost of Sales

Cost of sales were €11 million higher in the six months ended 31 December 2015 compared to the corresponding period in the prior year:

- Foreign outpayments, Interconnect payments and equipment cost of sales are broadly flat with the prior year.
- Other cost of sales were €10 million higher than the corresponding period in the prior year driven by higher managed services revenue and TV costs.

## **eircom Holdings (Ireland) Limited**

### ***Pay costs***

Total staff pay costs, before non-cash pension charges, for the six month ended 31 December 2015 increased by 1% compared to the corresponding period in the prior year, due primarily to lower capitalisation of labour costs. On average for the six months ended 31 December 2015 there was approximately 150 lower headcount compared to the same period in the prior year. Savings due to lower headcount is offset by lower capitalisation and pay inflation.

FTE Headcount at 31 December 2015 was 3,412 FTE, representing a net reduction of 46 FTE compared to 31 December 2014.

### ***Non-cash pension charge***

The non-cash pension charge represents the difference between the amount of cash contributions paid and payable, on an accruals basis, in respect of the group's defined benefit scheme, and the current service cost recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 accounting charge is not aligned with the principles that the group applies in measuring its EBITDA, and the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to Operating profit.

### ***Total non-pay costs***

Year on year non-pay costs in the six months ended 31 December 2015 were flat compared to the corresponding prior year period

### ***Non-cash lease fair value credits***

The non-cash lease fair value credit included in the income statement during the period arises from the unfavourable lease provision recognised on acquisition of eircom Limited. At the date of acquisition, the group was required to recognise a liability for the difference between the amount of future rental payments that had been contractually committed to and the estimated market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of Operating profit to EBITDA.

### ***Amortisation***

Amortisation charges for the six-month period ended 31 December 2015 were €36 million, €12 million higher than the prior year period, partly arising from higher amortisation as a result of new intangible assets and partly due to the group commencing amortisation from 1 October 2015 of the Fixed Line Trademark having an impact on the period of €6 million following the re-brand in September 2015. The Fixed Trademark intangible asset had an indefinite useful life as of 30 June 2015.

### ***Depreciation***

The depreciation charges for the six-month period ended 31 December 2015 were €141 million, €13 million higher than the prior year period, due to higher depreciation as a result of tangible assets in both the fixed line and mobile segment and accelerated depreciation of €2.6 million on Telephone House tangible assets written off in the first quarter following the lease expiry.

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### ***Exceptional costs***

Net exceptional charges in the six-month period ended 31 December 2015 of €24 million includes €16 million for re-branding costs, €2 million for strategic review costs, €3 million for the management incentive plan (“MIP”), €3 million for onerous lease contracts and €2 million for restructuring staff exits offset by an exceptional credit of €2 million as a result of the release of dilapidation provisions in respect of Telephone House that were carried forward at the start of the year.

The exceptional charges in the prior year period ended 31 December 2014 of €13 million included €10 million for strategic review costs and €9 million for certain legal matters offset by an exceptional credit of €6 million reflecting the release of provisions carried forward at the start of the financial year.

### ***Finance costs (net)***

The group’s net finance costs for six-month period ended 31 December 2015 of €92 million were €5 million lower than the corresponding prior year period, mainly due to lower interest amortisation on the Facility B borrowings (€11 million) as a result of the debt repayment of €238 million in the year ended 30 June 2015 and the extension of €1,625 million of the Facility B borrowings to May 2022 offset by €7 million fair value movements on derivatives not qualifying for hedge accounting.

### ***Taxation***

The tax credit for the six-month period ended 31 December 2015 was €3 million, compared with a €9 million credit in the prior corresponding period. The higher tax credit in the prior year period includes a reversal of amounts previously charged in prior years (€14 million) to reflect the effect of uncertain tax treatments.

### ***Liquidity***

#### ***Net cash generated from operating activities***

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation, impairment, non-cash pension charge, non-cash lease fair value credits and certain non-cash exceptional items. Cash flows from operating activities are also impacted by working capital movements and restructuring and other provision payments.

During the six-month period ended 31 December 2015, net cash generated from operating activities was €158 million compared with €130 million in the prior corresponding period, increase of €28 million. The increase is mainly due to working capital inflows of €15 million (higher revenue receipts), higher EBITDA (€11 million), lower voluntary leaving and other provision payments (€11 million) and lower tax payments (€3 million) partially offset by exceptional spend of €16 million in the year (mainly re-branding costs).

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### ***Cash flows from investing activities***

Total cash used in investing activities was €157 million for the six-month period ended 31 December 2015, compared to €151 million in the prior year period, increase of €6 million, which is due to restricted cash (mainly ComReg refund in the prior year) as capital expenditure for the six-month period is in line with the prior year.

### ***Cash flows from financing activities***

On 1 July 2015, eircom Limited, the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of eircom Holdings (Ireland) Limited, eircom Limited (Irish Branch), a company incorporated in Jersey. On 2 July 2015, eircom Limited (Irish Branch) borrowed €2,367 million from group undertakings who borrowed the funds from Citibank and paid this to eircom Limited. eircom Limited repaid its loans from group undertakings and the group undertakings in turn repaid Citibank with no increase in group borrowings.

During the six-month period ended 31 December 2015, the group made repayments of €4 million (31 December 2014: €4 million) in relation to the group's share of Tetra borrowings.

In addition, the group made payments of €3 million (31 December 2014: €1 million) in the period ended 31 December 2015 in respect of transaction fees relating to the amendment and extension of its facility B borrowings.

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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.

## eircom Holdings (Ireland) Limited

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### Notes:

1. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in these tables. Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.
  2. Fixed ARPU Calculations:
    - A. We define “Retail voice & line rental ARPU” as the average of recurring retail access rentals (PSTN and ISDN rentals excluding connection revenue) and net core voice revenue (which is now net of all discounts including promotional discounts) divided by the average number of access subscribers in each month. Given the increase in promotions as a result of the launch of TV, the prior year ARPU has been adjusted to include the impact of promotional discounts.
    - B. We define “Retail broadband ARPU” as the average of total revenue from broadband services (broadband rental revenue net of bundle discount) divided by the average number of retail broadband subscribers in each month. Given the increase in promotions as a result of the launch of TV, the prior year ARPU has been adjusted to include promotional discounts.
    - C. We define “WLR PSTN ARPU” as the average of Wholesale PSTN line rental revenue (net of WLR LEA discount) divided by the average number of PSTN WLR access subscribers in each month.
    - D. We define “Bitstream ARPU” as the average of bitstream rental revenue (recurring revenue) divided by the average number of Wholesale bitstream subscribers in each month.
    - E. We define “the average number of subscribers in the month” as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month.
  3. Mobile ARPU Calculations:
    - A. We define “Prepay Handset ARPU” as the measure of the sum of the total prepay mobile handset subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepay mobile handset subscribers in the period divided by the number of months in the period.
    - B. We define “Postpay Handset ARPU” as the measure of the sum of the total postpay mobile handset subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile handset subscribers in the period divided by the number of months in the period.
    - C. We define “the average number of mobile handset subscribers in the period” as the average of the total number of mobile handset subscribers at the beginning of the period and the total number of mobile handset subscribers at the end of the period.
  4. N/M - percentage movement is not meaningful.
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