

# **eircom Holdings (Ireland) Limited**

**Second quarter and six months unaudited results  
31 December 2016**



# SECOND QUARTER AND SIX MONTHS RESULTS ANNOUNCEMENT TO 31 DECEMBER 2016

## Second Quarter Financial Update



Underlying revenue<sup>1</sup> of €336m, up €8m or 2% year on year



EBITDA of €121m, up €4m or 4% year on year



Operating costs<sup>2</sup> reduced €3m or 2% year on year

## Six Month Financial Update



Underlying revenue<sup>1</sup> of €666m, up €13m or 2% year on year



EBITDA of €243m, up €6m or 2% year on year



Operating costs reduced by €8m or 3% year on year

## Business update



On track to reach 1.9m premises with high speed broadband by end of 2018  
53,000 homes and businesses passed with FTTH



500,000 fibre broadband connections  
31% take-up of fibre, up from 26% in the prior year period



23% of customers now on triple or quad play bundle



95% 4G population coverage, three months ahead of schedule

<sup>1</sup> Underlying Revenue is before Mobile Termination Rate (MTR) and Foreign Exchange (FX) impacts

<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 Thursday 26 January, 2017)** eir today announced results for the second quarter and six months ended 31 December 2016. Commenting on today's announcement, Richard Moat, CEO eir, said: "Strong business momentum continues with underlying revenue and EBITDA growth for the quarter of 2% and 4% respectively. On a half yearly basis, underlying revenue and EBITDA each increased by 2%. We remain focused on network investment, bundling and convergence, with all these initiatives underpinning our successful transformation from a telephony to a media company.

We have a fantastic set of content rights which we are using to differentiate our consumer broadband offering. eir Sport subscriber numbers have increased significantly, driven by exclusive content such as the historic Ireland versus New Zealand rugby match and the McGregor UFC fights, and there are now over 200,000 customers watching eir Sport across a range of platforms including TV, laptops, tablets and handheld devices. Our vision for our customers is a converged future, providing seamless access to fixed and mobile services. This will be brought to life this year with the launch of new innovative products such as voice over broadband, voice over wi-fi and voice over LTE services.

Supporting this vision is an on-going commitment to strategic investment that is unrivalled in Ireland. Our rural 300,000 fibre rollout programme is well underway, and we are on track to pass 1.9m premises by the end of 2018. Communities such as Belclare, Cornamona, Inverin and Turloughmore in Co Galway, as well as Dunleer Co Louth are able to access high speed broadband with a best in class broadband service offering speeds up to 1,000Mb/s. This is on par with the fastest broadband speeds available anywhere in the world and demonstrates eir's commitment to foster economic development across rural Ireland.

Finally, 4G mobile data coverage has now reached 95% of the population, three months ahead of schedule. This improved connectivity has also delivered an increase in large scale business customers as we expand our offerings to this segment."



## Trading Update



### Strong broadband growth

880,000 broadband connections, up 63,000 year on year



### Continuing momentum in TV/eir sport

eir Vision base at 63,000 customers, up 18,000 year on year

29% TV take up by consumer fibre base

More than 200,000 eir Sport users across all platforms



### Increasing number of mobile customers opting for bundles

1,074,000 total mobile customers

47% of customers are on postpay contracts, up 1p.p. year on year



### Household Revenue Generating Units (RGUs) growing

2.15 RGUs per household, up from 2.0 RGUs

Huib Costermans, CFO eir, said: “The business is performing in line with expectations, with continued underlying revenue and EBITDA growth. This is supported by growth in operational KPIs including broadband connections, both at the retail and wholesale levels, along with increasing take up of our bundled offerings. We remain committed to delivering efficiencies and have reduced our operating costs by 3% for the first half of the year. As a result, we are on track to achieve full year guidance of single digit year on year EBITDA growth, as well as further cash generation.”

For the quarter, underlying revenue was €336 million, excluding mobile termination rates (“MTR”) and foreign exchange (“FX”) movements, and increased by €8 million or 2% year on year. Reported revenue for the quarter of €330 million was stable compared to the corresponding prior year quarter.

On a year to date basis, underlying revenue of €666 million increased by 2% or €13 million. Reported revenue of €657 million increased by 1% or €4 million compared to the prior year period.

Operating costs for the quarter ended 31 December 2016 were €130 million, a reduction of 2% compared with the same quarter last year and reduced by 3% or €8 million on a year to date basis, to €256 million.

EBITDA for the quarter was €121 million and €243 million on a year to date basis, an increase of 4% in the quarter and 2% on a year to date basis when compared to the corresponding prior year period.

In the fixed line segment, reported revenue (before intra company eliminations) for the quarter ended 31 December 2016 was €250 million, a 2% increase when compared to the corresponding prior year period. The year to date figure of €499 million, also increased by 2% compared to the prior year. Fixed line EBITDA for the quarter and six months to 31 December 2016, of €109 million and €218 million, increased by €4 million and €8 million respectively.

The total group broadband customer base was 880,000 at 31 December 2016, growing by 13,000 in the quarter and 26,000 for the six months ended 31 December 2016. Wholesale broadband connections increased by 12,000 during the quarter and 30,000 for the six months ended 31 December 2016, bringing the total wholesale broadband lines to 436,000 lines at the end of December 2016. The retail broadband base increased by 1,000 in the quarter to a total of 444,000 customers.

500,000 customers were using our fibre based high-speed broadband service at the end of December, representing growth of 36,000 customers during the quarter and 71,000 since June 2016. 57% of our broadband customers are connected to our fibre network, which represents a 31% penetration of fibre premises passed. Fixed line net access losses for the quarter and six months ended 31 December 2016 were 10,000 and 23,000 respectively, an improvement when compared to 27,000 net losses for the six months ended 31 December 2015.

In the mobile segment, reported mobile revenue (before intra company eliminations) was €88 million for the quarter, a decrease of €6 million when compared to the prior year. Adjusting for the impact of MTR regulatory price changes, underlying mobile revenue of €93 million was broadly flat year on year. On a year to date basis, reported mobile revenue of €176 million decreased €9 million or 5% compared to the prior year period. Adjusting for the impact of MTR regulatory price changes, underlying mobile revenue of €184 million for the half year decreased by 1%, primarily due to increased bundling and promotional activity.

Mobile EBITDA for the quarter of €12 million was broadly flat compared to the prior year quarter. Mobile EBITDA for the six months ended 31 December 2016 was €25 million, a decrease of €2 million compared to the corresponding prior period. Mobile EBITDA margin was 14% for the quarter and six months ended 31 December 2016 and in line with expectations.

The group mobile customer base increased by 8,000 in the quarter and 15,000 for the six months ended 31 December 2016 to a total of 1,074,000 customers, driven by growth in our postpay segment. Our mobile base now includes 47% postpay customers, up 1 p.p year on year.

In summary, eir's results continue to show progress and are in line with expectations. We remain on track to achieve our full year guidance.

ENDS

***For media queries, please contact:***

Paul Bradley  
eir  
Director of Corporate Affairs  
Tel: +353 1 600 4281  
Mobile: +353 85 174 4281  
[Paul.bradley@eir.ie](mailto:Paul.bradley@eir.ie)

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)

Niall Quinn  
The Reputations Agency  
Deputy Managing Director  
Tel: +353 1 661 8915  
Mob: +353 86 827 4829  
[Niall@thereputationsagency.ie](mailto:Niall@thereputationsagency.ie)

***For investor relations queries, please contact:***

Michelle Bennett  
eir  
Director of Investor Relations  
Mob: 085 174 5699  
[Michelle.Bennett@eir.ie](mailto:Michelle.Bennett@eir.ie)

For more information on today's announcement, please visit our Investor Relations site:  
<https://www.eir.ie/investorrelations/>

26 January 2017

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

### **Unaudited second quarter and six months results to 31 December 2016**

| <b>Table of contents</b>  | <b>Page(s)</b> |
|---|----------------|
| <b>Trading highlights for the second quarter ended 31 December 2016</b>   | <b>8</b>       |
| <b>KPIs for the second quarter ended 31 December 2016</b>   | <b>9</b>       |
| <b>Trading highlights for the six months ended 31 December 2016</b>   | <b>10</b>      |
| <b>KPIs for the six months ended 31 December 2016</b>   | <b>11</b>      |
| <b>Reconciliation of statutory financial statements to the results presented in the management discussion and analysis section within this quarterly document</b> | <b>12</b>      |
| <b>Reconciliation of EBITDA to operating profit for the quarter and six months ended 31 December 2016</b>   | <b>13</b>      |
| <b>Consolidated Income statement for the quarter ended 31 December 2016</b>   | <b>14</b>      |
| <b>Consolidated Income statement for the six months ended 31 December 2016</b>  | <b>15</b>      |
| <b>Group statement of comprehensive Income for the quarter ended 31 December 2016</b>   | <b>15</b>      |
| <b>Consolidated balance sheet as at 31 December 2016</b>  | <b>16</b>      |
| <b>Consolidated cash flow statement for the quarter ended 31 December 2016</b>  | <b>17</b>      |
| <b>Consolidated cash flow statement for the six months ended 31 December 2016</b>   | <b>18</b>      |
| <b>Consolidated statement of changes in shareholders' equity for the six months ended 31 December 2016</b>  | <b>19</b>      |
| <b>Selected notes to the condensed interim financial information for the period ended 31 December 2016</b>  | <b>20-26</b>   |
| <b>Commentary on results of operations for the quarter ended 31 December 2016</b>   | <b>27-34</b>   |
| <b>Commentary on results of operations for the six months ended 31 December 2016</b>  | <b>35-44</b>   |

# **eircom Holdings (Ireland) Limited**

## **Trading highlights for the second quarter ended 31 December 2016\***

- Underlying revenue of €336 million (which excludes Mobile Termination Rate (“MTR”) reduction and foreign exchange (“FX”) movements) increased by €8 million or 2% year on year.
- Reported group revenue of €330 million was stable compared to the corresponding prior year quarter.
- Group adjusted EBITDA<sup>3</sup> of €121 million was €4 million or 4% higher than the corresponding prior year quarter.
- Reported fixed line revenue, before intra-company eliminations, of €250 million increased by 2% compared to the quarter ended 31 December 2015 reflecting the acquisition of eir sport, growth in broadband, managed services, TV and price increases. Excluding the impact of MTR reductions and FX movements, fixed line revenue was €253 million and increased by 3% compared to the corresponding prior year period.
- Fixed line adjusted EBITDA of €109 million, increased by 3% compared to the corresponding prior year quarter.
- Group access paths increased by 2,000 during the quarter ended 31 December 2016. Growth in standalone broadband of 12,000 offset a reduction in fixed line access net losses of 10,000<sup>4</sup>. Retail access line losses of 9,000 were partially offset by Wholesale growth of 1,000.
- The broadband customer base<sup>5</sup> stood at 880,000 at 31 December 2016, an increase of 13,000 in the quarter and 63,000 compared to the prior year. The Retail customer base increased by 1,000 and the Wholesale base increased by 12,000 in the quarter. At 31 December 2016, there were 500,000 customers availing of our new fibre based high speed broadband services.
- Reported mobile revenue of €88 million reduced by 6% compared to the prior year quarter, the reduction due mainly to a regulated price reduction in mobile termination rates plus increased promotional and bundling discounts. Excluding the impact of MTR reductions, mobile revenue was €93 million and in line with the corresponding prior year period.
- Total mobile customers of 1,074,000<sup>6</sup> as of 31 December 2016 included a postpay base of 508,000, increasing by 11,000 in the quarter and growing by 8,000 year on year. The prepay base at 31 December 2016 was 566,000, a decrease of 3,000 in the quarter and 25,000 year on year.
- Group operating costs<sup>7</sup> of €130 million, reduced by 2% compared to the corresponding prior year quarter.
- Total Full Time Equivalent (FTE) staff was 3,361 at 31 December 2016 which represented a reduction of 51 FTE since 31 December 2015.
- The Group continues to maintain strong liquidity with cash on hand of €105 million at 31 December 2016.

\*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.

<sup>3</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>4</sup> Combined Retail and Wholesale access line losses including LLU

<sup>5</sup> Combined Retail and Wholesale excluding LLU and line share, including SABB

<sup>6</sup> Mobile base is a combination of handset subscriptions and mobile broadband subscriptions

<sup>7</sup> Operating costs are pay and non pay costs before non-cash pension charge and lease fair value credits



# eircom Holdings (Ireland) Limited

## KPIs for the first quarter ended 31 December 2016 (unaudited)

|   | As at and for<br>quarter ended | As at and for<br>quarter ended | Better/<br>(Worse) % <sup>N1</sup> |
|---|--------------------------------|--------------------------------|------------------------------------|
|   | 31 Dec 2015                    | 31 Dec 2016                    |                                    |
| <b><u>Access Paths Base ('000)</u></b>                        |                                |                                |                                    |
| Retail Access Lines   | 742                            | 693                            | (7%)                               |
| Retail SABB*  | 22                             | 23                             | 2%                                 |
| Wholesale Access lines  | 483                            | 501                            | 4%                                 |
| Wholesale SABB*   | 83                             | 132                            | 58%                                |
| Wholesale LLU**   | 11                             | 9                              | (5%)                               |
| <b>Total</b>  | <b>1,341</b>                   | <b>1,358</b>                   | <b>1%</b>                          |
| <b>Net increase in quarter</b>                                | <b>7</b>                       | <b>2</b>                       |                                    |
| <hr/>   |                                |                                |                                    |
| Retail Voice traffic (m minutes in quarter)                   | 435                            | 368                            | (15%)                              |
| <hr/>   |                                |                                |                                    |
| <b><u>Broadband Lines ('000)</u></b>                          |                                |                                |                                    |
| Retail  | 451                            | 444                            | (2%)                               |
| Wholesale   | 366                            | 436                            | 19%                                |
| <b>Total</b>  | <b>817</b>                     | <b>880</b>                     | <b>8%</b>                          |
| <b>Net Growth in quarter</b>                                  | <b>19</b>                      | <b>13</b>                      |                                    |
| <hr/>   |                                |                                |                                    |
| <b><u>Mobile Customers ('000)</u></b>                         |                                |                                |                                    |
| Prepaid handsets  | 579                            | 559                            | (3%)                               |
| Prepaid MBB   | 12                             | 7                              | (41%)                              |
| Total prepaid base  | 591                            | 566                            | (4%)                               |
| Postpaid handsets   | 466                            | 469                            | 1%                                 |
| Postpaid MBB  | 34                             | 39                             | 17%                                |
| Total postpaid base   | 500                            | 508                            | 2%                                 |
| <b>Total</b>  | <b>1,091</b>                   | <b>1,074</b>                   | <b>(2%)</b>                        |
| <hr/>   |                                |                                |                                    |
| <b><u>Net Mobile additions/(losses) in quarter ('000)</u></b> |                                |                                |                                    |
| Prepaid base  | (13)                           | (3)                            |                                    |
| Postpaid base   | 14                             | 11                             |                                    |
| <b>Total base movement</b>                                    | <b>1</b>                       | <b>8</b>                       |                                    |
| <hr/>   |                                |                                |                                    |
| <b><u>ARPU'S € <sup>N2 &amp; N3</sup></u></b>                 |                                |                                |                                    |
| Consumer Blended ARPU   | 43.6                           | 47.4                           | 9%                                 |
| WLR PSTN ARPU   | 18.0                           | 15.9                           | (12%)                              |
| Bitstream ARPU (including SABB)                               | 14.3                           | 15.7                           | 9%                                 |
| Prepaid ARPU (including MBB post MTR)                         | 15.6                           | 14.3                           | (8%)                               |
| Postpaid ARPU (including MBB post MTR)                        | 37.3                           | 34.1                           | (9%)                               |
| Prepaid ARPU (including MBB before MTR)                       | 15.6                           | 15.5                           | (1%)                               |
| Postpaid ARPU (including MBB before MTR)                      | 37.3                           | 36.2                           | (3%)                               |
| <hr/>   |                                |                                |                                    |
| <b>Closing Headcount</b>                                      | <b>3,412</b>                   | <b>3,361</b>                   | <b>(2%)</b>                        |

\*SABB - Standalone Broadband

\*\*LLU - Local Loop Unbundled

# eircom Holdings (Ireland) Limited

## Trading highlights for the six months ended 31 December 2016\*

- Underlying revenue, of €666 million (which excludes Mobile Termination Rate (“MTR”) reduction and foreign exchange (“FX”) movements), increased by €13 million or 2% year on year.
- Reported group revenue of €657 million increased by €4 million or 1% compared to the corresponding prior year period.
- Group adjusted EBITDA<sup>8</sup> of €243 million increased by €6 million or 2% compared to the corresponding prior year period.
- Reported fixed line revenue, before intra-company eliminations, of €499 million increased by 2% compared to the six months ended 31 December 2015, reflecting growth in broadband, managed services, TV and last year’s price increase partially offset by declining access base. Excluding the impact of MTR reductions and FX movements, fixed line revenue was €504 million and increased by 3% compared to the corresponding prior year period.
- Fixed line adjusted EBITDA of €218 million, increased by €8 million or 3% compared to the corresponding prior year period.
- Group access paths increased by 8,000 for the six months ended 31 December 2016. Growth in standalone broadband of 31,000 offset a reduction in fixed line access net losses of 22,000<sup>9</sup> (primarily driven by Retail access net losses).
- The broadband customer base<sup>10</sup> was 880,000 at 31 December 2016, an increase of 26,000 compared to 30 June 2016 which was driven by Wholesale connections of 30,000 and partially offset by Retail reduction of 4,000. At 31 December 2016, there were 500,000 customers using our fibre based high speed broadband services, representing a broadband penetration rate of 57%, up 13 p.p compared to the corresponding prior year period.
- Reported mobile revenue of €176 million reduced by 5% on the corresponding six months in the prior year, the reduction due mainly to a regulated price reduction in mobile termination rates plus increased promotional and bundling discounts. Excluding the impact of MTR reductions, mobile revenue was €184 million a reduction of 1% compared to the corresponding prior year period.
- Mobile EBITDA of €25 million decreased by 5% compared to the six months ended 31 December 2015, primarily as a result of the regulated price reduction in MTR.
- Total Mobile customers<sup>11</sup> of 1,074,000 as of 31 December 2016 decreased by 17,000 compared to the corresponding prior year period. The postpay base as at 31 December 2016 was 508,000, up 8,000 or 2% from 31 December 2015, while the prepay base declined by 25,000 or 4% and our mobile broadband base increased by 1,000. Postpay customers now represent 47% of mobile base compared to 46% at 31 December 2015.
- Group operating costs<sup>12</sup> of €256 million were €8 million or 3% lower than the corresponding prior year period.
- Total Full Time Equivalent (FTE) staff was 3,361 at 31 December 2016 which represented a reduction of 51 FTE since 31 December 2015.
- The Group continues to maintain strong liquidity with cash on hand of €105 million at 31 December 2016.

\*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.

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

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

<sup>10</sup> Combined Retail and Wholesale excluding LLU and line share, including SABB

<sup>11</sup> Mobile base is a combination of Handset subscriptions and Mobile Broadband subscriptions

<sup>12</sup> Operating costs include 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 2016 (unaudited)

|  | As at and for<br>six months<br>ended | As at and for<br>the six months<br>ended | Better/<br>(Worse) % <sup>N1</sup> |
|--|--------------------------------------|--|------------------------------------|
|  | 31 Dec 2015                          | 31 Dec 2016                              |                                    |
| <b><u>Group Access Paths Base ('000)</u></b>       |                                      |  |                                    |
| Retail Access Lines                                | 742                                  | 693                                      | (7%)                               |
| Retail SABB*                                       | 22                                   | 23                                       | 2%                                 |
| Wholesale Access Lines                             | 483                                  | 501                                      | 4%                                 |
| Wholesale SABB*                                    | 83                                   | 132                                      | 58%                                |
| Wholesale LLU**                                    | 11                                   | 9  | (14%)                              |
| <b>Total</b>                                       | <b>1,341</b>                         | <b>1,358</b>                             | <b>1%</b>                          |
| <i>Net increase year to date</i>                   | <i>3</i>                             | <i>8</i>                                 |                                    |
| <hr/>  |                                      |  |                                    |
| Retail Voice traffic (m minutes year to date)      | 877                                  | 756                                      | (14%)                              |
| <hr/>  |                                      |  |                                    |
| <b><u>Broadband Lines ('000)</u></b>               |                                      |  |                                    |
| Retail   | 451                                  | 444                                      | (2%)                               |
| Wholesale  | 366                                  | 436                                      | 19%                                |
| <b>Total</b>                                       | <b>817</b>                           | <b>880</b>                               | <b>8%</b>                          |
| <i>Net Growth year to date</i>                     | <i>35</i>                            | <i>26</i>                                |                                    |
| <hr/>  |                                      |  |                                    |
| <b><u>Mobile Customers ('000)</u></b>              |                                      |  |                                    |
| Prepay handsets                                    | 579                                  | 559                                      | (3%)                               |
| Prepaid MBB  | 12                                   | 7  | (41%)                              |
| Total prepaid customer base                        | 591                                  | 566                                      | (4%)                               |
| Postpay handsets                                   | 466                                  | 469                                      | 1%                                 |
| Postpaid MBB                                       | 34                                   | 40                                       | 17%                                |
| Total postpaid customer base                       | 500                                  | 508                                      | 2%                                 |
| <b>Total</b>                                       | <b>1,091</b>                         | <b>1,074</b>                             | <b>(2%)</b>                        |
| <hr/>  |                                      |  |                                    |
| <b><u>Net Mobile additions/(losses) ('000)</u></b> |                                      |  |                                    |
| Prepaid  | (17)                                 | 5  |                                    |
| Postpaid   | 25                                   | 10                                       |                                    |
| <b>Total base movement</b>                         | <b>8</b>                             | <b>15</b>                                |                                    |
| <hr/>  |                                      |  |                                    |
| <b><u>ARPU'S € <sup>N2 &amp; N3</sup></u></b>      |                                      |  |                                    |
| Consumer Blended ARPU                              | 43.8                                 | 46.7                                     | 7%                                 |
| WLR PSTN ARPU                                      | 18.0                                 | 15.8                                     | (12%)                              |
| Bitstream ARPU (including SABB)                    | 14.2                                 | 15.2                                     | 7%                                 |
| Prepaid ARPU (including MBB)                       | 15.8                                 | 15.0                                     | (5%)                               |
| Postpaid ARPU (including MBB)                      | 37.7                                 | 34.9                                     | (8%)                               |
| Prepaid ARPU (including MBB before MTR)            | 15.8                                 | 15.8                                     | 0%                                 |
| Postpaid ARPU (including MBB before MTR)           | 37.7                                 | 36.3                                     | (4%)                               |
| <hr/>  |                                      |  |                                    |
| <b>Closing Headcount</b>                           | <b>3,412</b>                         | <b>3,361</b>                             | <b>2%</b>                          |

\*SABB - Standalone Broadband

\*\*LLU - Local Loop Unbundled

## 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 2016.

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 2016, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2016. 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 2016.

### 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<br>31 December 2015 |                |                 | In the quarter ended<br>31 December 2016 |                |                 |
|--|--|----------------|-----------------|--|----------------|-----------------|
|  | Reported<br>€m                           | Adjusted<br>€m | Statutory<br>€m | Reported<br>€m                           | Adjusted<br>€m | Statutory<br>€m |
| Revenue  | 328                                      | (4)            | 324             | 330                                      | (4)            | 326             |
| Operating costs excluding non-cash pension charge and fair value lease credits | (211)                                    | 1              | (210)           | (209)                                    | 2              | (207)           |
| <b>Adjusted EBITDA</b>   | <b>117</b>                               | <b>(3)</b>     | <b>114</b>      | <b>121</b>                               | <b>(2)</b>     | <b>119</b>      |
| <b>Closing Cash</b>  | <b>186</b>                               | <b>(9)</b>     | <b>177</b>      | <b>105</b>                               | <b>(12)</b>    | <b>93</b>       |

  

|  | In the six months ended<br>31 December 2015 |                |                 | In the six months ended<br>31 December 2016 |                |                 |
|--|---|----------------|-----------------|---|----------------|-----------------|
|  | Reported<br>€m                              | Adjusted<br>€m | Statutory<br>€m | Reported<br>€m                              | Adjusted<br>€m | Statutory<br>€m |
| Revenue  | 653   | (8)            | 645             | 657   | (8)            | 649             |
| Operating costs excluding non-cash pension charge and fair value lease credits | (416)                                       | 3              | (413)           | (414)                                       | 3              | (411)           |
| <b>Adjusted EBITDA</b>   | <b>237</b>                                  | <b>(5)</b>     | <b>232</b>      | <b>243</b>                                  | <b>(5)</b>     | <b>238</b>      |
| <b>Closing Cash</b>  | <b>186</b>                                  | <b>(9)</b>     | <b>177</b>      | <b>105</b>                                  | <b>(12)</b>    | <b>93</b>       |

## eircom Holdings (Ireland) Limited

<sup>1</sup>The statutory financial statements are prepared in accordance with IFRS accounting principles and 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, exceptional items and profit on disposal of property, plant and equipment to operating profit

|  | Second<br>Quarter<br>ended<br>Dec 2015<br>€m | Second<br>quarter<br>ended<br>Dec 2016<br>€m | Six<br>months<br>ended<br>Dec 2015<br>€m | Six<br>months<br>ended<br>Dec 2016<br>€m |
|--|--|--|--|--|
| <b>Operating profit/(loss)</b>   | 13   | (12)   | 32                                       | 11                                       |
| Profit on disposal of property, plant and equipment ("PPE")  | -  | -  | -  | (2)                                      |
| Exceptional items  | 10   | 36   | 24                                       | 39                                       |
| Non-cash pension charge  | 3  | 4  | 7  | 9  |
| <b>Operating profit before non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment</b>   | 26   | 28   | 63                                       | 57                                       |
| Depreciation   | 68   | 67   | 137                                      | 133                                      |
| Amortisation   | 22   | 26   | 36                                       | 52                                       |
| <b>EBITDA before non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment</b>   | 116  | 121  | 236                                      | 242                                      |
| IFRS 3 unfavourable lease fair value adjustment  | (2)  | (2)  | (4)                                      | (4)                                      |
| <b>Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment</b>                       | 114  | 119  | 232                                      | 238                                      |
| EBITDA of joint ventures using proportionate consolidation   | 3  | 2  | 5  | 5  |
| <b>Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment</b>                      | 117  | 121  | 237                                      | 243                                      |
| <b>Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment is split as follows:</b> |  |  |  |  |
| Fixed line   | 105  | 109  | 210                                      | 218                                      |
| Mobile   | 12   | 12   | 27                                       | 25                                       |
|  | 117  | 121  | 237                                      | 243                                      |

\* 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 2016*

|  | Notes | <b>31 Dec 2015</b> | <b>31 Dec 2016</b> |
|--|-------|--------------------|--------------------|
|  |       | <b>€m</b>          | <b>€m</b>          |
| Revenue  | 3     | 324                | <b>326</b>         |
| Operating costs excluding amortisation, depreciation and exceptional items |       | (211)              | <b>(209)</b>       |
| Amortisation   | 3     | (22)               | <b>(26)</b>        |
| Depreciation   | 3     | (68)               | <b>(67)</b>        |
| Exceptional items  | 3, 4  | (10)               | <b>(36)</b>        |
| <b>Operating profit/(loss)</b>   | 3     | 13                 | <b>(12)</b>        |
| Finance costs – net  | 5     | (45)               | <b>(40)</b>        |
| Share of profit of joint venture   |       | 1                  | <b>6</b>           |
| <b>Loss before tax</b>   |       | <b>(31)</b>        | <b>(46)</b>        |
| Income tax credit  | 6     | 2                  | <b>2</b>           |
| <b>Loss for the period</b>   |       | <b>(29)</b>        | <b>(44)</b>        |

# eircom Holdings (Ireland) Limited

## *Consolidated Income Statement – unaudited* *For the six-month period ended 31 December 2016*

|  | Notes | 31 Dec 2015<br>€m | 31 Dec 2016<br>€m |
|--|-------|-------------------|-------------------|
| Revenue  | 3     | 645               | 649               |
| Operating costs excluding amortisation, depreciation and exceptional items |       | (416)             | (416)             |
| Amortisation   | 3     | (36)              | (52)              |
| Depreciation   | 3     | (137)             | (133)             |
| Exceptional items  | 3, 4  | (24)              | (39)              |
| Profit on disposal of property, plant and equipment                        |       | -                 | 2                 |
| <b>Operating profit</b>  | 3     | 32                | 11                |
| Finance costs – net  | 5     | (92)              | (98)              |
| Share of profit of joint venture   |       | 1                 | 7                 |
| <b>Loss before tax</b>   |       | (59)              | (80)              |
| Income tax credit  | 6     | 3                 | 3                 |
| <b>Loss for the period</b>   |       | (56)              | (77)              |

## *Group statement of comprehensive income – unaudited* *For the six-month period ended 31 December 2016*

|   | 31 Dec 2015<br>€m | 31 Dec 2016<br>€m |
|---|-------------------|-------------------|
| <b>Loss for the financial period attributable to equity holders of the parent</b> | (56)              | (77)              |
| <b>Other comprehensive income:</b>  |                   |                   |
| <i>Items that will not be reclassified to profit or loss</i>                      |                   |                   |
| Defined benefit pension scheme remeasurement gains:                               |                   |                   |
| - Remeasurement gain in period  | 232               | 65                |
| - Tax on defined benefit pension scheme remeasurement gains                       | (29)              | (8)               |
|   | 203               | 57                |
| <i>Items that may be reclassified subsequently to profit or loss</i>              |                   |                   |
| Net changes in cash flow hedge reserve:   |                   |                   |
| - Fair value gain in period   | 1                 | -                 |
|   | 1                 | -                 |
| Other comprehensive income, net of tax  | 204               | (57)              |
| <b>Total comprehensive income/(expense) for the financial period</b>              | 148               | (20)              |

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 2016*

|  | Notes | 30 June 2016 | 31 Dec 2016 |
|--|-------|--------------|-------------|
|  |       | €m           | €m          |
| <b>Assets</b>                                |       |              |             |
| <b>Non-current assets</b>                    |       |              |             |
| Goodwill                                     |       | 212          | 212         |
| Other intangible assets                      |       | 429          | 416         |
| Property, plant and equipment                |       | 1,451        | 1,443       |
| Investment in joint venture                  |       | 4            | 11          |
| Deferred tax assets                          |       | 4            | 3           |
| Other assets                                 |       | 15           | 15          |
|  |       | 2,115        | 2,100       |
| <b>Current assets</b>                        |       |              |             |
| Inventories                                  |       | 12           | 14          |
| Trade and other receivables                  | 7     | 222          | 219         |
| Restricted cash                              |       | 10           | 9           |
| Cash and cash equivalents                    |       | 148          | 93          |
|  |       | 392          | 335         |
| <b>Total assets</b>                          |       | 2,507        | 2,435       |
| <b>Liabilities</b>                           |       |              |             |
| <b>Non-current liabilities</b>               |       |              |             |
| Borrowings                                   | 8     | 2,140        | 2,127       |
| Derivative financial instruments             |       | 7            | 3           |
| Trade and other payables                     |       | 147          | 142         |
| Deferred tax liabilities                     |       | 47           | 47          |
| Retirement benefit liability                 | 9     | 346          | 297         |
| Provisions for other liabilities and charges | 10    | 108          | 122         |
|  |       | 2,795        | 2,738       |
| <b>Current liabilities</b>                   |       |              |             |
| Derivative financial instruments             |       | 6            | 5           |
| Trade and other payables                     |       | 454          | 453         |
| Provisions for other liabilities and charges | 10    | 34           | 38          |
|  |       | 494          | 496         |
| <b>Total liabilities</b>                     |       | 3,289        | 3,234       |
| <b>Equity</b>                                |       |              |             |
| Equity share capital                         |       | -            | -           |
| Capital contribution                         |       | 52           | 56          |
| Cash flow hedging reserve                    |       | 2            | 2           |
| Retained loss                                |       | (836)        | (857)       |
| <b>Total equity</b>                          |       | (782)        | (799)       |
| <b>Total liabilities and equity</b>          |       | 2,507        | 2,435       |

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 2016*

|  | Notes | <b>31 Dec 2015</b> | <b>31 Dec 2016</b> |
|--|-------|--------------------|--------------------|
|  |       | <b>€m</b>          | <b>€m</b>          |
| <b>Cash flows from operating activities</b>                                  |       |                    |                    |
| Cash generated from operations   | 11    | 137                | <b>138</b>         |
| Interest paid  |       | (40)               | <b>(33)</b>        |
| Income tax paid  |       | (5)                | <b>-</b>           |
| Net cash generated from operating activities                                 |       | 92                 | <b>105</b>         |
| <b>Cash flows from investing activities</b>                                  |       |                    |                    |
| Purchase of property, plant and equipment (PPE)                              |       | (61)               | <b>(69)</b>        |
| Purchase of intangible assets  |       | (6)                | <b>(20)</b>        |
| Net cash used in investing activities  |       | (67)               | <b>(89)</b>        |
| <b>Cash flows from financing activities</b>                                  |       |                    |                    |
| Dividends paid to equity shareholders  |       | (1)                | <b>(1)</b>         |
| Repayment on borrowings  |       | -                  | <b>(51)</b>        |
| Interest advanced on issuance of 4.5% Senior Secured Notes                   |       | -                  | <b>(1)</b>         |
| Debt modification fees   |       | -                  | <b>(1)</b>         |
| Net cash used in financing activities  |       | (1)                | <b>(54)</b>        |
| <b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b> |       | 24                 | <b>(38)</b>        |
| Cash, cash equivalents and bank overdrafts at beginning of period            |       | 153                | <b>131</b>         |
| <b>Cash, cash equivalents and bank overdrafts at end of period</b>           |       | <b>177</b>         | <b>93</b>          |

## eircom Holdings (Ireland) Limited

### *Consolidated cash flow statement – unaudited* *For the six-month period ended 31 December 2016*

|  | Notes | <b>31 Dec 2015</b> | <b>31 Dec 2016</b> |
|--|-------|--------------------|--------------------|
|  |       | <b>€m</b>          | <b>€m</b>          |
| <b>Cash flows from operating activities</b>                        |       |                    |                    |
| Cash generated from operations                                     | 11    | 221                | <b>230</b>         |
| Interest paid  |       | (64)               | <b>(55)</b>        |
| Income tax paid  |       | (5)                | <b>-</b>           |
| Net cash generated from operating activities                       |       | 152                | <b>175</b>         |
| <b>Cash flows from investing activities</b>                        |       |                    |                    |
| Purchase of property, plant and equipment (PPE)                    |       | (146)              | <b>(141)</b>       |
| Purchase of intangible assets                                      |       | (10)               | <b>(40)</b>        |
| Proceeds from sale of PPE  |       | -                  | <b>6</b>           |
| Restricted cash  |       | (1)                | <b>1</b>           |
| Net cash used in investing activities                              |       | (157)              | <b>(174)</b>       |
| <b>Cash flows from financing activities</b>                        |       |                    |                    |
| Dividends paid to equity shareholders                              |       | (1)                | <b>(1)</b>         |
| Repayment on borrowings  |       | (2,367)            | <b>(252)</b>       |
| Proceeds from loan borrowings                                      |       | 2,367              | <b>-</b>           |
| Proceeds from issuance of 4.5% Senior Secured Notes                |       | -                  | <b>200</b>         |
| Premium on issuance of 4.5% Senior Secured Notes                   |       | -                  | <b>3</b>           |
| Debt issue costs   |       | -                  | <b>(2)</b>         |
| Debt modification fees   |       | (3)                | <b>(4)</b>         |
| Net cash used in financing activities                              |       | (4)                | <b>(56)</b>        |
| <b>Net decrease in cash, cash equivalents and bank overdrafts</b>  |       | (9)                | <b>(55)</b>        |
| Cash, cash equivalents and bank overdrafts at beginning of period  |       | 186                | <b>148</b>         |
| <b>Cash, cash equivalents and bank overdrafts at end of period</b> |       | <b>177</b>         | <b>93</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 2016*

|   | Equity<br>share<br>capital<br>€m | Capital<br>contribution<br>€m | Cash flow<br>hedging<br>reserve<br>€m | Retained<br>loss<br>€m | Total<br>equity<br>€m |
|---|----------------------------------|-------------------------------|---------------------------------------|------------------------|-----------------------|
| <b>Balance at 30 June 2015</b>                            | -                                | 47                            | -                                     | (774)                  | (727)                 |
| Loss for the period                                       | -                                | -                             | -                                     | (56)                   | (56)                  |
| Defined benefit pension scheme remeasurement gain         | -                                | -                             | -                                     | 232                    | 232                   |
| Tax on defined benefit pension scheme remeasurement gain  | -                                | -                             | -                                     | (29)                   | (29)                  |
| Net changes in cash flow hedge reserve:                   |                                  |                               |                                       |                        |                       |
| - Fair value gain in period                               | -                                | -                             | 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)                 |
| <b>Balance at 30 June 2016</b>                            | -                                | 52                            | 2                                     | (836)                  | (782)                 |
| Loss for the period                                       | -                                | -                             | -                                     | (77)                   | (77)                  |
| Defined benefit pension scheme remeasurement gain         | -                                | -                             | -                                     | 65                     | 65                    |
| Tax on defined benefit pension scheme remeasurement gain  | -                                | -                             | -                                     | (8)                    | (8)                   |
| <b>Total comprehensive income</b>                         | -                                | -                             | -                                     | (20)                   | (20)                  |
| Capital contribution in respect of MIP equity value event | -                                | 4                             | -                                     | -                      | 4                     |
| Dividends relating to equity shareholders                 | -                                | -                             | -                                     | (1)                    | (1)                   |
| <b>Balance at 31 December 2016</b>                        | -                                | 56                            | 2                                     | (857)                  | (799)                 |

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 26 January 2017.

### 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 2016.

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 2016, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2016. 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 2016.

### 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 2016 are as follows:

|                                   | Fixed line<br>€m | Mobile<br>€m | Inter-segment<br>€m | Reported*<br>€m | Adjusted<br>€m | Statutory*<br>€m |
|-----------------------------------|------------------|--------------|---------------------|-----------------|----------------|------------------|
| <b>Revenue</b>                    | 499              | 176          | (18)                | <b>657</b>      | (8)            | <b>649</b>       |
| <b>EBITDA **</b>                  | 218              | 25           | -                   | <b>243</b>      | (5)            | <b>238</b>       |
| Non-cash lease fair value credits | 4                | -            | -                   | <b>4</b>        | -              | <b>4</b>         |
| Non-cash pension charges          | (9)              | -            | -                   | <b>(9)</b>      | -              | <b>(9)</b>       |
| Amortisation                      | (40)             | (12)         | -                   | <b>(52)</b>     | -              | <b>(52)</b>      |
| Depreciation                      | (115)            | (15)         | -                   | <b>(130)</b>    | (3)            | <b>(133)</b>     |
| Exceptional items                 | (39)             | -            | -                   | <b>(39)</b>     | -              | <b>(39)</b>      |
| Profit on disposal of PPE         | 2                | -            | -                   | <b>2</b>        | -              | <b>2</b>         |
| <b>Operating profit/(loss)</b>    | <b>21</b>        | <b>(2)</b>   | -                   | <b>19</b>       | <b>(8)</b>     | <b>11</b>        |

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

|                                   | Fixed line<br>€m | Mobile<br>€m | Inter-segment<br>€m | Reported*<br>€m | Adjusted<br>€m | Statutory*<br>€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>        |

\* 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, exceptional items and profit on disposal of property, plant and equipment.

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

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

#### **4. Exceptional items**

|  | <b>31 Dec 2015</b> | <b>31 Dec 2016</b> |
|--|--------------------|--------------------|
|  | <b>€m</b>          | <b>€m</b>          |
| Restructuring programme costs          | 2                  | 5                  |
| Management incentive plan              | 3                  | 4                  |
| Onerous lease contracts                | 3                  | 27                 |
| Re-branding and strategic review costs | 18                 | -                  |
| Other exceptional items                | (2)                | 3                  |
|  | <b>24</b>          | <b>39</b>          |

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 included an exceptional charge of €5 million (31 Dec 2015: €2 million) for restructuring programme costs in respect of staff exits in the period ended 31 December 2016. The exceptional charge reflects those staff who had either exited the business, or were committed to exiting the business at 31 December 2016.

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

During the period ended 31 December 2016, the group recognised a charge of €4 million (31 Dec 2015: €3 million) in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the holding company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

##### ***Onerous lease contracts***

During the period ended 31 December 2016, the group recognised an exceptional charge of €27 million (31 Dec 2015: €3 million) in respect of onerous contracts on its leasehold properties. The group no longer requires these properties as a result of the rationalisation of the group's accommodation requirements and provision has been made in respect of the estimated cash flow required to settle the group's obligation under these leases.

##### ***Strategic review costs***

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

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

During the period ended 31 December 2016, the group included an exceptional charge of €3 million in respect of certain legal matters arising in the period ended 31 December 2016.

During the period ended 31 December 2015, the group recognised an exceptional credit of €2 million as a result of the release of dilapidation provisions in respect of Telephone House that were carried forward from the previous year.

## eircom Holdings (Ireland) Limited

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

#### 5. Finance costs – net

|   | 31 Dec 2015<br>€m | 31 Dec 2016<br>€m |
|---|-------------------|-------------------|
| (a) Finance costs:  |                   |                   |
| Interest payable on bank loans and other debts                            | 64                | 55                |
| Interest amortisation on non-current borrowings                           | 14                | 12                |
| Revolving credit facility (RCF) commitment fee                            | -                 | 1                 |
| Net interest cost on net pension liability                                | 4                 | 4                 |
| Amortisation of debt issue costs on bank loans and debt modification fees | 2                 | 2                 |
| Other unwinding of discount   | 1                 | 1                 |
| Fair value movements on derivatives not qualifying for hedge accounting   | 7                 | (5)               |
|   | 92                | 70                |
| Loss on extinguishment of debt  | -                 | 26                |
| Write off of debt issue costs and debt modification fees                  | -                 | 2                 |
|   | 92                | 98                |
| (b) Finance income:   |                   |                   |
| Interest income   | -                 | -                 |
|   | -                 | -                 |
| <b>Finance costs – net</b>  | <b>92</b>         | <b>98</b>         |

In August 2016, the group issued €200 million in additional Senior Secured Notes at a coupon rate of 4.5%, and at an offering price of 101.5%. The €200 million issue, for which cash proceeds of €203 million were received before deduction of transaction costs, was structured as a tap issue to the €500 million Senior Secured Notes issued in June 2016. The group used the proceeds of the tap issue to repay €201 million of the pre-existing Facility B3 borrowings during August 2016, thereby maintaining its total borrowings at similar pre-existing levels.

In October 2016, the group used its existing cash to repay €51 million of its Senior Facility borrowings and in addition, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B borrowings of €1,611 million being transferred to a new Facility B5, with interest at EURIBOR plus 4% (a reduction from EURIBOR plus 4.5% applicable to the Facility B4 borrowings).

The prepayment of €201 million of Facility B3 borrowings and €51 million of Facility B4 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €26 million in the income statement within ‘finance costs’.

#### 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 2015<br>€m | 31 Dec 2016<br>€m |
|--|-------------------|-------------------|
| <b>Loss before tax</b>                             | <b>(59)</b>       | <b>(80)</b>       |
| Tax calculated at Irish standard tax rate of 12.5% | (7)               | (10)              |
| <b>Effects of:-</b>                                |                   |                   |
| Non-deductible expenses                            | 4                 | 7                 |
| <b>Tax credit for the period</b>                   | <b>(3)</b>        | <b>(3)</b>        |

#### 7. Trade and other receivables

During the period ended 31 December 2016, the group recognised a provision for impaired receivables of €4 million (31 Dec 2015: €4 million), reversed provisions for impaired receivables of €Nil (31 Dec 2015: €Nil) and utilised provisions for impaired receivables of €2 million (31 Dec 2015: €10 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<br>1 Year<br>€m | Between<br>1 & 2 Years<br>€m | Between<br>2 & 5 Years<br>€m | After<br>5 Years<br>€m | Total<br>€m |
|---|------------------------|------------------------------|------------------------------|------------------------|-------------|
| <b>As at 31 Dec 2016</b>                        |                        |                              |                              |                        |             |
| Bank borrowings (Facility B)                    | -                      | -                            | -                            | 1,611                  | 1,611       |
| Unamortised fair value difference on borrowings | -                      | -                            | -                            | (158)                  | (158)       |
| Debt modification fees                          | -                      | -                            | -                            | (18)                   | (18)        |
|   | -                      | -                            | -                            | 1,435                  | 1,435       |
| 4.5% Senior Secured Notes due 2022              | -                      | -                            | -                            | 700                    | 700         |
| Debt issue costs                                | -                      | -                            | -                            | (8)                    | (8)         |
|   | -                      | -                            | -                            | 692                    | 692         |
|   | -                      | -                            | -                            | 2,127                  | 2,127       |
| <b>As at 30 June 2016</b>                       |                        |                              |                              |                        |             |
| Bank borrowings (Facility B)                    | -                      | -                            | -                            | 1,863                  | 1,863       |
| Unamortised fair value difference on borrowings | -                      | -                            | -                            | (196)                  | (196)       |
| Debt modification fees                          | -                      | -                            | -                            | (18)                   | (18)        |
|   | -                      | -                            | -                            | 1,649                  | 1,649       |
| 4.5% Senior Secured Notes due 2022              | -                      | -                            | -                            | 500                    | 500         |
| Debt issue costs                                | -                      | -                            | -                            | (9)                    | (9)         |
|   | -                      | -                            | -                            | 491                    | 491         |
|   | -                      | -                            | -                            | 2,140                  | 2,140       |

At 31 December 2016, the group has Senior Bank borrowings of €1,611 million with a maturity date of 31 May 2022 and 4.5% Senior Secured Notes of €700 million with a maturity date of 31 May 2022.

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 2016 was €158 million.

In August 2016, the group issued €200 million in additional Senior Secured Notes at a coupon rate of 4.5%, and at an offering price of 101.5%. The €200 million issue, for which cash proceeds of €203 million were received before deduction of transaction costs, was structured as a tap issue to the €500 million Senior Secured Notes issued in June 2016. The group used the proceeds of the tap issue to repay €201 million of the pre-existing Facility B3 borrowings during August 2016, thereby maintaining its total borrowings at similar pre-existing levels.

Separately, during August 2016, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B3 borrowings of €1,662 million being transferred to a new Facility B4, with identical interest (EURIBOR plus 4.5%) and repayment terms.

In October 2016, the group used its existing cash to repay €51 million of its Senior Facility borrowings and in addition, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B4 borrowings of €1,611 million being transferred to a new Facility B5, with interest at EURIBOR plus 4% (a reduction from EURIBOR plus 4.5% applicable to the Facility B4 borrowings).

The prepayment of €201 million of Facility B3 borrowings and €51 million of Facility B4 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €26 million in the income statement within 'finance costs'.

Interest accrued on borrowings at 31 December 2016 is €7 million (30 June 2016: €5 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 2016 reflects the IAS 19 (Revised) deficit of €297 million as at 31 December 2016.

#### **Pension scheme obligation**

The status of the principal scheme at 31 December 2016 is as follows:

|   | <b>30 June 2016</b> | <b>31 Dec 2016</b> |
|---|---------------------|--------------------|
|   | <b>€m</b>           | <b>€m</b>          |
| Present value of funded obligations       | 4,730               | <b>4,574</b>       |
| Fair value of scheme assets               | (4,384)             | <b>(4,277)</b>     |
| Liability recognised in the Balance Sheet | 346                 | <b>297</b>         |

#### **Assumptions of actuarial calculations**

The main financial assumptions used in the valuations were:

|  | <b>At 30</b>     | <b>At 31</b>    |
|--|------------------|-----------------|
|  | <b>June 2016</b> | <b>Dec 2016</b> |
| Rate of increase in salaries   | 1.40%            | 1.40%           |
| Rate of increase in pensions in payment  | 1.40%            | 1.40%           |
| Discount rate  | 1.65%            | 1.85%           |
| Inflation assumption   | 1.50%            | 1.50%           |
| Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old male   | 88 years         | 88 years        |
| Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old female | 90 years         | 90 years        |
| Mortality assumptions – Future retirements – Implied life expectancy for 65 year old male    | 91 years         | 91 years        |
| Mortality assumptions – Future retirements – Implied life expectancy for 65 year old female  | 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<br>Scheme<br>€m | Onerous<br>Contracts<br>€m | Asset<br>Retirement<br>Obligations<br>€m | Deferred<br>consideration<br>€m | Other<br>€m | Total<br>€m |
|---|-----------------------------|----------------------------|--|---------------------------------|-------------|-------------|
| <b>At 30 June 2016</b>                    | <b>18</b>                   | <b>24</b>                  | <b>60</b>                                | <b>3</b>                        | <b>37</b>   | <b>142</b>  |
| Charged to consolidated income statement: |                             |                            |  |                                 |             |             |
| - Additional provisions                   | -                           | 27                         | -  | -                               | 1           | <b>28</b>   |
| - Unused amounts reversed                 | -                           | (1)                        | -  | -                               | -           | <b>(1)</b>  |
| Increase in provision capitalised as ARO  | -                           | -                          | 1  | -                               | -           | <b>1</b>    |
| Utilised in the financial period          | (2)                         | (3)                        | -  | -                               | (5)         | <b>(10)</b> |
| <b>At 31 December 2016</b>                | <b>16</b>                   | <b>47</b>                  | <b>61</b>                                | <b>3</b>                        | <b>33</b>   | <b>160</b>  |

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

|             | 30 June 2016<br>€m | 31 Dec 2016<br>€m |
|-------------|--------------------|-------------------|
| Non-current | 108                | <b>122</b>        |
| Current     | 34                 | <b>38</b>         |
|             | <b>142</b>         | <b>160</b>        |

## 11. Cash generated from operations

|  | 31 Dec 2015<br>€m | 31 Dec 2016<br>€m |
|--|-------------------|-------------------|
| Loss after tax   | (56)              | (77)              |
| Add back:  |                   |                   |
| Income tax credit  | (3)               | (3)               |
| Share of profit of joint venture   | (1)               | (7)               |
| Finance costs – net  | 92                | <b>98</b>         |
| Operating profit   | 32                | <b>11</b>         |
| Adjustments for:   |                   |                   |
| - Profit on disposal of property, plant and equipment                        | -                 | (2)               |
| - Depreciation and amortisation  | 173               | <b>185</b>        |
| - Non-cash lease fair value credits  | (4)               | (4)               |
| - Non cash retirement benefit charges  | 7                 | <b>9</b>          |
| - Restructuring programme costs  | 2                 | <b>5</b>          |
| - Non cash exceptional items   | 6                 | <b>31</b>         |
| - Other non cash movements in provisions                                     | 1                 | <b>1</b>          |
| Cash flows relating to restructuring, onerous contracts and other provisions | (10)              | (22)              |
| <b>Changes in working capital</b>  |                   |                   |
| Inventories  | (2)               | (2)               |
| Trade and other receivables  | 15                | (1)               |
| Trade and other payables   | 1                 | <b>19</b>         |
| <b>Cash generated from operations</b>  | <b>221</b>        | <b>230</b>        |

# **eircom Holdings (Ireland) Limited**

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

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

There have been no significant events affecting the group since the period ended 31 December 2016.

### **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 2016.

### **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 2016.

### **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 €333 million at 31 December 2016 (30 June 2016: €340 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 €57 million at 31 December 2016 (30 June 2016: €76 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 2016, the group recognised a charge of €4 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 2016.

## Management discussion and analysis on results of operations for the quarter ended 31 December 2016

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. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the quarter ended 31 December 2016 applies the equity method of accounting for the investment in Tetra.

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

### Revenue

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

|                                       | In the quarter ended           |                                | % Change<br>2016/2017 |
|---------------------------------------|--------------------------------|--------------------------------|-----------------------|
|                                       | Dec 31,<br>2015<br>(unaudited) | Dec 31,<br>2016<br>(unaudited) |                       |
|                                       | €m                             | €m                             |                       |
| Fixed line services and other revenue | 245                            | 250                            | 2                     |
| Mobile services revenue               | 94                             | 88                             | (6)                   |
| <b>Total segmental revenue</b>        | <b>339</b>                     | <b>338</b>                     | <b>-</b>              |
| Intracompany eliminations             | (11)                           | (8)                            | (22)                  |
| <b>Total revenue</b>                  | <b>328</b>                     | <b>330</b>                     | <b>-</b>              |

Reported group revenue of €330 million for the quarter was broadly flat compared to the corresponding quarter ended 31 December 2015. Underlying revenue, which excludes Mobile Termination Rate ("MTR") reduction and foreign exchange ("FX") movements, increased by €8 million or 2% year on year.

### Fixed line services and other revenue

The following table shows our revenue from the fixed line segment, analysed by major products and services, and the percentage change for each category, for the periods indicated:

|  | For the quarter ended          |                                | % Change<br>2016/2017 |
|--|--------------------------------|--------------------------------|-----------------------|
|  | Dec 31,<br>2015<br>(unaudited) | Dec 31,<br>2016<br>(unaudited) |                       |
|  | €m                             | € m                            |                       |
| Access (Rental and Connections)                    | 121                            | 120                            | (1)                   |
| Voice Traffic                                      | 55                             | 55                             | -                     |
| Data Services                                      | 24                             | 25                             | 6                     |
| Foreign Inpayments                                 | 3                              | 2                              | (38)                  |
| Other Products and Services                        | 42                             | 48                             | 14                    |
| <b>Total fixed line services and other revenue</b> | <b>245</b>                     | <b>250</b>                     | <b>2</b>              |

Total fixed line services and other revenues, before intra company eliminations, increased by 2% in the quarter ended 31 December 2016 compared to the corresponding prior year quarter.

## eircom Holdings (Ireland) Limited

### *Access (rental and connections)*

The following table shows rental, connection and other charges and the percentage changes for the periods indicated:

|   | <b>In the quarter ended</b>             |   | <b>% Change<br/>2016/2017</b> |
|---|---|---|-------------------------------|
|   | <b>Dec 31,<br/>2015<br/>(unaudited)</b> | <b>Dec 31,<br/>2016<br/>(unaudited)</b> |                               |
|   | <b>€m</b>                               | <b>€m</b>                               |                               |
| <b>Total access revenue</b>   |   |   |                               |
| Retail PSTN/ISDN rental and connection  | 55                                      | 51                                      | (8)                           |
| Wholesale PSTN/ISDN/LLU rental and connection                                   | 29                                      | 27                                      | (6)                           |
| Broadband rental and connection   | 37                                      | 42                                      | 13                            |
| <b>Total access revenue</b>   | <b>121</b>                              | <b>120</b>                              | <b>(1)</b>                    |
| <b>Access paths (in thousands at period end, except percentages)</b>            |   |   |                               |
| Retail Access Lines   | 742                                     | 693                                     | (7)                           |
| Wholesale Access Lines  | 483                                     | 501                                     | 4                             |
| Wholesale LLU   | 11                                      | 9                                       | (14)                          |
| SABB  | 106                                     | 155                                     | 46                            |
| <b>Total PSTN/ISDN/LLU/SABB</b>   | <b>1,342</b>                            | <b>1,358</b>                            | <b>1</b>                      |
| <b>Broadband and Bitstream (in thousands at period end, except percentages)</b> |   |   |                               |
| Retail Broadband  | 451                                     | 444                                     | (2)                           |
| Wholesale Broadband   | 366                                     | 436                                     | 19                            |
| <b>Total PSTN/ISDN/LLU/SABB</b>   | <b>817</b>                              | <b>880</b>                              | <b>8</b>                      |

Access revenues of €120 million decreased by 1% in the quarter compared to the corresponding prior year quarter. Lower Retail and Wholesale access revenues were partially offset by growth in Broadband revenues. Broadband revenues for the quarter ended 31 December 2016 were 13% higher compared to 31 December 2015 driven by growth in Wholesale.

Retail line rental and connection revenues decreased by 8% in the quarter ended 31 December 2016, compared to the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the continuing migration of customers to standalone broadband, to other operators and to mobile. Retail access lines at 31 December 2016 were 693,000, a reduction of 7% compared to the 31 December 2015.

While wholesale access lines increased by 4% to 501,000 compared to the 31 December 2015, Wholesale revenue decreased by 6%. This was driven primarily by a reduction in the price of PSTN Wholesale line rental ("WLR"), from €18.02 to €15.91, that came into effect from 1 July 2016.

Broadband revenue for the quarter of €42 million increased by 13% compared to the corresponding prior year quarter. The wholesale broadband base of 436,000, increased by 70,000 year on year and by 12,000 in the quarter. The Retail broadband customer base was 444,000 at 31 December 2016, which represented a decrease of 7,000 year on year, but an increase of 1,000 in the quarter.

We continue to address retail fixed line losses with a number of programmes, including rolling out high speed broadband and offering bundled telecommunications services including TV and content. At 31 December 2016, the rollout of our high speed fibre network had passed over 68% of Irish premises and we had connected 500,000 retail and wholesale customers to high speed broadband services. At the end of December 2016 we had 63,000 customers availing of TV. Following the acquisition of Setanta Sports on the April 1, 2016, rebranded as eir Sport, our bundles now include exclusive sport content free to eir broadband customers.

## eircom Holdings (Ireland) Limited

### Traffic

The following table shows total traffic revenue and volumes and the percentage changes for the periods indicated:

|                              | In the quarter ended                            |                                | % Change<br>2016/2017 |
|------------------------------|---|--------------------------------|-----------------------|
|                              | Dec 31,<br>2015<br>(unaudited)                  | Dec 31,<br>2016<br>(unaudited) |                       |
|                              | €m  | €m                             |                       |
| <b>Revenue</b>               |   |                                |                       |
| Retail traffic               | 39  | 41                             | 6                     |
| Wholesale traffic            | 16  | 14                             | (13)                  |
| <b>Total traffic revenue</b> | <b>55</b>                                       | <b>55</b>                      | <b>-</b>              |
| <b>Traffic</b>               | (in millions of minutes,<br>except percentages) |                                |                       |
| Retail                       | 435   | 368                            | (15)                  |
| Wholesale                    | 1,071   | 970                            | (9)                   |
| <b>Total traffic minutes</b> | <b>1,506</b>                                    | <b>1,338</b>                   | <b>(11)</b>           |

Overall traffic revenue was stable in the quarter ended 31 December 2016 compared to the prior year.

Retail voice traffic revenue increased by 6% for the quarter ended 31 December 2016, compared with the corresponding prior year quarter. This was primarily driven by the introduction of new higher valued bundled offerings, including eir Sport, resulting in a 9% uplift in consumer blended ARPU during the quarter to 31 December 2016 compared to the corresponding prior year quarter. This was partially offset by a reduction in traffic usage.

Wholesale traffic revenues decreased by 13% in the quarter ended 31 December 2016 compared to the corresponding quarter in the prior year. Excluding the impact of the MTR reductions, wholesale traffic revenues decreased by 7% in the quarter ended 31 December 2016 compared to the corresponding quarter in the prior year. The underlying revenue decline is driven by lower wholesale traffic minutes.

### Data communications

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

|                                    | In the quarter ended           |                                | % Change<br>2016/2017 |
|------------------------------------|--------------------------------|--------------------------------|-----------------------|
|                                    | Dec 31,<br>2015<br>(unaudited) | Dec 31,<br>2016<br>(unaudited) |                       |
|                                    | €m                             | €m                             |                       |
| <b>Data services revenue</b>       |                                |                                |                       |
| Leased lines                       | 13                             | 13                             | (3)                   |
| Switched data services             | 5                              | 5                              | -                     |
| Next generation data services      | 6                              | 7                              | 33                    |
| <b>Total data services revenue</b> | <b>24</b>                      | <b>25</b>                      | <b>6</b>              |

Revenue from data communications increased by 6% compared to the corresponding period in the prior year. Revenue from Switched Data was stable while revenue from next generation data services increased by 33% compared to the quarter ended 31 December 2015 reflecting a move from legacy products to next generation services.

## eircom Holdings (Ireland) Limited

### *Foreign Inpayments*

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

|                                     | <b>For the quarter ended</b> |                            | <b>% Change<br/>2016/2017</b> |
|-------------------------------------|------------------------------|----------------------------|-------------------------------|
|                                     | <b>Dec 31,<br/>2015</b>      | <b>Dec 31,<br/>2016</b>    |                               |
|                                     | <b>(unaudited)<br/>€ m</b>   | <b>(unaudited)<br/>€ m</b> |                               |
| Foreign terminating traffic revenue | 3                            | 2                          | (38)                          |
|                                     | (minutes, million)           |                            |                               |
| Foreign terminating traffic minutes | 156                          | 121                        | (23)                          |

Revenue from foreign terminating traffic reduced by 38% during the quarter ended 31 December 2016, compared to the corresponding prior year quarter. Excluding the impact of the MTR, foreign terminating traffic decreased by 24% in the quarter ended 31 December 2016 compared to the corresponding prior year quarter. The underlying revenue decline is driven by lower foreign terminating traffic minutes.

### *Other products and services*

Other products and services revenue includes our 56% share of revenue from Tetra, eir Sports (consolidated from April 2016), our operations in UK/NI, operator services, managed services, data centres and other revenue.

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

|  | <b>In the quarter ended</b> |                            | <b>%<br/>Change<br/>2016/2017</b> |
|--|-----------------------------|----------------------------|-----------------------------------|
|  | <b>Dec 31,<br/>2015</b>     | <b>Dec 31,<br/>2016</b>    |                                   |
|  | <b>(unaudited)<br/>€ m</b>  | <b>(unaudited)<br/>€ m</b> |                                   |
| Operator services                          | 3                           | 2                          | (23)                              |
| Managed services and solutions             | 14                          | 17                         | 21                                |
| Tetra                                      | 5                           | 5                          | 1                                 |
| UK   | 7                           | 7                          | (3)                               |
| Data centre                                | 4                           | 3                          | (34)                              |
| Other revenue                              | 9                           | 14                         | 62                                |
| <b>Other products and services revenue</b> | <b>42</b>                   | <b>48</b>                  | <b>14</b>                         |

Revenue from other products and services for the quarter ended 31 December 2016, increased by 14% compared to the quarter ended 31 December 2015 mainly driven by eir Sport revenue (included in Other revenue). Operator Services revenue decreased by 23% as a result of reduced calls to our 11811 directory enquiries service. Managed services revenue increased by 21% due to new contracts in eir Business which were delivered in the quarter ended 31 December 2016. Tetra revenue of €5 million was stable year on year. Underlying UK/NI revenue increased by 15% year on year but was offset by a weakness in sterling and as a result declined by 3% compared to the corresponding prior year quarter. Datacentre revenues of €3 million decreased by 34% compared to the prior year due to changing market trend whereby multinationals are investing in their own portfolio of data centres. The increase in other revenue was principally driven by content and TV growth.

## 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<br>2016/2017 |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------|
|                                      | Dec 31, 2015<br>(unaudited) | Dec 31, 2016<br>(unaudited) |                       |
|                                      | €m                          | €m                          |                       |
| Prepay handset                       | 28                          | 24                          | (12)                  |
| Postpay handset                      | 53                          | 49                          | (7)                   |
| Mobile broadband                     | 2                           | 2                           | (5)                   |
| Roaming                              | 2                           | 2                           | (10)                  |
| Other                                | 9                           | 11                          | 20                    |
| <b>Total mobile services revenue</b> | <b>94</b>                   | <b>88</b>                   | <b>(6)</b>            |
|                                      |                             |                             |                       |
| <b>Total subscribers ('000)</b>      |                             |                             |                       |
| Prepay handset customers             | 579                         | 559                         | (3)                   |
| Postpay handset customers            | 466                         | 469                         | 1                     |
| Mobile broadband customers           | 46                          | 46                          | 2                     |
| Of which are prepay customers        | 12                          | 7                           | (41)                  |
| Of which are postpay customers       | 34                          | 39                          | 17                    |
| <b>Total subscribers</b>             | <b>1,091</b>                | <b>1,074</b>                | <b>(2)</b>            |

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband and eir Mobile. Other revenue is derived mainly from device sales and foreign roaming revenue. Mobile revenues for the quarter include the impact of MTR reductions of €5 million.

Reported mobile revenue of €88 million for the quarter ended 31 December 2016 decreased by 6% when compared to the corresponding prior year quarter. Adjusting for the MTR impact, underlying mobile revenue for the quarter ended 31 December 2016 was stable compared to the same period in the prior year.

Reported postpay handset revenue decreased by 7% (1% when adjusted for MTR) when compared to the same period in the prior year as revenue was impacted by MTR reductions as well as increased promotional activity and bundling. However, postpay subscribers increased by 1% year on year. Reported prepay handset revenue declined by 12% (5% when adjusted for MTR); prepay customers declined by 3% when compared to the corresponding prior year period.

At 31 December 2016 there were 1,074,000 total mobile subscribers. While the overall base reduced by 17,000 compared to the 31 December 2015, the mix continues to improve. The proportion of postpay customers (including mobile broadband) within our base has increased from 46% at 31 December 2015 to 47% at 31 December 2016, representing an increase of 8,000 net additional postpay subscribers (including mobile broadband and M2M).

## 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.

|  | <b>In the quarter year ended</b>        |   |                               |
|--|---|---|-------------------------------|
|  | <b>Dec 31,<br/>2015<br/>(unaudited)</b> | <b>Dec 31,<br/>2016<br/>(unaudited)</b> | <b>% Change<br/>2016/2017</b> |
|  | <b>€m</b>                               | <b>€m</b>                               |                               |
| <b>Cost of sales</b>   |   |   |                               |
| Foreign outpayments  | 2                                       | 2                                       | (6)                           |
| Interconnect   | 28                                      | 20                                      | (30)                          |
| Equipment cost of sales  | 24                                      | 25                                      | 2                             |
| Other including subsidiaries and new business  | 24                                      | 32                                      | 34                            |
| <b>Total cost of sales</b>   | <b>78</b>                               | <b>79</b>                               | <b>-</b>                      |
| <b>Pay costs</b>   |   |   |                               |
| Wages and salaries and other staff costs   | 62                                      | 61                                      | (3)                           |
| Social welfare costs   | 3                                       | 3                                       | -                             |
| Pension cash costs—defined contribution plans  | 1                                       | 1                                       | 35                            |
| Pension cash costs—defined benefit plans   | 4                                       | 4                                       | 11                            |
| <b>Pay costs before non-cash pension charge and capitalisation</b>                                       | <b>70</b>                               | <b>69</b>                               | <b>(1)</b>                    |
| Capitalised labour   | (18)                                    | (19)                                    | 8                             |
| <b>Total pay costs before non-cash pension charge</b>  | <b>52</b>                               | <b>50</b>                               | <b>(4)</b>                    |
| <b>Non pay costs</b>   |   |   |                               |
| Materials and services   | 4                                       | 6                                       | 58                            |
| Other network costs  | 4                                       | 4                                       | 12                            |
| Accommodation  | 26                                      | 23                                      | (12)                          |
| Sales and marketing  | 20                                      | 20                                      | -                             |
| Bad debts  | 2                                       | 2                                       | (5)                           |
| Transport and travel   | 3                                       | 3                                       | -                             |
| Customer services  | 11                                      | 10                                      | (2)                           |
| Insurance and compensation   | 1                                       | 1                                       | 9                             |
| Professional and regulatory fees   | 2                                       | 3                                       | 13                            |
| IT costs   | 6                                       | 7                                       | 11                            |
| Other non pay costs  | 2                                       | 1                                       | (34)                          |
| <b>Total non pay costs</b>   | <b>81</b>                               | <b>80</b>                               | <b>(1)</b>                    |
| <b>Operating costs before non-cash pension charge, amortisation, depreciation, and exceptional items</b> | <b>211</b>                              | <b>209</b>                              | <b>(1)</b>                    |
| Non cash pension charge/(credit)   | 3                                       | 4                                       | 33                            |
| Non cash fair value lease credits  | (2)                                     | (2)                                     | -                             |
| <b>Operating costs before, amortisation, depreciation, and exceptional items</b>                         | <b>212</b>                              | <b>211</b>                              | <b>0</b>                      |

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 1%, compared with the corresponding quarter of the prior year.

### *Cost of Sales*

Cost of sales were broadly flat in the quarter ended 31 December 2016 compared to the corresponding prior year quarter. Interconnect cost of sales savings (due to MTR reductions) were offset by an increase in content costs. Movements include:

- Interconnect payments to other telecommunications operators decreased by €8 million when compared to the prior year reflecting MTR reductions.
- Equipment costs of sales increased by 2% when compared to prior year due to increased investment in customer acquisition costs.
- Other cost of sales were €8 million higher due to an increase in content costs, primarily relating to eir Sport.



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

### ***Pay costs***

Total pay costs, before non-cash pension charges, decreased by 4% in the quarter ended 31 December 2016 compared to the corresponding prior year quarter. The decrease is due to a combination of lower FTE headcount, lower contractor costs and savings from outsourcing of activities in the group. FTE headcount at 31 December 2016 was 3,361 FTE, representing a net reduction of 51 FTE compared to 31 December 2015.

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

Non-pay costs decreased by 1% in the quarter ended 31 December 2016 compared to the corresponding prior year quarter. Movements include:

- Materials and services costs were €2 million higher compared to the corresponding prior year due to an increase in outsourcing costs (savings reflected in pay costs).
- Accommodation costs decreased by €3 million compared to the corresponding prior year quarter primarily due to lower rent and rates.
- All remaining costs in the quarter ended 31 December 2016 were broadly in line with the prior year period.

### ***Non-cash pension charge/(credit)***

The non-cash pension charge represents the difference between the amount of cash contributions that the company has agreed to make to the fund during the period, on an accruals basis, and the accounting charges recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 (Revised) accounting charge is not aligned with the principles that the company applies in measuring its EBITDA. Therefore the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to operating profit.

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

The non-cash lease fair value credit included in the income statement during the period is in respect of the unfavourable lease fair value adjustment which arose 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 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. The IFRS accounting treatment is not aligned with the principles that the company applies in measuring its EBITDA. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of EBITDA to operating profit.

### ***Amortisation***

Amortisation charges for the quarter ended 31 December 2016 were €26 million, €4 million higher than the prior year quarter, due to the amortisation on intangible assets in relation to the acquisition of Setanta Sports on 1 April 2016 (€2 million) and higher amortisation on computer software in relation to new intangible assets (€3 million).

### ***Depreciation and impairment of plant and equipment***

The depreciation charges for the quarter ended 31 December 2016 were €62 million, which is lower than the prior year quarter of €70 million. The €8 million decrease is mainly due to the review of the economic lives and residual values of assets in the group which resulted in an increase in the asset lives of certain network assets (Tetra). The effect of the changes in the income statement for the quarter ended 31 December 2016 was a decrease in the depreciation charge of €7 million.

### ***Exceptional costs***

The exceptional charges in the quarter ended 31 December 2016 of €36 million includes €27 million for onerous contracts on leasehold properties, €4 million for the restructuring programme staff exits, €2 million for the management incentive plan ("MIP") and €3 million for certain legal matters arising in the quarter ended 31 December 2016.

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

The €27 million exceptional charge for onerous contracts on leasehold properties is a result of the rationalisation of the group's accommodation requirements in the quarter with the group no longer requiring all of these properties. Provision has been made in respect of the estimated cash flow required to settle the group's obligation under these leases.

Net exceptional charges in the prior year quarter ended 31 December 2015 of €10 million includes €3 million charge for re-branding and strategic review costs, €3 million for the management incentive plan ("MIP"), €3 million for onerous contracts and €1 million for restructuring programme staff exits.

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

The group's net finance costs for the quarter ended 31 December 2016 of €40 million were €5 million lower than the prior year corresponding quarter, mainly due to €6 million lower interest costs on bank borrowings and other debt and €6 million favourable fair value movement on derivatives not qualifying for hedge accounting offset by €5 million higher accelerated amortisation on the fair value debt adjustment as a result of the €51 million Facility B4 repayment in October 2016.

### ***Taxation***

The tax credit for the quarter ended 31 December 2016 was €2 million, which is in line with the prior year corresponding quarter tax credit of €2 million.

### ***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 2016, net cash generated from operating activities was €107 million compared with €98 million in the prior year corresponding quarter, an increase of €9 million. The increase is mainly due to lower interest and tax payments (€7 million and €5 million respectively) and lower exceptional spend of €3 million offset by higher voluntary leaving and provision payments in the quarter of €5 million.

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

Total cash used in investing activities was €89 million for the quarter ended 31 December 2016, compared with €67 million for the prior year corresponding quarter, an increase of €22 million, due to higher capital expenditure payments on tangible and intangible assets in the quarter.

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

In October 2016, the group used its existing cash to repay €51 million of its Facility B4 borrowings and in addition, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B borrowings of €1,611 million being transferred to a new borrowing Facility B5. Debt modification fees of €1 million (31 December 2015: €1 million) on the facility B borrowings were paid in the quarter in relation to the various refinancing transactions.

# eircom Holdings (Ireland) Limited

## Commentary on results of operations for the six months ended 31 December 2016

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. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the quarter ended 31 December 2016 applies the equity method of accounting for the investment in Tetra.

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

### Revenue

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

|                                       | For the six months ended             |                                      |                       |
|---------------------------------------|--------------------------------------|--------------------------------------|-----------------------|
|                                       | Dec 31,<br>2015<br>(unaudited)<br>€m | Dec 31,<br>2016<br>(unaudited)<br>€m | % Change<br>2016/2017 |
| Fixed line services and other revenue | 490                                  | 499                                  | 2                     |
| Mobile services revenue               | 185                                  | 176                                  | (5)                   |
| <b>Total segmental revenue</b>        | <b>675</b>                           | <b>675</b>                           | <b>-</b>              |
| Intracompany eliminations             | (22)                                 | (18)                                 | (16)                  |
| <b>Total revenue</b>                  | <b>653</b>                           | <b>657</b>                           | <b>1</b>              |

Reported group revenue of €657 million for the six months ended 31 December 2016 increased 1% compared to the corresponding six months ended 31 December 2015. Underlying revenue of €666 million (which excludes Mobile Termination Rate ("MTR") reduction and foreign exchange ("FX") movements) increased by €13 million or 2% year on year.

### Fixed line services and other revenue

The following table shows our revenue from the fixed line segment, analysed by major products and services, and the percentage change for each category, for the periods indicated:

|  | For the six months ended             |                                       |                       |
|--|--------------------------------------|---------------------------------------|-----------------------|
|  | Dec 31,<br>2015<br>(unaudited)<br>€m | Dec 31,<br>2016<br>(unaudited)<br>€ m | % Change<br>2016/2017 |
| Access (Rental and Connections)                    | 243                                  | 239                                   | (2)                   |
| Voice Traffic                                      | 111                                  | 112                                   | 1                     |
| Data Services                                      | 48                                   | 49                                    | 4                     |
| Foreign Inpayments                                 | 6                                    | 5                                     | (18)                  |
| Other Products and Services                        | 82                                   | 94                                    | 15                    |
| <b>Total fixed line services and other revenue</b> | <b>490</b>                           | <b>499</b>                            | <b>2</b>              |

Total fixed line services and other revenues, before intra company eliminations, increased by 2% in the six months ended 31 December 2016 compared to the corresponding prior year period.

## eircom Holdings (Ireland) Limited

### *Access (rental and connections)*

The following table shows rental, connection and other charges and the percentage changes for the periods indicated:

|   | For the six months year ended |                |           |
|---|-------------------------------|----------------|-----------|
|   | Dec 31, 2015                  | Dec 31, 2016   | % Change  |
|   | (unaudited) €m                | (unaudited) €m | 2016/2017 |
| <b>Total access revenue</b>   |                               |                |           |
| Retail PSTN/ISDN rental and connection  | 112                           | 103            | (9)       |
| Wholesale PSTN/ISDN/LLU rental and connection                                     | 58                            | 54             | (6)       |
| Broadband rental and connection   | 73                            | 82             | 12        |
| Total access revenue  | 243                           | 239            | (2)       |
| <b>Access paths (in thousands at period end, except percentages)</b>              |                               |                |           |
| Retail Access Lines   | 742                           | 693            | (7)       |
| Wholesale Access Lines  | 483                           | 501            | 4         |
| Wholesale LLU   | 11                            | 9              | (14)      |
| SABB  | 106                           | 155            | 46        |
| <b>Total PSTN/ISDN/LLU/SABB</b>   | 1,342                         | 1,358          | 1         |
| <b>Broadband &amp; Bitstream (in thousands at period end, except percentages)</b> |                               |                |           |
| Retail Broadband  | 451                           | 444            | (2)       |
| Wholesale Broadband   | 366                           | 436            | 19        |
| <b>Total</b>  | 817                           | 880            | 8         |

Access revenues decreased by 2% in the six months ended 31 December 2016 compared to the prior year period. Lower Retail and Wholesale access revenues were partially offset by growth in Broadband revenues. Broadband revenues for the six months ended 31 December 2016 were 12% higher compared to 31 December 2015 driven mainly by growth in Wholesale.

Retail line rental and connection revenues decreased by 9% in the six months ended 31 December 2016, compared with the corresponding prior year, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the continuing migration of customers to SABB, other operators and to mobile. Retail access lines at 31 December 2016 were 693,000, a reduction of 7% compared to the prior year.

Wholesale access lines increased by 4% compared to the corresponding prior year period, from 483,000 to 501,000. However, Wholesale rental and connection revenue of €54 million for the six months ended 31 December 2016, reduced by 6% compared to the corresponding six months ended 31 December 2015. This revenue decrease was due to a reduction in the price of PSTN Wholesale line rental ("WLR"), from €18.02 to €15.91, that came into effect from 1 July 2016.

Broadband revenue for the period of €82 million increased by 12% compared to the corresponding prior year period. Wholesale broadband volumes of 436,000 increased by 70,000 when compared to 31 December 2015. The Retail broadband customer base was 444,000 at 31 December 2016, which represented a decrease of 7,000 over the twelve month period. However, retail broadband base increased by 1,000 compared to the quarter ended 30 September 2016.

## eircom Holdings (Ireland) Limited

### *Traffic*

The following table shows total traffic revenue and volumes and the percentage changes for the periods indicated:

|                              | <b>For the six months ended</b>                         |   | <b>% Change<br/>2016/2017</b> |
|------------------------------|---|---|-------------------------------|
|                              | <b>Dec 31,<br/>2015<br/>(unaudited)</b>                 | <b>Dec 31,<br/>2016<br/>(unaudited)</b> |                               |
|                              | <b>€m</b>   | <b>€m</b>                               |                               |
| <b>Revenue</b>               |   |   |                               |
| Retail traffic               | 79  | 83                                      | 5                             |
| Wholesale traffic            | 32  | 29                                      | (9)                           |
| <b>Total traffic revenue</b> | <b>111</b>  | <b>112</b>                              | <b>1</b>                      |
| <b>Traffic</b>               | <b>(in millions of minutes,<br/>except percentages)</b> |   |                               |
| Retail                       | 877   | 756                                     | (15)                          |
| Wholesale                    | 2,178   | 1,990                                   | (9)                           |
| <b>Total traffic minutes</b> | <b>3,055</b>  | <b>2,746</b>                            | <b>(11)</b>                   |

Overall traffic revenue increased by 1% in the six months ended 31 December 2016 compared to the corresponding prior year period. Retail voice traffic revenues increased by 5% for the six months ended 31 December 2016, compared with the corresponding prior year period. This was primarily driven by the introduction of new higher valued bundled offerings which resulted in a 7% uplift in blended consumer ARPU. This was partially offset by a reduction in traffic usage.

Wholesale traffic revenues decreased by 9% in the six months ended 31 December 2016 compared to the corresponding prior year period. Excluding the impact of the MTR reductions, wholesale traffic revenues decreased by 5% primarily driven by lower traffic minutes.

### *Data communications*

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

|                                    | <b>For the six months ended</b>         |   | <b>% Change<br/>2016/2017</b> |
|------------------------------------|---|---|-------------------------------|
|                                    | <b>Dec 31,<br/>2015<br/>(unaudited)</b> | <b>Dec 31,<br/>2016<br/>(unaudited)</b> |                               |
|                                    | <b>€m</b>                               | <b>€m</b>                               |                               |
| <b>Data services revenue</b>       |   |   |                               |
| Leased lines                       | 27                                      | 26                                      | 1                             |
| Switched data services             | 10                                      | 9                                       | (7)                           |
| Next generation data services      | 11                                      | 14                                      | 22                            |
| <b>Total data services revenue</b> | <b>48</b>                               | <b>49</b>                               | <b>4</b>                      |

Revenue from data communications was broadly flat compared to the corresponding period in the prior year. Revenue from Switched Data reduced by 7%, while revenue from next generation data services grew by 22% compared to the six months ended 31 December 2015 reflecting a move from legacy products to next generation services.

## eircom Holdings (Ireland) Limited

### *Foreign Inpayments*

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

|                                     | <b>For the six months ended</b> |                           |                  |
|-------------------------------------|---------------------------------|---------------------------|------------------|
|                                     | <b>Dec 31,<br/>2015</b>         | <b>Dec 31,<br/>2016</b>   | <b>% Change</b>  |
|                                     | <b>(unaudited)</b><br>€ m       | <b>(unaudited)</b><br>€ m | <b>2016/2017</b> |
| Foreign terminating traffic revenue | 6                               | 5                         | (18)             |
|                                     | (minutes, million)              |                           |                  |
| Foreign terminating traffic minutes | 274                             | 255                       | (7)              |

Revenue from foreign terminating traffic reduced by 18% during the six months ended 31 December 2016, compared to the corresponding prior year period. Adjusting for the MTR impact revenue, foreign terminating traffic decreased by 3% during the six months ended 31 December 2016 when compared the corresponding prior year period.

### *Other products and services*

Other products and services revenue includes our 56% share of revenue from Tetra, eir Sport (consolidated from April 2016), our operations in the UK/Ni, operator services, managed services, data centres and other revenue.

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

|  | <b>For the six months ended</b> |                           |                  |
|--|---------------------------------|---------------------------|------------------|
|  | <b>Dec 31,<br/>2015</b>         | <b>Dec 31,<br/>2016</b>   | <b>% Change</b>  |
|  | <b>(unaudited)</b><br>€ m       | <b>(unaudited)</b><br>€ m | <b>2016/2017</b> |
| Operator services                          | 6                               | 5                         | (24)             |
| Managed services and solutions             | 28                              | 31                        | 13               |
| Tetra                                      | 10                              | 10                        | (1)              |
| UK   | 15                              | 14                        | (4)              |
| Data centre                                | 8                               | 6                         | (19)             |
| Other revenue                              | 15                              | 28                        | 82               |
| <b>Other products and services revenue</b> | <b>82</b>                       | <b>94</b>                 | <b>15</b>        |

Revenue from other products and services in the six months ended 31 December 2016 increased by 15% compared with the corresponding prior year period mainly driven by eir Sport revenue (included in Other revenue). Operator Services revenue decreased by 24% as a result of reduced calls to our 11811 directory enquiries service. Managed services revenue increased by 13% due to significant contracts won by eir Business which were delivered in the quarter ended 31 December 2016. Tetra revenue of €10 million was broadly flat compared to the corresponding prior year period.

UK/Ni revenues of €14 million reduced by 4% compared to the corresponding prior year period. Underlying UK/Ni revenue increased by 13% year on year but was offset by a weakening in sterling and as a result reported revenue declined by 4% compared to the corresponding prior year period.

Data centre revenue declined by 19% due to changing market trend whereby multinationals are investing in their own portfolio of data centres. Other revenue (including eir sport) increased due to increased revenues from TV services.

## eircom Holdings (Ireland) Limited

### Mobile services revenue

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

|                                      | For the six months ended    |                             | % Change<br>2016/2017 |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------|
|                                      | Dec 31, 2015<br>(unaudited) | Dec 31, 2016<br>(unaudited) |                       |
|                                      | €m                          | €m                          |                       |
| Prepay handset                       | 57                          | 51                          | (10)                  |
| Postpay handset                      | 106                         | 101                         | (5)                   |
| Mobile broadband                     | 4                           | 5                           | (7)                   |
| Roaming                              | 4                           | 3                           | (8)                   |
| Other                                | 14                          | 16                          | 14                    |
| <b>Total mobile services revenue</b> | <b>185</b>                  | <b>176</b>                  | <b>(5)</b>            |
|                                      |                             |                             |                       |
| <b>Total subscribers ('000)</b>      |                             |                             |                       |
| Prepay handset customers             | 579                         | 559                         | (3)                   |
| Postpay handset customers            | 466                         | 469                         | 1                     |
| Mobile broadband customers           | 46                          | 46                          | 2                     |
| Of which are prepay customers        | 12                          | 7                           | (41)                  |
| Of which are postpay customers       | 34                          | 39                          | 17                    |
| <b>Total subscribers</b>             | <b>1,091</b>                | <b>1,074</b>                | <b>(2)</b>            |

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband and eir Mobile. Other revenue is derived mainly from device sales and foreign roaming revenue. Mobile Revenues in the six month period to 31 December 2016 include the impact of MTR reductions of approximately €8 million.

Reported mobile revenue of €176 million for the six months ended 31 December 2016 decreased by 5% when compared to the corresponding prior year period. Adjusting for the impact of MTR, underlying mobile revenue decreased by 1% when compared to the corresponding prior year period.

Postpay handset revenue decreased by 5% when compared to the same period of the prior year as revenue was impacted by reduced MTR reductions as well as increased promotional and bundling activity. However, postpay subscribers increased by 1% in the period when compared to the corresponding period.

Prepay handset revenue declined by 10% due to a 3% decline in handset subscribers coupled with the impact of reduced MTRs.

At 31 December 2016 there were 1,074,000 total mobile subscribers, a decrease of 17,000 compared with 31 December 2015. However, the mix of the mobile customer base continues to improve, with 47% of mobile customers now in contract, up 1 p.p compared to the corresponding prior year period.

# 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.

|  | <b>In the six months year ended</b>     |   |                               |
|--|---|---|-------------------------------|
|  | <b>Dec 31,<br/>2015<br/>(unaudited)</b> | <b>Dec 31,<br/>2016<br/>(unaudited)</b> | <b>% Change<br/>2016/2017</b> |
|  | <b>€m</b>                               | <b>€m</b>                               |                               |
| <b>Cost of sales</b>   |   |   |                               |
| Foreign outpayments  | 5                                       | 5                                       | (11)                          |
| Interconnect   | 57                                      | 48                                      | (16)                          |
| Equipment cost of sales  | 43                                      | 44                                      | 3                             |
| Other including subsidiaries and new business  | 47                                      | 61                                      | 30                            |
| <b>Total cost of sales</b>   | <b>152</b>                              | <b>158</b>                              | <b>4</b>                      |
| <b>Pay costs</b>   |   |   |                               |
| Wages and salaries and other staff costs   | 123                                     | 118                                     | (4)                           |
| Social welfare costs   | 6                                       | 6                                       | 2                             |
| Pension cash costs—defined contribution plans  | 2                                       | 2                                       | 23                            |
| Pension cash costs—defined benefit plans   | 7                                       | 8                                       | 13                            |
| <b>Pay costs before non-cash pension charge and capitalisation</b>                                       | <b>138</b>                              | <b>134</b>                              | <b>(3)</b>                    |
| Capitalised labour   | (34)                                    | (35)                                    | 5                             |
| <b>Total pay costs before non-cash pension charge</b>  | <b>104</b>                              | <b>99</b>                               | <b>(5)</b>                    |
| <b>Non pay costs</b>   |   |   |                               |
| Materials and services   | 9                                       | 10                                      | 23                            |
| Other network costs  | 8                                       | 8                                       | 9                             |
| Accommodation  | 53                                      | 48                                      | (10)                          |
| Sales and marketing  | 37                                      | 38                                      | 1                             |
| Bad debts  | 4                                       | 3                                       | (28)                          |
| Transport and travel   | 6                                       | 6                                       | 1                             |
| Customer services  | 21                                      | 20                                      | (5)                           |
| Insurance and compensation   | 2                                       | 1                                       | (8)                           |
| Professional and regulatory fees   | 4                                       | 6                                       | 29                            |
| IT costs   | 12                                      | 13                                      | 5                             |
| Other non pay costs  | 4                                       | 4                                       | (3)                           |
| <b>Total non pay costs</b>   | <b>160</b>                              | <b>157</b>                              | <b>(2)</b>                    |
| <b>Operating costs before non-cash pension charge, amortisation, depreciation, and exceptional items</b> | <b>416</b>                              | <b>414</b>                              | <b>-</b>                      |
| Non cash pension charge/(credit)   | 7                                       | 9                                       | 29                            |
| Non cash fair value lease credits  | (4)                                     | (4)                                     | -                             |
| <b>Operating costs before, amortisation, depreciation, and exceptional items</b>                         | <b>419</b>                              | <b>419</b>                              | <b>-</b>                      |

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items were broadly flat, compared with the corresponding six months to 31 December 2015.

## *Cost of Sales*

Cost of sales were €6 million or 4% higher in the six months ended 31 December 2016 compared to the corresponding prior year period. Content costs in relation to eir Sport increased year on year as well as customer acquisition costs, partially offset by reduced MTRs. Movements include:

- Foreign outpayment costs decrease of 11% was in line with foreign terminating traffic revenue decrease adjusted for the impact of MTR reductions.
- Interconnect payments to other telecommunications operators decreased by 16% when compared to the corresponding prior year reflecting MTR reductions.
- Equipment costs of sales increased by 3% when compared to the corresponding prior period due to increased investment in customer acquisition costs.
- Other cost of sales were €14 million higher due to an increase in content costs, primarily relating to eir Sport.



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

### ***Pay costs***

Total pay costs, before non-cash pension charges for the six months ended 31 December 2016, decreased by 5% compared to the corresponding prior period. The decrease is due to a combination of lower FTE headcount, lower contractor costs and savings from outsourcing of activities in the group. FTE headcount at 31 December 2016 was 3,361 FTE, representing a net reduction of 51 FTE compared to 31 December 2015.

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

Non-pay costs in the six months ended 31 December 2016 decreased by 2% compared to the corresponding prior period:

- Materials and services costs were 23% higher compared to the corresponding prior year due to an increase in outsourcing costs (savings reflected in pay costs).
- Accommodation costs decreased by €5 million compared to the corresponding prior year primarily due to lower rent and rates.
- Professional and regulatory costs increased by €2 million due to use of professional services to support transformation programs.
- All remaining costs in the six months ended 31 December 2016 were broadly in line with the corresponding period of the prior year.

### ***Non-cash pension charge/(credit)***

The non-cash pension charge represents the difference between the amount of cash contributions that the company has agreed to make to the fund during the period, on an accruals basis, and the accounting charges recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 (Revised) accounting charge is not aligned with the principles that the company applies in measuring its EBITDA. Therefore the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to operating profit.

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

The non-cash lease fair value credit included in the income statement during the period is in respect of the unfavourable lease fair value adjustment which arose 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 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. The IFRS accounting treatment is not aligned with the principles that the company applies in measuring its EBITDA. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of EBITDA to operating profit.

### ***Amortisation***

Amortisation charges for the six-month period ended 31 December 2016 were €52 million, €16 million higher than the prior year period, due to the group amortising the Fixed Line Trademark from 1 October 2015 following the re-brand in September 2015 (€6 million), amortisation on intangible assets in relation to the acquisition of Setanta Sports on 1 April 2016 (€4 million) and higher amortisation on computer software in relation to new intangible assets (€6 million).

### ***Depreciation of property, plant and equipment***

The depreciation charges for the six-month period ended 31 December 2016 were €130 million, which is €11 million lower than the prior year charge for the same period of €141 million. The decrease in depreciation is mainly due to the review of the economic lives and residual values of assets in the group which resulted in an increase in the asset lives of certain network assets (Tetra). The effect of the changes in the income statement for the period ended 31 December 2016 was a decrease in the depreciation charge of €7 million.

Separately, the prior year charge for the six-month period ended 31 December 2015 included €2.6 million of accelerated depreciation in relation to Telephone House leasehold assets written off following the lease expiry.

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

### ***Exceptional costs***

The exceptional charges in the six-month period ended 31 December 2016 of €39 million includes €27 million for onerous contracts on leasehold properties, €5 million for the restructuring programme staff exits, €4 million for the management incentive plan (“MIP”) and €3 million for certain legal matters arising in the period ended 31 December 2016.

The €27 million exceptional charge for onerous contracts on leasehold properties is a result of the rationalisation of the group’s accommodation requirements in the period with the group no longer requiring all of these properties. Provision has been made in respect of the estimated cash flow required to settle the group’s obligation under these leases.

Net exceptional charges in the six-month period ended 31 December 2015 of €24 million includes €18 million charge for re-branding and strategic review costs, €3 million for the management incentive plan (“MIP”), €3 million for onerous contracts and €2 million for the restructuring programme 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 from the previous year.

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

The group’s net finance costs for the six-month period ended 31 December 2016 of €98 million is €6 million higher than the prior year charge of €92 million for the same period. The increase is mainly due to the higher accelerated amortisation on the fair value debt adjustment of €26 million as a result of the €201 million Facility B3 repayment in August 2016 and the €51 million Facility B4 repayment in October 2016 offset by €12 million favourable fair value movement on derivatives not qualifying for hedge accounting and €9 million lower interest costs on bank borrowings and other debt.

### ***Taxation***

The tax credit for the six-month period ended 31 December 2016 was €3 million, which is in line with the prior year corresponding period tax credit of €3 million.

### ***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 2016, net cash generated from operating activities was €179 million compared with €159 million in the prior corresponding period, an increase of €20 million. The year on year increase is mainly due to lower exceptional spend of €13 million (prior year included €16 million which was mainly re-branding costs compared to current period exceptional spend of €3 million) and lower interest and tax payments (€9 million and €5 million respectively) offset by higher voluntary leaving payments in the period of €9 million.

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

Total cash used in investing activities was €174 million for the six-month period ended 31 December 2016, compared with €157 million for the prior year period, an increase of €17 million. The increase is due to higher capital expenditure payments on tangible and intangible assets in the period, €25 million year on year increase, offset by proceeds received on the sale of properties of €6 million in the period ended 31 December 2016.

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

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

In August 2016, the group issued €200 million additional 4.5% Senior Secured Notes at an offering price of 101.5%. The €200 million issue, for which cash proceeds of €203 million were received before deduction of transaction costs, was structured as a tap issue to the €500 million Senior Secured Notes issued in June 2016. The group used the proceeds of the tap issue to repay €201 million of the pre-existing Facility B3 borrowings in the period.

In October 2016, the group used its existing cash to repay €51 million of its Facility B4 borrowings and in addition, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B borrowings of €1,611 million being transferred to a new borrowing Facility B5. Debt issue costs of €2 million on the 4.5% Senior Secured Notes and debt modification fees of €4 million (31 December 2015: €3 million) on the facility B borrowings were paid in the period in relation to the various refinancing transactions.

On 1 July 2015, eircom Limited (Ireland), 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 (Jersey), a company incorporated in Jersey. On July 2, 2015, eircom Limited (Jersey) borrowed €2,367 million from group undertakings who borrowed the funds from a third party bank and paid this to eircom Limited (Ireland). eircom Limited (Ireland) repaid its loans from group undertakings and the group undertakings in turn repaid the third party bank with no increase in group borrowings.

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

# **eircom Holdings (Ireland) Limited**

## ***Disclaimer and Forward Looking Statements***

This document is for information purposes only. It does not constitute or form part of, and should not be construed as an advertisement, an offer or an invitation to subscribe to or to purchase securities of any member of the group nor is the information meant to serve as a basis for any kind of contractual or other obligation. This document does not constitute a prospectus or a prospectus equivalent document.

By reviewing the information in this document you agree to the terms of this disclaimer.

This document should not be treated as giving investment advice. No specific investment objectives, financial situation or particular needs of any recipient have been taken into consideration in connection with the preparation of this document.

This document may include forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 regarding certain of the group's plans and its current goals, intentions, beliefs and expectations concerning, among other things, the group's future results of operation, financial condition, liquidity, prospects, growth, strategies and the industries in which the group operates. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would', or their negative variations or similar expressions identify forward looking statements. By their nature, forward-looking statements are inherently subject to risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The group cautions you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industries in which the group operates may differ materially from those made in or suggested by the forward-looking statements contained in the document. In addition, even if the group's results of operations, financial condition and liquidity and the development of the industries in which the group operates are consistent with the forward-looking statements contained in this document, those results of developments may not be indicative of results or developments in future periods.

The group does not undertake any obligation to review, update or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this document.

No warranty or representation of any kind, express or implied, is or will be made in relation to, and to the fullest extent permissible by law, no responsibility or liability in contract, tort, or otherwise is or will be accepted by the group any of the group's officers, employees, advisers or agents or any of their affiliates as to the accuracy, completeness or reasonableness of the information contained in this document, including any opinions, forecasts or projections. Nothing in this document shall be deemed to constitute such a representation or warranty or to constitute a recommendation to any person to acquire any Notes or other securities of any member of the group or otherwise become a lender of any member of the group. Any estimates and projections in this document were developed solely for the use of the group at the time at which they were prepared and for limited purposes which may not meet the requirements or objectives of the recipient of this document. Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate.

The group and its officers, affiliates, agents, directors, partners and employees accept no liability whatsoever for any loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

The group has not assumed any responsibility for independent verification of any of the information contained herein including, but not limited to, any forward looking statements made herein. In addition, the group assumes no obligation to update or to correct any inaccuracies which may become apparent in this document.

This document has not been approved by any regulatory authority. This document has been prepared by, and is the sole responsibility of, the group and has not been independently verified. All financial and operating information in this document is based on unaudited management information unless otherwise specified.

## ***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

---

### 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 “Blended consumer fixed ARPU” as the average of the total consumer subscriber revenue divided by the average number of access subscribers (including SABB) in each month. Subscriber revenue is equal to total fixed line consumer revenue excluding revenue from eir Sport and Operator Services.
    - B. We define “WLR PSTN ARPU” as the average of Wholesale PSTN line rental revenue divided by the average number of PSTN WLR access subscribers in each month.
    - C. We define “Bitstream ARPU” as the average of bitstream rental revenue including SABB (recurring revenue) divided by the average number of Wholesale bitstream (including SABB) subscribers in each month.
    - D. 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.
    - E. All Fixed ARPUs are adjusted to reflect the average number of days in a month.
  3. Mobile ARPU Calculations:
    - F. We define “Prepay ARPU” as the measure of the sum of the total prepay mobile subscriber revenue including revenue from incoming traffic in the period divided by the average number of prepay mobile subscribers in the period divided by the number of months in the period.
    - A. We define “Postpay ARPU” as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period.
    - B. We define “the average number of mobile subscribers in the period” as the average of the total number of mobile subscribers at the beginning of the year and the total number of mobile subscribers at the end of the year.
    - C. All Mobile ARPUs are adjusted to reflect the average number of days in a month.
  4. N/M - percentage movement is not meaningful.
-