eircom Holdings (Ireland) Limited

Unaudited results for the first quarter FY21 to 30 September 2020

17 November 2020

eircom Holdings (Ireland) Limited

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Trading highlights for the quarter ended 30 September 2020[1]

- Revenue of €296 million decreased by 3% or €9 million year on year. Revenue growth in broadband, managed and data services revenues and bundling was offset by a reduction in traditional access, voice and prepay revenues.
- Group adjusted EBITDA[2] of €154 million increased by 2% or €3 million year on year.
- Reported fixed line revenue, before intra-company eliminations, of €221 million decreased by 4% or €9 million year on year. Growth in broadband, managed and data services revenues and bundling was offset by lower traditional access and voice revenues.
- The group broadband customer base[3] at 30 September 2020 was 967,000, an increase of 2% or 22,000 year on year. The retail customer base decreased by 2,000, while the wholesale base increased by 24,000 compared to the corresponding prior year period. At 30 September 2020, 81% of the broadband base, or 784,000 customers, were availing of fibre based high speed broadband services, an increase of 9% or 67,000 customers year on year.
- Group fixed access paths decreased by 13,000 year on year; fixed access lines[4] decreased by 55,000, mostly offset by an increase in standalone broadband lines of 42,000.
- Reported mobile revenue of €81 million decreased by €1 million or 2% year on year. Revenue growth in postpay was offset by a decrease in prepay, largely driven by migrations to postpay, as well as by a decline in roaming revenue due to the impact of Covid-19 restrictions.
- Total mobile customers at the end of the quarter were 1,184,000[5]; including 791,000 postpay customers and 393,000 prepay customers. The postpay customer base increased by 40% year on year bringing the proportion of mobile customers on postpay plans to 67%. The prepay base reduced by 14% year on year mainly due to continued migration to postpay.
- Group operating costs[6] of €142 million, reduced by 7% or €10 million year on year.
- Total Full Time Equivalent (FTE) staff at the end of September stood at 3,260, a decrease of 6% or 215 FTE year on year.
- Despite continued high levels of capital investment, the Group maintains strong liquidity, with cash on hand of €528 million at 30 September 2020, after asset disposal proceeds.

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[1] 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.

[2] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charge, management charge, profit on disposal of Property, Plant and Equipment and exceptional items.

[3] Combined retail and wholesale excluding LLU and line share, including SABB.

[4] Combined retail and wholesale access line losses including LLU.

[5] Mobile base is a combination of handset subscriptions, machine to machine and mobile broadband subscriptions.

[6] Operating costs are pay and non-pay costs before management charge and non-cash pension charge.

eircom Holdings (Ireland) Limited

KPIs as at 30 September 2020 (unaudited)

	As at and for quarter ended 30 September 2019 (unaudited)	As at and for quarter ended 30 September 2020 (unaudited)	Better/(Worse)% N1
Group Access Paths Base ('000)			
Retail Access Lines	636	616	(3%)
Retail SABB*	28	25	(10%)
Wholesale Access Lines	470	436	(7%)
Wholesale SABB*	172	217	26%
Wholesale LLU**	3	2	(25%)
Total	**1,309**	**1,296**	**(1%)**
Retail Voice Traffic (millions of minutes)	244	259	6%
Broadband Lines ('000)			
Retail	457	455	(0%)
Wholesale	488	512	5%
Total	**945**	**967**	**2%**
Mobile Customers ('000)			
Prepaid Handsets	448	389	(13%)
Prepaid MBB	7	4	(38%)
Total Prepaid Base	455	393	(14%)
Postpaid Handsets (including M2M)	539	762	41%
Postpaid MBB	28	29	7%
Total Postpaid Base	567	791	40%
Total	**1,022**	**1,184**	**16%**
ARPU'S € N2 & N3			
Consumer Blended ARPU	50.0	49.7	(1%)
WLR PSTN ARPU	16.5	16.5	0%
Bitstream ARPU (including SABB)	13.1	14.9	14%
Prepaid ARPU (including MBB)	15.4	15.6	2%
Postpaid ARPU (including MBB/M2M)	30.3	23.0	(24%)
Closing Headcount	**3,475**	**3,260**	**(6%)**

eircom Holdings (Ireland) Limited

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 30 September 2020.

The financial information for the period ended 30 September 2019 was prepared under the previous lease recognition standard 'IAS 17 Leases' and has been restated using the new standards IFRS 16, 'Leases' as applied at the year ended 30 June 2020.

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 30 September 2020, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2020. 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 2020.

Reconciliation of statutory financial statements[7] to the results presented in the management discussion and analysis section within this quarterly document

	In the quarter ended 30 September 2019[8]			In the quarter ended 30 September 2020		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	303	(5)	298	**296**	**(5)**	**291**
Operating costs excluding management charge and non-cash pension charge	(152)	3	(149)	**(142)**	**3**	**(139)**
Adjusted EBITDA[9]	151	(2)	149	**154**	**(2)**	**152**
Closing Cash	231	(5)	226	**528**	**(4)**	**524**

[7] 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.
[8] Prior year quarter has been restated for IFRS 16 effective for accounting periods after 1 January 2019.
[9] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge, management charge, non-cash lease contracts, exceptional items and profit on disposal of property, plant and equipment.

eircom Holdings (Ireland) Limited

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

	Three months ended Sept 2019 €m	Three months ended Sept 2020 €m
Operating profit	**39**	**222**
Exceptional gain on exit from subsidiary	**-**	**(186)**
Exceptional items	**8**	**20**
Management charge	-	**2**
Non-cash pension charge	**4**	**1**
Operating profit before non-cash pension charges, management charge and exceptional items	**51**	**59**
Depreciation of right of use assets	**11**	**11**
Depreciation of property, plant and equipment	**67**	**65**
Amortisation	**20**	**17**
EBITDA before non-cash pension charges, management charge and exceptional items	**149**	**152**
EBITDA of joint ventures using proportionate consolidation	**2**	**2**
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items	**151**	**154**

Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items is split as follows:		
Fixed line	120	**124**
Mobile	31	**30**
	151	**154**

***** *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 three-month period ended 30 September 2020

	Notes	30 Sept 2019	30 Sept 2020
		€m	€m
Revenue	3	298	**291**
Operating costs excluding amortisation, depreciation and exceptional items		(153)	**(142)**
Amortisation	3	(20)	**(17)**
Depreciation of property, plant and equipment	3	(67)	**(65)**
Depreciation of right of use assets	3	(11)	**(11)**
Exceptional items	3, 4	(8)	**(20)**
Exceptional gain on exit from subsidiary	3, 5	-	**186**
Operating profit	3	39	**222**
Finance costs – net	6	(27)	**(21)**
Share of profit of joint venture		2	**2**
Profit before tax		14	**203**
Income tax (charge)/credit	7	(4)	**11**
Profit for the period		10	**214**

Group statement of comprehensive income – unaudited
For the three-month period ended 30 September 2020

	30 Sept 2019	30 Sept 2020
	€m	€m
Profit for the financial period attributable to equity holders of the parent	10	**214**
Other comprehensive expense:		
Items that will not be reclassified to profit or loss		
Defined benefit pension scheme remeasurement losses:		
- Remeasurement loss in period	(40)	(177)
- Tax on defined benefit pension scheme remeasurement losses	5	22
Other comprehensive expense, net of tax	(35)	**(155)**
Total comprehensive (expense)/ income for the financial period	(25)	**59**

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

eircom Holdings (Ireland) Limited

Consolidated Balance Sheet – unaudited
As at 30 September 2020

	Notes	30 June 2020	30 Sept 2020
		€m	€m
Assets			
Non-current assets			
Goodwill		212	**212**
Other intangible assets		196	**182**
Property, plant and equipment		1,313	**1,322**
Right of use assets		244	**371**
Retirement benefit asset	11	468	**289**
Deferred tax assets		2	**2**
Other assets		14	**14**
		2,449	**2,392**
Current assets			
Inventories		20	**24**
Trade and other receivables	8	166	**172**
Contract assets		41	**41**
Restricted cash		3	**3**
Cash and cash equivalents		249	**524**
		479	**764**
Assets held for sale		57	**-**
		536	**764**
Total assets		2,985	**3,156**
Liabilities			
Non-current liabilities			
Borrowings	9	2,533	**2,534**
Lease liabilities	10	294	**522**
Trade and other payables		37	**39**
Deferred tax liabilities		114	**76**
Provisions for other liabilities and charges	12	118	**117**
		3,096	**3,288**
Current liabilities			
Lease liabilities	10	36	**47**
Trade and other payables		451	**413**
Current tax liabilities		10	**14**
Provisions for other liabilities and charges	12	13	**13**
		510	**487**
Liabilities directly associated with the assets held for sale		57	**-**
		567	**487**
Total liabilities		3,663	**3,775**
Equity			
Equity share capital		-	**-**
Capital contribution		62	**62**
Retained loss		(740)	**(681)**
Total equity		(678)	**(619)**
Total liabilities and equity		2,985	**3,156**

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

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited
For the three-month period ended 30 September 2020

	Notes	30 Sept 2019	30 Sept 2020
		€m	€m
Cash flows from operating activities			
Cash generated from operations	13	85	**91**
Interest paid		(20)	**(12)**
Net cash generated from operating activities		65	**79**
Cash flows from investing activities			
Disposal of subsidiary undertaking, net of cash disposed		-	**298**
Purchase of property, plant and equipment (PPE)		(76)	**(91)**
Purchase of intangible assets		(7)	**(3)**
Proceeds from sale of PPE		-	**1**
Dividend received from joint arrangement		-	**2**
Restricted cash		3	**-**
Net cash (used in)/generated from investing activities		(80)	**207**
Cash flows from financing activities			
Payment of principal on lease liabilities		(11)	**(11)**
Debt issue costs		(1)	**-**
Debt modification fees		(2)	**-**
Net cash used in financing activities		(14)	**(11)**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(29)	**275**
Cash, cash equivalents and bank overdrafts at beginning of period		255	**249**
Cash, cash equivalents and bank overdrafts at end of period		226	**524**

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 three-month period ended 30 September 2020

	Equity share capital €m	Capital contribution €m	Cash flow hedging reserve €m	Retained loss €m	Total equity €m
Balance at 30 June 2019	-	62	(1)	(933)	(872)
Profit for the period	-	-	-	10	10
Defined benefit pension scheme remeasurement loss	-	-	-	(40)	(40)
Tax on defined benefit pension scheme remeasurement loss	-	-	-	5	5
Total comprehensive expense	-	-	-	(25)	(25)
Balance at 30 September 2019	-	62	(1)	(958)	(897)
Balance at 30 June 2020	**-**	**62**	**-**	**(740)**	**(678)**
Profit for the period	**-**	**-**	**-**	**214**	**214**
Defined benefit pension scheme remeasurement loss	**-**	**-**	**-**	**(177)**	**(177)**
Tax on defined benefit pension scheme remeasurement loss	**-**	**-**	**-**	**22**	**22**
Total comprehensive expense	**-**	**-**	**-**	**59**	**59**
Balance at 30 September 2020	**-**	**62**	**-**	**(681)**	**(619)**

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 17 November 2020.

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 30 September 2020.

The financial information for the period ended 30 September 2019 was prepared under the previous lease recognition standard 'IAS 17 Leases' and has been restated using the new standards IFRS 16, 'Leases' as applied at the year ended 30 June 2020.

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 30 September 2020, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2020. 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 2020.

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 three-month period ended 30 September 2020 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	221	81	(6)	**296**	(5)	**291**
EBITDA **	124	30	-	**154**	(2)	**152**
Non-cash pension charges	(1)	-	-	**(1)**	-	**(1)**
Management charge	(2)	-	-	**(2)**	-	**(2)**
Amortisation	(12)	(5)	-	**(17)**	-	**(17)**
Depreciation of PPE	(59)	(6)	-	**(65)**	-	**(65)**
Depreciation of right of use assets	(3)	(8)	-	**(11)**	-	**(11)**
Exceptional items	(19)	(1)	-	**(20)**	-	**(20)**
Exceptional gain on exit from subsidiary	-	186	-	**186**	-	**186**
Operating profit	**28**	**196**	**-**	**224**	**(2)**	**222**

The segment results (revised) for the three-month period ended 30 September 2019 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	230	82	(9)	**303**	(5)	**298**
EBITDA **	120	31	-	**151**	(2)	**149**
Non-cash pension charges	(4)	-	-	**(4)**	-	**(4)**
Amortisation	(15)	(5)	-	**(20)**	-	**(20)**
Depreciation of PPE	(60)	(7)	-	**(67)**	-	**(67)**
Depreciation of right of use assets	(4)	(7)	-	**(11)**	-	**(11)**
Exceptional items	(6)	(2)	-	**(8)**	-	**(8)**
Operating profit	**31**	**10**	**-**	**41**	**(2)**	**39**

* 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 of property, plant & equipment and right of use assets, non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items.

eircom Holdings (Ireland) Limited

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

4. Exceptional items

	30 Sept 2019 €m	30 Sept 2020 €m
Restructuring programme costs	3	**19**
Group re-organisation costs	-	**1**
Impairment of leased assets	5	**-**
	8	**20**

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 significant or 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 €19 million (30 September 2019: €3 million) for restructuring programme costs in respect of staff that had committed to exiting the business in the period ended 30 September 2020. No provision has been included in respect of future staff exits not committed at 30 September 2020, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €19 million at 30 September 2020 includes an IAS 19 (Revised) defined benefit pension charge in relation to past service costs of €1 million (30 September 2019: €Nil).

Group re-organisation costs
The group included an exceptional charge of €1 million for re-organisation costs in the period ended 30 September 2020 in relation to the exit from the Network Sharing Agreement with Three.

Impairment of leased assets
The group recognised an impairment on leased assets of €5 million on transition to IFRS 16 during the period ended 30 September 2019.

5. Exceptional gain on exit from subsidiary

	30 Sept 2020 €m
Disposal consideration	**300**
Net assets disposed	**(3)**
Impairment of right of use assets	**(111)**
	186

In July 2020, the group completed the sale of the entire share capital of Emerald Tower Limited, its fully owned mobile telecom infrastructure management company in Ireland, to Phoenix Tower Ireland Limited.

6. Finance costs – net

	30 Sept 2019 €m	30 Sept 2020 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	23	**19**
Net interest cost on net pension liability	(1)	**(2)**
Amortisation of debt issue costs and debt modification fees	-	**1**
Interest on lease liabilities	4	**3**
Other unwinding of discount	1	**-**
	27	**21**
(b) Finance income:		
Interest income	-	**-**
	-	**-**
Finance costs – net	27	**21**

7. Income tax charge

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

	30 Sept 2019 €m	30 Sept 2020 €m
Profit before tax	14	**203**
Tax calculated at Irish standard tax rate of 12.5%	2	**25**
Effects of:-		
Non-deductible expenses	4	**3**
Origination and reversal of temporary differences	-	**(16)**
Income not subject to taxation	-	**(23)**
Utilisation of losses carried forward	(2)	**-**
Tax charge/(credit) for the period	4	**(11)**

8. Trade and other receivables

During the period ended 30 September 2020, the group recognised a provision for impaired receivables of €2 million (30 September 2019: €3 million), reversed provisions for impaired receivables of €Nil (30 September 2019: €1 million) and utilised provisions for impaired receivables of €Nil (30 September 2019: €Nil). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

9. Borrowings

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

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
As at 30 Sept 2020					
Bank borrowings (Facility B)	**-**	**-**	**-**	**1,100**	**1,100**
Debt modification fees	**-**	**-**	**-**	**(8)**	**(8)**
	-	**-**	**-**	**1,092**	**1,092**
3.5% Senior Secured Notes due 2026	**-**	**-**	**-**	**750**	**750**
1.75% Senior Secured Notes due 2024	**-**	**-**	**350**	**-**	**350**
2.625% Senior Secured Notes due 2027	**-**	**-**	**-**	**350**	**350**
Debt issue costs	**-**	**-**	**(1)**	**(7)**	**(8)**
	-	**-**	**349**	**1,093**	**1,442**
	-	**-**	**349**	**2,185**	**2,534**
As at 30 June 2020					
Bank borrowings (Facility B)	-	-	-	1,100	1,100
Debt modification fees	-	-	-	(8)	(8)
	-	-	-	1,092	1,092
3.5% Senior Secured Notes due 2026	-	-	-	750	750
1.75% Senior Secured Notes due 2024	-	-	350	-	350
2.625% Senior Secured Notes due 2027	-	-	-	350	350
Debt issue costs	-	-	(2)	(7)	(9)
	-	-	348	1,093	1,441
	-	-	348	2,185	2,533

At 30 September 2020, the group has Senior Bank borrowings of €1,100 million with a maturity date of 15 May 2026 and Senior Secured Notes of €750 million with a maturity date of 15 May 2026, €350 million with a maturity date of 1 November 2024 and €350 million with a maturity date of 15 February 2027.

At 30 September 2020, the group has a €50 million revolving credit facility, which was undrawn at 30 September 2020.

Interest accrued on borrowings at 30 September 2020 is €18 million (30 June 2020: €8 million). This is included in trade and other payables.

10. Lease liabilities

The carrying amounts of lease liabilities and the movements during the period are set out below:

	30 Sept 2020 €m
At beginning of financial period	**330**
Additions	**253**
Modifications	**(3)**
Interest	**3**
Payments	**(14)**
	569
Non-current	**522**
Current	**47**
	569

11. 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 30 September 2020 reflects the IAS 19 (Revised) surplus of €289 million as at 30 September 2020.

Pension scheme obligation

The status of the principal scheme at 30 September 2020 is as follows:

	30 June 2020 €m	**30 Sept 2020 €m**
Present value of funded obligations	(4,012)	**(4,232)**
Fair value of scheme assets	4,480	**4,521**
Asset recognised in the Balance Sheet	468	**289**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2020	**At 30 Sept 2020**
Rate of increase in salaries	0.90%	0.95%
Rate of increase in pensions in payment	0.90%	0.95%
Discount rate	1.45%	1.14%
Inflation assumption	1.00%	1.05%
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	89 years	89 years
Mortality assumptions – Future retirements – Implied life expectancy for 65 year old male	90 years	90 years
Mortality assumptions – Future retirements – Implied life expectancy for 65 year old female	92 years	92 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.

12. Provisions for other liabilities and charges

	Onerous Contracts €m	TIS Annuity Scheme €m	Asset Retirement Obligations €m	Other €m	Total €m
At 30 June 2020	**36**	**6**	**52**	**37**	**131**
Charged to consolidated income statement:					
- Additional provisions	-	-	-	1	**1**
Transfer to receivables	-	-	-	1	**1**
Utilised in the financial period	(1)	(1)	-	(1)	**(3)**
At 30 September 2020	**35**	**5**	**52**	**38**	**130**

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

	30 June 2020 €m	30 Sept 2020 €m
Non-current	118	**117**
Current	13	**13**
	131	**130**

13. Cash generated from operations

	30 Sept 2019 €m	30 Sept 2020 €m
Profit after tax	10	**214**
Add back:		
Income tax charge/(credit)	4	**(11)**
Share of profit of joint venture	(2)	**(2)**
Finance costs – net	27	**21**
Operating profit	39	**222**
Adjustments for:		
- Gain on exit from subsidiary	-	**(186)**
- Depreciation and amortisation	98	**93**
- Non cash retirement benefit charges	4	**1**
- Management charge	-	**2**
- Restructuring programme costs	3	**19**
- Non cash exceptional items	5	**(3)**
- Other non cash movements in provisions	1	**1**
Cash flows relating to restructuring and provisions	(7)	**(7)**
Changes in working capital		
Inventories	(6)	**(4)**
Trade and other receivables	(8)	**(6)**
Trade and other payables	(44)	**(41)**
Cash generated from operations	85	**91**

14. Post Balance Sheet Events

There have been no significant events affecting the group since the period ended 30 September 2020.

15. 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 2020.

16. 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 2020.

17. 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.

18. Commitments

The group's capital contractual obligations and commitment payments were €79 million at 30 September 2020 (30 June 2020: €84 million).

19. Related party transactions

There have been no 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 2020.

Management discussion and analysis on results of operations for the quarter ended 30 September 2020

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 30 September 2019 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:

	For the quarter ended		
	30 Sep, 2019 (unaudited)	30 Sep, 2020 (unaudited)	% Change 2019/2020
	€m	€m	
Fixed line services and other revenue	230	221	(4%)
Mobile services revenue	82	81	(2%)
Total segmental revenue	312	302	(3%)
Intracompany eliminations	(9)	(6)	(28%)
Total revenue	303	296	(3%)

Reported group revenue of €296 million for the quarter decreased by 3% when compared to the corresponding prior year period. The fixed line revenue decrease of 4% was mainly driven by a reduction in traditional access base and voice traffic revenues, partly offset by growth in broadband, managed and data services revenues. The mobile revenue decrease of 2% was driven by a decrease in prepay and roaming revenues, partially offset by an increase in postpay revenue year on year.

Fixed line services and other revenue

The following table shows 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		
	30 Sep, 2019 (unaudited)	30 Sep, 2020 (unaudited)	% Change 2019/2020
	€m	€ m	
Access (Rental and Connections)	111	112	0%
Voice Traffic (including Foreign Inpayments)	53	46	(12%)
Data Services	26	27	5%
Other Products and Services	40	36	(9%)
Total fixed line services and other revenue	230	221	(4%)

Total fixed line services and other revenue for the quarter (before intra company eliminations) decreased by 4% year on year. This decrease was driven by a decline in voice traffic revenue of 12% and a decrease in other products and services revenue of 9%, partly offset by a 5% increase in data services revenue for the period year on year.

Access (rental and connections)

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

	For the quarter ended		
	30 Sep, 2019 (unaudited)	30 Sep, 2020 (unaudited)	% Change 2019/2020
	€m	€m	
Total access revenue			
Retail PSTN/ISDN rental and connection	47	46	(3%)
Wholesale PSTN/ISDN/LLU rental and connection	26	24	(6%)
Broadband rental and connection	38	42	9%
Total access revenue	111	112	0%
Access paths (in thousands at period end, except percentages)			
Retail Access Lines	636	616	(3%)
Wholesale Access Lines	470	436	(7%)
Wholesale LLU	3	2	(25%)
SABB	200	242	21%
Total PSTN/ISDN/LLU/SABB	1,309	1,296	(1%)
Broadband and bitstream (in thousands at period end, except percentages)			
Retail broadband	457	455	(0%)
Wholesale broadband	488	512	5%
Total broadband (including SABB)	945	967	2%

Access revenue of €112 million for the quarter remained stable year on year. Declines in retail and wholesale access line revenues of 3% and 6% respectively was offset by a 9% increase in broadband revenue for the period.

Retail access revenue declined by 3% for the quarter, mainly due to declines in PSTN and ISDN lines. Retail access lines of 616,000 declined by 3% year on year.

Wholesale access revenue declined by 6% for the quarter, mainly due to a decline in wholesale access lines of 7% year on year to 436,000.

Broadband revenue increased by 9% for the quarter, driven by growth in the group broadband base of 2% or 22,000 lines year on year, as well as by continued migration of the base to fibre services. The retail broadband customer base of 455,000 remained broadly stable year on year, while the wholesale broadband base of 512,000 increased by 5% for the same period. The Group fibre base increased by 9% or 67,000 customers in the quarter year on year.

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Traffic

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

	For the quarter ended		
	30 Sep, 2019 (unaudited)	**30 Sep, 2020 (unaudited)**	**% Change 2019/2020**
	€m	**€m**	
Revenue			
Retail traffic	39	37	(5%)
Wholesale traffic (including Foreign Inpayments)	14	9	(35%)
Total traffic revenue	53	46	(12%)
	(in millions of minutes, except percentages)		
Traffic			
Retail	244	259	6%
Wholesale (including Foreign Terminating Minutes)	763	749	(2%)
Total traffic minutes	1,007	1,008	0%

Overall Group traffic revenue decreased by 12% or €7 million in the quarter year on year. Retail traffic revenue decreased by 5% or €2 million, while wholesale traffic revenue decreased by 35% or €4 million for the period.

Data communications

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

	For the quarter ended		
	30 Sep, 2019 (unaudited)	**30 Sep, 2020 (unaudited)**	**% Change 2019/2020**
	€m	**€m**	
Data services revenue			
Leased lines	14	15	7%
Switched data services	3	3	(8%)
Next generation data services	9	9	8%
Total data services revenue	26	27	5%

Revenue from data communications increased by 5% or €1 million in the quarter year on year. An 8% decrease in switched data services revenue was offset by an increase of 7% and 8% in leased lines and next generation data services revenues respectively.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra, eir sports, 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:

	For the quarter ended		
	30 Sep, 2019 (unaudited)	**30 Sep, 2020 (unaudited)**	**% Change 2019/2020**
	€ m	**€ m**	
TV and content	12	6	(48%)
Managed services and solutions	10	12	27%
Tetra	5	5	(2%)
UK	6	4	(28%)
Datacentre	2	2	(25%)
Other revenue	5	7	24%
Other products and services revenue	40	36	(9%)

Other products and services revenue decreased by 9% in the quarter year on year. TV and content revenue decreased by 48% mainly due to the loss of content rights partially offset by a growing TV base. Managed services revenue increased by 27% driven by ICT kit sales. Tetra revenue declined by 2%, while UK revenue decreased by 28%. Data centre revenue declined by 25%, while other revenue increased by 24% in the quarter year on year, partly driven by NBP-related revenue.

Mobile services revenue[10]

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

	For the quarter ended		
	30 Sep, 2019 (unaudited)	30 Sep, 2020 (unaudited)	% Change 2019/2020
	€m	€m	
Prepay handset	21	18	(13%)
Postpay handset (incl. M2M)	39	41	5%
Mobile broadband	2	2	(1%)
Roaming	3	2	(25%)
Other	17	18	-
Total mobile services revenue	82	81	(2%)

Total subscribers (‘000)			
Prepay handset customers	448	389	(13%)
Postpay handset customers (incl. M2M)	539	762	41%
Mobile broadband customers	34	33	(2%)
Of which are prepay customers	7	4	(38%)
Of which are postpay customers	28	29	7%
Total subscribers	1,022	1,184	16%

Total mobile revenue of €81 million decreased by 2% in the quarter year on year.

Prepay handset revenue declined by 13% when compared to the corresponding prior year period, mainly due to a decline in prepay customers of 59,000 or 13% year on year, largely driven by customers migrating to postpay contracts.

Postpay handset revenue increased by 5%, mainly due to an increase in postpay handset (including M2M) subscribers of 223,000 or 41% year on year. GoMo, the Group’s new virtual mobile network and best value postpay offering, has partly driven the change in mix of the subscriber base.

Mobile broadband revenue remained broadly stable year on year, decreasing by 1% due to the decline in the mobile broadband base of 2% year on year. Roaming revenue decreased by 25%, due to the impact of Covid-19 restrictions on international travel. Other mobile revenue remained broadly stable for the quarter year on year.

There were a total of 1,184,000 mobile subscribers as at 30 September 2020, an increase of 16% year on year. The mix of customers continues to improve, with the proportion of postpay customers (including mobile broadband and M2M) increasing from 55% at 30 September 2019 to 67% at 30 September 2020, representing an increase of 224,000 net additional postpay subscribers (including mobile broadband and M2M subscribers).

[10] Prior year first quarter other mobile revenue has been restated for IFRS 16 effective for accounting periods after 1 January 2019.

Operating costs before amortisation, depreciation and exceptional items[11]

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

	For the quarter ended		
	30 Sep, 2019 (unaudited)	30 Sep, 2020 (unaudited)	% Change 2019/2020
	€m	€m	
Cost of sales			
Foreign outpayments	2	2	(15%)
Interconnect	18	12	(30%)
Equipment cost of sales	14	15	3%
Other including subsidiaries and new business	34	31	(12%)
Total cost of sales	68	60	(13%)
Pay costs			
Wages and salaries and other staff costs	48	47	(2%)
Social welfare costs	3	3	(2%)
Pension cash costs—defined contribution plans	1	1	9%
Pension cash costs—defined benefit plans	3	3	4%
Pay costs before non-cash pension charge and capitalisation	55	54	(2%)
Capitalised labour	(13)	(13)	(2%)
Total pay costs before non-cash pension charge	42	41	(2%)
Non pay costs			
Materials and services	4	3	(28%)
Other network costs	4	5	9%
Accommodation	13	15	22%
Sales and marketing	6	5	(10%)
Expected credit losses	1	2	33%
Transport and travel	2	2	(13%)
Customer services	3	2	(38%)
Insurance and compensation	2	1	(40%)
Professional and regulatory fees	1	1	(11%)
IT costs	5	4	(25%)
Other non-pay costs	1	1	11%
Total non-pay costs	42	41	(3%)
Operating costs before management charge, non-cash pension charge, amortisation, depreciation, and exceptional items	152	142	(7%)
Non cash pension charge/(credit)	4	1	(75%)
Management charge	-	2	N.M
Operating costs before, amortisation, depreciation, and exceptional items	156	145	(7%)

Total operating costs for the quarter before non-cash pension charge, amortisation, depreciation and exceptional items, decreased by 7% year on year.

Cost of Sales

Cost of sales decreased by 13% in the quarter year on year.

Movements include:

- Foreign outpayments and Interconnect payments to other telecommunications operators decreased by 15% and 30% respectively, driven by reduced traffic.
- Equipment costs of sales increased by 3%, due to seasonal timing of commercial investment in mobile.
- Other cost of sales decreased by 12%, driven mainly by reduced content costs for the quarter year on year.

[11] Accomodation and transport and travel costs in the prior year first quarter have been restated for IFRS 16 effective for accounting periods after 1 January 2019.

Pay costs

Total pay costs, before non-cash pension charge, decreased by 2% for the quarter year on year. The decrease is primarily due to lower FTE headcount driven by additional voluntary leave. FTE headcount at 30 September 2020 was 3,260 FTE, representing a net decrease of 6% or 215 FTE compared to 30 September 2019.

Total non-pay costs

Non-pay costs decreased by 3% for the quarter year on year.

Key movements include:

- Sales and marketing costs decreased by 10%, driven by decreased commission and marketing costs, as well as insourcing of sales services.
- Customer service costs decreased by 38%, driven by the impact of restructuring and insourcing of customer care.
- Accommodation costs increased by 22%, primarily due to increased rent as a result of a new contract for site rent with Emerald Limited, the tower operation entity recently sold to Phoenix Tower International.
- Materials and service costs decreased by 28%, driven by the timing of network activity.
- IT costs decreased by 25%, driven by continued IT streamlining and simplification initiatives.

The remaining costs for the quarter were broadly stable year on 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.

Amortisation

Amortisation charges for the three-month period ended 30 September 2020 were €17 million, €3 million lower than the prior year period, due to lower amortisation on computer software.

Depreciation of property, plant and equipment

The depreciation charge on property, plant and equipment for the three-month period ended 30 September 2020 was €65 million, which is €2 million lower than the prior year charge for the same period of €67 million. The decrease in depreciation is mainly due to the reduction in the fair value depreciation adjustment relating to the acquisition of eircom Limited assets in 2012.

Depreciation of right of use assets

The depreciation charge on right of use assets for the three-month period ended 30 September 2020 was €11 million, which is on line with the prior year charge for the same period of €11 million.

Exceptional costs

The exceptional restructuring charge of €19 million is for committed staff exits in the period ended 30 September 2020. The charge of €19 million includes €1 million for IAS 19 (Revised) defined benefit pension past service costs on staff exits. The exceptional re-organisation costs of €1 million are in relation to the exit from the Network Sharing Agreement with Three.

The exceptional restructuring charge of €8 million for the period ended 30 September 2019 included €3 million for restructuring programme costs in respect of staff exits and €5 million for impairment of leased assets on transition to IFRS 16, 'Leases'.

Finance costs (net)

The group's net finance costs for the three-month period ended 30 September 2020 of €21 million were €6 million lower than the prior year for the same period of €27 million. The decrease in finance costs is mainly due to the lower interest terms on the Senior Secured Notes that were issued in October and November 2019 with the €700 million proceeds used to prepay part of the Facility B borrowings that were subject to higher interest terms.

The group also has no drawn down revolving credit facility in the three-month period ended 30 September 2020 compared to the prior year for the same period of €100 million and this has resulted in lower interest costs in the period.

Taxation

The tax credit for the three-month period ended 30 September 2020 was €11 million, compared to the prior year corresponding period tax charge of €4 million. The tax credit in the quarter is in respect of the current period impairment of right of use assets of €111 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 three-month period ended 30 September 2020, net cash generated from operating activities (including our share of Tetra) was €79 million compared with €65 million in the prior year corresponding period, an increase of €14 million. The increase is mainly due to lower interest payments in the period (down €8 million on prior year period, partly timing and partly lower interest terms) and lower working capital outflows in the period.

Cash flows from investing activities

Total cash generated from investing activities was €205 million for the three-month period ended 30 September 2020, compared with total cash used in investing activities of €80 million for the prior year corresponding period. The increase in cash is a result of the group selling its 100% shareholding in Emerald Tower Limited, and after allowance for certain costs relating to the disposal, the group's net proceeds were €298 million in the period.

Separately, payments for capital expenditure (cash) were €94 million in the period ended 30 September 2020, an increase of €11 million compared to €83 million for the prior year corresponding period. The high level of capital expenditure payments shows the continued commitment by the group to invest in key projects in order to facilitate the transformation of the business.

Cash flows from financing activities

The group's principal payments on lease liabilities were €11 million for the three-month period ended 30 September 2020 and for the prior year corresponding period as well.

Debt issue costs of €1 million on the Senior Secured Notes and debt modification fees of €2 million on the Facility B borrowings were paid in the three month period ended 30 September 2019.

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Other Data

Certain numerical figures set out in this document, including financial data presented in millions or thousands, certain operating data, and percentages describing movements in quarters, have been subject to rounding adjustments and, as a result, the totals of the data in this document may vary slightly from the information presented in this document or the actual arithmetic totals of such information.

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 and handset recovery 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.
4. N/M - percentage movement is not meaningful.