



eircom Holdings (Ireland) Limited

Unaudited results for the
second quarter FY21 and half year
to 31 December 2020

25 February 2021

eircom Holdings (Ireland) Limited

Unaudited results for the second quarter FY21 and half year to 31 December 2020

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Trading highlights for the six months ended 31 December 2020 ¹

- Revenue of €590 million for the six months to 31 December 2020 decreased by €25 million or 4% year on year. Growth in broadband, data services, postpay and bundling revenues was offset by a reduction in traditional access, traffic, sport, UK/NI and prepay revenues.
- Group adjusted EBITDA² of €312 million increased by €5 million or 1% year on year, driven by continued operating cost savings.
- Fixed line revenue of €437 million decreased by €23 million or 5% year on year. Growth in broadband, data and managed services was offset by lower traditional access, traffic, sport and UK revenues.
- The group broadband customer base³ at 31 December 2020 was 969,000, an increase of 22,000 or 2% year on year. The retail customer base increased by 3,000 or 1%, while the wholesale base increased by 19,000 or 4%. There were 798,000 customers availing of fibre based high speed broadband services, an increase of 68,000 or 9% year on year.
- Group fixed access paths decreased by 15,000 or 1% year on year, with a reduction in fixed line access net losses of 62,000⁴. Standalone broadband (SABB) lines increased by 47,000 or 22% year on year.
- Mobile revenue of €169 million decreased by €4 million or 2% year on year. An increase in postpay revenue was offset by decreases in prepay, roaming, and equipment revenues.
- Total mobile customers at 31 December 2020 were 1,191,000⁵, including 815,000 postpay customers and 376,000 prepay customers. The postpay customer base increased by 112,000 or 16% year on year, bringing the number of customers on postpay contracts to 68%, an increase of 6 percentage points year on year. The prepay base reduced by 58,000 or 13% year on year driven by migration to postpay.
- Group operating costs⁶ of €278 million were reduced by €30 million or 10% year on year.
- Full Time Equivalent (FTE) staff totalled 3,213 at 31 December 2020, a decrease of 288 FTE or 8% compared to the corresponding prior year period, driven by voluntary redundancy programmes.
- Despite continued high levels of capital investment, the Group maintains strong liquidity with cash on hand of €140 million at 31 December 2020.

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 non-cash pension charge and management charge.

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KPIs for the six months ended 31 December 2020 (unaudited)

	As at and for the six months ended (unaudited)	As at and for the six months ended (unaudited)	Better / (Worse) % ^{N1}
	31 December 2019	31 December 2020	
<u>Group Access Paths Base ('000)</u>			
Retail Access Lines	624	607	(3%)
Retail SABB*	27	24	(10%)
Wholesale Access Lines	467	423	(9%)
Wholesale SABB ⁷	180	230	27%
Wholesale LLU ⁸	3	2	(28%)
Total	1,301	1,286	(1%)
<hr/>			
Retail Voice Traffic (millions of minutes)	480	514	7%
<hr/>			
<u>Broadband Lines ('000)</u>			
Retail	450	453	1%
Wholesale	497	516	4%
Total	947	969	2%
<hr/>			
<u>Mobile Customers ('000)</u>			
Prepay Handsets	429	373	(13%)
Prepaid MBB	5	3	(39%)
Total Prepaid Base	434	376	(13%)
Postpay Handsets (including M2M)	677	781	15%
Postpaid MBB	26	34	31%
Total Postpaid Base	703	815	16%
Total	1,137	1,191	5%
<hr/>			
<u>ARPU € ^{N2 & N3}</u>			
Consumer Blended ARPU	50.1	49.7	(1%)
WLR PSTN ARPU	16.5	16.5	(0%)
Bitstream ARPU (including SABB)	13.5	15.1	12%
Prepaid ARPU (including MBB)	15.5	15.8	2%
Postpaid ARPU (including MBB/M2M)	29.2	23.5	(19%)
<hr/>			
Closing Headcount	3,501	3,213	8%

⁷ SABB – Standalone Broadband.

⁸ LLU – Local Loop Unbundled.

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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 2020.

The financial information for the period ended 31 December 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 31 December 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 ⁹ to the results presented in the management discussion and analysis section within this quarterly document

	In the quarter ended 31 December 2019 ¹⁰			In the quarter ended 31 December 2020		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	312	(4)	308	294	(4)	290
Operating costs excluding non-cash pension charge and fair value lease credits	(156)	1	(155)	(136)	1	(135)
Adjusted EBITDA¹¹	156	(3)	153	158	(3)	155
Closing Cash	104	(6)	98	140	(6)	134

	In the six months ended 31 December 2019 ¹⁰			In the six months ended 31 December 2020		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	615	(9)	606	590	(9)	581
Operating costs excluding non-cash pension charge and fair value lease credits	(308)	4	(304)	(278)	4	(274)
Adjusted EBITDA¹¹	307	(5)	302	312	(5)	307
Closing Cash	104	(6)	98	140	(6)	134

⁹ 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.

¹⁰ Prior year period has been restated for IFRS 16 effective for accounting periods after 1 January 2019.

¹¹ 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.

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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

	Second quarter ended Dec 2019 €m	Second quarter ended Dec 2020 €m	Six months ended Dec 2019 €m	Six months ended Dec 2020 €m
Operating profit	46	57	85	279
Exceptional gain on exit from subsidiary	-	-	-	(186)
Exceptional items	3	6	11	26
Management charge	4	2	4	4
Non-cash pension charge	3	2	7	3
Operating profit before non-cash pension charges, management charge and exceptional items	56	67	107	126
Depreciation of right of use assets	10	10	21	21
Depreciation of property, plant and equipment	69	67	136	132
Amortisation	19	11	39	28
EBITDA before non-cash pension charges, management charge and exceptional items	154	155	303	307
IFRS 3 unfavourable lease fair value adjustment	(1)	-	(1)	-
Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items	153	155	302	307
EBITDA of joint ventures using proportionate consolidation	3	3	5	5
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items	156	158	307	312
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items is split as follows:				
Fixed line	122	128	242	252
Mobile	34	30	65	60
	156	158	307	312

* 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.

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Consolidated Income Statement – unaudited For the second quarter ended 31 December 2020

	31 Dec 2019	31 Dec 2020
	€m	€m
Revenue	308	290
Operating costs excluding amortisation, depreciation and exceptional items	(161)	(139)
Amortisation	(19)	(11)
Depreciation of property, plant and equipment	(69)	(67)
Depreciation of right of use assets	(10)	(10)
Exceptional items	(3)	(6)
Exceptional gain on exit from subsidiary	-	-
Operating profit	46	57
Finance costs – net	(32)	(25)
Share of profit of joint venture	2	2
Profit before tax	16	34
Income tax charge	(3)	(5)
Profit for the period	13	29

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited *For the six-month period ended 31 December 2020*

	Notes	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>
		€m	€m
Revenue	3	606	581
Operating costs excluding amortisation, depreciation and exceptional items		(314)	(281)
Amortisation	3	(39)	(28)
Depreciation of property, plant and equipment	3	(136)	(132)
Depreciation of right of use assets	3	(21)	(21)
Exceptional items	3, 4	(11)	(26)
Exceptional gain on exit from subsidiary	3, 5	-	186
Operating profit	3	85	279
Finance costs – net	6	(59)	(46)
Share of profit of joint venture		4	4
Profit before tax		30	237
Income tax (charge)/credit	7	(7)	6
Profit for the period		23	243

Group statement of comprehensive income – unaudited *For the six-month period ended 31 December 2020*

	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>
	€m	€m
Profit for the financial period attributable to equity holders of the parent	23	243
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss</i>		
Defined benefit pension scheme remeasurement losses:		
- Remeasurement gain/(loss) in period	2	(289)
- Tax on defined benefit pension scheme remeasurement (gain)/losses	-	36
Other comprehensive income/(expense), net of tax	2	(253)
Total comprehensive income/(expense) for the financial period	25	(10)

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 2020

	Notes	30 June 2020	31 Dec 2020
		€m	€m
Assets			
Non-current assets			
Goodwill		212	212
Other intangible assets		196	171
Property, plant and equipment		1,313	1,318
Right of use assets		244	366
Retirement benefit asset	11	468	176
Deferred tax assets		2	2
Other assets		14	14
		<u>2,449</u>	<u>2,259</u>
Current assets			
Inventories		20	20
Trade and other receivables	8	166	186
Contract assets		41	41
Restricted cash		3	1
Cash and cash equivalents		249	134
		<u>479</u>	<u>382</u>
Assets held for sale		57	-
		<u>536</u>	<u>382</u>
Total assets		<u>2,985</u>	<u>2,641</u>
Liabilities			
Non-current liabilities			
Borrowings	9	2,533	2,535
Lease liabilities	10	294	520
Trade and other payables		37	34
Deferred tax liabilities		114	60
Provisions for other liabilities and charges	12	118	116
		<u>3,096</u>	<u>3,265</u>
Current liabilities			
Lease liabilities	10	36	42
Trade and other payables		451	447
Current tax liabilities		10	12
Provisions for other liabilities and charges	12	13	13
		<u>510</u>	<u>514</u>
Liabilities directly associated with the assets held for sale		57	-
		<u>567</u>	<u>514</u>
Total liabilities		<u>3,663</u>	<u>3,779</u>
Equity			
Equity share capital		-	-
Capital contribution		62	62
Retained loss		(740)	(1,200)
Total equity		<u>(678)</u>	<u>(1,138)</u>
Total liabilities and equity		<u>2,985</u>	<u>2,641</u>

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 2020

	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>
	€m	€m
Cash flows from operating activities		
Cash generated from operations	175	175
Interest paid	(31)	(36)
Income tax paid	(3)	(10)
Net cash generated from operating activities	141	129
Cash flows from investing activities		
Purchase of property, plant and equipment (PPE)	(70)	(62)
Purchase of intangible assets	(8)	-
Dividend received from joint arrangement	4	1
Restricted cash	1	2
Net cash used in investing activities	(73)	(59)
Cash flows from financing activities		
Dividends paid to equity shareholder	(80)	(450)
Payment of principal on lease liabilities	(13)	(10)
Repayment on borrowings	(700)	-
Proceeds from issuance of 1.75% Senior Secured Notes	350	-
Proceeds from issuance of 2.625% Senior Secured Notes	350	-
Repayment on Revolving Credit Facility	(100)	-
Debt issue costs	(3)	-
Net cash used in financing activities	(196)	(460)
Net decrease in cash, cash equivalents and bank overdrafts	(128)	(390)
Cash, cash equivalents and bank overdrafts at beginning of period	226	524
Cash, cash equivalents and bank overdrafts at end of period	98	134

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited For the six-month period ended 31 December 2020

	Notes	<u>31 Dec 2019</u> €m	<u>31 Dec 2020</u> €m
Cash flows from operating activities			
Cash generated from operations	13	260	266
Interest paid		(51)	(48)
Income tax paid		(3)	(10)
Net cash generated from operating activities		206	208
Cash flows from investing activities			
Disposal of subsidiary undertaking, net of cash disposed		-	298
Purchase of property, plant and equipment (PPE)		(146)	(154)
Purchase of intangible assets		(15)	(2)
Proceeds from sale of PPE		-	1
Dividend received from joint arrangement		4	3
Restricted cash		4	2
Net cash (used in)/generated from investing activities		(153)	148
Cash flows from financing activities			
Dividends paid to equity shareholder		(80)	(450)
Payment of principal on lease liabilities		(24)	(21)
Repayment on borrowings		(700)	-
Proceeds from issuance of 1.75% Senior Secured Notes		350	-
Proceeds from issuance of 2.625% Senior Secured Notes		350	-
Repayment on Revolving Credit Facility		(100)	-
Debt issue costs		(4)	-
Debt modification fees		(2)	-
Net cash used in financing activities		(210)	(471)
Net decrease in cash, cash equivalents and bank overdrafts		(157)	(115)
Cash, cash equivalents and bank overdrafts at beginning of period		255	249
Cash, cash equivalents and bank overdrafts at end of period		98	134

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 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	-	-	-	23	23
Defined benefit pension scheme remeasurement gain	-	-	-	2	2
Total comprehensive income	-	-	-	25	25
Dividends relating to equity shareholder	-	-	-	(80)	(80)
Balance at 31 December 2019	-	62	(1)	(988)	(927)
Balance at 30 June 2020	-	62	-	(740)	(678)
Profit for the period	-	-	-	243	243
Defined benefit pension scheme remeasurement loss	-	-	-	(289)	(289)
Tax on defined benefit pension scheme remeasurement loss	-	-	-	36	36
Total comprehensive expense	-	-	-	(10)	(10)
Dividends relating to equity shareholder	-	-	-	(450)	(450)
Balance at 31 December 2020	-	62	-	(1,200)	(1,138)

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 25 February 2021.

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 2020.

The financial information for the period ended 31 December 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 31 December 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.

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

3. Segment information

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

The segment results for the six-month period ended 31 December 2020 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	437	169	(16)	590	(9)	581
EBITDA **	252	60	-	312	(5)	307
Non-cash pension charges	(3)	-	-	(3)	-	(3)
Management charge	(4)	-	-	(4)	-	(4)
Amortisation	(18)	(10)	-	(28)	-	(28)
Depreciation of PPE	(120)	(13)	-	(133)	1	(132)
Depreciation of right of use assets	(6)	(15)	-	(21)	-	(21)
Exceptional items	(25)	(1)	-	(26)	-	(26)
Exceptional gain on exit from subsidiary	-	186	-	186	-	186
Operating profit	76	207	-	283	(4)	279

The segment results (revised) for the six-month period ended 31 December 2019 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	460	173	(18)	615	(9)	606
EBITDA **	242	65	-	307	(5)	302
Non-cash lease fair value credits	1	-	-	1	-	1
Non-cash pension charges	(7)	-	-	(7)	-	(7)
Management charge	(4)	-	-	(4)	-	(4)
Amortisation	(29)	(10)	-	(39)	-	(39)
Depreciation of PPE	(122)	(15)	-	(137)	1	(136)
Depreciation of right of use assets	(7)	(14)	-	(21)	-	(21)
Exceptional items	(9)	(2)	-	(11)	-	(11)
Operating profit	65	24	-	89	(4)	85

* 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.

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

4. Exceptional items

	31 Dec 2019 €m	31 Dec 2020 €m
Restructuring programme costs	6	25
Group re-organisation costs	-	1
Impairment of leased assets	5	-
	<u>11</u>	<u>26</u>

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 €25 million (31 December 2019: €6 million) for restructuring programme costs in respect of staff that had committed to exiting the business in the period ended 31 December 2020. No provision has been included in respect of future staff exits not committed at 31 December 2020, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €25 million at 31 December 2020 includes an IAS 19 (Revised) defined benefit pension charge in relation to past service costs of €3 million (31 December 2019: €Nil).

Group re-organisation costs

The group included an exceptional charge of €1 million for re-organisation costs in the period ended 31 December 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 31 December 2019.

5. Exceptional gain on exit from subsidiary

	31 Dec 2020 €m
Disposal consideration	300
Net assets disposed	(3)
Impairment of right of use assets	(111)
	<u>186</u>

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.

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

6. Finance costs – net

	31 Dec 2019	31 Dec 2020
	€m	€m
(a) Finance costs:		
Interest payable on bank loans and other debts	44	39
Net interest cost on net pension liability	(1)	(3)
Amortisation of debt issue costs and debt modification fees	1	1
Interest on lease liabilities	8	9
Other unwinding of discount	1	-
	53	46
Write off of debt modification fees	6	-
	59	46
(b) Finance income:		
Interest income	-	-
	-	-
Finance costs – net	59	46

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: -

	31 Dec 2019	31 Dec 2020
	€m	€m
Profit before tax	30	237
Tax calculated at Irish standard tax rate of 12.5%	4	30
<i>Effects of:-</i>		
Non-deductible expenses	8	19
Origination and reversal of temporary differences	(5)	(17)
Income not subject to taxation	-	(38)
Tax charge/(credit) for the period	7	(6)

8. Trade and other receivables

During the period ended 31 December 2020, the group recognised a provision for impaired receivables of €4 million (31 December 2019: €5 million), reversed provisions for impaired receivables of €1 million (31 December 2019: €1 million) and utilised provisions for impaired receivables of €4 million (31 December 2019: €1 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

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

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 31 Dec 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)	(6)	(7)
	-	-	349	1,094	1,443
	-	-	349	2,186	2,535
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 31 December 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 31 December 2020, the group has a €50 million revolving credit facility, which was undrawn at 31 December 2020.

Interest accrued on borrowings at 31 December 2020 is €7 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:

	31 Dec 2020 €m
At beginning of financial period	330
Additions	257
Modifications	(3)
Carrying value of lease disposals	(1)
Interest	9
Payments	(30)
	562
Non-current	520
Current	42
	562

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

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 31 December 2020 reflects the IAS 19 (Revised) surplus of €176 million as at 31 December 2020.

Pension scheme obligation

The status of the principal scheme at 31 December 2020 is as follows:

	30 June 2020	31 Dec 2020
	€m	€m
Present value of funded obligations	(4,012)	(4,455)
Fair value of scheme assets	4,480	4,631
Asset recognised in the Balance Sheet	468	176

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2020	At 31 Dec 2020
Rate of increase in salaries	0.90%	1.2%
Rate of increase in pensions in payment	0.90%	1.2%
Discount rate	1.45%	1.0%
Inflation assumption	1.00%	1.3%
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.

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

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	-	-	-	2	2
Utilised in the financial period	(1)	(1)	-	(2)	(4)
At 31 December 2020	35	5	52	37	129

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

	30 June 2020 €m	31 Dec 2020 €m
Non-current	118	116
Current	13	13
	131	129

13. Cash generated from operations

	31 Dec 2019 €m	31 Dec 2020 €m
Profit after tax	23	243
Add back:		
Income tax charge/(credit)	7	(6)
Share of profit of joint venture	(4)	(4)
Finance costs – net	59	46
Operating profit	85	279
Adjustments for:		
- Gain on exit from subsidiary	-	(186)
- Depreciation and amortisation	196	181
- Non-cash lease fair value credits	(1)	-
- Non cash retirement benefit charges	7	3
- Management charge	4	4
- Restructuring programme costs	6	25
- Non cash exceptional items	-	(6)
- Other non cash movements in provisions	2	2
Cash flows relating to restructuring and provisions	(17)	(23)
Changes in working capital		
Inventories	(9)	-
Trade and other receivables	(1)	(19)
Trade and other payables	(12)	6
Cash generated from operations	260	266

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

14. Post Balance Sheet Events

The group entered into an agreement in December 2020 to acquire Evros Technology Group, a leading IT services provider, based in Ireland. The acquisition will allow eir to provide end to end solutions across telecommunications and IT services including mobility solutions, networking technology, public and private cloud, security, managed services and IT contracting. The acquisition was approved by the Competition and Consumer Protection Commission in February 2021.

There have been no other significant events affecting the group since the period ended 31 December 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 €74 million at 31 December 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 six months ended 31 December 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 six months ended 31 December 2020 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 period.

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		
	31 Dec 2019 (unaudited) €m	31 Dec 2020 (unaudited) €m	% Change 2019/2020
Fixed line services and other revenue	460	437	(5%)
Mobile services revenue	173	169	(2%)
Total segmental revenue	633	606	(4%)
Intracompany eliminations	(18)	(16)	8%
Total revenue	615	590	(4%)

Reported group revenue of €590 million for the six months to 31 December 2020 decreased by 4% year on year. The fixed line revenue decrease of 5% was mainly driven by a reduction in traditional access base, voice traffic, sport, and UK/NI revenues, partly offset by growth in broadband, data services and managed services revenues. The mobile revenue decrease of 2% was driven by a decrease in prepay, roaming and equipment revenues, partially offset by an increase in postpay revenue.

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 six months ended		
	31 Dec 2019 (unaudited) €m	31 Dec 2020 (unaudited) €m	% Change 2019/2020
Access (Rental and Connections)	224	220	(1%)
Voice Traffic (including Foreign Inpayments)	103	92	(11%)
Data Services	52	54	3%
Other Products and Services	81	71	(13%)
Total fixed line services and other revenue	460	437	(5%)

Total fixed line services and other revenue for the period (before intra company eliminations) decreased by 5% year on year. This decrease was driven by revenue declines in traditional access of 1%, voice traffic revenue of 11% and a decrease in other products and services revenue of 13% driven by reduced sport and UK/NI revenues, partly offset by a 3% increase in data services revenue year on year.

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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 ended		
	31 Dec 2019 (unaudited)	31 Dec 2020 (unaudited)	% Change 2019/2020
	€m	€m	
Access revenue			
Retail PSTN/ISDN rental and connection	93	89	(4%)
Wholesale PSTN/ISDN/LLU rental and connection	52	48	(8%)
Broadband rental and connection	79	83	6%
Total access revenue	224	220	(1%)
Access paths	‘000	‘000	
Retail Access Lines	624	607	(3%)
Wholesale Access Lines	467	423	(9%)
Wholesale LLU	3	2	(28%)
SABB	207	254	22%
Total PSTN/ISDN/LLU/SABB	1,301	1,286	(1%)
Broadband and Bitstream	‘000	‘000	
Retail Broadband	450	453	1%
Wholesale Broadband	497	516	4%
Total Broadband (including SABB)	947	969	2%

Access revenue of €220 million for the six months to 31 December 2020 decreased by 1% or €4 million year on year. Declines in retail and wholesale access line revenues of 4% and 8% respectively were partially offset by a 6% increase in broadband revenue for the period.

Retail access revenue declined by 4% mainly due to declines in PSTN and ISDN lines. Retail access lines of 607,000 declined by 3% year on year.

Wholesale access revenue declined by 8% mainly due to a decline in wholesale access lines of 9% year on year.

Broadband revenue increased by 6% 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 453,000 increased by 1%, while the wholesale broadband base of 516,000 increased by 4%. The Group fibre base of 798,000 increased by 9% or 68,000 customers 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 six months ended		
	31 Dec 2019 (unaudited) €m	31 Dec 2020 (unaudited) €m	% Change 2019/2020
Traffic revenue			
Retail	77	75	(4%)
Wholesale (including Foreign Inpayments)	26	17	(32%)
Total traffic revenue	103	92	(11%)
	(in millions of minutes, except percentages)		
Traffic minutes			
Retail	480	514	7%
Wholesale (including Foreign Traffic Minutes)	1,496	1,531	2%
Total traffic minutes	1,976	2,045	3%

Overall Group traffic revenue decreased by 11% or €11 million in the six months to 31 December 2020 year on year. Retail traffic revenue decreased by 4% or €2 million, while wholesale traffic revenue decreased by 32% or €9 million.

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 six months ended		
	31 Dec 2019 (unaudited) €m	31 Dec 2020 (unaudited) €m	% Change 2019/2020
Data communications revenue			
Leased lines	27	29	7%
Switched data services	7	6	(14%)
Next generation data services	18	19	4%
Total data communications revenue	52	54	3%

Revenue from data communications increased by 3% or €2 million in the six months to 31 December 2020 year on year. A 14% decrease in switched data services revenue was offset by a 7% increase in leased lines revenue and a 4% increase in next generation data services revenue.

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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 six months ended		
	31 Dec	31 Dec	% Change
	2019	2020	
	(unaudited)	(unaudited)	2019/2020
	€ m	€ m	
Other products and services			
TV and content	22	12	(47%)
Managed services and solutions	21	22	8%
Tetra	11	11	1%
UK	11	8	(24%)
Data centre	4	3	(26%)
Other revenue	12	15	18%
Other products and services revenue	81	71	(12%)

Other products and services revenue decreased by 12% in the six months to 31 December 2020 year on year. TV and content revenue decreased by 47% mainly due to the effects of Covid-19 and the loss of content rights. Managed services revenue increased by 8% driven by ICT kit sales. Tetra revenue increased by 1%, while UK revenue decreased by 24%. Data centre revenue declined by 26%, while other revenue increased by 18%, partly driven by NBP-related revenue.

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Mobile services revenue¹²

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

	For the six months ended		
	31 Dec 2019	31 Dec 2020	% Change 2019/2020
	(unaudited)	(unaudited)	
	€m	€m	
Mobile services revenue			
Prepay handset	42	37	(12%)
Postpay handset (incl. M2M)	80	86	8%
Mobile broadband	4	4	7%
Roaming	6	4	(25%)
Other	41	38	(10%)
Total mobile services revenue	173	169	(2%)
Total subscribers	'000	'000	
Prepay handset customers	429	373	(13%)
Postpay handset customers (incl. M2M)	677	781	15%
Mobile broadband customers	31	37	19%
<i>Of which are prepay customers</i>	5	3	(39%)
<i>Of which are postpay customers</i>	26	34	31%
Total subscribers	1,137	1,191	5%

Total mobile revenue of €169 million decreased by 2% in the six months to 31 December 2020 year on year.

Prepay handset revenue declined by 12% year on year, mainly due to a decline in prepay handset customers of 56,000 or 13%, in part driven by migration to postpay.

Postpay handset revenue increased by 8%, mainly driven by an increase in postpay handset (including M2M) subscribers of 104,000 or 15% year on year. GoMo, the Group's virtual mobile network and best value postpay offering, has mainly driven the change in mix of the subscriber base.

Mobile broadband revenue remained broadly stable year on year, increasing by 7% driven by growth in the mobile broadband base of 19%. Roaming revenue decreased by 25%, due to the impact of Covid-19 restrictions on international travel. Other mobile revenue decreased by 10% year on year, in part driven by lower equipment revenue.

There were a total of 1,191,000 mobile subscribers as at 31 December 2020, an increase of 5% year on year. The mix of customers continues to improve, with the proportion of postpay customers (including mobile broadband and M2M) of 68% increasing by 6 percentage points year on year, representing an increase of 112,000 net additional postpay subscribers (including mobile broadband and M2M subscribers).

¹² Prior year other mobile revenue has been restated for IFRS 16 effective for accounting periods after 1 January 2019.

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Operating costs before amortisation, depreciation and exceptional items¹³

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 six months ended		
	31 Dec 2019 (unaudited) €m	31 Dec 2020 (unaudited) €m	% Change 2019/2020
Cost of sales			
Foreign outpayments	4	4	(14%)
Interconnect	33	23	(30%)
Equipment cost of sales	33	34	3%
Other including subsidiaries and new business	69	58	(17%)
Total cost of sales	139	119	(15%)
Pay costs			
Wages and salaries and other staff costs	96	91	(6%)
Social welfare costs	6	6	(1%)
Pension cash costs—defined contribution plans	2	2	9%
Pension cash costs—defined benefit plans	6	5	(15%)
Pay costs before non-cash pension charge and capitalisation	110	104	(6%)
Capitalised labour	(27)	(23)	(15%)
Total pay costs before non-cash pension charge	83	81	(3%)
Non pay costs			
Materials and services	7	6	(15%)
Other network costs	9	9	5%
Accommodation	27	28	9%
Sales and marketing	14	11	(23%)
Bad debts	4	3	(29%)
Transport and travel	4	4	(13%)
Customer services	5	4	(29%)
Insurance and compensation	3	2	(19%)
Professional and regulatory fees	2	2	8%
IT costs	9	8	(8%)
Other non-pay costs	2	1	(38%)
Total non-pay costs	86	78	(9%)
Operating costs before non-cash pension charge, non-cash fair value lease credits, management charge, amortisation, depreciation, and exceptional items	308	278	(10%)
Non cash pension charge/(credit)	7	3	(57%)
Non cash fair value lease credits	(1)	-	-
Management charge	4	4	-
Operating costs before, amortisation, depreciation, and exceptional items	318	285	(11%)

Total operating costs for the six months ended 31 December 2020 before non-cash pension charge, non-cash lease fair value credits, management charge, amortisation, depreciation and exceptional items of €278 million decreased by 10% year on year.

Cost of Sales

Cost of sales decreased by 15% in the period year on year.

Movements include:

- Foreign outpayments and Interconnect payments to other telecommunications operators decreased by 14% 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 17%, driven mainly by reduced sport content and UK/NI costs for the period year on year.

¹³ Accommodation and transport and travel costs in the prior year have been restated for IFRS 16 effective for accounting periods after 1 January 2019.

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Pay costs

Total pay costs before non-cash pension charge of €81 million decreased by 3% for the period year on year. The decrease is primarily due to lower FTE headcount driven by additional voluntary leave. FTE headcount at 31 December 2020 was 3,213 FTE, representing a net decrease of 8% or 288 FTE year on year.

Total non-pay costs

Total non-pay costs of €78 million decreased by 9% for the period year on year.

Movements include:

- Sales and marketing costs decreased by 23%, primarily driven by decreased commission and marketing costs.
- Customer service costs decreased by 29%, driven by both the impact of restructuring and insourcing of customer care and improvements in billing processes.
- Accommodation costs increased by 9%, 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 15%, driven by the timing of network activity.
- IT costs decreased by 8%, driven by continued IT streamlining and simplification initiatives.
- Other non-pay costs decreased by 38% driven by reduced staff costs due to the effects of Covid-19.

The remaining costs for the period 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.

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 following Examinership. At the date of acquisition, we were 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 we apply in measuring our EBITDA. As a result, non-cash lease fair value credit is included as an adjustment to our EBITDA.

Amortisation

Amortisation charges for the six-month period ended 31 December 2020 were €28 million, €11 million lower than the prior year period, due to lower amortisation on computer software and trademarks been fully amortised in the period ended 30 September 2020 (this will lower amortisation by €6 million per quarter).

Depreciation of property, plant and equipment

The depreciation charge on property, plant and equipment for the six-month period ended 31 December 2020 was €133 million, which is €4 million lower than the prior year charge for the same period of €137 million. The decrease in depreciation is partly due to the reduction in the fair value depreciation adjustment relating to the acquisition of eircom Limited assets in 2012 and partly due to lower depreciation on IT assets.

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Depreciation of right of use assets

The depreciation charge on right of use assets for the six-month period ended 31 December 2020 was €21 million, which is on line with the prior year charge for the same period of €21 million.

Exceptional costs

The exceptional restructuring charge of €25 million is for committed staff exits in the period ended 31 December 2020. The charge of €25 million includes €3 million for IAS 19 (Revised) defined benefit pension past service costs on staff exits.

The exceptional re-organisation costs of €1 million in the period ended 31 December 2020 are in relation to the exit from the Network Sharing Agreement with Three.

The exceptional charge of €11 million for the period ended 31 December 2019 included €6 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 six-month period ended 31 December 2020 of €46 million were €13 million lower than the prior year for the same period of €59 million. The decrease in finance costs is partly 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. There was also no draw down on the revolving credit facility in the six-month period ended 31 December 2020 and therefore, there were lower interest costs in the period compared to the prior year period.

In addition, in the period ended 31 December 2019, the group extinguished €6 million of debt modification fees in respect of the €700 million prepayment of Facility B borrowings.

Taxation

The tax credit for the six-month period ended 31 December 2020 was €6 million, compared to the prior year corresponding period tax charge of €7 million. The tax credit in the period mainly relates to the income on the sale of Emerald Tower Limited not being subject to taxation.

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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.

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Notes:

1. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in these tables. Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.
 2. Fixed ARPU Calculations:
 - A. We define “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.
 4. N/M - percentage movement is not meaningful.
-