eircom Holdings (Ireland) Limited

Unaudited results report for the first quarter 2022

19 May 2022

eircom Holdings (Ireland) Limited

Unaudited results for the first quarter 2022

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Trading highlights for the first quarter 2022[1]

- Revenue of €301 million for the first quarter 2022 increased by 2% or €5 million year on year. Growth in data services, postpay mobile, and bundling, as well as an increase in NBP access revenue and the consolidation of Evros revenue, was offset by a reduction in traditional access, voice traffic, sport content, UK, and prepay mobile revenues.

- Group adjusted EBITDA[2] of €158 million decreased by 6% or €9 million year on year.

- Fixed line revenue of €235 million increased by 4% or €8 million year on year, driven by growth in data services, managed services, NBP access revenue, and the consolidation of Evros revenue.

- The group broadband customer base[3] at quarter end was 961,000, a decline of 1% or 9,000 customers year on year. The retail customer base decreased by 3% or 13,000, while the wholesale base increased by 1% or 4,000. There were 831,000 customers availing of fibre based high speed broadband services, an increase of 3% or 21,000 year on year.

- Group fixed access paths decreased by 3% or 37,000 year on year, with a reduction in fixed line access net losses of 77,000[4]. Standalone broadband (SABB) lines increased by 15% or 40,000 year on year.

- Mobile revenue of €75 million decreased by 2% or €2 million year on year. An increase in postpay handset revenue and mobile broadband revenue was offset by decrease in prepay handset, roaming, and other mobile revenues.

- Total mobile customers at quarter end were 1,234,000[5], including 909,000 postpay customers and 325,000 prepay customers. The postpay customer base increased by 9% or 73,000 year on year, bringing the number of customers on postpay contracts to 74%, an increase of 4 percentage points year on year. The prepay base reduced by 8% or 28,000 year on year, primarily driven by migration of customers to postpay contracts.

- Group operating costs[6] of €143 million increased by 12% or €14 million year on year, primarily due to the consolidation of Evros operational costs.

- Full Time Equivalent (FTE) staff totalled 3,484 at quarter end, a decrease of 2% or 54 FTE year on year.

- Despite continued high levels of capital investment, the Group maintains strong liquidity with cash on hand of €329 million at quarter end.

[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 cost of sales, pay costs, and non-pay costs, excluding non-cash pension charge, fair value lease credits, and management charge.

eircom Holdings (Ireland) Limited
KPIs as at 31 March 2022 (unaudited)

	As at and for the quarter ended		
	31 Mar 2021 (unaudited)	**31 Mar 2022 (unaudited)**	**% Change N1**
Group Access Line Base ('000)			
Retail Access Lines	596	567	(5%)
Retail SABB*	24	24	0%
Wholesale Access Lines	410	363	(12%)
Wholesale SABB[7]	245	285	16%
Wholesale LLU[8]	2	1	(15%)
Total Access Lines	**1,277**	**1,240**	**(3%)**
Retail Voice Traffic (millions of minutes)	267	242	(9%)
Broadband Line Base ('000)			
Retail Broadband Lines	448	435	(3%)
Wholesale Broadband Lines	522	526	1%
Total Broadband Lines	**970**	**961**	**(1%)**
- *of which fibre broadband lines*	*810*	*831*	*3%*
Mobile Customer Base ('000)			
Prepay Handset Customers	351	323	(8%)
Prepay MBB Customers	2	2	(34%)
Total Prepay Customers	**353**	**325**	**(8%)**
Postpay Handsets (including M2M)	799	862	8%
Postpay MBB	37	47	29%
Total Postpay Customers	**836**	**909**	**9%**
Total Mobile Customers	**1,189**	**1,234**	**4%**
ARPUs (€) N2 & N3			
Consumer Blended ARPU	51.2	49.4	(3%)
WLR PSTN ARPU	16.9	17.0	1%
Bitstream ARPU (including SABB)	16.4	17.8	8%
Prepay ARPU (including MBB)	15.8	16.0	1%
Postpay ARPU (including MBB/M2M)	21.5	19.7	(9%)
Closing FTE Headcount	**3,538**	**3,484**	**(2%)**

[7] SABB: Standalone Broadband.
[8] LLU: Local Loop Unbundled.

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 31 March 2022. In addition, the fair values of the assets and liabilities acquired on the acquisition of the Evros Technology Group have not been determined in accordance with IFRS 3, “Business Combinations” and the values included in the financial information for the Evros Technology Group are provisional for the period ended 31 March 2022.

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 March 2022, in respect of the group has been prepared using the same accounting policies as applied for the financial period ended 31 December 2021. 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 financial period ended 31 December 2021.

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 March 2021			In the quarter ended 31 March 2022		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	296	(5)	291	**301**	**(4)**	**297**
Operating costs excluding management charge and non-cash pension charge	(129)	2	(127)	**(143)**	**2**	**(141)**
Adjusted EBITDA[10]	167	(3)	164	**158**	**(2)**	**156**
Closing Cash	93	(6)	87	**329**	**-**	**329**

[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] 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 March21 €m	Three months ended March22 €m
Operating profit	53	**135**
Exceptional gain on exit from subsidiary/joint venture	12	**(68)**
Exceptional items	7	**7**
Management charge	1	**2**
Non-cash pension charge/(credit)	2	**(2)**
Operating profit before non-cash pension charges, management charge and exceptional items	75	**74**
Depreciation of right of use assets	13	**12**
Depreciation of property, plant and equipment	67	**60**
Amortisation	10	**10**
EBITDA before non-cash pension charges, management charge and exceptional items	165	**156**
IFRS 3 unfavourable lease fair value adjustment	(1)	**-**
Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items	164	**156**
EBITDA of joint ventures using proportionate consolidation	3	**2**
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items	167	**158**

Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, management charge and exceptional items is split as follows:		
Fixed line	128	**124**
Mobile	39	**34**
	167	**158**

***** *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 31 March 2022

	Notes	31 March 2021	31 March 2022
		€m	€m
Revenue	3	291	**297**
Operating costs excluding amortisation, depreciation and exceptional items		(129)	**(141)**
Amortisation	3	(10)	**(10)**
Depreciation of property, plant and equipment	3	(67)	**(60)**
Depreciation of right of use assets	3	(13)	**(12)**
Exceptional items	3, 4	(7)	**(7)**
Exceptional gain on exit from subsidiary/joint venture	3, 5	(12)	**68**
Operating profit	3	53	**135**
Finance costs – net	6	(25)	**(25)**
Share of profit of joint venture		2	**1**
Profit before tax		30	**111**
Income tax charge	7	(7)	**(9)**
Profit for the period		23	**102**

Group statement of comprehensive income – unaudited
For the three-month period ended 31 March 2022

	31 March 2021	31 March 2022
	€m	€m
Profit for the financial period attributable to equity holders of the parent	23	**102**
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Defined benefit pension scheme remeasurement gain/(losses):		
- Remeasurement gain/(loss) in period	18	**140**
- Tax on defined benefit pension scheme remeasurement (gain)/losses	(2)	**(18)**
Other comprehensive income, net of tax	16	**122**
Total comprehensive income for the financial period	39	**224**

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

eircom Holdings (Ireland) Limited

Consolidated Balance Sheet – unaudited
As at 31 March 2022

	Notes	31 Dec 2021	31 March 2022
		€m	€m
Assets			
Non-current assets			
Goodwill		242	**242**
Other intangible assets		192	**188**
Property, plant and equipment		1,300	**1,294**
Right of use assets		388	**377**
Retirement benefit asset	11	349	**491**
Deferred tax assets		2	**2**
Other assets		14	**14**
		2,487	**2,608**
Current assets			
Inventories		22	**25**
Trade and other receivables	8	187	**199**
Contract assets		31	**28**
Restricted cash		1	**1**
Cash and cash equivalents		287	**329**
		528	**582**
Assets held for sale		7	**-**
		535	**582**
Total assets		3,022	**3,190**
Liabilities			
Non-current liabilities			
Borrowings	9	2,537	**2,538**
Lease liabilities	10	575	**558**
Trade and other payables		39	**35**
Deferred tax liabilities		71	**89**
Provisions for other liabilities and charges	12	97	**96**
		3,319	**3,316**
Current liabilities			
Lease liabilities	10	52	**58**
Trade and other payables		501	**443**
Current tax liabilities		10	**9**
Provisions for other liabilities and charges	12	34	**34**
		597	**544**
Total liabilities		3,916	**3,860**
Equity			
Equity share capital		-	**-**
Capital contribution		62	**62**
Retained loss		(956)	**(732)**
Total equity		(894)	**(670)**
Total liabilities and equity		3,022	**3,190**

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 31 March 2022

	Notes	31 March 2021	31 March 2022
		€m	€m
Cash flows from operating activities			
Cash generated from operations	13	98	**79**
Interest paid		(15)	**(15)**
Income tax paid		(9)	**(9)**
Net cash generated from operating activities		74	**55**
Cash flows from investing activities			
Disposal of subsidiary/joint venture		-	**76**
Acquisition of subsidiary undertaking, net of cash acquired		(47)	**-**
Purchase of property, plant and equipment (PPE)		(60)	**(62)**
Purchase of intangible assets		(9)	**(15)**
Dividend received from joint arrangement		1	**-**
Net cash used in investing activities		(115)	**(1)**
Cash flows from financing activities			
Payment of principal on lease liabilities		(6)	**(12)**
Net cash used in financing activities		(6)	**(12)**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(47)	**42**
Cash, cash equivalents and bank overdrafts at beginning of period		134	**287**
Cash, cash equivalents and bank overdrafts at end of period		87	**329**

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 31 March 2022

	Equity share capital €m	Capital contribution €m	Retained loss €m	Total equity €m
Balance at 30 June 2020	-	62	(740)	(678)
Profit for the 18 month period	-	-	333	333
Defined benefit pension scheme remeasurement loss	-	-	(113)	(113)
Tax on defined benefit pension scheme remeasurement loss	-	-	14	14
Total comprehensive income	-	-	234	234
Dividends relating to equity shareholder	-	-	(450)	(450)
Balance at 31 December 2021	-	62	(956)	(894)
Balance at 31 December 2021	**-**	**62**	**(956)**	**(894)**
Profit for the 3 month period	**-**	**-**	**102**	**102**
Defined benefit pension scheme remeasurement gain	**-**	**-**	**140**	**140**
Tax on defined benefit pension scheme remeasurement gain	**-**	**-**	**(18)**	**(18)**
Total comprehensive income	**-**	**-**	**224**	**224**
Balance at 31 March 2022	**-**	**62**	**(732)**	**(670)**

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 19 May 2022.

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 March 2022.

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 March 2022, in respect of the group has been prepared using the same accounting policies as applied for the eighteen-month period ended 31 December 2021. 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 eighteen-month period ended 31 December 2021.

eircom Holdings (Ireland) Limited

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

3. Segment information

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

The segment results for the three-month period ended 31 March 2022 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	235	75	(9)	**301**	(4)	**297**
EBITDA **	124	34	-	**158**	(2)	**156**
Non-cash pension credit	2	-	-	**2**	-	**2**
Management charge	(2)	-	-	**(2)**	-	**(2)**
Amortisation	(5)	(5)	-	**(10)**	-	**(10)**
Depreciation of PPE	(54)	(7)	-	**(61)**	1	**(60)**
Depreciation of right of use assets	(4)	(8)	-	**(12)**	-	**(12)**
Exceptional items	(4)	(3)	-	**(7)**	-	**(7)**
Exceptional gain on exit from joint venture	68	-	-	**68**	-	**68**
Operating profit	**125**	**11**	**-**	**136**	**(1)**	**135**

The segment results for the three-month period ended 31 March 2021 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	227	77	(8)	**296**	(5)	**291**
EBITDA **	128	39	-	**167**	(3)	**164**
Non-cash lease fair value credits	1	-	-	**1**	-	**1**
Non-cash pension charges	(2)	-	-	**(2)**	-	**(2)**
Management charge	(1)	-	-	**(1)**	-	**(1)**
Amortisation	(5)	(5)	-	**(10)**	-	**(10)**
Depreciation of PPE	(61)	(6)	-	**(67)**	-	**(67)**
Depreciation of right of use assets	(5)	(8)	-	**(13)**	-	**(13)**
Exceptional items	(6)	(1)	-	**(7)**	-	**(7)**
Exceptional gain on exit from subsidiary	-	(12)	-	**(12)**	-	**(12)**
Operating profit	49	7	-	**56**	(3)	**53**

* 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.

4. Exceptional items

	31 March 2021 €m	31 March 2022 €m
Restructuring programme costs	2	**1**
Covid-19 related costs	1	**-**
Strategic review and other related costs	3	**2**
Group re-organisation costs	-	**3**
Impairment of leased assets	1	**-**
Other exceptional items	-	**1**
	7	**7**

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 €1 million (31 March 2021: €2 million) for restructuring programme costs in respect of staff that had committed to exiting the business in the period ended 31 March 2022.

No provision has been included in respect of future staff exits not committed at 31 March 2022, and any further costs will be charged to the income statement and impact cash flows in future periods.

Covid-19 related costs
The group included an additional charge of €1 million for the cost impact of the Covid-19 pandemic, mainly due to staff costs and the purchase of Personal Protective Equipment (PPE), in the period ended 31 March 2021.

Strategic review and other related costs
The group recognised an exceptional charge of €2 million for costs incurred in connection with various project related costs relating to the corporate group structure in the period ended 31 March 2022.

The group recognised an exceptional charge of €3 million for costs relating to the acquisition of the Evros Technology Group, a leading IT services provider, and for other project related costs incurred in the period ended 31 March 2021.

Group re-organisation costs
The group included an exceptional charge of €3 million for re-organisation costs in the period ended 31 March 2022.

Impairment of leased assets
The group recognised an impairment on leased assets of €1 million during the period ended 31 March 2021.

Other exceptional items
During the period ended 31 March 2022, the group recognised an exceptional charge of €1 million in respect of legal and other related matters.

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

5. Exceptional gain on exit from subsidiary/joint venture

	31 March 2021 €m	31 March 2022 €m
Disposal consideration	-	**76**
Net assets disposed	-	**(8)**
Other liabilities relating to the exit of Emerald Tower Limited	(12)	**-**
	(12)	**68**

In March 2022, the group completed the sale of its majority stake in Tetra Ireland Communications Limited, a provider of secure communications for use by emergency services and non-commercial public bodies.

6. Finance costs – net

	31 March 2021 €m	31 March 2022 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	18	**19**
Net interest cost on net pension liability	(2)	**(1)**
Amortisation of debt issue costs and debt modification fees	1	**1**
Interest on lease liabilities	7	**6**
Negative interest on cash deposits	1	**-**
	25	**25**
(b) Finance income:		
Interest income	-	**-**
Finance costs – net	25	**25**

7. Income tax charge

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

	31 March 2021 €m	31 March 2022 €m
Profit before tax	30	**111**
Tax calculated at Irish standard tax rate of 12.5%	3	**14**
Effects of:-		
Non-deductible expenses	4	**4**
Income not subject to taxation	-	**(9)**
Tax charge for the period	7	**9**

8. Trade and other receivables

During the period ended 31 March 2022, the group recognised a provision for impaired receivables of €2 million (31 March 2021: €Nil) and utilised provisions for impaired receivables of €1 million (31 March 2021: €7 million). 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 31 March 2022					
Bank borrowings (Facility B)	**-**	**-**	**1,100**	**-**	**1,100**
Debt modification fees	**-**	**-**	**(6)**	**-**	**(6)**
	-	**-**	**1,094**	**-**	**1,094**
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	**-**	**-**	**(6)**	**-**	**(6)**
	-	**-**	**1,444**	**-**	**1,444**
	-	**-**	**2,538**	**-**	**2,538**
As at 31 December 2021					
Bank borrowings (Facility B)	-	-	1,100	-	1,100
Debt modification fees	-	-	(7)	-	(7)
	-	-	1,093	-	1,093
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	-	-	(5)	(1)	(6)
	-	-	1,095	349	1,444
	-	-	2,188	349	2,537

At 31 March 2022, 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 March 2022, the group has a €50 million revolving credit facility, which was undrawn at 31 March 2022.

Interest accrued on borrowings at 31 March 2022 is €18 million (31 December 2021: €7 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 2021 €m	31 March 2022 €m
At beginning of financial period	330	**627**
Arising on acquisition	4	**-**
Additions	355	**1**
Modifications	5	-
Disposals	(4)	-
Interest	35	**6**
Payments	(98)	**(18)**
	627	**616**
Interest	575	**558**
Payments	52	**58**
	627	**616**

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 March 2022 reflects the IAS 19 (Revised) surplus of €491 million as at 31 March 2022.

Pension scheme obligation

The status of the principal scheme at 31 March 2022 is as follows:

	31 Dec 2021 €m	31 March 2022 €m
Present value of funded obligations	(4,463)	**(4,279)**
Fair value of scheme assets	4,812	**4,770**
Asset recognised in the Balance Sheet	349	**491**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 31 Dec 2021	At 31 March 2022
Rate of increase in salaries	1.90%	2.40%
Rate of increase in pensions in payment	1.90%	2.40%
Discount rate	1.30%	2.10%
Inflation assumption	2.10%	2.60%
Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old male	87 years	87 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	91 years	91 years

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

eircom Holdings (Ireland) Limited

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

12. Provisions for other liabilities and charges

	Onerous Contracts €m	TIS Annuity Scheme €m	Asset Retirement Obligations €m	Deferred Consideration /Completion Scheme €m	Other €m	Total €m
At 31 December 2021	**33**	**4**	**53**	**6**	**35**	**131**
Charged to consolidated income statement:						
- Additional provisions	-	-	-	-	1	**1**
Utilised in the financial period	(1)	-	-	-	(1)	**(2)**
At 31 March 2022	**32**	**4**	**53**	**6**	**35**	**130**

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

	31 Dec 2021 €m	31 March 2022 €m
Non-current	97	**96**
Current	34	**34**
	131	**130**

13. Cash generated from operations

	31 March 2021 €m	31 March 2022 €m
Profit after tax	23	**102**
Add back:		
Income tax charge	7	**9**
Share of profit of joint venture	(2)	**(1)**
Finance costs – net	25	**25**
Operating profit	53	**135**
Adjustments for:		
- Gain on exit from subsidiary/joint venture	12	**(68)**
- Depreciation and amortisation	90	**82**
- Non-cash lease fair value credits	(1)	**-**
- Non cash retirement benefit charge/(credit)	2	**(2)**
- Management charge	1	**2**
- Restructuring programme costs	2	**1**
- Non cash exceptional items	3	**3**
- Other non-cash movements in provisions	1	**1**
Cash flows relating to restructuring and provisions	(12)	**(4)**
Changes in working capital		
Inventories	(1)	**(3)**
Trade and other receivables	(23)	**(7)**
Trade and other payables	(29)	**(61)**
Cash generated from operations	98	**79**

14. Post Balance Sheet Events

In January 2022, the group agreed a deal with InfraVia Capital Partners to establish a joint venture partnership for its wholesale fibre broadband network that will help to accelerate the roll-out of ultrafast fibre-to-the-home broadband across Ireland. The deal will see a new subsidiary formed, Fibre Networks Ireland Limited, which will allow InfraVia to take a substantial minority share in the group's fibre network. The group's partner in the joint venture, InfraVia, is a leading independent private equity firm specialising in infrastructure and technology investments.

There have been no significant events affecting the group since the period ended 31 March 2022.

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 eighteen-month period ended 31 December 2021.

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 eighteen-month period ended 31 December 2021.

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 €80 million at 31 March 2022 (31 December 2021: €70 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 eighteen-month period ended 31 December 2021.

Management discussion and analysis on results of operations for the first quarter 2022

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the quarter ended 31 March 2022 applies the equity method of accounting for the investment in Tetra.

Revenue

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

	For the quarter ended		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
	€m	€m	
Fixed line services and other revenue	227	235	4%
Mobile services revenue	77	75	(2%)
Total segmental revenue	304	310	2%
Intracompany eliminations	(8)	(9)	6%
Total revenue	**296**	**301**	**2%**

Reported group revenue of €301 million for the first quarter 2022 increased by 2% or €4 million year on year. The fixed line revenue increase of 4% or €8 million was primarily driven by a reduction in traditional access base, voice traffic, sport content, and UK/NI revenues, partly offset by growth in data and managed services revenues, as well an increase in NBP access revenue and the consolidation of Evros revenue. The mobile revenue decrease of 2% or €2 million was driven by a decrease in prepay, roaming, and other mobile revenues, partially offset by an increase in postpay and mobile broadband revenues.

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		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
	€m	€m	
Access (Rental and Connections)	111	101	(8%)
Voice Traffic (including Foreign Inpayments)	43	42	(3%)
Data Services	27	28	4%
Other Products and Services	46	64	37%
Total fixed line services and other revenue	**227**	**235**	**4%**

Total fixed line services and other revenue for the first quarter 2022 (before intra company eliminations) increased by 4% or €8 million year on year. The increase was driven by an increase in data services revenue of 4% and other products and services revenue of 37% year on year, driven by the consolidation of Evros revenue and an increase in NBP access revenue, partly offset by a decline in access revenue of 8% and voice traffic revenue of 2%.

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		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
Access revenue	**€m**	**€m**	
Retail PSTN/ISDN rental and connection	45	40	(9%)
Wholesale PSTN/ISDN/LLU rental and connection	23	21	(10%)
Broadband rental and connection	43	40	(6%)
Total access revenue	**111**	**101**	**(8%)**
Access paths	**'000**	**'000**	
Retail Access Lines	596	567	(5%)
Wholesale Access Lines	410	363	(12%)
Wholesale LLU	2	1	(15%)
SABB	269	309	15%
Total PSTN/ISDN/LLU/SABB	**1,277**	**1,240**	**(3%)**
Broadband and Bitstream	**'000**		
Retail Broadband	448	435	(3%)
Wholesale Broadband	522	526	1%
Total Broadband (including SABB)	**970**	**961**	**(1%)**

Access revenue of €101 million for the first quarter 2022 decreased by 8% or €10 million year on year.

Retail access revenue declined by 9%, primarily due to declines in PSTN and ISDN lines. Retail access lines of 567,000 declined by 5% year on year.

Wholesale access revenue declined by 10%, primarily due to a decline in wholesale access lines. Wholesale access lines of 363,000 declined by 12% year on year.

Broadband revenue declined by 6%, primarily due to a decline in the retail broadband base. Retail broadband customers of 435,000 decreased by 3%, while the wholesale broadband base of 526,000 increased by 1%.

The Group fibre broadband base of 831,000 as at quarter end increased by 3% or 21,000 customers year on year.

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Voice Traffic

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

	For the quarter ended		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
	€m	€m	
Voice traffic revenue			
Retail	35	36	1%
Wholesale (including Foreign Inpayments)	8	6	(23%)
Total voice traffic revenue	**43**	**42**	**(3%)**
Voice traffic minutes (in millions of minutes, except percentages)			
Retail	267	242	(9%)
Wholesale (including Foreign Traffic Minutes)	745	653	(12%)
Total voice traffic minutes	**1,012**	**895**	**(12%)**

Group voice traffic revenue for the first quarter 2022 decreased by 3% or €1 million year on year. Retail voice traffic revenue increased by 1%, notwithstanding a 9% decline in retail traffic minutes, while wholesale voice traffic revenue decreased by 23%, driven by a 12% decline in wholesale traffic minutes 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		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
	€m	€m	
Data communications revenue			
Leased lines	15	16	10%
Switched data services	3	2	(32%)
Next generation data services	9	10	8%
Total data communications revenue	**27**	**28**	**4%**

Data communications revenue for the first quarter 2022 increased by 4% or €1 million year on year. A decrease of 32% in switched data services revenue was offset by an increase in leased lines revenue of 10% and next generation data services revenue of 8% for the period.

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		
	31 Mar 2021 (unaudited)	**31 Mar 2022 (unaudited)**	**% Change**
	€ m	**€ m**	
Other products and services			
TV and content	6	4	(33%)
Managed services and solutions	10	11	14%
Tetra	5	5	(11%)
Evros	9	27	195%
UK	4	3	(28%)
Data centre	2	2	11%
Other revenue	10	12	20%
Other products and services revenue	**46**	**64**	**37%**

Other products and services revenue for the first quarter 2022 increased by 37% or €18 million year on year. The increase was driven by the entire-quarter consolidation of Evros revenue of €27m, a 14% increase in managed services revenue, and a 20% increase in other revenue driven by NBP access revenue, partly offset by a 33% decline in TV and content revenue, an 11% decline in Tetra revenue, and a 28% decline in UK revenue.

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Mobile services revenue

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

	For the quarter ended		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
	€m	€m	
Mobile revenue			
Prepay handset	17	16	(8%)
Postpay handset (incl. M2M)	41	43	5%
Mobile broadband	2	3	23%
Roaming	4	2	(31%)
Other	13	11	(16%)
Total mobile revenue	**77**	**75**	**(2%)**
Mobile subscribers			
Prepay handset customers	351	323	(8%)
Postpay handset customers (incl. M2M)	799	862	8%
Mobile broadband customers	39	49	25%
Of which are prepay customers	*2*	*2*	*(34%)*
Of which are postpay customers	*37*	*47*	*29%*
Total mobile subscribers	**1,189**	**1,234**	**4%**

Total mobile revenue for the first quarter 2022 of €75 million decreased by 2% or €2 million year on year.

Prepay handset revenue declined by 8% or €1 million year on year, mainly due to a decline in prepay handset customers of 8% or 28000, partly driven by migration of customers to postpay contracts.

Postpay handset revenue increased by 5% or €2 million year on year, primarily driven by an increase in postpay handset (including M2M) subscribers of 8% or 63,000 year on year. GoMo, the Group's revolutionary virtual postpay offering, has been the principal driver of the changing subscriber base mix.

Mobile broadband revenue increased by 23% or €1 million year on year, driven by growth in the mobile broadband base of 25% or 10,000 subscribers. Roaming revenue decreased by 31% or €2 million for the period, while other mobile revenue decreased by 16% or €2 million.

There were a total of 1,234,000 mobile subscribers as at quarter end, an increase of 4% year on year. The mix of customers continues to improve, with the proportion of postpay customers (including mobile broadband and M2M) of 74% increasing by 4 percentage points year on year, representing an increase of 73,000 net additional postpay subscribers (including mobile broadband and M2M subscribers).

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Operating costs before amortisation, depreciation and exceptional items

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

	For the quarter ended		
	31 Mar 2021 (unaudited)	31 Mar 2022 (unaudited)	% Change
	€m	€m	
Cost of sales			
Foreign outpayments	2	2	(13%)
Interconnect	9	7	(13%)
Equipment cost of sales	10	12	14%
Other including subsidiaries and new business	32	37	17%
Total cost of sales	**53**	**58**	**10%**
Pay costs			
Wages and salaries and other staff costs	46	50	9%
Social welfare costs	3	4	20%
Pension cash costs—defined contribution plans	1	1	14%
Pension cash costs—defined benefit plans	3	3	(6%)
Pay costs before non-cash pension charge and capitalisation	**53**	**58**	**9%**
Capitalised labour	(10)	(11)	(2%)
Total pay costs before non-cash pension charge	**43**	**47**	**11%**
Non pay costs			
Materials and services	3	4	27%
Other network costs	5	5	(1%)
Accommodation	12	14	16%
Sales and marketing	2	2	13%
Provision for credit losses	0	2	160%
Transport and travel	2	2	4%
Customer services	1	2	5%
Insurance and compensation	2	1	(10%)
Professional and regulatory fees	2	1	(5%)
IT costs	4	4	(4%)
Other non-pay costs	0	1	N.M
Total non-pay costs	**33**	**38**	**16%**
Operating costs before non-cash pension charge, non-cash fair value lease credits, management charge, amortisation, depreciation of PPE, and exceptional items	**129**	**143**	**12%**
Non cash pension charge/(credit)	2	(2)	N.M
Non cash fair value lease credits	(1)	0	N.M
Management charge	1	2	N.M
Operating costs before amortisation, depreciation of PPE, and exceptional items	**131**	**143**	**9%**

Total operating costs before non-cash pension charge, amortisation, depreciation of PPE, and exceptional items of €143 million for the first quarter 2022 increased by 12% or €14 million year on year.

Cost of Sales

Cost of sales for the first quarter 2022 of €58 million increased by 10% or €5 million year on year.

- Foreign outpayments decreased by 13% while interconnect payments to other telecommunications operators decreased by 13%, driven by reduced traffic and MTR.
- Equipment costs of sales increased by 14% for the period year on year.
- Other cost of sales increased by 17%, primarily driven by the consolidation of Evros cost of sales.

Pay costs

Total pay costs before non-cash pension charge of €47 million for the first quarter 2022 increased by 11% or €4 million year on year. The increase is primarily due to the consolidation of Evros pay costs. FTE headcount was 3,484 at quarter end, representing a net decrease of 2% or 54 FTE year on year.

Total non-pay costs

Total non-pay costs of €38 million for the first quarter 2022 increased by 16% or €5 million year on year.

- Provision for credit losses increased by 160%.
- Materials and service costs increased by 27%, driven by the timing of network investments.
- Accommodation costs increased by 16%, due to an increase in rent costs.
- Customer service costs increased by 5%.
- Professional and regulatory fees decreased by 5%.
- Insurance and compensation costs decreased by 10%

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 three-month period ended 31 March 2022 were €10 million, which is in line with the €10 million for the corresponding three-month period ended 31 March 2021.

Depreciation of property, plant and equipment

The depreciation charge on property, plant and equipment for the three-month period ended 31 March 2022 was €61 million, which is €6 million lower than the charge for the corresponding three-month period ended 31 March 2021 of €67 million. The decrease in depreciation is due to lower depreciation on property assets, network assets and lower fair value depreciation adjustment that related 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 31 March 2022 was €12 million, which is €1 million lower than the charge for the corresponding three-month period ended 31 March 2021 of €13 million. The decrease is due to lower depreciation on leased property.

Exceptional costs

The exceptional charge in the three-month period ended 31 March 2022 of €7 million includes €1 million for restructuring programme costs, €2 million for strategic corporate related costs, €3 million for group re-organisation costs and €1 million for other costs in relation to legal matters.

The exceptional charge in the three-month period ended 31 March 2021 of €7 million includes €2 million for restructuring programme costs (in respect of staff exits), €1 million for Covid-19 related costs, €3 million for strategic corporate related costs and €1 million for impairment of leased assets.

Finance costs (net)

The group's net finance costs for the three-month period ended 31 March 2022 were €25 million, which is in line with the €25 million for the corresponding three-month period ended 31 March 2021.

Taxation

The tax charge for the three-month period ended 31 March 2022 was €9 million, compared to the corresponding three-month period ended 31 March 2021 of €7 million. The exceptional gain on the sale of the majority stake in Tetra Ireland Communications Limited ("Tetra") is not subject to taxation. The €2 million increase in the tax charge is due to higher operating profits in the period.

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 31 March 2022, net cash generated from operating activities (including our share of Tetra) was €55 million compared with €75 million in the corresponding three-month period ended 31 March 2021, a decrease of €20 million. The decrease is mainly due to higher working capital outflows of €19 million in the three-month period ended 31 March 2022.

Cash flows from investing activities

Total cash used in investing activities (including our share of Tetra) was €3 million for the three-month period ended 31 March 2022, compared with €116 million for the corresponding three-month period ended 31 March 2021. The decrease in cash outflow is a result of the group selling its majority stake in Tetra with proceeds of €76 million received in the three-month period ended 31 March 2022. Whereas, in the corresponding three-month period ended 31 March 2021, the group acquired Evros Technology Group, a leading IT services provider, with net cash paid of €47 million on the acquisition.

During the three-month period ended 31 March 2022, payments for capital expenditure (cash) were €79 million, compared with €69 million for the corresponding three-month period ended 31 March 2021. The high level of capital expenditure payments in both years 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 €12 million for the three-month period ended 31 March 2022 compared to €6 million for the corresponding three-month period ended 31 March 2021. The increase of €6 million is due to new lease commitments on Masts site access.

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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:
   - A. 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.
   - B. 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.
   - C. 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.