eircom Holdings (Ireland) Limited

Unaudited Results
Q1 FY20 to 30 September 2019

14 November 2019

eircom Holdings (Ireland) Limited

Unaudited results for the first quarter to 30 September 2019

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eircom Holdings (Ireland) Limited

Trading highlights for the quarter ended 30 September 2019[1]

- Revenue of €303 million decreased by 3% or €9 million compared to the corresponding prior year quarter; revenue growth in data services, bundling and sport was offset by a reduction in access, voice, managed services and prepay revenue.
- Group adjusted EBITDA[2] of €141 million was flat compared to the corresponding prior year quarter.
- Reported fixed line revenue, before intra-company eliminations, of €229 million decreased by 3% or €7 million compared to the corresponding prior year period. Growth in data services, bundling and sport was offset by lower access, voice and managed services revenue.
- The group broadband customer base[3] at 30 September 2019 was 945,000, an increase of 20,000 or 2% compared to the corresponding prior year period. The retail customer base decreased by 3,000, while the wholesale base increased by 23,000 compared to the corresponding prior year period. At 30 September 2019, there were 717,000 customers availing of fibre based high speed broadband services, an increase of 10% or 66,000 compared to the corresponding prior year period.
- Group fixed access paths decreased by 23,000 compared to the prior year quarter; fixed access lines[4] decreased by 42,000, while standalone broadband lines increased by 19,000.
- Reported mobile revenue of €82 million decreased by €2 million or 1% year on year.
- Total mobile customers at the end of the quarter were 1,022,000[5]; including 567,000 postpay customers and 455,000 prepay customers. The postpay customer base increased by 3% year on year bringing the proportion of mobile customers on postpay plans to 55%. The prepay base reduced by 9% year on year mainly due to continued migrations to postpay as well as increased competition in the market.
- Group operating costs[6] of €94 million, reduced by €11 million or 10% compared to the corresponding prior year quarter.
- Total Full Time Equivalent (FTE) staff at the end of September stood at 3,475, an increase of 765 FTE or 16% compared to the corresponding prior year quarter.
- Despite continued high levels of capital investment, the Group maintains strong liquidity with cash on hand of €231 million at 30 September 2019.

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

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

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

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

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

[6] Operating costs are pay and non-pay costs before non-cash pension charge, lease fair value credits and management charge.

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KPIs as at 30 September 2019 (unaudited)

	As at and for quarter ended 30 September 2018 (unaudited)	As at and for quarter ended 30 September 2019 (unaudited)	Better/(Worse)% N1
Group Access Paths Base ('000)			
Retail Access Lines	657	636	(3%)
Retail SABB*	33	28	(15%)
Wholesale Access Lines	490	470	(4%)
Wholesale SABB*	148	172	16%
Wholesale LLU**	4	3	(26%)
Total	**1,332**	**1,309**	**(2%)**
Retail Voice Traffic (millions of minutes)	293	244	-17%
Broadband Lines ('000)			
Retail	460	457	(1%)
Wholesale	465	488	5%
Total	**925**	**945**	**2%**
Mobile Customers ('000)			
Prepaid Handsets	489	448	(8%)
Prepaid MBB	8	7	(15%)
Total Prepaid Base	497	455	(9%)
Postpaid Handsets (including M2M)	515	539	5%
Postpaid MBB	34	28	(18%)
Total Postpaid Base	549	567	3%
Total	**1,046**	**1,022**	**(2%)**
ARPU'S € N2 & N3			
Consumer Blended ARPU	49.2	50.0	2%
WLR PSTN ARPU	16.3	16.5	1%
Bitstream ARPU (including SABB)	15.2	13.1	(14%)
Prepaid ARPU (including MBB)	15.8	15.4	(3%)
Postpaid ARPU (including MBB/M2M)	32.3	30.3	6%
Closing Headcount	**2,710**	**3,475**	**-28%**

eircom Holdings (Ireland) Limited

This financial information has been prepared to make available certain unaudited condensed consolidated financial information to the holders of the group's Senior Secured Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 30 September 2019. In addition, the group has prepared this financial information under the previous lease recognition standard: 'IAS 17 Leases' and will not be preparing financial information under IFRS 16, 'Leases' until the latter part of the financial year ending 30 June 2020.

The financial information for the period ended 30 September 2018 was prepared under the previous revenue recognition standard: 'IAS 18 Revenue', etc and has been restated using the new standards IFRS 15, 'Revenue from Contracts with Customers' and IFRS 9, 'Financial instruments' as applied at the year end 30 June 2019.

The financial information, as at and for the period ended 30 September 2019, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2019. 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 2019.

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

	In the quarter ended 30 September 2018[8]			In the quarter ended 30 September 2019		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	312	(5)	307	**303**	**(5)**	**298**
Operating costs excluding non-cash pension charge and fair value lease credits	(171)	2	(169)	(162)	**3**	**(159)**
Adjusted EBITDA[9]	141	(3)	138	**141**	**(2)**	**139**
Closing Cash	170	(8)	162	**231**	**(5)**	**226**

[7] The statutory financial statements are prepared in accordance with IFRS accounting principles (excluding IFRS 16) and include the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA.

[8] Prior year quarter has been restated for IFRS 15 effective on accounting periods after 1 January 2018.

[9] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge, management charge, non-cash lease contracts, exceptional items and profit on disposal of property, plant and equipment.

eircom Holdings (Ireland) Limited

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

	Three months ended Sept 2018 €m	**Three months ended Sept 2019 €m**
Operating profit	45	**44**
Exceptional items	-	**3**
Non-cash pension charge	3	**4**
Operating profit before non-cash pension charges and exceptional items	48	**51**
Depreciation	70	**68**
Amortisation	22	**20**
EBITDA before non-cash pension charges and exceptional items	140	**139**
IFRS 3 unfavourable lease fair value adjustment	(2)	**-**
Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges, management charge, and exceptional items	138	**139**
EBITDA of joint ventures using proportionate consolidation	3	**2**
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges and exceptional items	141	**141**

Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges and exceptional items is split as follows:		
Fixed line	119	**117**
Mobile	22	**24**
	141	**141**

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

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited
For the three-month period ended 30 September 2019

	Notes	30 Sept 2018	30 Sept 2019
		€m	€m
Revenue	3	307	**298**
Operating costs excluding amortisation, depreciation and exceptional items		(170)	**(163)**
Amortisation	3	(22)	**(20)**
Depreciation	3	(70)	**(68)**
Exceptional items	3, 4	-	**(3)**
Operating profit	3	45	**44**
Finance costs – net	5	(24)	**(23)**
Share of profit of joint venture		1	**2**
Profit before tax		22	**23**
Income tax charge	6	(5)	**(5)**
Profit for the period		17	**18**

Group statement of comprehensive income – unaudited
For the three-month period ended 30 September 2019

	30 Sept 2018	30 Sept 2019
	€m	€m
Profit for the financial period attributable to equity holders of the parent	17	**18**
Other comprehensive expense:		
Items that will not be reclassified to profit or loss		
Defined benefit pension scheme remeasurement losses:		
- Remeasurement loss in period	(31)	**(40)**
- Tax on defined benefit pension scheme remeasurement losses	4	**5**
	(27)	**(35)**
Other comprehensive expense, net of tax	(10)	**(17)**
Total comprehensive expense for the financial period	(10)	**(17)**

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

eircom Holdings (Ireland) Limited

Consolidated Balance Sheet – unaudited
As at 30 September 2019

	Notes	30 June 2019	30 Sept 2019
		€m	€m
Assets			
Non-current assets			
Goodwill		212	**212**
Other intangible assets		240	**229**
Property, plant and equipment		1,365	**1,351**
Investment in joint venture		-	**2**
Retirement benefit asset		200	**155**
Deferred tax assets		2	**2**
Other assets		13	**13**
		2,032	**1,964**
Current assets			
Inventories		14	**20**
Trade and other receivables	7	219	**213**
Contract assets		45	**45**
Restricted cash		9	**6**
Cash and cash equivalents		255	**226**
		542	**510**
Total assets		2,574	**2,474**
Liabilities			
Non-current liabilities			
Borrowings	8	2,530	**2,530**
Trade and other payables		26	**26**
Deferred tax liabilities		89	**82**
Provisions for other liabilities and charges	10	183	**173**
		2,828	**2,811**
Current liabilities			
Borrowings	8	100	**100**
Derivative financial instruments		1	**1**
Trade and other payables		485	**420**
Current tax liabilities		-	**-**
Provisions for other liabilities and charges	10	32	**31**
		618	**552**
Total liabilities		3,446	**3,363**
Equity			
Equity share capital		-	**-**
Capital contribution		62	**62**
Cash flow hedging reserve		(1)	**(1)**
Retained loss		(933)	**(950)**
Total equity		(872)	**(889)**
Total liabilities and equity		2,574	**2,474**

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

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited
For the three-month period ended 30 September 2019

	Notes	30 Sept 2018	30 Sept 2019
		€m	€m
Cash flows from operating activities			
Cash generated from operations	11	45	**70**
Interest paid		(14)	**(16)**
Net cash generated from operating activities		31	**54**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(53)	**(76)**
Purchase of intangible assets		(4)	**(7)**
Restricted cash		(9)	**3**
Net cash used in investing activities		(66)	**(80)**
Cash flows from financing activities			
Debt issue costs		-	**(1)**
Debt modification fees		-	**(2)**
Net cash used in financing activities		-	**(3)**
Net decrease in cash, cash equivalents and bank overdrafts		(35)	**(29)**
Cash, cash equivalents and bank overdrafts at beginning of period		197	**255**
Cash, cash equivalents and bank overdrafts at end of period		162	**226**

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

eircom Holdings (Ireland) Limited

Consolidated statement of changes in shareholders' equity – unaudited
For the three-month period ended 30 September 2019

	Equity share capital €m	Capital contribution €m	Cash flow hedging reserve €m	Retained loss €m	Total equity €m
Balance at 30 June 2018	**-**	**62**	**(2)**	**(784)**	**(724)**
Profit for the period	-	-	-	17	17
Defined benefit pension scheme remeasurement loss	-	-	-	(31)	(31)
Tax on defined benefit pension scheme remeasurement loss	-	-	-	4	4
Total comprehensive expense	-	-	-	(10)	(10)
Balance at 30 September 2018	**-**	**62**	**(2)**	(794)	(734)
Balance at 30 June 2019	**-**	**62**	**(1)**	**(933)**	**(872)**
Profit for the period	**-**	**-**	**-**	**18**	**18**
Defined benefit pension scheme remeasurement loss	**-**	**-**	**-**	**(40)**	**(40)**
Tax on defined benefit pension scheme remeasurement loss	**-**	**-**	**-**	**5**	**5**
Total comprehensive expense	**-**	**-**	**-**	**(17)**	**(17)**
Balance at 30 September 2019	**-**	**62**	**(1)**	**(950)**	**(889)**

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 14 November 2019.

2. Basis of preparation

This financial information has been prepared to make available certain unaudited condensed consolidated financial information to the holders of the group's Senior Secured Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 30 September 2019. In addition, the group has prepared this financial information under the previous lease recognition standard: 'IAS 17 Leases' and will not be preparing financial information under IFRS 16, 'Leases' until the latter part of the financial year ending 30 June 2020.

The financial information for the period ended 30 September 2018 was prepared under the previous revenue recognition standard: 'IAS 18 Revenue', etc., and has been restated using the new standards IFRS 15, 'Revenue from Contracts with Customers' and IFRS 9, 'Financial instruments' as applied at the year ended 30 June 2019.

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

The financial information, as at and for the period ended 30 September 2019, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2019. 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 2019.

3. Segment information

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

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

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	230	82	(9)	**303**	(5)	**298**
EBITDA **	117	24	-	**141**	(2)	**139**
Non-cash pension charges	(4)	-	-	**(4)**	-	**(4)**
Amortisation	(15)	(5)	-	**(20)**	-	**(20)**
Depreciation	(61)	(7)	-	**(68)**	-	**(68)**
Exceptional items	(3)	-	-	**(3)**	-	**(3)**
Operating profit	**34**	**12**	**-**	**46**	**(2)**	**44**

The segment results for the three-month period ended 30 September 2018 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	236	84	(8)	**312**	(5)	**307**
EBITDA **	119	22	-	**141**	(3)	**138**
Non-cash lease fair value credits	2	-	-	**2**	-	**2**
Non-cash pension charges	(3)	-	-	**(3)**	-	**(3)**
Amortisation	(17)	(5)	-	**(22)**	-	**(22)**
Depreciation	(65)	(7)	-	**(72)**	2	**(70)**
Operating profit	**36**	**10**	**-**	**46**	**(1)**	**45**

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

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

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

4. Exceptional items

	30 Sept 2018 €m	30 Sept 2019 €m
Restructuring programme costs	-	**3**
	-	**3**

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.

The group included an exceptional charge of €3 million for restructuring programme costs in respect of staff exits in the period ended 30 September 2019 (30 September 2018: €Nil).

5. Finance costs – net

	30 Sept 2018 €m	30 Sept 2019 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	22	**23**
Net interest cost on net pension liability	-	**(1)**
Amortisation of debt issue costs and debt modification fees	1	**-**
Other unwinding of discount	1	**1**
	24	**23**
(b) Finance income:		
Interest income	-	**-**
	-	**-**
Finance costs – net	24	**23**

6. Income tax charge

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

	30 Sept 2018 €m	30 Sept 2019 €m
Profit before tax	22	**23**
Tax calculated at Irish standard tax rate of 12.5%	3	**3**
Effects of:-		
Non-deductible expenses	4	**4**
Origination and reversal of temporary differences	(2)	**(2)**
Tax charge for the period	5	**5**

7. Trade and other receivables

During the period ended 30 September 2019, the group recognised a provision for impaired receivables of €3 million (30 September 2018: €2 million), reversed provisions for impaired receivables of €1 million (30 September 2018: €Nil) and utilised provisions for impaired receivables of €Nil (30 September 2018: €1 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

8. Borrowings

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

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
As at 30 September 2019					
Bank borrowings (Facility B)	**-**	**-**	**-**	**1,800**	**1,800**
Debt modification fees	**-**	**-**	**-**	**(14)**	**(14)**
	-	**-**	**-**	**1,786**	**1,786**
3.5% Senior Secured Notes due 2026	**-**	**-**	**-**	**750**	**750**
Debt issue costs	**-**	**-**	**-**	**(6)**	**(6)**
	-	**-**	**-**	**744**	**744**
Revolving credit facility	**100**	**-**	**-**	**-**	**100**
	100	**-**	**-**	**2,530**	**2,630**
As at 30 June 2019					
Bank borrowings (Facility B)	-	-	455	1,345	1,800
Debt modification fees	-	-	(3)	(11)	(14)
	-	-	452	1,334	1,786
3.5% Senior Secured Notes due 2026	-	-	-	750	750
Debt issue costs	-	-	-	(6)	(6)
	-	-	-	744	744
Revolving credit facility	100	-	-	-	100
	100	-	452	2,078	2,630

At 30 September 2019, the group has Senior Bank borrowings of €1,800 million with a maturity date of 15 May 2026 and 3.5% Senior Secured Notes of €750 million with a maturity date of 15 May 2026.

Interest accrued on borrowings at 30 September 2019 is €13 million (30 June 2019: €7 million). This is included in trade and other payables.

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

9. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The group undertakes a full review of the retirement benefit liability at each quarter end in accordance with IAS 19 (Revised). The balance sheet presented as at 30 September 2019 reflects the IAS 19 (Revised) surplus of €155 million as at 30 September 2019.

Pension scheme obligation

The status of the principal scheme at 30 September 2019 is as follows:

	30 June 2019 **€m**	**30 Sept 2019** **€m**
Present value of funded obligations	(4,277)	**(4,540)**
Fair value of scheme assets	4,477	**4,695**
Asset recognised in the Balance Sheet	200	**155**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2019	**At 30 Sept 2019**
Rate of increase in salaries	1.00%	1.00%
Rate of increase in pensions in payment	1.00%	1.00%
Discount rate	1.35%	0.95%
Inflation assumption	1.20%	1.20%
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)

10. Provisions for other liabilities and charges

	Onerous Contracts €m	TIS Annuity Scheme €m	Asset Retirement Obligations €m	Other €m	Total €m
At 30 June 2019	**115**	**8**	**54**	**38**	**215**
Charged to consolidated income statement:					
- Additional provisions	-	-	-	1	**1**
Transfer to receivables	-	-	-	(7)	**(7)**
Utilised in the financial period	(3)	(1)	-	(1)	**(5)**
At 30 September 2019	**112**	**7**	**54**	**31**	**204**

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

	30 June 2019 €m	30 Sept 2019 €m
Non-current	183	**173**
Current	32	**31**
	215	**204**

11. Cash generated from operations

	30 Sept 2018 €m	30 Sept 2019 €m
Profit after tax	17	**18**
Add back:		
Income tax charge	5	**5**
Share of profit of joint venture	(1)	**(2)**
Finance costs – net	24	**23**
Operating profit	45	**44**
Adjustments for:		
- Depreciation and amortisation	92	**88**
- Non-cash lease fair value credits	(2)	**-**
- Non cash retirement benefit charges	3	**4**
- Restructuring programme costs	-	**3**
- Other non cash movements in provisions	-	**1**
Cash flows relating to restructuring, onerous contracts and other provisions	(50)	**(7)**
Changes in working capital		
Inventories	(3)	**(6)**
Trade and other receivables	(29)	**(8)**
Trade and other payables	(11)	**(49)**
Cash generated from operations	45	**70**

12. Post Balance Sheet Events

During October 2019, subsequent to the balance sheet date, the group issued €350 million in Senior Secured Notes with a maturity date of November 2024. The Notes are subject to fixed rate cash-pay interest at 1.75% payable in semi-annual instalments in May and November each year. The group will use the proceeds to prepay existing Facility B borrowings.

In addition, during November 2019, subsequent to the balance sheet date, the group issued a further €350 million in Senior Secured Notes with a maturity date of February 2027. The Notes are subject to fixed rate cash-pay interest at 2.625% payable in semi-annual instalments in May and November each year. The group will use the proceeds to prepay existing Facility B borrowings.

There have been no other significant events affecting the group since the period ended 30 September 2019.

13. Contingent liabilities

There have been no material changes in our contingent liabilities since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2019.

14. Guarantees

There have been no material changes in our credit guarantees and in derivatives since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2019.

15. Seasonality

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

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

16. Commitments

Operating lease commitments
The group's operating lease contractual obligations and commitment payments were €270 million at 30 September 2019 (30 June 2019: €269 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments
The group's capital contractual obligations and commitment payments were €48 million at 30 September 2019 (30 June 2019: €35 million).

17. 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 2019.

Management discussion and analysis on results of operations for the quarter ended 30 September 2019

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the quarter ended 30 September 2019 applies the equity method of accounting for the investment in Tetra.

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

Revenue

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€m	**€m**	
Fixed line services and other revenue	236	229	(3%)
Mobile services revenue	84	82	(1%)
Total segmental revenue	320	311	(3%)
Intracompany eliminations	(8)	(8)	9%
Total revenue	312	303	(3%)

Reported group revenue of €303 million for the quarter decreased by 3% when compared to the corresponding prior year period, driven by a decline in fixed line revenue including access, voice and managed services, and an adverse impact to mobile revenue of €2 million for the quarter driven by market competition.

Fixed line services and other revenue

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€m	**€ m**	
Access (Rental and Connections)	113	111	(2%)
Voice Traffic (including Foreign Inpayments)	58	52	(11%)
Data Services	25	26	4%
Other Products and Services	40	40	-
Total fixed line services and other revenue	236	229	(3%)

Total fixed line services and other revenues for the quarter ended to 30 September 2019, before intra company eliminations, decreased by 3% compared to the corresponding prior year period. The decrease was driven by a decline in access, voice and managed services revenue, as well as wholesale regulated pricing changes.

Access (rental and connections)

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€m	**€m**	
Total access revenue			
Retail PSTN/ISDN rental and connection	48	47	(2%)
Wholesale PSTN/ISDN/LLU rental and connection	27	26	(5%)
Broadband rental and connection	38	38	-
Total access revenue	113	111	(2%)
Access paths (in thousands at period end, except percentages)			
Retail Access Lines	657	636	(3%)
Wholesale Access Lines	490	470	(4%)
Wholesale LLU	4	3	(26%)
SABB	181	200	10%
Total PSTN/ISDN/LLU/SABB	1,332	1,309	(2%)
Broadband and bitstream (in thousands at period end, except percentages)			
Retail broadband	460	457	(1%)
Wholesale broadband	465	488	5%
Total broadband (including SABB)	925	945	2%

Access revenues for the quarter ended 30 September 2019 of €111 million decreased by 2% compared to the corresponding prior year quarter, due to a decrease in retail and wholesale PSTN / ISDN line rental and connection revenues.

Retail line rental and connection revenue decreased by 2% in the quarter ended 30 September 2019, compared to the corresponding prior year quarter, mainly due to continuing declines in PSTN and ISDN lines. Retail access lines at 30 September 2019 were 636,000, a reduction of 3% compared to 30 September 2018.

Wholesale line rental and connection revenue decreased by 5% in the quarter ended 30 September 2019, compared to the prior year quarter. Wholesale access lines at 30 September 2019 were 470,000, a reduction of 4% compared to the prior year quarter.

Broadband revenue for the quarter of €38 million remained flat year on year when compared to the corresponding prior year quarter. Growth in the broadband base was offset by the impact of wholesale regulated pricing changes. The wholesale broadband base of 488,000 at 30 September 2019, increased by 23,000 compared to the corresponding prior year period while the retail broadband customer base of 457,000 decreased by 3,000 in the same period, driven by competitor discounting and timing of sport content.

We continue to address retail fixed line losses and broadband churn with a number of programmes, including rolling out high speed broadband to urban and suburban premises, and offering competitive bundled telecommunications services including broadband, TV, mobile, telephony and eir sport content. As at 30 September 2019, the rollout of our high speed fibre network had passed approximately 80% of Irish premises, and 717,000 retail and wholesale customers were connected to high speed broadband services, an increase of 10% or 66,000 customers compared to the corresponding prior year period.

In the same period, 76,000 customers were availing of the eir vision service, a decline of 3% or 2,000 subscriptions compared to the corresponding prior year quarter, driven by reduced sales incentives and marketing running up to the launch of a new TV service, eir TV with Apple TV 4K, in October 2019. As of 30 September 2019, 59% of the Consumer broadband base was availing of exclusive eir sport content, while 34% of eir's consumer households were using 3 or more services, an increase of 4 percentage points compared to the corresponding prior year period.

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Traffic

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€m	**€m**	
Revenue			
Retail traffic	43	39	(9%)
Wholesale traffic (including Foreign Inpayments)	15	13	(14%)
Total traffic revenue	58	52	(11%)
Traffic	**(in millions of minutes, except percentages)**		
Retail	294	244	(17%)
Wholesale (including Foreign Terminating Minutes)	903	763	(16%)
Total traffic minutes	1,197	1,007	(16%)

Overall Group traffic revenue decreased by 11% or €6 million in the quarter ended 30 September 2019 compared to the corresponding prior year period. Retail traffic revenue decreased by 9% or €4 million, while wholesale traffic revenue decreased by 14% or €2 million for the period.

Data communications

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€m	**€m**	
Data services revenue			
Leased lines	14	14	(6%)
Switched data services	3	3	34%
Next generation data services	8	9	13%
Total data services revenue	25	26	4%

Revenue from data communications increased by 4% or €1 million compared to the corresponding prior year period. A 6% decrease in leased lines revenue was offset by an increase of 34% in switched data services revenue and an increase of 13% in next generation data services revenue.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra, eir sports, our operations in UK/NI, operator services, managed services, data centres and other revenue.

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€ m	**€ m**	
TV and content	9	12	27%
Managed services and solutions	11	10	(16%)
Tetra	5	5	5%
UK	6	6	(5%)
Datacentre	2	2	4%
Other revenue	7	5	13%
Other products and services revenue	40	40	-

Revenue from other products and services for the quarter ended 30 September 2019 remained stable compared to the corresponding prior year quarter. TV and content revenue increased by 27% as a result of increased revenue relating to sport content. Managed services revenue decreased by 16% due to a reduction in low margin revenue related to eir Business. Tetra, UK/NI, and Datacentre revenue remained broadly stable when compared to the prior year quarter. Other revenue reduced by 13% as a result of reduced calls to our 11811 directory enquiries service.

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Mobile services revenue[10]

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	**30 Sep, 2019 (unaudited)**	**% Change 2018/2019**
	€m	**€m**	
Prepay handset	24	21	(11%)
Postpay handset (incl. M2M)	39	39	-
Mobile broadband	2	2	(19%)
Roaming	3	3	22%
Other	16	17	8%
Total mobile services revenue	84	82	(1%)

Total subscribers ('000)			
Prepay handset customers	489	448	(8%)
Postpay handset customers (incl. M2M)	515	539	5%
Mobile broadband customers	42	34	(18%)
Of which are prepay customers	8	7	(15%)
Of which are postpay customers	34	28	(18%)
Total subscribers	1,046	1,022	(2%)

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband and machine to machine. Other revenue is derived mainly from device sales and wholesale foreign roaming revenue.

Reported mobile revenue of €82 million for the quarter ended 30 September 2019 decreased by 1% compared to the corresponding prior year quarter, driven by a decline in prepay revenue.

Postpay handset revenue remained stable compared to the corresponding prior year period. Increase in the base was offset by promotions to drive growth and bundling. Prepay handset revenue decreased by 11% when compared to the corresponding prior year period mainly driven by a decrease in prepay handset subscribers of 8%.

At 30 September 2019 there were approximately 1,022,000 total mobile subscribers. While the overall base reduced by 2% or 25,000 compared to the prior year period due to increased competition in the prepay market, the mix of customers continues to improve. The proportion of postpay customers (including mobile broadband and M2M) within the base has increased from 52% at 30 September 2018 to 55% at 30 September 2019, representing an increase of 24,000 net additional postpay subscribers (including mobile broadband and M2M).

[10] Prior year quarter postpay revenue and other mobile revenue have been restated for IFRS 15 effective on accounting periods after 1 January 2018.

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

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

	For the quarter ended		
	30 Sep, 2018 (unaudited)	30 Sep, 2019 (unaudited)	% Change 2018/2019
	€m	€m	
Cost of sales			
Foreign outpayments	2	2	(9%)
Interconnect	19	18	(8%)
Equipment cost of sales	16	14	(10%)
Other including subsidiaries and new business	29	34	18%
Total cost of sales	66	68	3%
Pay costs			
Wages and salaries and other staff costs	41	48	18%
Social welfare costs	2	3	41%
Pension cash costs—defined contribution plans	1	1	97%
Pension cash costs—defined benefit plans	4	4	(17%)
Pay costs before non-cash pension charge and capitalisation	48	56	17%
Capitalised labour	(12)	(13)	6%
Total pay costs before non-cash pension charge	36	43	21%
Non pay costs			
Materials and services	5	4	(23%)
Other network costs	4	4	(3%)
Accommodation	24	22	(9%)
Sales and marketing	13	6	(57%)
Expected credit losses	2	1	(30%)
Transport and travel	3	2	(7%)
Customer services	10	3	(68%)
Insurance and compensation	1	2	N.M.
Professional and regulatory fees	1	1	(7%)
IT costs	5	5	11%
Other non-pay costs	1	1	(41%)
Total non-pay costs	69	51	(26%)
Operating costs before non-cash pension charge, amortisation, depreciation, and exceptional items	171	162	(5%)
Non cash pension charge/(credit)	3	4	33%
Non cash fair value lease credits	(2)	-	(100%)
Operating costs before, amortisation, depreciation, and exceptional items	172	166	(3%)

Total operating costs for the quarter ended 30 September 2019 before non-cash pension charge, non-cash lease fair value credits, management charge, amortisation, depreciation and exceptional items, decreased by 5% compared with the corresponding quarter of the prior year.

Cost of Sales

Cost of sales increased by 3% or €2 million in the quarter ended 30 September 2019 compared to the corresponding prior year period. Movements include:

- Foreign outpayments and Interconnect payments to other telecommunications operators decreased by 9% and 8% respectively compared to the prior year quarter, mainly driven by decreased traffic.
- Equipment costs of sales decreased by 10% when compared to prior year due to seasonal timing of commercial investment in mobile.
- Other cost of sales were 18% higher compared to the prior year, driven mainly by direct handset purchasing and increased eir sport costs.

[11] Sales and marketing costs in the prior year quarter have been restated for IFRS 15 effective on accounting periods after 1 January 2018.

Pay costs

Total pay costs, before non-cash pension charge, increased by 21% or €7 million in the quarter ended 30 September 2019 compared to the corresponding prior year quarter. The increase is mainly due to higher FTE headcount driven by insourcing of customer-facing staff. FTE headcount at 30 September 2019 was 3,475 FTE, representing a net increase of 765 FTE compared to 30 September 2018.

Total non-pay costs

Non-pay costs decreased by 26% or €18 million in the quarter ended 30 September 2019 compared to the corresponding prior year quarter. Key movements included the following:

- Sales and marketing costs decreased by 57% or €7 million driven by decreased commission and marketing costs, as well as insourcing of sales services.
- Customer service costs decreased by 68% or €7 million driven by the impact of restructuring and insourcing of customer care.
- Accommodation costs decreased by 9% or €2 million compared to the corresponding prior year quarter driven by rent and facilities cost optimisation.
- Materials and service costs decreased by 23% or €1 million when compared to the prior year quarter due to timing of network activity.

The remaining costs in the quarter ended 30 September 2019 were broadly in line with the corresponding prior year period.

Non-cash pension charge/ (credit)

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

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. At the date of acquisition, the group was required to recognise a liability for the difference between the amount of future rental payments that had been contractually committed to and the market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. The IFRS accounting treatment is not aligned with the principles that the company applies in measuring its EBITDA. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of EBITDA to operating profit.

Amortisation

Amortisation charges for the three-month period ended 30 September 2019 were €20 million, €2 million lower than the prior year period, due to lower amortisation on computer software and TV content rights been fully amortised in the period ended 30 September 2019.

Depreciation of property, plant and equipment

The depreciation charges for the three-month period ended 30 September 2019 were €68 million, which is €4 million lower than the prior year charge for the same period of €72 million. The decrease in depreciation is partly due to the increase in the asset lives of certain network assets (Tetra) resulting in lower depreciation and the reduction in the fair value depreciation adjustment relating to the acquisition of eircom Limited assets in 2012.

Exceptional costs

The exceptional restructuring charge of €3 million is for staff exits in the period ended 30 September 2019.

Finance costs (net)

The group's net finance costs for the three-month period ended 30 September 2019 of €23 million were more or less in line with the prior year corresponding period of €24 million. The higher interest costs on bank borrowings and other debt of €23 million, €1 million higher than the prior year period, is mainly due to interest incurred on the fully drawn down revolving credit facility of €100 million.

Taxation

The tax charge for the three-month period ended 30 September 2019 was €5 million, compared to the prior year corresponding period tax charge of €5 million. The increase in tax reflects the increase in the profits of the group.

Liquidity

Net cash generated from operating activities

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

During the three-month period ended 30 September 2019, net cash generated from operating activities (including our share of Tetra) was €55 million compared with €33 million in the prior year corresponding period, an increase of €22 million. The increase is due to higher EBITDA and lower voluntary leaving payments in the period.

Cash flows from investing activities

Total cash used in investing activities was €80 million for the three-month period ended 30 September 2019, compared with €66 million for the prior year corresponding period, an increase of €14 million. The increase is due to higher capital expenditure payments in the period of €26 million offset by inflows on restricted cash deposits of €3 million and prior year outflows of €9 million.

Cash flows from financing activities

Debt issue costs of €1 million on the 3.5% Senior Secured Notes and debt modification fees of €2 million on the Facility B borrowings were paid in the quarter in relation to the various refinancing transactions undertaken by the group.

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Other Data

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

Notes:

1. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in these tables. Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.
2. Fixed ARPU Calculations:
   A. We define “Blended consumer fixed ARPU” as the average of the total consumer subscriber revenue divided by the average number of access subscribers (including SABB) in each month. Subscriber revenue is equal to total fixed line consumer revenue excluding revenue from eir Sport and Operator Services.
   B. We define “WLR PSTN ARPU” as the average of Wholesale PSTN line rental revenue divided by the average number of PSTN WLR access subscribers in each month.
   C. We define “Bitstream ARPU” as the average of bitstream rental revenue including SABB (recurring revenue) divided by the average number of Wholesale bitstream (including SABB) subscribers in each month.
   D. We define “the average number of subscribers in the month” as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month.
   E. All Fixed ARPUs are adjusted to reflect the average number of days in a month.
3. Mobile ARPU Calculations:
   F. We define “Prepay ARPU” as the measure of the sum of the total prepay mobile subscriber revenue including revenue from incoming traffic in the period divided by the average number of prepay mobile subscribers in the period divided by the number of months in the period.
   A. We define “Postpay ARPU” as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic 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.