eircom Holdings (Ireland) Limited

First quarter unaudited results
30 September 2013

FIRST QUARTER RESULTS ANNOUNCEMENT
30 SEPTEMBER 2013

- **Earnings Continue to Stabilise**
  - **EBITDA[1] Down 1%[2]**
  - **Revenue Down 9%[2]**
  - **Operating Costs[3] Reduced by 13%[2]**
  - **Broadband Growth Driven by Strong Wholesale Performance**
- **Approximately 1,100 Employees to Exit the Group**
  - **Delivering on Commitment to 2,000 Employee Reduction**
- **Fibre Network to be Extended to 1.4 Million Premises**

(Issued Friday 29 November, 2013) eircom Group today announced results for the first quarter ended 30 September 2013.

Commenting on today's announcement, Herb Hribar, CEO eircom Group, said "Our first quarter results demonstrate continued stabilisation in our bottom line, with particular progress on cost reductions. However, given the continued competitive intensity, significant challenges remain in our turnaround plans for both the consumer and business to business units. We are committed to addressing these challenges in the coming months, by exploiting the new range of products and services now available.

"Our commitment to strategic investment remains steadfast and eircom continues to deliver on its promise to build ***a network for a nation.*** In September we became the first operator in Ireland to launch 4G mobile services and that was followed by our recent launch of Ireland's first value based pay television proposition enabling a unique ability to offer a 'quad play' bundle in the Irish market. Our new capability and innovation is beginning to deliver real benefits for Irish consumers and businesses.

"Our rollout of fibre broadband continued during the quarter, and at the end of September 2013 the fibre network had passed 600,000[4] homes and businesses. This is ahead of schedule and we are now on track to pass 700,000 premises by the end of December 2013.

"I am delighted to announce that we are extending our planned fibre footprint from 1.2 million to 1.4 million premises, which will enable high speed fibre broadband to reach an additional 562 communities across Ireland. When our rollout is completed in July 2016, 70% of all homes and businesses in Ireland will have access to our fibre broadband, offering speeds of up to 100Mb per second. We believe this largely completes the rollout of fibre broadband on a commercial basis in Ireland and eircom is fully committed to work with the Government to ensure everyone has access to high speed broadband".

Commenting on the results, CFO Richard Moat, said, "EBITDA[1] of €119 million for the first quarter was in line with expectations and demonstrated continued stabilisation in business performance. We continue to improve the profitability of the mobile business despite significant commercial investment to drive growth in the high value postpaid segment.

"Strong progress has been made on our cost transformation plans to reduce operating costs[3]. In October 2012, following a major benchmarking exercise, we set ourselves a challenge to rightsize the business by June 2014 by reducing our employee base by 2,000. Following an incentivised exit scheme launched in October 2013, approximately 1,100 employees will exit the company over the next twelve months. Combined with the 842 leavers in the previous financial year, this will deliver that right-sized organisation.

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

[2] Prior year comparatives have been adjusted to exclude the results of Phonewatch which was disposed of in May 2013.

[3] Operating costs are cost of sales, pay and non pay costs excluding non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items.

[4] Homes passed is defined as the number of premises in areas where the construction of the fibre network has been completed but service may not be available in all these areas as yet.

"We are on track to achieve €100 million[5] in operational cost savings, by quarter four of this financial year on an annualised basis, and to date we have delivered €68 million of those targeted cost savings.

"These achievements fundamentally transform the organisation and provide the necessary flexibility to deliver against our strategic objectives."

Trading Update[2]

Revenue for the quarter ended 30 September 2013, declined to €323 million, down €32 million or 9% on the corresponding prior year quarter. Operating costs[3,] excluding non-cash items, were €204 million for the quarter, down €31 million from the prior year quarter, a 13% improvement. EBITDA[1] was in line with expectations and showed a slight decrease of €1 million or 1% compared to the prior year quarter. The retail customer base, comprising fixed and mobile customers, stood at 1,953,000 at 30 September 2013 and includes 1,057,000 mobile customers. The total customer base including Wholesale customers is 2,384,000 at 30 September 2013.

In the fixed line segment, revenues (before intra company eliminations) for the quarter ended 30 September 2013, fell 10% compared to the corresponding prior year quarter, to €249 million, which was partially offset by operating cost savings, resulting in a 6% decline in fixed line EBITDA[1] to €111 million compared to the prior year quarter.

Fixed line access net losses were 4,000[6] for the quarter ended 30 September 2013 compared to 30 June 2013. Retail losses of 21,000 for the quarter ended 30 September 2013 were largely offset by an increase in Wholesale customers of 17,000. This compares to a net loss of 15,000 lines for the quarter ended 30 September 2012.

The total Group broadband customer base[7] stood at 677,000 at 30 September 2013, an increase of 8,000 in the quarter which was driven by the Wholesale business. Broadband lines in our Wholesale business have grown by 12,000 during the quarter and 28,000 compared to 30 September 2012, to a total of 230,000 lines at 30 September 2013. eircom Retail had 447,000 broadband customers at the end of September 2013, a 3% decrease on its retail broadband customer base at the end of September 2012 but broadly flat compared to 30 June 2013. At 30 September 2013, there were 44,000 customers availing of our new fibre based high speed broadband services.

In the mobile segment, the Group's customer numbers remained broadly flat, reducing slightly by 1,800 in the quarter to 1,057,000. However, there were 24,000 net additions in the higher value postpaid segment during the quarter, and compared to 30 September 2012 the postpaid base has grown by 86,000 (includes mobile broadband). Mobile revenues reduced by 5% for the quarter, compared to the quarter ended 30 September 2012 however, mobile EBITDA[1] has grown to €8 million, up €6 million on the prior year quarter.

ENDS

[5] Cost savings are based on annualised Q4 FY14 costs, excluding SAC and Phonewatch costs, compared to the financial year end June 30, 2012.
[6] Combined Retail and Wholesale access line losses.
[7] Combined Retail and Wholesale excluding LLU.

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For more information on today's announcement, please visit our Investor Relations site:
http://investorrelations.eircom.net/

29 November 2013

eircom Holdings (Ireland) Limited
Unaudited first quarter results to 30 September 2013

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Trading highlights for the first quarter ended 30 September 2013*

- Trading conditions remained challenging in the quarter with intense competition and a difficult macro-economic environment.
- Group revenue of €323 million was down 11% on the corresponding quarter ended 30 September 2012 (excluding Phonewatch Group revenue was down 9% on the prior year quarter).
- Group adjusted EBITDA[8] of €119 million was down €5 million or 4% on the quarter ended 30 September 2012 (excluding Phonewatch Group EBITDA was down 1% on the prior year quarter).
- Group operating costs[9] of €204 million were €35 million or 15% lower than the same period in the prior year, reflecting savings of €20m in pay and non-pay costs and a reduction of €15m in direct cost of sales related to lower interconnect costs and fixed and mobile termination rates (excluding Phonewatch Group operating costs were €31 million or 13 % down on the prior year quarter).
- Fixed line revenue, before intra-company eliminations of €249 million, was down 13% on the quarter ended 30 September 2012, reflecting reduced fixed line access volumes and also reduced voice traffic usage (excluding Phonewatch, fixed line revenue was €29 million or 10% down on the prior year quarter).
- Fixed line adjusted EBITDA of €111 million was down 9% on the quarter ended 30 September 2012; lower revenues were partially offset by savings in operating costs (excluding Phonewatch, fixed line EBITDA was €8 million or 6% down on the prior year quarter).
- Fixed line access net losses were 4,000[10] for the quarter ended 30 September 2013 compared to 30 June 2013. Retail losses of 21,000 for the quarter ended 30 September 2013 were largely offset by an increase in Wholesale customers of 17,000. This compares to a net loss of 15,000 lines for the quarter ended 30 September, 2012.
- The DSL customer base[11] stood at 677,000 at 30 September 2013, an increase of 8,000 in the quarter which was driven by the Wholesale business. There was no net movement on DSL during the quarter ended 30 September 2012. At 30 September 2013, there were 44,000 customers availing of our new fibre based high speed broadband services.
- Mobile revenue of €85 million was down 5% on the corresponding prior year quarter, as a result of lower ARPU and an increase in prepaid customer churn. This was partially offset by continued growth in the postpaid customer base, which grew by 24,000[12] during the quarter ended 30 September 2013, compared to 30 June 2013.
- Mobile EBITDA of €8 million was up €6 million compared to the corresponding quarter ended 30 September 2012, despite increased investments in subscriber acquisition costs ("SAC") to grow the postpaid base.
- We continued to see strong growth in mobile postpaid customers through increased activity in prepaid to postpaid migrations and our roll out of campaigns encouraging postpaid take up, specifically with offers on data usage. Postpaid handset customers for the quarter ended 30 September 2013 were 353,000, up 85,000 or 32% from 30 September 2012, while the prepay base declined by 99,000 or 13%.
- Total Full Time Equivalent (FTE) staff was 4,652 at 30 September 2013 which represented a reduction of 458 FTE[13] since 30 September 2012. Including the impact of the nine day fortnight, total FTE has reduced by 908 FTE since 30 September 2012.
- The Group continues to maintain strong liquidity with cash on hand of €324 million at 30 September 2013.

***Note:**

The results of eircom Phonewatch Limited, which was disposed of in May 2013, are included in the results for the quarter ended 30 September 2012. The results of Phonewatch for the quarter ended 30 September 2012 include revenue of €7 million, operating costs of €4 million and EBITDA of €3 million.

[8] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items.
[9] Operating costs include cost of sales, pay and non pay costs - excludes non cash pension charge and non cash lease fair value credits
[10] Combined Retail and Wholesale access line losses
[11] Combined Retail and Wholesale excluding LLU
[12] Includes handset and mobile broadband subscribers
[13] Includes impact of nine day fortnight working arrangement which ended in October 2012 and reduced the FTE by 450 at 30 September 2012.

eircom Holdings (Ireland) Limited

KPIs for the first quarter ended 30 September 2013

	As at and for Quarter ended 30 Sept 2012	As at and for Quarter ended 30 Sept 2013	Change 2012/2013[N1] %
Access Line Base ('000)			
Retail	979	896	(9%)
Wholesale	387	431	11%
Wholesale LLU	14	16	15%
Total	**1,380**	**1,343**	**(3%)**
Net Growth/(decline) for the quarter	***(15)***	***(4)***	
Retail Voice traffic (m minutes for the quarter)	732	622	(15%)
DSL Lines ('000)			
Retail	459	447	(3%)
Wholesale	202	230	14%
Total	**661**	**677**	**2%**
Net Growth/(decline) in quarter	**-**	***8***	
Mobile Customers ('000)			
Prepaid handsets	747	649	(13%)
Postpaid handsets	268	353	32%
Mobile Broadband	64	55	(14%)
Total	**1,079**	**1,057**	**(2%)**
Net Mobile additions/(losses) for the quarter			
Prepaid handsets	(16)	(24)	
Postpaid handsets	19	24	
Total Handsets	**3**	**-**	
MBB	-	(2)	
Total	**3**	**(2)**	
ARPU'S €			
Fixed Line			
Retail Voice & Line Rental	38.19	37.90	(1%)
Retail DSL Rental	16.27	16.10	(1%)
Blended Retail Fixed ARPU	45.76	45.87	0%
Mobile			
Prepaid ARPU	20.21	17.69	(12%)
Postpaid ARPU	44.79	39.44	(12%)
Closing Headcount FTE	**5,110**	**4,652**	**10%**

eircom Holdings (Ireland) Limited

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

	Quarter ended Sept 2012 €m	Quarter ended Sept 2013 €m
Operating profit	45	**36**
Exceptional items	(7)	**2**
Non-cash pension charges	4	**3**
Operating profit before non-cash pension charges and exceptional items	42	**41**
Depreciation	66	**64**
Amortisation	18	**16**
EBITDA before non-cash pension charges and exceptional items	126	**121**
Non-cash lease fair value credits	(2)	**(2)**
EBITDA before non-cash lease fair value credits, non-cash pension charges and exceptional items	124	**119**

EBITDA before non-cash lease fair value credits, non-cash pension charges and exceptional items is split as follows:		
Fixed line	122	**111**
Mobile	2	**8**
	124	**119**

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited
For the Quarter ended 30 September 2013

	Notes	30 Sept 2012	30 Sept 2013
		€m	€m
Revenue	3	363	**323**
Operating costs excluding amortisation, depreciation and exceptional items		(241)	**(205)**
Amortisation	3	(18)	**(16)**
Depreciation	3	(66)	**(64)**
Exceptional items	3, 4	7	**(2)**
Operating profit	3	45	**36**
Finance costs		(54)	**(56)**
Finance income		-	**-**
Finance costs – net	5	(54)	**(56)**
Loss before tax		(9)	**(20)**
Income tax credit	6	-	**2**
Loss for the period		(9)	**(18)**

Group statement of comprehensive income – unaudited
For the Quarter ended 30 September 2013

	30 Sept 2013
	€m
Loss for the financial period attributable to equity holders of the parent	**(18)**
Other comprehensive income/(expense):	
Items that will not be reclassified to profit or loss	
Defined benefit pension scheme actuarial gains:	
- Actuarial gain in period	**3**
- Tax on defined benefit pension scheme actuarial gains	**-**
	3
Items that may be reclassified subsequently to profit or loss	
Net changes in cash flow hedge reserve:	
- Fair value loss in period	**(3)**
- Tax on cash flow hedge movements	**1**
	(2)
Other comprehensive income, net of tax	**1**
Total comprehensive expense for the financial period	**(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 2013

	Notes	Restated 30 June 2013	30 Sept 2013
		€m	€m
Assets			
Non-current assets			
Goodwill		192	**192**
Other intangible assets		460	**459**
Property, plant and equipment		1,584	**1,579**
Derivative financial instruments		4	**2**
Deferred tax assets		3	**8**
Other assets		5	**5**
		2,248	**2,245**
Current assets			
Inventories		12	**17**
Trade and other receivables	7	226	**220**
Derivative financial instruments		1	**1**
Restricted cash		22	**22**
Cash and cash equivalents		324	**324**
		585	**584**
Total assets		2,833	**2,829**
Liabilities			
Non-current liabilities			
Borrowings	8	1,977	**1,996**
Trade and other payables		170	**164**
Retirement benefit liability	9	836	**844**
Provisions for other liabilities and charges	10	133	**129**
		3,116	**3,133**
Current liabilities			
Borrowings	8	9	**9**
Derivative financial instruments		1	**1**
Trade and other payables		448	**441**
Current tax liabilities		21	**24**
Provisions for other liabilities and charges	10	42	**42**
		521	**517**
Total liabilities		3,637	**3,650**
Equity			
Equity share capital		-	**-**
Cash flow hedging reserve		4	**2**
Retained loss		(808)	**(823)**
Total equity		(804)	**(821)**
Total liabilities and equity		2,833	**2,829**

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

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited
For the Quarter ended 30 September 2013

	Notes	30 Sept 2012	30 Sept 2013
		€m	€m
Cash flows from operating activities			
Cash generated from operations	11	83	**104**
Financial restructuring costs		(3)	**-**
Interest paid		(22)	**(17)**
Income tax paid		(1)	**-**
Net cash generated from operating activities		57	**87**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(54)	**(70)**
Purchase of intangible assets		(14)	**(13)**
Restricted cash		(76)	**-**
Net cash used in investing activities		(144)	**(83)**
Cash flows from financing activities			
Repayment of borrowings		(4)	**(4)**
Net cash used in financing activities		(4)	**(4)**
Net decrease in cash, cash equivalents and bank overdrafts		(91)	**-**
Cash, cash equivalents and bank overdrafts at beginning of period		348	**324**
Cash, cash equivalents and bank overdrafts at end of period		257	**324**

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 Quarter ended 30 September 2013

	Equity share capital €m	Share premium account €m	Cash flow hedging reserve €m	Retained loss €m	Total equity €m
Restated balance at 30 June 2012	**-**	**-**	**-**	**(558)**	**(558)**
Loss for the year	-	-	-	(118)	(118)
Defined benefit pension scheme actuarial losses	-	-	-	(151)	(151)
Tax on defined benefit pension scheme actuarial losses	-	-	-	19	19
Cash flow hedges:					
- Fair value gain in year	-	-	5	-	5
- Tax on cash flow hedge movements	-	-	(1)	-	(1)
Restated balance at 30 June 2013	**-**	**-**	**4**	**(808)**	**(804)**
Restated balance at 30 June 2013	**-**	**-**	**4**	**(808)**	**(804)**
Loss for the period	-	-	-	**(18)**	**(18)**
Defined benefit pension scheme actuarial gains	-	-	-	**3**	**3**
Tax on defined benefit pension scheme actuarial gains	-	-	-	-	-
Cash flow hedges:					
- Fair value loss in period	-	-	**(3)**	-	**(3)**
- Tax on cash flow hedge movements	-	-	**1**	-	**1**
Balance at 30 Sept 2013	**-**	**-**	**2**	**(823)**	**(821)**

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') 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 29 November 2013.

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 2013.

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 2013, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2013, with the exception that the group has mandatorily applied IAS 19 (Revised) Employee Benefits with certain comparative information restated. Further information and explanations in relation to the effects of the application of IAS 19 (Revised) are set out in Note 9. In addition, the group has not carried out an impairment review of the carrying value of goodwill and other non-current assets.

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 2013.

The statement of comprehensive income is not presented for the comparative period as no valuation of the group's pension liability under IAS 19 was performed at that date. Other than the actuarial gain/loss and related movement in deferred tax that would have been recorded if an updated pension valuation was performed as at 30 September 2012, there was no other comprehensive income or expense other than amounts included in the consolidated income statement in the quarter ended 30 September 2012.

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 quarter ended 30 September 2013 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Group €m
Revenue	**249**	**85**	**(11)**	**323**
Adjusted EBITDA *	111	8	-	**119**
Non-cash lease fair value credits	2	-	-	**2**
Non-cash pension charges	(3)	-	-	**(3)**
Amortisation	(11)	(5)	-	**(16)**
Depreciation	(59)	(5)	-	**(64)**
Exceptional items	(2)	-	-	**(2)**
Operating profit/(loss)	**38**	**(2)**	**-**	**36**

The segment results for the quarter ended 30 September 2012 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Group €m
Revenue	**285**	**91**	**(13)**	**363**
Adjusted EBITDA *	122	2	-	**124**
Non-cash lease fair value credits	2	-	-	**2**
Non-cash pension charges	(4)	-	-	**(4)**
Amortisation	(11)	(7)	-	**(18)**
Depreciation	(60)	(6)	-	**(66)**
Exceptional items	7	-	-	**7**
Operating profit/(loss)	**56**	**(11)**	**-**	**45**

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

eircom Holdings (Ireland) Limited

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

4. Exceptional items – credit/(charge)

	30 Sept 2012 €m	30 Sept 2013 €m
Restructuring programme costs	-	**(1)**
Gain on liquidation of subsidiary undertaking	6	**-**
Other exceptional items – credit/(charge)	1	**(1)**
	7	**(2)**

The group has adopted an income statement format which seeks to highlight significant items within group results for the period. The group believe that this presentation provides additional analysis as it highlights one-off items. Judgement is used by the group in assessing the particular items, which by virtue of their scale and nature are disclosed in the group income statement and related notes as exceptional items.

Restructuring programme costs
The group has included an exceptional charge of €1 million for restructuring programme costs in respect of staff exits in the quarter ended 30 September 2013. The exceptional charge reflects those staff who were committed to exiting the business at 30 September 2013.

No provision has been included in respect of future staff exits not committed at 30 September 2013 and further costs will be charged to the income statement in future periods (see Note 12).

Gain on liquidation of subsidiary undertaking
The €6 million exceptional gain included in the income statement in the period ended 30 September 2012 arises from the loss of control of Osprey Property Limited, a subsidiary company, to which a liquidator was appointed in July 2012. As a result of placing Osprey Property Limited in liquidation, the net liabilities of Osprey Property Limited of €6 million are no longer required to be consolidated in accordance with IAS 27. The group no longer controls this entity and this has reduced the group's consolidated net liabilities. The principal creditor of Osprey Property Limited is a former holding company of the eircom Limited group that is also in liquidation.

Other exceptional items – credit
The group has included an exceptional credit of €1 million in the period ended 30 September 2012 relating to a change in the group’s onerous contract provision as a result of a change in the group's estimate of the expected outflows under the relevant leases.

Other exceptional items – charge
In the period ended 30 September 2013, the group recognised an exceptional charge of €1 million arising from the impairment of a receivable from a former parent company of eircom Limited, the group’s main operating subsidiary.

eircom Holdings (Ireland) Limited

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

5. Finance costs – net

	30 Sept 2012 €m	30 Sept 2013 €m
Interest payable on bank loans and other debts	(22)	**(25)**
Payment-in-kind ("PIK") interest charge on borrowings	(6)	**(5)**
Interest amortisation on non-current borrowings	(19)	**(18)**
Net interest cost on net pension liability	(6)	**(7)**
Other	(1)	**(1)**
Finance costs	(54)	**(56)**
Finance income	-	**-**
Finance costs – net	(54)	**(56)**

6. Income tax credit

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

	30 Sept 2012 €m	30 Sept 2013 €m
Loss before tax	(9)	**(20)**
Tax calculated at Irish standard tax rate of 12.5%	(1)	**(2)**
Effects of:-		
Non deductible expenses (net)	1	**2**
Adjustment in respect of prior periods	-	**(2)**
Tax credit for the period	-	**(2)**

eircom Holdings (Ireland) Limited

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

7. Trade and other receivables

During the quarter ended 30 September 2013, the group recognised a provision for impaired receivables of €2 million (30 September 2012: €2 million), reversed provisions for impaired receivables of €Nil (30 September 2012: €Nil) and utilised provisions for impaired receivables of €Nil (30 September 2012: €Nil). 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 Sept 2013					
Bank borrowings (Facility B)	**-**	**-**	**2,010**	**-**	**2,010**
Unamortised fair value difference on borrowings	**-**	**-**	**(366)**	**-**	**(366)**
	-	**-**	**1,644**	**-**	**1,644**
9.25% Senior Secured Notes due 2020	**-**	**-**	**-**	**350**	**350**
Debt issue costs	**-**	**-**	**-**	**(12)**	**(12)**
	-	**-**	**-**	**338**	**338**
Joint venture borrowings	**9**	**9**	**5**	**-**	**23**
	9	**9**	**1,649**	**338**	**2,005**
As at 30 June 2013					
Bank borrowings (Facility B)	-	-	2,005	-	2,005
Unamortised fair value difference on borrowings	-	-	(384)	-	(384)
	-	-	1,621	-	1,621
9.25% Senior Secured Notes due 2020	-	-	-	350	350
Debt issue costs	-	-	-	(12)	(12)
	-	-	-	338	338
Joint venture borrowings	9	9	9	-	27
	9	9	1,630	338	1,986

At 30 September 2013, the group has Senior Bank borrowings of €2,010 million with a maturity date of 30 September 2017.

The borrowings under the Senior Facilities Agreement were recognised initially in accordance with IAS 39 at their fair value on the date of recognition, 11 June 2012, which was estimated to be 77% of the par value of the liability. The difference between the fair value on initial recognition and the amount that was payable on the maturity date is being amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 30 September 2013 was €366 million.

Interest accrued on borrowings at 30 September 2013 is €15 million (30 June 2013: €7 million). This is included in trade and other payables.

eircom Holdings (Ireland) Limited

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

9. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature.

Adoption of IAS 19 (Revised) Employee Benefits
On the adoption of the revised standard, capitalised future administration expenses relating to deferred and retired members were removed from the measurement of defined benefit plan obligations, as such expenses are now recognised as incurred. In addition, the amended standard requires a net interest approach, which requires the expected return on plan assets to be calculated using the same discount rate as the rate used to determine the present value of plan liabilities.

The main impacts for the group on transition to IAS 19 (Revised) are as follows:

- Restatement of the Retirement Benefit Obligation at 1 July 2012 and 30 June 2013, as capitalised future administration expenses relating to deferred and retired members are removed from the measurement of defined benefit plan obligations;
- An increase in the total costs of providing defined retirement benefits in the income statement, as the expected return on plan assets are now calculated using the same discount rate as the rate used to determine the present value of plan liabilities; and
- A reclassification of a portion of the costs within the income statement, from operating costs to finance costs.

The table below outlines the impact of the IAS19R restatement on selected lines of the balance sheet for the restated comparative periods:

	Published €m	IAS19R €m	Restated €m
As at 30 June 2013			
Assets			
Deferred tax assets	4	**(1)**	**3**
Liabilities			
Retirement benefit liability	848	**(12)**	**836**
Equity			
Retained loss	(819)	**11**	**(808)**
As at 30 June 2012			
Liabilities			
Deferred tax liability	27	**1**	**28**
Retirement benefit liability (eircom Limited)	646	**(11)**	**635**
Equity			
Retained loss	(568)	**10**	**(558)**

The impact on the income statement for the year ended 30 June 2013 is a charge of €3 million.

Pension scheme obligation
The status of the principal scheme at 30 September 2013 is as follows:

	Restated 30 June 2012 €m	Restated 30 June 2013 €m	30 Sept 2013 €m
Present value of funded obligations	3,469	**3,918**	**3,976**
Fair value of scheme assets	(2,834)	**(3,082)**	**(3,132)**
Liability recognised in the Balance Sheet	635	**836**	**844**

9. Pensions - continued

Assumptions of actuarial calculations
The main financial assumptions used in the valuations were:

	At 30 June 2012	At 30 June 2013	At 30 Sept 2013
Rate of increase in salaries	1.90%(1)	1.90%(2)	1.90%(2)
Rate of increase in pensions in payment	1.90%(1)	1.90%(2)	1.90%(2)
Discount rate	4.10%	3.60%	3.55%
Inflation assumption	2.00%	2.00%	2.00%
Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old male	88 years	88 years	88 years
Mortality assumptions – Pensions in payment – Implied life expectancy for 65 year old female	90 years	90 years	90 years
Mortality assumptions – Future retirements – Implied life expectancy for 65 year old male	91 years	91 years	91 years
Mortality assumptions – Future retirements – Implied life expectancy for 65 year old female	92 years	92 years	92 years

(1) The assumptions at 30 June 2012 reflected the agreed freeze on pensionable pay up to 31 December 2013, and the imposition of a cap on the increases in pensionable pay thereafter to the lower of CPI, salary inflation or agreed fixed annual rates.

(2) The assumptions at 30 June 2013 and 30 September 2013 reflect the agreed freeze on pensionable pay up to 31 December 2013, and the imposition of a cap on the increases in pensionable pay thereafter to the lower of CPI, salary inflation or agreed fixed annual rates as well as the group's expectation that the earliest possible date for pensionable pay increases will be 1 July 2014.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Other €m	Total €m
At 30 June 2013	**42**	**31**	**102**	**175**
Charged to consolidated income statement:				
- Additional provisions	-	-	2	2
Utilised in the financial period	(3)	(2)	(1)	(6)
At 30 Sept 2013	**39**	**29**	**103**	**171**

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

	30 June 2013 €m	30 Sept 2013 €m
Non-current	133	**129**
Current	42	**42**
	175	**171**

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

11. Cash generated from operations

	30 Sept 2012 €m	30 Sept 2013 €m
Loss after tax	(9)	**(18)**
Add back:		
Income tax credit	-	**(2)**
Finance costs – net	54	**56**
Operating profit	45	**36**
Adjustments for:		
- Depreciation and amortisation	84	**80**
- Non-cash lease fair value credits	(2)	**(2)**
- Non cash retirement benefit charges	4	**3**
- Restructuring programme costs	-	**1**
- Non cash exceptional items	(7)	**1**
- Other non cash movements in provisions	1	**-**
Cash flows relating to restructuring, onerous contracts and other provisions	(9)	**(12)**
Changes in working capital		
Inventories	1	**(5)**
Trade and other receivables	(9)	**5**
Trade and other payables	(27)	**(3)**
Inter-company payables to former group undertakings (net)	2	**-**
Cash generated from operations	83	**104**

12. Post Balance Sheet Events

The group announced in October 2012 an intention to reduce its workforce by 2,000 by the end of the financial year June 2014.

In October 2013, the group launched a targeted Incentivised Exit (IE) scheme, which is designed to facilitate certain employees to leave the organisation on a voluntary basis. The cost of the scheme, including amounts payable to participants in the scheme and any related pension curtailment cost determined in accordance with IAS 19 (Revised) will be included as an exceptional charge in the quarter ended 31 December 2013, which will directly impact on the income statement and cash flows for that period.

The group anticipates that approximately 1,100 employees will leave the group under this IE scheme and that the total expected cash outflow under the scheme, including agreed cash payments to the group pension fund, will be approximately €180 million.

13. Contingent liabilities

There have been no material changes in our contingent liabilities since the filing of the annual report and financial statements of EHIL for the year ended 30 June 2013.

14. Guarantees

There have been no material changes in our credit guarantees and in derivatives since the filing of the annual report and financial statements of EHIL for the year ended 30 June 2013.

15. Seasonality

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

15. Seasonality - continued

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 prepaid 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 €409 million at 30 September 2013 (30 June 2013: €416 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 €58 million at 30 September 2013 (30 June 2013: €49 million).

17. Related party transactions

There have been no material changes in our related party transactions since the filing of the annual report and financial statements of EHIL for the year ended 30 June 2013.

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Commentary on results of operations for the quarter ended 30 September 2013

The results of eircom Phonewatch Limited, which was disposed of in May 2013, are included in the results for the quarter ended 30 September 2012. The results of Phonewatch for the quarter ended 30 September 2012 include revenue of €7 million, operating costs of €4 million and EBITDA of €3 million.

Revenue

Group revenue of €323 million for the quarter was down 11% on the corresponding quarter ended 30 September 2012 (excluding Phonewatch, revenue was down 9% year on year).

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

	In the quarter ended		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013
	€m	€m	%
Fixed line services and other revenue	285	249	(13)
Mobile services revenue	91	85	(5)
Total segmental revenue	**376**	**334**	**(11)**
Intracompany eliminations	(13)	(11)	(15)
Total revenue	**363**	**323**	**(11)**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, decreased by 13% in the quarter ended 30 September 2013 compared to the corresponding quarter in the prior year (excluding Phonewatch, fixed line revenue was down 10% year on year). Revenues reduced across all categories, reflecting the impact of continuing economic and competitive pressures on our market.

Fixed line revenues for the quarter, analysed by major products and services, may be summarised as follows:

	In the quarter ended		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013
	€m	€m	%
Access Rental and Connections	129	124	(4)
Voice Traffic	66	56	(15)
Foreign Inpayments	5	2	(55)
Data Services	31	28	(12)
Other Products and Services	54	39	(27)
Total fixed line services and other revenue	**285**	**249**	**(13)**

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Access (rental and connections)

Access revenues decreased by 4% in the quarter compared with the corresponding quarter of the prior year. Lower Retail revenues were partially offset by strong growth in Wholesale revenues. The following table outlines rental, connection and other charges and the number of access lines in service and the percentage changes for the period:

	In the quarter ended		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013
	€m	€m	%
Total access revenue			
Retail PSTN/ISDN Rental and Connection	75	69	(9)
Wholesale PSTN/ISDN/LLU Rental and Connection	24	25	5
ADSL and bitstream rental and connection	30	30	-
Total access revenue	**129**	**124**	**(4)**
Access lines (in thousands at period end, except percentages)			
Retail Access lines	979	896	(9)
Wholesale Access Lines	387	431	11
Wholesale LLU	14	16	15
Total PSTN/ISDN/LLU	1,380	1,343	(3)
ADSL and Bitstream	661	677	2
Total Customer Lines	**2,041**	**2,020**	**(1)**

Retail Line rental and connection revenues decreased by 9% in the quarter ended 30 September 2013, compared with the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the slowdown in economic activity and the continuing migration of customers to other operators and to mobile. Retail access lines at 30 September 2013 were 896,000, a reduction of 9% on 30 September 2012.

In comparison to the corresponding quarter last year, Wholesale access lines have increased from 387,000 to 431,000 with Wholesale LLU increasing by 2,000 to 16,000 connections. On average, during the quarter ended 30 September 2013, the Wholesale business unit gained approximately 80% of the retail access losses. As a result, Wholesale rental and connection revenue was €25 million in the quarter ended 30 September 2013; an increase of 5% compared with the corresponding quarter ended 30 September 2012.

ADSL and Bitstream revenue for the quarter of €30m was in line with the corresponding quarter in the prior year. While customer volumes grew by 16,000, revenue was flat, primarily due to increased promotional discounts on broadband bundles leading to a better customer retention rate. At 30 September 2013, the number of ADSL and Bitstream lines stood at approximately 677,000, up 16,000 from approximately 661,000 at 30 September 2012.

We continue to address retail fixed line losses with a number of programmes, including rolling out fibre-based NGA fixed line services and offering bundled telecommunications services including TV. At the 30 September 2013, we were ahead of our NGA rollout schedule with approximately 600,000 premises passed and 44,000 customers were availing of high speed broadband services offering speeds of up to 70Mb/s. We launched a TV proposition in October 2013, enabling us to be the first operator to offer quad play bundles in Ireland.

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Traffic

Overall traffic revenue decreased by 15% in the quarter ended 30 September 2013 compared to the prior year.

The following table shows information relating to our total traffic revenue and volumes and the percentage change for the periods indicated:

	In the quarter ended		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013
	€m	€m	%
Revenue			
Retail Traffic	49	42	(14)
Wholesale Traffic	17	14	(19)
Total traffic revenue	**66**	**56**	**(15)**
Traffic (in millions of minutes, except percentages)			
Retail	732	622	(15)
Wholesale	1,106	1,077	(3)
Total traffic minutes	**1,838**	**1,699**	**(8)**

Retail voice traffic revenues fell by 14% for the quarter ended 30 September 2013, compared with the corresponding quarter ended 30 September 2012. This was primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market due to current economic conditions, and mobile substitution, as well as loss of market share.

Wholesale interconnect traffic revenues fell by 19% in the quarter ended 30 September 2013 compared to the corresponding quarter in the prior year driven mainly by reductions in traffic termination rates and lower traffic volumes.

Data communications

Revenue from data communications for the quarter ended 30 September 2013 decreased by 12% compared with the corresponding prior year quarter. The following table shows information relating to revenue from data communications products and services:

	In the quarter ended		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013
	€m	€m	
Data communications revenue			
Leased lines (including Partial Private Circuits)	16	14	(13)
Switched data	13	12	(12)
IP Services	2	2	1
Total data communications revenue	**31**	**28**	**(12)**

Leased Line revenues fell by 13% due to a further reduction in leased line volumes, as customers rationalised their networks, as well as migrating to alternative higher speed services. Revenue from Switched Data fell by 12%, while revenue from IP services was broadly flat compared to the quarter ended 30 September 2013.

Foreign Inpayments

Revenue from foreign terminating traffic fell by 55% during the quarter ended 30 September 2013, compared to the quarter ended 30 September 2012, which was mainly driven by continued volume decreases and the reduction in Irish fixed and mobile termination rates.

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

	In the quarter ended		Change[N1]
	30 Sep 2012 €m	30 Sep 2013 €m	2012/2013 %
Foreign Terminating traffic Revenue	**5**	**2**	**(55)**
Foreign Terminating traffic minutes m	**249**	**170**	**(32)**

Other products and services

Other products and services revenues include revenues from our operations in the UK, operator services, managed services, data centres, other revenues and our share of revenue from Tetra.

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

	In the quarter ended		Change[N1]
	30 Sep 2012 €m	30 Sep 2013 €m	2012/2013 %
Operator Services	6	5	(7)
Managed Services	9	7	(22)
Phonewatch	7	-	(100)
Tetra	5	5	(4)
UK	8	7	(7)
Datacentre	4	3	(24)
Other revenue	15	12	(19)
Other products and services revenue	**54**	**39**	**(27)**

Revenue from other products and services in the quarter ended 30 September 2013 decreased by 27% compared with the quarter ended 30 September 2012. Operator Services revenue fell by 7% as a result of reduced calls to our 11811 directory enquiries service. Managed Services revenue fell by 22% due to lower CPE sales and associated maintenance. Phonewatch was disposed of during May 2013, and Tetra revenue declined by 4%. UK/NI revenues were down 7% compared to the prior year due to one off revenue in quarter ended 30 September 2012 in relation to implementation of a large network contract in Northern Ireland. Datacentre revenue was 24% lower year on year due to certain one off revenues earned during the quarter ended 30 September 2012. Other revenue decreased by 19%.

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Mobile services revenue

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

	In the quarter ended		Change[N1]
	30 Sep 2012 €m	30 Sep 2013 €m	2012/2013 %
Prepaid	46	35	(23)
Postpaid	35	40	16
Mobile Broadband	3	3	(2)
Roaming	2	1	(27)
Other	5	6	9
Total mobile services revenue	**91**	**85**	**(5)**

	As at		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013 %
Total subscribers (thousands):			
Pre-paid handset customers (thousands)	747	649	(13)
Post-paid handset customers (thousands)	268	353	32
Mobile Broadband customers (thousands)	64	55	(14)
Total subscribers (thousands)	**1,079**	**1,057**	**(2)**

Mobile services revenue comprises prepaid and postpaid revenues including interconnect, mobile broadband and eircom Mobile. Other revenue is derived mainly from device sales and foreign roaming revenue.

Mobile revenue of €85 million for the quarter ended 30 September 2013 was down 5% on the corresponding quarter of the prior year, primarily due to a reduction in prepaid customer numbers of 13%, an increase in the proportion of traffic generated as part of bundled minutes within our own network, the impact of new low-cost post-paid plans, higher take-up of free minutes and texts add-ons in prepaid plans, as well as lower mobile termination and customer roaming rates. The impact of the mobile termination rate reduction on the quarter ended 30 September 2013, compared to the corresponding prior year quarter, was €7 million. Postpaid revenue grew by 16% due to a 32% increase in the postpaid handset base.

At 30 September 2013 there were 1,057,000 total mobile subscribers, a decrease of 22,000 compared with 30 September 2012. The reduction in prepay handset customers and mobile broadband has been partially offset by growth in higher quality postpaid customers. The proportion of postpaid customers (including mobile broadband) within our base has increased from 27% at 30 September 2012 to 36% at 30 September 2013, representing an increase of 85,000 net additional postpaid subscribers (excluding mobile broadband).

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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:

	In the quarter ended		Change[N1]
	30 Sep 2012	30 Sep 2013	2012/2013
	€m	€m	%
Cost of Sales			
Foreign Outpayments	3	3	(7)
Interconnect	40	24	(39)
Equipment Cost of Sales	16	20	27
Other including subsidiaries	20	17	(17)
Total Cost of Sales	**79**	**64**	**(19)**
Pay Costs			
Wages and salaries and other staff costs	81	73	(9)
Social welfare costs	4	3	(12)
Pension costs – defined contribution plans	1	1	(22)
Pension costs – defined benefit plans	5	5	-
Pay costs before non-cash pension charge/(credit) and capitalisation	**91**	**82**	**(9)**
Capitalised labour	(18)	(19)	(8)
Total pay costs before non-cash pension charge/(credit)	**73**	**63**	**(13)**
Non Pay costs			
Materials and Services	7	4	(38)
Other Network Costs	7	8	10
Accommodation	24	21	(15)
Sales and Marketing	18	19	4
Bad Debts	2	2	13
Transport and Travel	3	3	(5)
Customer Services	11	11	4
Insurance and Compensation	1	1	(17)
Professional and Regulatory Fees	4	2	(50)
IT Costs	6	5	(9)
Other Non-Pay costs	4	1	(75)
Total non-pay costs	**87**	**77**	**(12)**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**239**	**204**	**(15)**
Non Cash Pension Charge	4	3	(25)
Non-cash lease fair value credits	(2)	(2)	-
Operating costs before, amortisation, depreciation, and exceptional items	**241**	**205**	**(15)**

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 15%, compared with the corresponding quarter of the prior year. Year on year operating costs, excluding Phonewatch operating costs of €4 million for the quarter ended 30 September 2013, decreased by 13%.

Cost of Sales

Cost of sales were €15m lower in the quarter ended 30 September 2013 compared to the quarter ended 30 September 2012:

- Foreign outpayment costs were broadly in line with prior year
- Interconnect payments to other telecommunications operators were €16m lower due to falling interconnect traffic volumes and reductions in fixed and mobile termination and other interconnect rates.
- Equipment cost of sales were €4m higher mainly due to increased mobile handset subscriber acquisition and retention costs reflecting the continued increase in the postpaid customer base and an increase in modem costs driven by the take up of our high speed fibre broadband proposition.
- Other cost of sales were €3m lower in the quarter ended 30 September 2013 compared to the 30 September 2012, in line with lower revenues, particularly ICT Managed Services.

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Pay costs

Total staff pay costs, before non-cash pension charges, decreased by 13% in the quarter ended 30 September 2013 compared to the corresponding prior year quarter, mainly due to reduced headcount and also due to increased capitalised labour on strategic programmes such as the NGA Rollout.

FTE Headcount at 30 September 2013 was 4,652 FTE, representing a net reduction of 458 FTE compared to 30 September 2012.

Non-cash pension charge

The non-cash pension charge represents the difference between the amount of cash contributions paid and payable, on an accruals basis, in respect of the group's defined benefit scheme, and the current service cost recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 accounting charge is not aligned with the principles that the group applies in measuring its EBITDA, and the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to Operating profit.

Total non-pay costs

Year on year non-pay costs decreased by 12% in the quarter ended 30 September 2013 compared to the corresponding prior year quarter:

- Materials and services costs were €3 million lower year on year due to reduced activity and on-going cost reduction programmes.
- Other network costs were €1 million higher mainly due to higher regulatory frequency fees associated with mobile spectrum.
- Accommodation costs decreased by €3 million compared to the corresponding prior year quarter due to a non-recurring credit adjustment of €2 million in the quarter. The remaining €1 million saving is driven by lower rent, cleaning, security and building maintenance costs.
- Sales and Marketing increased by €1 million due to higher advertising costs associated with the launch of 4G and fibre services.
- Bad debt provisions, transport and travel costs, customer service costs, insurance and compensation costs were all broadly in line with the corresponding prior year quarter.
- Professional & regulatory fees in the quarter ended 30 September 2013, were €2 million lower than corresponding prior year quarter mainly due to lower consultancy costs.
- Other non-pay costs in the quarter were €3 million lower than the corresponding prior year quarter, driven by lower staff related and other miscellaneous costs.

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the quarter arises from the unfavourable lease provision recognised 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 estimated 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. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of Operating profit to EBITDA.

Amortisation

Amortisation charges for the quarter ended 30 September 2013 were €16 million, €2 million lower than the prior year, due to lower amortisation in the Mobile segment as a result of fully amortised assets.

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended 30 September 2013 were €64 million, €2 million lower than the prior year quarter, mainly due to assets reaching the end of their depreciable lives.

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Exceptional costs

Exceptional charges for the quarter ended 30 September 2013 amounted to €2 million, compared with a €7 million credit in the quarter ended 30 September 2012. Restructuring charges of €1 million were incurred in the quarter for staff who were committed to exiting the business at 30 September 2013. The exceptional charge in the quarter also includes €1 million for an impairment of a receivable from a former parent company of eircom Limited.

The exceptional credit of €7 million for the quarter ended 30 September 2012 includes an exceptional gain of €6 million arising from the loss of control of a subsidiary company, which went into liquidation, with the result of reducing the group's consolidated net liabilities, and a €1 million release from the onerous lease contracts provision as a result of a change in the group's estimate of the expected outflows under certain of the relevant leases.

Finance costs (net)

The group's net finance costs for quarter ended 30 September 2013 were €56 million, up €2 million on the charge for the corresponding prior year quarter, mainly due to the increase in the interest rate associated with the Senior Secured Notes issued in May 2013. This was partially offset by lower PIK and interest amortisation as a result of a €339 million debt repayment made in May 2013 in respect of the group's borrowings under the Senior Facilities Agreement, which was funded from the net proceeds of the Senior Secured Notes.

Taxation

The tax credit for quarter ended 30 September 2013 was €2 million, compared with no charge in the prior corresponding period. This was mainly due to a €2 million credit arising from prior periods.

Liquidity

Net cash generated from operating activities

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

During the quarter ended 30 September 2013, net cash generated from operating activities increased to €87 million from €57 million in the prior corresponding quarter. This is mainly due to lower working capital outflows in the current quarter compared to the prior year quarter. The lower interest payments in the current quarter are timing related as the €350 million 9.25% Senior Secured Notes are paid every six months, compared to the Senior Facilities borrowings current three months payment terms. The next interest payment due on the Senior Secured Notes is November 2013.

Cash flows from investing activities

Total cash used in investing activities was €83 million for the quarter ended 30 September 2013, down from €144 million in the prior year quarter.

We made payments in respect of capital expenditure of €83 million, up from €68 million in the prior year quarter, mainly due to increased investments in our fixed network, (NGA and IPTV), mobile network (3G/4G) and IT systems.

During the quarter ended 30 September 2012, a deposit of €76 million was paid in respect of the ComReg spectrum auction which took place in November 2012.

Cash flows from financing activities

During the quarter ended 30 September 2013, and 30 September 2012, the group made repayments of €4 million in respect of the group's share of Tetra borrowings.

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Forward looking statements

This document may contain certain forward-looking statements that reflect management's intentions, beliefs or current expectations. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without, limitation, those regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Group participates or is seeking to participate. The Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results, and is based on certain key assumptions. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. All forward-looking statements included in this document are based on information available to the Group as of the date hereof. The Group undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to the Group or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

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 this table.
2. Fixed ARPU Calculations:
   A. We define "Retail fixed voice ARPU"as the average of retail access rentals (PSTN and ISDN) and net core voice revenue divided by the average number of access subscribers in each month.
   B. We define "Retail broadband ARPU" as the average of total revenue from broadband services (net of broadband bundle discount) divided by the average number of retail broadband subscribers in each month.
   C. We define "Blended retail fixed ARPU" as the average of the total retail subscriber revenue divided by the average number of access 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. Subscriber revenue is equal to access retail rental revenue (PSTN and ISDN), net core voice revenue and net broadband revenue.
3. Mobile ARPU Calculations:
   A. We define "Prepaid ARPU" as the measure of the sum of the total prepaid mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepaid mobile subscribers in the period divided by the number of months in the period.
   B. We define "Postpaid 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.
   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 period and the total number of mobile subscribers at the end of the period.
