eircom Holdings (Ireland) Limited

Third quarter and nine months unaudited results
31 March 2014

THIRD QUARTER AND NINE MONTHS RESULTS ANNOUNCEMENT
31 MARCH 2014

- **Financial results continue to stabilise in the third quarter**
  - **Underlying Q3 EBITDA[1] of €119 million flat on prior year[2]**
  - **One-off network repair costs of €10 million due to unprecedented winter storms**
  - **Revenue decreases 5%[2] to €315 million**
  - **Operating costs[3] down by 2%[2], €100 million target achieved**
  - **Group broadband base grows 6%, fourth consecutive quarter of growth**
  - **Post-paid penetration of mobile base increases 8 percentage points to 39%**
- **Ireland's largest fibre network passes 800,000 premises[4]**
- **4G rollout reaches 50% population coverage ahead of schedule**
- **Only operator with quad play capability**
- **Working with advisors to explore options to further strengthen company's financial position**

(Issued Wednesday 28 May, 2014) eircom Group today announced results for the third quarter and nine months ended 31 March 2014.

Commenting on today's announcement, Herb Hribar, CEO eircom Group, said: "Our third quarter and nine month results highlight continued stabilisation in our underlying bottom line and progress on cost reduction. However, due to a series of unprecedented storms during January and February, we incurred €10 million in one-off costs to repair faults on our network that reduced our reported EBITDA during the quarter.

"Our significant programme of investment continued, and at the end of March 2014 the fibre footprint had passed 800,000[4] homes and businesses. We are on track to pass 1,000,000 premises during summer 2014 and 1,400,000 premises by 2016, which will provide 70% of all homes and businesses in Ireland access to high speed broadband. During the quarter, eircom became one of the first operators in Europe to deploy vectoring technology, which enables broadband speeds of up to 100Mb/s. We are starting to see the benefit of our investments with some 103,000 customers already taking up our high speed broadband services at the end of March, representing a 13% penetration of the 800,000 premises passed. Our 4G roll out is ahead of schedule and now covers 50% of the population in Ireland. Our investment in converged billing platforms enables us to be the only operator to offer a 'quad play' of services, including TV on a single bill.

Finally, the Irish macro economy continues to provide a positive backdrop for the business."

Commenting on the results, CFO Richard Moat said "The Group generated underlying EBITDA[1] of €119 million for the quarter to 31 March 2014, which is broadly in line with our expectations and the prior year, and demonstrates continued stabilisation in business performance. Reported EBITDA of €109 million included €10 million of network repair costs and as a result reduced by 8% compared to the same period in the prior year[2]. The Wholesale segment continues to perform strongly and year to date has gained an equivalent of 84% of Retail access losses. Mobile revenue is stabilising and the profitability of the mobile business continues to improve increasing by €4 million compared to the prior year quarter. The quality of the customer base also continues to improve and at the 31 March 2014 39% of our base comprised of postpaid customers (including mobile broadband), an increase from 31% in the prior year.

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[1] Underlying Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items **excluding €10 million of storm costs** booked in the quarter in relation to a series of unprecedented storms which caused significant damage to the fixed line network

[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 (includes storm costs of €10 million)

[4] Premises 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.

"Our programme of cost transformation continues. To date, 1,747 employees have exited the Group since 1 January 2013. A further 200 employees will leave the business by the end of December 2014. In addition to delivering cost savings, these exits deliver a flexible and streamlined organisation. We have also achieved €100 million[5] in operational cost savings on an annualised basis by the 31 March 2014, three months ahead of target.

During May 2014, we received an opinion of non-compliance from ComReg in relation to procedures regarding the termination of customer contracts. While we remain fully engaged with ComReg in relation to this matter and will vigorously defend our position, we have taken a prudent approach and during the quarter to March 31 2014 made a full exceptional provision of €7 million.

Finally, following the successful outcome of the Amend and Extend process, the maturity of a significant portion of our loan facility has been extended by two years from 2017 to 2019. Together with our advisors, we are now exploring a number of strategic options with a view to further strengthening the financial position of the company."

Trading Update[6]

Revenue for the quarter and nine months ended 31 March 2014, was €315 million and €972 million respectively, down 5% and 6% respectively, on the corresponding prior year periods. Operating costs[7], including €10 million of one-off network repair costs as a result of unprecedented storms, for the quarter and nine months ended 31 March 2014, were €206 million and €630 million respectively, down €6 million or 2% and €54 million or 8% on the corresponding prior year period.

Underlying EBITDA[8] for the quarter and nine months ended 31 March 2014 was €119 million and €352 million respectively, flat on the prior year quarter and down 1%, compared to the nine months ended 31 March 2013. Reported EBITDA, including €10 million of one-off network repair costs as a result of unprecedented storms, was €109 million and €342 million respectively, down 8% and 4% compared to the corresponding prior year periods. The Retail customer base, comprising fixed and mobile customers, stood at 1,931,000 at 31 March 2014. This includes 1,072,000 mobile customers. The total customer base including wholesale customers was 2,408,000 at 31 March 2014.

In the fixed line segment, revenues (before intra company eliminations) for the quarter ended and nine months ended 31 March 2014, were €243 million and €742 million, respectively, down 6% and 9%, respectively, compared to the corresponding prior year periods. The fixed line revenue decline was partially offset by operating cost savings. Fixed line underlying EBITDA[1] for the quarter and nine months ended 31 March 2014, was €109 million and €329 million, representing a decrease of 3% and 5% respectively, compared to the prior year periods. When adjusted for storm costs, fixed line EBITDA for the quarter ended and nine months ended 31 March 2014, was €99 million and €319 million, representing a decrease of 11% and 8% respectively compared to the prior year periods.

Fixed line access net losses, for the quarter ended and nine months ended 31 March 2014, were 5,000[9] and 10,000 respectively, compared to 15,000 and 40,000 for the same periods in the prior year. Retail losses of 19,000 and 58,000 for the quarter and nine months ended 31 March 2014, were largely offset by an increase in wholesale customers of 14,000 and 48,000 respectively.

The total Group broadband customer base[10] stood at 704,000 at 31 March 2014, an increase of 8,000 in the quarter and 41,000 in the twelve months to March 2014, which was primarily driven by the Wholesale business. The Retail broadband base grew by 1,000 in the quarter ended 31 March 2014 and broadband lines

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[5] Cost savings are based on annualised Q3 FY14 costs, **excluding storm costs**, cost of sales, SAC and Phonewatch costs, compared to the financial year end June 30, 2012.

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

[7] 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 (includes storm costs of €10 million)

[8] Underlying Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items excluding **€10 million of storm costs** booked in the quarter in relation to a series of unprecedented storms which caused significant damage to the fixed line network

[9] Combined Retail and Wholesale access line losses.

[10] Combined Retail and Wholesale excluding LLU and Line Share.

in the Wholesale business increased by 7,000 during the same period. Compared to the 31 March 2013, the Retail base declined by 3,000 and Wholesale grew by 44,000. At 31 March 2014, there were 103,000 Retail and Wholesale customers availing of fibre based high speed broadband services, representing a penetration of NGA premises passed of 13%.

In the mobile segment, the Group's customer numbers at the 31 March 2014 increased by 6,000 compared to 31 March 2013, to 1,072,000. There were 59,000 net additions in the higher value postpaid segment during the nine months ended 31 March 2014, and compared to 31 March 2013 the postpaid base has grown by 84,000 (includes mobile broadband). The number of postpaid customers now accounts for 39% of the overall base, an increase from 31% at the end of March 2013. The prepay customer base decreased by 19,000 to 657,000 compared to 31 December 2013; a strong Christmas performance was offset by 8,000 migrations from the prepay to the postpay base but challenges remain in relation to churn. Mobile revenues for the quarter ended and nine months ended 31 March 2014 were €83 million and €263 million respectively. Revenue for the quarter ended 31 March 2014 was flat compared to the same prior year period due to strong growth in the higher value postpay base partially offset by prepay churn and lower ARPU. Revenue for the nine months ended 31 March 2014 was down 1% compared to the nine months ended 31 March 2013. However, mobile EBITDA for the nine months ended 31 March 2014 increased to €23 million, up €14 million compared to the same prior year period.

ENDS

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

28 May 2014

eircom Holdings (Ireland) Limited

Unaudited third quarter and nine months results to 31 March 2014

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Trading highlights for the third quarter ended 31 March 2014*

- Trading conditions remained challenging in the quarter with intense competition and a difficult macro-economic environment.
- Group revenue of €315 million was down 7% on the corresponding quarter ended 31 March 2013; excluding Phonewatch Group revenue was down 5% on the prior year quarter.
- Group adjusted EBITDA[11] of €109 million was down €13 million or 11% on the quarter ended 31 March 2013; excluding Phonewatch Group EBITDA was down 8% on the prior year quarter. Adjusted EBITDA for the quarter includes €10 million of one-off network fault repair costs resulting from damage to the network caused by winter storms; excluding storm costs and Phonewatch EBITDA, the Group adjusted EBITDA was €119 million which was flat on the prior year quarter.
- Group operating costs[12] of €206 million were €11 million or 4% lower than the same period in the prior year, reflecting savings in pay and non-pay costs. Pay costs for the quarter ended to March 2014 include one-off costs of €10 million incurred to repair network faults as a result of a series of unprecedented storms. Cost of sales were broadly flat compared to the same period in the prior year. Excluding Phonewatch, Group operating costs were €6 million or 2% down on the prior year quarter.
- Fixed line revenue, before intra-company eliminations of €243 million, was down 9% compared to the quarter ended 31 March 2013, reflecting reduced fixed line access volumes and also reduced voice traffic usage; excluding Phonewatch, fixed line revenue was €16 million or 6% down on the prior year quarter.
- Fixed line adjusted EBITDA of €99 million was down 14% compared to the quarter ended 31 March 2013; lower revenues were partially offset by savings in operating costs. The underlying fixed line adjusted EBITDA (excluding storm costs of €10 million) was €109 million. Excluding Phonewatch, fixed line EBITDA was €14 million or 12% down on the prior year quarter.
- Fixed line access net losses were 5,000[13] for the quarter ended 31 March 2014. Retail losses of 19,000 for the quarter ended 31 March 2014 were partially offset by an increase in Wholesale customers of 14,000.
- The DSL customer base[14] stood at 704,000 at 31 March 2014, representing an increase of 8,000 in the quarter. The retail customer base increased by 1,000 and the Wholesale base increased by 7,000. This compares to a decrease of 2,000 in the group base in the corresponding quarter last year. At 31 March 2014, there were 103,000 customers availing of fibre based high speed broadband services, representing a penetration of NGA premises passed of 13%.
- Mobile revenue of €83 million was flat on the corresponding prior year quarter.
- Mobile EBITDA of €10 million was up €4 million compared to the corresponding quarter ended 31 March 2013, 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 31 March 2014 were 389,000, with growth of 13,000 in the quarter and 86,000 or 28% from 31 March 2013. The prepay handset base at the 31 March 2014 was 634,000, down 16,000 in the quarter and 69,000 from 31 March 2013. At the end of March 2014, approximately 39% of the mobile customer base (including Mobile Broadband) comprised of postpaid customers, up from 31% at the end of March 2013.
- Total Full Time Equivalent (FTE) staff was 3,697 at 31 March 2014 which represented a reduction of 1,232 FTE or (25%) since 31 March 2013.
- The Group continues to maintain strong liquidity with cash on hand of €200 million at 31 March 2014.

***Note:**

The results of eircom Phonewatch Limited, which was disposed of in May 2013, are included in the results for the quarter ended 31 March 2013. The results of Phonewatch for the quarter ended 31 March 2013 include revenue of €8 million, operating costs of €5 million and EBITDA of €3 million.

[11] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items.
[12] Operating costs include cost of sales, pay and non pay costs - excludes non cash pension charge and non cash lease fair value credits
[13] Combined Retail and Wholesale access line losses.
[14] Combined Retail and Wholesale excluding LLU.

eircom Holdings (Ireland) Limited

KPIs for the third quarter ended 31 March 2014 (unaudited)

	As at and for quarter ended 31 Mar 2013	As at and for quarter ended 31 Mar 2014	Better/ (Worse) % [N1]
Access Line Base ('000)			
Retail	940	859	(9%)
Wholesale	400	462	16%
Wholesale LLU	15	15	(0%)
Total	**1,355**	**1,336**	**(1%)**
Net Growth/(decline) in quarter	***(15)***	***(5)***	
Retail Voice traffic (m minutes in quarter)	696	586	(16%)
DSL Lines ('000)			
Retail	455	452	(1%)
Wholesale	208	252	21%
Total	**663**	**704**	**6%**
Net (Decline)/Growth in quarter	***(2)***	***8***	
Mobile Customers ('000)			
Prepaid handsets	703	634	(10%)
Postpaid handsets	303	389	28%
Mobile Broadband	60	49	(18%)
Total	**1,066**	**1,072**	**1%**
Net Mobile additions/(losses) in quarter			
Prepaid handsets	(32)	(16)	
Postpaid handsets	15	13	
Total Handsets	**(17)**	**(3)**	
MBB	(3)	(4)	
Total	**(20)**	**(7)**	
ARPU'S € [N2 & N3]			
Retail Voice & Line Rental	38.02	37.92	(0%)
Retail Broadband ARPU Rental	17.50	17.20	(2%)
WLR PSTN ARPU	18.27	16.72	(8%)
Bitstream ARPU	11.65	12.71	9%
Prepaid Handset ARPU	18.09	16.00	(12%)
Postpaid Handset ARPU	40.65	38.85	(4%)
Closing Headcount	**4,929**	**3,697**	**25%**

eircom Holdings (Ireland) Limited

Trading highlights for the nine months ended 31 March 2014*

- Group revenue of €972 million was down 8% on the corresponding nine months ended 31 March 2014; excluding Phonewatch Group revenue was down 6% on the corresponding nine months of the prior year.
- Group adjusted EBITDA[15] of €342 million was down €23 million or 6% compared to the nine months ended 31 March 2013; excluding Phonewatch Group EBITDA was down 4% on the corresponding nine months of the prior year. Adjusted EBITDA for the nine months ended 31 March 2014, includes €10 million of one-off network fault repair costs resulting from damage caused by winter storms; excluding storm costs and Phonewatch, Group adjusted EBITDA was €352 million which was 1% down on the same period in the prior year.
- Group operating costs[16] of €630 million were €67 million or 10% lower than the same period in the prior year, reflecting savings of €41 million in pay and non-pay costs and a reduction of €26 million in direct cost of sales related to lower interconnect costs and fixed and mobile termination rates. Excluding Phonewatch Group operating costs were €54 million or 8% lower than the corresponding nine months of the prior year. Pay costs for the nine months ended to March 2014 include one-off costs of €10 million incurred to repair network faults as a result of a series of unprecedented storms during January and February 2014.
- Fixed line revenue, before intra-company eliminations of €742 million, was down 11% compared to the nine months ended 31 March 2013, reflecting reduced fixed line access volumes and also reduced voice traffic usage; excluding Phonewatch, fixed line revenue was €70 million or 9% down on the prior year.
- Fixed line adjusted EBITDA of €319 million was down 10% compared to the nine months ended 31 March 2013; lower revenues were partially offset by savings in operating costs; excluding Phonewatch, fixed line EBITDA was €27 million or 8% down on the prior year. Fixed line adjusted EBITDA for the nine months ended 31 March 2014 includes a one-off charge of €10 million in relation to network repair as a result of a series of unprecedented storms during January and February 2014. Excluding storm costs of €10 million and Phonewatch, fixed line adjusted EBITDA was €329 million which was 5% down on the same period in the prior year.
- Fixed line access net losses were 10,000[17] for the nine months ended 31 March 2014 compared to 30 June 2013. Retail losses of 58,000 for the nine months ended 31 March 2014 were largely offset by an increase in Wholesale customers of 48,000. This compares to a net loss of 40,000 lines for the nine months ended 31 March 2013.
- The DSL customer base[18] stood at 704,000 at 31 March 2014, an increase of 36,000 in the nine months which was driven mainly by the Wholesale business. This compares to a net increase of 2,000 in the nine months to 31 March 2013. At 31 March 2014, there were 103,000 customers availing of fibre based high speed broadband services.
- Mobile revenue of €263 million was down 1% on the corresponding nine months in the prior year, as a result of lower ARPU and a reduction in the prepaid customer base. This was partially offset by continued growth in the postpaid customer base, which grew by 59,000[19] during the nine months ended 31 March 2014, compared to 30 June 2013.
- Mobile EBITDA of €23 million was up €14 million compared to the corresponding nine months ended 31 March 2013, despite increased investments in subscriber acquisition costs ("SAC") to grow the postpaid base.
- Total Mobile customers of 1,072,000 as of 31 March 2014 representing an increase of 6,000 since 31 March 2013. 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 3G and 4G data usage. Postpaid handset customers for the quarter ended 31 March 2014 were 389,000, up 59,000 and 86,000 from 30 June 2013 and 31 March 2013 respectively. The prepay handset base declined by 39,000 and 69,000 or from 30 June 2013 and 31 March 2013 respectively and the Mobile broadband base reduced by 8,000 and 11,000 from 30 June 2013 and 31 March 2013 respectively
- Total Full Time Equivalent (FTE) staff was 3,697 at 31 March 2014 which represented a reduction of 1,008 FTE in the last nine months and a reduction of 1,232 FTE in (25%) FTE since 31 March 2013.
- Capex cash outflow was €234 million in the nine month period to 31 March 2014 as we continue our Fibre NGA rollout with over 800,000 premises passed by 31 March 2014. Vectoring technology was deployed during the quarter which increased speeds on the network from 70 mb/s to 100 mb/s and at the end of March 2014 103,000

[15] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges and exceptional items.
[16] Operating costs include cost of sales, pay and non pay costs - excludes non cash pension charge and non cash lease fair value credits
[17] Combined Retail and Wholesale access line losses
[18] Combined Retail and Wholesale excluding LLU
[19] Includes handset and mobile broadband subscribers

customers were availing of high speed broadband services. We launched a TV proposition in October 2013, enabling us to be the first operator to offer quad play bundles in Ireland.

- The Group continues to maintain strong liquidity with cash on hand of €200 million at 31 March 2014.

***Note:**

The results of eircom Phonewatch Limited, which was disposed of in May 2013, are included in the results for the nine months ended 31 March 2013. The results of Phonewatch for the nine months ended 31 March 2013 include revenue of €23 million, operating costs of €13 million and EBITDA of €10 million.

eircom Holdings (Ireland) Limited

KPIs for the nine months ended 31 March 2014 (unaudited)

	As at and for nine months ended 31 Mar 2013	As at and for nine months ended 31 Mar 2014	Better/ (Worse) % [N1]
Access Line Base ('000)			
Retail	940	859	(9%)
Wholesale	400	462	16%
Wholesale LLU	15	15	(0%)
Total	**1,355**	**1,336**	**(1%)**
Net Growth/(decline) year to date	***(40)***	***(10)***	
Retail Voice traffic (m minutes year to date)	2,148	1,820	(15%)
DSL Lines ('000)			
Retail	455	452	(1%)
Wholesale	208	252	21%
Total	**663**	**704**	**6%**
Net Growth year to date	***2***	***36***	
Mobile Customers ('000)			
Prepaid handsets	703	634	(10%)
Postpaid handsets	303	389	28%
Mobile Broadband	60	49	(18%)
Total	**1,066**	**1,072**	**1%**
Net Mobile additions/(losses) year to date			
Prepaid handsets	(60)	(39)	
Postpaid handsets	55	59	
Total Handsets	**(5)**	**20**	
MBB	(4)	(8)	
Total	**(10)**	**13**	
ARPU'S € [N2 & N3]			
Retail Voice & Line Rental	38.04	37.80	(1%)
Retail Broadband ARPU Rental	16.57	16.44	(1%)
WLR PSTN ARPU	18.00	16.90	(6%)
Bitstream ARPU	11.83	12.16	3%
Prepaid Handset ARPU	19.45	17.27	(11%)
Postpaid Handset ARPU	43.13	40.53	(6%)
Closing Headcount	**4,929**	**3,697**	**25%**

eircom Holdings (Ireland) Limited

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

	Quarter ended March 2013 €m	Quarter ended March 2014 €m	Nine months ended March 2013 €m	Nine months ended March 2014 €m
Operating profit/(loss)	17	**12**	93	**(114)**
Profit on disposal of property, plant and equipment	-	**-**	-	**(3)**
Exceptional items	21	**8**	14	**203**
Non-cash pension charges	3	**4**	11	**11**
Operating profit before non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	41	**24**	118	**97**
Depreciation	66	**68**	200	**196**
Amortisation	16	**19**	53	**56**
EBITDA before non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	123	**111**	371	**349**
Non-cash lease fair value credits	(1)	**(2)**	(6)	**(7)**
EBITDA before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	122	**109**	365	**342**

EBITDA before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment is split as follows:				
Fixed line	116	**99**	356	**319**
Mobile	6	**10**	9	**23**
	122	**109**	365	**342**

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited
For the Quarter ended 31 March 2014

	31 March 2013	31 March 2014
	€m	€m
Revenue	339	**315**
Operating costs excluding amortisation, depreciation and exceptional items	(219)	**(208)**
Amortisation	(16)	**(19)**
Depreciation	(66)	**(68)**
Exceptional items	(21)	**(8)**
Operating profit	17	**12**
Finance costs	(52)	**(53)**
Finance income	-	**1**
Finance costs – net	(52)	**(52)**
Loss before tax	(35)	**(40)**
Income tax credit/(charge)	1	**(3)**
Loss for the period	(34)	**(43)**

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited
For the nine-month period ended 31 March 2014

	Notes	31 March 2013	31 March 2014
		€m	€m
Revenue	3	1,062	**972**
Operating costs excluding amortisation, depreciation and exceptional items		(702)	**(634)**
Amortisation	3	(53)	**(56)**
Depreciation	3	(200)	**(196)**
Exceptional items	3, 4	(14)	**(203)**
Profit on disposal of property, plant and equipment		-	**3**
Operating profit/(loss)	3	93	**(114)**
Finance costs		(160)	**(167)**
Finance income		1	**1**
Finance costs – net	5	(159)	**(166)**
Loss before tax		(66)	**(280)**
Income tax (charge)/credit	6	(1)	**22**
Loss for the period		(67)	**(258)**

Group statement of comprehensive income – unaudited
For the nine-month period ended 31 March 2014

	31 March 2014
	€m
Loss for the financial period attributable to equity holders of the parent	**(258)**
Other comprehensive income/(expense):	
Items that will not be reclassified to profit or loss	
Defined benefit pension scheme actuarial gains:	
- Actuarial gain in period	**279**
- Tax on defined benefit pension scheme actuarial gains	**(35)**
	244
Items that may be reclassified subsequently to profit or loss	
Net changes in cash flow hedge reserve:	
- Fair value loss in period	**(4)**
- Tax on cash flow hedge movements	**1**
	(3)
Other comprehensive income, net of tax	**241**
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 31 March 2014

	Notes	Restated 30 June 2013	31 March 2014
		€m	€m
Assets			
Non-current assets			
Goodwill		192	**192**
Other intangible assets		460	**446**
Property, plant and equipment		1,584	**1,566**
Derivative financial instruments		4	**-**
Deferred tax assets		3	**6**
Other assets		5	**3**
		2,248	**2,213**
Current assets			
Inventories		12	**16**
Trade and other receivables	7	226	**230**
Derivative financial instruments		1	**-**
Restricted cash		22	**14**
Cash and cash equivalents		324	**200**
		585	**460**
Total assets		2,833	**2,673**
Liabilities			
Non-current liabilities			
Borrowings	8	1,977	**2,041**
Trade and other payables		170	**159**
Deferred tax liabilities		-	**25**
Retirement benefit liability	9	836	**636**
Provisions for other liabilities and charges	10	133	**114**
		3,116	**2,975**
Current liabilities			
Borrowings	8	9	**9**
Derivative financial instruments		1	**-**
Trade and other payables		448	**431**
Current tax liabilities		21	**15**
Provisions for other liabilities and charges	10	42	**64**
		521	**519**
Total liabilities		3,637	**3,494**
Equity			
Equity share capital		-	**-**
Cash flow hedging reserve		4	**1**
Retained loss		(808)	**(822)**
Total equity		(804)	**(821)**
Total liabilities and equity		2,833	**2,673**

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 31 March 2014

	31 March 2013	31 March 2014
	€m	€m
Cash flows from operating activities		
Cash generated from operations	104	**35**
Financial restructuring costs	(1)	**-**
Interest received	-	**1**
Interest paid	(20)	**(16)**
Income tax refund	-	**4**
Net cash generated from operating activities	83	**24**
Cash flows from investing activities		
Disposal of associate undertaking	-	**1**
Purchase of property, plant and equipment (PPE)	(42)	**(55)**
Purchase of intangible assets	(22)	**(18)**
Restricted cash	1	**7**
Net cash used in investing activities	(63)	**(65)**
Cash flows from financing activities		
Repayment of borrowings	(4)	**(5)**
Net cash used in financing activities	(4)	**(5)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	16	**(46)**
Cash, cash equivalents and bank overdrafts at beginning of period	227	**246**
Cash, cash equivalents and bank overdrafts at end of period	243	**200**

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

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited
For the nine-month period ended 31 March 2014

	Notes	31 March 2013	31 March 2014
		€m	€m
Cash flows from operating activities			
Cash generated from operations	11	308	**168**
Financial restructuring costs		(6)	**-**
Interest received		1	**1**
Interest paid		(62)	**(66)**
Income tax refund		-	**4**
Income tax paid		(9)	**-**
Net cash generated from operating activities		232	**107**
Cash flows from investing activities			
Disposal of associate undertaking		-	**1**
Purchase of property, plant and equipment (PPE)		(135)	**(189)**
Purchase of intangible assets		(204)	**(45)**
Proceeds from sale of PPE		-	**3**
Restricted cash		10	**8**
Net cash used in investing activities		(329)	**(222)**
Cash flows from financing activities			
Repayment of borrowings		(8)	**(9)**
Net cash used in financing activities		(8)	**(9)**
Net decrease in cash, cash equivalents and bank overdrafts		(105)	**(124)**
Cash, cash equivalents and bank overdrafts at beginning of period		348	**324**
Cash, cash equivalents and bank overdrafts at end of period		243	**200**

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 nine-month period ended 31 March 2014

	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	-	-	-	**(258)**	**(258)**
Defined benefit pension scheme actuarial gains	-	-	-	**279**	**279**
Tax on defined benefit pension scheme actuarial gains	-	-	-	**(35)**	**(35)**
Cash flow hedges:					
- Fair value loss in period	-	-	**(4)**	-	**(4)**
- Tax on cash flow hedge movements	-	-	**1**	-	**1**
Balance at 31 March 2014	**-**	**-**	**1**	**(822)**	**(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' 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 28 May 2014.

2. Basis of preparation

This financial information has been prepared to make available certain unaudited condensed consolidated financial information to the holders of the group's Senior Secured Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 31 March 2014.

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

The financial information, as at and for the period ended 31 March 2014, 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.

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 nine-months period ended 31 March 2014 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Group €m
Revenue	**742**	**263**	**(33)**	**972**
Adjusted EBITDA *	319	23	-	**342**
Non-cash lease fair value credits	7	-	-	**7**
Non-cash pension charges	(11)	-	-	**(11)**
Amortisation	(34)	(22)	-	**(56)**
Depreciation	(182)	(14)	-	**(196)**
Exceptional items	(203)	-	-	**(203)**
Profit on disposal of PPE	3	-	-	**3**
Operating loss	**(101)**	**(13)**	**-**	**(114)**

The segment results for the nine-months period ended 31 March 2013 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Group €m
Revenue	**835**	**267**	**(40)**	**1,062**
Adjusted EBITDA *	356	9	-	**365**
Non-cash lease fair value credits	6	-	-	**6**
Non-cash pension charges	(11)	-	-	**(11)**
Amortisation	(32)	(21)	-	**(53)**
Depreciation	(183)	(17)	-	**(200)**
Exceptional items	(11)	(3)	-	**(14)**
Operating profit/(loss)	**125**	**(32)**	**-**	**93**

* Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment (PPE).

4. Exceptional items – credit/(charge)

	31 March 2013 €m	31 March 2014 €m
Restructuring programme costs	(24)	**(198)**
Gain on liquidation of subsidiary undertaking	6	**-**
Onerous lease contracts	4	**3**
Other exceptional items – charge	-	**(8)**
	(14)	**(203)**

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 €198 million for restructuring programme costs in respect of staff exits in the nine months to 31 March 2014. The exceptional charge relates to approximately 1,100 staff who had either exited the business, or were committed to exiting the business, at 31 March 2014. No provision has been included in respect of future staff exits not committed at 31 March 2014, and any further costs will be charged to the income statement in future periods.

The charge of €198 million includes an IAS 19 (Revised) defined benefit pension charge of €55 million arising as a result of the incentivised exit programme, comprising €35 million in past service costs and €20 million in curtailment charges. The group has agreed to make additional cash contributions of €38 million to the pension funds in the next 12 months in respect of these obligations.

Gain on liquidation of subsidiary undertaking
The €6 million exceptional gain included in the income statement in the period ended 31 March 2013 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.

Onerous lease contracts
In the period ended 31 March 2014, the group has released €3 million of excess provisions relating to the St. Stephen's Green onerous lease contracts as a result of an agreement with the landlord to surrender the leases. In the period ended 31 March 2013, the group released €4 million of 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 31 March 2014, the group recognised an exceptional charge of €7 million in respect of certain legal matters and €1 million for an impairment of a receivable from a former parent company of eircom Limited, the group's main operating subsidiary.

5. Finance costs – net

	31 March 2013 €m	31 March 2014 €m
Interest payable on bank loans and other debts	(61)	**(75)**
Payment-in-kind ("PIK") interest charge on borrowings	(18)	**(15)**
Interest amortisation on non-current borrowings	(58)	**(57)**
Net interest cost on net pension liability	(19)	**(19)**
Capitalised interest on property, plant and equipment	-	**2**
Other	(4)	**(3)**
Finance costs	(160)	**(167)**
Finance income	1	**1**
Finance costs – net	(159)	**(166)**

6. Income tax charge/ (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: -

	31 March 2013 €m	31 March 2014 €m
Loss before tax	(66)	**(280)**
Tax calculated at Irish standard tax rate of 12.5%	(8)	**(35)**
Effects of:-		
Non-deductible expenses (net)	8	**9**
Adjustments in respect of prior period	1	**4**
Tax charge/(credit) for the period	1	**(22)**

7. Trade and other receivables

During the period ended 31 March 2014, the group recognised a provision for impaired receivables of €7 million (31 March 2013: €7 million), reversed provisions for impaired receivables of €1 million (31 March 2013: €Nil) and utilised provisions for impaired receivables of €6 million (31 March 2013: €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 31 March 2014					
Bank borrowings (Facility B)	**-**	**-**	**2,020**	**-**	**2,020**
Unamortised fair value difference on borrowings	**-**	**-**	**(327)**	**-**	**(327)**
	-	**-**	**1,693**	**-**	**1,693**
9.25% Senior Secured Notes due 2020	**-**	**-**	**-**	**350**	**350**
Debt issue costs	**-**	**-**	**-**	**(11)**	**(11)**
	-	**-**	**-**	**339**	**339**
Joint venture borrowings	**9**	**9**	**-**	**-**	**18**
	9	**9**	**1,693**	**339**	**2,050**
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 31 March 2014, the group has Senior Bank borrowings of €2,020 million with a maturity date of 30 September 2017. On 4 April 2014, the group effected an amendment and extension of c.94.7% of the outstanding principal under its Facility B borrowings and €1,913 million of the principal was redesignated as Facility B2 borrowings with a maturity date of 30 September 2019. See Note 12 for further information.

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 31 March 2014 was €327 million.

Interest accrued on borrowings at 31 March 2014 is €16 million (30 June 2013: €7 million). This is included in trade and other payables.

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 pension schemes at 31 March 2014 is as follows:

	Restated 30 June 2012 €m	**Restated 30 June 2013 €m**	**31 March 2014 €m**
Present value of funded obligations	3,469	**3,918**	**4,007**
Fair value of scheme assets	(2,834)	**(3,082)**	**(3,371)**
Liability recognised in the Balance Sheet	635	**836**	**636**

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 31 March 2014
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%	3.30%
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 31 March 2014 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	Restructuring €m	Onerous Contracts €m	Other €m	Total €m
At 30 June 2013	**42**	**-**	**31**	**102**	**175**
Charged to consolidated income statement:					
- Additional provisions	-	17	1	15	33
- Unused amounts reversed	-	-	(4)	-	(4)
- Unwinding of discount	-	-	-	1	1
Utilised in the financial period	(9)	-	(15)	(3)	(27)
At 31 March 2014	**33**	**17**	**13**	**115**	**178**

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

	30 June 2013 €m	31 March 2014 €m
Non-current	133	**114**
Current	42	**64**
	175	**178**

11. Cash generated from operations

	31 March 2013 €m	31 March 2014 €m
Loss after tax	(67)	**(258)**
Add back:		
Income tax charge/(credit)	1	**(22)**
Finance costs – net	159	**166**
Operating profit/(loss)	93	**(114)**
Adjustments for:		
- Profit on disposal of property, plant and equipment	-	**(3)**
- Depreciation and amortisation	253	**252**
- Non-cash lease fair value credits	(6)	**(7)**
- Non cash retirement benefit charges	11	**11**
- Restructuring programme costs	24	**198**
- Non cash exceptional items	(10)	**5**
- Other non cash movements in provisions	2	**8**
Cash flows relating to restructuring, onerous contracts and other provisions	(53)	**(166)**
Changes in working capital		
Inventories	3	**(4)**
Trade and other receivables	3	**(4)**
Trade and other payables	(14)	**(8)**
Inter-company payables to former group undertakings (net)	2	**(0)**
Cash generated from operations	308	**168**

12. Post Balance Sheet Events

Non-Adjusting Post Balance Sheet Event: Amendment and Extension of Bank Borrowings

On 4 April 2014, subsequent to the balance sheet date of 31 March 2014, the group effected an amendment and extension of the terms of c94.7% of the outstanding principal under its Facility B bank borrowings. In accordance with the terms of the amendment, €1,913 million of principal was redesignated as Facility B2 borrowings, with a maturity date of 30 September 2019, which constituted an extension of the maturity date by two years. The amended Facility B2 borrowings are subject to cash-pay interest at Euribor plus 4.5% margin, and are not subject to PIK interest. The remaining unamended principal borrowings outstanding under Facility B of €107 million have been redesignated as Facility B1 borrowings with interest and repayment terms unchanged. The Facility B1 borrowings continue to be subject to cash-pay interest at Euribor plus a cash margin of 3% and PIK margin of 1%, with a maturity date of 30 September 2017. The borrowings under Facility B1 and B2 are currently subject to quarterly interest intervals, though the interest period may be varied to one, three or six months at the discretion of the group. The amendment to the terms of the debt has had no impact on the group's contracted interest rate swaps, which continue to represent effective hedges of interest cash flows on €1,200 million of the bank borrowings up to 11 June 2015.

The transaction will be accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. Transaction costs of €15 million will be charged to the income statement over the remaining term of the debt in accordance with the effective interest method.

There have been no other significant events affecting the group since the year ended 30 June 2013.

13. Contingent liabilities

On 7 May 2014, eircom received an opinion of non-compliance notice from the Commission for Communications Regulation (ComReg), the statutory regulatory authority for telecommunications in Ireland. The notification concerns conditions and procedures regarding the termination of customer contracts. Initial indications from ComReg outline a potential maximum fine of €7 million. ComReg has given eircom twenty-one days to respond to the notice, at which time ComReg will decide whether to initiate legal proceedings in the Irish High Court. We will remain fully engaged with ComReg on this matter and vigorously defend our position.

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.

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 €379 million at 31 March 2014 (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 €66 million at 31 March 2014 (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 31 March 2014

The results of eircom Phonewatch Limited, which was disposed of in May 2013, are included in the results for the quarter ended 31 March 2013. The results of Phonewatch for the quarter ended 31 March 2013 include revenue of €8 million, operating costs of €5 million and EBITDA of €3 million.

Revenue

Group revenue of €315 million for the quarter was down 7% on the corresponding quarter ended 31 March 2013 (excluding Phonewatch, revenue was down 5% 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]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Fixed line services and other revenue	268	243	(9)
Mobile services revenue	83	83	-
Total segmental revenue	**351**	**326**	**(7)**
Intracompany eliminations	(12)	(11)	(12)
Total revenue	**339**	**315**	**(7)**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, decreased by 9% in the quarter ended 31 March 2014 compared to the corresponding quarter in the prior year (excluding Phonewatch, fixed line revenue was down 6% year on year).

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

	In the quarter ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Access Rental and Connections	126	122	(3)
Voice Traffic	61	53	(14)
Data Services	29	27	(7)
Foreign Inpayments	1	2	9
Other Products and Services	51	39	(20)
Total fixed line services and other revenue	**268**	**243**	**(9)**

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Access (rental and connections)

Access revenues decreased by 3% in the quarter compared with the corresponding quarter of the prior year. Lower Retail access revenues were partially offset by growth in Wholesale revenues. DSL revenues for the quarter ended 31 March 2014 were flat compared to 31 March 2013; growth in Wholesale DSL driven by an increase in the number of customers fully offset the decline in retail which was driven by a 3,000 reduction in the retail broadband customer base and a reduction in ARPU due to increased promotional discounts on broadband bundles.
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]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Total access revenue			
Retail PSTN/ISDN Rental and Connection	71	65	(8)
Wholesale PSTN/ISDN/LLU Rental and Connection	24	26	6
ADSL and bitstream rental and connection	31	31	-
Total access revenue	**126**	**122**	**(3)**
Access lines (in thousands at period end, except percentages)			
Retail Access lines	940	859	(9)
Wholesale Access Lines	400	462	16
Wholesale LLU	15	15	-
Total PSTN/ISDN/LLU	1,355	1,336	(1)
ADSL and Bitstream	663	704	6
Total Customer Lines	**2,018**	**2,040**	**1**

Retail line rental and connection revenues decreased by 8% in the quarter ended 31 March 2014 , 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 31 March 2014 were 859,000, a reduction of 9% on 31 March 2013.

In comparison to the corresponding quarter last year, Wholesale access lines showed strong growth and increased from 400,000 to 462,000. Wholesale LLU was broadly in line with the corresponding quarter in the prior year. On average, during the quarter ended 31 March 2014, the Wholesale business unit gained approximately 75% of the retail access losses. As a result, Wholesale rental and connection revenue was €26 million in the quarter ended 31 March 2014; an increase of 6% compared with the corresponding quarter ended 31 March 2013.

ADSL and Bitstream revenue for the quarter of €31 million was broadly flat compared with the corresponding quarter in the prior year. Wholesale bitstream volumes at 252,000 were up 44,000 from 208,000 at 31 March 2014 and grew by 7,000 in the quarter. The Retail broadband customer base stood at 452,000 at 31 March 2014, which represented a reduction of 3,000 in the last 12 months but reflected an increase of 1,000 in the quarter ended 31 March 2014. The growth in the DSL base was achieved despite a challenging environment where provisioning of new Retail broadband installs was delayed as field engineers worked to repair storm damage to the network during quarter ended 31 March 2014.

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. During the quarter ended 31 March 2014, we launched further enhancements to the product portfolio including the introduction of higher speed products of up to 100Mb/s with the aid of a technology enhancing capability called Vectoring. At the 31 March 2014, the rollout of our high speed fibre network had passed over 800,000 premises and we had connected 103,000 retail and wholesale customers to high speed broadband services offering speeds of up to 100Mb/s. We launched a TV proposition in October 2013, enabling the first quad play offering in Ireland.

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Traffic

Overall traffic revenue decreased by 14% in the quarter ended 31 March 2014 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]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Revenue			
Retail Traffic	46	39	(17)
Wholesale Traffic	15	14	(3)
Total traffic revenue	**61**	**53**	**(14)**
Traffic (in millions of minutes, except percentages)			
Retail	696	586	(16)
Wholesale	1,091	1,099	1
Total traffic minutes	**1,787**	**1,685**	**(6)**

Retail voice traffic revenues decreased by 17% for the quarter ended 31 March 2014, compared with the corresponding quarter ended 31 March 2013. 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 decreased by 3% in the quarter ended 31 March 2014 compared to the corresponding quarter in the prior year driven mainly by reductions in traffic termination rates.

Data communications

Revenue from data communications for the quarter ended 31 March 2014 decreased by 7% 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]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	
Data communications revenue			
Leased lines (including Partial Private Circuits)	15	14	(11)
Switched data	12	11	(5)
IP Services	2	2	11
Total data communications revenue	**29**	**27**	**(7)**

Leased Line revenues decreased by 11% 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 reduced by 5%, while revenue from IP services was broadly flat compared to the quarter ended 31 March 2013.

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Foreign Inpayments

Revenue from foreign terminating traffic increased by 9% during the quarter ended 31 March 2014, compared to the quarter ended 31 March 2013, which was mainly driven by continued volume decreases and the reduction in Irish fixed and mobile termination rates offset by the release of a surplus Wholesale international provision.

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]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Foreign Terminating traffic Revenue	**1**	**2**	**9**
Foreign Terminating traffic minutes m	**178**	**157**	**(12)**

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]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Operator Services	5	5	(14)
Managed Services	6	8	41
Phonewatch	8	-	(100)
Tetra	5	5	2
UK/NI	8	8	(2)
Datacentre	3	3	-
Other revenue	16	10	(25)
Other products and services revenue	**51**	**39**	**(20)**

Revenue from other products and services in the quarter ended 31 March 2014 decreased by 20% compared with the quarter ended 31 March 2013. Excluding Phonewatch, which was sold in May 2013, year on year revenue decreased by 5%. Operator Services revenue decreased by 14% as a result of reduced calls to our 11811 directory enquiries service. Managed Services revenue increased by 41% due to higher equipment sales in the period. Tetra revenue was broadly flat and UK/NI revenues of €8 million and Datacentre revenues of €3 million were also in line with the corresponding period in the prior year. Other revenue decreased by 25% due to lower income from repayable works orders (RWO), eircomnet value added services, Card and Payphones, Mast Rental and eircom Business System income.

eircom Holdings (Ireland) Limited

Mobile services revenue

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

	In the quarter ended		Change[N1]
	31 Mar 2013 €m	31 Mar 2014 €m	2013/2014 %
Prepaid	39	31	(21)
Postpaid	36	45	23
Mobile Broadband	3	2	(6)
Roaming	1	1	5
Other	4	4	3
Total mobile services revenue	**83**	**83**	**-**

	As at		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014 %
Total subscribers (thousands):			
Pre-paid handset customers (thousands)	703	634	(10)
Post-paid handset customers (thousands)	303	389	28
Mobile Broadband customers (thousands)	60	49	(18)
Total subscribers (thousands)	**1,066**	**1,072**	**1**

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 €83 million for the quarter ended 31 March 2014 was in line with the corresponding quarter in the prior year. This is primarily due to a reduction in prepaid customer numbers of 10%, 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 reduction in prepay handset customers and mobile broadband was offset by growth in higher value postpaid customers. The proportion of postpaid customers (including mobile broadband) within our base has increased from 31% at 31 March 2013 to 39% at 31 March 2014, representing an increase of 84,000 net additional postpaid subscribers (including mobile broadband).

At 31 March 2014 there were 1,072,000 total mobile subscribers, an increase of 6,000 compared with 31 March 2013.

eircom Holdings (Ireland) Limited

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]
	31 Mar 2013 €m	31 Mar 2014 €m	2013/2014 %
Cost of Sales			
Foreign Outpayments	3	1	(61)
Interconnect	29	28	(2)
Equipment Cost of Sales	13	16	21
Other including subsidiaries	19	18	(5)
Total Cost of Sales	**64**	**63**	**(1)**
Pay Costs			
Wages and salaries and other staff costs	79	70	(12)
Social welfare costs	4	3	(18)
Pension costs – defined contribution plans	2	1	(33)
Pension costs – defined benefit plans	5	3	(47)
Pay costs before non-cash pension charge and capitalisation	**90**	**77**	**(14)**
Capitalised labour	(20)	(16)	(21)
Total pay costs before non-cash pension charge	**70**	**61**	**(13)**
Non Pay costs			
Materials and Services	6	7	3
Other Network Costs	7	8	8
Accommodation	23	24	3
Sales and Marketing	15	17	12
Bad Debts	2	1	(21)
Transport and Travel	4	4	(4)
Customer Services	10	12	27
Insurance and Compensation	1	1	(16)
Professional and Regulatory Fees	6	3	(51)
IT Costs	6	4	(17)
Other Non-Pay costs	3	1	(62)
Total non-pay costs	**83**	**82**	**-**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**217**	**206**	**(4)**
Non Cash Pension Charge	3	4	33
Non-cash lease fair value credits	(1)	(2)	**(100)**
Operating costs before, amortisation, depreciation, and exceptional items	**219**	**208**	**(4)**

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 4%, compared with the corresponding quarter of the prior year. Year on year operating costs, excluding Phonewatch operating costs of €5 million for the quarter ended 31 March 2013, decreased by 2%.

Cost of Sales

Cost of sales were €1 million lower in the quarter ended 31 March 2014 compared to the corresponding quarter in the prior year:

- Foreign outpayment costs were €2 million lower in the period mainly due to the release of surplus Wholesale International provisions of €1.3 million in the quarter ended 31 March 2014.
- Interconnect payments to other telecommunications operators were €1 million lower due to falling interconnect traffic volumes and reductions in fixed and mobile termination and other interconnect rates.
- Equipment cost of sales were €3 million higher mainly due to a combination of 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 €1 million lower in line with lower revenues, particularly UK/NI and Phonewatch.

eircom Holdings (Ireland) Limited

Pay costs

Total staff pay costs, before non-cash pension charges, decreased by 13% in the quarter ended 31 March 2014 compared to the corresponding prior year quarter, mainly due to reduced headcount.

Pay costs of €61 million for the quarter ended 31 March 2014 included €10 million in one-off storm repair costs. Excluding these one off costs, and adjusting for Phonewatch pay costs of €2 million in the prior year quarter, the net reduction in pay costs amounted to €17 million compared to the quarter ended 31 March 2013.

FTE Headcount at 31 March 2014 was 3,697 FTE, representing a net reduction of 1,232 FTE compared to 31 March 2013

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 were flat in the quarter ended 31 March 2014 compared to the corresponding prior year quarter:

- Materials and services costs were €1 million higher year on year mainly due to increased contractor costs for provisioning activities which fully absorbed any savings due to 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 increased by €1 million compared to the corresponding prior year quarter due to increased electricity costs which fully absorbed savings made in rent and cleaning costs.
- Sales and Marketing increased by €2 million primarily due to increased mobile indirect subscriber acquisition/retention costs, driving growth in postpay and prepay handset customers.
- Bad debt provisions, transport and travel costs, insurance and compensation costs were all broadly in line with the corresponding prior year quarter.
- Customer Service costs increased by €2 million compared to the corresponding prior year quarter mainly due to additional costs associated with back office support staff for NGA sales
- Professional & regulatory fees in the quarter ended 31 March 2014, were €3 million lower than corresponding prior year quarter driven by lower consultancy costs.
- IT costs were €2 million lower year on year due to savings on support and maintenance.
- Other non-pay costs in the quarter were €2 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 31 March 2014 were €19 million, €3 million higher than the prior year quarter, mainly due to higher amortisation of 4G LTE (Long Term Evolution) assets in the Mobile segment.

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended 31 March 2014 were €68 million, €2 million higher than the prior year quarter, due to higher depreciation in respect of 4G LTE hardware assets in the Mobile segment.

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Exceptional costs

Net exceptional charges of €8 million were incurred in the quarter ended 31 March 2014 and include additional restructuring costs of €4 million and other charges relating to certain legal matters of €7 million offset by an exceptional credit of €3 million due to the release of excess onerous contract provisions. The group has released excess provisions in the period as a result of an agreement with the landlord of the St. Stephen's Green properties to surrender the leases.

Finance costs (net)

The group's net finance costs for quarter ended 31 March 2014 of €52 million were in line with the corresponding prior year quarter. Higher interest costs on the Senior Secured Notes issued in May 2013 were offset by capitalised interest on property, plant and equipment and lower PIK interest in relation to the debt repayment on the Facility B borrowings in May 2013.

Taxation

The tax charge for the quarter ended 31 March 2014 was €3 million, compared with a €1 million credit in the prior corresponding period. The tax charge mainly relates to deferred tax and arises as a result of a prior year adjustment in relation to an unrealised capital gains tax on certain properties.

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 31 March 2014, net cash generated from operating activities was €24 million compared with €83 million in the prior corresponding quarter. The decrease was primarily due to higher voluntary leaving payments of €41 million in the quarter, compared to €15 million in the prior corresponding period, and a final one-off payment of €10 million in respect of the St. Stephen's Green onerous lease contracts. In addition, there were working capital outflows of €21 million in the quarter, mainly due to lower trade receivables received in the period as well as higher investment in inventory in relation to eVision TV boxes and NGA modems.

Cash flows from investing activities

Total cash used in investing activities was €65 million for the quarter ended 31 March 2014, up from €63 million in the prior year quarter, mainly due to higher capital expenditure in the quarter of €9 million offset by restricted cash refunds of €7 million. The increase in capital expenditure is mainly due to increased investments in our fixed network (NGA and IPTV), mobile network (3G/4G) and IT systems.

During the quarter, restricted cash deposits of €7 million were received by the group, €5 million refunded by ComReg in relation to the USO obligation (Universal Service Obligations) and €2 million refunded by various in relation to certain commercial contracts.

Cash flows from financing activities

During the quarter ended 31 March 2014, and 31 March 2013, the group made repayments of €5 million and €4 million respectively in relation to the group's share of Tetra borrowings.

eircom Holdings (Ireland) Limited

Commentary on results of operations for the nine months ended 31 March 2014

The results of eircom Phonewatch Limited, which was disposed of in May 2013, are included in the results for the nine months ended 31 March 2013. The results of Phonewatch for the nine months ended 31 March 2013 include revenue of €23 million, operating costs of €13 million and EBITDA of €10 million.

Revenue

Group revenue of €972 million for the nine months was down 8% on the corresponding nine months ended 31 March 2013 (excluding Phonewatch, revenue was down 6% year on year).

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

	In the nine months ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Fixed line services and other revenue	835	742	(11)
Mobile services revenue	267	263	(1)
Total segmental revenue	**1,102**	**1,005**	**(9)**
Intracompany eliminations	(40)	(33)	(16)
Total revenue	**1,062**	**972**	**(8)**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, decreased by 11% in the nine months ended 31 March 2014 compared to the corresponding period in the prior year (excluding Phonewatch, fixed line revenue was down 9% 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 nine months, analysed by major products and services, may be summarised as follows:

	In the nine months ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Access Rental and Connections	384	369	(4)
Voice Traffic	191	163	(15)
Data Services	91	80	(12)
Foreign Inpayments	11	7	(33)
Other Products and Services	158	123	(22)
Total fixed line services and other revenue	**835**	**742**	**(11)**

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Access (rental and connections)

Access revenues decreased by 4% in the period compared with the corresponding nine months 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 nine months ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Total access revenue			
Retail PSTN/ISDN Rental and Connection	221	201	(9)
Wholesale PSTN/ISDN/LLU Rental and Connection	73	77	6
ADSL and bitstream rental and connection	90	91	1
Total access revenue	**384**	**369**	**(4)**
Access lines (in thousands at period end, except percentages)			
Retail Access lines	940	859	(9)
Wholesale Access Lines	400	462	16
Wholesale LLU	15	15	-
Total PSTN/ISDN/LLU	1,355	1,336	(1)
ADSL and Bitstream	663	704	6
Total Customer Lines	**2,018**	**2,040**	**1**

Retail Line rental and connection revenues decreased by 9% in the nine months ended 31 March 2014, compared with the corresponding period in the prior year, 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 31 March 2014 were 859,000, a reduction of 9% on 31 March 2013.

In comparison to the corresponding nine months last year, Wholesale access lines have increased from 400,000 to 462,000 and Wholesale LLU is broadly in line with March 2013. On average, during the nine months ended 31 March 2014, the Wholesale business unit gained approximately 84% of the Retail access losses. As a result, Wholesale rental and connection revenue was €77 million in the nine months ended 31 March 2014; an increase of 6% compared with the corresponding nine months ended 31 March 2013.

ADSL and Bitstream revenue for the nine months ended 31 March 2014 of €91 million was 1% higher than the corresponding period in the prior year. While overall customer volumes grew by 41,000 or 6%, revenue growth was only 1%, primarily due to the change in the mix from higher value Retail to Wholesale and increased promotional discounts on broadband bundles leading to a better customer retention rate. At 31 March 2014, the number of Wholesale Bitstream lines was 252,000 up 34,000 in the last nine months and 44,000 higher than March 2013. Retail broadband lines at 452,000 were broadly flat in the first nine months and 3,000 lower than March 2013.

Traffic

Overall traffic revenue decreased by 15% in the nine months ended 31 March 2014 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 nine months ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Revenue			
Retail Traffic	143	120	(16)
Wholesale Traffic	48	43	(11)
Total traffic revenue	**191**	**163**	**(15)**
Traffic (in millions of minutes, except percentages)			
Retail	2,148	1,820	(15)
Wholesale	3,294	3,264	(1)
Total traffic minutes	**5,442**	**5,084**	**(7)**

Retail voice traffic revenues decreased by 16% in the nine months ended 31 March 2014, compared with the corresponding nine months ended 31 March 2013. 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 decreased by 11% in the nine months ended 31 March 2014 compared to the corresponding period in the prior year driven mainly by reductions in traffic termination rates and lower traffic volumes.

Data communications

Revenue from data communications for the nine months ended 31 March 2014 decreased by 12% compared with the corresponding period in the prior year. The following table shows information relating to revenue from data communications products and services:

	In the nine months ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	
Data communications revenue			
Leased lines (including Partial Private Circuits)	48	41	(15)
Switched data	38	34	(11)
IP Services	5	5	4
Total data communications revenue	**91**	**80**	**(12)**

Leased Line revenues decreased by 15% 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 reduced by 11%, while revenue from IP services was broadly flat compared to the nine months ended 31 March 2013.

Foreign Inpayments

Revenue from foreign terminating traffic decreased by 33% during the period, compared to the nine months ended 31 March 2013, 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 nine months ended		Change[N1]
	31 Mar 2013 €m	31 Mar 2014 €m	2013/2014 %
Foreign Terminating traffic Revenue	**11**	**7**	**(33)**
Foreign Terminating traffic minutes m	**625**	**498**	**(20)**

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 nine months ended		Change[N1]
	31 Mar 2013 €m	31 Mar 2014 €m	2013/2014 %
Operator Services	17	15	(13)
Managed Services	25	26	4
Phonewatch	23	-	(100)
Tetra	14	14	1
UK/NI	25	22	(10)
Datacentre	10	9	(9)
Other revenue	44	37	(16)
Other products and services revenue	**158**	**123**	**(22)**

Revenue from other products and services in the nine months ended 31 March 2014 decreased by 22% compared with the nine months ended 31 March 2013. Excluding Phonewatch, which was sold in May 2013, the year on year decrease was 9%. Operator Services revenue decreased by 13% as a result of reduced calls to our 11811 directory enquiries service. Managed Services revenue increased by 4% and Tetra revenue was broadly in line with the corresponding period in the prior year. UK/NI revenues were down 10% compared to the prior year due to one off revenue in the nine months ended 31 March 2013 in relation to the implementation of a large network contract in Northern Ireland. Datacentre revenue was 9% lower year on year due to certain one off revenues earned during the nine months ended 31 March 2013. Other revenue decreased by 16% due to lower income from Card and Payphones and eircom Business Systems .

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Mobile services revenue

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

	In the nine months ended		Change[N1]
	31 Mar 2013 €m	31 Mar 2014 €m	2013/2014 %
Prepaid	129	102	(21)
Postpaid	107	131	22
Mobile Broadband	8	8	(5)
Roaming	4	3	(10)
Other	19	19	1
Total mobile services revenue	**267**	**263**	**(1)**

	As at		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014 %
Total subscribers (thousands):			
Pre-paid handset customers (thousands)	703	634	(10)
Post-paid handset customers (thousands)	303	389	28
Mobile Broadband customers (thousands)	60	49	(18)
Total subscribers (thousands)	**1,066**	**1,072**	**1**

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 €263 million for the nine months ended 31 March 2014 was down 1% on the corresponding nine months of the prior year, primarily due to a reduction in prepaid customer numbers of 10%, 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 nine months ended 31 March 2014, compared to the corresponding period in the prior year, was €4.9 million. Postpaid revenue grew by 22% due to an increase in the postpaid handset base.

At 31 March 2014 there were 1,072,000 total mobile subscribers, an increase of 13,000 and 6,000 over the last nine months and twelve months respectively. Prepay handset customers have fallen by 39,000 over the last nine months and by 69,000 since 31 March 2013. The prepay base continues to be impacted by migration to postpay, 28,000 in the nine months to 31 March 2014 and 38,000 over the last 12 months. The reduction in prepay handset customers has been partially offset by growth in higher quality postpaid customers which are up 59,000 in the nine months to March 2013 and 86,000 since 31 March 2013. Mobile Broadband customers have fallen by 8,000 in the nine months to March 2014 and by 11,000 in the past twelve months. The quality of the mobile customer base continues to improve and at the end of March 2014 39% of the base (including mobile broadband) consisted of postpay customer, up from 31% at the end of March 2013.

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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 nine months ended		Change[N1]
	31 Mar 2013	31 Mar 2014	2013/2014
	€m	€m	%
Cost of Sales			
Foreign Outpayments	9	3	(65)
Interconnect	106	86	(19)
Equipment Cost of Sales	49	58	18
Other including subsidiaries	62	53	(15)
Total Cost of Sales	**226**	**200**	**(12)**
Pay Costs			
Wages and salaries and other staff costs	243	218	(10)
Social welfare costs	12	10	(16)
Pension costs – defined contribution plans	4	3	(27)
Pension costs – defined benefit plans	15	13	(15)
Pay costs before non-cash pension charge and capitalisation	**274**	**244**	**(11)**
Capitalised labour	(58)	(56)	(3)
Total pay costs before non-cash pension charge	**216**	**188**	**(13)**
Non Pay costs			
Materials and Services	19	15	(23)
Other Network Costs	22	24	10
Accommodation	73	68	(7)
Sales and Marketing	50	58	16
Bad Debts	6	6	-
Transport and Travel	11	10	(4)
Customer Services	30	34	13
Insurance and Compensation	3	2	(28)
Professional and Regulatory Fees	13	7	(47)
IT Costs	17	14	(15)
Other Non-Pay costs	11	4	(67)
Total non-pay costs	**255**	**242**	**(4)**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**697**	**630**	**(10)**
Non Cash Pension Charge	11	11	-
Non-cash lease fair value credits	(6)	(7)	17
Operating costs before, amortisation, depreciation, and exceptional items	**702**	**634**	**(10)**

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 10%, compared with the corresponding nine months of the prior year. Year on year operating costs, excluding Phonewatch operating costs of €13 million for the nine months ended 31 March 2013, decreased by 8%.

Cost of Sales

Cost of sales were €26 million lower in the nine months ended 31 March 2014 compared to the corresponding period in the prior year:

- Foreign outpayment costs were €6 million lower than the prior year mainly due to the release of surplus Wholesale international provisions of €4.5 million in the quarter ended 31 March 2014.
- Interconnect payments to other telecommunications operators were €20 million lower due to falling interconnect traffic volumes and reductions in fixed and mobile termination and other interconnect rates.
- Equipment cost of sales were €9 million higher due to a combination of 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.
- The €9 million year on year reduction in other cost of sales includes €6 million relating to Phonewatch, the remaining €3 million reduction is in line with lower revenues, particularly UK/NI, Managed Services and mobile top-up commissions.

Pay costs

Total staff pay costs, before non-cash pension charges, decreased by €28 million in the nine months ended 31 March 2014 compared to the corresponding period in the prior year, mainly due to reduced headcount.

Pay costs of €188 million for the nine months ended 31 March 2014 included €10 million in one-off storm repair costs. Excluding these one off costs, and adjusting for Phonewatch pay costs of €6 million in the prior year period, the net reduction in pay costs amounted to €32 million compared to the nine months ended 31 March 2013.

FTE Headcount at 31 March 2014 was 3,697 FTE, representing a net reduction of 25% compared to 31 March 2013.

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 4% in the nine months ended 31 March 2014 compared to the corresponding prior year period:

- Materials and services costs were €4 million lower year on year mainly due to a combination of release of prior year provisions of €2 million, reduced activity and on-going cost reduction programmes which partially absorbed an increase in contractor costs for backfill on provisioning activities.
- Other network costs were €2 million higher mainly due to higher regulatory frequency fees associated with mobile spectrum.
- Accommodation costs decreased by €5 million compared to the corresponding prior year quarter driven by lower rent, cleaning, security and building maintenance costs, which offset higher electricity costs.
- Sales and Marketing increased by €8 million primarily due to increased mobile indirect subscriber acquisition/retention costs, driven by strong postpay growth and higher SAC rate.
- Bad debt, Transport and travel and insurance and compensation costs were all broadly in line with the corresponding period in the prior year.
- Customer Services costs increased by €4 million year on year mainly due to increased customer care costs associated with the rollout of NGA.
- Professional & regulatory fees in the nine months ended 31 March 2014, were €6 million lower than corresponding period in the prior year driven by lower consultancy costs.
- IT costs were €3 million lower year on year due to savings on support and maintenance
- Other non-pay costs in the period were €7 million lower than the corresponding period in the prior year, driven by lower staff related and other miscellaneous cost savings.

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the period 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 nine-month period ended 31 March 2014 were €56 million, €3 million higher than the prior year period, mainly due to higher amortisation on new IT billing systems (Fixed line) and 4G LTE (Long Term Evolution) assets in the Mobile segment.

Depreciation and impairment of plant and equipment

The depreciation charges for the nine-month period ended 31 March 2014 were €196 million, €4 million lower than the prior year period, mainly due to assets reaching the end of their depreciable lives.

Exceptional costs

Exceptional charges for the nine-month period ended 31 March 2014 amounted to €203 million, compared with €14 million in the nine-month period ended 31 March 2013.

Restructuring charges of €198 million were incurred in the period for approximately 1,100 staff who had either exited the business, or were committed to exiting the business, at 31 March 2014. The charge of €198 million includes an IAS 19 (Revised) defined benefit pension charge of €55 million arising as a result of the incentivised exit programme, comprising €35 million in past service costs and €20 million in curtailment charges. The group has agreed to make additional cash contributions of €38 million to the pension funds in the next 12 months in respect of these obligations.

The group released €3 million of excess provisions in the period ended 31 March 2014 relating to the St. Stephen's Green onerous lease contracts as a result of the agreement with the landlord to surrender the leases.

The exceptional charge in the nine-month period also includes €7 million in respect of certain legal matters and €1 million for an impairment of a receivable from a former parent company of eircom Limited.

Exceptional items for the nine-month period ended 31 March 2013 includes €24 million for restructuring costs partially offset by an exceptional gain of €6 million arising from the loss of control of a subsidiary company, which has gone into liquidation, with the result of reducing the group's consolidated net liabilities. In addition, €4 million was released 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 the nine-month period ended 31 March 2014 were €166 million, up €7 million on the corresponding prior year period, mainly due to the increase in the interest rate associated with the Senior Secured Notes issued in May 2013. These were partially offset by lower PIK and interest amortisation as a result of the debt repayment on the Facility B borrowings in May 2013 and capitalised interest on property, plant and equipment.

Taxation

The tax credit for nine-month period ended 31 March 2014 was €22 million, compared with a €1 million charge in the prior corresponding period. The tax credit mainly arises from the group's restructuring programme costs charged in the period ended 31 March 2014.

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 nine-month period ended 31 March 2014, net cash generated from operating activities decreased to €107 million from €232 million in the prior corresponding period. The decrease was primarily due to higher voluntary leaving payments of €139 million in the period, compared to the prior period €26 million, and a final one-off payment of €10 million in respect of the St. Stephen's Green onerous lease contracts. In addition, higher working capital outflows of €10 million and higher interest payments of €4 million due to the higher interest rate on the 9.25% Senior Secured Notes were offset by lower tax payments of €13 million as a result of the restructuring programme costs recognised in the period.

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Cash flows from investing activities

Total cash used in investing activities was €222 million for the nine-month period ended 31 March 2014, down from €329 million in the prior year period. The decrease is mainly due to the prior year acquisition of spectrum licences in November 2012 amounting to €145 million.

We made payments in respect of capital expenditure of €234 million, down from €339 million in the prior year period. The decrease in the period is mainly due to spectrum licence payments in the prior year. Excluding licence payments, capital expenditure has increased in the period, mainly due to increased investments in our fixed network (NGA and IPTV), mobile network (3G/4G) and IT systems.

During the nine-month period ended 31 March 2014, restricted cash deposits of €8 million were received by the group, €6 million refunded by ComReg in relation to the USO obligation (Universal Service Obligations) and 3G performance bond and €2 million refunded by various in relation to certain commercial contracts.

Cash flows from financing activities

During the nine-month period ended 31 March 2014, and 31 March 2013, the group made repayments of €9 million and €8 million respectively in relation to the group's share of Tetra borrowings.

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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 this table.
2. Fixed ARPU Calculations:
   A. We define "Retail voice & line rental ARPU" as the average of Retail access rentals (PSTN and ISDN recurring revenue) and net core voice revenue divided by the average number of access subscribers in each month.
   B. We define "Retail broadband ARPU Rental" as the average of total broadband rental revenue ("recurring 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 "WLR PSTN ARPU" as the average of Wholesale PSTN line rental revenue (net of WLR discount) divided by the average number of PSTN access subscribers in each month.
   E. We define "Bitstream ARPU" as the average of bitstream rental revenue (recurring revenue) divided by the average number of Wholesale bitstream subscribers in each month.
   F. 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.
   G. Retail 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 Handset 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 handset subscribers in the period divided by the number of months in the period.
   B. We define "Postpaid Handset 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 handset 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.