eircom Holdings (Ireland) Limited

Third quarter and nine months unaudited results
31 March 2015

THIRD QUARTER AND NINE MONTHS RESULTS ANNOUNCEMENT TO March 2015

Financial performance in line with expectations with continued growth in broadband, mobile, TV and bundles

- **Q3 Financial performance**
  - **Revenue of €311m, down 1% year on year; rate of revenue decline continues to improve**
  - **Operating costs[1] down 6%; pay costs reduction of 17%**
  - **EBITDA[2] of €120m, up 8% year on year (prior year impacted by storm costs)**
- **Sustained momentum in Group KPIs**
  - **Continued broadband growth**
    - **766,000 total broadband connections, up 9% year on year**
    - **18,000 broadband connections in the quarter**
    - **Strong high speed fibre uptake in the quarter - up 40,000 to 242,000**
    - **Fibre footprint of 1,200,000 premises now reaches more than 50% of country**
  - **Continued traction in TV service**
    - **37,000 TV customers, representing 26% penetration of consumer fibre base**
  - **Strong mobile performance**
    - **9,000 postpaid growth in the quarter, 55,000 in the year**
    - **Over 250,000 4G customers**
  - **Triple and quad-play bundle penetration increased**
    - **22% of customers now have TV/mobile bundles**
    - **1.85 Revenue generating units per customer**
- **Business highlights**
  - **CFO and CIO Appointed**
  - **Amend and Extend Process Underway**
  - **Credit rating upgrade by Fitch**

[1] 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

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

(Issued Monday 18 May, 2015) eircom Group today announced results for the third quarter and nine months ended 31 March 2015.

Commenting on today's announcement, Richard Moat, CEO eircom Group, said: "The financial performance of the group in the third quarter is highly encouraging – the business is nearing an inflection point with fixed line revenues flattening year on year and mobile performance strengthening. EBITDA for the first nine months of the year was €346 million which is in line with management expectations. With revenues stabilising and continued focus on cost control, the group is firmly on track to achieve its financial targets for the year.

"Leveraging our unique quad play capability, we continue to offer customers the most compelling bundles in the market at competitive prices. We now have 22% of our consumer base on TV/mobile bundles. The rollout of our NGA network continues at pace. Our network has now passed 1.2 million homes and businesses, representing more than 50% of all premises in Ireland.

The rollout of fibre to the home (FTTH) technology that will deliver the fastest broadband in the country with speeds of up to 1Gb per second is also underway and will be available commercially from the end of the summer. Our multi-year network investment programme and ensuing fibre footprint provide the foundations to sustain our position as the leading Irish telecommunications provider in the digital economy.

"Last month, Fitch Ratings upgraded the Issuer Default Rating of the group from B- to B with a stable outlook. The upgrade was based on the agency's opinion that the group has 'delivered on plans to transform the company's business profile'. The rating assessment supported our network investment strategy as a driver to delivering a better customer experience.

"I am also delighted to announce the appointment of Huib Costermans as Chief Financial Officer and Erik Slooten as Chief Information Officer. Both bring a wealth of industry experience and will take up their roles in August.

"Finally, due to favourable capital market conditions and the strong operating performance of the business, we recently launched a process to amend and extend the terms of eircom's senior loan facilities. The main objectives of the process are to extend the maturity of the debt and to amend certain conditions to allow greater strategic and operational flexibility, whilst also aligning loan documentation to current market standards."

Trading Update

Revenues for the quarter and nine months ended 31 March 2015 of €311 million and €940 million respectively, have reduced by 1% and 3%, on the corresponding prior year periods. Operating costs[3], excluding non-cash items for the quarter and nine months ended 31 March 2015, were €191 million and €594 million respectively, a reduction of €12 million or 6% and €30 million or 5% on the corresponding prior year periods. EBITDA[4] for the quarter ended 31 March 2015 was €120 million, an increase of 8%, and €346 million for the nine months ended 31 March 2015 reduced by 1%.

In the fixed line segment, revenues (before intra company eliminations) for the quarter ended and nine months ended 31 March 2015, were €235 million and €710 million, a decrease of 3% and 4% respectively, compared to the corresponding prior year periods. The fixed line revenue decline was partially offset by operating cost savings. Fixed line EBITDA for the quarter and nine months ended 31 March 2015 of €101 million and €310 million decreased by €1 million or 2% in the quarter compared to the prior year period and decreased by 5% in the nine months ended 31 March 2015 compared to the prior year period.

Fixed line access net losses for the quarter ended and nine months ended 31 March 2015 were 22,000[5] and 44,000 respectively. Retail losses were 21,000 and 51,000 for the quarter and nine months ended 31 March 2015.

The total Group broadband customer base[6] was 766,000 at 31 March 2015, growing by 18,000 in the quarter and 49,000 in the nine months to the end of March. The Retail broadband base was 456,000 at the end of March 2015, declining by 4,000 in the quarter and remaining broadly flat since 31 June 2014 as a result of price changes announced during the quarter. Broadband lines in our Wholesale business have grown by 22,000 during the quarter and 58,000 compared to 31 March 2014, to a total of 310,000 lines at 31 March 2015. At 31 March 2015, there were 242,000 customers using our fibre based high speed broadband services, representing over 21% penetration of premises passed.

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

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

[5] Combined Retail and Wholesale access line losses

[6] Combined Retail and Wholesale excluding LLU

In the mobile segment, Mobile EBITDA for the quarter and nine months ended 31 March 2015 has grown to €19 million and €36 million respectively, an increase of 116% and 59% respectively. Mobile revenue was €87 million for the quarter, 5% higher compared to the same prior year period and EBITDA margin was 22%, the highest it has been in four and half years. Revenue for the nine months ended 31 March 2015 of €265 million was €2 million higher compared to the nine months ended 31 March 2014.

In terms of Mobile KPI's, the Group added 13,000 customers in the last twelve months and 30,000 since June 2014 to the mobile base, which stood at 1,085,000 customers. There were 42,000 net additions in the higher value postpaid segment during the nine months ended 31 March 2015 (inclusive of postpaid mobile broadband), and postpaid customers accounted for 43% of the overall base, up from 39% at the end of March 2014. The prepaid customer base decreased by 12,000 to 601,000 in the quarter, following the seasonal increase in the prepaid base in the second quarter.

ENDS

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

18 May 2015

eircom Holdings (Ireland) Limited

Unaudited third quarter and nine months results to 31 March 2015

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Trading highlights for the third quarter ended 31 March 2015*

- Group revenue of €311 million decreased by 1% compared to the quarter ended 31 March 2014.
- Group adjusted EBITDA[7] of €120 million increased by 8% compared to the corresponding prior year period but was in line with expectations.
- Group operating costs[8] of €191 million, were 6% lower than the same period in the prior year, reflecting lower pay and non-pay costs.
- Fixed line revenue, before intra-company eliminations, of €235 million reduced by 3% compared to the quarter ended 31 March 2014, reflecting a reduction in fixed line access volumes and voice traffic usage.
- Fixed line adjusted EBITDA of €101 million, decreased by €1 million or 2% with the prior year quarter ended 31 March 2014, lower revenues were partially offset by savings in operating costs.
- Fixed line access net losses were 22,000[9] for the quarter ended 31 March 2015. Retail losses of 21,000 for the quarter ended 31 March 2015 included the impact of price changes which were introduced in January. Wholesale access lines also declined by 1,000 during the quarter as the results of a wholesale customer migrating end users from traditional access lines to standalone broadband.
- The broadband customer base[10] was 766,000 at 31 March 2015, an increase of 18,000 in the quarter. The Retail customer base decreased by 4,000 as a result of the introduction of price changes and this was offset by an increase in the Wholesale base of 22,000. At 31 March 2015, there were 242,000 customers availing of our new fibre based high speed broadband services.
- Mobile revenue of €87 million increased 5% on the corresponding prior year quarter.
- Mobile EBITDA of €19 million increased by €9 million compared to the quarter ended 31 March 2014, driven by revenue growth and savings in operating costs.
- We continued to see strong growth in mobile postpaid customers, driven by sustained 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 2015 were 437,000, with growth of 7,000 in the quarter and 48,000 or 12% from 31 March 2014. The prepaid handset base at the 31 March 2015 was 601,000, a decrease of 12,000 in the quarter and a decrease of 33,000 compared with 31 March 2014. The decrease in the prepaid base in the quarter is a result of reduced promotional activity compared to the seasonal increase in the quarter ended 31 December 2014.
- Total Full Time Equivalent (FTE) staff was 3,430 at 31 March 2015 which represented a reduction of 28 FTE in the quarter and 267 FTE or 7% since 31 March 2014.
- The Group continues to maintain strong liquidity with cash on hand of €157 million at 31 March 2015.

*FY 15 figures presented above include amounts relating to the Groups 56% share in Tetra Ireland Communication Limited ("Tetra"). Following the adoption of IFRS 11, Joint Arrangements, Tetra is now reported in the financial statements under the equity method as opposed to proportionate consolidation. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA.

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

eircom Holdings (Ireland) Limited

KPIs for the third quarter ended 31 March 2015 (unaudited)

	As at and for quarter ended 31 March 2014	As at and for quarter ended 31 March 2015	Better/ (Worse) % N1
Access Line Base ('000)			
Retail	859	793	(8%)
Wholesale	462	478	4%
Wholesale LLU	15	13	(15%)
Total	**1,336**	**1,284**	**(4%)**
Net (decline) in quarter	***(5)***	***(22)***	
Retail Voice traffic (m minutes in quarter)	586	492	(16%)
Broadband Lines ('000)			
Retail	452	456	1%
Wholesale	252	310	23%
Total	**704**	**766**	**9%**
Net Growth in quarter	***8***	***18***	
Mobile Customers ('000)			
Prepay handsets	634	601	(5%)
Postpay handsets	389	437	12%
Mobile Broadband	49	47	(4%)
Total	**1,072**	**1,085**	**1%**
Net Mobile additions/(losses) in quarter ('000)			
Prepaid handsets	(16)	(12)	
Postpaid handsets	13	7	
Total Handsets	**(3)**	**(5)**	
MBB	(4)	-	
Total	**(7)**	**(5)**	
ARPU'S € N2 & N3			
Retail Voice & Line Rental	36.5	34.6	(5%)
Retail Broadband ARPU Rental	15.6	15.0	(4%)
WLR PSTN ARPU	16.7	18.1	8%
Bitstream ARPU	12.7	12.9	1%
Prepaid Handset ARPU	16.0	15.6	(3%)
Postpaid Handset ARPU	38.8	39.5	2%
Closing Headcount	**3,697**	**3,430**	**7%**

eircom Holdings (Ireland) Limited

Trading highlights for the nine months ended 31 March 2015*

- Group revenue of €940 million reduced by 3% compared to the nine months ended 31 March 2014.
- Group adjusted EBITDA[11] of €346 million reduced by €2 million or 1% compared to the nine months ended 31 March 2014.
- Group operating costs[12] of €594 million were €30 million or 5% lower than the corresponding prior year period. Savings of €35 million in pay and non-pay costs were partially offset by an increase of €5 million in direct cost of sales, related to the costs associated with increasing revenue streams eg eVision, managed services and one-off credits in the prior year relating to foreign inpayments.
- Fixed line revenue, before intra-company eliminations, of €710 million reduced by 4% compared to the nine months ended 31 March 2014, reflecting a reduction in fixed line access volumes and voice traffic usage.
- Fixed line adjusted EBITDA of €310 million, reduced by 5% compared to the nine months ended 31 March 2014; lower revenues were partially offset by savings in operating costs.
- Fixed line access net losses were 44,000[13] for the nine months ended 31 March 2015. Retail losses of 51,000 for the nine months ended 31 March 2015 were partially offset by an increase in Wholesale customers of 7,000. Retail line losses during the nine months were impacted by a one off base clean-up, of 6,000, relating to the disconnection of Department of Social (DSP) customers. This compares to retail losses of 58,000 lines for the nine months ended 31 March 2014.
- The broadband customer base[14] was 766,000 at 31 March 2015, an increase of 49,000 compared to 30 June 2014 which was driven mainly by Wholesale growth. This compares to a net increase of 36,000 in the nine months to 31 March 2014. At 31 March 2015, there were 242,000 customers using our fibre based high speed broadband services, representing a 21% penetration of NGA premises passed.
- Mobile revenue of €265 million was 1% higher compared to the corresponding period in the prior year. Reductions in prepaid revenue were offset by continued growth in the postpaid revenue driven by growth in the postpaid handset customer base, which grew by 37,000[15] during the nine months ended 31 March 2015.
- Mobile EBITDA of €36 million increased by 59% compared to the corresponding nine months ended 31 March 2014, as a result the continued increase of customers in the higher value postpaid base.
- Total Mobile customers of 1,085,000 as of 31 March 2015, increased by 13,000 compared to the corresponding prior year period. We continued to see strong growth in mobile postpaid customers through sustained 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 nine months ended 31 March 2015 were 437,000, up 48,000 or 12% from 31 March 2014, while the prepaid handset base declined by 33,000 or 5% and our Mobile broadband base reduced by 2,000.
- Total Full Time Equivalent (FTE) staff was 3,430 at 31 March 2015 which represented a reduction of 203 FTE in the last nine months and a reduction of 267 FTE or 7% since 31 March 2014.
- The Group continues to maintain strong liquidity with cash on hand of €157 million at 31 March 2015.

*FY 15 figures presented above include amounts relating to the Groups 56% share in Tetra Ireland Communication Limited ("Tetra"). Following the adoption of IFRS 11, Joint Arrangements, Tetra is now reported in the financial statements under the equity method as opposed to proportionate consolidation. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA.

[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
[15] Handset base only does not include mobile broadband subscribers

eircom Holdings (Ireland) Limited

KPIs for the nine months ended 31 March 2015 (unaudited)

	As at and for the nine months ended 31 March 2014	As at and for the nine months ended 31 March 2015	Better/ (Worse) % N1
Access Line Base ('000)			
Retail	859	793	(8%)
Wholesale	462	478	4%
Wholesale LLU	15	13	(15%)
Total	**1,336**	**1,284**	**(4%)**
Net (decline) year to date	***(10)***	***(44)***	
Retail Voice traffic (m minutes year to date)	1,820	1,511	(17%)
Broadband Lines ('000)			
Retail	452	456	1%
Wholesale	252	310	23%
Total	**704**	**766**	**9%**
Net Growth year to date	***36***	***49***	
Mobile Customers ('000)			
Prepay handsets	634	601	(5%)
Postpay handsets	389	437	12%
Mobile Broadband	49	47	(4%)
Total	**1,072**	**1,085**	**1%**
Net Mobile additions/(losses) YTD ('000)			
Prepaid handsets	(39)	(8)	
Postpaid handsets	59	37	
Total Handsets	**20**	**29**	
MBB	(8)	1	
Total	**13**	**30**	
ARPU'S € N2 & N3			
Retail Voice & Line Rental	36.6	34.7	(5%)
Retail Broadband ARPU Rental	15.5	15.0	(3%)
WLR PSTN ARPU	16.9	17.1	1%
Bitstream ARPU	12.2	12.6	4%
Prepaid Handset ARPU	17.3	16.0	(7%)
Postpaid Handset ARPU	40.5	39.6	(2%)
Closing Headcount	**3,697**	**3,430**	**7%**

eircom Holdings (Ireland) Limited

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 2015.

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 2015, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2014, with the exception that on 1 July 2014, the group adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities and amendments to IAS 28, Investments in Associates and Joint Ventures. In addition, the group has not carried out an impairment review of the carrying value of goodwill and other non-current assets.

IFRS 11 requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. In accordance with IFRS 11, the group's joint venture is incorporated into the condensed financial information using the equity method of accounting rather than proportionate consolidation. The condensed financial information and certain comparative information have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint ventures and associates do not have a material impact on the group. Further information in relation to this is set out in Note 18.

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 2014.

Reconciliation of statutory financial statements[1] to the results presented in the management discussion and analysis section within this quarterly document

	In the quarter ended 31 March 2014			In the quarter ended 31 March 2015		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	315	(4)	311	**311**	**(4)**	**307**
Operating costs excluding non-cash pension charge and fair value lease credits	(203)	2	(201)	**(191)**	**2**	**(189)**
Adjusted EBITDA	112	(2)	110	**120**	**(2)**	**118**
Closing Cash	200	(4)	196	**157**	**(3)**	**154**

	In the nine months ended 31 March 2014			In the nine months ended 31 March 2015		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	972	(12)	960	**940**	**(12)**	**928**
Operating costs excluding non-cash pension charge and fair value lease credits	(624)	5	(619)	**(594)**	**5**	**(589)**
Adjusted EBITDA	348	(7)	341	**346**	**(7)**	**339**
Closing Cash	200	(4)	196	**157**	**(3)**	**154**

eircom Holdings (Ireland) Limited

[1]The statutory financial statements are prepared in accordance with IFRS accounting principles and from 1 July 2014 now include the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis. The management discussion and analysis section of this quarterly report presents results on a management accounting basis and therefore includes the results of the group's joint ventures on a proportionate basis, reflected in group revenue, operating costs and EBITDA. For more information see note 18 to the financial statements (Impact of adopting new accounting standards).

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

	Third quarter ended Mar 2014 €m	Third quarter Ended Mar 2015 €m	Nine months ended Mar 2014 €m	Nine months Ended Mar 2015 €m
Operating profit/(loss)	12	**29**	(115)	**88**
Profit on disposal of property, plant and equipment ("PPE")	-	**(1)**	(3)	**(1)**
Exceptional items	11	**10**	209	**23**
Non-cash pension charge	4	**2**	11	**8**
Operating profit before non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	27	**40**	102	**118**
Depreciation	66	**66**	190	**190**
Amortisation	19	**14**	56	**38**
EBITDA before non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	112	**120**	348	**346**
IFRS 3 unfavourable lease fair value adjustment	(2)	**(2)**	(7)	**(7)**
Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	110	**118**	341	**339**
EBITDA of joint ventures using proportionate consolidation	2	**2**	7	**7**
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges, exceptional items and profit on disposal of property, plant and equipment	112	**120**	348	**346**

Reported 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	102	**101**	325	**310**
Mobile	10	**19**	23	**36**
	112	**120**	348	**346**

***** *Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The statutory basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis (see Note 18 for further details).*

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited
For the third quarter ended 31 March 2015

	Notes	Restated 31 Mar 2014	31 Mar 2015
		€m	€m
Revenue	3	311	**307**
Operating costs excluding amortisation, depreciation and exceptional items		(203)	**(189)**
Amortisation	3	(19)	**(14)**
Depreciation	3	(66)	**(66)**
Exceptional items	3, 4	(11)	**(10)**
Profit on disposal of property, plant and equipment		-	**1**
Operating profit	3	12	**29**
Finance costs – net	5	(52)	**(49)**
Share of profit of joint venture		-	**-**
Loss before tax		(40)	**(20)**
Income tax (charge)/credit	6	(3)	**1**
Loss for the period		(43)	**(19)**

eircom Holdings (Ireland) Limited

Consolidated Income Statement – unaudited
For the nine-month period ended 31 March 2015

	Notes	Restated 31 Mar 2014 €m	31 Mar 2015 €m
Revenue	3	960	**928**
Operating costs excluding amortisation, depreciation and exceptional items		(623)	**(590)**
Amortisation	3	(56)	**(38)**
Depreciation	3	(190)	**(190)**
Exceptional items	3, 4	(209)	**(23)**
Profit on disposal of property, plant and equipment		3	**1**
Operating (loss)/profit	3	(115)	**88**
Finance costs – net	5	(166)	**(146)**
Share of profit of joint venture		1	**1**
Loss before tax		(280)	**(57)**
Income tax credit	6	22	**10**
Loss for the period		(258)	**(47)**

Group statement of comprehensive income – unaudited
For the nine-month period ended 31 March 2015

	31 Mar 2014 €m	31 Mar 2015 €m
Loss for the financial period attributable to equity holders of the parent	(258)	**(47)**
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Defined benefit pension scheme remeasurement gains/(losses):		
- Remeasurement gain/(loss) in period	279	**(90)**
- Tax on defined benefit pension scheme remeasurement (gains)/losses	(35)	**11**
	244	**(79)**
Items that may be reclassified subsequently to profit or loss		
Net changes in cash flow hedge reserve:		
- Fair value loss in period	(4)	**(5)**
- Tax on cash flow hedge movements	1	**1**
	(3)	**(4)**
Other comprehensive income/(expense), net of tax	241	**(83)**
Total comprehensive expense for the financial period	(17)	**(130)**

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 2015

	Notes	Restated 30 June 2014	31 Mar 2015
		€m	€m
Assets			
Non-current assets			
Goodwill		192	**192**
Other intangible assets		447	**442**
Property, plant and equipment		1,557	**1,514**
Investment in joint venture		1	**2**
Deferred tax assets		6	**5**
Other assets		1	**15**
		2,204	**2,170**
Current assets			
Inventories		12	**9**
Trade and other receivables	7	215	**248**
Restricted cash		14	**7**
Cash and cash equivalents		193	**154**
		434	**418**
Total assets		2,638	**2,588**
Liabilities			
Non-current liabilities			
Borrowings	8	2,031	**2,072**
Derivative financial instruments		-	**4**
Trade and other payables		159	**154**
Deferred tax liabilities		53	**37**
Retirement benefit liability	9	391	**483**
Provisions for other liabilities and charges	10	110	**102**
		2,744	**2,852**
Current liabilities			
Derivative financial instruments		1	**2**
Trade and other payables		455	**437**
Current tax liabilities		16	**10**
Provisions for other liabilities and charges	10	69	**31**
		541	**480**
Total liabilities		3,285	**3,332**
Equity			
Equity share capital		-	**-**
Capital contribution		9	**43**
Cash flow hedging reserve		(1)	**(5)**
Retained loss		(655)	**(782)**
Total equity		(647)	**(744)**
Total liabilities and equity		2,638	**2,588**

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

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited
For the third quarter ended 31 March 2015

	Notes	Restated 31 Mar 2014	31 Mar 2015
		€m	€m
Cash flows from operating activities			
Cash generated from operations	11	37	**73**
Interest received		1	**-**
Interest paid		(17)	**(24)**
Income tax refund/(paid) (net)		4	**8**
Net cash generated from operating activities		25	**57**
Cash flows from investing activities			
Disposal of associate undertaking		1	**-**
Purchase of property, plant and equipment (PPE)		(55)	**(49)**
Purchase of intangible assets		(18)	**(12)**
Proceeds from sale of PPE		-	**6**
Restricted cash		7	**2**
Net cash used in investing activities		(65)	**(53)**
Cash flows from financing activities			
Loan advanced to group undertakings		-	**(13)**
Net cash used in financing activities		-	**(13)**
Net decrease in cash, cash equivalents and bank overdrafts		(40)	**(9)**
Cash, cash equivalents and bank overdrafts at beginning of period (restated)		236	**163**
Cash, cash equivalents and bank overdrafts at end of period		196	**154**

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 2015

	Notes	Restated 31 Mar 2014	31 Mar 2015
		€m	€m
Cash flows from operating activities			
Cash generated from operations	11	160	**268**
Interest received		1	**-**
Interest paid		(66)	**(89)**
Income tax refund/(paid) (net)		4	**-**
Net cash generated from operating activities		99	**179**
Cash flows from investing activities			
Disposal of associate undertaking		1	**-**
Purchase of property, plant and equipment (PPE)		(189)	**(181)**
Purchase of intangible assets		(45)	**(36)**
Proceeds from sale of PPE		3	**6**
Restricted cash		8	**7**
Net cash used in investing activities		(222)	**(204)**
Cash flows from financing activities			
Loan advanced to group undertakings		-	**(13)**
Amend and extend fees paid		-	**(1)**
Net cash used in financing activities		-	**(14)**
Net decrease in cash, cash equivalents and bank overdrafts		(123)	**(39)**
Cash, cash equivalents and bank overdrafts at beginning of period (restated)		319	**193**
Cash, cash equivalents and bank overdrafts at end of period		196	**154**

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 2015

	Equity share capital €m	Capital Contribution €m	Cash flow hedging reserve €m	Retained loss €m	Total equity €m
Balance at 30 June 2013	**-**	**-**	**4**	**(808)**	**(804)**
Loss for the year	-	-	-	(309)	(309)
Defined benefit pension scheme remeasurement gains	-	-	-	527	527
Tax on defined benefit pension scheme remeasurement gains	-	-	-	(66)	(66)
Cash flow hedges:					
- Fair value loss in year	-	-	(6)	-	(6)
- Tax on cash flow hedge movements	-	-	1	-	1
Currency translation differences	-	-	-	1	1
Total comprehensive (expense)/income			(5)	153	148
Capital contribution in respect of MIP equity value event	-	9	-	-	9
Balance at 30 June 2014	**-**	**9**	**(1)**	**(655)**	**(647)**
Balance at 30 June 2014	**-**	**9**	**(1)**	**(655)**	**(647)**
Loss for the period	-	-	-	**(47)**	**(47)**
Defined benefit pension scheme remeasurement losses	-	-	-	**(90)**	**(90)**
Tax on defined benefit pension scheme remeasurement losses	-	-	-	**11**	**11**
Cash flow hedges:					
- Fair value loss in year	-	-	**(5)**	-	**(5)**
- Tax on cash flow hedge movements	-	-	**1**	-	**1**
Total comprehensive expense	**-**	**-**	**(4)**	**(126)**	**(130)**
Capital contribution in respect of MIP equity value event	-	**7**	-	-	**7**
Reclassification to equity of MIP debt value event provision	-	**27**	-	-	**27**
Dividends relating to equity shareholders	-	-	-	**(1)**	**(1)**
Balance at 31 March 2015	**-**	**43**	**(5)**	**(782)**	**(744)**

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 [18] May 2015.

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 2015.

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 2015, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2014, with the exception that on 1 July 2014, the group adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities and amendments to IAS 28, Investments in Associates and Joint Ventures. In addition, the group has not carried out an impairment review of the carrying value of goodwill and other non-current assets.

IFRS 11 requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. In accordance with IFRS 11, the group's joint venture is incorporated into the condensed financial information using the equity method of accounting rather than proportionate consolidation. The condensed financial information and certain comparative information have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint ventures and associates do not have a material impact on the group. Further information in relation to this is set out in Note 18.

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 2014.

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 2015 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	709	265	(34)	**940**	(12)	**928**
EBITDA **	310	36	-	**346**	(7)	**339**
Non-cash lease fair value credits	7	-	-	**7**	-	**7**
Non-cash pension charges	(8)	-	-	**(8)**	-	**(8)**
Amortisation	(22)	(16)	-	**(38)**	-	**(38)**
Depreciation	(180)	(16)	-	**(196)**	6	**(190)**
Exceptional items	(22)	(1)	-	**(23)**	-	**(23)**
Profit on disposal of PPE	1	-	-	**1**	-	**1**
Operating profit/(loss)	**86**	**3**	-	**89**	(1)	**88**

The segment results (restated) for the nine-months period ended 31 March 2014 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	742	263	(33)	**972**	(12)	**960**
EBITDA **	325	23	-	**348**	(7)	**341**
Non-cash lease fair value credits	7	-	-	**7**	-	**7**
Non-cash pension charges	(11)	-	-	**(11)**	-	**(11)**
Amortisation	(34)	(22)	-	**(56)**	-	**(56)**
Depreciation	(182)	(14)	-	**(196)**	6	**(190)**
Exceptional items	(209)	-	-	**(209)**	-	**(209)**
Profit on disposal of PPE	3	-	-	**3**	-	**3**
Operating loss	**(101)**	**(13)**	-	**(114)**	(1)	**(115)**

* Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The statutory basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis (see Notes 2 and 18 for further details).

** 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.

4. Exceptional items – (charge)/credit

	31 Mar 2014 €m	31 Mar 2015 €m
Restructuring programme costs	(198)	-
Management incentive plan (net)	(6)	**(8)**
Strategic review costs	-	**(11)**
Other exceptional items	(5)	**(4)**
	(209)	**(23)**

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 prior year period ended 31 March 2014. The €198 million charge 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.

No provision has been included in respect of future staff exits not committed at 31 March 2015, and any further costs will be charged to the income statement and impact cash flows in future periods.

Management incentive plan
The management incentive plan ("MIP") was introduced in the year ended 30 June 2013 by the group's parent company, eircom Holdco SA, for certain directors and senior executives in the group. The MIP originally incentivised the participants to deliver full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value event") and to deliver maximum returns to shareholders on a sale of their shares ("sale event"). In December 2014, the shareholders of eircom Holdco S.A. elected to simplify the structure by removing the debt related elements of the plan and thereby aligning the returns to the participants with the returns to the shareholders.

The group recognised a charge of €1 million (31 March 2014: €6 million) in its income statement in respect of its obligations in connection with potential debt value events prior to the amendment in December 2014. Following the amendment, the group reclassified the cumulative debt value event liability of €27 million to equity.

Separately, the group also recognised a charge of €7 million in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the parent company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

Strategic review costs
The group recognised an exceptional charge of €11 million in respect of strategic review costs in the period ended 31 March 2015.

Other exceptional items – charge
The group recognised an exceptional charge of €11 million in respect of certain legal matters arising in the period ended 31 March 2015, which were partially offset by exceptional credits of €7 million reflecting the release of provisions carried forward at the start of the year.

During the prior year 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. These charges were offset by a €3 million release of excess provisions relating to the St. Stephen's Green onerous lease contracts.

5. Finance costs – net

	31 Mar 2014 €m	31 Mar 2015 €m
Interest payable on bank loans and other debts	(75)	**(95)**
Payment-in-kind ("PIK") interest charge on borrowings	(15)	**(1)**
Interest amortisation on non-current borrowings	(57)	**(38)**
Net interest cost on net pension liability	(19)	**(9)**
Capitalised interest on property, plant and equipment and intangible assets	2	**2**
Amortisation of debt issue costs on bank loans and amend and extend fees	-	**(3)**
Unwinding of discount	(3)	**(2)**
Finance costs	(167)	**(146)**
Finance income	1	**-**
Finance costs – net	(166)	**(146)**

During the second quarter ended 31 December 2014, the group entered into forward starting interest rate swaps with a notional principal amount of €600 million at 0.093% and €600 million at 0.105% for a period of three years from 11 June 2015.

6. Income tax credit

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

	31 Mar 2014 €m	31 Mar 2015 €m
Loss before tax	(280)	**(57)**
Tax calculated at Irish standard tax rate of 12.5%	(35)	**(7)**
Effects of:-		
Non-deductible expenses (net)	9	**10**
Income taxable at higher rate	-	**1**
Adjustments in respect of prior period	4	**(14)**
Tax credit for the period	(22)	**(10)**

7. Trade and other receivables

During the period ended 31 March 2015, the group recognised a provision for impaired receivables of €9 million (31 March 2014: €7 million), reversed provisions for impaired receivables of €1 million (31 March 2014: €1 million) and utilised provisions for impaired receivables of €9 million (31 March 2014: €6 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

8. Borrowings

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

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
As at 31 March 2015					
Bank borrowings (Facility B)	**-**	**-**	**2,022**	**-**	**2,022**
Unamortised fair value difference on borrowings	**-**	**-**	**(278)**	**-**	**(278)**
Amend and extend fees	**-**	**-**	**(12)**	**-**	**(12)**
	-	**-**	**1,732**	**-**	**1,732**
9.25% Senior Secured Notes due 2020	**-**	**-**	**-**	**350**	**350**
Debt issue costs	**-**	**-**	**-**	**(10)**	**(10)**
	-	**-**	**-**	**340**	**340**
	-	**-**	**1,732**	**340**	**2,072**
As at 30 June 2014 (restated)					
Bank borrowings (Facility B)	-	-	108	1,913	2,021
Unamortised fair value difference on borrowings	-	-	(17)	(298)	(315)
Amend and extend fees	-	-	-	(14)	(14)
	-	-	91	1,601	1,692
9.25% Senior Secured Notes due 2020	-	-	-	350	350
Debt issue costs	-	-	-	(11)	(11)
	-	-	-	339	339
	-	-	91	1,940	2,031

At 31 March 2015, the group has Senior Bank borrowings of €2,022 million with a maturity date of 30 September 2017 for Facility B1 borrowings of €109 million and a maturity date of 30 September 2019 for Facility B2 borrowings of €1,913 million.

On 4 April 2014, the group effected an amendment and extension of the terms of 94.7% of the outstanding principal under its Facility B Senior 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 Payment-in-Kind (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 interest payable on the Facility B1 Senior Bank borrowings continue to be subject to cash-pay interest of Euribor plus a lender margin of 3.00% and an annualised Payment-in-Kind (PIK) interest charge of 1.00% which is added to the outstanding principal at the end of each interest period.

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 2015 was €278 million.

Interest accrued on borrowings at 31 March 2015 is €18 million (30 June 2014: €9 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. The group undertakes a full review of the retirement benefit liability at each quarter end in accordance with IAS 19 (Revised). The balance sheet presented as at 31 March 2015 reflects the IAS 19 (Revised) deficit of €483 million as at 31 March 2015.

Pension scheme obligation

The status of the principal scheme at 31 March 2015 is as follows:

	Restated 30 June 2013 €m	30 June 2014 €m	31 Mar 2015 €m
Present value of funded obligations	3,918	3,940	**4,826**
Fair value of scheme assets	(3,082)	(3,549)	**(4,343)**
Liability recognised in the Balance Sheet	836	391	**483**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2013	At 30 June 2014	At 31 Mar 2015
Rate of increase in salaries	1.90%(1)	1.50%(2)	1.30%(2)
Rate of increase in pensions in payment	1.90%(1)	1.50%(2)	1.30%(2)
Discount rate	3.60%	2.90%	1.45%
Inflation assumption	2.00%	1.80%	1.60%
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	89 years	89 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 2013 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 as well as the group's expectation that the earliest possible date for pensionable pay increases will be 1 July 2014.

(2) The assumptions at 30 June 2014 and 31 March 2015 reflects the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Asset Retirement Obligations €m	MIP Debt Value €m	Other €m	Total €m
At 30 June 2014 (restated)	**32**	**13**	**55**	**26**	**53**	**179**
Charged to consolidated income statement:						
- Additional provisions	-	1	-	1	2	4
- Unused amounts reversed	-	(2)	-	-	(4)	(6)
Reclassification to equity of MIP debt value	-	-	-	(27)	-	(27)
Increase in provision capitalised as ARO	-	-	1	-	-	1
Utilised in the financial period	(7)	(2)	-	-	(9)	(18)
At 31 March 2015	**25**	**10**	**56**	**-**	**42**	**133**

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

	30 June 2014 €m	31 Mar 2015 €m
Non-current	110	**102**
Current	69	**31**
	179	**133**

See Note 17 for further information on the reclassification of MIP debt value to equity.

11. Cash generated from operations

	Restated 31 Mar 2014 €m	31 Mar 2015 €m
Loss after tax	(258)	**(47)**
Add back:		
Income tax credit	(22)	**(10)**
Share of profit of joint venture	(1)	**(1)**
Finance costs – net	166	**146**
Operating (loss)/profit	(115)	**88**
Adjustments for:		
- Profit on disposal of property, plant and equipment	(3)	**(1)**
- Depreciation and amortisation	246	**228**
- Non-cash lease fair value credits	(7)	**(7)**
- Non cash retirement benefit charges	11	**8**
- Restructuring programme costs	198	**-**
- Non cash exceptional items	11	**8**
- Other non cash movements in provisions	2	**1**
Cash flows relating to restructuring, onerous contracts and other provisions	(166)	**(52)**
Cash flows relating to construction contracts	-	**2**
Changes in working capital		
Inventories	(4)	**3**
Trade and other receivables	(4)	**(32)**
Trade and other payables	(9)	**22**
Cash generated from operations	160	**268**

12. Post Balance Sheet Events

There have been no significant events affecting the group since the period ended 31 March 2015.

13. Contingent liabilities

Claim for title by the State in respect of the Ship Street and Leitrim House properties
eircom Limited, and its predecessor before privatisation, the Department of Posts and Telegraphs, has been in occupation of the Leitrim House and Ship Street exchange properties in Dublin city centre from the 1920s. Leitrim House contains a number of offices and Ship Street is a key telecoms exchange. The Minister for Finance has claimed that the State has title to the properties. A plenary summons was issued on 12 July 2013 seeking possession. Those proceedings were served on eircom Limited on 1 July 2014, prior to the date for expiry of the summons on 12 July 2014. A Statement of Claim was served on eircom Limited on 17 December 2014. eircom filed its Defence and issued a Notice for Particulars on 27 March 2015. Replies to Particulars were received on 11 May 2015. No further steps have been taken in the proceedings. The group maintains that it has title to the properties.

Other
The group settled previously disclosed contingent liabilities in respect of obligations under certain performance guarantees and historical tax assessments, the effects of which have been recognised in the financial information for the period ended 31 March 2015.

There have been no other material changes in our contingent liabilities since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2014.

14. Guarantees

Apart from the group entering into new interest rate swaps starting from 11 June 2015 (see Note 5 for further details), there have been no other material changes in our credit guarantees and in derivatives since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2014.

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 prepay subscriber growth and related costs of handset subsidies and commissions in November and December. Visitor roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer months.

16. Commitments

Operating lease commitments
The group's operating lease contractual obligations and commitment payments were €350 million at 31 March 2015 (30 June 2014: €371 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 €56 million at 31 March 2015 (30 June 2014: €45 million).

17. Related party transactions

Management incentive plan

The management incentive plan ("MIP") was introduced in the year ended 30 June 2013 by the group's parent company, eircom Holdco SA, for certain directors and senior executives in the group. The MIP originally incentivised the participants to deliver full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value event") and to deliver maximum returns to shareholders on a sale of their shares ("sale event"). In December 2014, the shareholders of eircom Holdco S.A. elected to simplify the structure by removing the debt related elements of the plan and thereby aligning the returns to the participants with the returns to the shareholders.

The group recognised a charge of €1 million (31 March 2014: €6 million) in its income statement in respect of its obligations in connection with potential debt value events prior to the amendment in December 2014. Following the amendment, the group reclassified the cumulative debt value event liability of €27 million to equity.

Separately, the group also recognised a charge of €7 million in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the parent company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

There have been no other material changes in our related party transactions since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2014.

18. Impact of adopting new accounting standards

Adoption of IFRS 11 (Amendment), 'Joint Arrangements'
On 1 July 2014, the group adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities and amendments to IAS 28, Investments in Associates and Joint Ventures. IFRS 11 requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. In accordance with IFRS 11, the group's joint venture is incorporated into the condensed financial information using the equity method of accounting rather than proportionate consolidation. The condensed financial information and certain comparative information have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint ventures and associates do not have a material impact on the group.

Joint venture
At 31 March 2015, the group has a joint venture in Tetra Ireland Communication Limited ("Tetra"). The following tables outline the effect on the condensed financial information of including Tetra using proportionate consolidation ("Reported") and the statutory basis which includes Tetra using the equity method.

Consolidated income statement and statement of comprehensive income

	31 March 2014			31 March 2015		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	972	(12)	960	**940**	**(12)**	**928**
Operating costs excluding amortisation, depreciation and exceptional items	(628)	5	(623)	**(595)**	**5**	**(590)**
Amortisation	(56)	-	(56)	**(38)**	**-**	**(38)**
Depreciation	(196)	6	(190)	**(196)**	**6**	**(190)**
Exceptional items	(209)	-	(209)	**(23)**	**-**	**(23)**
Profit on disposal of PPE	3	-	3	**1**	**-**	**1**
Operating (loss)/profit	(114)	(1)	(115)	**89**	**(1)**	**88**
Finance costs – net	(166)	-	(166)	**(146)**	**-**	**(146)**
Share of profit of joint venture	-	1	1	**-**	**1**	**1**
Loss before tax	(280)	-	(280)	**(57)**	**-**	**(57)**
Income tax credit	22	-	22	**10**	**-**	**10**
Loss for the period	(258)	-	(258)	**(47)**	**-**	**(47)**
Other comprehensive income/(expense), net of tax	241	-	241	**(83)**	**-**	**(83)**
Total comprehensive expense for the financial period	(17)	-	(17)	**(130)**	**-**	**(130)**

18. Impact of adopting new accounting standards - continued

Consolidated Balance Sheet

	30 June 2014			31 March 2015		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Assets						
Non-current assets						
Goodwill	192	-	192	**192**	**-**	**192**
Other intangible assets	447	-	447	**442**	**-**	**442**
Property, plant and equipment	1,578	(21)	1,557	**1,530**	**(16)**	**1,514**
Investment in joint ventures (equity method)	-	1	1	**-**	**2**	**2**
Deferred tax assets	6	-	6	**5**	**-**	**5**
Other assets	1	-	1	**15**	**-**	**15**
	2,224	(20)	2,204	**2,184**	**(14)**	**2,170**
Current assets						
Inventories	12	-	12	**9**	**-**	**9**
Trade and other receivables	218	(3)	215	**251**	**(3)**	**248**
Restricted cash	14	-	14	**7**	**-**	**7**
Cash and cash equivalents	199	(6)	193	**157**	**(3)**	**154**
	443	(9)	434	**424**	**(6)**	**418**
Total assets	2,667	(29)	2,638	**2,608**	**(20)**	**2,588**
Liabilities						
Non-current liabilities						
Borrowings	2,040	(9)	2,031	**2,072**	**-**	**2,072**
Derivative financial instruments	-	-	-	**4**	**-**	**4**
Trade and other payables	159	-	159	**154**	**-**	**154**
Deferred tax liabilities	53	-	53	**37**	**-**	**37**
Retirement benefit liability	391	-	391	**483**	**-**	**483**
Provisions for other liabilities and charges	113	(3)	110	**105**	**(3)**	**102**
	2,756	(12)	2,744	**2,855**	**(3)**	**2,852**
Current liabilities						
Borrowings	9	(9)	-	**9**	**(9)**	**-**
Derivative financial instruments	1	-	1	**2**	**-**	**2**
Trade and other payables	463	(8)	455	**445**	**(8)**	**437**
Current tax liabilities	16	-	16	**10**	**-**	**10**
Provisions for other liabilities and charges	69	-	69	**31**	**-**	**31**
	558	(17)	541	**497**	**(17)**	**480**
Total liabilities	3,314	(29)	3,285	**3,352**	**(20)**	**3,332**
Total equity	(647)	-	(647)	**(744)**	**-**	**(744)**
Total liabilities and equity	2,667	(29)	2,638	**2,608**	**(20)**	**2,588**

18. Impact of adopting new accounting standards - continued

Consolidated cash flow statement

	31 March 2014			31 March 2015		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Net cash generated from operating activities	107	(8)	99	**185**	**(6)**	**179**
Net cash used in investing activities	(222)	-	(222)	**(204)**	**-**	**(204)**
Net cash used in financing activities	(9)	9	-	**(23)**	**9**	**(14)**
Net cash flow	(124)	1	(123)	**(42)**	**3**	**(39)**
Cash at beginning of period	324	(5)	319	**199**	**(6)**	**193**
Cash at end of period	200	(4)	196	**157**	**(3)**	**154**

19. Comparative amounts

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

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Management discussion and analysis on results of operations for the quarter ended 31 March 2015

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. See Note 18 of the financial statements for details of the impact of the adoption of new accounting standards, requiring the use of equity accounting for the Group's share of its joint venture result, on the statutory presentation of accounts.

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

Revenue

Group revenue of €311 million for the quarter ended 31 March 2015 reduced by 1% compared to the quarter ended 31 March 2014.

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 2014	31 Mar 2015	2013/2014
	€m	€m	%
Fixed line services and other revenue	243	235	(3)
Mobile services revenue	83	87	5
Total segmental revenue	**326**	**322**	**(1)**
Intracompany eliminations	(11)	(11)	4
Total revenue	**315**	**311**	**(1)**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, for the quarter ended 31 March 2015 decreased by 3% compared to the corresponding prior year quarter.

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

	In the quarter ended		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
	€m	€m	%
Access Rental and Connections	122	121	(2)
Voice Traffic	58	51	(11)
Foreign Inpayments	2	3	75
Data Services	25	24	(4)
Other Products and Services	36	36	2
Total fixed line services and other revenue	**243**	**235**	**(3)**

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Access (rental and connections)

Access revenues decreased by 2% compared to the corresponding prior year quarter. Lower Retail revenues were partially offset by strong growth in Wholesale revenues. The following table outlines rental, connection and other charges, the number of access lines in service and the percentage changes for the period:

	In the quarter ended		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
	€m	€m	%
Total access revenue			
Retail PSTN/ISDN Rental and Connection	65	59	(10)
Wholesale PSTN/ISDN/LLU Rental and Connection	26	29	10
Broadband and bitstream rental and connection	31	33	6
Total access revenue	**122**	**121**	**(2)**
Access lines (in thousands at period end, except percentages)			
Retail Access lines	859	793	(8)
Wholesale Access Lines	462	478	4
Wholesale LLU	15	13	(15)
Total PSTN/ISDN/LLU	1,336	1,284	(4)
Broadband and Bitstream	704	766	9
Total Customer Lines	**2,040**	**2,050**	**1**

Retail line rental and connection revenues for the quarter ended 31 March 2015 decreased by 10% compared with the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, and the continuing migration of customers to other operators and to mobile. Retail access lines at 31 March 2015 were 793,000, a reduction of 8% compared to 31 March 2014. The reduction in Retail access lines in the quarter to 31 March 2015 included an increase in churn related to price changes that were announced in January. Following written notification of the price increase customers came out of contract for a period of 30 days. Customers affected by the price increase are now back in contract.

In comparison to the corresponding prior year quarter, Wholesale access lines showed strong growth and increased from 462,000 to 478,000. The WLR PSTN ARPU increased by 8% due to the expiration, on 31st December 2014, of a promotional discount to operators in Large Exchange Areas (LEA). As a result, Wholesale rental and connection revenue was €29 million in the quarter ended 31 March 2015; an increase of 10% compared with the corresponding quarter ended 31 March 2014.

Broadband and Bitstream revenue for the quarter of €33 million increased by 6% compared with the corresponding period in the prior year. Wholesale bitstream volumes of 310,000 increased by 58,000 compared to the 31 March 2014, with growth of 22,000 in the quarter mainly from stand-alone broadband. The Retail broadband customer base stood at 456,000 at 31 March 2015 which represented an increase of 4,000 in the last 12 months and a decrease of 4,000 in the quarter ended 31 March 2015. The decrease in the Retail base in the quarter resulted from price changes announced in January.

During the quarter ended 31 March 2015, the rollout of our high speed fibre network continued passing 1,100,000 premises and we had connected 242,000 Retail and Wholesale customers to high speed broadband services offering speeds of up to 100Mb/s. We launched a TV proposition 18 months ago, enabling the first quad play offering in Ireland and at 31 March 2015 we had 37,000 TV customers.

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Traffic

Overall traffic revenue for the quarter ended 31 March 2015 reduced by 11% 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 2014	31 Mar 2015	2013/2014
	€m	€m	%
Revenue			
Retail Traffic	41	35	(16)
Wholesale Traffic	17	16	(1)
Total traffic revenue	**58**	**51**	**(11)**
Traffic (in millions of minutes, except percentages)			
Retail	586	492	(16)
Wholesale	1,168	1,123	(4)
Total traffic minutes	**1,754**	**1,615**	**(8)**

Retail voice traffic revenues for the quarter ended 31 March 2015 fell by 16%, compared with the corresponding prior year quarter. This was primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market due to mobile substitution, as well as a loss of market share.

Wholesale traffic revenues for the quarter ended 31 March 2015 were broadly flat compared to the corresponding prior year quarter while wholesale traffic minutes reduced by 4%. On a year to date basis for nine months wholesale traffic revenue and minutes both reduced by 2% year on year.

Data services revenue

Revenue from data communications for the quarter ended 31 March 2015 decreased by 4% 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 2014	31 Mar 2015	2013/2014
	€m	€m	
Data services revenue			
Leased lines	14	13	(3)
Switched data services	7	6	(20)
Next generation data services	4	5	18
Total data services revenue	**25**	**24**	**(4)**

Leased line revenues reduced by 3% due to a reduction in leased line volumes as customers continue to rationalise their network. Revenue from switched data reduced by 20%, while revenue from next generation data services increased by 18% compared to the quarter ended 31 March 2014 which reflects customers' move from legacy products to the next generation product portfolio.

Foreign Inpayments

Revenue from foreign terminating traffic for the quarter ended 31 March 2015 increased by 75%, compared to the quarter ended 31 March 2014. Foreign terminating minutes increased by 24%. The increase in Foreign Terminating revenue is primarily due to a one-off revenue reduction in FY13/14 quarter three related to the write off of old international debtors. There is a similar and opposite impact on foreign outpayments within cost of sales.

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 2014 €m	31 Mar 2015 €m	2013/2014 %
Foreign Terminating traffic Revenue	**2**	**3**	**75**
Foreign Terminating traffic minutes m	**157**	**193**	**24**

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 2014 €m	31 Mar 2015 €m	2013/2014 %
Operator Services	5	3	(27)
Managed Services	9	10	4
Tetra	4	4	2
UK/NI	8	7	(9)
Datacentre	4	4	9
Other revenue	6	8	35
Other products and services revenue	**36**	**36**	**2**

Revenue from other products and services for the quarter ended 31 March 2015 increased by 2% compared with the quarter ended 31 March 2014. Operator services revenue fell by 27% as a result of declining calls to our 11811 directory enquiries service. Managed services revenue increased by 4% due to significant contracts won by eircom Business which include upfront transitional work performed in the quarter. Tetra revenue was broadly flat while UK/NI revenues of €7 million decreased by 9% and Datacentre revenue of €4 million increased by 9%. Other revenue increased by 35% mainly due to increases in TV income.

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Mobile services revenue

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

	In the quarter ended		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
	€m	€m	%
Prepaid handset	31	28	(8)
Postpaid handset	45	51	15
Mobile Broadband	2	3	8
Roaming	1	1	(35)
Other	4	4	(8)
Total mobile services revenue	**83**	**87**	**5**

	As at		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
			%
Total subscribers (thousands):			
Prepaid handset customers (thousands)	634	601	(5)
Postpaid handset customers (thousands)	389	437	12
Mobile Broadband customers (thousands)	49	47	(4)
Total subscribers (thousands)	**1,072**	**1,085**	**1**

Mobile services revenue comprises prepaid and postpaid revenues including interconnect, mobile broadband, roaming and device sales.

Revenue was 3% higher year on year. This is primarily due to an increase in postpaid handset customers of 49,000 which is partially offset by the declining prepaid handset market, which reduced by 33,000.

At 31 March 2015 there were 1,085,000 total mobile subscribers, an increase of 13,000 compared with 31 March 2014. The reduction in prepaid handset customers has been more than offset by growth in higher value postpaid customers. We have seen some positive signs within prepaid following the tariff refresh in July 2014; prepaid customers reduced by 33,000 since March 2014, this compares to a reduction of 69,000 over twelve months to 31 March 2014. The proportion of postpaid customers (including mobile broadband) within our base has increased from 39% at 31 March 2014 to 43% at 31 March 2015, representing an increase of 55,000 net additional postpaid subscribers (including mobile broadband).

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Operating costs before amortisation, depreciation and exceptional items

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

	In the quarter ended		Change[(N1)]
	31 Mar 2014 €m	31 Mar 2015 €m	2013/2014 %
Cost of Sales			
Foreign Outpayments	1	2	83
Interconnect	28	28	-
Equipment Cost of Sales	17	15	(12)
Other including subsidiaries	17	20	15
Total Cost of Sales	**63**	**65**	**2**
Pay Costs			
Wages and salaries and other staff costs[1]	67	58	(13)
Social welfare costs	3	3	(11)
Pension costs – defined contribution plans	1	1	(5)
Pension costs – defined benefit plans	3	3	29
Pay costs before non-cash pension charge and capitalisation	**74**	**65**	**(12)**
Capitalised labour	(16)	(17)	8
Total pay costs before non-cash pension charge	**58**	**48**	**(17)**
Non Pay costs			
Materials and Services	5	5	(12)
Other Network Costs	3	4	15
Accommodation	28	27	(6)
Sales and Marketing	18	13	(26)
Bad Debts	2	5	N.M.
Transport and Travel	4	3	(19)
Customer Services	11	10	11
Insurance and Compensation	1	-	(93)
Professional and Regulatory Fees	3	3	(3)
System support and maintenance	6	6	7
Other Non-Pay costs	1	2	N.M.
Total non-pay costs	**82**	**78**	**(5)**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**203**	**191**	**(6)**
Non Cash Pension Charge	4	2	(50)
Non-cash lease fair value credits	(2)	(2)	-
Operating costs before, amortisation, depreciation, and exceptional items	**205**	**191**	**(7)**

Note 1: Pay costs in the prior year quarter have been adjusted to reflect the reclassification of the charge related to the management incentive programme to exceptional items which occurred in June 2014. See note 4 Exceptional items – (charge)/credit

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 6%, compared with the corresponding quarter of the prior year.

Cost of Sales

Cost of sales were €2 million higher in the quarter ended 31 March 2015 compared to the corresponding quarter in the prior year:

- Foreign outpayments increased year on year by €1 million. The increase in costs year on year is due to a write-off of old international creditors in the prior year quarter. There is an equal and opposite impact on foreign terminating traffic revenue for the quarter.
- Interconnect payments to other telecommunications operators were in line with the prior period.
- Equipment cost of sales were €2 million lower mainly due to lower mobile direct subscriber acquisition / retention costs.
- Other cost of sales were €3 million higher than the corresponding period in the prior year due to costs associated with TV and managed services

Pay costs

Total staff pay costs, before non-cash pension charges, for the quarter ended 31 March 2015 decreased by 17% compared to the corresponding prior year quarter, mainly due to the level of overtime incurred in the prior year quarter (severe weather conditions in the prior year) and a reduction in FTE headcount. On average for the quarter ended 31 March 2015 headcount was approximately 300 lower than the same period in the prior year.

FTE Headcount at 31 March 2015 was 3,430 FTE, representing a net reduction of 267 FTE compared to 31 March 2014.

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 5% in the quarter ended 31 March 2015 compared to the corresponding prior year quarter:

- Materials and services costs were 12% lower year on year mainly due to lower repair costs. Storms in the prior year quarter resulted in higher level of faults. The reduction in repair costs is partially offset by higher provisioning costs 35% more provisioning volumes.
- Other network costs were 15% higher than the prior year quarter due to difference in timing of spend. On a year to date basis other network costs are in line with the prior year nine month period.
- Accommodation costs decreased by €1 million compared to the prior year quarter due to lower electricity prices.
- Sales and marketing costs decreased by €5 million year on year due to lower marketing spend and lower mobile indirect subscriber acquisition/retention costs.
- Bad debts increased by €3 million as part of a quarterly review of our bad debts provision. On a year to date basis the bad debt charge is in line with the prior year.
- Transport and travel was €1 million lower than the same period in the prior year which is in line with reduced headcount and lower repair activity (storms in prior year).
- Customer Service costs decreased by €1 million due to efficiencies realised in customer service operations.
- Insurance and compensation costs reduced by €1 million year on year due to a reduction in our claim provision based on an actuarial review.
- Professional and regulatory fees and system support and maintenance costs were all broadly flat compared to the prior year quarter.

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 2015 were €14 million, €5 million lower than the prior year quarter, mainly due to the fair value intangible assets for fixed line customer relationships and fixed licence being fully amortised in the year ended 30 June 2014. In addition, there was lower mobile amortisation in the quarter due to the adjustment to asset lives for computer software, which changed from 3 years to 4 years.

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended 31 March 2015 of €66 million were in line with the prior year quarter ended 31 March 2014.

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Exceptional costs

Net exceptional charges of €10 million in the quarter ended 31 March 2015 include a charge of €8 million in respect of the management incentive plan ("MIP"), strategic review costs of €1 million and charges relating to certain legal matters of €2 million offset by an exceptional credit of €1 million reflecting the release of onerous contract provisions carried forward at the start of the financial year.

The exceptional charges of €11 million in the prior year quarter ended 31 March 2014 included €4 million for additional restructuring costs, €3 million in respect of its obligations under the management incentive plan ("MIP") and €7 million relating to certain legal matters offset by an exceptional credit of €3 million due to the release of excess onerous contract provisions. The group released excess provisions in the prior year 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 the quarter ended 31 March 2015 amounted to €49 million, €3 million lower than the prior year quarter. This is mainly due to lower Payment-in-Kind (PIK) interest (€4 million) and interest amortisation on the Facility B borrowings (€7 million) as a result of the debt repayment in the year ended 30 June 2013 and the extension of 94.7% of its Facility B borrowings in the year ended 30 June 2014. The lower finance costs were offset by higher interest costs on the Facility B2 borrowings (€6 million). The amended Facility B2 borrowings are subject to cash-pay interest at Euribor plus 4.5% margin, and are not subject to PIK interest.

Taxation

The tax for the quarter ended 31 March 2015 was a credit of €1 million, compared with a €3 million charge in the prior year corresponding period. The prior year 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 2015, net cash generated from operating activities was €55 million compared with €24 million in the prior year corresponding quarter, increase of €31 million. The increase was primarily due to lower voluntary leaving payments (€24 million) in the period compared to the prior year period (€41 million). Excluding voluntary leaving payments, net cash generated from operating activities has increased by €14 million, mainly due to lower onerous contract payments (€10 million), lower tax payments (net €4 million) and higher EBITDA (€8 million) offset by higher interest payments (€8 million). The higher interest payments in the quarter are due to the higher interest rate on the Facility B2 borrowings (Euribor plus margin 4.5%). The net working capital inflows of €14 million in the quarter are offset by exceptional spend in the quarter of €13 million.

Investing activities
Total cash used in investing activities was €53 million for the quarter ended 31 March 2015, down from €65 million in the prior year quarter, mainly due to timing of capital expenditure.

During the quarter ended 31 March 2015, the group received proceeds from the sale of property of €6 million and restricted cash of €2 million (31 March 2014: €7 million).

Cash flows from financing activities
During the quarter ended 31 March 2015, and 31 March 2014, the group made repayments of €5 million in relation to the group's share of Tetra borrowings.

In addition, in the quarter ended 31 March 2015, the group gave a loan of €13 million to eircom Holdco S.A.

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Commentary on results of operations for the nine months ended 31 March 2015

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. See Note 18 of the financial statements for details of the impact of the adoption of new accounting standards, requiring the use of equity accounting for the Group's share of its joint venture result, on the statutory presentation of accounts.

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

Revenue

Group revenue of €940 million for the nine months reduced by 3% compared to the nine months ended 31 March 2014.

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 2014	31 Mar 2015	2013/2014
	€m	€m	%
Fixed line services and other revenue	742	710	(4)
Mobile services revenue	263	265	1
Total segmental revenue	**1,005**	**975**	**(3)**
Intracompany eliminations	(33)	(35)	4
Total revenue	**972**	**940**	**(3)**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, decreased by 4% in the nine months ended 31 March 2015 compared to the corresponding period in the prior year.

Fixed line revenues for the nine months, analysed by major products and services, are summarised as follows:

	In the nine months ended		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
	€m	€m	%
Access Rental and Connections	370	362	(2)
Voice Traffic	180	159	(12)
Foreign Inpayments	7	10	35
Data Services	75	72	(4)
Other Products and Services	110	107	(3)
Total fixed line services and other revenue	**742**	**710**	**(4)**

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Access (rental and connections)

Access revenues decreased by 2% in the period compared with the corresponding nine month period 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, the number of access lines in service and the percentage changes for the period:

	In the nine months ended		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
	€m	€m	%
Total access revenue			
Retail PSTN/ISDN Rental and Connection	203	183	(10)
Wholesale PSTN/ISDN/LLU Rental and Connection	77	83	8
Broadband and bitstream rental and connection	90	96	6
Total access revenue	**370**	**362**	**(2)**
Access lines (in thousands at period end, except percentages)			
Retail Access lines	859	793	(8)
Wholesale Access Lines	462	478	4
Wholesale LLU	15	13	(15)
Total PSTN/ISDN/LLU	1,336	1,284	(4)
Broadband and Bitstream	704	766	9
Total Customer Lines	**2,040**	**2,050**	**1**

Retail Line rental and connection revenues decreased by 10% in the nine months ended 31 March 2015, 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 continuing migration of customers to other operators and to mobile. Retail access lines at 31 March 2015 were 793,000, a reduction of 8% compared to the period ended 31 March 2014.

In comparison to the prior year, Wholesale access lines have increased from 462,000 to 478,000 and Wholesale LLU has decreased by 15%. The average Wholesale Access Lines for the nine month period to 31 March 2015 was 8% higher than the same period in the prior year. As a result, Wholesale rental and connection revenue was €83 million in the nine months ended 31 March 2015; an increase of 8% compared with the nine months ended 31 March 2014.

Broadband and Bitstream revenue for the nine months ended 31 March 2015 of €96 million, increased 6% compared with the corresponding period in the prior year. While overall customer volumes grew by 62,000 or 9%, revenue only increased by 6% primarily due to the change in the mix from higher value Retail to Wholesale lines and increased promotional discounts on broadband bundles. At 31 March 2015, the number of Wholesale Bitstream lines were 310,000, an increase of 49,000 compared to 30 June 2014 and an increase of 58,000 compared to 31 March 2014. Retail broadband lines at 456,000 remained flat compared to 30 June 2014 and increased by 4,000 compared to 31 March 2014.

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Traffic

Overall traffic revenue for the nine months ended 31 March 2015 reduced by 12% 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 2014	31 Mar 2015	2013/2014
	€m	€m	%
Revenue			
Retail Traffic	131	111	(15)
Wholesale Traffic	49	48	(2)
Total traffic revenue	**180**	**159**	**(12)**
Traffic (in millions of minutes, except percentages)			
Retail	1,820	1,511	(17)
Wholesale	3,479	3,404	(2)
Total traffic minutes	**5,299**	**4,915**	**(7)**

Retail voice traffic revenues reduced by 15% in the nine months ended 31 March 2015, compared with the corresponding period in the prior year. This was primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market due to mobile substitution and a loss of market share.

Wholesale traffic revenues reduced by 2% in the nine months ended 31 March 2015 compared to the corresponding period in the prior year in line with traffic volumes.

Data services revenue

Revenue from data communications for the nine months ended 31 March 2015 decreased by 4% 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 2014	31 Mar 2015	2013/2014
	€m	€m	
Data services revenue			
Leased lines	41	39	(3)
Switched data	21	17	(22)
Next generation data services	13	16	22
Total data services revenue	**75**	**72**	**(4)**

Leased Line revenues reduced by 3% due to a further reduction in leased line volumes, as customers rationalised their networks, as well as migrating to alternative higher speed services. Revenue from switched data fell by 22%, while revenue from Next Generation Data Services increased by 22% compared to the nine months ended 31 March 2014 which reflects customers moving from legacy products to the next generation product portfolio.

Foreign Inpayments

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 31 Mar 2014 €m	In the nine months ended 31 Mar 2015 €m	Change[N1] 2013/2014 %
Foreign Terminating traffic Revenue	**7**	**10**	**35**
Foreign Terminating traffic minutes m	**498**	**506**	**2**

The increase in Foreign Terminating revenue is primarily due to a one-off revenue reduction in the prior year related to the write off of old international debtors. There is a similar and opposite impact on foreign outpayments within cost of sales.

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 31 Mar 2014 €m	In the nine months ended 31 Mar 2015 €m	Change[N1] 2013/2014 %
Operator Services	15	11	(24)
Managed Services	29	26	(9)
Tetra	12	12	1
UK/NI	22	22	(1)
Datacentre	11	12	7
Other revenue	21	24	13
Other products and services revenue	**110**	**107**	**(3)**

Revenue from other products and services for the nine months ended 31 March 2015 decreased by 3% compared with the nine months ended 31 March 2014. Operator services revenue fell by 24% as a result of reduced calls to our 11811 directory enquiries service. Managed services revenue fell by 9% due to the initial revenue recognition of the design phase of a multi-year programme to rollout a national fibre infrastructure in the prior year. Tetra revenue was in line with the corresponding period in the prior year. UK/NI and Datacentre revenue were also broadly flat compared to the prior year. Other revenue increased by €3 million compared to the prior year period due to growing TV income.

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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 2014	31 Mar 2015	2013/2014
	€m	€m	%
Prepaid handset	102	88	(14)
Postpaid handset	131	149	14
Mobile Broadband	8	7	-
Roaming	3	3	(11)
Other	19	18	(9)
Total mobile services revenue	**263**	**265**	**1**

	As at		Change[N1]
	31 Mar 2014	31 Mar 2015	2013/2014
			%
Total subscribers (thousands):			
Pre-paid handset customers (thousands)	634	601	(5)
Post-paid handset customers (thousands)	389	437	12
Mobile Broadband customers (thousands)	49	47	(4)
Total subscribers (thousands)	**1,072**	**1,085**	**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 €265 million for the nine months ended 31 March 2015 was 1% higher compared with the corresponding prior year period. This compares to a reduction of 1.4% in mobile revenue in the nine months to March 2014 versus the previous year. Prepaid handset revenue has reduced by 14% due to a reduction in prepaid customer numbers of 5%, and a 7% reduction in prepaid ARPU. Postpaid revenue grew by 14% due to a 12% increase in the postpaid handset base.

At 31 March 2015 there were 1,085,000 total mobile subscribers, an increase of 29,000 compared to 30 June 2014 and an increase of 13,000 compared with 31 March 2014. Prepaid handset customers have decreased by 8,000 since 30 June 2014 the base has reduced by 33,000 since 31 March 2014. The prepaid base continues to be impacted by migration to postpaid, 20,000 in the nine months to 31 March 2015 and 30,000 over the last 12 months. The reduction in prepaid handset customers has been offset by growth in higher value postpaid customers which have increased by 42,000 in the nine months to March 2015 and 55,000 since 31 March 2014 (inclusive of postpaid mobile broadband customers).

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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 2014	31 Mar 2015	2013/2014
	€m	€m	%
Cost of Sales			
Foreign Outpayments	3	8	N/M
Interconnect	86	83	(3)
Equipment Cost of Sales	59	58	(1)
Other including subsidiaries	52	56	7
Total Cost of Sales	**200**	**205**	**3**
Pay Costs			
Wages and salaries and other staff costs[1]	212	183	(14)
Social welfare costs	10	9	(11)
Pension costs – defined contribution plans	3	3	(2)
Pension costs – defined benefit plans	13	11	(17)
Pay costs before non-cash pension charge and capitalisation	**238**	**206**	**(14)**
Capitalised labour	(56)	(53)	(6)
Total pay costs before non-cash pension charge	**182**	**153**	**(16)**
Non Pay costs			
Materials and Services	10	11	8
Other Network Costs	10	11	3
Accommodation	81	83	2
Sales and Marketing	61	53	(13)
Bad Debts	6	7	(15)
Transport and Travel	10	9	(14)
Customer Services	31	31	1
Insurance and Compensation	3	1	(67)
Professional and Regulatory Fees	8	7	(5)
System Support and Maintenance	19	18	(4)
Other Non-Pay costs	3	5	73
Total non-pay costs	**242**	**236**	**(3)**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**624**	**594**	**(5)**
Non Cash Pension Charge	11	8	(27)
Non-cash lease fair value credits	(7)	(7)	-
Operating costs before, amortisation, depreciation, and exceptional items	**628**	**595**	**(5)**

Note 1: Pay costs in the prior year quarter have been adjusted to reflect the reclassification of the charge related to the management incentive programme to exceptional items which occurred in June 2014. See note 4 Exceptional items – (charge)/credit

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 5%, compared with the corresponding nine months of the prior year.

Cost of Sales

Cost of sales were €5 million higher in the nine months ended 31 March 2015 compared to the corresponding period in the prior year:

- Foreign outpayments increased year on year by €5 million. The nine months ended 31 March 2014 included a one-off credit of €4million, due to the resolution of disputes on amounts owing to international creditors and an increase in the rate per minute due to a higher proportion of mobile traffic (which has a significantly higher rate than fixed traffic). There was an equal and opposite credit on Foreign Terminating Traffic in the nine month period ended 31 March 2014.
- Interconnect payments to other telecommunications operators were €3 million lower than the corresponding prior year quarter mainly due to lower international roaming rates as introduced by the European Commission effective 1st July 2014.
- Equipment cost of sales were €1 million lower than the same period in the prior year due to lower mobile customer acquisition costs, partially offset by cost of TV installations.

- The €4 million year on year increase in other cost of sales, is primarily due to costs directly associated with increasing revenue lines – TV, managed services

Pay costs

Total staff pay costs, before non-cash pension charges, for the nine months ended 31 March 2015 decreased by €29 million compared to the corresponding period in the prior year, mainly due to reduced headcount. On average for the nine months ended 31 March 2015 there was approximately 700 lower headcount compared to the same period in the prior year.

FTE Headcount at 31 March 2015 was 3,430 FTE, representing a net reduction of 7% compared to 31 March 2014. The number of FTEs reduced by 267 since the period ended 31 March 2014, which were related to committed exits secured in incentivised exit schemes in the prior year.

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 3% in the nine months ended 31 March 2015 compared to the corresponding prior year period:

- Materials and services costs were €1 million higher year on year mainly due to outsourcing (which is recognised as a non-pay cost), the operational savings are reflected in pay costs.
- Other network costs broadly in line with the prior year period.
- Accommodation costs increased by €2 million compared to the corresponding prior year primarily due to an increase in rates imposed by Local Authorities.
- Sales and Marketing decreased by €8 million due to lower mobile indirect subscriber acquisition/retention costs and a reduction in marketing spend.
- Bad debt provision increased by 15%.
- Transport and travel reduced by 14% which is in line with reduced headcount and lower fault volumes.
- Insurance & compensation reduced by €2 million year on year due to a reduction in our claim provision based on an actuarial review
- Customer service, professional & regulatory and system support & maintenance costs are broadly in line with the prior year.
- Other non-pay costs increased by €2 million compared to the prior year mainly due to a one off prior year credit and increased training investment.

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 2015 were €38 million, compared to €56 million in the prior year period, mainly due to the fair value intangible assets for fixed line customer relationships and fixed licence being fully amortised.

Depreciation and impairment of plant and equipment

The depreciation charges for the nine-month period ended 31 March 2015 of €190 million were in line with the prior year nine-month period ended 31 March 2014.

Exceptional costs

Net exceptional charges of €23 million were incurred in the nine-month period ended 31 March 2015 and include strategic review costs of €11 million, €8 million charge in respect of the management incentive plan ("MIP") and charges relating to certain legal matters of €11 million offset by exceptional credits of €7 million reflecting the release of provisions carried forward at the start of the financial year.

The exceptional charges of €209 million in the prior year period ended 31 March 2014 included €198 million for restructuring programme costs in respect of staff exits, €6 million in respect of its obligations under the management incentive plan ("MIP"), €7 million relating to certain legal matters and €1 million for an impairment of a receivable from a former parent company of eircom Limited which were partially offset by €3 million release of excess provisions relating to the St. Stephen's Green onerous lease contract.

Finance costs (net)

The group's net finance costs for the nine-month period ended 31 March 2015 amounted to €146 million, €20 million lower than the prior year nine-month period. This is mainly due to lower Payment-in-Kind (PIK) interest (€14 million) and interest amortisation on the Facility B borrowings (€19 million) as a result of the debt repayment in the year ended 30 June 2013 and the extension of 94.7% of its Facility B borrowings in the year ended 30 June 2014. In addition, there were lower interest costs on the net pension liabilities in nine-month period ended 31 March 2015 (€10 million). The lower finance costs were offset by higher interest costs on the Facility B2 borrowings (€20 million) and amortisation of debt issue and amend and extend fees (€3 million). The amended Facility B2 borrowings are subject to cash-pay interest at Euribor plus 4.5% margin, and are not subject to PIK interest.

Taxation

The tax credit for the nine-month period ended 31 March 2015 was €10 million, compared with a €22 million credit in the prior corresponding period. The €10 million tax credit mainly relates to adjustments in respect of prior years.

The prior year period tax credit of €22 million mainly arises from the group's restructuring programme costs charged in the nine-month 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 2015, net cash generated from operating activities was €185 million compared with €107 million in the prior corresponding period, increase of €78 million. The increase was primarily due to lower voluntary leaving payments (€34 million) in the period compared to the prior year period (€139 million). Excluding voluntary leaving payments, net cash generated from operating activities has decreased by €27 million, mainly due to higher interest payments (€23 million) and tax payments (net €4 million). The higher interest payments in the period are due to the higher interest rate on the Facility B2 borrowings (Euribor plus margin 4.5%).

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Cash flows from investing activities

Total cash used in investing activities was €204 million for the nine-month period ended 31 March 2015, reduced from €222 million in the prior year period, decrease of €18 million, which is mainly due to timing of capital expenditure.

The group made payments in respect of capital expenditure of €217 million, down from €234 million in the prior year period. The decrease of €17 million is mainly timing related due to delays in certain projects and capital expenditure is expected to catch up in the 4th quarter with payments being closer to prior year levels by the year end.

During the nine-month period ended 31 March 2015, restricted cash deposits of €7 million (31 March 2014: €8 million) were received by the group, €4 million (31 March 2014: €6 million) refunded by ComReg in relation to the USO obligation (Universal Service Obligations) and 3G performance bond and €3 million (31 March 2014: €2 million) refunded by various in relation to certain commercial contracts.

Cash flows from financing activities

During the nine-month period ended 31 March 2015, and 31 March 2014, the group made repayments of €9 million in relation to the group's share of Tetra borrowings.

In addition, in the nine-month period ended 31 March 2015, the group gave a loan of €13 million to eircom Holdco S.A. and made further payments of €1 million in respect of transaction fees relating to the amendment and extension of 94.7% of its facility B borrowings.

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Notes:

1. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in these tables. Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.
2. Fixed ARPU Calculations:
   A. We define "Retail voice & line rental ARPU" as the average of recurring retail access rentals (PSTN and ISDN rentals excluding connection revenue) and net core voice revenue (which is now net of all discounts including promotional discounts) divided by the average number of access subscribers in each month. Given the increase in promotions as a result of the launch of TV, the prior year ARPU has been adjusted to include the impact of promotional discounts.
   B. We define "Retail broadband ARPU" as the average of total revenue from broadband services (broadband rental revenue net of bundle discount) divided by the average number of retail broadband subscribers in each month. Given the increase in promotions as a result of the launch of TV, the prior year ARPU has been adjusted to include promotional discounts.
   C. We define "WLR PSTN ARPU" as the average of Wholesale PSTN line rental revenue (net of WLR LEA discount) divided by the average number of PSTN WLR access subscribers in each month.
   D. 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.
   E. 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.
3. Mobile ARPU Calculations:
   A. We define "Prepaid Handset ARPU" as the measure of the sum of the total prepaid mobile handset 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 postpaid mobile handset subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpaid mobile handset subscribers in the period divided by the number of months in the period.
   C. We define "the average number of mobile handset subscribers in the period" as the average of the total number of mobile handset subscribers at the beginning of the period and the total number of mobile handset subscribers at the end of the period.
4. N/M - percentage movement is not meaningful.