eircom Holdings (Ireland) Limited

First quarter unaudited results
30 September 2014

FIRST QUARTER RESULTS ANNOUNCEMENT
PERIOD ENDED 30 SEPTEMBER 2014

Financial performance continues to stabilise with growth in mobile, broadband and bundles

- **Revenue of €313m, down 3% year on year, up 1% quarter on quarter**
  - **Mobile revenue up 2% year on year, second consecutive quarter of growth**
- **Operating costs down 6%; pay costs reduced by 18%**
- **EBITDA of €114m, down 6% due to planned investment in subscriber growth**
- **Group KPIs show improving fundamentals**
  - **Continued broadband growth**
    - **731,000 broadband connections, up 8%**
    - **13,000 broadband connections added in the quarter**
  - **Strong high speed fibre uptake**
    - **172,000 fibre customers**
    - **17% penetration of premises passed**
  - **Continued traction in TV service**
    - **28,000 eVision TV customers**
    - **25% penetration of consumer fibre customers**
  - **Strong mobile post pay growth and improving prepay performance**
    - **16% post pay subscriber growth**
    - **91,000 4G customers**
  - **Sustained growth in triple and quad play bundles**
    - **17% of customers now availing of triple/quad play bundles**
    - **Revenue generating units (RGUs) per customer up to 1.8**
- **Business highlights**
  - **1,000,000 fibre broadband premises passed[1]**
  - **Intention to rollout 1 gigabit speeds to 66 communities**
  - **eVision on Demand and 4G prepay launched**
- **Corporate highlights**
  - **Group to proceed with the corporate reorganisation of its operating company structure**

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

(Issued Friday 28 November, 2014) eircom Group today announced results for the first quarter ended 30 September 2014.

Commenting on today's announcement, Richard Moat, CEO eircom Group, said: "We have maintained our momentum in the first quarter, through focused commercial execution and continued investment in our fixed and mobile network. The rate of revenue decline has slowed significantly, an encouraging sign of stabilisation, helped by two consecutive quarters of mobile revenue growth. Our bottom line performance remains in line with expectations, following a decision to make commercial investments this quarter that will deliver long term growth.

"Our next generation fibre network has passed the one million premises milestone during the quarter, and we are on course to deliver a fibre footprint of 1,600,000 premises by June 2016, capable of supporting broadband speeds of up to 100Mb per second. We also recently announced plans to bring 1 gigabit connectivity to 66 towns across Ireland using fibre to the home (FTTH) technology, demonstrating the scalability and future-proofed design of our network investment. Mobile network capability continues to improve and has been a key driver in the transformation of our mobile customer base, which now has 41% of customers on postpay contracts. At the end of September we had 91,000 4G customers, and we have recently launched 4G services for prepay.

"eircom remains the only operator to offer quad play bundles. Our leading network capability and the addition of services such as eVision On Demand means that we offer the most compelling bundles in the market. The retail customer base, comprising fixed and mobile customers, stood at 1,896,000 at 30 September 2014 and includes 1,065,000 mobile customers. The total customer base including Wholesale customers is 2,373,000 at 30 September 2014. Consumer market Revenue Generating Units (RGUs) for the period stood at 1.8 per customer, up from 1.6 per customer for the corresponding period.

"We are continuing to achieve benefits from cost savings programmes, as evidenced by an 18% saving in pay costs this quarter compared to the prior year quarter, and we believe that there are opportunities to reduce costs further. We have embarked on our next phase of cost transformation and have recently commissioned a benchmarking exercise to identify areas where further savings can be realised.

"Our EBITDA of €114 million for the quarter is in line with expectations. Top line improvements, especially evident within the mobile segment, coupled with further realisation of benefits from cost reduction programmes, are resulting in continued improvements in our financial performance. However, we recognise there are challenges as we execute on our commercial strategy and the Irish market remains highly competitive. We believe the transformation of the Group in the last two years has positioned us well to address these challenges.

"Finally, the Group will proceed with the proposed corporate reorganisation of its operating company structure outlined earlier this year. While it will not impact upon eircom's operations, customers or business partners, the reorganisation will provide the Group with greater flexibility for the future."

Trading Update

Revenue for the quarter ended 30 September 2014, declined to €313 million, down €10 million or 3% on the corresponding prior year quarter. Operating costs[2], excluding non-cash items, were €199 million for the quarter, down €3 million from the prior year quarter, a 2% improvement. EBITDA[3] was in line with expectations, and showed a decrease of €7 million or 6% compared to the prior year quarter.

In the fixed line segment, revenue before intra company eliminations for the quarter ended 30 September 2014 fell 4% compared to the corresponding prior year quarter, to €238 million. This was partially offset by operating cost savings, resulting in a 5% decline in fixed line EBITDA[3] to €106 million compared to the prior year quarter.

[2] 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

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

Fixed line access net losses were 7,000[4] for the quarter ended 30 September 2014 compared to 30 June 2014. Retail losses of 13,000 for the quarter ended 30 September 2014 were 8,000 less compared to the prior year quarter, demonstrating continued progress as a result of our bundling strategy. Wholesale customers continued to grow, increasing by 6,000 in the quarter.

The total Group broadband customer base[5] stood at 731,000 at 30 September 2014, an increase of 13,000 in the quarter, which was driven by our combined consumer and business retail divisions as well as our wholesale division. Our combined retail operation had 458,000 broadband customers at the end of September 2014, up 2,000 in the quarter and 11,000 compared to the prior year quarter. Broadband lines in our wholesale business have grown by 11,000 during the quarter and 43,000 compared to 30 September 2013, to a total of 273,000 lines. At 30 September 2014, there were 172,000 customers usingof our new fibre based high speed broadband services representing 17% penetration of premises passed with fibre broadband.

In the mobile segment, the Group's customer base returned to growth, increasing by 8,000 from the prior year quarter, and by 10,000 compared to the previous quarter, to reach a total base of 1,065,000. The higher value postpaid segment grew by 60,000, including mobile broadband, compared to 30 September 2013, and there were 14,000 net additions in the quarter. Mobile revenues increased by 2% for the quarter, compared to the quarter ended 30 September 2013. Mobile EBITDA[3] was in line with expectations at €8 million, broadly in line with the prior year quarter despite increased commercial investments to drive longer term growth.

ENDS

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

28 November 2014

[4] Combined Retail and Wholesale access line losses
[5] Combined Retail and Wholesale excluding LLU and Line share.

eircom Holdings (Ireland) Limited

Unaudited first quarter results to 30 September 2014

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Trading highlights for the first quarter ended 30 September 2014*

- Competitive intensity continues to impact trading conditions.
- Group revenue of €313 million, was down 3% on the corresponding quarter ended 30 September 2013.
- Group EBITDA[6] of €114 million, was down €7 million or 6% on the quarter ended 30 September 2013.
- Group operating costs[7] of €199 million were €3 million or 2% lower than the same period in the prior year, reflecting savings in pay costs due to reduced headcount partially offset by an increase in interconnect cost of sales.
- Fixed line revenue, (before intra-company eliminations) of €238 million, was down 4% compared to the quarter ended 30 September 2013, reflecting reduced fixed line access volumes and also reduced voice traffic usage.
- Fixed line EBITDA of €106 million was down 5% compared to the quarter ended 30 September 2013; lower revenues were partially offset by savings in operating costs.
- Fixed line access net losses were 7,000[8] for the quarter ended 30 September 2014. Retail losses of 13,000 for the quarter ended 30 September 2014 were partially offset by an increase in Wholesale customers of 6,000.
- The Broadband customer base[9] stood at 731,000 at 30 September 2014, representing an increase of 13,000 in the quarter. The retail customer base increased by 2,000 and the Wholesale base increased by 11,000. This compares to an increase of 8,000 in the group base in the corresponding quarter last year. At 30 September 2014, there were 172,000 customers availing of fibre based high speed broadband services, representing a penetration of NGA premises passed of 17%.
- Mobile revenue of €87 million increased by 2% on the corresponding quarter ended 30 September 2013.
- Mobile EBITDA of €8 million was broadly flat compared to the corresponding quarter ended 30 September 2013.
- Postpaid handset customers for the quarter ended 30 September 2014 stood at 412,000, with growth of 12,000 in the quarter and 59,000 or 17% from 30 September 2013. The prepay handset base at 30 September 2014 was 606,000, down just 3,000 in the quarter and 42,000 from 30 September 2013. At the end of September 2014, approximately 41% of the mobile customer base (including Mobile Broadband) comprised of postpaid customers, up from 36% at the end of September 2013.
- Total Full Time Equivalent (FTE) staff was 3,598 at 30 September 2014 which represented a reduction of 1,054 FTE or (23%) since 30 September 2013.
- The Group continues to maintain strong liquidity with cash on hand of €162 million at 30 September 2014.

*FY 15 figures presented above include amounts related to the operation of the joint venture in 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.

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

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KPIs for the first quarter ended 30 September 2014 (unaudited)

	As at and for quarter ended 30 September 2013	As at and for quarter ended 30 September 2014	Better/ (Worse) % [N1]
Access Line Base ('000)			
Retail	896	831	(7%)
Wholesale	431	477	11%
Wholesale LLU	16	14	(14%)
Total	**1,343**	**1,322**	**(2%)**
Net (decline) in quarter	***(4)***	***(7)***	
Retail Voice traffic (m minutes in quarter)	622	517	(17%)
DSL Lines ('000)			
Retail	447	458	3%
Wholesale	230	273	19%
Total	**677**	**731**	**8%**
Net Growth in quarter	***8***	***13***	
Mobile Customers ('000)			
Prepaid handsets	649	606	(7%)
Postpaid handsets	353	412	17%
Mobile Broadband	55	47	(15%)
Total	**1,057**	**1,065**	**1%**
Net Mobile additions/(losses) in quarter ('000)			
Prepaid handsets	(24)	(3)	
Postpaid handsets	24	12	
Total Handsets	-	**9**	
MBB	(2)	1	
Total	**(2)**	**10**	
ARPU'S € [N2 & N3]			
Retail Voice & Line Rental	37.2	35.1	(6%)
Retail Broadband ARPU Rental	16.1	15.6	(3%)
WLR PSTN ARPU	17.0	16.6	(3%)
Bitstream ARPU	11.7	12.4	6%
Prepaid Handset ARPU	17.7	16.2	(8%)
Postpaid Handset ARPU	39.4	39.7	1%
Closing Headcount	**4,652**	**3,598**	**(23%)**

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 30 September 2014.

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

The financial information, as at and for the period ended 30 September 2014, 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

	30 September 2013			**30 September 2014**		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	323	(3)	320	**313**	**(4)**	**309**
Operating costs excluding non-cash pension charge and fair value lease credits	(202)	1	(201)	**(199)**	**2**	**(197)**
Adjusted EBITDA	121	(2)	119	**114**	**(2)**	**112**
Closing Cash	324	(4)	320	**162**	**(4)**	**158**

[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).

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

	First quarter ended Sept 2013 €m	First quarter ended Sept 2014 €m
Operating profit	36	**30**
Exceptional items	4	**6**
Non-cash pension charge	3	**3**
Operating profit before non-cash pension charges and exceptional items	43	**39**
Depreciation	62	**62**
Amortisation	16	**13**
EBITDA before non-cash pension charges and exceptional items	121	**114**
IFRS 3 unfavourable lease fair value adjustment	(2)	**(2)**
Adjusted EBITDA before non-cash lease fair value credits, non-cash pension charges and exceptional items	119	**112**
EBITDA of joint ventures using proportionate consolidation	2	**2**
Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges and exceptional items	121	**114**

Reported EBITDA* before non-cash lease fair value credits, non-cash pension charges and exceptional items is split as follows:		
Fixed line	113	**106**
Mobile	8	**8**
	121	**114**

***** *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 three-month period ended 30 September 2014

	Notes	Restated 30 Sept 2013	30 Sept 2014
		€m	€m
Revenue	3	320	**309**
Operating costs excluding amortisation, depreciation and exceptional items		(202)	**(198)**
Amortisation	3	(16)	**(13)**
Depreciation	3	(62)	**(62)**
Exceptional items	3,4	(4)	**(6)**
Operating profit	3	36	**30**
Finance costs – net	5	(56)	**(48)**
Loss before tax		(20)	**(18)**
Income tax credit	6	2	**12**
Loss for the period		(18)	**(6)**

Group statement of comprehensive income – unaudited
For the three-month period ended 30 September 2014

	30 Sept 2013	30 Sept 2014
	€m	€m
Loss for the financial period attributable to equity holders of the parent	(18)	**(6)**
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	3	**(131)**
- Tax on defined benefit pension scheme remeasurement (gains)/losses	-	**16**
	3	**(115)**
Items that may be reclassified subsequently to profit or loss		
Net changes in cash flow hedge reserve:		
- Fair value loss in period	(3)	-
- Tax on cash flow hedge movements	1	-
	(2)	-
Other comprehensive income/(expense), net of tax	1	**(115)**
Total comprehensive (expense)/income for the financial period	(17)	**(121)**

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

eircom Holdings (Ireland) Limited

Consolidated Balance Sheet – unaudited
As at 30 September 2014

	Notes	Restated 30 June 2014	30 Sept 2014
		€m	€m
Assets			
Non-current assets			
Goodwill		192	**192**
Other intangible assets		447	**447**
Property, plant and equipment		1,557	**1,536**
Investment in joint venture		1	**1**
Deferred tax assets		6	**5**
Other assets		1	**1**
		2,204	**2,182**
Current assets			
Inventories		12	**10**
Trade and other receivables	7	215	**238**
Restricted cash		14	**14**
Cash and cash equivalents		193	**158**
		434	**420**
Total assets		2,638	**2,602**
Liabilities			
Non-current liabilities			
Borrowings	8	2,031	**2,044**
Trade and other payables		159	**158**
Deferred tax liabilities		53	**35**
Retirement benefit liability	9	391	**522**
Provisions for other liabilities and charges	10	110	**107**
		2,744	**2,866**
Current liabilities			
Derivative financial instruments		1	**1**
Trade and other payables		455	**432**
Current tax liabilities		16	**6**
Provisions for other liabilities and charges	10	69	**65**
		541	**504**
Total liabilities		3,285	**3,370**
Equity			
Equity share capital		-	**-**
Capital contribution		9	**9**
Cash flow hedging reserve		(1)	**(1)**
Retained loss		(655)	**(776)**
Total equity		(647)	**(768)**
Total liabilities and equity		2,638	**2,602**

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

eircom Holdings (Ireland) Limited

Consolidated cash flow statement – unaudited
For the three-month period ended 30 September 2014

	Notes	Restated 30 Sept 2013	30 Sept 2014
		€m	€m
Cash flows from operating activities			
Cash generated from operations	11	101	**88**
Interest paid		(17)	**(24)**
Income tax refund		-	**1**
Net cash generated from operating activities		84	**65**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(70)	**(87)**
Purchase of intangible assets		(13)	**(12)**
Net cash used in investing activities		(83)	**(99)**
Cash flows from financing activities			
Amend and extend fees paid		-	**(1)**
Net cash used in financing activities		-	**(1)**
Net decrease in cash, cash equivalents and bank overdrafts		1	**(35)**
Cash, cash equivalents and bank overdrafts at beginning of period (restated)		319	**193**
Cash, cash equivalents and bank overdrafts at end of period		320	**158**

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

eircom Holdings (Ireland) Limited

Consolidated statement of changes in shareholders' equity – unaudited
For the three-month period ended 30 September 2014

	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)**
Capital contribution in respect of MIP equity value event	-	9	-	-	9
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 gain in year	-	-	(6)	-	(6)
- Tax on cash flow hedge movements	-	-	1	-	1
Currency translation differences	-	-	-	1	1
Balance at 30 June 2014	**-**	**9**	**(1)**	**(655)**	**(647)**
Balance at 30 June 2014	**-**	**9**	**(1)**	**(655)**	**(647)**
Loss for the period	-	-	-	**(6)**	**(6)**
Defined benefit pension scheme remeasurement losses	-	-	-	**(131)**	**(131)**
Tax on defined benefit pension scheme remeasurement losses	-	-	-	**16**	**16**
Balance at 30 September 2014	**-**	**9**	**(1)**	**(776)**	**(768)**

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

eircom Holdings (Ireland) Limited

Selected notes to the condensed interim financial information – unaudited

1. General information
eircom Holdings (Ireland) Limited ("the company' or "EHIL") and its subsidiaries together ("the group" or "eircom Holdings (Ireland) Limited group" or "EHIL Group"), provide fixed line and mobile telecommunications services in Ireland.

This condensed consolidated interim financial information was approved for issue on 28 November 2014.

2. Basis of preparation
This financial information has been prepared to make available certain unaudited condensed consolidated financial information to the holders of the group's Senior Secured Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 30 September 2014.

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

The financial information, as at and for the period ended 30 September 2014, 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 three-months period ended 30 September 2014 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	**238**	**87**	**(12)**	**313**	(4)	**309**
EBITDA **	106	8	-	**114**	(2)	**112**
Non-cash lease fair value credits	2	-	-	**2**	-	**2**
Non-cash pension charges	(3)	-	-	**(3)**	-	**(3)**
Amortisation	(6)	(7)	-	**(13)**	-	**(13)**
Depreciation	(59)	(5)	-	**(64)**	2	**(62)**
Exceptional items	(6)	-	-	**(6)**	-	**(6)**
Operating profit/(loss)	**34**	**(4)**	-	**30**	-	**30**

The segment results (restated) for the three-months period ended 30 September 2013 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported* €m	Adjusted €m	Statutory* €m
Revenue	**249**	**85**	**(11)**	**323**	(3)	**320**
EBITDA **	113	8	-	**121**	(2)	**119**
Non-cash lease fair value credits	2	-	-	**2**	-	**2**
Non-cash pension charges	(3)	-	-	**(3)**	-	**(3)**
Amortisation	(11)	(5)	-	**(16)**	-	**(16)**
Depreciation	(59)	(5)	-	**(64)**	2	**(62)**
Exceptional items	(4)	-	-	**(4)**	-	**(4)**
Operating profit/(loss)	**38**	**(2)**	-	**36**	-	**36**

* 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 and exceptional items.

4. Exceptional items – (charge)/credit

	30 Sept 2013 €m	30 Sept 2014 €m
Restructuring programme costs	(1)	-
Management incentive plan	(2)	-
Strategic review costs	-	**(8)**
Other exceptional items – (charge)/credit	(1)	**2**
	(4)	**(6)**

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

Restructuring programme costs
The group has included an exceptional charge of €1 million for restructuring programme costs in respect of staff exits in the prior year quarter ended 30 September 2013.

No provision has been included in respect of future staff exits not committed at 30 September 2014, 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 incentivises 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").

The group recognised a charge of €2 million in its income statement for the prior year quarter ended 30 September 2013 in respect of its obligations in connection with potential debt value events under the MIP.

Strategic review costs
In the quarter ended 30 September 2014, the group recognised an exceptional charge of €8m in respect of the strategic review undertaken by the Board.

Other exceptional items – charge
The group recognised an exceptional credit of €4 million reflecting the release of provisions carried forward at the start of the financial year, which was partially offset by an exceptional charge of €2 million recognised in respect of certain legal matters arising in the quarter ended 30 September 2014.

During the prior year quarter ended 30 September 2013, the group recognised an exceptional charge of €1 million arising from the impairment of a receivable from a former parent company of eircom Limited, the group's main operating subsidiary.

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

5. Finance costs – net

	30 Sept 2013 €m	30 Sept 2014 €m
Interest payable on bank loans and other debts	(25)	**(32)**
Payment-in-kind ("PIK") interest charge on borrowings	(5)	**-**
Interest amortisation on non-current borrowings	(18)	**(12)**
Net interest cost on net pension liability	(7)	**(3)**
Capitalised interest on property, plant and equipment and intangible assets	-	**1**
Amortisation of debt issue costs on bank loans and amend and extend fees	-	**(1)**
Other	(1)	**(1)**
Finance costs	(56)	**(48)**
Finance income	-	**-**
Finance costs – net	(56)	**(48)**

6. Income tax credit

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

	30 Sept 2013 €m	30 Sept 2014 €m
Loss before tax	(20)	**(18)**
Tax calculated at Irish standard tax rate of 12.5%	(2)	**(2)**
Effects of:-		
Non-deductible expenses (net)	2	**4**
Adjustments in respect of prior period	(2)	**(14)**
Tax credit for the period	(2)	**(12)**

7. Trade and other receivables

During the period ended 30 September 2014, the group recognised a provision for impaired receivables of €2 million (30 September 2013: €2 million), reversed provisions for impaired receivables of €Nil (30 September 2013: €Nil) and utilised provisions for impaired receivables of €Nil (30 September 2013: €Nil). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

8. Borrowings

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

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
As at 30 Sept 2014					
Bank borrowings (Facility B)	-	-	**108**	**1,913**	**2,021**
Unamortised fair value difference on borrowings	-	-	**(16)**	**(287)**	**(303)**
Amend and extend fees	-	-	-	**(14)**	**(14)**
	-	-	**92**	**1,612**	**1,704**
9.25% Senior Secured Notes due 2020	-	-	-	**350**	**350**
Debt issue costs	-	-	-	**(10)**	**(10)**
	-	-	-	**340**	**340**
	-	-	**92**	**1,952**	**2,044**
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 30 September 2014, the group has Senior Bank borrowings of €2,021 million with a maturity date of 30 September 2017 for Facility B1 borrowings of €108 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 at the time 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 30 September 2014 was €303 million.

Interest accrued on borrowings at 30 September 2014 is €17 million (30 June 2014: €9 million). This is included in trade and other payables.

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

9. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The group undertakes a full review of the retirement benefit liability at each quarter end in accordance with IAS 19 (Revised). The balance sheet presented as at 30 September 2014 reflects the IAS 19 (Revised) deficit of €522 million as at 30 September 2014.

Pension scheme obligation

The status of the principal scheme at 30 September 2014 is as follows:

	Restated 30 June 2013 €m	30 June 2014 €m	30 Sept 2014 €m
Present value of funded obligations	3,918	3,940	**4,238**
Fair value of scheme assets	(3,082)	(3,549)	**(3,716)**
Liability recognised in the Balance Sheet	836	391	**522**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2013	At 30 June 2014	At 30 Sept 2014
Rate of increase in salaries	1.90%(1)	1.50%(2)	1.50%(2)
Rate of increase in pensions in payment	1.90%(1)	1.50%(2)	1.50%(2)
Discount rate	3.60%	2.90%	2.45%
Inflation assumption	2.00%	1.80%	1.80%
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 30 September 2014 reflects the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.

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

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:						
- Unused amounts reversed	-	-	-	-	(4)	(4)
Utilised in the financial period	(2)	-	-	-	(1)	(3)
At 30 September 2014	**30**	**13**	**55**	**26**	**48**	**172**

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

	30 June 2014 €m	30 Sept 2014 €m
Non-current	110	**107**
Current	69	**65**
	179	**172**

11. Cash generated from operations

	Restated 30 Sept 2013 €m	30 Sept 2014 €m
Loss after tax	(18)	**(6)**
Add back:		
Income tax credit	(2)	**(12)**
Finance costs – net	56	**48**
Operating profit	36	**30**
Adjustments for:		
- Depreciation and amortisation	78	**75**
- Non-cash lease fair value credits	(2)	**(2)**
- Non cash retirement benefit charges	3	**3**
- Restructuring programme costs	1	**-**
- Non cash exceptional items	3	**6**
- Other non cash movements in provisions	-	**-**
Cash flows relating to restructuring, onerous contracts and other provisions	(12)	**(12)**
Changes in working capital		
Inventories	(5)	**2**
Trade and other receivables	5	**(22)**
Trade and other payables	(6)	**8**
Cash generated from operations	101	**88**

12. Post Balance Sheet Events

Subsequent to the balance sheet date, 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.

There have been no other significant events affecting the group since the period ended 30 September 2014.

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 and issued a plenary summons 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. 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 quarter ended 30 September 2014.

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

16. Commitments

Operating lease commitments
The group's operating lease contractual obligations and commitment payments were €362 million at 30 September 2014 (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 €49 million at 30 September 2014 (30 June 2014: €45 million).

17. Related party transactions

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

	30 September 2013			30 September 2014		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	323	(3)	320	**313**	**(4)**	**309**
Operating costs excluding amortisation, depreciation and exceptional items	(203)	1	(202)	**(200)**	**2**	**(198)**
Amortisation	(16)	-	(16)	**(13)**	**-**	**(13)**
Depreciation	(64)	2	(62)	**(64)**	**2**	**(62)**
Exceptional items	(4)	-	(4)	**(6)**	**-**	**(6)**
Operating profit	36	-	36	**30**	**-**	**30**
Finance costs – net	(56)	-	(56)	**(48)**	**-**	**(48)**
Loss before tax	(20)	-	(20)	**(18)**	**-**	**(18)**
Income tax credit	2	-	2	**12**	**-**	**12**
Loss for the period	(18)	-	(18)	**(6)**	**-**	**(6)**
Other comprehensive income/(expense), net of tax	1	-	1	**(115)**	**-**	**(115)**
Total comprehensive expense for the financial period	(17)	-	(17)	**(121)**	**-**	**(121)**

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

18. Impact of adopting new accounting standards - continued

Consolidated Balance Sheet

	30 June 2014			30 September 2014		
	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	**447**	**-**	**447**
Property, plant and equipment	1,578	(21)	1,557	**1,555**	**(19)**	**1,536**
Investment in joint ventures (equity method)	-	1	1	**-**	**1**	**1**
Deferred tax assets	6	-	6	**5**	**-**	**5**
Other assets	1	-	1	**1**	**-**	**1**
	2,224	(20)	2,204	**2,200**	**(18)**	**2,182**
Current assets						
Inventories	12	-	12	**10**	**-**	**10**
Trade and other receivables	218	(3)	215	**241**	**(3)**	**238**
Restricted cash	14	-	14	**14**	**-**	**14**
Cash and cash equivalents	199	(6)	193	**162**	**(4)**	**158**
	443	(9)	434	**427**	**(7)**	**420**
Total assets	2,667	(29)	2,638	**2,627**	**(25)**	**2,602**
Liabilities						
Non-current liabilities						
Borrowings	2,040	(9)	2,031	**2,049**	**(5)**	**2,044**
Trade and other payables	159	-	159	**158**	**-**	**158**
Deferred tax liabilities	53	-	53	**35**	**-**	**35**
Retirement benefit liability	391	-	391	**522**	**-**	**522**
Provisions for other liabilities and charges	113	(3)	110	**110**	**(3)**	**107**
	2,756	(12)	2,744	**2,874**	**(8)**	**2,866**
Current liabilities						
Borrowings	9	(9)	-	**9**	**(9)**	**-**
Derivative financial instruments	1	-	1	**2**	**(1)**	**1**
Trade and other payables	463	(8)	455	**439**	**(7)**	**432**
Current tax liabilities	16	-	16	**6**	**-**	**6**
Provisions for other liabilities and charges	69	-	69	**65**	**-**	**65**
	558	(17)	541	**521**	**(17)**	**504**
Total liabilities	3,314	(29)	3,285	**3,395**	**(25)**	**3,370**
Total equity	(647)	-	(647)	**(768)**	**-**	**(768)**
Total liabilities and equity	2,667	(29)	2,638	**2,627**	**(25)**	**2,602**

Consolidated cash flow statement

	30 September 2013			30 September 2014		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Net cash generated from operating activities	87	(3)	84	**67**	**(2)**	**65**
Net cash used in investing activities	(83)	-	(83)	**(99)**	**-**	**(99)**
Net cash used in financing activities	(4)	4	-	**(5)**	**4**	**(1)**
Net cash flow	-	1	1	**(37)**	**2**	**(35)**
Cash at beginning of period	324	(5)	319	**199**	**(6)**	**193**
Cash at end of period	324	(4)	320	**162**	**(4)**	**158**

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 30 September 2014

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 €313 million for the quarter was down 3% on the corresponding quarter ended 30 September 2013.

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

	In the quarter ended		Change(N1)
	30 Sep 2013 €m	30 Sept 2014 €m	2013/2014 %
Fixed line services and other revenue	249	238	(4)
Mobile services revenue	85	87	2
Total segmental revenue	**334**	**325**	**(3)**
Intracompany eliminations	(11)	(12)	7
Total revenue	**323**	**313**	**(3)**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, decreased by 4% in the quarter ended 30 September 2014 compared to the corresponding quarter in the prior year.

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

	In the quarter ended		Change(N1)
	30 Sept 2013 €m	30 Sept 2014 €m	2013/2014 %
Access Rental and Connections	124	121	(2)
Voice Traffic	61	54	(11)
Data Services	26	23	(11)
Foreign Inpayments	2	3	40
Other Products and Services	36	37	3
Total fixed line services and other revenue	**249**	**238**	**(4)**

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Access (rental and connections)

Access revenues decreased by 2% in the quarter compared with the corresponding quarter of the prior year. Lower Retail access revenues were partially offset by growth in Wholesale revenues. Broadband revenues for the quarter ended 30 September 2014 increased by 8% compared to 30 September 2013; growth in Wholesale Broadband driven by an increase in the number of customers fully offset the decline in retail which was driven by a reduction in ARPU due to increased promotional discounts on broadband bundles. Retail broadband customer base increased by 3% since September 2013.

The following table sets out rental, connection and other charges and the number of access lines in service and the percentage changes for the period:

	In the quarter ended		Change[N1]
	30 Sept 2013 €m	30 Sept 2014 €m	2013/2014 %
Total access revenue			
Retail PSTN/ISDN Rental and Connection	69	62	(10)
Wholesale PSTN/ISDN/LLU Rental and Connection	25	27	7
Broadband and bitstream rental and connection	30	32	8
Total access revenue	**124**	**121**	**(2)**
Access lines (in thousands at period end, except percentages)			
Retail Access lines	896	831	(7)
Wholesale Access Lines	431	477	11
Wholesale LLU	16	14	(14)
Total PSTN/ISDN/LLU	1,343	1,322	(2)
ADSL and Bitstream	677	731	8
Total Customer Lines	**2,020**	**2,053**	**2**

Retail line rental and connection revenues decreased by 10% in the quarter ended 30 September 2014, compared with the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the slowdown in economic activity and the continuing migration of customers to other operators and to mobile. Retail access lines at 30 September 2014 stood at 831,000, a reduction of 7% on 30 September 2013.

In comparison to the corresponding quarter last year, Wholesale access lines showed strong growth and increased from 431,000 to 477,000. Wholesale LLU declined 14% compared with the corresponding quarter in the prior year. Wholesale rental and connection revenue was €27 million in the quarter ended 30 September 2014; an increase of 7% compared with the corresponding quarter ended 30 September 2013.

Broadband revenue for the quarter of €32 million increased 8% compared with the corresponding quarter in the prior year. Wholesale bitstream volumes at 273,000 were up 43,000 from 230,000 at 30 September 2013 and grew by 11,000 in the quarter. The Retail broadband customer base stood at 458,000 at 30 September 2014, which represented an increase of 11,000 in the last 12 months and an increase of 2,000 in the quarter ended 30 September 2014.

At 30 September 2014, the rollout of our high speed fibre network had passed over 1,000,000 premises and we had connected 172,000 retail and wholesale customers to high speed broadband services offering speeds of up to 100Mb/s. We launched a TV proposition in October 2013, enabling the first quad play offering in Ireland and as at 30 September 2014 we had 28,000 customers.

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Traffic

Overall traffic revenue decreased by 11% in the quarter ended 30 September 2014 compared to the prior year.

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

	In the quarter ended 30 Sept 2013 €m	In the quarter ended 30 Sept 2014 €m	Change[(N1)] 2014/2015 %
Revenue			
Retail Traffic	45	37	(17)
Wholesale Traffic	16	17	4
Total traffic revenue	**61**	**54**	**(11)**
Traffic (in millions of minutes, except percentages)			
Retail	622	517	(17)
Wholesale	1,156	1,134	(2)
Total traffic minutes	**1,778**	**1,651**	**(7)**

Retail voice traffic revenues decreased by 17% for the quarter ended 30 September 2014, compared with the corresponding quarter ended 30 September 2013. This was primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market, and mobile substitution, as well as loss of market share.

Wholesale traffic revenues increased by 4% in the quarter ended 30 September 2014 compared to the corresponding quarter in the prior year driven mainly by temporary reductions in traffic termination rates in the prior year quarter.

Data communications

Revenue from data services for the quarter ended 30 September 2014 decreased by 11% compared with the corresponding prior year quarter. The following table shows information relating to revenue from data services:

	In the quarter ended 30 Sept 2013 €m	In the quarter ended 30 Sept 2014 €m	Change[(N1)] 2014/2015
Data services revenue			
Leased lines	14	13	(11)
Switched data services	8	5	(30)
Next generation data services	4	5	32
Total data services revenue	**26**	**23**	**(11)**

Leased line revenues decreased by 11% due to a further reduction in leased line volumes, as customers rationalised their networks, as well as migrating to alternative higher speed services. Revenue from switched data reduced by 30%, while revenue from Next generation data services increased 32% compared to the quarter ended 30 September 2013.

Foreign Inpayments

Revenue from foreign terminating traffic increased by 40% during the quarter ended 30 September 2014, compared to the quarter ended 30 September 2013, due to a temporary reduction in mobile termination rates during the quarter ended 30 September 2013. However, this MTR reduction was subsequently reversed retrospectively in November 2013. Therefore the quarter ended 30 September 2014 reflects the higher mobile termination rates.

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

	In the quarter ended		Change(N1)
	30 Sept 2013	30 Sept 2014	2014/2015
	€m	€m	%
Foreign Terminating traffic Revenue	**2**	**3**	**40**
Foreign Terminating traffic minutes m	**170**	**157**	**(8)**

Other products and services

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

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

	In the quarter ended		Change(N1)
	30 Sept 2013	31 Sept 2014	2014/2015
	€m	€m	%
Operator Services	5	4	(18)
Managed Services	8	8	4
Tetra	3	4	7
UK/NI	7	7	5
Datacentre	4	4	(7)
Other revenue	9	10	21
Other products and services revenue	**36**	**37**	**3**

Revenue from other products and services in the quarter ended 30 September 2014 increased by 3% compared with the quarter ended 30 September 2013. Operator Services revenue decreased by 18% as a result of reduced calls to our 11811 directory enquiries service. Managed Services revenue increased by 4% due to higher equipment sales in the period. Tetra revenue was broadly flat and UK/NI revenues of €7 million and Datacentre revenues of €4 million were also in line with the corresponding period in the prior year. Other revenue increased by 21% mainly due to growth in TV income.

Mobile services revenue

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

	In the quarter ended 30 Sept 2013 €m	In the quarter ended 30 Sept 2014 €m	Change(N1) 2014/2015 %
Prepaid	35	30	(16)
Postpaid	40	48	20
Mobile Broadband	3	2	(4)
Roaming	1	1	2
Other	6	6	(17)
Total mobile services revenue	**85**	**87**	**2**

	As at 30 Sept 2013	As at 30 Sept 2014	Change(N1) 2014/2015 %
Total subscribers (thousands):			
Pre-paid handset customers (thousands)	649	606	(7)
Post-paid handset customers (thousands)	353	412	17
Mobile Broadband customers (thousands)	55	47	(15)
Total subscribers (thousands)	**1,057**	**1,065**	**1**

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

Mobile revenue of €87 million for the quarter ended 30 September 2014 increased by 2% compared to the corresponding quarter in the prior year driven by a 17% increase in the postpaid handset base and relative stabilisation of the pospaid ARPU. This has been partially offset by a reduction in prepaid handset customer numbers of 7% and a reduction of 8% in prepaid handset ARPUs. The proportion of postpaid customers (including mobile broadband) within our base has increased from 36% at 30 September 2013 to 41% at 30 September 2014, representing an increase of 60,000 net additional postpaid subscribers (including mobile broadband).

At 30 September 2014 there were 1,065,000 total mobile subscribers, an increase of 8,000 compared with 30 September 2013.

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Operating costs before amortisation, depreciation and exceptional items

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

	In the quarter ended		Change(N1)
	30 Sept 2013 €m	30 Sept 2014 €m	2014/2015 %
Cost of Sales			
Foreign Outpayments	3	3	4
Interconnect	24	29	17
Equipment Cost of Sales	20	20	1
Other including subsidiaries	17	17	-
Total Cost of Sales	**64**	**69**	**8**
Pay Costs			
Wages and salaries and other staff costs[1]	71	62	(13)
Social welfare costs	3	3	(12)
Pension costs – defined contribution plans	1	1	(1)
Pension costs – defined benefit plans	5	3	(49)
Pay costs before non-cash pension charge and capitalisation	**80**	**69**	**(15)**
Capitalised labour	(19)	(18)	(4)
Total pay costs before non-cash pension charge	**61**	**51**	**(18)**
Non Pay costs			
Materials and Services	4	5	13
Other Network Costs	8	8	5
Accommodation	21	23	13
Sales and Marketing	19	18	(5)
Bad Debts	2	2	(30)
Transport and Travel	3	3	(4)
Customer Services	11	11	4
Insurance and Compensation	1	-	(92)
Professional and Regulatory Fees	2	2	8
IT Costs	5	6	11
Other Non-Pay costs	1	1	25
Total non-pay costs	**77**	**79**	**4**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**202**	**199**	**(2)**
Non cash pension charge	3	3	-
Non-cash lease fair value credits	(2)	(2)	-
Operating costs before, amortisation, depreciation, and exceptional items	**203**	**200**	**(2)**

[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 2%, compared with the corresponding quarter of the prior year.

Cost of Sales

Cost of sales were €5 million higher in the quarter ended 30 September 2014 compared to the corresponding quarter in the prior year:

- Foreign outpayment costs were broadly flat compared to the same period in the prior year.
- Interconnect payments to other telecommunication operators were €5 million higher due to a change in mobile termination rates (MTR). ComReg introduced a reduction in mobile termination rates effective from 1st July 2013 which was subsequently reversed retrospectively in November 2013.
- Equipment cost of sales were broadly flat compared with the same period in the prior year.

Pay costs

Total staff pay costs, before non-cash pension charges, decreased by 18% in the quarter ended 30 September 2014 compared to the corresponding prior year quarter, mainly due to reduced headcount.

Pay costs were €51 million for the quarter ended 30 September 2014, down €10 million compared to the quarter ended 30 September 2013.

FTE Headcount at 30 September 2014 was 3,598 FTE, down 1,054 FTE compared to 30 September 2013.

Non-cash pension charge

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

Total non-pay costs

Year on year non-pay costs increased by 4% in the quarter ended 30 September 2014 compared to the corresponding prior year quarter:

- Materials and services costs were €1 million higher year on year mainly due to an increase in outsourced provisioning activities.
- Other network costs were broadly flat year on year.
- Accommodation costs increased by €2 million compared to the corresponding prior year quarter mainly due to higher electricity costs. Fibre cabinets are now demanding more power in order to support high speed broadband services for our customers.
- Bad debt provisions, transport and travel costs, customer service costs and professional and regulatory fees were all broadly in line with the corresponding prior year quarter.
- Insurance and compensation costs reduced by €1 million compared to the corresponding prior year quarter mainly due to one-off credits in quarter ended 30 September 2014.
- IT costs were €1 million higher than the same period in the prior year due to new support contracts in relation to the implementation of new IT systems.
- Other non-pay costs in the quarter were broadly flat in line with 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 30 September 2014 were €13 million, €3 million lower than the prior year quarter, mainly due to the fair value intangible assets for fixed line customer relationships and fixed licence been fully amortised. The lower amortisation in fixed line has been partially offset by higher amortisation in Mobile due to two core projects been completed in the second quarter ended 31 December 2013 (Prepaid charging System and EPC Management).

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended 30 September 2014 of €64 million were in line with the prior year quarter ended 30 September 2013.

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Exceptional costs

Net exceptional charges of €6 million were incurred in the quarter ended 30 September 2014 and include strategic review costs of €8 million and other charges relating to certain legal matters of €2 million offset by an exceptional credit of €4 million reflecting the release of provisions carried forward at the start of the financial year.

Finance costs (net)

The group's net finance costs for quarter ended 30 September 2014 amounted to €48 million, €8 million lower than the prior year quarter. This is mainly due to lower Payment-in-Kind (PIK) interest and interest amortisation on the Facility B borrowings 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 the quarter ended 30 September 2014. The lower finance costs were offset by higher interest costs on the Senior Secured Notes and the Facility B2 borrowings. 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 quarter ended 30 September 2014 was €12 million, compared with a €2 million credit in the prior corresponding period. The tax credit mainly relates to a release of a prior year revenue audit provision as a result of the recent tax settlement with the Revenue.

Liquidity

Net cash generated from operating activities

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

During the quarter ended 30 September 2014, net cash generated from operating activities was €67 million compared with €87 million in the prior corresponding quarter. The decrease was primarily due to higher interest payments (€7 million), lower EBITDA (€7 million) and a net working capital outflow in the quarter of €6 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 working capital outflow in the quarter relates to trade receivables, and approximately half of this, relates to timing of prepayments.

Cash flows from investing activities

Total cash used in investing activities was €99 million for the quarter ended 30 September 2014, up from €83 million in the prior year quarter, due to the acceleration of capital expenditure payments to a certain supplier in the quarter.

Cash flows from financing activities

During the quarter ended 30 September 2014, and 30 September 2013, the group made repayments of €4 million in relation to the group's share of Tetra borrowings.

In addition, in the quarter ended 30 September 2014, the group 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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Other Data

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

Notes:

1. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in these tables. Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.
2. Fixed ARPU Calculations:
   A. We define "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 now excludes 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 discount) divided by the average number of PSTN 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 postpay mobile handset subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile handset subscribers in the period divided by the number of months in the period.
   C. We define "the average number of mobile 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.