Important notice

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURCHASING THE SECURITIES IN RELIANCE ON REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

IMPORTANT: *You must read the following before continuing*. The following applies to the preliminary offering memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the preliminary offering memorandum. In accessing the preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Company or any Initial Purchaser (in each case as defined in the preliminary offering memorandum) as a result of such access.

The preliminary offering memorandum has been prepared in connection with the offer and sale of the notes described herein (the "**Offering**"). The preliminary offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE PUBLISHED, FORWARDED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE IN WHOLE OR IN PART TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the preliminary offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons purchasing the securities outside the United States in reliance on Regulation S; *provided* that investors resident in a Member State of the European Economic Area are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and Directive 2010/78/EU, to the extent implemented in the relevant Member State) and any relevant implementing measure in each Member State of the European Economic Area). The preliminary offering memorandum is being sent at your request. By accepting the e-mail and accessing the preliminary offering memorandum, you shall be deemed to have represented to the Issuer, the Company and the Initial Purchasers that:

(1) you consent to delivery of such preliminary offering memorandum by electronic transmission, and

(2) you and any customers you represent are either:

    (a) QIBs; or

    (b) non-U.S. persons outside the United States and the e-mail address that you provided and to which the preliminary offering memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S.

Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and

(3) if you are resident in a Member State of the European Economic Area, you are a qualified investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the preliminary offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the preliminary offering memorandum to any other person.

The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the preliminary offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The preliminary offering memorandum is not being distributed, nor has it been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") by an authorized person under the FSMA. The preliminary offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of Section 21 of the FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). The preliminary offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the preliminary offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. The securities are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company.

The preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Initial Purchasers, or any person who controls any of the Initial Purchasers, or any of their directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The information in this preliminary offering memorandum is not complete and may be changed without notice. This preliminary offering memorandum is not an offer to sell the securities described herein and is not a solicitation of an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 6, 2016

PRELIMINARY OFFERING MEMORANDUM

NOT FOR GENERAL CIRCULATION IN THE UNITED STATES
STRICTLY CONFIDENTIAL

eircom Finance DAC

€350,000,000 % Senior Secured Notes due 2022

eircom Finance DAC (the "**Issuer**") is offering (the "**Offering**") €350,000,000 aggregate principal amount of its % senior secured notes due 2022 (the "**Notes**").

The Notes will bear interest at a rate of % and will mature on May 31, 2022. Interest on the Notes will accrue from the issue date and will be payable semi-annually on and , commencing on , 2016.

Prior to , 2018, the Issuer will be entitled at its option to redeem all or a portion of the Notes by paying a "make whole" premium. On or after , 2018, the Issuer will be entitled at its option to redeem all or a portion of the Notes, at any time or from time to time, upon not less than 10 nor more than 60 days' notice, at the redemption prices set forth in this offering memorandum. In addition, at any time prior to , 2018, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at the redemption price specified herein, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. Further, the Notes may be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain change of control events or asset sales, the Issuer may be required to offer to repurchase the Notes at 101% or 100% of the principal amount thereof, respectively, plus accrued and unpaid interest to the date of the repurchase. However, a change of control will not be deemed to have occurred if certain consolidated leverage ratios are not exceeded in connection with such event.

The Notes will be senior secured obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes, rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, be effectively senior to all of the Issuer's existing and future unsecured indebtedness to the extent of the assets securing the Notes and be contractually subordinated in right of payment to certain hedging obligations. The Notes will be guaranteed on a senior secured basis by eircom Limited (Jersey) (the "**Company**"), eircom Holdings (Ireland) Limited ("**EHIL**") and by certain of EHIL's subsidiaries (each, a "**Guarantor**" and together the "**Guarantors**") all of which are guarantors of, or borrowers under, our existing senior facilities (the "**Senior Facilities**"). Subject to certain limitations under applicable law, the guarantees will rank equal in right of payment with all existing and future senior indebtedness of the Guarantors that is not subordinated in right of payment to the guarantees, rank senior in right of payment to all existing and future indebtedness of the Guarantors that is subordinated in right of payment to the guarantees, be effectively senior to all of the Guarantors' existing and future unsecured indebtedness to the extent of the assets securing the guarantees and be contractually subordinated in right of payment to certain hedging obligations. Upon issuance, the Notes and the guarantees will be secured by security interests over the same assets that secure the Senior Facilities and certain hedging obligations, including equity interests, bank accounts, intercompany receivables (including a notes proceeds loan) and other assets of the Issuer, the Guarantors and Eircom Holdco S.A., subject to certain excluded assets, agreed security principles and perfection requirements. The collateral securing the Notes and the Senior Facilities may also secure certain additional indebtedness in the future. Under the terms of the Intercreditor Agreement (as defined herein), proceeds from the enforcement of the security will be applied to repay indebtedness in respect of certain hedging obligations in priority to the Notes and the Senior Facilities. The security interests and guarantees, as well as certain claims against the Issuer, will be subject to contractual and legal limitations, including limitations under Irish law. Security interests and guarantees may be released under certain circumstances.

For a detailed description of the Notes, see "*Description of the Notes*" beginning on page 187.

There is currently no public market for the Notes. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. There are no assurances that the Notes will be admitted to the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 31.

Offering Price for the Notes: % of principal plus accrued interest, if any, from the issue date.

The Notes and the guarantees of the Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the Offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A thereunder. Outside the United States, the Offering is being made in reliance on Regulation S under the U.S. Securities Act. The Notes are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*".

The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by one or more Global Notes, which we expect will be delivered through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about , 2016 (the "**Issue Date**").

Joint Book-Running Managers and Joint Global Coordinators

Deutsche Bank **Credit Suisse**

Joint Book-Running Managers

Barclays BNP PARIBAS DNB Markets Goldman Sachs International J.P. Morgan Morgan Stanley

Offering Memorandum dated , 2016

IMPORTANT INFORMATION

This offering memorandum is confidential and has been prepared by us solely for use in connection with the Notes. This offering memorandum is personal to each offeree and does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this offering memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell any Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. See "*Transfer Restrictions*".

Neither we, the Initial Purchasers, any of our or their respective representatives nor the Trustee are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business, tax or other advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes. In making an investment decision regarding any of the Notes, you must rely on your own examination of the Issuer and the terms of the offering, including the merits and risks involved.

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions, to make no photocopies of this offering memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes.

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. The Initial Purchasers are not making any representation or warranty that this information is accurate or complete and are not responsible for this information. In this offering memorandum, we have summarized certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything material that is likely to affect the import of such information.

The information contained in this offering memorandum is correct as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in our business since the date of this offering memorandum.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. We have accurately reproduced the information set out in this offering memorandum describing clearing and settlement arrangements including *"Book-Entry, Delivery and Form"*, and as far as we are aware and able to ascertain from third-party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Notes will be available initially only in book-entry form. We expect that the Notes offered hereby will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and/or Clearstream and their participants, as applicable. See "*Book-Entry, Delivery and Form*".

The Notes are subject to restrictions on transferability and resale, which are described under the caption "*Transfer Restrictions*". By possessing this offering memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You should be aware that you may be required to bear the financial risks of your investment for a long period of time.

We reserve the right to withdraw the offering at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

We cannot guarantee that the application we will make to the Official List of the Irish Stock Exchange for each series of the Notes to be listed and admitted to trading on the Irish Stock Exchange's Global Exchange market will be approved, and settlement of the Notes is not conditional on obtaining this admission to trading.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this offering memorandum under the "*Transfer Restrictions*" section of this offering memorandum.

The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

NOTICE TO INVESTORS

Notice to investors in the United States

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs as defined in Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Notes may be offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "*Transfer Restrictions*".

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

Notice to certain European investors

European Economic Area

This offering memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in Member States of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the Offering contemplated in this offering memorandum must only do so in circumstances in which no obligation arises for the Issuer, the Parent Guarantor or any Initial Purchaser to produce a prospectus for such offer. None of the Issuer, the Parent Guarantor or the Initial Purchasers has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, and includes any relevant implementing measure in the Relevant Member State (as defined below).

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

- "qualified investors", as defined in the Prospectus Directive;
- fewer than 150 natural or legal persons (other than qualified investors, as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer and Initial Purchasers; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

  provided that no such offer of Notes shall result in a requirement for the publication by the Issuer, the Parent Guarantor or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Parent Guarantor, each Initial Purchaser and others will rely on the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

United Kingdom

This offering memorandum is only being distributed to and is only directed at persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "**Order**"), (ii) are persons falling within Article 49(2)(a) to (d) of the Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 of the United Kingdom, or "**FSMA**") in connection with the issue or sale of any Notes may lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). Accordingly, by accepting delivery of this offering memorandum, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

Ireland

The Notes may not be underwritten or placed:

- otherwise than in conformity with the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) of Ireland and any rules issued by the Central Bank of Ireland pursuant to section 1363 of the Companies Act 2014 of Ireland;

- otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- otherwise than in conformity with the provisions of the Companies Act 2014 (as amended), the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989; and
- no action may otherwise be taken in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) (as replaced with effect from July 3, 2016 by the Market Abuse Regulation (EU 596/2014)) and any rules issued by the Central Bank of Ireland pursuant to Section 1370 of the Companies Act 2014 of Ireland.

Grand Duchy of Luxembourg

This offering memorandum has not been approved by and will not be submitted for approval to (i) the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg (''**Luxembourg**'') for the purposes of a public offering or sale, in Luxembourg, of the Notes or admission to the official list of the Luxembourg Stock Exchange (''**LxSE**'') and trading on the LxSE's regulated market of the Notes or (ii) the LxSE for the purposes of admitting the Notes to the official list of the LxSE and trading on the LxSE's Euro MTF market. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, or listed or traded on the LxSE's regulated market or the LxSE's Euro MTF market, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the applicable Luxembourg law of July 10, 2005 on prospectuses for securities, as amended.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION, WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

STABILIZATION

In connection with this offering, Deutsche Bank AG, London Branch (or persons acting on behalf of Deutsche Bank AG, London Branch) (the ''**Stabilizing Manager**'') may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

FORWARD LOOKING STATEMENTS

This offering memorandum includes forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition, liquidity, and the development of the industry in which we operate are consistent with the forward looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the impact of a potential regression in the recovery of the Irish economy;
- increasing competition in the Irish telecommunications market;
- consolidation in the Irish telecommunications market;
- substitution of other services for our products and services;
- our ability to successfully implement our strategy to reduce churn and gain new subscribers;
- extensive regulation and regulatory initiatives aimed at increasing competition;
- our ability to successfully compete in data services;
- increased competition in the broadband market as a result of government initiatives;
- our ability to maintain our favorable brand image and develop new brands;
- changes in technologies and markets that require us to make substantial investments in our network and systems;
- our ability to achieve anticipated returns on investments;
- our dependence on network sharing agreements;
- dependence on third parties to distribute products, provide customer care and procure customers;
- our ability to effectively deploy new or enhanced technologies;
- our dependence on the proper functioning of, and our ability to continuously upgrade, our network, IT, and other systems; and
- other factors discussed or referred to in this offering memorandum.

We urge you to read the sections of this offering memorandum entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and "*Regulation*" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward looking events described in this offering memorandum may not occur.

We undertake no obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this offering memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which we operate are based on data, statistical information, sector reports and third-party studies as well as on our own estimates.

We operate in an industry in which it is difficult to obtain precise industry and market information. We have generally obtained the market and competitive position data in this offering memorandum from the following reports:

- Reports published by The Commission for Communications Regulation (''**ComReg**''), the Irish telecommunications regulator, including the report containing market information as of December 31, 2015, published on March 10, 2016;
- Information notices published by ComReg, including reference #ComReg 15/56, ''ComReg and Vodafone Ireland Limited agree to strike out Vodafone's judicial review proceedings [2014/595/JR], with no further order'' published on June 17, 2015;
- Information published by Ireland's Central Statistics Office (''**CSO**''), including ''Population and Migration Estimates'' published in April 2015;
- Disclosures made by EUR-Lex, including ''Summary of Commission Decision of May 28, 2014 declaring a concentration compatible with the internal market and the EEA Agreement (Case M.6992—Hutchison 3G UK/Telefónica Ireland)'';
- Reports published by Analysys Mason, including the ''Telecoms Market Matrix—Western Europe'' report published on April 21, 2016;
- Reports published by Body of European Regulators for Electronic Communications (''**BEREC**''), including report titled ''Termination rates at European level'' report published by in July 2015;
- Certain earnings reports and presentations published by eir; and
- Certain earnings reports and presentations published by Liberty Global.

However, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases we have made statements in this offering memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions including based on the reports of our competitors. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

To the extent that information was taken from third parties, such information has been accurately reproduced by us in this offering memorandum and, as far as we are aware and able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative.

We have not verified the figures, market data and other information used by third parties in our studies, publications and financial information, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this offering memorandum or for the accuracy of data on which our estimates are based.

This offering memorandum also contains estimations of market data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry we operate in and our position within it. Our own estimates have not been checked or verified externally. We nevertheless assume that our own market observations are reliable. We give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from future studies conducted by market research institutes or other independent sources.

PRESENTATION OF FINANCIAL DATA

Financial Information

IFRS Financial Data

In this offering memorandum, we present consolidated financial data for EHIL, the ultimate parent company of our restricted group, including:

- consolidated financial data for the nine months ended March 31, 2015 and 2016 extracted from EHIL's unaudited condensed consolidated financial statements as of and for the nine months ended March 31, 2016, each prepared in accordance with IFRS, which are included elsewhere in this offering memorandum;
- consolidated financial data for EHIL as of and for the years ended June 30, 2013, 2014 and 2015 extracted from EHIL's audited consolidated financial statements as of and for the years ended June 30, 2013, 2014 and 2015, each prepared in accordance with IFRS, which are included elsewhere in this offering memorandum; and
- certain summary financial data for the twelve months ended March 31, 2016 derived mathematically by adding the financial data for the nine months ended March 31, 2016 to the financial data for the year ended June 30, 2015 and subtracting the financial data for the nine months ended March, 2015.

Our consolidated financial statements prepared in accordance with IFRS as of and for the years ended June 30, 2013, 2014 and 2015 have been audited by PricewaterhouseCoopers, EHIL's independent auditors. IFRS differs in certain significant respects from U.S. GAAP.

Non-IFRS Financial Data

Adjusted Financial Data

In addition to financial data prepared in accordance with IFRS, in this offering memorandum we present certain adjusted financial data, which give effect to changes in our accounting policies, certain dispositions and certain other events that have occurred during the periods presented.

We adopted certain changes to our accounting policies effective July 1, 2014. In particular, we 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*". We believe that the adoption of IFRS 11, "*Joint Arrangements*", which requires interests in jointly controlled entities to be recorded using the equity method of accounting, has had the most significant impact on our results of operations. Under IFRS 11, our 56% investment in Tetra Ireland Communications Limited ("**Tetra**") has been classified as a joint venture and the equity method of accounting has been applied in reflecting its results in our consolidated financial statements. Prior to the adoption of IFRS 11, our investment in Tetra was proportionately consolidated. For a further discussion of the effects on our results of operations of the adoption of IFRS 11, see Note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum. In this offering memorandum, we present our results of operations for the years ended June 30, 2013, 2014 and 2015, and for the nine months ended March 31, 2015 and 2016 on an adjusted basis, applying the proportionate method of accounting rather than the equity method of accounting in reflecting Tetra's results in our consolidated financial statements as we believe such a presentation provides a more meaningful view of our results of operations and a consistent basis for comparing our results of operations for the periods presented.

On May 11, 2013, we disposed of eircom Phonewatch Limited ("**Phonewatch**"), which represented a non-core business unit that provided home security solutions in Ireland, for €117 million in net proceeds. The results of Phonewatch, up to the date of its disposal, were reflected in our consolidated financial statements for the year ended June 30, 2013. For a further discussion of the Phonewatch disposition and its effects on our business, see Note 9 to our consolidated financial statements for the year ended June 30, 2014 included elsewhere in this offering memorandum. In this offering memorandum, we present our results of operations for the year ended June 30, 2013 after making adjustments for the disposal of Phonewatch to provide a meaningful basis for comparing our results of operations for the year ended June 30, 2013 with subsequent periods presented in this offering memorandum.

Pro Forma Financial Data

In this offering memorandum, we present certain unaudited *pro forma* financial information, which give effect to the Refinancing Transactions (as defined below under "*Certain Definitions*") as though they had occurred on March 31, 2016 for the purposes of balance sheet data and as of April 1, 2015 for the purposes of income statement data. The unaudited *pro forma* data is provided for illustrative purposes only and do not purport to represent what our actual results of operations or financial position would have been if the Refinancing Transactions had occurred, in the case of debt metrics, on March 31, 2016 or, in the case of finance costs, on April 1, 2015. The unaudited pro forma data set out in this offering memorandum is based upon available information and certain assumptions and estimates that we believe are reasonable.

Other Non-IFRS Financial Data

We present certain other Non-IFRS financial data in this offering memorandum including EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, capital expenditure, net working capital movement, net debt and leverage and coverage ratios. These are supplemental measures of our performance that are not required by, or presented in accordance with, IFRS. These measures are not measures of our financial performance under IFRS and should not be considered in isolation or as an alternative to operating profit, cash flow from operating activities or any other measures of performance or liquidity prepared in accordance with IFRS.

We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. Non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating result as reported under IFRS. Other companies in our industry may calculate these measures differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, capital expenditure, net working capital movement, net debt and leverage and coverage ratios as an alternative to (a) operating profit (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operations, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and net debt and leverage and coverage ratios have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under IFRS.

Rounding adjustments have been made in calculating some of the financial information included in this offering memorandum. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

CERTAIN DEFINITIONS

In this offering memorandum:

- "Blended retail fixed ARPU" refers to the average of the total retail subscriber revenue divided by the average number of access subscribers in each period, where the average number of access subscribers in each period is the average of the total number of access subscribers at the beginning of the period and the total number of access subscribers at the end of the period and where total retail subscriber revenue is equal to retail access rental revenue (PSTN and ISDN excluding connection revenue), net core voice revenue (net of all rental discounts including promotional discounts) and net broadband revenue (broadband rental net of bundle discounts);
- "Churn" refers to the percentage of subscriber/line disconnections during a given period. Churn rates are calculated by dividing the number of disconnections of subscribers/lines during the period by the average number of subscribers/lines in the same period, where the average number of subscribers/lines in the period is the average of the total number of subscribers/lines at the beginning of the period and the total number of subscribers/lines at the end of the period. Where we present mobile churn rates, the average number of subscribers does not include postpaid subscribers without an active contract and prepaid subscribers whose SIM card is connected to the network, but who have not paid for top-up or who have not decreased their balance in the previous 90 days by means of a transaction such as an outgoing call, SMS, MMS or mobile Internet usage. We define the percentage change in a churn rate as the movement on the number of losses between the prior period and the current period divided by the number of losses in the prior period;
- "Clearstream" refers to Clearstream Banking, *société anonyme*;
- "Company" refers to eircom Limited (Jersey), a private limited company incorporated in Jersey with registration number 116389 and, as the context requires, its subsidiaries on a consolidated basis;
- "Consent Request" has the meaning given to it in "Summary—Recent Developments";
- "$" or "dollars" or "U.S. dollars" refers to the lawful currency of the United States;
- "EHIL" and "Parent Guarantor" refer to eircom Holdings (Ireland) Limited, a private company registered in Dublin, Ireland, and not to any of its subsidiaries;
- "eircom Limited (Ireland)" refers to eircom Limited, a private limited company incorporated in Ireland with registration number 98789;
- "eircom Limited (Jersey)" refers to eircom Limited, a private limited company incorporated in Jersey with registration number 116389;
- "ESOT" or the "ESOT Trustee" refers to the eircom Employee Share Ownership Trust;
- "€", "euro" or "EUR" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "EU" refers to the European Union;
- "Euroclear" refers to Euroclear Bank SA/NV;
- "Examinership" refers to the petition of eircom and certain of its subsidiaries on March 29, 2012, to the High Court in Ireland for court protection and the appointment of an examiner and the subsequent placement into examinership under the Companies Act, 2014, as amended, in order to give effect to a restructuring of the debt of eircom;
- "Existing Notes" or "Senior Secured Notes due 2020" refers to the Issuer's 9.25% Senior Secured Notes due 2020 governed by the indenture dated May 20, 2013, among, *inter alios*, the Issuer, the guarantors named therein, Wilmington Trust, National Association as Trustee, Wilmington Trust (London) Limited as Security Agent, as amended and/or supplemented from time to time;
- "Group" refers to EHIL and its subsidiaries;

- "IFRS" refers to International Financial Reporting Standards adopted by the European Union;
- "Intercreditor Agreement" refers to the intercreditor agreement dated on the Restructuring Date, as amended on June 11, 2015, by and among, *inter alios*, EHIL and Wilmington Trust (London) Limited as Security Agent;
- "Initial Purchasers" refers to, collectively, Deutsche Bank AG, London Branch; Credit Suisse Securities (Europe) Limited; Barclays Bank PLC; BNP Paribas; DNB Markets, a division of DNB Bank ASA; Goldman Sachs International; J.P. Morgan Securities plc and Morgan Stanley & Co. International plc;
- "Issuer" refers to eircom Finance DAC, a designated activity company registered in Ireland with company number 524458;
- "Postpaid ARPU" refers to the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscibers in the year is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;
- "£" or "pounds sterling" refers to the lawful currency of the United Kingdom;
- "Prepaid ARPU" refers to the measure of the sum of the total prepaid mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepaid mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscibers in the period is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;
- "Redemption Date" means the date of redemption of the Existing Notes, which is expected to occur on or about June 17, 2016;
- "Refinancing Transactions" refers to the issuance of the Notes, entry into security documents and other finance documents related to the issuance of the Notes, and the redemption, repayment, repurchase or discharge of indebtedness under the Existing Notes and/or the Senior Facilities Agreement, in whole or in part, and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing;
- "Retail broadband ARPU" refers to the average of total revenue from broadband services (net of broadband bundle discount) divided by the average number of retail broadband subscribers in each period, where the average number of subscribers in each period is the average of the total number of subscribers at the beginning of the period and the total number of subscribers at the end of the period;
- "Retail fixed voice ARPU" refers to the average of retail access rentals (PSTN and ISDN excluding connection revenue) and net core voice revenue (net of all rental discounts including promotional discounts) divided by the average number of access subscribers in each period, where the average number of access subscribers in each period is the average of the total number of access subscribers at the beginning of the period and the total number of access subscribers at the end of the period;
- "Revolving Facility" or "Revolving Credit Facility" refers to a new revolving credit facility to be introduced under the Senior Facilities Agreement in an aggregate principal amount of up to €150 million, subject to the receipt of consent from lenders under the Senior Facilities Agreement representing more than two thirds of the total outstanding commitments under the Senior Facilities Agreement;
- "Revolving Facility Effective Date" has the meaning given to it in "Description of Other Indebtedness—Senior Facilities Agreement—Consent Request—Revolving Credit Facility";

- "Senior Facilities" refers to the facilities made available under the Senior Facilities Agreement, including the Revolving Facility (if the Consent Request is successful), a senior secured term loan facility B2 ("**Facility B2**") and a senior secured term loan facility B3 ("**Facility B3**");
- "Senior Facilities Agreement" refers to the Senior Facilities Agreement dated on the Restructuring Date (as defined therein, being June 11, 2012, the "Restructuring Date") as amended and restated on January 22, 2013, on March 14, 2013, on April 4, 2014, as amended on August 22, 2014, as amended and restated on June 11, 2015 and amended on July 16, 2015, and as further amended from time to time between, among others, EHIL, Wilmington Trust (London) Limited as agent and security agent and the lenders thereunder;
- "Tetra" refers to Tetra Ireland Communications Limited, a private limited company incorporated in Ireland with registration number 406355;
- "total ARPU" refers to the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the period is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;
- "Trustee" refers to Deutsche Trustee Company Limited;
- "United States" or "U.S." refers to the United States of America;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States; and
- "eircom", "we", "us", "our", "eir" and other similar terms refer to EHIL on a consolidated basis after giving effect to the Refinancing Transactions described in this offering memorandum, unless expressly stated otherwise or the context otherwise requires.

We have included a glossary of selected technical and other terms used in this offering memorandum beginning on page G-1.

EXCHANGE RATE INFORMATION

Ireland is a participant in the European Monetary Union. In accordance with the Maastricht Treaty, the euro was launched as the single European currency on January 1, 1999. On January 1, 2002, the Irish punt was replaced as the lawful currency of Ireland by the euro.

U.S. Dollars per Euro

The table below set forth, for the periods indicated, the period end, average, high and low Bloomberg Composite Rate (New York) expressed as U.S. dollars per euro. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the closing Bloomberg Composite Rates on the last business day of each month during the relevant period. The average rate for a month, or for any shorter period, means the average of the closing Bloomberg Composite Rates on each business day during the relevant period. Neither we nor the Initial Purchasers make any representation that the euro or U.S. dollar amounts referred to in this offering memorandum have been, could have been or could in the future be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

The table below sets forth, for the period from January 1, 2013 through June 3, 2016, the Bloomberg Composite Rate expressed as U.S. dollars per euro.

	Dollars per €1.00			
	High	Low	Period average (1)	Period end
Year				
2013	0.78	0.72	0.75	0.73
2014	0.83	0.72	0.75	0.83
2015	0.95	0.83	0.90	0.92
Month				
November 2015	0.95	0.90	0.93	0.95
December 2015	0.94	0.90	0.92	0.92
January 2016	0.93	0.91	0.92	0.92
February 2016	0.92	0.88	0.90	0.92
March 2016	0.92	0.88	0.90	0.88
April 2016	0.89	0.87	0.88	0.87
May 2016	0.90	0.87	0.89	0.90
June 2016 (through June 3, 2016)	0.89	0.88	0.89	0.88

(1) In respect of the yearly data, the average of the rate on the last business day of each month during the relevant period. In respect of the monthly data, the average of the rate on each business day during the month.

The above rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

SUMMARY

The following summary highlights significant aspects of our business and the offering, but you should carefully read this entire offering memorandum to understand the structure of the offering, our business, the risks associated with investing in the Notes, the terms of the Notes, and the tax and other considerations that are important to an investment decision.

Overview

We are the sole telecommunications provider in Ireland that offers quad-play bundles on our own integrated network, and we offer a range of retail and wholesale services. We are the principal provider of fixed line telecommunications and operate the third largest mobile telecommunications provider.

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 73% of our revenue (before inter-segment eliminations) for the twelve months ended March 31, 2016. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our total revenue market share of the total Irish market (including mobile) was 32% for the quarter ended December 31, 2015. Our mobile division includes Meteor and eir Mobile, which provides mobile services to bundled customers, and is also the brand used in the eir Business division. The mobile business contributed 27% of our total revenue (before inter-segment eliminations) for the twelve months ended March 31, 2016. Adjusted revenue for the twelve months ended March 31, 2016 was €1.29 billion and Adjusted EBITDA was €497 million.

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our fixed/mobile convergence (''**FMC**'') bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fiber network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports.

Our strategy to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms, is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between June 30, 2012 and March 31, 2016 we have spent €1.2 billion, or 25% of revenue, in relation to the roll-out of our fiber network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fiber network now passes over 1.4 million homes and businesses in Ireland.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2015, the annual growth in Irish GDP was 7.8%, the highest of the 28 countries in the EU, and further growth is expected in 2016.

In terms of the overall Irish telecommunications market, total market revenue (including retail and wholesale revenue but excluding satellite pay-TV) was €3.87 billion for the twelve months ended December 31, 2015 (*Source: ComReg*).

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering broadband, voice, TV, datacomms and managed services to individual consumers and business users under the eir brand. We also offer other authorized operators (''**OAOs**'') a range of wholesale services including high-speed broadband, voice and managed services under our new Open eir brand. According to quarterly data published by ComReg (ComReg 16/17), we had a market share for the quarter ended December 31, 2015 of 48.9% of the Irish fixed line market, based on revenue, compared to 49.4% of revenue market share in the quarter ended December 31, 2014. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach, and other network operators therefore rely heavily on our infrastructure. We are also the leading provider of retail broadband services in Ireland with 447,000 retail and 389,000 wholesale customers as of March 31, 2016. As of March 31, 2016, we had 1,220,000 fixed line retail and wholesale telephone access lines (excluding wholesale Local Loop Unbundling ("**LLU**")) in service. Approximately 96% of our active access lines are in exchanges enabled to support both PSTN and ADSL permitting simultaneous, high-speed transmission of voice and data over our network.

Revenue (before inter-segment eliminations) from our retail fixed line services was €652 million for the twelve months ended March 31, 2016 and from our wholesale fixed line services was €332 million (including €14 million of revenue from networks and property income) for the twelve months ended March 31, 2016.

Mobile services

Our Mobile division is comprised of the Meteor and eir Mobile brands. The eir Mobile brand is used mainly for bundling in the consumer market, but is also the main brand used by our eir Business division. Through our capital investment program, we were the first mobile operator in Ireland to launch 4G services, and more recently we were the first operator to introduce free EU roaming. We are the third largest mobile operator in Ireland in terms of revenue and customers. According to data published by ComReg for the quarter ended December 31, 2015, we had an overall market share of 18.6% based on the number of subscribers, including mobile broadband, and 18.8% based on revenue, a market principally comprised of three large players: Vodafone Ireland Ltd ("**Vodafone**"), 3 and eir. Our mobile handset market share as of December 31, 2015 was 20.5%, according to data published by ComReg.

The mix of our mobile base continues to improve and, as of March 31, 2016, 47% of our customer base was postpay. Revenue (before inter-segment eliminations) for our mobile division for the twelve months ended March 31, 2016 was €359 million, compared to €349 million for the twelve months ended March 31, 2015, an increase of 2.8%. Adjusted EBITDA was €66 million for the twelve months ended March 31, 2016, representing an increase of €17 million compared to the twelve months ended March 31, 2015. Adjusted EBITDA margin increased to 19% for the twelve months ended March 31, 2016, from 14% for the corresponding prior year period.

Our Strengths

We operate in the attractive Irish market, which was the fastest growing economy in the EU in 2015 when it also enjoyed its lowest unemployment rate in six years. We believe we have a number of strengths, including the following:

We are the largest integrated telecommunications operator, and the first with quad-play infrastructure in Ireland

We have successfully rolled out bundled services including high-speed broadband, TV, voice and mobile services delivered to customers on a single bill. As of March 31, 2016, over 46% of our customers were on a dual-play bundle, with a further 19% on triple- or quad-play bundles. In January 2014 we commercially launched eir Vision, our IPTV service, over our fiber network, which made us the first operator in Ireland to offer quad-play bundles at the time. As of March 31, 2016, we had over 49,000 eir Vision subscribers representing a 26% penetration rate of our fiber-served residential customer base.

Through increased bundling, we are well-positioned for further significant increases to our revenue generating units ("**RGU**") per household, which stood at 2.02 as of March 31, 2016. We believe there is significant potential for cross-selling and up-selling of our fixed line voice, broadband, mobile and TV services, which we believe will increase RGU's per household and increase customer satisfaction, resulting in reduced churn. Specifically, we believe there are significant opportunities within the triple- and quad-play market, and that our broad geographic reach and integrated nature of our network, alongside our leading fixed line subscriber base, will position us to compete effectively in this market. We believe that customers subscribing to larger bundle packages will churn at lower rates. Our triple- and quad-play bundle penetration of 19%

compares with triple- and quad-play bundle penetration of approximately 24.4% in the Irish market overall as of December 31, 2015 and 27% in the UK as of March 31, 2015.

We acquired Setanta Sports Ireland in April 2016. Through this transaction, we have acquired exclusive and attractive sports content including Premier League, Champions League and Europa League football, among others, which will further strengthen our bundling capabilities.

We are the leading provider of fixed voice and broadband services in Ireland with strong brand recognition

We are the preferred fixed line operator in Ireland according to external research, and have retained an impressive market position, notwithstanding that the market has been fully liberalized since 1998, and infrastructure competition has developed and intensified in the last five years. We had 1,220,000 fixed access lines (excluding LLU) as of March 31, 2016. Our overall fixed line market revenue share (including fixed broadband) was reported by ComReg as 48.9% for the quarter ended December 31, 2015 and, for the same period, our fixed broadband market share of retail and wholesale subscriptions was 67.4%, including a retail market share of 34.5%. Our market position means that we have benefitted from historically stable fixed line rental ARPU and are well placed to take advantage of the growth opportunity, in both the telecommunications and the converging media markets, arising from Ireland's strong economic recovery. At 66.8%, fixed broadband penetration in Ireland is lower than in the majority of other advanced European countries, and we therefore see an opportunity for growth in this area.

In September 2015, we launched our new brand, eir. The new brand reflects our revitalized and modernized company, which has been transformed by the investment in our integrated network capabilities and the development of new customer propositions delivered across these networks. According to research conducted on our behalf by an independent research agency, Red C Research, 84% of Irish customers are aware of our rebranding, 74% actively recall our rebranding advertising, and customers of competitors are more likely to consider eir as a result of the rebrand. We have scored highly in terms of brand consideration, with Red C Research reporting that 43% of Irish adults would consider eir for fixed broadband. Awareness of our TV offering has grown steadily since its launch, with 58% of the market now aware of our eir Vision TV service. We believe that our strong brand recognition, investments in our network and our extensive reach give us considerable competitive advantages in Ireland, our core market. This is demonstrated by our continuing strong market position in a now highly competitive retail market with strong participation and marketing from our main fixed line competitors: Vodafone, Virgin Media and Sky.

We are the third largest mobile operator in Ireland

Since re-entering the Irish mobile market with our acquisition of Meteor in November 2005, we have invested significantly in our network and in growing our customer base and had 1,078,000 mobile customers as of March 31, 2016. According to data published by ComReg for the quarter ended December 31, 2015, we had an overall market share of 18.6% based on the number of subscribers, including mobile broadband, and 18.8% based on revenue. The market includes three large MNOs (Vodafone, 3 and eir) and several smaller MVNOs, including the established brands Tesco Mobile and Lycamobile, as well as the recently launched Virgin Media and iD Mobile brands. Our mobile handset market share as of December 31, 2015 was 20.5%, according to data published by ComReg.

Meteor historically targeted prepaid customers in the under 25-year old market segment as well as value conscious customers, but has now been expanded to appeal to higher value postpaid subscribers, which have higher ARPU and a lower propensity for churn. In 2009, we launched eMobile, a second mobile brand that was more explicitly associated with the eircom fixed line business in the consumer and business markets, and which was re-branded eir Mobile in September 2015. This brand was predominantly targeted at an older, higher income demographic with a focus on offering bundled services to our fixed line subscribers and to business markets.

As of March 31, 2016, we had 503,000 postpaid subscribers, including mobile broadband. This represents 47% of our mobile customer base and an increase of 4 percentage points since March 31, 2015. We have steadily grown our business-to-business ("**B2B**") mobile offering to target the business segment in Ireland in which currently two of our competitors (Vodafone and

3) have the largest market shares. As of December 31, 2015, we had an 8.1% share of the business market segment, excluding mobile-to-mobile (''**M2M**'') and mobile broadband (''**MBB**''), compared to 6.5% as of December 31, 2014. We believe that the business market segment continues to represent a sizeable expansion opportunity for our mobile business, and that we are well positioned to cross-sell and up-sell our mobile services through bundled offerings to our extensive business customer base.

We were the first to launch 4G mobile services in Ireland, in 2013, achieving 75% outdoor population coverage as of March 31, 2016. There was a 45% increase in data usage since March 31, 2015, which drove growth in our mobile revenues, and we have launched HD Voice Nationwide, an upgrade to call quality aimed at providing a crystal clear mobile voice service. Our 3G and 2G networks are fully national with 99% of the population covered, and 80% of our 3G network is dual carrier HSPA+ enabled as of March 31, 2016, which supports increased speeds of up to 42 Mb/s.

On June 30, 2015, following an extensive site roll-out program, we ended our national roaming agreement (''**NRA**'') with Vodafone which covered the west, south west and north west of Ireland. Through the roll-out of 3G sites in the former NRA area, as well as network sharing arrangements with 3, we have delivered a substantial improvement in customer experience in relation to data services in those areas. We believe our investments in our mobile network and our network sharing arrangement with 3 give us a platform to capitalize on the growth of mobile data throughout Ireland and improve our existing coverage footprint in rural and urban locations.

Our substantial investments have resulted in an extensive fiber network infrastructure in Ireland, delivering the next generation of broadband data services

We have constructed an extensive Next Generation Access (''**NGA**'') fiber network, investing approximately €360 million from early 2012 through March 31, 2016. As of March 31, 2016, we had passed over 1,405,000 premises with Fiber to the Cabinet (''**FTTC**'') technology which offers broadband speeds of up to 100 Mb/s with the aid of vectoring technology. Furthermore, we have commenced the roll-out of high-speed broadband to rural Ireland, using predominately Fiber to the Home Technology (''**FTTH**''). In September 2015 we rolled out our pilot FTTH program, with speeds of up to 1 Gb/s and as of March 31, 2016 we had passed approximately 30,000 premises across 18 regional communities, and we plan to reach 300,000 premises passed within approximately four years. As of March 31, 2016, more than approximately 60% of all premises in Ireland can benefit from high-speed fiber broadband provided by eir.

We believe the reach and quality of our network allows us to offer highly attractive and competitive services in terms of speed, capacity, content, connection reliability and cost efficiency. Our current network enables us to respond to customer demand for high-speed connectivity delivered to a multitude of locations over a variety of technologies. We plan to reach 1.9 million premises passed (representing over 80% of Irish premises) within approximately four years, including 300,000 premises passed by our FTTH network. As of March 31, 2016, 394,000 or 47% of Group broadband customers signed up to NGA fiber services, compared to 242,000, or 32% of the total, as of March 31, 2015. Our state-of-the-art network has allowed us, through our Consumer division, to provide super-fast broadband services to consumers and enabled us to launch a range of entertainment services on fiber, including TV services, where we hold a 3% share of the market as of January 31, 2016.

We have the largest core fiber network in Ireland, with over 13,000 km of lines and we believe that this investment, together with our investment in our fiber access network, uniquely positions us to meet customer demand for high-speed services, as well as providing the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services. We believe that the growth in data traffic will increase utilization of our NGA fiber network and, given the planned quality and reach of our network, will enable us to benefit from increased broadband penetration and data traffic across fixed and mobile networks in Ireland, and maintain our product leadership in the high bandwidth demand environment. We believe that our fiber network also positions us well to tender in the Irish government's National Broadband Plan (''**NBP**''), a government-sponsored scheme to ensure all Irish premises have broadband access (with minimum download speeds of 30 Mb/s and minimum upload speeds of 6 Mb/s) by 2022.

We are a leading provider of telecommunications solutions to Irish businesses and government bodies

We are the largest communications service provider to businesses and the public sector in Ireland, serving almost 90,000 small and medium enterprise, corporate and public sector customers with a range of traditional fixed line, data center services, managed services and solutions.

In particular, we offer local, national, fixed-to-mobile and international fixed voice services to our business customers throughout Ireland, and also offer a range of advanced fixed voice services, including Freefone, cost-shared and premium rate services, virtual private networks and teleconference services to our corporate and medium sized business customers, a large proportion with whom we have longstanding relationships. We also provide a range of fixed broadband, datacomms, managed services and solutions, and data center services to our business customer base, and have grown our B2B mobile services to business customers in Ireland, with 8.1% share (excluding MBB and M2M) of this market as of December 31, 2015, compared to 6.5% as of December 31, 2014. We believe that our B2B eir Mobile service allows us to cross-sell FMC solutions to our extensive customer base, which we believe will help us reduce our fixed line churn and mitigate the impact of increased competition from other mobile operators.

eir UK has grown significantly in the last five years, as a result of several major managed network services contract awards, primarily with public sector customers. We also provide fixed communications services to a small number of UK subsidiaries of Irish companies and a number of multinationals.

We are the largest wholesale telecommunications provider in Ireland

In the wholesale market, we provide a broad range of infrastructure and managed services such as wholesale line rental, bitstream, line share, LLU, capacity based products and interconnect services, and we provide the capability for other operators to provide retail services to customers, as well as high capacity backhaul services for mobile network operators (''**MNOs**'') to connect their radio sites.

Our wholesale division operates on a non-discriminatory basis, offering a range of regulated services (including fiber) on ''open access'' basis, meaning it is available to other operators in the market, on an equivalent basis to our retail division, which drives the most efficient utilization of the asset and provides us with additional revenue opportunities. Our wholesale business has undergone a significant transformation process, moving from a supplier of telecommunications services to a strategic partner of choice for our wholesale customers. Competition within the wholesale market is strongest in core network services and, although other operators are beginning to compete in the wholesale access market, the majority of operators including Vodafone, BT, and 3 are significant customers of our wholesale business and rely on our core and access networks for the provision of mobile backhaul services as well as services to their end user consumer and business customers. As a consequence, we often gain some wholesale business when we lose retail business to OAOs. We have had success with our value-added services, including a service for resellers which includes managed calls and broadband access services (sometimes called ''**White Label**'') that allows our customers to make more extensive use of our network and services instead of investing in their own infrastructure. White Label subscriptions among our existing WLR lines have increased from 106,000 as of March 31, 2015 to 142,000 subscribers as of March 31, 2016.

We generate strong operating cash flows and have significant upside from cost savings

Our business is strongly cash generative, with Adjusted EBITDA of €481 million and €497 million for the financial year ended June 30, 2015 and the twelve months ended March 31, 2016, respectively. We have continued to generate significant cash flows in the face of competitive and regulatory pressures by increasing revenues, improving operational efficiencies and reducing costs through our cost savings program. We generated net operating cash flows of €295 million and €317 million for the financial year ended June 30, 2015 and twelve months ended March 31, 2016, respectively. We have a strong track record of achieving cost savings and have decreased operational expenses from €597 million for the year ended June 30, 2013 to €512 million for the year ended June 30, 2015, and increased our Adjusted EBITDA margin from 35% for the year ended June 30, 2013 to 38% for the year ended June 30, 2015. We have achieved this through a mix of Full-time Employee ("**FTE**") (including contractors) reductions facilitated by incentivized exit schemes, modernization of our work practices, reductions in IT and core network support costs through consolidation of our fixed and mobile network infrastructure and network sharing with telecom provider 3, which allowed us to end our roaming agreement with Vodafone, implementation of shared services in our fixed and mobile commercial operations, and effective procurement processes that have delivered significant cost reductions. We have also succeeded in implementing rational market pricing, including increases when supported by competitive market conditions (as evidenced by a recent increase of 5% on average across our residential fixed line base announced in January 2016). Going forward, we plan to grow our current operating cash flow levels by growing revenue and continuing to exercise strict cost controls.

We have a highly respected and experienced management team

Our board of directors and management team have extensive experience operating in both the Irish and international telecommunications markets and other industries. Our Chief Executive Officer, Richard Moat, who joined us in September 2012 and was appointed CEO in November 2014, has over 20 years of international mobile experience, previously leading T-Mobile UK as its Managing Director, before becoming Deputy Chief Executive and Chief Financial Officer of Everything Everywhere. Our Chief Financial Officer, Huib Costermans joined in August 2015, after holding a number of senior positions with KPN, the Dutch telecommunications company, including CFO of KPN Netherlands (2013-2015), CFO of E-Plus (2011-2013) and CFO Wholesale & Operations (2008-2011). He also gained significant international experience in the pharmaceutical industry before moving into telecommunications.

Our management team has demonstrated its skill and delivery capability in the critical areas of cost reduction, increasing efficiencies, defending market position, rolling out new infrastructures and commercial offerings such as NGA and 4G, as well as working effectively with key stakeholders, including ComReg. Our management team also has sophisticated commercial and financial expertise gained through completing numerous complex transactions.

Our Strategy

Connecting is our core business; we are responding to the growing customer demand for continuous fast and reliable accessibility, whether for high-speed broadband, calls, TV or mobile services, by improving our fixed and mobile infrastructure, which is the foundation on which our services are based. With our high-quality infrastructure, we make it easy for our customers to use our products and services.

Our goal is the creation of value by maintaining our market leadership in the fixed line market and capturing value in the mobile market, while maximizing operational efficiencies and maintaining strict cost discipline. We plan to leverage our extensive fixed and mobile reach and significant investments in our networks to provide our retail and wholesale customers with a full range of stand-alone and bundled telecommunications services as well as outsourced managed services.

The key elements of our strategy are:

Delivery of a best-in-class integrated network to connect people and places across Ireland

Our fixed line infrastructure is widespread in Ireland, with approximately 67% of our fixed line broadband network footprint not matched by any of our competition. We aim to maintain and improve our position in the fixed line telecommunications market (including voice and broadband) by:

- continuing the roll-out of our NGA FTTC fiber network from over 1.4 million premises passed as of March 31, 2016 (representing 60% of Irish premises) to 1.6 million premises passed (representing over 65% of Irish premises) by June 2016;
- rolling out our 1 Gb/s FTTH offering, which is currently in pilot stage passing 34,000 premises across 18 regional communities, to reach 330,000 premises. This will increase to 1.9 million or over 80% of the number of Irish premises passed by our NGA broadband network, and we are planning to complete the roll-out within approximately four years;

- further capturing the opportunities presented by bundling to increase RGUs per customer and maximize customer lifetime value, by extending the reach and penetration of our triple- and quad-play services, including TV, and leveraging the potential in the newly acquired Setanta business;
- remaining engaged with, and tendering in, the Irish government's NBP to ensure the availability of high speed data services to everyone in Ireland by 2022;
- maintaining high levels of customer service and strong brand recognition to retain customer loyalty; focusing on retaining and winning back customers through re-contracting activity, bundled services offerings, and improved marketing campaigns that defend and retain existing customer relationships and revenue by reducing churn, and by developing new services to meet the needs of our customers; and
- highlighting the affordability, capacity, quality and reliability of fixed line services and the benefits they bring to homes and businesses.

We will continue working to create maximum value in mobile services by focusing on earnings growth and customer retention. We will do this by:

- investing in the network: we have a nationwide radio access base station network. Approximately 1,700 base stations are 2G enabled providing service to 99% of the population, approximately 2,300 base stations are 3G enabled providing service to 99% of the population and approximately 600 base stations are 4G enabled providing service to 75% of the population (in each case as of March 31, 2016), which we plan on extending to over 95% of the population by March 2017. We have upgraded 80% of our 3G network to dual carrier HSPA+ enabled, which supports increased speeds of up to 42 Mb/s, and we plan on increasing this to 80% by December 31, 2016. We also believe that our investments in NGA fiber broadband will provide our wholesale business with a platform for the provision of backhaul services to a number of mobile operators. We are currently focused on enhancing capacity and coverage of our network at reduced costs through our own build-out and the 3 network sharing agreement; and
- increasing relative market share among higher spend customers (who normally have a lower propensity for churn), especially in the postpaid subscriber market segment through our eir Mobile brand. We believe we can continue to grow our postpaid subscriber base in the consumer market by increasing the uptake of triple- and quad-play bundles, and in the business market through our B2B mobile offering which offers an end-to-end solution for businesses. While we have achieved growth and market penetration since roll-out of our B2B mobile offering, we believe there is significant upside, as our market share in B2B mobile was 8.1% (excluding MBB and M2M) as of March 31, 2016, giving us substantial room for growth in this market.

The investments in our networks, coupled with a focused approach to commercial investments, are expected to generate higher returns while at the same time delivering a differentiated service for our customers and maximizing customer lifetime value.

Strengthen our wholesale position, and capitalize on B2B opportunities through eir Business

We will continue to leverage the strength of our core and access networks and develop our growing mobile network to leverage our wholesale and B2B revenues. We will do this by:

- retaining our share of Ireland's growing broadband market by offering wholesale access to OAOs in situations where we are unable to maintain the retail customer relationship ourselves. Ireland's fixed broadband market has grown from 1,189,000 subscribers as of December 31, 2013 to 1,309,000 subscribers as of December 31, 2015 (*Source*: ComReg 16/17), while our combined share of this market (across retail and wholesale) has remained relatively constant at 65% and 67%, due in part to our growing wholesale share;
- utilizing our leading core fiber network to provide mobile backhaul services to ourselves, to 3 through our network sharing agreement or to other MNOs on commercial terms;
- bidding on specific complementary projects, such as tenders within the Irish government's NBP, and certain "White Label" opportunities;

- transitioning our B2B offering away from reliance on legacy access and voice, to data, mobile and services to offset structural declines in legacy products;
- targeting all B2B segments with next generation voice, data and video solutions; and
- leveraging fixed line business customer relationships to cross-sell mobile services. We have experienced strong growth in mobile business market share in the twelve months ending March 31, 2016, with a 22% increase in our mobile B2B subscriber base and a 27% increase in our mobile B2B revenues in this time, and believe there is opportunity to continue this expansion.

Improving our customer experience in the residential market through improved bundles, provision of content and improved customer service

We will continue to leverage our strong position in the residential fixed line market to drive sales and growth. We will do this by:

- simplifying and improving our bundled offerings, supported by our position as the only provider with quad-play infrastructure (covering fixed line telephone, fixed line broadband, mobile and TV) and our new converged billing system, to enable cross selling and increasing the number of RGUs per customer;
- expanding into television content provision to create a consumer television offering, such as through our acquisition of Setanta Sports, which includes a range of exclusive content (including Premier League, Champions League and Europa League football), and which has begun to be integrated into the business; and
- ensuring we deliver the best customer service for our customers, including our recently developed 24/7 broadband helpline, simplified bill format and improving the appointment and provisioning process.

Simplification of our operations and processes to drive operational efficiencies and reduce costs

We have a strong track record in cost reduction and intend to continue to improve our earnings and cash flow by significantly reducing operational costs within our business. We reduced our workforce from 5,444 as of December 31, 2012 to 3,408 as of March 31, 2016 without impacting the delivery of our strategy. Pay and non-pay costs reduced from €597 million for the year ended June 30, 2013 to €512 million for the year ended to June 30, 2015, a reduction of 14%. We are pursuing further efficiencies through our simplification program which is enabling the simplification of our processes, the transformation of our IT landscape and our product and services portfolio. This is expected to deliver gross savings of at least €60 million by the end of the next three years, approximately 60% of which we intend to reinvest in the business.

Focus on smart sustainable growth, cash flow generation, liquidity and deleveraging

We are committed to pursuing smart growth opportunities available to us in a manner that generates high incremental return on both our capital and commercial investments to drive increased EBITDA and cash flows. Our key priorities will be to develop our growth areas, increase revenue, implement cost savings, achieve operationally driven deleveraging in the medium term through growth in EBITDA, and deleveraging through the repayment of debt.

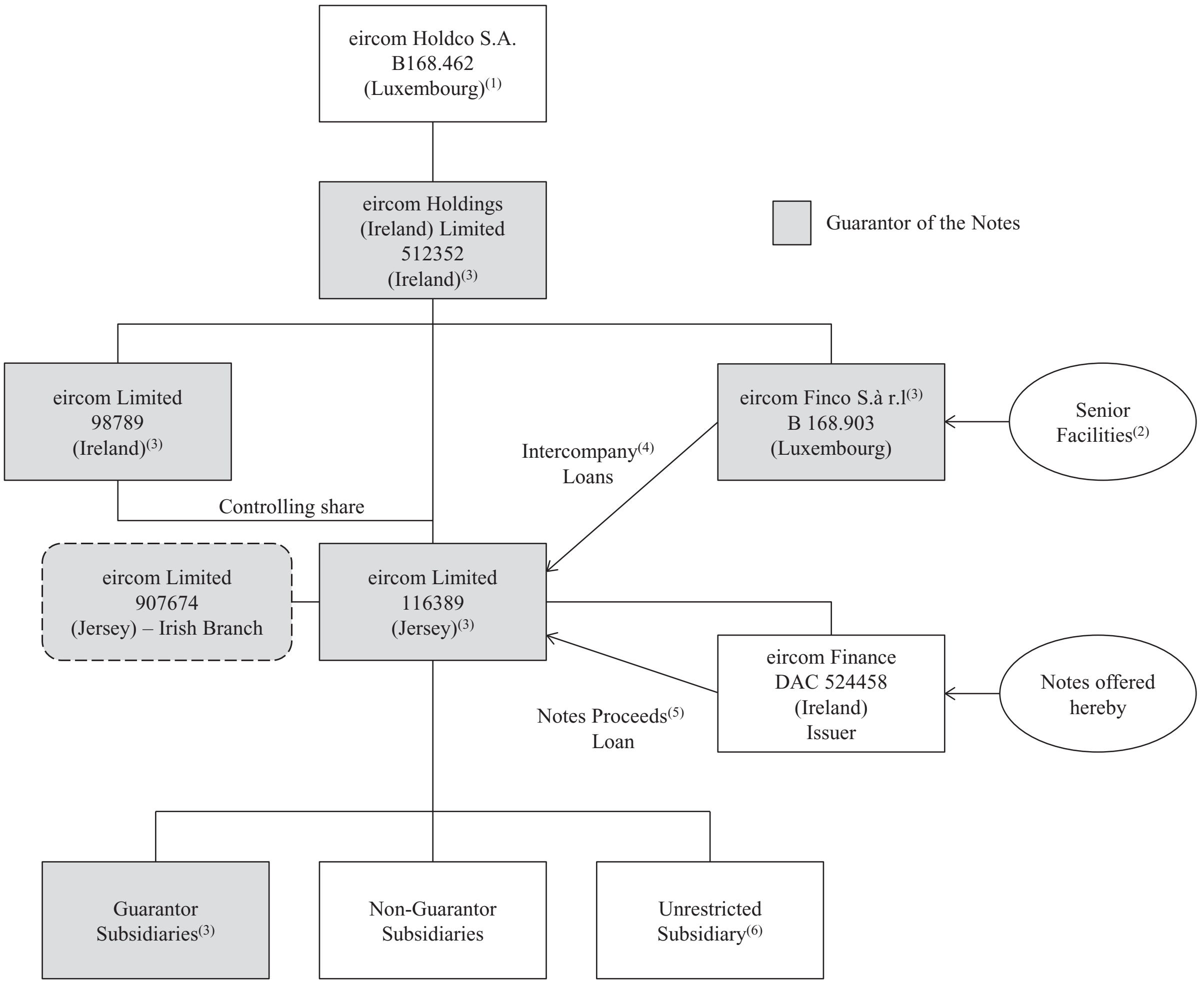
Recent Developments

Consent Request—Senior Facilities Agreement

On May 24, 2016, we submitted a consent request to the lenders under our Senior Facilities Agreement (the "**Lenders**") to, amongst other things, request their consent to approve the introduction of a new revolving credit facility (the "**Revolving Facility**") into the Senior Facilities Agreement in an aggregate principal amount of up to €150,000,000 (the "**Consent Request**"). The introduction of the Revolving Facility into the Senior Facilities Agreement and the implementation of the other requests set out in the Consent Request are subject to the receipt of consent from Lenders representing more than two thirds of the total outstanding commitments under the Senior Facilities Agreement. As of the date of this offering memorandum, we had obtained the consent of 63.3% of the Lenders. The deadline for the Lenders to provide a response to the Consent Request is 5 p.m. (London time) on Wednesday June 8, 2016, which deadline may be extended by EHIL in its sole discretion. For a description of certain principal terms of the proposed Revolving Facility, see "*Description of Other Indebtedness—Senior Facilities Agreement—Consent Request—Revolving Credit Facility*".

OUR CORPORATE STRUCTURE

The following chart shows our simplified ownership and corporate structure and certain indebtedness of our subsidiaries following the offering of the Notes and the Refinancing Transactions.



(1) For information on our principal shareholders please see "*Principal Shareholders*".

(2) The Senior Facilities, including the Revolving Facility, are, or will be, guaranteed by the same entities that guarantee the Notes (and will be guaranteed by the Issuer), and are, or will be, subject to certain excluded assets, agreed security principles and perfection requirements, secured over the same collateral on a *pari passu* basis with the Notes. See *"Description of Other Indebtedness—Senior Facilities Agreement—Structure" and "Description of Other Indebtedness—Senior Facilities Agreement—Security"* for further information on the guarantees and security for the Senior Facilities Agreement. Assuming the requests under the Consent Request are approved by the requisite Lenders under our Senior Facilities Agreement, the Senior Facilities Agreement will be amended to introduce the Revolving Facility. See *"—Consent Request—Revolving Credit Facility" and "Description of Other Indebtedness—Senior Facilities Agreement—Consent Request—Revolving Credit Facility"* for further information.

(3) As of and for the twelve months ended March 31, 2016, after giving effect to the Refinancing Transactions, eircom Holdings (Ireland) Limited and its subsidiaries that will guarantee the Notes would have represented 100%, 100% and 99.85% of the Group's consolidated Adjusted EBITDA, revenue and assets, in each case excluding Tetra. The guarantors will include eircom Holdings (Ireland) Limited, Eircom Finco S.à r.l., Meteor Ireland Holdings LLC, Meteor Mobile Communications Limited, Meteor Mobile Holdings Limited, eircom Limited (Ireland), eircom Limited (Jersey), Irish Telecommunications Investments DAC and eircom (UK) Limited.

(4) Represents intercompany debt owed by eircom Limited (Jersey) to Eircom Finco S.à r.l under certain intercompany loan agreements.

(5) The Issuer will lend the proceeds of the Notes to eircom Limited (Jersey) pursuant to the Notes Proceeds Loan Agreement (as defined below).

(6) We will designate Tetra as an unrestricted subsidiary under the Indenture governing the Notes. As of and for the twelve months ended March 31, 2016, Tetra had cash and cash equivalents and EBITDA of €7 million and €8 million respectively, our share of which is 56%. As of March 31, 2016, Tetra had no third-party debt outstanding.

THE OFFERING

The following is a brief summary of certain terms of the Offering of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes and the Guarantees, see "Description of the Notes" and "Description of Other Indebtedness—Intercreditor Agreement".

Issuer	eircom Finance DAC.
Issue Date	On or about , 2016.
Issue Price	% plus accrued interest, if any, from the Issue Date.
Notes Offered	€350 million aggregate principal amount of senior secured notes due 2022.
Maturity Date	May 31, 2022.
Coupon	%.
Interest Payment Dates	Semi-annually, each and , commencing on , 2016. Interest will accrue on the Notes from the Issue Date.
Form of Denomination	Each Note will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof.
Ranking of the Notes	The Notes will: • be senior secured obligations of the Issuer, secured as set forth below under "*—Security*"; • rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated to the Notes, including the Issuer's guarantee of the existing Senior Facilities and intended guarantee of the Revolving Facility; • rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; • be effectively senior to all of the Issuer's existing and future indebtedness that is unsecured, or secured on a basis junior to the security granted in respect of the Notes, in each case to the extent of the value of the property or assets securing the Notes; • be contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement; • be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;

- be effectively subordinated to any existing and future indebtedness of the Issuer that will receive proceeds from any enforcement action over the collateral securing the Notes on a priority basis, including certain hedging obligations; and
- be effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes.

Notes Proceeds Loan Agreement . . . . The Issuer will lend the proceeds of the Notes to eircom Limited (Jersey) pursuant to an intercompany loan agreement (the "**Notes Proceeds Loan Agreement**").

Guarantees . . . . The Issuer's obligations under the Notes will be guaranteed on a senior, joint and several basis (the "**Guarantees**") by eircom Holdings (Ireland) Limited, Eircom Finco S.à r.l., Meteor Ireland Holdings LLC, Meteor Mobile Communications Limited, Meteor Mobile Holdings Limited, eircom Limited (Ireland), eircom Limited (Jersey), Irish Telecommunications Investments DAC and eircom (UK) Limited (the "**Guarantors**").

As of and for the twelve months ended March 31, 2016, the Guarantors represented 100% of our consolidated revenues, 99.85% of our consolidated total assets and generated 100% of our Adjusted EBITDA, in each case, excluding Tetra. Tetra will be an unrestricted subsidiary under the Indenture governing the Notes. As of March 31, 2016, Tetra had no third-party debt outstanding.

Ranking of the Guarantee . . . . Each Guarantee will:

- be a senior secured obligation of the relevant Guarantor, secured as set forth below under *"—Security"*;
- rank pari passu in right of payment with all of the relevant Guarantor's existing and future indebtedness that is not subordinated to its guarantee of the Notes, including its guarantee of the existing Senior Facilities and its intended guarantee of the Revolving Facility;
- rank senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to its guarantee of the Notes;
- be effectively senior to all of such Guarantor's existing and future indebtedness that is unsecured, or secured on a basis junior to the security granted in respect of its Guarantee, in each case to the extent of the value of the property or assets securing its Guarantee;

	• be contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement; • be effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure the Guarantors' guarantees of the Notes on an equal basis, to the extent of the value of the property or assets securing such indebtedness; and • be effectively subordinated to any existing and future indebtedness of the relevant Guarantor that will receive proceeds from any enforcement action over the collateral securing its guarantee of the Notes on a priority basis, including certain hedging obligations. The Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*". The Guarantees will be subject to certain contractual and legal limitations under applicable law, and may be released under certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations" and "Description of the Notes—Guarantees*".
Security	The Notes and the Guarantees will be secured by security interests, which also secure obligations under the Senior Facilities Agreement (including, if implemented the Revolving Facility) and certain hedging obligations, in the equity interests of the Issuer, each Guarantor and their direct subsidiaries and certain other assets of the Issuer and the Guarantors, other than certain excluded assets and subject to certain agreed security principles and perfection requirements. See "*Description of the Notes—Security*". Counterparties to certain hedging obligations will receive proceeds from the enforcement of the security described below in priority to holders of the Notes. See "*Description of Other Indebtedness—Intercreditor Agreement*".
Limitations on and Release of Security	The security granted by the Issuer and certain Guarantors will be governed by Irish, Northern Irish, Luxembourg, Jersey, English and New York laws as described under "*Risk Factors—Risks Related to Our Structure—The insolvency laws of the Republic of Ireland or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or*

	those of another jurisdiction with which you may be familiar." For a description of the limitations under certain of these laws, see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."
	The liens and security interests securing the Notes may be released under certain circumstances. See "*Risk Factors—Risks Related to Our Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee.*"
Additional Amounts	Any payments made by the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer or Guarantors are required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, the Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*".
Optional Redemption	Prior to , 2018, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this offering memorandum and accrued and unpaid interest, if any, to the redemption date.
	On or after , 2018, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the applicable redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest, if any, to the redemption date.
	Prior to , 2018, the Issuer will be entitled at its option on one or more occasions to redeem Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to % of the principal amount outstanding in respect of the Notes, plus accrued and unpaid interest to the redemption date, provided that at least 60% of the original

	aggregate principal amount of the Notes remains outstanding after the redemption.
Optional Redemption for Tax Reasons	In the event of certain developments affecting taxation or certain other circumstances that became effective after the Issue Date, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*".
Change of Control	Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. A change of control will not be deemed to have occurred if certain consolidated leverage ratios are not exceeded as a result of such event. See "*Description of the Notes—Change of Control*".
Certain Covenants	The Indenture will restrict the ability of EHIL and its restricted subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue certain preferred stock; • create or incur certain liens; • make certain payments, including dividends or other distributions, with respect to the shares of EHIL or its restricted subsidiaries; • prepay or redeem subordinated debt or equity; • make certain investments; • create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to EHIL or any of its restricted subsidiaries; • sell, lease or transfer certain assets including stock of restricted subsidiaries; • engage in certain transactions with affiliates; • enter into unrelated businesses or engage in prohibited activities; • consolidate or merge with other entities; • impair the security interests for the benefit of the holders of the Notes; and • amend certain documents. Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".

Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).
No Prior Market	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.
Governing Law for the Notes, the Guarantees and the Indenture	New York law
Governing Law for the Intercreditor Agreement	English law
Governing Law for the Security Documents	Irish, Northern Irish, Luxembourg, Jersey, English and New York laws.
Trustee	Deutsche Trustee Company Limited
Irish Listing Agent	Arthur Cox Listing Services Limited
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Principal Paying Agent	Deutsche Bank AG, London Branch
Security Agent	Wilmington Trust (London) Limited
ISINs	Rule 144A: ; Reg S: .
Common Codes	Rule 144A: ; Reg S: .

Risk Factors

Investing in the Notes involves substantial risks. Please see the section of this offering memorandum captioned "*Risk Factors*" for a discussion of certain risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL FINANCIAL DATA

The summary audited consolidated financial data for EHIL as of and for the years ended June 30, 2013, 2014 and 2015 presented below have been extracted from EHIL's audited consolidated financial statements as of and for the years ended June 30, 2014 and 2015, each prepared in accordance with IFRS, which are included elsewhere in this offering memorandum. The following summary financial data for the nine months ended March 31, 2015 and 2016 have been extracted from EHIL's unaudited condensed consolidated financial statements as of and for the nine months ended March 31, 2016, prepared in accordance with IFRS, which are included elsewhere in this offering memorandum.

The summary financial data for the twelve months ended March 31, 2016 presented below has been derived mathematically by adding the financial data for the nine months ended March 31, 2016 to the financial data for the year ended June 30, 2015 and subtracting the financial data for the nine months ended March 31, 2015.

In addition to financial data prepared in accordance with IFRS, we have presented below certain adjusted financial data, which give effect to changes in our accounting policies, certain dispositions and certain other events that have occurred during the periods presented. For a further discussion of the effects on our results of operations of the changes in accounting policies, see Note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum. For a further discussion of the Phonewatch disposition and its effects on our business, see Note 9 to our consolidated financial statements for the year ended June 30, 2014 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*".

The unaudited *pro forma* financial information gives effect to the Refinancing Transactions as though they had occurred on March 31, 2016 for the purposes of balance sheet data and as of April 1, 2015 for the purposes of income statement data. The unaudited *pro forma* data is provided for illustrative purposes only and does not purport to represent what our actual results of operations or financial position would have been if the Refinancing Transactions had occurred, in the case of debt metrics, on March 31, 2016 or, in the case of interest expense, on April 1, 2015. The unaudited pro forma data set out in this offering memorandum is based upon available information and certain assumptions and estimates that we believe are reasonable.

EHIL's historical consolidated financial statements are presented in euro and have been prepared in accordance with IFRS, which differs in certain significant respects from U.S. GAAP.

This summary should be read in conjunction with the information contained in "*Presentation of Financial Data*", "*Selected Historical Financial Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements included elsewhere in this offering memorandum. Investors are advised to read this offering memorandum in its entirety and not rely on the summarized information only. Our interim results are not necessarily indicative of results to be expected for the full financial year.

(€ in millions, except percentages)	For the year ended June 30, 2013	2014	2015	For the nine months ended March 31, 2015	2016	For the twelve months ended March 31, 2016
		(audited)		(unaudited)		(unaudited)
Income Statement Data (Historical)						
Revenue	1,394	1,267	1,249	928	962	1,283
Operating costs excluding amortisation, depreciation and exceptional items	(907)	(809)	(779)	(590)	(617)	(806)
Amortisation	(71)	(76)	(53)	(38)	(59)	(74)
Depreciation and impairment of plant and equipment	(266)	(262)	(264)	(190)	(205)	(279)
Exceptional items gain/(loss)	(22)	(235)	(31)	(23)	(27)	(35)
Exceptional gain on exit from subsidiary	17	—	—	—	—	—
Profit/(loss) on disposal of property, plant and equipment	—	3	1	1	—	—
Operating profit/(loss)	**145**	**(112)**	**123**	**88**	**54**	**89**
Finance costs	(263)	(223)	(227)	(146)	(138)	(219)
Finance income	1	1	—	—	—	—
Finance costs—net	(262)	(222)	(227)	(146)	(138)	(219)
Share of profit of joint venture	—	1	1	1	1	1
Profit/(loss) before tax	**(117)**	**(333)**	**(103)**	**(57)**	**(83)**	**(129)**
Income tax (charge)/credit	(1)	24	8	10	4	2
Profit/(loss) for the period	**(118)**	**(309)**	**(95)**	**(47)**	**(79)**	**(127)**

(€ in millions, except percentages)	As adjusted for the year ended June 30, 2013 (1)	2014 (2)	2015 (2)	As adjusted for the nine months ended March 31, 2015 (2)	2016 (2)	As adjusted for the twelve months ended March 31, 2016
		(unaudited)		(unaudited)		(unaudited)
Income Statement Data (Adjusted)						
Revenue	1,367	1,283	1,265	940	974	1,299
Operating costs excluding amortisation, depreciation and exceptional items	(892)	(816)	(786)	(595)	(622)	(813)
Amortisation	(68)	(76)	(53)	(38)	(59)	(74)
Depreciation and impairment of plant and equipment	(266)	(269)	(271)	(196)	(211)	(286)
Exceptional items gain/(loss)	(22)	(235)	(31)	(23)	(27)	(35)
Profit/(loss) on disposal of property, plant and equipment	—	3	1	1	—	—
Operating profit/(loss)	**119**	**(110)**	**125**	**89**	**55**	**91**
Finance costs	(263)	(224)	(228)	(146)	(138)	(220)
Finance income	1	1	—	—	—	—
Finance costs—net	(262)	(223)	(228)	(146)	(138)	(220)
Profit/(loss) before tax	**(143)**	**(333)**	**(103)**	**(57)**	**(83)**	**(129)**
Income tax (charge)/credit	—	24	8	10	4	2
Profit/(loss) for the period	**(143)**	**(309)**	**(95)**	**(47)**	**(79)**	**(127)**

(€ in millions, except percentages)	As of June 30, 2014	As of June 30, 2015	As of March 31, 2015	As of March 31, 2016
	(audited)		(unaudited)	
Balance Sheet Data (Historical)				
Cash and cash equivalents	193	186	154	156
Restricted cash [3]	14	8	7	8
Inventories	12	9	9	12
Trade and other receivables	215	232	248	234
Property, plant and equipment	1,557	1,527	1,514	1,473
Total assets	2,638	2,613	2,588	2,515
Trade and other payables [4]	615	613	591	562
Current borrowings	—	—	—	—
Non-current borrowings	2,031	2,106	2,072	2,130
Total liabilities	3,285	3,340	3,332	3,236
Total equity	(647)	(727)	(744)	(721)

(€ in millions, except percentages)	As adjusted as of June 30, 2014 [5]	As adjusted as of June 30, 2015 [5]	As adjusted as of March 31, 2015 [5]	As adjusted as of March 31, 2016 [5]
	(unaudited)		(unaudited)	
Balance Sheet Data (Adjusted)				
Cash and cash equivalents	199	192	157	163
Restricted cash [3]	14	8	7	8
Inventories	12	9	9	12
Trade and other receivables	218	235	250	233
Property, plant and equipment	1,578	1,541	1,530	1,481
Total assets	2,667	2,634	2,607	2,526
Trade and other payables [4]	622	621	597	569
Current borrowings	9	9	9	—
Non-current borrowings	2,040	2,106	2,072	2,130
Total liabilities	3,314	3,361	3,351	3,247
Total equity	(647)	(727)	(744)	(721)

(€ in millions, except percentages)	For the year ended June 30, 2013	2014	2015	For the nine months ended March 31, 2015	2016	For the twelve months ended March 31, 2016
		(audited)		(unaudited)		(unaudited)
Cash Flow Data (Historical)						
Net cash generated from operating activities	272	171	295	179	201	317
Net cash used in investing activities	(287)	(284)	(294)	(217)	(227)	(304)
Net cash used in financing activities	(9)	(13)	(8)	(1)	(4)	(11)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(24)	(126)	(7)	(39)	(30)	2

(€ in millions, except percentages)	As adjusted for the year ended June 30,			As adjusted for the nine months ended March 31,		As adjusted for the twelve months ended March 31,
	2013 [6]	2014 [7]	2015 [7]	2015 [7]	2016 [7]	2016
	(unaudited)			(unaudited)		(unaudited)
Cash Flow Data (Adjusted)						
Net cash generated from operating activities	261	181	304	185	211	330
Net cash used in investing activities	(273)	(284)	(294)	(217)	(227)	(304)
Net cash used in financing activities	(9)	(22)	(17)	(10)	(13)	(20)
Net increase/(decrease) in cash and cash equivalents	(21)	(125)	(7)	(42)	(29)	6

	As of and for the year ended June 30,			As of and for the six Months ended Dec 31,		As of and for the nine Months ended March 31,		As of and for the twelve months ended March 31,
	2013	2014	2015	2014	2015	2015	2016	2016
Certain Operational Data								
Fixed Line								
Retail access lines (*thousands*)	917	844	776	814	742	793	724	724
Retail voice ARPU (€)	37.7	36.5	35.2	34.8	37.2	34.7	37.3	37.2
Blended retail fixed line ARPU (€)	45.5	44.5	43.8	43.0	46.3	43.1	46.6	46.5
Retail broadband lines (*thousands*)	451	456	454	460	451	456	447	448
Eir vision TV customers (*thousands*)	—	21	40	32	45	37	49	49
Wholesale access lines (*thousands*)	414	470	474	479	483	478	496	496
Wholesale bitstream (*thousands*)	218	262	328	288	366	310	389	389
WLR and Bitstream ARPU [8] (€)	29.8	28.9	30.4	29.1	32.2	29.7	32.4	32.4
Consumer fixed access churn (%)	19.2	20.3	21.1	21.5	19.9	22.1	21.1	20.4
Consumer broadband churn (%)	24.3	21.6	20.5	21.0	19.0	21.4	20.8	20.1
Mobile								
Prepaid handset subscribers (*thousands*)	673	609	594	613	579	601	565	565
Postpaid handset subscribers (*thousands*)	329	400	442	429	466	437	469	469
Mobile broadband subscriptions (*thousands*)	57	47	47	47	46	47	43	44
of which prepaid	*29*	*20*	*14*	*16*	*12*	*15*	*10*	*10*
of which postpaid	*28*	*27*	*33*	*31*	*34*	*32*	*33*	*34*
Total subscribers (*thousands*)	1,059	1,055	1,083	1,089	1,091	1,085	1,078	1,078
Prepaid ARPU (€)	18.9	16.8	15.7	15.8	15.8	15.8	15.6	15.6
Postpaid ARPU (€)	40.2	39.1	38.7	38.3	37.7	38.6	37.4	37.4
Blended ARPU (€)	25.2	25.1	25.4	25.1	25.6	25.3	25.5	25.4
Prepaid churn (%)	57	58	58	58	62	58	60	60
Postpaid churn (%)	17	18	16	16	16	16	17	16

	As of and for quarters ended June 30,			As of and for quarters ended December 31	
	2013	2014	2015	2014	2015
Certain Market Data					
Residential fixed line broadband penetration of households (9)	57.8%	62.5%	65.9%	65.0%	66.8%
Fixed line retail broadband market share (10)	39.5%	37.2%	35.4%	36.5%	34.5%
Fixed line Group broadband market share (10)	64.6%	65.7%	66.7%	66.1%	67.3%
Mobile penetration (11)	120.6%	125.3%	124.9%	126.2%	126.1%
Mobile market share (12) (% of subscribers)	19.2%	18.8%	18.7%	18.7%	18.6%

	As of and for the twelve months ended March 31, 2016
	(unaudited)
Other Financial Data	
EBITDA (13)	443
Adjusted EBITDA (13)	497
Adjusted EBITDA margin (14)	38%
Capital expenditures (15)	288
Net working capital movement (16)	18
Pro Forma Financial Data	
Cash and cash equivalents (17)	130
Total debt	2,372
Net debt (18)	2,242
Cash interest expense (19)	
Ratio of net debt to Adjusted EBITDA (13)	4.5x
Ratio of Adjusted EBITDA to cash interest expense (13)(19)	x

(1) On May 11, 2013, we disposed of Phonewatch, which represented a non-core business unit that provided home security solutions in Ireland, for €117 million in net proceeds. The results of Phonewatch, up to the date of its disposal, were reflected in our consolidated financial statements for the year ended June 30, 2013. In this offering memorandum, for the year ended June 30, 2013, in addition to presenting our IFRS results, we have presented our results after making adjustments for the disposal of Phonewatch to provide a meaningful basis for comparing our results for the year ended June 30, 2013 with subsequent periods presented in this offering memorandum. For a further discussion of the Phonewatch disposition and its effects on our business, see Note 9 to our consolidated financial statements for the year ended June 30, 2014 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*". The following is a reconciliation between income statement data adjusted for the disposal of Phonewatch and income statement data prepared in accordance with IFRS for the year ended June 30, 2013:

(€ in millions)	As adjusted for the year ended June 30, 2013	Adjustment	For the year ended June 30, 2013
	(unaudited)	(unaudited)	(audited)
Revenue	1,367	27	1,394
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(892)	(15)	(907)
Amortisation	(68)	(3)	(71)
Depreciation	(266)	—	(266)
Exceptional items	(22)	—	(22)
Exceptional gain on exit from subsidiary	—	17	17
Profit on disposal of PPE	—	—	—
Operating profit	119	26	145
Finance costs—net	(262)	—	(262)
Loss before tax	(143)	26	(117)
Income tax credit	—	(1)	(1)
Loss for the financial year attributable to equity holders	(143)	25	(118)
Other comprehensive income, net of tax	(128)	—	(128)
Total comprehensive income for the financial period	(271)	25	(246)

(2) We adopted certain changes to our accounting policies effective July 1, 2014 and, among others, adopted IFRS 11, "*Joint Arrangements*". Under IFRS 11, our 56% investment in Tetra has been classified as a joint venture and the equity method of accounting has been applied in reflecting its results in our consolidated financial statements. Prior to the adoption of IFRS 11, our investment in Tetra was proportionately consolidated. This adjustment reflects the reconciliation between our results prepared on the basis of proportionate consolidation and the equity method of accounting. For a further discussion of the effects on our results of operations of the adoption of IFRS 11, see Note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*". The following is a reconciliation between income statement data adjusted for certain changes to our accounting policies and income statement data prepared in accordance with IFRS for the years ended June 30, 2013, 2014 and 2015 and the nine months ended March 31, 2015 and 2016:

(€ in millions)	As adjusted for the year ended June 30, 2014	Adjustment	For the year ended June 30, 2014	As adjusted for the year ended June 30, 2015	Adjustment	For the year ended June 30, 2015
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Revenue	1,283	(16)	1,267	1,265	(16)	1,249
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(816)	7	(809)	(786)	7	(779)
Amortisation	(76)	—	(76)	(53)	—	(53)
Depreciation	(269)	7	(262)	(271)	7	(264)
Exceptional items	(235)	—	(235)	(31)	—	(31)
Profit on disposal of PPE	3	—	3	1	—	1
Operating loss	(110)	(2)	(112)	125	(2)	123
Finance costs—net	(223)	1	(222)	(228)	1	(227)
Share of profit of joint venture	—	—	1	—	1	—
Loss before tax	(333)	—	(333)	(103)	—	(103)
Income tax credit	24	—	24	8	—	8
Loss for the financial year attributable to equity holders	(309)	—	(309)	(95)	—	(95)
Other comprehensive income, net of tax	457	—	457	(22)	—	(22)
Total comprehensive income for the financial period	148	—	148	(117)	—	(117)

(€ in millions)	As adjusted for the nine months ended March 31, 2015	Adjustment	For the nine months ended March 31, 2015	As adjusted for the nine months ended March 31, 2016	Adjustment	For the nine months ended March 31, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	940	(12)	928	974	(12)	962
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(595)	5	(590)	(622)	5	(617)
Amortisation	(38)	—	(38)	(59)	—	(59)
Depreciation	(196)	6	(190)	(211)	6	(205)
Exceptional items	(23)	—	(23)	(27)	—	(27)
Profit on disposal of PPE	1	—	1	—	—	—
Operating loss	89	(1)	88	55	(1)	54
Finance costs—net	(146)	—	(146)	(138)	—	(138)
Share of profit of joint venture	—	1	1	—	1	1
Loss before tax	(57)	—	(57)	(83)	—	(83)
Income tax credit	10	—	10	4	—	4
Loss for the financial year attributable to equity holders	(47)	—	(47)	(79)	—	(79)
Other comprehensive income, net of tax	(83)	—	(83)	81	—	81
Total comprehensive income for the financial period	(130)	—	(130)	2	—	2

(3) Restricted cash consists of cash reserved for performance guarantees (including for ComReg guarantees) and security in respect of ancillary facilities. See "*Regulation*". Performance guarantee deposits have been reserved in respect of our obligation to make payments to third parties in the event that we do not perform our contracted commitments under the terms of certain contracts. As of March 31, 2016, these include €3 million in respect of undertakings arising in relation to the roll-out of our 3G network in Ireland, including achieving certain agreed milestones, €3 million in respect of our obligation under a "quality of service performance improvement program" and €3 million in relation to other obligations under certain commercial contracts.

(4) Includes both current and non-current payables.

(5) We adopted certain changes to our accounting policies effective July 1, 2014 and, among others, adopted IFRS 11, "*Joint Arrangements*". Under IFRS 11, our 56% investment in Tetra has been classified as a joint venture and the equity method of accounting has been applied in reflecting its results in our consolidated financial statements. Prior to the adoption of IFRS 11, our investment in Tetra was proportionately consolidated. This adjustment reflects the reconciliation between our results prepared on the basis of proportionate consolidation and the equity method of accounting. For a further discussion of the effects on our results of operations of the adoption of IFRS 11, see Note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*". The following is a reconciliation between balance sheet data adjusted for certain changes to our accounting policies and balance sheet data prepared in accordance with IFRS as of June 30, 2014 and 2015 and as of March 31, 2015 and 2016:

(€ in millions)	As adjusted as of June 30, 2014	Adjustment	As of June 30, 2014	As adjusted as of June 30, 2015	Adjustment	As of June 30, 2015
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Assets						
Non-current assets						
Goodwill	192	—	192	192	—	192
Other intangible assets	447	—	447	435	—	435
Property, plant and equipment	1,578	(21)	1,557	1,541	(14)	1,527
Investments	—	1	1	—	2	2
Derivative financial instruments	—	—	—	1	—	1
Deferred tax assets	6	—	6	6	—	6
Other assets	1	—	1	15	—	15
	2,224	**(20)**	**2,204**	**2,190**	**(12)**	**2,178**
Current assets						
Inventories	12	—	12	9	—	9
Trade and other receivables	218	(3)	215	235	(3)	232
Restricted cash	14	—	14	8	—	8
Cash and cash equivalents	199	(6)	193	192	(6)	186
Total assets	**2,667**	**(29)**	**2,638**	**2,634**	**(21)**	**2,613**
Liabilities						
Non-current liabilities						
Borrowings	2,040	(9)	2,031	2,106	—	2,106
Derivative financial instruments	—	—	—	2	—	2
Trade and other payables	159	—	159	152	—	152
Deferred tax liabilities	53	—	53	46	—	46
Retirement benefit liability	391	—	391	426	—	426
Provisions for other liabilities and charges	113	(4)	109	105	(4)	101
	2,756	**(13)**	**2,743**	**2,837**	**(4)**	**2,833**
Current liabilities						
Borrowings	9	(9)	—	9	(9)	—
Derivative financial instruments	1	—	1	2	—	2
Trade and other payables	463	(7)	456	469	(8)	461
Current tax liabilities	16	—	16	12	—	12
Provisions for other liabilities and charges	69	—	69	32	—	32
Total liabilities	**3,314**	**(29)**	**3,285**	**3,361**	**(21)**	**3,340**
Total equity	**(647)**	**—**	**(647)**	**(727)**	**—**	**(727)**
Total liabilities and equity	**2,667**	**(29)**	**2,638**	**2,634**	**(21)**	**2,613**

(€ in millions)	As adjusted as of March 31, 2015	Adjustment	As of March 31, 2015	As adjusted as of March 31, 2016	Adjustment	As of March 31, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets						
Non-current assets						
Goodwill	192	—	192	192	—	192
Other intangible assets	442	—	442	417	—	417
Property, plant and equipment	1,530	(16)	1,514	1,481	(8)	1,473
Investments	—	2	2	—	3	3
Derivative financial instruments	—	—	—	—	—	—
Deferred tax assets	5	—	5	5	—	5
Other assets	15	—	15	15	—	15
	2,184	(14)	2,170	2,110	(5)	2,105
Current assets						
Inventories	9	—	9	12	—	12
Trade and other receivables	250	(2)	248	233	1	234
Restricted cash	7	—	7	8	—	8
Cash and cash equivalents	157	(3)	154	163	(7)	156
Total assets	**2,607**	**(19)**	**2,588**	**2,526**	**(11)**	**2,515**
Liabilities						
Non-current liabilities						
Borrowings	2,072	—	2,072	2,130	—	2,130
Derivative financial instruments	4	—	4	8	—	8
Trade and other payables	154	—	154	145	—	145
Deferred tax liabilities	37	—	37	48	—	48
Retirement benefit liability	483	—	483	353	—	353
Provisions for other liabilities and charges	106	(4)	102	98	(4)	94
	2,856	(4)	2,852	2,782	(4)	2,778
Current liabilities						
Borrowings	9	(9)	—	—	—	—
Derivative financial instruments	2	—	2	5	—	5
Trade and other payables	443	(6)	437	424	(7)	417
Current tax liabilities	10	—	10	5	—	5
Provisions for other liabilities and charges	31	—	31	31	—	31
Total liabilities	**3,351**	**(19)**	**3,332**	**3,247**	**(11)**	**3,236**
Total equity	**(744)**	**—**	**(744)**	**(721)**	**—**	**(721)**
Total liabilities and equity	**2,607**	**(19)**	**2,588**	**2,526**	**(11)**	**2,515**

(6) On May 11, 2013, we disposed of Phonewatch, which represented a non-core business unit that provided home security solutions in Ireland, for €117 million in net proceeds, which is reflected under our net cash used in investing activities for the year ended June 30, 2013. The results of Phonewatch, up to the date of its disposal, were reflected in our consolidated financial statements for the year ended June 30, 2013. In this offering memorandum, for the year ended June 30, 2013, in addition to presenting our IFRS results, we have presented our results after making adjustments for the disposal of Phonewatch to provide a meaningful basis for comparing our results for the year ended June 30, 2013 with subsequent periods presented in this offering memorandum. For a further discussion of the Phonewatch disposition and its effects on our business, see Note 9 to our consolidated financial statements for the year ended June 30, 2014 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*". The following is a reconciliation between

cash flow data adjusted for the disposal of Phonewatch and between cash flow data prepared in accordance with IFRS for the year ended June 30, 2013:

(€ in millions)	As adjusted for the year ended June 30, 2013	Adjustment	For the year ended June 30, 2013
	(unaudited)		(audited)
Cash flows from operating activities			
Cash Generated from Operations	365	11	376
Financial restructuring costs paid	(6)	—	(6)
Interest Received	1	—	1
Interest Paid	(82)	—	(82)
Income tax refund	(17)	—	(17)
Net cash generated from operating activities	261	11	272
Cash flows from investing activities			
Net cash used in investing activities	(273)	(14)	(287)
Cash flows from financing activities			
Proceeds from issuance of Senior Secured Notes due 2020	350	—	350
Repayment on borrowings	(347)	—	(347)
Debt issue costs paid	(12)	—	(12)
Amend and extend fees paid	—	—	—
Net cash used in financing activities	(9)	—	(9)
Net decrease in cash, cash equivalents and bank overdrafts	(21)	(3)	(24)
Cash and cash equivalents and bank overdrafts at beginning of financial year	345	3	348
Cash, cash equivalents and bank overdrafts at end of financial year	324	—	324

(7) We adopted certain changes to our accounting policies effective July 1, 2014 and, among others, adopted IFRS 11, "*Joint Arrangements*". Under IFRS 11, our 56% investment in Tetra has been classified as a joint venture and the equity method of accounting has been applied in reflecting its results in our consolidated financial statements. Prior to the adoption of IFRS 11, our investment in Tetra was proportionately consolidated. This adjustment reflects the reconciliation between our results prepared on the basis of proportionate consolidation and the equity method of accounting. For a further discussion of the effects on our results of operations of the adoption of IFRS 11, see Note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*". The following is a reconciliation between cash flow data adjusted for certain changes to our

accounting policies and cash flow data prepared in accordance with IFRS for the years ended June 30, 2014 and 2015 and the nine months ended March 31, 2015 and 2016:

(€ in millions)	As adjusted for the year ended June 30, 2014	Adjustment	For the year ended June 30, 2014	As adjusted for the year ended June 30, 2015	Adjustment	For the year ended June 30, 2015
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Cash flows from operating activities						
Cash generated from operations	282	(11)	271	433	(10)	423
Interest received	1	—	1	—	—	—
Interest paid	(105)	1	(104)	(129)	1	(128)
Income tax refund	3	—	3	—	—	—
Net cash generated from operating activities	181	(10)	171	304	(9)	295
Cash flows from investing activities						
Net cash used in investing activities	(284)	—	(284)	(294)	—	(294)
Cash flows from financing activities						
Dividends paid to equity shareholders	—	—	—	(1)	—	(1)
Proceeds from loan borrowings .	—	—	—	238	—	238
Repayment on borrowings	(9)	9	—	(247)	9	(238)
Amend and extend fees paid . . .	(13)	—	(13)	(7)	—	(7)
Net cash used in financing activities	(22)	9	(13)	(17)	9	(8)
Net decrease in cash, cash equivalents and bank overdrafts	(125)	(1)	(126)	(7)	—	(7)
Cash and cash equivalents and bank overdrafts at beginning of financial year	324	(5)	319	199	(6)	193
Cash, cash equivalents and bank overdrafts at end of financial year	199	(6)	193	192	(6)	186

(€ in millions)	As adjusted for the nine months ended March 31, 2015	Adjustment	For the nine months ended March 31, 2015	As adjusted for the nine months ended March 31, 2016	Adjustment	For the nine months ended March 31, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities						
Cash generated from operations	274	(6)	268	311	(10)	301
Interest received	—	—	—	—	—	—
Interest paid	(89)	—	(89)	(88)	—	(88)
Income tax refund	—	—	—	(12)	—	(12)
Net cash generated from operating activities	185	(6)	179	211	(10)	201
Cash flows from investing activities						
Net cash used in investing activities	(217)	—	(217)	(227)	—	(227)
Cash flows from financing activities						
Dividends paid to equity shareholders	—	—	—	—	—	—
Proceeds from loan borrowings	—	—	—	2,367	—	2,367
Repayment on borrowings	(9)	9	—	(2,376)	9	(2,367)
Amend and extend fees paid	(1)	—	(1)	(4)	—	(4)
Net cash used in financing activities	(10)	9	(1)	(13)	9	(4)
Net decrease in cash, cash equivalents and bank overdrafts	(42)	3	(39)	(29)	(1)	(30)
Cash and cash equivalents and bank overdrafts at beginning of financial year	199	(6)	193	192	(6)	186
Cash, cash equivalents and bank overdrafts at end of financial year	157	(3)	154	163	(7)	156

(8) Wholesale WLR and Bitstream ARPU is the sum of (1) the average of the monthly Wholesale WLR PSTN ARPU in the period, which is Net WLR PSTN revenue per average PSTN WLR lines in the month, and (2) the average of the monthly Bitstream ARPU in the period, which is Net Bitstream revenue per average bitstream line in the month.

(9) Household (excluding business subscriptions and mobile broadband subscriptions) penetration rate based on ComReg Quarterly reports.

(10) Fixed line retail and Group broadband market share is in terms of total retail broadband subscriptions and based on ComReg quarterly reports.

(11) Mobile penetration is in terms of subscriptions, including mobile broadband, and based on ComReg quarterly reports.

(12) eir's mobile market share is in terms of handset subscriptions (including mobile broadband) and based on ComReg quarterly reports.

(13) EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are supplemental measures of our performance that are not required by, or presented in accordance with, IFRS. These measures are not measures of our financial performance under IFRS and should not be considered in isolation or as an alternative to operating profit, cash flow from operating activities or any other measures of performance or liquidity prepared in accordance with IFRS.

We define EBITDA as (loss) or profit for the period before income tax charge (or credit), net finance costs, depreciation and impairment of plant and equipment, and amortisation. We define Adjusted EBITDA as EBITDA adjusted for change in accounting policy for joint arrangements, (profit) or loss on disposal of property, plant and equipment, non-cash lease fair value credits, non-cash pension charge, disposal of Phonewatch, storm costs and exceptional items. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA margin provide useful information to management and investors with respect to our overall operating performance by facilitating comparisons of operating performance on a consistent basis by removing the impact of items not directly resulting from core operations.

We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. The non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating result as reported under IFRS. Non- IFRS measures and ratios such as EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are not measurements of our performance under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA, Adjusted EBITDA and Adjusted EBITDA margin as an alternative to (a) operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operations, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under IFRS.

The following is a reconciliation of profit for the period to EBITDA and Adjusted EBITDA:

	For year ended June 30,			For the nine months ended March 31,		For the twelve months ended March 31,
	2013	**2014**	**2015**	**2015**	**2016**	**2016**
			(unaudited) (€ in millions)			
(Loss)/profit for the period	(118)	(309)	(95)	(47)	(79)	(127)
Income tax charge/(credit)	1	(24)	(8)	(10)	(4)	(2)
Finance cost—net	262	222	227	146	138	219
Depreciation and impairment of plant and equipment	266	262	264	190	205	279
Amortisation	71	76	53	38	59	74
EBITDA	**482**	**227**	**441**	**317**	**319**	**443**
Change in accounting policy for joint arrangements (i)	—	8	8	6	6	8
(Profit)/loss on disposal of property, plant and equipment	—	(3)	(1)	(1)	—	—
Non-cash lease fair value credits (ii)	(9)	(8)	(9)	(7)	(6)	(8)
Non-cash pension charge (iii)	15	10	11	8	11	14
Disposal of Phonewatch (iv)	(29)	—	—	—	—	—
Storm costs (v)	—	10	—	—	5	5
Exceptional items (vi)	22 (vii)	235 (viii)	31	23	27	35
Adjusted EBITDA	**481**	**479**	**481**	**346**	**362**	**497**

	For the quarter ended							
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
	2014			2015				2016
	(unaudited) (€ in millions)							
Adjusted Revenue	**311**	**313**	**316**	**311**	**325**	**325**	**328**	**321**
(Loss)/profit for the period	(51)	(6)	(22)	(19)	(48)	(27)	(29)	(23)
Income tax charge/(credit)	(2)	(12)	3	(1)	2	(1)	(2)	(1)
Finance cost—net	56	48	49	49	81	47	45	46
Depreciation and impairment of plant and equipment	72	62	62	66	74	69	68	68
Amortisation	20	13	11	14	15	14	22	23
EBITDA	**95**	**105**	**103**	**109**	**124**	**102**	**104**	**113**
Change in accounting policy for joint arrangements (i)	2	2	2	2	2	2	2	2
(Profit)/loss on disposal of property, plant and equipment	—	—	—	(1)	—	—	—	—
Non-cash lease fair value credits (ii)	(1)	(2)	(3)	(2)	(2)	(2)	(2)	(2)
Non-cash pension charge (iii)	(1)	3	3	2	3	4	3	4
Storm costs (v)	—	—	—	—	—	—	—	5
Exceptional items	26	6	7	10	8	14	10	3
Adjusted EBITDA	**121**	**114**	**112**	**120**	**135**	**120**	**117**	**125**

(i) We adopted certain changes to our accounting policies effective July 1, 2014 and, among others, adopted IFRS 11, "*Joint Arrangements*". Under IFRS 11, our 56% investment in Tetra has been classified as a joint venture and the equity method of accounting has been applied in reflecting its results in our consolidated financial statements. Prior to the adoption of IFRS 11, our investment in Tetra was proportionately consolidated. Adjusted EBITDA shows our results prepared on the basis of proportionate consolidation. For a further discussion of the effects on our results of operations of the adoption of IFRS 11, see Note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*". Tetra had EBITDA of €8 million for the twelve months ended March 31, 2016. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See "*Description of the Notes*".

(ii) The non-cash lease fair value credit included in the income statement is in respect of the unfavorable lease fair value adjustment which arose on the acquisition of eircom Limited. At the date of acquisition, on June 11, 2012, we were required to recognize a liability for the difference between the amount of future rental payments that had been contractually committed and the market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. Non-cash lease fair value credit is included as an adjustment to our EBITDA.

(iii) The non-cash pension charge represents the difference between the amount of cash contributions that we have agreed to make to the fund during the period, on an accruals basis, and the accounting charges recognized in the income statement in accordance with IAS 19 (*Revised*). As a result, non-cash pension charge is included as an adjustment to our EBITDA.

(iv) On May 11, 2013, we disposed of Phonewatch, which represented a non-core business unit that provided home security solutions in Ireland, for €117 million in net proceeds. The results of Phonewatch, up to the date of its disposal, were reflected in our consolidated financial statements for the year ended June 30, 2013. In this offering memorandum, for the year ended June 30, 2013, in addition to presenting our IFRS results, we have presented our results after making adjustments for the disposal of Phonewatch to provide a meaningful basis for comparing our results for the year ended June 30, 2013 with subsequent periods presented in this offering memorandum. For a further discussion of the Phonewatch disposition and its effects on our business, see Note 9 to our consolidated financial statements for the year ended June 30, 2014 included elsewhere in this offering memorandum. See also "*Presentation of Financial Data*".

(v) In the year ended June 30, 2014, we incurred €10 million in one-off costs to repair network faults as a result of damage caused by unprecedented winter storms during January and February 2014. In addition, in the period ended March 31, 2016, we incurred €5 million in one-off network repairs driven by exceptional flooding.

(vi) The following are the exceptional credits and charges comprising exceptional items:

	For the year ended June 30,			For the nine months ended March 31,		For the twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
	(unaudited) (€ in millions)					
Restructuring program costs [x]	27	200	—	—	4	4
Management incentive plan [y]	6	29	12	8	5	9
Re-branding and other strategic review costs	—	—	14	11	18	21
Gain on liquidation of subsidiary undertaking	−6	—	—	—	—	—
Other exceptional items [z]	−5	6	5	4	—	1
Exceptional items	**22**	**235**	**31**	**23**	**27**	**35**

(x) Reflects exceptional charges for restructuring program costs we have incurred for staff exits during the periods presented. They relate to staff who have either exited the business or were committed to exiting the business as of the periods presented. We have not reflected a provision in respect of future staff exits not committed at March 31, 2016.

(y) Our management incentive plan was introduced in the year ended June 30, 2013 by our parent company, eircom Holdco S.A., for certain of our directors and senior executives. The management incentive plan initially incentivized its participants to provide full repayment of our borrowings under the Senior Facilities Agreement (''a debt value event'') and to deliver maximum returns to shareholders on a sale of their shares. 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 aligning the returns to the participants with the returns to the shareholders. We recognized a charge in our income statement in respect of our obligations in connection with potential debt value events prior to the amendment in December 2014. Following the amendment, we reclassified the cumulative debt value event liability to equity. During the periods presented, we also recognized a charge in our income statement, with a corresponding increase in equity, in respect of contractual rights under our management investment plan awarded by eircom Holdco S.A. to certain of our employees, for which we have no obligation to make any payment.

(z) Reflects certain exceptional charges that we recognized during the periods presented. For the nine months ended March 31, 2016, we recognized exceptional credits of €3 million, comprising a €2 million credit as a result of the release of dilapidation provisions in respect of a leasehold property and €1 million credit in respect of a legal related matter, offset by exceptional charges of €3 million in respect of certain onerous lease contracts and other exceptional costs. For the nine months ended March 31, 2015, we recognized an exceptional charge of €11 million in respect of certain legal matters, including severance payments in relation to the exit of certain senior officers of the company, which were partially offset by exceptional credits of €7 million reflecting the release of provisions carried forward at the start of that financial year. For the year ended June 30, 2015, we recognized an exceptional charge of €12 million in respect of certain legal matters, which were partially offset by exceptional credits of €7 million reflecting the release of provisions carried forward at the start of the year.

(vii) For the year ended June 30, 2013, the exceptional charge of €22 million comprised of €27 million in restructuring costs and €6 million for our management incentive plan, offset by €5 million release for onerous contracts and €6 million gain on liquidation of a subsidiary undertaking.

(viii) For the year ended June 30, 2014, the exceptional charge of €235 million included €200 million in restructuring costs, €29 million for our management incentive plan, €10 million for certain legal matters, €2 million for other exceptional costs offset by €6 million excess provisions carried forward from the previous year. The €200 million exceptional restructuring costs related to the reorganization of our staff as a result of which approximately 1,100 staff had either exited the business, or were committed to exiting the business, as of June 30, 2014. The €200 million charge includes an IAS 19 (*Revised*) defined benefit pension charge of €57 million arising as a result of the incentivized exit program, comprising €36 million in past service costs and €21 million in curtailment charges.

(14) Adjusted EBITDA margin represents our Adjusted EBITDA divided by our revenue (on an as adjusted basis) for the periods presented.

(15) Capital expenditures consist of additions of property, plant and equipment and intangible assets for the periods presented.

(16) Net working capital movement consists of the net movement in inventory, trade receivables and trade payables and accruals less capital expenditure payables and accruals, interest payables, voluntary leaving accruals and exceptional costs for the twelve months ended March 31, 2016.

(17) Excludes restricted cash of €8 million, comprising €5 million of cash reserved for performance bonds and €3 million security in respect of ancillary facilities, including letters of credit and bank guarantees. See "*Regulation*". Also excludes €7 million of cash and cash equivalents attributable to our 56% interest in Tetra. Tetra will be an unrestricted subsidiary under the Indenture. See "*Description of the Notes*".

(18) Net debt equals total debt less cash and cash equivalents, excluding cash and cash equivalents of €7 million attributable to our 56% interest in Tetra. Tetra will be an unrestricted subsidiary under the Indenture.

(19) Cash interest expense represents cash-pay interest payable by Eircom Finco S.à r.l. under the Senior Facilities Agreement, the interest rate hedging facilities in relation to the Senior Facilities Agreement and by the Issuer in respect of the Notes, adjusted to give effect to the Refinancing Transactions, as if they had occurred on April 1, 2015 and the €0.3 million of interest attributable to our 56% interest in Tetra. This is being presented for illustrative purposes only.

RISK FACTORS

An investment in the Notes to be issued in this offering involves a high degree of risk. Before making an investment decision with respect to the Notes, you should carefully consider the risks described below, in addition to the other information contained in this offering memorandum. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, may also impair our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

Risks Related to Our Business and Industry

We are dependent on Ireland for substantially all of our revenue and our business would be negatively impacted if Irish economy were to falter.

We generate virtually all of our revenue in Ireland, where substantially all of our customers are located. Demand for our products and services is influenced by a number of factors, including the strength of the Irish economy. While the Irish economy is currently strong, with Irish GDP having grown by 5.2% in 2014 and 7.8% in 2015, our business and results of operations have, in the past, been negatively affected by recessions in the Irish economy, particularly by the impact on telecommunications spending due to higher unemployment, emigration, tax increases and declines in overall consumer and business spending. If the Irish economy were to falter, our business, financial condition and results of operations could be materially adversely affected.

Increasing competition in the Irish fixed line telecommunications market makes our fixed line business vulnerable to further market share loss and decreasing revenue and/or margins, which could have a material adverse effect on our business, financial condition and results of operations.

The high level of competition in the Irish retail fixed line telecommunications market has led to a decrease in our market share since the liberalization of the Irish fixed line telecommunications market in December 1998. According to quarterly data published by ComReg, for the quarter ended December 31, 2015, our market share was 48.9% of overall retail fixed line revenue, a decline from 49.4% in the quarter ended December 31, 2014. Moreover, while we are able to regain, through our wholesale business, a significant proportion of retail access lines lost, we also face competition from wholesale fixed line operators such as BT.

In particular, our fixed line business has been adversely affected by customers switching to cable voice and broadband services offered by Virgin Media (formerly UPC) and other operators. The level of competition has also increased as a result of Sky's entry into the Irish telecommunications market in February 2013. We face competition in the TV market which we entered with the commercial launch of our IPTV offering in January 2014; by September 30, 2014 we had approximately 1,000 IPTV subscribers, representing a 3% penetration rate among our eligible broadband customers. While we expect that our TV offering will be strengthened in the coming months through the acquisition of Setanta Sports Ireland, which was completed in April 2016 and which will give eir access to premium sports content, we face competition from Sky and Virgin Media, which are established providers. Vodafone also launched a TV service in January 2016.

The level of competition may continue to increase as a result of increasing network convergence, which has facilitated the emergence of competitively priced bundles of services including combinations of fixed voice, broadband, mobile, TV and entertainment services. This competition comes from well-funded, multi-national competitors including Vodafone, Virgin Media and Sky.

In addition, the Electricity Supply Board ("**ESB**"), the incumbent power network company in Ireland, has partnered with Vodafone to offer FTTB roll-out on a wholesale open access basis. The joint venture, named Siro, is planning to invest €450 million in building an FTTB broadband network, offering speeds up to 1 Gb/s to 500,000 premises in fifty-one regional towns by the end of 2018. Siro has also participated in the Pre-Qualification Questionnaire for the NBP, which may enable it to win a contract to provide government subsidized high-speed broadband services to remote or underserved areas. While we believe that our chances of winning such a contract are good, in the event that we fail to win and Siro is awarded a contract, competition could increase further and also potentially affect our future business.

Increasing competition in the Irish fixed line telecommunications market could result in decreases in market share and/or price erosion and increased pressure on our profit margins, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations could be materially adversely affected by continued fixed-to-mobile substitution as well as the substitution of non-traditional voice and data services for our products and services.

The Irish fixed line telecommunications market has been, and will continue to be, influenced by fixed-to-mobile substitution, a trend that has affected the telecommunications industry globally. As fixed line subscribers place more calls from their mobile phones, retail voice traffic has declined. Retail traffic on our network declined by 14.7% in the twelve months ended December 31, 2015. Furthermore, some subscribers also choose to forego having an access line installed in favor of using a mobile phone. This has partly contributed to a decrease in the number of retail access lines, from approximately 814,000 at December 31, 2014 to 742,000 at December 31, 2015. The rate of decline in fixed retail traffic during 2015 of −14.7% is greater than the rate of decline of retail fixed subscriptions of −9%. In the same period total mobile market minutes grew by 4.1%. The total market volume of retail mobile minutes in 2015 (12,188 million) is 2.8 times total market volume of retail fixed minutes, up from 2.5 times in 2014. Price decreases in the Irish mobile market and the availability of higher capability mobile broadband, including newer improved services that are facilitated by 4G technology, are factors that may contribute to further fixed-to-mobile substitution, although we believe that continued growth in data loads will have a favorable impact on demand for fixed broadband services. To the extent we are unable to offset decreases in fixed line service revenue resulting from fixed-to-mobile substitution with increased mobile revenue, our business will continue to be adversely affected.

Our fixed line business has also been adversely affected by products and services that are substitutes for traditional fixed line products and services, such as Voice over Internet Protocol ("**VoIP**") products. We have been developing Internet protocol ("**IP**") products of our own, as well as NGA and IP and Ethernet services for business customers to mitigate the effect of VoIP substitution. Even if these products are well received by customers, the margins we receive may, however, be lower than for our traditional fixed line products and services.

Substitution from non-traditional fixed and mobile voice and data services based on new mobile IP technologies, in particular over the top ("**OTT**") applications, such as Skype, Apple iMessage and Facetime, Google Talk, WhatsApp, WeChat and Facebook, may also adversely affect our business. These OTT applications are often free of charge, accessible via smartphones and smart devices that allow their users access to potentially unlimited messaging and voice services over the Internet, bypassing more expensive traditional voice and messaging services (SMS/MMS) provided by fixed line operators and MNOs such as eir, who are only able to charge for Internet data usage for such services. With the growing proportion of smartphones in the mobile subscriber base in Ireland and the increasing adoption of smart devices such as tablets, an increasing number of fixed and mobile customers are using OTT services. All MNOs are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement the capital-intensive business models associated with traditional fixed line operators and MNOs like eir. OTT service providers have become increasingly sophisticated, and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand recognition and substantial financial resources, such as Apple, Google, Facebook and Microsoft, are expected to continue to grow their OTT services.

If the trends in fixed-to-mobile substitution and substitution of non-traditional voice and data services or similar services continue without compensating growth in services such as fixed line NGA, and if we are not able to address these trends, or develop appropriate strategies to obtain revenues from these services, this could result in continued declines in retail voice traffic and retail access lines as well as declines in ARPU and lower margins across our business, which could have a material adverse effect on our business, financial condition and results of operations.

We face competition in the Irish mobile telecommunications market, which may adversely affect our business, financial condition and results of operations.

There are currently three main MNOs in the Irish mobile telecommunications market, Vodafone, 3 and eir; their respective revenue market shares for the quarter ended December 31, 2015 were 42.2%, 34.2% and 18.8%. In addition, there are smaller MVNOs, including Tesco Mobile, (3.6% revenue market share) which deliver their services over networks provided by the MNOs. As a consequence of one of the conditions imposed upon 3 during their acquisition of O2, two additional MVNO's launched in 2015; Virgin Media and Carphone Warehouse. See *"Risk Factors—Risks Related to our Business and Industry—Consolidation in the Irish telecommunications market could adversely affect our business"* for further details.

Competition for customers among all of these operators is based principally upon the services and features offered, the technical quality of the mobile network and its coverage, customer service, capacity, and increasingly on price, with the introduction of a growing number of packages bundling minutes, SMS and data. Competition in the market continues to put pressure on market revenue in both the postpay and prepay segments. As of December 31, 2015, 54.2% of our mobile customer base consisted of prepay users, which is 4.3 percentage points higher than the market average. This, however, has decreased from 5.7 percentage points at December 31, 2014. The churn of prepaid customers is significantly higher than that of postpaid. For the nine months ended March 31, 2016, annualized prepaid churn was 60.2%, compared with annualized postpaid churn of 16.7%. Prepaid customers also have a lower ARPU than postpaid customers. For the nine months ended March 31, 2016, prepaid ARPU was €15.80 compared with postpaid ARPU of €38.60.

We expect that the total number of subscribers in the Irish mobile telecommunications market will level off, and market growth will be driven largely by new services such as B2B mobile services, bundled offerings and content. Accordingly, our ability to maintain our mobile revenue and defend and grow our subscriber base will depend in large part upon our ability to retain existing customers by offering attractive bundles and how offerings which increase the ARPU and the lifetime of the customer, inducing our customers to switch from prepaid to postpaid plans, and by stimulating demand for new services, including 4G, our success in convincing mobile users to switch from competing operators to our mobile or converged services. If we are not able to compete effectively with other MNOs and MVNOs, our business, financial condition and results of operations could be materially adversely affected.

Consolidation in the Irish telecommunications market could adversely affect our business.

The Irish telecommunications market has been consolidating over recent years, including Vodafone's acquisition of several small fixed line operators and its acquisition of BT's consumer customer base, and more recently 3's acquisition of Telefonica O2 Ireland.

The European Commission's approval of the acquisition of O2 by 3 was subject to conditions set out in the commitments proposed by Hutchison Whampoa, owner of 3, and approved by the European Commission. The commitments included a package enabling the entry of two MVNOs into the Irish telecommunications market (the European Commission's decision leaves open the possibility for the two MVNOs to become full MNOs at a later date). MVNO agreements with both UPC Ireland (subsequently rebranded as Virgin Media) and Carphone Warehouse were subsequently announced.

In July 2015, Carphone Warehouse mobile launched its mobile brand, iD Mobile. Virgin Media launched it new mobile business in October 2015. The entry of these two new MVNOs, and the potential eventual transition of one of them to MNO status, increases competition in the Irish mobile telecommunications market.

Any further consolidation in the Irish telecommunications market in the future could also have a material effect on our business, financial condition and results of operations.

We may not be able to successfully implement our bundling strategy, which could have an adverse impact on our results of operations.

A significant component of our strategy is to expand our bundled offerings, which comprise fixed voice, broadband, TV and mobile services. We believe that bundling has the potential to reduce churn of fixed line subscribers, attract new broadband subscribers, increase the number of RGUs per subscriber and increase ARPU. Our ability to successfully implement this strategy may, however, be adversely affected if demand for broadband services, particularly high speed broadband services, does not continue to grow in Ireland as we expect or if competition increases, whether as a result of the entry of new competitors or otherwise. In particular, other operators may offer more competitively priced bundles than those offered by us. Our ability to offer bundles is also dependent in part on the successful completion of our planned roll-out of fiber based access technologies to facilitate higher broadband speeds. Technological developments such as new platforms for broadband or TV access and/or distribution operational support systems and business support systems may also adversely affect the competitiveness of our bundled offerings. Furthermore, while we have obtained a degree of regulatory clarity following ComReg's Final Decision D04/13 (ComReg 13/14) in relation to bundling of services, there can be no assurance that we will continue to obtain regulatory approval for all of our bundling initiatives. See "*Regulation—The Regulatory Regime—SMP Regulation of our retail fixed access products and services*". If we are unsuccessful in implementing our bundling strategies, whether due to ComReg decisions, regulatory barriers or otherwise, or if we are unable to increase our market share through our bundles, our business, financial condition and results of operations may be materially adversely affected.

Our fixed line telecommunications services are subject to extensive regulation and regulatory initiatives aimed at increasing competition. Evolution of an adverse regulatory framework could have a negative impact on our results of operations.

The fixed line telecommunications services that we provide are subject to extensive regulation. ComReg regulates the manner in which we provide many of our retail and wholesale services and the prices at which they are provided, and is mandated to pursue a policy of fostering increased competition in the Irish fixed line telecommunications market. In addition, the Minister for Communications, Climate Change and Natural Resources may, in the interests of proper and effective regulation of the Irish fixed line telecommunications market, give policy directions to ComReg to be followed in the exercise of its regulatory functions. In recent years, ComReg has taken a number of measures designed to further increase competition. These initiatives include requiring eir to provide specified wholesale services and unbundled network services to OAOs in order to allow these operators to compete in the retail market. Provision of these wholesale services to competitors has contributed to our loss of market share in the retail fixed line market, which may continue, and would negatively impact our business, financial condition and results of operations.

We are increasingly dependent on revenue generated from data services and a failure to successfully compete in data services could have an adverse effect on our fixed line business and results of operations.

Our fixed line business is increasingly dependent on revenue generated from data services, particularly broadband services, and end-to-end business solutions within the eir Business division, to offset the impact on our operating results of the declining market for fixed line voice and access services, and to maintain the long-term profitability of the business. A number of factors could limit our ability to increase our revenue from data services, including weak growth in customer demand for data services, difficulties or delays in our planned roll-out of our NGA Fibre network, limited customer adoption of more advanced and faster forms of broadband services, increased price competition from other data service providers, the failure to secure either one or both "lots" in the NBP, or a slow uptake of services rolled out in rural areas.

Revenue growth from data services must be balanced with appropriate pricing to maximize widespread adoption by the greatest number of users and to encourage migration to higher-speed offerings. Our broadband services are subject to competition from services provided by competitors using other technologies such as cable, wireless or satellite, and from services built by competitors that are based on unbundled local loops, line share and co-location. In addition, our fixed line business is facing increased competition in this market from mobile companies following the implementation of 3G technology and the deployment of 4G, which allows mobile operators to offer higher rate data services to their customers via their mobile networks. Our lower share of the mobile market relative to our share of the fixed line market makes us vulnerable to such competitive pressures.

We are attempting to address these challenges with a number of programs, such as rolling out fiber-based NGA fixed line services, including FTTH, improving our 3G mobile network and rolling out 4G services, and by offering bundled telecommunications services which now include mobile services for our business customer segment. If these programs are not successful, however, we may not maintain or grow our broadband revenue, which would materially adversely affect our business, financial position and results of operations.

We may be subject to increased competition in the broadband market as a result of Government initiatives to promote broadband infrastructure investment including by our competitors, which may negatively impact our results of operations.

The Irish Government has in the past and is currently taking a number of initiatives, including providing funding, as part of the National Development Plan to promote investment in broadband infrastructure in Ireland.

The Department of Communications, Climate Change, and Natural Resources published the NBP in August 2012 in which targets were set out for broadband speeds to be achieved by 2022. The then Minister, Alex White, launched the Government's NBP strategy at a public event on July 15, 2015. All key elements of the strategy have been out for consultation including technology, network ownership, funding options, scope of the intervention map and the Department's NBP cost benefit analysis. The pre-qualification questionnaire ("**PQQ**") process finished in April 2016. The government's proposed NBP intervention will involve an end-to-end strategy for the delivery of reliable high speed broadband that includes a major fiber build-out to rural areas. Detailed planning work is continuing to deliver the project. It is understood that the Department is working towards running the tender process between Autumn 2016 and Spring 2017 with a contract to be agreed by June 2017. We intend to compete for this funding leveraging our existing network infrastructure. Other operators are also expected to bid for this funding using their own infrastructure, or potentially also using some component of wholesale services purchased from eir. This initiative would increase the number of addressable subscribers and result in growth of the overall market. Five bidders responded to the PQQ; Siro, Gigabit, enet, Imagine and eir. We are currently awaiting the outcome of the PQQ.

The outcome of this bidding process could range from a low to high level of utilization of our infrastructure and could therefore significantly impact our costs and the viability of operating networks in low density areas. If we are not successful in obtaining such funding, our costs of operating in low density areas may be higher relative to our competitors, which could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain a favorable brand image or maintain a positive customer experience, we may be unable to retain existing and/or attract new customers, leading to loss of market share and revenue.

Our ability to attract new customers and retain existing customers depends in part on our ability to maintain a favorable brand image and to ensure a good level of customer experience. We continuously make efforts to maintain and improve the position of our brands in the market, including advertising, sponsorship, and ensuring that overall company performance in terms of product portfolio, service provision and management is subject to regular review and improvement initiatives. We also continuously aim to provide high levels of customer service, both in terms of the customer experience when using our services and also in connection with handling complaints. If we are not successful in maintaining a favorable brand image, or if brand promotions by our competitors prove more successful at attracting and retaining customers, and/or we fail to maintain sufficient levels of customer satisfaction and service, our business, financial condition and results of operations could be materially adversely affected.

Our mobile business relies significantly on third parties to distribute our products, provide customer care and procure customers.

Our mobile business currently relies significantly on key third party distribution partners to distribute our products and services through various non-exclusive channels. Mobile retail specialists generally also procure customers for our competitors and they may be incentivized to encourage potential customers to choose mobile services offered by our competitors rather than our own mobile services.

In addition, our mobile business outsources the assembly, storage and distribution of handset and subscriber identity mobile packs, and has also significantly outsourced the provision of customer care services for our customers. In certain circumstances, our mobile business relies on third parties to provide accurate and robust IT systems and systems and equipment capable of interfacing, where necessary, with our mobile systems. Improvement in the customer experience has been a focus for eir, and to the extent we rely on third party providers for customer service, we are at risk of not meeting our improvement goals should such third parties not provide the level of service we expect. A failure to meet customer service targets could increase churn and adversely affect our revenues.

The failure to maintain these key distribution and customer care service provider relationships on acceptable terms, or the failure of our distribution partners to procure customers, or the failure of our customer care partners to provide an adequately high level of customer experience, as well as adequate services and systems to eir, could have a material adverse effect on our business, financial condition and results of operations.

Changing technologies and markets will require us to make substantial additional investments in our fixed line and mobile networks, our business systems and our television content offerings.

We operate in an industry characterized by rapid technological and market changes. We are presently undergoing a major investment program, with our main capital expenditure commitments relating to the roll-out of the NGA network, investments to roll-out 4G services, enhancing current services, investment in new IT capabilities, the improvement of our IPTV offering and our development of TV content. We expect to fund our capital expenditure programs using cash on balance sheet and cash flow from operations. As new technologies are developed, we may incur significant investment programs in order to implement such technologies to remain competitive. Our financial condition and results of operations may be materially adversely affected if we are unable to fund our current and future capital programs or if we are unable to realize the gains in revenues, market share and profitability that we expect from our capital programs, including our expansion into TV content.

We may not achieve the return we anticipate in connection with the investments we have made in our NGA network, our 4G network and other projects.

We have undertaken a major program of capital expenditure to facilitate the transformation of our business and enable us to respond to the technological and competitive challenges we face. Our capital expenditure has mainly related to the roll-out of our NGA network, investments in spectrum to roll-out 4G services, investments in new IT capabilities, investments in TV (including content) and in a new converged billing system which will provide customers with a single bill for fixed and mobile services. In time, we expect significant benefits to be realized as a result of these investments. In particular, the investments in our NGA and 4G networks not only enable us to meet customers' strong demand for high speed data, but are also a key component of our bundling strategy and investments in TV content enable us to make our IPTV offering more attractive and roll-out our TV everywhere initiative. We cannot be sure, however, that the investments we have made will generate the return we anticipate.

Our business and financial condition may be adversely affected as a result of our dependence on our network sharing agreement with 3.

In order to achieve cost savings and efficiencies as well as the timely roll-out of infrastructure supporting our own network coverage, we depend to a degree on the success of a network sharing agreement (called "**Mosaic**") with 3. Failure to successfully achieve the efficiencies we expect from the Mosaic network sharing agreement could have a material adverse effect on our business, financial condition and results of operations. Furthermore, actual cost synergies, if achieved at all, could be lower than expected and may take longer to achieve than expected.

The telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies.

The technologies used in the telecommunications industry are rapidly evolving, and there can be no assurance that we will be able to sufficiently and efficiently adapt the services we provide to keep pace with these developments. In particular, certain communications technologies, such as LTE and VoIP, and fiber optics technology allowing for faster data transmission and lower unit cost per gigabyte of transferred traffic, are increasingly important in the markets in which we operate. Due to the rapid evolution of technology, there can be no guarantee that we will be able to predict and devote appropriate amounts of capital and resources to develop the necessary technologies to satisfy existing subscribers and attract new subscribers or that we will recover the investments we have made in such technologies. Furthermore, technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our existing services less profitable, less viable or obsolete. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. We cannot currently predict with certainty how emerging and future technological changes will affect our operations, nor can we predict when new technologies required to support our planned services will be available. If we are unable to keep pace with technological developments, our business, financial condition and results of operations could be materially adversely affected.

We depend upon the proper functioning of our network, IT, billing and CRM systems and must continuously upgrade these systems.

We must continue to maintain and upgrade our network, IT, billing and CRM systems in a timely manner in order to retain and expand our subscriber base. In particular, a number of business facilities, including our data center and IT systems, have limitations. While our intention is that these facilities and systems will be expanded, upgraded or replaced in accordance with business requirements, there is a risk that our business will be unable to expand certain facilities and/or systems on time, in a commercially viable manner, or at all. Moreover, the complexity of our IT systems may affect our ability to launch new services in a timely manner.

In addition, although we have introduced major new billing and CRM systems in recent years, a large number of customers remain on older, less flexible systems, with limited experienced staff to support and develop them. Over time the migration of customers to bundled products on the new converged billing system will mitigate the impact of this risk, but delays in this planned migration could adversely impact the achievement of revenue targets.

Moreover, requirements to upgrade network functionality, expand and maintain customer services, update network management and administrative systems and upgrade older systems and networks to adapt them to new technologies are not entirely under our control and may be affected in the future by, among other things, applicable regulations.

If we fail to successfully maintain or upgrade our network, IT, billing and CRM systems, our products and services may become less attractive to new subscribers, our customer service levels may suffer and we may lose existing subscribers to our competitors, or we may be required to make unbudgeted investments. In addition, our future and ongoing IT system upgrades may fail to generate a positive return on investment, which may have an adverse effect on our business, financial condition and results of operations.

Our profitability may suffer if we are unable to successfully introduce new products or enter new market segments or businesses.

As part of our strategy, we seek to identify and exploit opportunities for future growth, including introducing new products or entering into new market segments or into new telecommunications businesses. For instance, we expect our recent acquisition of Setanta Sports Ireland and entry into the TV content business to make our IPTV offering and bundles more attractive and enable our TV everywhere proposition. We may need to invest substantial funds and other resources, or enter into strategic alliances or partnerships in order to introduce these products or to enter and compete in these market segments or businesses. In addition, to the extent we expand into new business lines, we will be faced with risks and challenges which differ from the ones we have traditionally faced, and may be required to make further investments or enter further partnerships to maintain our position in such new market segments or businesses. We may not have the resources necessary for such investment or find suitable partners, nor can we be sure that any market segments or businesses that we enter into in the future will perform as well as we might expect.

We will continue to seek to lower our cost base and improve profitability. The cost saving measures we introduce may be costly or difficult to implement or may otherwise disrupt our business.

Following a detailed benchmarking review of our operating cost base in 2012, supported by a leading global consulting firm, we implemented a number of cost savings initiatives to reduce our operating cost base by over €127 million on a full year basis by June 30, 2015 compared to the year ended June 30, 2012. During this period, we reduced our employee headcount by over 2,000 full time equivalents and delivered significant non-pay cost reductions through a program of initiatives across the business. We undertook a further external cost benchmarking exercise in December 2014, and have identified further opportunities to achieve an upper second quartile cost base compared to peer group organizations.

Costs associated with the implementation of future cost savings initiatives could have an impact on our results of operations. Moreover, actual additional cost savings may be lower than we expect and may take longer to achieve than planned. A failure to successfully implement any such cost reduction initiatives, or a loss of critical skills or capabilities while implementing them, or the inability to fully realize their planned cost and productivity benefits could have a material adverse effect on our business, financial condition and results of operations.

A significant deterioration in our budgeted future cash flows or changes in WACC could result in a further impairment of our goodwill or other intangible and tangible fixed assets, which could have a material negative effect on our operating profits and financial condition.

The Group has a significant level of goodwill, intangible and tangible fixed assets. We test goodwill for impairment on an annual basis, and other tangible and intangible assets if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, based on discounted cash flows. The impairment test is undertaken separately for each of the Group's cash generating units (CGUs), Fixed Line and Mobile. The discounted cash flows are impacted by the Group's projected future cash flows and the Group's estimate of its weighted average cost of capital. Future cash flows are based on the Group's budgeted future cash flows, which are dependent, among other things, on the underlying performance of our business, which may be further impacted by negative industry or economic trends.

Any significant deterioration in the Group's budgeted future cash flows or an increase in the WACC could result in a further impairment of goodwill or intangible and tangible fixed assets, which could have a material negative effect on our operating profits and further increase our net liabilities.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We have a well-developed collective bargaining relationship with our trade unions. The terms and conditions for "graded employees" are the subject of collective bargaining agreements, primarily, but not exclusively, negotiated through the Joint Conciliation Council, in which all of our recognized trade unions participate.

These agreements provide for a dispute resolution process whereby we would utilize the services of the Workplace Relations Commission (the "**WRC**") in the case of genuinely exceptional matters and in circumstances where disagreements persist following the exhaustion of all internal procedures. As of March 31, 2016, approximately 52% of our employees were subject to collective bargaining agreements.

Following the significant reduction in workforce numbers, which was achieved without any labor-related disruption to our business or industrial action, we believe that the greater potential risk for disruption in the event of industrial action lies with our service providers such as our customer contact center providers.

While this risk is mitigated by commercial arrangements and wider stakeholder management, any significant deterioration in labor relations could result in operational disruptions which could have an adverse effect on our business, financial condition and results of operations.

Failure to attract and retain key personnel may impact our ability to deliver our financial plans.

The performance of our business depends significantly on the efforts and expertise of management and other key senior personnel. Retaining qualified commercial, technical and key leadership has become more challenging in the digital/communications industry where there is significant competition for experienced personnel. Therefore, we have developed a comprehensive People Strategy which encompasses a clear vision and purpose for all our people. We have re-introduced companywide pay increases and bonus payments, and will continue to refresh approach to how we manage performance and grow our people. However, if these initiatives do not succeed in allowing us to retain key people will, we may suffer disruption to our operations and may be unable to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations.

Over the next four to eight years the majority of our network and fixed line technology staff will reach retirement age, and this capability and knowledge will exit the business. To mitigate this risk we continue to build a strategic relationship with KN Networks who partner with us as a managed service provider in Field Operations, and we have implemented a five year program to recruit apprentices and graduates to ensure this knowledge and capability is not lost by the Company. We recruited 75 apprentices in the twelve months ended June 30, 2015, with a further intake of 50 apprentices planned by September 2016. However, if we do not succeed in replenishing this knowledgeable workforce, through apprentice and graduate recruitment, the exit of these workers will cause disruption to our operations and will impact our ability to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations.

Any acquisitions or divestitures we may make could disrupt our business and materially harm our financial condition, results of operations and cash flows. There are integration and consolidation risks associated with recently completed and potential future acquisitions and divestitures.

Future acquisitions and divestments may result in significant transaction expenses, increased leverage and unexpected liabilities. Future acquisitions may result in risks associated with entering new markets, and we may be unable to profitably operate the acquired businesses.

We recently completed the Setanta Sports Ireland acquisition and may, from time to time, consider certain additional acquisitions or divestitures, in markets where we currently operate as well as in markets in which we have not previously operated. In addition, we may not be able to identify suitable acquisition candidates in the future, or may not be able to finance such acquisitions on favorable terms. We may lack sufficient management skills, financial and other resources to successfully integrate our acquisitions. Acquisitions and divestitures involve numerous other risks, including the diversion of management's attention from other business concerns, undisclosed risks impacting the target entity and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions or divestitures could increase our leverage. Raising external financing could impact our financial position or create dilution for our shareholders. Any future acquisitions may result in significant transaction expenses, unexpected liabilities and risks associated with entering new markets in addition to the integration and consolidation risks.

We cannot provide assurances that any acquisitions or divestitures will perform as planned or prove to be beneficial to our operations and cash flow, or that we will be able to successfully integrate any acquisitions that we undertake. Any such failure could seriously harm the financial condition of the company, results of operations and cash flows.

Our increasing dependence on information technology systems to provide services and run our business exposes us to risks of hacking, piracy, terrorist or cyber attacks, security breaches, natural disasters, casualties or facilities/systems failure, which could damage our business and potentially lead to regulatory penalties.

The performance and reliability of our IT systems and facilities, our networks and our fixed line and mobile telecommunication services, are critical to our ability to attract and retain customers and meet our regulatory universal service obligations. These include sophisticated critical facilities and systems such as IP routers, exchanges, switches, transmission systems, other key network points, data centers and core billing and customer service systems. The hardware supporting these systems is housed in a number of locations. These systems, facilities (some of which are owned by third parties) and networks, and the services that we provide, may be subject to damage or disruptions resulting from criminal or terrorist acts or as a result of malicious hacking, piracy or cyber-attack, or from numerous other events, including infrastructure defects, fire, flood, storm or other natural disasters, power outages, unanticipated IT problems, computer viruses and equipment, system or infrastructure failures. Our business continuity plans and our network and IT security policies and procedures may not be sufficient to prevent or mitigate the impact of any such damage, disruption, economic loss or regulatory penalties.

A major disruption to our infrastructure or to a third party supplier's systems could result in a failure of our networks or systems, or of the third party owned local and long distance networks on which we rely for the provision of interconnection and roaming services to customers. This would affect the quality of service or cause temporary service interruptions, which could result in customer dissatisfaction and reputational damage, regulatory penalties and reduced revenue and earnings and could thereby have a material adverse effect on our business, financial condition and results of operations.

Criminal and anti-terrorism laws and regulations might result in a heavier regulatory burden on our business and increased operating costs.

We presently incur significant costs in relation to complying with the data retention requirements imposed by crime prevention laws and regulations. The Irish Communications (Retention of Data) Act 2011 requires all telephone and Internet service providers to retain call and Internet traffic records (including time and location data for mobile traffic) for a period of two years and one year respectively for the purpose of the prevention and investigation of serious crime by the Irish State's law enforcement agencies.

However, an actual or threatened act of terrorism or similar event could lead to a significantly higher regulatory burden on our business, and result in increased costs. We may also be required to assist Government departments in certain circumstances, such as national emergencies, which may require us to incur additional expenditures or to suffer disruptions to our network. These increased obligations, higher costs and potential disruptions could have a material adverse effect on our business, financial condition and results of operations.

System failures, hacking or misuse of our fixed line and mobile networks may damage our reputation and result in increased costs to our business.

Customers or others may misuse our networks in ways that could damage our reputation and result in regulatory or other measures that increase our costs. Examples of such potential misuse include using the network to make inappropriate contact with children, spamming, propagation of viruses, piracy of intellectual property, or engaging in fraudulent activities. As the telecommunications sector has become increasingly digitalized, automated and online-based, we have become exposed to increased risks of hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, hacker attacks or unauthorized access to our servers could affect the quality of our services, compromise the confidentiality of customer data or cause service interruptions, which could harm our reputation and thereby have a material adverse effect on our business, financial condition or results of operations.

The loss of important intellectual property rights, including key trademarks and domain names, could adversely affect our business and results of operations.

Certain of our intellectual property rights, including key trademarks and domain names, which we believe are well known in the telecommunications markets in which we operate, are important to our business. A significant portion of our revenue is derived from products and services marketed under our brand names. We rely upon a combination of trademark laws, copyright and data base protection as well as, where appropriate, contractual arrangements to establish and protect our intellectual property rights. From time to time, we may make claims against third parties to protect our intellectual property rights against infringement. These claims can result in protracted and costly litigation, regardless of their merits, and may not ultimately be successful, which could adversely affect our business, financial condition and results of operations.

In addition to the risk that a third party may infringe our intellectual property rights, we face the risk that a third party may claim that we are infringing that third party's intellectual property rights. As a result, we may not be able to use intellectual property that is material to the operation of our business and/or may be obliged to take further actions. Alternatively, a third party may allege that one of our suppliers or customers is infringing that third party's intellectual property rights, and may bring a lawsuit to prevent such supplier from providing us with products or services important to our business, or customers from purchasing our products and services. If such a lawsuit were successful, we may be forced to stop using or selling the product or service and/or we may be required to undertake further remedial activities or efforts, either of which could have an adverse effect on our business, financial condition and results of operations.

We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and the loss of customers and adversely affect our business.

We collect, store and use data in the ordinary course of our business that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the privacy requirements provided for under applicable laws, these precautions might not be successful and certain subscriber data may be exposed due to human error or technological failure or otherwise be used inappropriately. We work with independent and third party suppliers, partners, sales agents, service providers and call center agents, and it is possible that such third parties could also experience system failures involving the storing or the transmission of proprietary data. Violation of data protection laws by us or one of our partners or suppliers may result in fines, reputational harm and the loss of customers and could have a material adverse effect on our business, financial condition and results of operations. We have been prosecuted by the Data Protection Commissioner on a number of occasions since 2011 for various breaches of data protection laws relating to the sending of marketing communications as well as data security matters; however, the fines and settlements imposed in these cases, individually and in the aggregate, were not material. New data protection laws and regulations could have a material adverse effect on our business, financial condition and results of operations; for example, the European Union General Data Protection Regulation will be implemented in May 2018 and will introduce new compliance obligations in relation to the commercial use of personal data, which will include our subscriber data, with significant fines of up to 4% of global turnover for certain aspects of non-compliance.

Increasing data security requirements by financial institutions, certain other corporate customers and government entities may adversely affect our business and profitability.

We are a provider of mobile and landline services to a number of public and private financial institutions, government entities and corporate customers with data security requirements. These customers may continue to increase their data security requirements, and we may be required to undertake additional investments in order to adhere to these enhanced data security requirements, as well as to adhere to evolving statutory and regulatory requirements, including obtaining and maintaining certain ISO certifications, improving access rights management systems and developing a corporate data encryption infrastructure. As a result, we may incur additional capital expenditure to satisfy data security requirements. In addition, we cannot assure you that these customers will not terminate their contracts with us. Such terminations may have a material adverse effect on our business, financial condition and results of operations.

The outcome of litigation may not be in accordance with our assessments.

We are a party to legal proceedings from time to time. We review the status of any pending or threatened proceedings with legal counsel on a regular basis. In determining whether accounting provisions are required in respect of pending or threatened litigation, we review the period in which the underlying cause of the litigation or of the actual or possible claim or assessment occurred, the degree of probability of an unfavorable outcome, and the ability to make a reasonable estimate of the amount of potential loss. Upon considering these factors and any other known relevant facts and circumstances, we recognize any loss that is considered probable and reasonably quantifiable as of the balance sheet date.

The outcome of any litigation may not be consistent with our estimates and assessment of liabilities. If we incur significant costs in excess of amounts provided or if we are unsuccessful in defending claims which are treated as contingent liabilities, our business, results of operations and financial condition may be materially adversely affected.

Alleged health risks associated with mobile communications could lead to reduced usage of our mobile services and products, increased difficulty in obtaining transmitter sites or result in potential liabilities.

Public concern about the perceived health risks of mobile communications could have a detrimental impact on our mobile business by casting our services or products in a negative light, making it difficult to retain or attract customers or to obtain transmitter sites, or by reducing usage per customer of all or certain of our services. There can be no assurance that further medical research and studies will not establish a link between the radio frequency emissions of mobile handsets and/or base stations and these health concerns. As a result, government authorities could increase regulation of mobile handsets and base stations and public pressure may limit or delay the ability of MNOs, including our mobile operations, to install mobile phone masts at key sites.

If these health risks were to materialize, actual costs or damages could be significantly in excess of any limited insurance protection that we may have and we may have difficulty obtaining appropriate insurance protection for such risks. MNOs could be held liable for the cost of damages associated with these risks. This could have a material adverse effect on our business, financial condition and results of operations.

Our obligations under our employee pension schemes could adversely impact our cash flows, results of operations, financial condition and ability to pay dividends.

We operate a defined benefit pension scheme for 2,398 employees at March 31, 2016. The pension scheme also covers a significant number of past employees, including 5,682 deferred members and 8,551 pensioners at March 31, 2016. In the event of a deficit arising in the future in respect of the eircom Superannuation Fund under Part IV of the 1990 Pensions Act, which details the Minimum Funding Standard, the pension scheme trustees would be required to agree with us a funding proposal for submission to the Pensions Authority to address the deficit over an agreed time period, which could require increased contributions from eir or from employees or a reduction in benefits or a combination of these measures. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Employee Defined Benefit Pension Scheme*'' in relation to prior to January 1, 1984 service by certain employees, past employees, deferred members and pensioners.

A full actuarial valuation was carried out at September 30, 2013, on both a minimum funding standard and an on-going funding basis. The actuarial valuation on an on-going funding basis resulted in a surplus in relation to accrued liabilities at September 30, 2013 of €131 million and an employer contribution rate for future service of 8.5% of pensionable remuneration. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard) at September 30, 2013 and at the scheme year ends of March 31, 2013, 2014, 2015 and 2016 and no additional funding was required. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Employee Defined Benefit Pension Scheme*''. If, however, the scheme were to go into deficit under the Minimum Funding Standard in the future, the trustees might seek changes to the scheme or increased funding to restore the balance. Although we would likely take actions to limit any additional funding requirement, in such circumstances eir may be obliged to make increased contributions to the pension scheme, which might in turn result in increased costs and cash outflows and have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to tax laws and regulations, the interpretation of which may change in ways that could be adverse to our business, results of operation and financial condition.

The Group is subject to complex tax laws. Changes in tax laws could adversely affect the Group's tax position, including our effective tax rate or tax payments. The Group often relies on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with the Group's interpretation of these laws. If the Group's tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require the Group to pay taxes that the Group currently does not collect or pay or increase the costs of the Group's services to track and collect such taxes, which could increase the Group's costs of operations of the Group's effective tax rate. The occurrence of any of the foregoing tax risks could have a material adverse effect on the Group's business, financial condition and results of operations.

If a Guarantor makes any payments in respect of interest on Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for relief or the exemptions to the same extent the Issuer would be.

A vote by the UK electorate in favor of a UK exit from the EU in the forthcoming in-or-out referendum could adversely impact our business, results of operations and financial condition.

Following the Conservative party win in the UK General Election on May 7, 2015, the UK Government has promised to hold an in-or-out referendum on the UK's membership within the EU. The referendum is currently scheduled to occur on June 23, 2016. If the referendum results in a UK exit from the EU ("**Brexit**"), a process of negotiation would determine the future terms of the UK's relationship with the EU.

Depending on the terms of Brexit, if it should occur, the UK could also lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. Such a decline in trade could affect the attractiveness of the UK as a global investment center and, as a result, could have a detrimental impact on UK growth.

Given Ireland's proximity to the UK and its strong trade, investment and financial links with the UK, a UK exit from the EU could lead to financial turmoil and damage Irish trade and the Irish economy. In turn, an economic downturn in Ireland could also negatively impact demand for our products and services.

Although it is not possible to predict fully the effects of Brexit on the UK, Irish and EU economies, if it were to occur it could have a material adverse effect on our business and our results of operations.

Risks Relating to Regulatory and Licensing Matters

ComReg periodically issues pricing directions covering our services, which may have a negative impact on our fixed line revenue and operating profit.

ComReg requires us to provide wholesale services to OAOs and regulates the prices at which we offer these services. Our regulated services—which include, for example, unbundled local loop access services, wholesale NGA services, wholesale broadband access ("**WBA**") services, leased lines and interconnection services—generally are subject to access, non-discrimination and price control obligations, including cost orientation obligations and/or margin squeeze tests. ComReg has imposed cost orientation obligations using a number of costing methodologies. In some cases, for example LLU and call origination, prices must be based on the long run incremental costs of providing the service, together with a permitted rate of return on our capital. A costing methodology based on a combination of a bottom-up long run average incremental cost modeling and top-down historical cost accounting is applied in respect of single billing WLR ("**SB-WLR**"), and cost floors based on margin squeeze tests applied in respect of WBA and wholesale leased line products, which requires us to ensure that our wholesale and retail prices are set so as to generally allow other ''similarly efficient operators'' (with higher costs than ours) to compete with us in retail markets. We must obtain prior ComReg approval before we can offer certain new services, including services relating to NGA, wholesale broadband, wholesale leased lines and any retail bundle with a line rental component, and before we can change the price of existing wholesale regulated services. If ComReg withholds or delays approval for, or places significant restrictions on our ability to launch, new bundled products and services, more competitive regulated services, or new broadband services, our business, financial condition and results of operations could be materially adversely affected.

Furthermore, directed changes to regulated retail and wholesale prices may lead to reductions in charges which would reduce our revenue. On May 18, 2016, ComReg, following consultation, issued a Decision imposing cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling and Pole and Duct access and two new Margin Squeeze Tests between retail and wholesale line rental prices. As a result, we are required to amend our wholesale prices as applicable to conform to the new price controls from July 1, 2016.

By reducing the costs of our competitors and constraining our ability to lower prices in retail markets, the price controls could increase competition in our markets, and have a material adverse effect on our business, financial condition and results of operations.

Financial and operational burdens imposed on our universal service obligations (''USO'') could have a negative impact on our results of operations and cash flows.

Since 2003, we have been the designated Universal Service Provider (''**USP**''), in decisions adopted by ComReg from time to time, most recently in December 2015 for the period to June 30, 2016. The establishment of a sharing mechanism, in the form of a USO fund, for example, is required under the EU Universal Service Directive of 2002 and the Irish Universal Service Regulations where the net cost of the USO is found to amount to an unfair burden on the USP. See ''*Regulation—The Regulatory Regime—USO Regime*''. Nonetheless, there can be no assurance that the net cost of the USO will be deemed to represent an unfair burden to us and that we would be compensated accordingly.

Furthermore, under the Universal Service Regulations, ComReg is authorized to set binding performance targets in respect of the obligation to provide connections and access and such other elements of the USO as ComReg deems appropriate and did so in May 2008. Following failure to achieve these targets in the first two years, ComReg required that we put in place a Performance Improvement Program (PIP 1) for 2010/2011 and 2011/2012 with revised targets and associated performance bonds of €10 million for each year. There were agreed financial penalties in the event that performance targets were not met (up to the amount of the annual performance bonds). Following eir's USO re-designation for the period July 2012 to July 2014, a new Performance Improvement Program (PIP 2) was agreed with ComReg. As part of PIP 2, revised targets for line faults per 100 lines were agreed at 12.8 line faults per 100 lines for 2013/2014 as well as a penalty of €1 million per 0.1 line faults per 100 lines of target missed with an overall cap of €10 million covering all service performance targets including line faults per 100 lines, speed of repair, and provisioning time. Between December 2013 and February 2014, a series of very severe storms hit Ireland on a rolling basis and caused considerable damage to our network. This resulted in unprecedented levels of faults in the network and delays in repairs and connection. As a consequence, our performance levels fell such that we did not meet the performance targets set in the PIP 2 Agreement for the 2013/14 period and eircom was therefore exposed to a potential penalty of up to €10 million. A penalty of €2,500,000 was eventually agreed with ComReg in the context of USO-related court proceedings. A new performance improvement program referred to as PIP 3 was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129). There can be no assurance that these new targets can be achieved. If we are unable to achieve such targets, we could be subject to financial penalties and as a result our profitability, cash flow and financial position may be adversely impacted.

A severe weather event, referred to as Storm Rachel, in January 2015, and a sequence of storms in November and December 2015, which led to the highest rainfall ever recorded in Ireland, resulted in abnormally high rates of fault arrivals which negatively impacted our speed of repair performance and a potential penalty exposure. The 2015 performance assessment is ongoing. In accordance with the provisions of PIP 3 agreed with ComReg concerning ''force majeure events'', we are preparing an application seeking that ComReg, in assessing our performance under PIP 3 for the year 2015, takes into account the impact of the exceptionally severe weather events which have affected our network. On May 4, 2016, ComReg issued a consultation on the Universal Service Obligation provision of access at a fixed location which proposes extending our current USO obligation for a further 5 years from July 1, 2016 to June 30, 2021. ComReg proposes to maintain the existing USO obligation, with some adjustments in respect of what constitutes a reasonable access request, and the use of an availability target metric to replace line faults per 100 lines and speed of repair performance metrics. The response deadline for this consultation is June 13, 2016. Our business, financial condition and results of operations could be materially adversely affected by the outcome of this consultation process.

Our fixed and mobile businesses are subject to regulatory rules set by the EU which, if changed, may negatively impact on the results of operations.

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework which was adopted by the EU in 2002 for all aspects of electronic communications networks and services across the EU. The EU made amendments relating to the recommended markets in November 2007 and further amendments to the EU Regulatory Framework in November 2009. The main policy objectives of the EU Regulatory Framework are to promote competition, to contribute to the development of the internal market, and to protect the interests of citizens. National regulators have discretion to impose regulatory obligations in line with national circumstances.

On November 25, 2015, the European Parliament and Council adopted Regulation 2015/2120 making amendments to the 2012 Roaming Regulations and introducing rules on net neutrality. Under the proposed regulation retail roaming will be abolished in June 2017, subject to completion of a review of the operation of the wholesale roaming market by the Commission. A transition period will commence from April 2016 during which the mark-up for roaming retail charges will be limited to the wholesale price caps.

The European Commission announced in May 2015 a digital single market strategy covering online services, digital networks and services and the digital economy to be implemented by the end of 2016. This includes a review of the EU Regulatory Framework. Legislative proposals are expected to be published by October 2016. Changes to the EU regulatory framework could have a material adverse effect on our business, financial condition and results of operations.

Regulatory investigations and litigation may lead to fines or other penalties.

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. See ''*Regulation—The Regulatory Regime—Compliance*''. On occasion, we are involved in litigation and regulatory enquiries and investigations involving our operations, which may lead to fines and other penalties that could have an adverse impact on our results of operations. See ''*Business—Litigation*''.

Planning license fees, if applicable to us, may adversely affect our results of operations.

Under Irish planning legislation introduced in 2002, where a license is granted by a planning authority to a person to erect, construct, place and maintain overhead cables or wires on, over or along a public road, a fee is payable to the planning authority for every year or part of a year for which the license is granted. We strongly disagree with such a fee, as it bears no relation to the actual administrative costs involved in processing planning and consent applications. However, this fee could be determined to apply to our networks, which encompass overhead wires and poles. If it is determined that the license fee is applicable to our networks and is enforced on an annual basis, it may increase our costs and adversely affect results of operations. In the intervening period since the 2002 legislation, no planning authority has applied the fee in respect of overhead wires and poles.

Changes in our regulated weighted average cost of capital could have an adverse impact on our revenue and results of operations.

In December 2014, ComReg issued a decision notice directing that a nominal pre-tax weighted average cost of capital of 8.18% be used for the purpose of our separated regulated accounts, and as a basis for allowing us an adequate rate of return for regulatory purposes, including in the setting of our regulated wholesale prices. Any further reduction in our regulated weighted average cost of capital could have an adverse impact on our revenue and results of operations.

Risks Related to Our Financial Profile

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

As of March 31, 2016, on a pro forma basis after giving effect to the Refinancing Transactions and our the entry into the Revolving Facility, we had total gross debt of €2,372 million including €2,022 million under the Senior Facilities Agreement and €350 million under the Notes.

The degree to which we are leveraged could have important consequences to holders of the Notes, including but not limited to:

- making it difficult for us to satisfy our obligations with respect to the notes, guarantees and other debts and liabilities;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, spectrum license payments, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes, as well as our ability to pay dividends to our shareholders;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing; and
- limiting our options for refinancing the Notes and our other indebtedness when it falls due.

Any of these or other consequences or events could have a material adverse effect on our business, financial condition and results of operations, as well as our ability to satisfy our debt obligations, including the Notes.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Indenture will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to EHIL and its restricted subsidiaries;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;

• consolidate or merge with other entities; and

• impair the security interests in the collateral.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*". The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, we are subject to the affirmative and negative covenants contained in the Senior Facilities Agreement which also limits our flexibility and requires us to satisfy various financial covenants. See "*Description of Other Indebtedness—Senior Facilities Agreement*".

Certain covenants may be suspended upon the occurrence of a change in the Issuer's ratings.

The Indenture provides that, if at any time following the date of issuance, the Notes receive a rating of Baa3 or better by Moody's and a rating of BBB – or better by S&P and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time, if any, at which the Notes cease to have such ratings, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*". If these covenants were to cease to be applicable, the Issuer, EHIL and its restricted subsidiaries may, subject to the terms of the Senior Facilities Agreement and other indebtedness, be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of the holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Facilities Agreement and the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*", many of which are beyond our control. The majority of the indebtedness outstanding under the Senior Facilities Agreement (€1,863 million) will mature on May 31, 2022, with the remainder (€159 million) maturing on September 30, 2019. See *"Description of Other Indebtedness*". At the relevant maturity of the facilities under the Senior Facilities Agreement, the Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay these debt obligations, or to fund our other liquidity needs or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to further refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Facilities Agreement and the Indenture and any future debt may limit our ability to pursue any of the foregoing measures.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur at any subsidiary that does not guarantee the Notes would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. Although the Senior Facilities Agreement contains, and the Indenture will contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we incur additional debt, the related risks that we now face would increase. An increase in our indebtedness could also lead to a downgrade of the ratings assigned to eircom Holdings (Ireland) Limited or the Notes, either of which could negatively affect the trading price of the Notes. In addition, the Senior Facilities Agreement does not, and the Indenture will not, prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Risks Related to the Notes

The Notes and the Guarantees will be subordinated to certain hedging obligations and may be subordinated in the future, and such hedging obligations may also be repaid with the proceeds of the collateral securing the Notes in priority to the Notes.

Under the terms of the Intercreditor Agreement, the Notes and the Guarantees rank junior in right of payment to certain "super priority" hedging obligations incurred in respect of the Senior Facilities Agreement. Accordingly, if the Issuer or any of the Guarantors dissolves, winds-up or liquidates, or if any of them is the subject of any bankruptcy, insolvency or similar proceeding, counterparties to the relevant hedging arrangements would be entitled to receive payment in full of all obligations due thereunder before the holders of the Notes would be entitled to receive any payment with respect to the Notes or the Guarantees.

The Intercreditor Agreement also provides that proceeds from enforcement of the collateral securing the Notes must first be applied in satisfaction in full of obligations under these "super priority" hedging obligations and, only thereafter, to repay the obligations under the Notes and the Senior Facilities Agreement. Any such "super priority" hedging debt will be secured by the same property and assets that secure the Notes. As such, in the event of enforcement of the collateral securing the Notes, you may not be able to recover on such collateral if the then-outstanding liabilities under such "super priority" hedging debt are greater than the proceeds realized in the event of enforcement of the collateral securing the Notes.

The security interests in the collateral will be granted to the Security Agent rather than directly to the holders of the Notes.

The security interests in the collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes, but will instead be granted only in favor of the Security Agent. The Indenture will provide (in addition to the Intercreditor Agreement) that only the Security Agent has the right to enforce such collateral. As a consequence, holders of the Notes will not have direct security interests in the collateral and will not be entitled to take independent enforcement action in respect of such collateral, except through the Trustee, which will, subject to the applicable provisions of the Indenture and the Intercreditor Agreement, provide instructions to the Security Agent in respect of such collateral.

Holders of the Notes may not control certain decisions regarding the collateral.

The Notes will be secured by the same collateral securing the Senior Facilities Agreement. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by such collateral.

As a result of the voting provisions set forth in the Intercreditor Agreement, under certain circumstances, the lenders under the Senior Facilities Agreement and counterparties to certain hedging arrangements could have effective control of all decisions with respect to the collateral securing the Notes. Pursuant to the Intercreditor Agreement, the Security Agent serves as a common security agent for the secured parties under the Senior Facilities Agreement, certain hedging obligations and the Notes. Subject to certain limited exceptions, the Security Agent will act with respect to such collateral only at the direction of an "Instructing Group".

The holders of the Notes will not have separate rights to enforce the collateral securing the Notes. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents, unless they comprise an Instructing Group which is entitled to give such instructions (provided that, if the liabilities in respect of the Notes represent less than 30% of the aggregate of the outstanding liabilities under the Notes, the Senior Facilities Agreement and certain hedging agreements, the votes of the holders of the Notes shall not be canvassed by the Security Agent and the holders of the Notes shall be deemed to have voted in the same manner and in the same proportion as the creditors under the Senior Facilities Agreement and the hedge counterparties under certain hedging contracts). Disputes may occur between the holders of the Notes and creditors under our Senior Facilities Agreement, the counterparties to certain hedging arrangements or holders of any permitted additional indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the collateral. In such an event, the holders of the Notes will be bound by any decisions of the Instructing Group, which may result in enforcement action in respect of the collateral for the Notes, whether or not such action is approved by the holders of the Notes or may be adverse to such holders. The creditors under the Senior Facilities Agreement, the counterparties to certain hedging arrangements or the holders of certain other permitted additional indebtedness may also have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant security documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so. See "*Description of Other Indebtedness—Intercreditor Agreement*".

The collateral may not be sufficient to secure the obligations under the Notes.

The Notes and the Guarantees will be secured by security interests in the collateral described in this offering memorandum, which collateral also secures the obligations under the Senior Facilities Agreement on a *pari passu* basis as well as certain hedging obligations as described elsewhere in this offering memorandum. The collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Senior Facilities Agreement and the Intercreditor Agreement. Your rights to the collateral may be diluted by any increase in the debt secured by the collateral or a reduction of the collateral securing the Notes.

The value of the collateral that will secure the Notes and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, amongst other things, the ability to sell such collateral in an orderly sale, the costs of realization and any requirements to pay any of the proceeds to preferential creditors such as tax authorities and employees, economic conditions where our business operations are located and the availability of buyers of such collateral. The book value of the collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges over the shares of an entity may be of no value if the relevant entity is subject to an insolvency or bankruptcy proceeding.

In addition, our business requires a variety of permits and licenses. The continued operation of properties that comprise part of the collateral and that depend on the maintenance of such permits and licenses may be prohibited or restricted. Our business is also subject to regulations and permit requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure of all or any part of our business, the grant of permits and licenses may be revoked or the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed or otherwise economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the collateral may be significantly diminished.

It may be difficult to realize the value of the collateral securing the Notes. The ability of the Security Agent to enforce certain of the collateral may be restricted by local law.

The collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Senior Facilities Agreement and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of priority security interests in the collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the enforcement of a share pledge, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on the relevant collateral. Accordingly, the Security Agent may not have the ability to foreclose upon certain collateral, and the value of the collateral may decline significantly.

You may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of euro relative to the currency by reference to which you measure your investment returns because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes and you should consult with your own tax advisors regarding any such tax consequences.

Risks Related to Our Structure

The Issuer is a finance subsidiary that has no revenue generating operations of its own and depends on cash received under its intercompany loan in order to be able to make payments on the Notes.

The Issuer is a finance subsidiary that was formed in order to offer and issue debt securities. The Issuer conducts no business operations of its own, and has not engaged in, and will not be permitted to engage in, any activities other than those relating to its finance activities. The Issuer will be dependent upon payments from members of the Group to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for the Issuer to meet its obligations under the Notes through interest payments on the Note Proceeds Loan Agreement or other intercompany loans. If we do not fulfil our obligations under the Note Proceeds Loan Agreement or other intercompany loans, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amounts available to the Issuer from EHIL or any other relevant members of the Group will depend on the profitability and cash flows of such members of the Group and the ability of such members to make payments to it under applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of subsidiaries to move cash within the restricted group. Such restrictions include those created by the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*". Applicable tax laws may also subject such payments to further taxation. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees and the collateral securing the Notes will be released automatically, including, without limitation:

- in the case of collateral, in connection with any sale or other disposition to any third party of the property or assets constituting collateral, so long as the sale or other disposition is permitted by the Indenture;

- in accordance with the amendments and waivers provisions of the Indenture as described under the caption "*Description of Notes—Amendments and Waivers*";
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*;"
- with respect to the property and assets securing the Notes, automatically if a security interest granted in favor of the Senior Facilities Agreement, public debt or such other indebtedness that gave rise to the obligation to grant the security interest over such property and assets is released (other than pursuant to the payment and discharge thereof); or
- in accordance with the Intercreditor Agreement.

The Notes and each of the Guarantees will each be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.

Generally, claims of creditors of a non-Guarantor subsidiary, and claims of preference shareholders (if any) of that subsidiary, will have priority with respect to the assets and earnings of that subsidiary over the claims of creditors of its parent entity and any intercompany loans and by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes will be structurally subordinated to the creditors and preference shareholders (if any) of our non-Guarantor subsidiaries.

Your rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral.

Under applicable law, a security interest in certain assets may not be enforceable, or its priority may not be retained, if certain actions are not undertaken by the secured party and/or the grantor of the security (including the registration of such security). The security interests securing the Notes may not be enforceable or maintain priority if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests.

In respect of security over claims against third parties (such as claims under contracts or book debts), if the third party debtor is not notified of the security interest, the holder of the security interest may have difficulty enforcing such holder's rights in the collateral with regard to such third parties. In addition, a debtor may discharge its obligation by paying the security provider and the third party may assert certain defenses and counter-claim until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security-taker over the claims the security-taker (as creditor) has against the debtor.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain events constituting a "change of control" under the Indenture, the Issuer would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding notes, including the Notes, or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Senior Facilities Agreement and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

Any failure by the Issuer to offer to purchase the Notes following a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under certain other indebtedness. See *"Description of the Notes—Change of Control"*.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under *"Description of the Notes—Change of Control*", the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if at the time our consolidated net leverage ratio is less than certain specified levels. See *"Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event."*

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of EHIL and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The Guarantees will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may adversely affect their validity and enforceability.

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The Indenture will provide that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor. See "*Description of the Notes—Guarantees"* and *"Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*".

The Guarantees and the enforcement thereof are subject to certain generally available defenses. Defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

If one or more of the foregoing laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of that Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Guarantee was given;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and/or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became

undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

We cannot assure you which standard a court would apply in determining whether any Guarantor was ''insolvent'' at the relevant time or that, regardless of method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date a Guarantee was issued, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances or on other grounds. There is hence a possibility that a Guarantee may be set aside, in which case the relevant entire guarantee liability may be extinguished. If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided that Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and the other Guarantor(s).

The insolvency laws of the Republic of Ireland or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The rights of holders under the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and you may not be able to effectively enforce your rights in such complex, multiple bankruptcy or insolvency proceedings. The Notes will be issued by eircom Finance DAC, which is incorporated under the laws of the Republic of Ireland, and will be guaranteed by entities organized or incorporated in England and Wales, Republic of Ireland, Grand Duchy of Luxembourg, the State of Delaware and Jersey. In the event of a bankruptcy or insolvency event, proceedings could be initiated in the Republic of Ireland or in one or more other jurisdictions in which the Guarantors are domiciled. Such multi jurisdictional proceedings are likely to be complex and costly and otherwise may result in greater uncertainty and delay regarding the enforcement of the rights of holders of the Notes. The bankruptcy laws of these jurisdictions may be less favorable to your interests as a creditor than the bankruptcy laws of the U.S. or any other jurisdiction you may be familiar with, including in respect of priority of creditors, the ability to obtain post petition interest and the ability to influence proceedings and the duration thereof, and this may limit your ability to receive payments due on the Notes. In the event that any one or more of the Issuer, the Guarantors, any future guarantors of the Notes, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer and certain other transactions, priority of governmental and other creditors, ability to obtain post petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce the rights of holders of the Notes under the Guarantees or the rights of holders of the Notes under the relevant collateral for the Notes in these jurisdictions and limit any amounts that you may receive. In addition, in actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the Indenture, the Notes and the Guarantees. The application of foreign law may limit your ability to enforce your rights under the Notes and the Guarantees. See ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*'' for further information.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;

- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application will be made for the Notes to be listed on the Irish Stock Exchange to be admitted to trading on the Global Exchange Market, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Global Exchange Market, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Irish Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market. In addition, the Indenture will allow us to issue additional notes of such series in the future which could adversely impact the liquidity of the Notes.

You may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and substantially all of our Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted primarily outside the United States. Substantially all of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers resident outside the United States. In addition, as substantially all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are primarily located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States. See "*Service of Process and Enforcement of Civil Liabilities*".

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantees have not been registered under, and we are not obliged to register the Notes or the Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Transfer Restrictions*". We have not agreed to or otherwise undertaken to register the Notes or the Guarantees, and do not have any intention to do so.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for Book-Entry Interests (as defined below) (which may occur only in very limited circumstances), owners of Book-Entry Interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold Book-Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we, the Trustee, the Paying Agent, the Registrar and the Transfer Agent will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of Book-Entry Interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the definitive registered Notes are issued in respect of all Book-Entry Interests, if you own a Book-Entry Interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

Investors in the Notes may have limited recourse against the independent auditors.

See "*Independent Auditors*" for a description of the independent auditors' reports on the consolidated financial statements of EHIL. In accordance with guidance issued by The Institute of Chartered Accountants in Ireland, each of the independent auditors' report states that: it was made solely to EHIL's members, as a body, in accordance with Section 39 of the Companies Act 2014; the independent auditors' audit work was undertaken so that the independent auditors might state to EHIL's members those matters that were required to be stated to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, the independent auditors do not accept or assume responsibility to anyone other than EHIL and EHIL's members as a body for their audit work, their audit report or for the opinions they have formed. The independent auditors' reports for the accounting periods for the financial years ended June 30, 2015, June 30, 2014 and June 30, 2013 were unqualified. PricewaterhouseCoopers were the auditors of EHIL for these accounting periods. The independent auditors' report for EHIL for the financial years ended June 30, 2015, June 30, 2014 and June 30, 2013 are included on pages F-22, F-107 and F-191 of this offering memorandum.

Prospective investors in the notes should understand that in making these statements the independent auditors confirmed that they do not accept or assume any liability to parties (such as the purchasers of the notes) other than EHIL and its members as a body with respect to the report and to the independent auditors' audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the notes may have against the independent auditors based on their report on the consolidated financial statements to which it relates could be limited.

Risks Related to Our Ownership

The interests of our principal shareholders may conflict with your interests.

As a result of the Examinership restructuring process carried out in 2012, our business was transferred to EHIL, a 100% owned subsidiary of eircom Holdco S.A., which, excluding a small number of non-participating lenders, was entirely owned by the first and second lien senior lenders under our previous senior facility. The Examinership also resulted in a write down of the previous senior facility with the former first and second lien senior lenders lending to the Group under the terms of the Senior Facilities Agreement as a single class of lenders. The Senior Facilities Agreement and the securityholders deed each included a "staple" provision that restricted any transfer of equity unless the same proportion of that lender's commitments under the Senior Facilities Agreement are also transferred to the same buyer and *vice versa*.

As a result of the Examinership and staple provisions, our ultimate shareholders (excluding interests held for the purposes of the management incentive plan) were also lenders under the Senior Facilities Agreement, and remained so during the staple period. See "*Business—History*". Pursuant to the amendment and restatement of the Senior Facilities Agreement in April 2014, the debt and equity staple, which had been due to expire in June 2014, ceased with effect from April 2014, thereby allowing the debt and equity to be traded separately. See "*Description of Other Indebtedness—Debt to Equity Staple*". A number of the lenders under the Senior Facilities Agreement continue to be shareholders in eircom Holdco S.A., and the interests of these senior lenders may be influenced by their shareholding interest (and vice versa) and may be different from the interests of the holders of the Notes and from creditors generally, including in any enforcement or insolvency proceedings (whether by way of examinership or otherwise). See "*Principal Shareholders*". In addition, the interests of the lenders of our Senior Facilities, and our principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. Our shareholders are able to appoint a majority of our Board of Directors and thereby indirectly to determine our corporate strategy, management and policies. In addition, our shareholders have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Senior Facilities Agreement and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes.

USE OF PROCEEDS

We expect to receive €350.0 million gross proceeds from the offering of the Notes. We intend to use the gross proceeds from this offering together with cash on balance sheet to (i) redeem in full the outstanding amount of Existing Notes, including the relevant redemption premiums and accrued but unpaid interest and (ii) pay an estimated €7 million of fees and expenses related to the offering, as more fully described below.

The table below presents the estimated sources and uses at closing of the offering of the Notes:

Source of Funds	(€ million)	Use of Funds	(€ million)
Notes offered hereby	350.0	Redemption in full of the Existing Notes [(1)]	369.1
Cash on balance sheet	26.1	Estimated fees and expenses [(2)]	7.0
Total Sources	376.1	**Total Uses**	376.1

(1) As of June 17, 2016 (the expected Issue Date) the amount required to redeem the Existing Notes, including the principal amount, the redemption premium and accrued and unpaid interest to, but not including, the Redemption Date would be €369.1 million. The redemption will be effected by the payment by eircom Limited (Jersey) to the Issuer of €369.1 million, which are its liabilities in respect of principal and interest under the proceeds loan agreement dated as of May 29, 2015 in respect of the Existing Notes.

(2) Reflects our estimate of fees and expenses associated with the Refinancing Transactions, including discounts and other commissions, advisory and other professional fees and transaction costs.

CAPITALIZATION

The following table sets forth our cash and capitalization as of March 31, 2016 on an actual basis and on an adjusted basis after giving effect to the Refinancing Transactions and the entry into the Revolving Facility as though they had occurred on March 31, 2016.

The table below should be read in conjunction with "*Use of Proceeds*", "*Selected Historical Financial Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and related notes thereto included elsewhere in this offering memorandum.

	As of March 31, 2016	
(€ in millions)	**Actual**	**As Adjusted**
Cash and cash equivalents [(1)]	**156**	**130**
Indebtedness:		
Senior Facilities		
Revolving Facility [(2)]	—	—
Facility B2 [(3)]	159	159
Facility B3 [(3)]	1,863	1,863
Existing Notes [(4)]	350	—
Notes offered hereby	—	350
Total long-term debt	**2,372**	**2,372**
Total equity [(5)]	(721)	(745)
Total capitalization	**1,651**	**1,627**

(1) Excludes restricted cash of €8 million, comprising €5 million of cash reserved for performance bonds and €3 million security in respect of ancillary facilities, including letters of credit and bank guarantees. See "*Regulation*". Also excludes €7 million of cash and cash equivalents attributable to our 56% interest in Tetra. Tetra will be an unrestricted subsidiary under the Indenture. See "*Description of the Notes*".

(2) On May 24, 2016, we submitted a consent request to the lenders under our Senior Facilities Agreement to, among other things, request their consent to approve the introduction of a new revolving credit facility under our Senior Facilities Agreement in an aggregate principal amount of up to €150 million. The introduction of the Revolving Facility is subject to the receipt of consent from lenders under our Senior Facilities Agreement representing more than two thirds of the total outstanding commitments under the Senior Facilities Agreement. As of the date of this offering memorandum we had obtained the consent of 63.3% of the Lenders. The loans advanced under the Revolving Facility are proposed to bear cash pay interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.50% per annum, subject to a margin ratchet linked to total leverage levels. The Revolving Facility may be utilized from and including the date of incorporation of the Revolving Facility into the Senior Facilities Agreement until the date falling one month prior to the termination date of the Revolving Facility (which is the earlier of (i) the date falling 60 months after the Revolving Facility Effective Date and (ii) November 30, 2021). For a description of certain other principal terms of the proposed Revolving Facility, see "*Description of Other Indebtedness—Senior Facilities Agreement—Consent Request—Revolving Credit Facility*". We do not expect to draw the Revolving Facility on the closing date of the offering of the Notes.

(3) The loan made available under Facility B2 bears interest at a rate per annum equal to EURIBOR, plus certain mandatory costs, if any, plus a margin of 4.50% per annum. Facility B2 must be repaid in full on September 30, 2019. The loan made available under Facility B3 bears interest at a rate per annum equal to EURIBOR, plus certain mandatory costs, if any, plus a margin of 4.50% per annum. The margin for Facility B3 will, following a flotation, be subject to a reduction if certain leverage ratios are met. Facility B3 must be repaid in full on May 31, 2022. See "*Description of Other Indebtedness—Senior Facilities Agreement*". Indebtedness in respect of our Senior Facilities is presented based on its principal amount rather than its carrying value on our balance sheet.

(4) Indebtedness in respect of our Existing Notes is presented based on its aggregate principal amount rather than its carrying value on our balance sheet. Assuming a Redemption Date of June 17, 2016, we expect to pay a redemption price of €369,065,278 to redeem the Existing Notes in its entirely.

(5) Total equity of €721 million has been adjusted for the €16 million redemption premium we expect to pay with respect to the Existing Notes and the €8 million of unamortized debt issue costs in respect of the Existing Notes which we expect to write off upon their redemption. Costs and expenses relating to the Refinancing Transactions, including those that may be capitalized, and any tax benefits associated with the Refinancing Transactions, are not reflected here.

SELECTED HISTORICAL FINANCIAL DATA

The selected audited consolidated financial data for EHIL as of and for the years ended June 30, 2013, 2014 and 2015 presented below have been extracted from EHIL's audited consolidated financial statements as of and for the years ended June 30, 2014 and 2015, each prepared in accordance with IFRS, which are included elsewhere in this offering memorandum. The following summary financial data as of and for the nine months ended March 31, 2015 and 2016 have been extracted from EHIL's unaudited condensed consolidated financial statements as of and for the nine months ended March 31, 2016, each prepared in accordance with IFRS, which are included elsewhere in this offering memorandum.

This selected financial data should be read in conjunction with the information contained in "Presentation of Information", "Summary—Summary Historical Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this offering memorandum. Investors are advised to read this offering memorandum in its entirety and not rely on the selected information only. Our interim results are not necessarily indicative of results to be expected for the full financial year.

	For the year ended June 30,			For the nine months ended March 31,	
(€ in millions, except percentages)	**2013**	**2014**	**2015**	**2015**	**2016**
		(audited)		**(unaudited)**	
Income Statement Data (Historical)					
Revenue	1,394	1,267	1,249	928	962
Operating costs excluding amortisation, depreciation and exceptional items	(907)	(809)	(779)	(590)	(617)
Amortisation	(71)	(76)	(53)	(38)	(59)
Depreciation and impairment of plant and equipment	(266)	(262)	(264)	(190)	(205)
Exceptional items gain/(loss)	(22)	(235)	(31)	(23)	(27)
Exceptional gain on exit from subsidiary	17	—	—	—	—
Profit/(loss) on disposal of property, plant and equipment	—	3	1	1	—
Operating profit/(loss)	**145**	**(112)**	**123**	**88**	**54**
Finance costs	(263)	(223)	(227)	(146)	(138)
Finance income	1	1	—	—	—
Finance costs—net	(262)	(222)	(227)	(146)	(138)
Share of profit of joint venture	—	1	1	1	1
Profit/(loss) before tax	**(117)**	**(333)**	**(103)**	**(57)**	**(83)**
Income tax (charge)/credit	(1)	24	8	10	4
Profit/(loss) for the period	**(118)**	**(309)**	**(95)**	**(47)**	**(79)**

(€ in millions, except percentages)	As of June 30, 2014	As of June 30, 2015	As of March 31, 2015	As of March 31, 2016
	(audited)		(unaudited)	
Balance Sheet Data (Historical)				
Cash and cash equivalents	193	186	154	156
Restricted cash [(1)]	14	8	7	8
Inventories	12	9	9	12
Trade and other receivables	215	232	248	234
Property, plant and equipment	1,557	1,527	1,514	1,473
Total assets	2,638	2,613	2,588	2,515
Trade and other payables [(2)]	615	613	591	562
Current borrowings	—	—	—	—
Non-current borrowings	2,031	2,106	2,072	2,130
Total liabilities	3,285	3,340	3,332	3,236
Total equity	(647)	(727)	(744)	(721)

(1) Restricted cash consists of cash reserved for performance guarantees (including for ComReg guarantees) and security in respect of ancillary facilities. See ''*Regulation*.'' Performance guarantee deposits have been reserved in respect of our obligation to make payments to third parties in the event that we do not perform our contracted commitments under the terms of certain contracts. As of March 31, 2016, these include €3 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €3 million in respect of our obligation under a ''quality of service performance improvement program'' and €3 million in relation to other obligations under certain commercial contracts.

(2) Includes both current and non-current payables.

(€ in millions, except percentages)	For the year ended June 30, 2013	For the year ended June 30, 2014	For the year ended June 30, 2015	For the nine months ended March 31, 2015	For the nine months ended March 31, 2016
		(audited)		(unaudited)	
Cash Flow Data (Historical)					
Net cash generated from operating activities	272	171	295	179	201
Net cash used in investing activities	(287)	(284)	(294)	(217)	(227)
Net cash used in financing activities	(9)	(13)	(8)	(1)	(4)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(24)	(126)	(7)	(39)	(30)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussions together with the consolidated financial statements of EHIL and the related notes to those financial statements. EHIL has prepared audited consolidated financial statements for the years ended June 30, 2013, 2014 and 2015 and unaudited condensed consolidated financial statements for the nine months ended March 31, 2015 and 2016 in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP.

In this section, references to "we", "us", "our" or other similar terms refer to eircom.

Overview

We are the sole telecommunications provider in Ireland that offers quad-play bundles on our own integrated network, and we offer a range of retail and wholesale services. We are the principal provider of fixed line telecommunications and operate the third largest mobile telecommunications provider.

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 73% of our revenue (before inter-segment eliminations) for the twelve months ended March 31, 2016. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our total revenue market share of the total Irish market (including mobile) was 32% for the quarter ended December 31, 2015. Our mobile division includes Meteor and eir Mobile, which provides mobile services to bundled customers, and is also the brand used in the eir Business division. The mobile business contributed 27% of our total revenue (before inter-segment eliminations) for the twelve months ended March 31, 2016. Adjusted revenue for the twelve months ended March 31, 2016 was €1.29 billion and Adjusted EBITDA was €497 million.

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our fixed/mobile convergence ("**FMC**") bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fiber network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports.

Our strategy to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms, is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between June 30, 2012 and March 31, 2016 we have spent €1.2 billion, or 25% of revenue, in relation to the roll-out of our fiber network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fiber network now passes over 1.4 million homes and businesses in Ireland.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2015, the annual growth in Irish GDP was 7.8%, the highest of the 28 countries in the EU, and further growth is expected in 2016.

Key Factors Affecting Results of Operations

Economic Climate

Substantially all of our revenue is generated in Ireland and because of this, our financial performance is influenced by the strength of the Irish economy. Historically, in Ireland, the telecommunications sector has shown a positive correlation with GNP.

In 2013 and 2014, Ireland's GDP began to increase. In 2015, Ireland's GDP increased by 7.8% (*Source*: Irish Central Statistics Office), and it represents the fastest growing economy in the

Eurozone for the year 2016. Unemployment has declined from 12.2% at the beginning of 2014 to 10.1% in January 2015, and 8.6% in the first quarter of 2016, according to the Central Statistics Office (Ireland). Ireland exited the Troika bailout in December 2013, and in January 2014 made a return to the bond market. All three credit rating agencies, Moody's, S&P and Fitch, upgraded Irish sovereign debt to investment grade status during 2014. On May 14, 2016, Moody's further upgraded Ireland's sovereign debt status to A3 (positive outlook). The improvement in the economic climate in Ireland and an increase in consumer and business confidence has, in turn, had a positive impact on our results. Our revenue, on an adjusted basis, was €1,299 million for the twelve months ended March 31, 2016 and our Adjusted EBITDA was €497 million for this period. We believe that our ability to continue to increase our revenue and profitability will depend, in part, on continued improvement in the economic condition of the Irish economy.

Changes in Market Dynamics

Irish fixed line telecommunications market

In Ireland, revenues from fixed line services in the quarter to December 31, 2015 represented 48% of total communications revenue (including wholesale and broadcasting retail revenue), according to ComReg. Our market share, based on revenue, in the Irish retail fixed line market declined from 46.5% for the quarter ended December 31, 2014 to 45.5% for the quarter ended December 31, 2015, according to ComReg. Our share of the fixed line revenue market has declined in the face of competition from other retail fixed line telecommunication providers (such as Virgin Media, Vodafone and Sky) and wholesale fixed line telecommunication providers (such as BT), as well as from the continued migration of fixed line subscribers to mobile services.

Fixed line telephony

Consistent with the experience of other fixed line operators in the industry, our revenue from fixed line access and voice services has been, and we believe will continue to be, impacted by the substitution of fixed line telephone services for mobile services. Due to an increase in the volume of calls originating from mobile phones by subscribers of fixed line services, our retail voice traffic has declined. The decline in our retail voice traffic has contributed to a decline in our revenue from retail fixed line services, which has had a negative impact on our access and voice traffic usage revenue. We may continue to experience a decrease in demand for fixed line services due to the erosion of average selling prices in the Irish mobile market, the availability of mobile broadband enabling VOIP and other modern communication technology and new and improved communication services that will be facilitated by 4G technology.

All our fixed line OAO competitors in Ireland (other than Virgin Media) rely on our network to varying degrees, which generates wholesale revenue for us. Consequently, despite an increase in retail competition, some of its impacts are mitigated by the demand from OAOs for services offered by our wholesale division. Operators such as Vodafone, BT (and, indirectly, Sky) and 3 rely on our core and access networks for the provision of services to their end-users and business customers. For instance, we offer our wholesale customers services such as WLR, which allows OAOs to rent access lines on wholesale terms from us and resell those lines to their customers, and LLU, which involves the physical co-location of infrastructure owned by other OAOs on our premises. As a consequence, we often gain wholesale business when we lose retail business to OAOs. We do not, however, retain a portion of retail business lost to mobile operators or Virgin Media, although, through our mobile business, we also secure a proportion of traffic that is lost due to fixed-to-mobile substitution.

In order to combat decreases in retail voice traffic and retail access lines, we are also continuing to introduce new services for our fixed line subscribers, such as bundles that bring together broadband, voice calls, TV and mobile services.

Fixed line broadband

The Irish fixed broadband market has continued to grow. According to ComReg, the Irish fixed broadband per capita penetration rate as of December 31, 2015 was 28.2%, representing an increase of 2.4% compared to December 31, 2013. Fixed broadband penetration remains behind the benchmarked EU 25 average of 29.6%. ComReg reported overall fixed residential broadband subscriptions (i.e., excluding business subscriptions and mobile broadband subscriptions) of approximately 1.1 million as of December 31, 2015. Based on the total number of broadband subscriptions in Ireland as of December 31, 2015 of approximately 1.3 million, the fixed broadband per capita penetration rate was 28.2%. Based on the number of residential dwellings, fixed broadband penetration was 66.8% as of December 31, 2015, increasing from 57.8% as of December 31, 2014.

Growth in fixed broadband penetration is being driven by the demand for high-speed broadband services, which continues to increase as consumption of services requiring high bandwidth broadband, such as OTT and video streaming, increases. As a result, we expect the demand for high speed data to rise, which will drive further take up of our high speed fiber services at both a retail and wholesale level. According to Analysys Mason, the number of FTTH/FTTC and cable connections in Ireland will increase at a CAGR of 20% between 2015 and 2020, growing from 463,000 in 2015 to 1,155,000 in 2020. We will also continue to migrate our existing customers to high speed broadband (eir Fibre) while simultaneously attracting new customers through high-speed broadband capabilities and the provision of TV and bundled services. We believe the number of eir Retail access lines will remain largely stable, driven by demand for broadband rather than fixed voice services. We believe that our TV offering will be strengthened by our acquisition of Setanta Sports Ireland in April 2016 which gives us access to premium sports content, which we expect will increase bundle penetration and reduce broadband and access churn.

Irish mobile telecommunications market

According to ComReg, the total number of subscribers in the Irish mobile telecommunications market was 5,771,071, 5,820,829 and 5,855,256 as of December 31, 2013, December 31, 2014 and December 31, 2015, respectively. As of December 31, 2015, Ireland had a mobile penetration rate of 126.1%, including mobile broadband and M2M (and 105.5%, excluding mobile broadband and M2M), according to ComReg. Market growth is expected to be driven largely by structural factors including new services such as B2B and M2M mobile services, growth in data consumption, bundled offerings and content. Accordingly, mobile operators' ability to increase their revenue, and defend and grow their subscriber base, will depend in large part on their ability to retain existing customers, convince mobile users to switch from competing operators and stimulate demand for new services, including 4G services.

Competition for customers among mobile communication providers is based principally upon the services and features offered, technical quality of the mobile network and its coverage, customer service, capacity, and increasingly price, with the introduction of growing numbers of packages bundling minutes, SMS and broadband downloads. These factors have intensified the competitive environment and, coupled with the price control of MTRs (enforced by ComReg), have had a negative impact on market ARPU's in both the prepay and postpay segments.

In the overall mobile sector eir Group Mobile (eir Mobile and Meteor) had 18.6% share of the total subscriber market (including mobile broadband and M2M) by number of subscriptions as of December 31, 2015, which was broadly flat compared to December 31, 2014. The subscription market shares of Vodafone and 3 for the quarter ended December 31, 2015 were 38.7% and 34.9% (including mobile broadband and M2M), respectively, Vodafone having increased from 38.2% and 3 having decreased from 35.6%, respectively, as of December 31, 2014. Market share by subscribers for the quarter ended December 31, 2015 for Tesco Mobile, the largest MVNO in the market, (including mobile broadband and M2M), was 5.8% (according to ComReg). Excluding Mobile Broadband and M2M, eir Group Mobile (eir Mobile and Meteor) had 20.5% share of the subscription handset market as of December 31, 2015, which was flat compared to December 31, 2014 and Vodafone, 3 and Tesco each had 38.3%, 32.0% and 6.8% market shares as of December 31, 2015 (according to ComReg). In terms of revenue market share, eir had an 18.8% share of the total revenue market as of December 31, 2015, which was broadly flat compared to the quarter ended December 31, 2014 (according to ComReg).

The Irish mobile telecommunications market has also recently experienced a trend in migration from prepay to postpay contracts. According to Analysys Mason, ther percentage of postpay subscribers in the Irish mobile market is expect to increase from 51.4% in 2015 to 64.6% in 2020. Our postpay customer base has experienced strong growth: subscriber numbers were 503,000 (including mobile broadband and M2M) as of March 31, 2016, representing an increase of

7% or 34,000 net additional postpay subscribers compared with March 31, 2015. We obtained 24% of all postpay net additions in the year ended December 31, 2015, according to ComReg. As of March 31, 2016, 47% of our mobile subscribers were postpay customers, an increase from 43% as of March 31, 2015. Growth in our postpay base has been partly driven by prepay to postpay migrations and our roll-out of campaigns encouraging postpay take up, specifically with mobile data offers. The penetration of smartphones in the handset base was 77% as of March 31, 2016.

The mobile prepay market in Ireland has been declining over the past few years, in part due to emigration and competitive market conditions. Our mobile prepay customers (including mobile broadband and M2M) as of March 31, 2016 were 575,000, representing a reduction of 7% compared to March 31, 2015. As of March 31, 2016, 53% of our mobile customer base (including mobile broadband and M2M) consisted of prepay subscribers, compared to 57% as of March 31, 2015. This reduction is in line with our strategy to migrate our higher value demographic prepay customer base to postpay contracts. Our proportion of prepay customers by subscriber number is higher than our main competitors but continues to reduce. As of December 31, 2015, the proportion of prepay customers by subscriber numbers for Vodafone and 3/O2 Ireland was 45.8% and 43.4%, respectively, according to ComReg. The overall proportion of prepay customers in the telecommunications market in Ireland as of December 31, 2015 was 50%, having decreased from 52% as of December 31, 2014.

Prepay churn rates have remained generally consistent for the last three years and continues to be our key area of focus. The market remains highly competitive and we have introduced 15GB of data (as standard) for 4G prepay customers in response to the competitive environment. Our postpay churn rates have been stable in recent years and we believe they are in line with market averages.

Irish TV market

According to ComReg, there were 1,569,000 TV homes in Ireland as of January 2016, representing a penetration of 92.1% of all Irish homes. According to Analysys Mason, pay-TV household penetration was estimated at 61.8% in 2015, of which satellite represents the most widely adopted broadcasting medium, attracting 38.7% of total TV households, followed by cable with a 19.0% share and IPTV with a 4.1% share.

As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoB services. As of 2015, there were approximately 74,200 homes using IPTV services according to Analysys Mason. We launched our IPTV services in Ireland in October 2013 and as of March 2016 we had 49,000 subscribers. Our IPTV product offering made us the first quad-play provider of fixed voice, data, mobile and TV services in Ireland.

Regulatory initiatives

Regulatory changes may result in a further decline in our fixed line market share in the future. In recent years, ComReg has taken a number of measures designed to increase further the competition in the Irish telecommunications market. These initiatives include, among others:

- introducing obligations in the wholesale markets to provide wholesale services to OAOs;
- applying cost orientation to the wholesale prices of our current generation services;
- restricting the scope of bundled product offerings that we are permitted to make to our retail customers;
- introducing price controls in regulated wholesale markets that also affect retail markets through obligations not to cause a margin squeeze between retail and wholesale products, and price controls requiring us not to cause a margin squeeze between combined wholesale services and the individual components of these combined services;
- implementing obligations across the industry to facilitate customers who wish to change operators, including enabling the porting of numbers in one working day; and
- chairing several industry fora, specific to developing regulated access products, including service level agreements, which are attended by Open eir (as the SMP operator), eir Retail and OAOs.

Decisions relating to NGA pricing and price bundling have established clarity regarding key regulatory rules on eir's NGA investment. While significant progress has been made to achieve a forward looking regulatory regime that reflects the current competitive realities of the market, these measures may result in further loss of our market share.

Bundling

As a result of significant investment in our network, described below under "—*Capital Expenditures and Investment*", we are well-positioned to offer bundles of telecommunications services. To retain and attract new customers, we offer initial promotional prices for bundles that include broadband, calls, TV and mobile. We introduced our first FMC packages in October 2012, providing customers with bundled fixed voice and broadband products and also mobile offerings. Following the commercial launch of our IPTV service over our fiber network in January 2014, we also began offering quad-play bundles. We believe there are significant opportunities within the triple- and quad-play market and that our broad geographic scope, the integrated nature of our network and our leading fixed line subscriber base will position us to compete effectively in this market. Our triple- and quad-play bundle penetration of 19% compares with triple- and quad-play bundle penetration of approximately 27% in the UK (according to Ofcom) and 67% in Spain, according to CNMC.

Our provision of services and our prices are subject to extensive regulation, including a price cap on retail line rentals as well as the regulation of our wholesale prices, which typically must be cost oriented and must not cause a margin squeeze against the underlying component inputs. Cost orientation for certain products and services reflects the forward looking incremental costs of an efficient operator, rather than the actual costs we incurred.

Following a consultation process in relation to retail bundling, ComReg published its Final Decision D04/13 (*ComReg 13/14*) on February 8, 2013. We are required to give ComReg five working days' notification before launching bundles with a retail line rental component and obtain ComReg's approval. This decision provides pricing flexibility in bundled services through the segmentation of the market into competitive and non-competitive areas (through the establishment of larger exchange areas where competition is most intense); relaxing the margin squeeze test as the level of network unbundling increases; and using a portfolio approach instead of a product by product assessment which also allows us to obtain approval faster than prior to the decision. See "*Regulation—The Regulatory Regime—SMP Regulation of our retail fixed access products and services*".

Net impact of mobile substitution on our fixed line business

Like most fixed line telecommunications operators, our fixed line business is impacted by customers' use of mobile devices as a substitute for our services, both voice and broadband. It is likely that the increasing capability of mobile networks will continue to have a negative impact on fixed line volumes and revenue. Through our mobile business we are securing a proportion of traffic that is displaced from fixed to mobile.

We are continuing to introduce new service options for our customers, such as discount plans and value added bundles that offer reduced prices or unlimited usage for certain categories of calls, reduced prices for fixed-to-mobile calls and reduced costs for broadband within bundles, in order to make our services more attractive. We also highlight the value of our fixed line services such as higher bandwidth broadband, as compared to mobile.

Mobile termination rates ("MTR")

Following completion of a market review consistent with EU recommendations, ComReg imposed further reductions in MTR price caps which ensure MTRs are regulated on a symmetrical basis. From January 1, 2013, all MNOs and MVNOs have had to set their prices no higher than 2.60 cents per minute and from September 1, 2016, the maximum rate will be further reduced to 0.84 cents per minutes in accordance with ComReg Decision D02/16 published on February 12, 2016. There will be further step-changes from January 1, 2017 and 2018 which will result in MTRs being reduced to 0.82 and 0.79 cents, respectively.

While MTR reductions will have the impact of decreasing our inbound revenue in the mobile business, it also reduces our interconnect costs on both the fixed and mobile businesses and therefore the impact on Adjusted EBITDA is broadly neutral.

Capital Expenditures and Investment

We have undertaken an extensive capital expenditure program to modernize our business and address recent trends in the telecommunications industry. Our capital expenditure program impacted our operating cashflow most notably in the years ended June 30, 2013, 2014 and 2015, during which periods we accrued €424 million, €325 million and €280 million, respectively, in our business. Our total investment in capital projects between June 30, 2012 and March 31, 2016 was €1.2 billion. Our capital expenditure over the last three years has related to the roll-out of our NGA fiber network, investments in spectrum to roll-out 4G services and improve 3G coverage and capability, investments in new IT capabilities and TV, set-up of a new billing system which provides customers with a single bill for fixed and mobile products, and general maintenance capital expenditure.

In May 2013, we launched high-speed broadband services over our NGA Fibre network and now offer speeds of up to 100 Mbps. As of March 31, 2016, we had invested over €360 million in our NGA Fibre network since beginning development, passing over 1.4 million premises and connecting 28% of premises passed, having grown our network from approximately 300,000, 800,00 and 1,100,000 premises passed as of March 31, 2013, 2014 and 2015, respectively. We intend to extend this footprint to 1.9 million premises within the next four years, reaching 80% of the premises in Ireland. With respect to subscribers, we connected 17,000 and 133,000 premises with our NGA Fibre network as of the years ended June 30, 2013 and 2014, respectively. We have continued this subscriber expansion, connecting 242,000, 281,000, 326,000, 358,000 and 394,000 premises with our NGA Fibre network as of March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015 and March 31, 2016, respectively. In September 2015, we introduced speeds up to 1 Gbps on our FTTH network. During 2015, we also deployed FTTH in Belcarra, County Mayo, to test the deployment of high speed broadband in rural communities. In early 2016, we made the decision to extend our fiber roll-out to 300,000 rural premises, using predominately FTTH technology, and expect to pass the first 100,000 by December 2016.

We expect that our NGA Fibre network will provide significant mobile backhaul capacity to serve our mobile business and will also enable generation of incremental revenues by making our network capacity available to other MNOs. The roll-out of our fiber network has been a key factor contributing to our ability to attract and retain broadband customers and has also facilitated our bundled offerings, which include fixed voice, broadband, TV and mobile. Demand for higher speed broadband has also contributed to decreasing churn over the past few quarters.

In addition to the investments we have made in our NGA Fibre network, we are continuing to invest in our mobile network. In September 2013, we became the first operator to launch 4G services in Ireland and have continued our roll-out of the 4G network throughout Ireland, and our coverage as of March 31, 2016 was 75% outdoor population coverage. The roll-out of 4G has helped to stabilize our ARPU as it has facilitated upselling of postpay packages and driven increased data usage by our subscribers. We launched 4G to prepay subscribers in November 2014. We have continued our investment in 3G data with extensive roll-out of UMTS 900 in particular on the western seaboard and with an extension of dual carrier HSPA+ which supports speeds of 42 Mbps. Following an extensive mobile network site roll-out program during 2014/2015, in June 2015 we ceased our national roaming agreement with Vodafone in the west, south west and north west of Ireland, enabling a nationwide 3G network. As a result of these improvements in our services, we have experienced significant increase in mobile data traffic while our customers experience improved data speeds on both 3G and 4G services. We intend to further increase 4G population coverage and continue to invest in improved customer experience on our network.

We have made significant investments in our IPTV service, eir Vision, which was commercially launched in January 2014, making us at present the only provider with quad-play infrastructure enabling fixed voice, data, mobile and TV services in Ireland. As of March 31, 2016, we had over 49,000 subscribers using our eir Vision service. We plan to develop our TV platform to become an open access platform and by leveraging our fixed and mobile infrastructure to provide TV throughout Ireland with streaming available both in the home and on mobile devices outside the home for our eir Vision customers. We believe that our TV offering will be strengthened by our acquisition of Setanta Sports Ireland in April 2016, which will give us access to premium sports content.

The investment in our advanced retail billing system has enabled us to deliver integrated fixed and mobile billing capabilities which are critical to the delivery of triple- and quad-play bundles.

Restructuring and cost management program

We have a strong track record of implementing effective cost reduction programs and continue to focus on improving earnings and cash flows by reducing operational expenditure. Following a detailed review of our operating cost base in 2012, in consultation with a leading global consulting firm, we implemented a number of cost saving initiatives to reduce our operating cost base by over €127 million on a full-year basis by June 30, 2015 compared to the year ended June 30, 2012.

During this period, we reduced our employee headcount by over 2,000 full time equivalents (FTE) to 3,391 FTE. As a consequence, total pay costs excluding non-cash pension charges have been reduced by €87 million in pay savings in fiscal year 2015 compared to fiscal year 2012. This reduction in employee headcount has been achieved through a combination of efficiency measures and increased use of third-party outsource providers and has resulted in a significantly more flexible resourcing model.

We have achieved over €40 million in non-pay cost reductions over the same period through a program of cost reduction initiatives across the organization.

We continue to maintain our focus on cost transformation and intend to achieve an efficient cost base that is suitable for our operations and competitive in comparison to other industry participants.

Employee Defined Benefit Pension Scheme

We operate pension schemes for our employees. In particular, we operate a defined benefit pension scheme for 77% of our fixed line employees (69% of all employees), part of which is funded by the Irish Government in respect of pre-1984 service. This pension scheme also covers a significant number of past employees.

In September 2013, we carried out a full actuarial valuation on a minimum funding standard and an ongoing funding basis. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard) as of September 30, 2013 and at the scheme year ends of March 31, 2014 through March 31, 2016. The triennial funding valuation highlighted a surplus of €131 million of scheme assets over liabilities relating to past service obligations and a reduction in the employer contribution rate from 9.4% of pensionable salary (with an annual floor of €20 million) to 8.5% of pensionable salary with no floor effective from January 1, 2014.

As of March 31, 2016, the eircom Superannuation Fund had a deficit in accordance with IAS 19 of €353 million. The decrease in the deficit from €426 million as of June 30, 2015 is as a result of the increase in the fund assets over the period being greater than the increase in liabilities arising from the lower bond yield rates used to calculate the present value of future liabilities. IAS 19 (*Revised*) differs from the triennial funding valuation due to the application of AA− corporate bond yield rates to discount future liabilities. This is a non-cash accounting measure and there are no cash calls on the Company as a result of the difference in valuation methodologies. We are at present in discussion with the Minister for Finance, the Minister for Public Expenditure and Reform and the Trustees of the eircom Superannuation Fund and of the eircom No 2 Pension Fund in relation to the funding obligations of the Minister for Finance in respect of pre-1984 service by persons or categories of persons enumerated above. It may be that, in lieu of a funded obligation, the obligations of the Minister will be discharged on a Pay As You Go basis pursuant to agreed mechanisms.

There is currently no legislation in Ireland equivalent to the UK legislation which imposes debt on the employer to the extent that pension obligations are underfunded.

Key Factors Affecting the Comparability of our Results of Operations

Change in accounting policies

We adopted certain changes to our accounting policies effective July 1, 2014. In particular, we 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*''.

We believe that the adoption of IFRS 11, ''*Joint Arrangements*'', which requires interests in jointly controlled entities to be recorded using the equity method of accounting, has had the most significant impact on our results of operations. Under IFRS 11, our 56% investment in Tetra has been classified as a joint venture and the equity method of accounting has been applied in reflecting its results in our consolidated financial statements. Prior to the adoption of IFRS 11, our investment in Tetra was proportionately consolidated. For a further discussion of the effects on our results of operations of the adoption of IFRS 11, see note 40 to our consolidated financial statements for the year ended June 30, 2015 included elsewhere in this offering memorandum.

For purposes of our discussion below, we have presented our results of operations for the years ended June 30, 2014 and 2015, and for the nine months ended March 31, 2015 and 2016, applying the proportionate method of accounting rather than the equity method of accounting in reflecting Tetra's results in our consolidated financial statements as we believe such a presentation provides a more meaningful view of our results of operations and a consistent basis for comparing our results of operations for the periods presented.

Business disposals

On May 11, 2013, we disposed of eircom Phonewatch, which represented a non-core business unit that provided home security solutions in Ireland, for €117 million in net proceeds. The results of Phonewatch, up to the date of its disposal, were reflected in our consolidated financial statements for the year ended June 30, 2013. For a further discussion of the Phonewatch disposition and its effects on our business, see Note 9 to our consolidated financial statements for the year ended June 30, 2014 included elsewhere in this offering memorandum.

For purposes of our discussion below, we have presented our results of operations for the year ended June 30, 2013 after making adjustments for the disposal of Phonewatch to provide a meaningful basis for comparing our results of operations for the year ended June 30, 2013 with subsequent periods presented below.

Overview of principal income statement items

Revenue

Revenue from our activities includes:

- Revenue from the sale of retail standalone and bundled products which includes fixed voice, broadband, TV and mobile services;
- Revenue from end-to-end ICT solutions to business customers;
- Wholesale fixed revenue including access line rental (including LLU and bitstream), interconnect services, infrastructure services including leased lines, mobile backhaul, mast access and co-location services and managed network services;
- Mobile subscriber revenue which consists principally of revenue from voice (including ingoing and outgoing calls), non-voice (including SMS, MMS and data services for handsets) and mobile broadband (wireless Internet access through a laptop, tablet or dongle) services;
- Other mobile revenue from providing network services to other telecommunications operators;
- Equipment revenue, which relates to the sale of handsets and other accessories; and

- Other including:
  - Tetra Ireland Communications Limited, which is a joint venture that provides secure radio communication to Ireland's emergency services departments;
  - eircom UK limited which offers managed network services and bespoke unified communications solutions in Northern Ireland and the UK; and
  - data center services within Ireland.

Operating Costs

Our operating costs include:

- Fixed and mobile interconnect fees related to the termination of calls on other networks;
- Network costs including materials and services;
- Subscriber acquisition costs including cost of equipment sold and commissions paid out to distributors (whether direct or indirect) for acquiring or retaining subscribers;
- Labor costs, which include salaries and wages, social contributions, performance related payments, pension costs and costs in relation to staff restructuring;
- Commercial expenses, which include sales and marketing, advertising, sponsoring and promotion expenses;
- IT, accommodation expenses and transport costs; and
- Other operating expenses, which include the cost of customer bad debt, the cost of Spectrum usage fees and further operating expenses.

Depreciation

Our annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. Long-life assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. Asset lives are regularly reviewed and changed as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilization, physical condition of the assets concerned and other factors that may impact on the remaining useful lives of assets.

Amortization

Amortization charge is dependent on the estimated lives allocated to each type of intangible asset. The asset lives are regularly reviewed and changed as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset.

Tax Expense

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for a period. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of taxable or deductible temporary differences, unused tax losses and unused tax credits.

Results of operations for the nine months ended March 31, 2016 compared to nine months ended March 31, 2015

The interim results are not necessarily indicative of the results to be expected for the full year.

The following table shows selected consolidated income statement data (which has been prepared in accordance with IFRS) for our operations for the periods indicated.

(in € millions)	For the nine months ended March 31, 2015	For the nine months ended March 31, 2016	As adjusted for the nine months ended March 31 [(a)], 2015	As adjusted for the nine months ended March 31 [(a)], 2016
	(unaudited)			
Continuing operations				
Revenue	928	962	940	974
Operating costs excluding amortisation, depreciation and exceptional items	(590)	(617)	(595)	(622)
Amortisation	(38)	(59)	(38)	(59)
Depreciation	(190)	(205)	(196)	(211)
Exceptional items	(23)	(27)	(23)	(27)
Profit on disposal of property, plant and equipment	1	—	1	—
Operating profit	**88**	**54**	**89**	**55**
Finance costs	(146)	(138)	(146)	(138)
Share of profit of joint venture	1	1	—	—
Profit/(loss) before tax	**(57)**	**(83)**	**(57)**	**(83)**
Income tax (charge)/credit	10	4	10	4
Profit/(loss) for the period	**(47)**	**(79)**	**(47)**	**(79)**

(a) The as adjusted numbers reflect Tetra's results of operations accounted for based on the proportionate consolidation method of accounting rather than the equity method of accounting as required under IFRS 11.

Revenue

Revenue increased by 4% from €928 million for the nine months ended March 31, 2015 to €962 million for the nine months ended March 31, 2016. On an adjusted basis (accounting for Tetra's results on a proportionate basis), our revenue increased by 4% from €940 million for the nine months ended March 31, 2015 to €974 million for the nine months ended March 31, 2016. This increase was primarily due to an increase in revenue from fixed line services.

The following discussion is based on our adjusted results, which reflects Tetra's results applying the proportionate consolidation method of accounting rather than the equity method as required under IFRS.

The following table shows certain segmental information relating to our business for the periods indicated:

(in € millions)	For the nine months ended March 31, 2015	For the nine months ended March 31, 2016	% Change 2015/2016
	(unaudited)		
Fixed line services and other revenue	710	734	4
Mobile services revenue	265	272	2
Total segmental revenue	975	1,006	3
Intracompany eliminations	(35)	(32)	(6)
Total revenue	**940**	**974**	**4**

Fixed line services and other revenue

Total fixed line services and other revenues, before intra company eliminations, increased by 4% from €710 million for the nine months ended March 31, 2015 to €734 million for the nine months ended March 31, 2016. This increase was primarily due to an increase in revenue from access, voice traffic and other products and services (managed services and TV revenues).

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

(in € millions)	For the nine months ended March 31, 2015	2016	% Change 2015/2016
	(unaudited)		
Access (Rental and Connections)	362	366	1
Voice Traffic	159	165	4
Foreign Inpayments	10	9	(4)
Data Services	72	71	—
Other Products and Services	107	123	14
Total fixed line services and other revenue	**710**	**734**	**4**

Fixed ARPU

	For the nine months ended March 31, 2015	2016
	(€ per month/ percentages)	
Retail fixed voice ARPU	34.7	37.3
Retail broadband ARPU	15.0	15.5
Blended retail fixed ARPU	43.1	46.6
Increase/(decrease) in blended ARPU from prior equivalent period (%)	—	8

Fixed Subscribers

	As of March 31, 2015	2016	% Change 2015/2016
Access Line Base: PSTN/ISDN (000's)			
Retail	793	724	(9)
Wholesale	478	496	4
Wholesale LLU	13	11	(17)
Total	**1,284**	**1,231**	**(4)**
Broadband Lines: (000's)			
Retail	456	447	(2)
Wholesale	310	389	25
Total	**766**	**836**	**9**

Fixed Churn

	For the nine months ended		
	March 31, 2015	March 31, 2016	% Change 2015/2016
Consumer fixed access churn [(1)] (%)	22.1	21.1	(12)
Consumer broadband churn [(2)] (%)	21.4	20.8	(3)

(1) We define the percentage change on "Consumer fixed access churn" as the movement on the number of access losses between the prior period and the current period divided by the number of access losses in the prior period.

(2) We define the percentage change on "Consumer broadband churn" as the movement on the number of DSL Channel losses between the prior period and the current period divided by the number of access losses in the prior period.

The churn rate reflects in large part the attractiveness of offers and pricing (including bundling and discounts) compared to other operators, the subscriber experience and perception of the brand, and the perceived quality of our services (including customer care), and subscription (contract) duration. Consumer fixed access churn decreased from 22.1% for the nine months ended March 31, 2015 to 21.1% for the nine months ended March 31, 2016. The volume of access losses for the nine months ended March 31, 2016 decreased by 12% compared to the nine months ended March 31, 2015.

Access (rental and connections)

Access revenue increased by 1% from €362 million for the nine months ended March 31, 2015 to €366 million for the nine months ended March 31, 2016. Lower retail revenue was partially offset by growth in our wholesale revenue. The following table shows rental, connection and other charges and the number of access channels in service (including public payphones) and the percentage changes for the periods indicated:

(in € millions)	For the nine months ended March 31, 2015 (unaudited)	For the nine months ended March 31, 2016 (unaudited)	% Change 2015/2016
Total access revenue			
Retail PSTN/ISDN rental and connection	183	166	(9)
Wholesale PSTN/ISDN/LLU rental and connection	83	87	5
Broadband and bitstream rental and connection	96	113	18
Total access revenue	**362**	**366**	**1**
	(in thousands at period end, except percentages)		
Access lines			
Retail access lines	793	724	(9)
Wholesale access lines	478	496	4
Wholesale LLU	13	11	(17)
Total PSTN/ISDN/LLU	**1,284**	**1,231**	**(4)**
Broadband and bitstream	766	836	9
Total customer lines	**2,050**	**2,067**	**1**

Retail line rental and connection revenues decreased by 9%, from €183 million for the nine months ended March 31, 2015 to €166 million for the nine months ended March 31, 2016, primarily 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 services. Retail access lines as of March 31, 2016 were 724,000, a reduction of 9% compared to March 31, 2015.

Wholesale access line revenue increased by 5% from €83 million for the nine months ended March 31, 2015 to €87 million for the nine months ended March 31, 2016, primarily due to a 5% increase in the wholesale line rental ARPU, due to the expiration of the Large Exchange Area (LEA) discount on December 31, 2014. Wholesale SABB (standalone broadband) increased by 44,000 for the nine months ended March 31, 2016 to 76,000 lines, compared to the nine months ended March 31, 2015. SABB is not included in the access line base but is included in wholesale bitstream volumes.

Broadband and bitstream revenue increased by 18% from €96 million for the nine months ended March 31, 2015 to €113 million for the nine months ended March 31, 2016. Wholesale bitstream volumes as of March 31, 2016 were 389,000, an increase of 79,000 as compared to wholesale bitstream volumes as of March 31, 2015. The retail broadband customer base as 447,000 as of March 31, 2016 which was a decrease of 2% compared to March 31, 2015.

As of March 31, 2016, we had 394,000 fiber broadband customers and 49,000 eir Vision customers.

Traffic

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

(in € millions)	For the nine months ended March 31, 2015	For the nine months ended March 31, 2016	% Change 2015/2016
	unaudited		
Revenue:			
Retail traffic	111	117	5
Wholesale traffic	48	48	1
Total traffic revenue	**159**	**165**	**4**
	(in millions of minutes, except percentages)		
Traffic			
Retail	1,511	1,299	(14)
Wholesale	3,404	3,186	(6)
Total traffic minutes	**4,915**	**4,485**	**(9)**

Overall traffic revenue increased by 4% from €159 million for the nine months ended March 31, 2015 to €165 million for the nine months ended March 31, 2016. Retail voice traffic revenue increased by 5% from €111 million for the nine months ended March 31, 2015 to €117 million for the nine months ended March 31, 2016. This increase in revenues was primarily driven by the introduction of price increases in the quarter ended June 30, 2015, which was partially offset by the impact of declining traffic volumes. Wholesale traffic revenues of €48 million for the nine months ended March 31, 2015 were broadly in line with the nine months ended March 31, 2016, with a drop in relatively lower-revenue interconnect and transit minutes offset by an increase in relatively higher-revenue White Label and traffic to mobile minutes.

Data services

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

(in € millions)	For the nine months ended March 31 2015	2016	% Change 2015/2016
	(unaudited)		
Data services revenue			
Leased lines	39	39	1
Switched data services	17	15	(11)
Next generation data services	16	17	8
Total data services revenue	**72**	**71**	**—**

Revenue from data services for the nine months ended March 31, 2016 remained flat compared to the nine months ended March 31, 2016.

Foreign Inpayments

Revenue from foreign terminating traffic decreased by 4% from €10 million for the nine months ended March 31, 2015 to €9 million for the nine months ended March 31, 2016, due to reduced traffic and a change in traffic mix.

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

(in € millions)	For the nine months ended March 31, 2015	2016	% Change 2015/2016
	(unaudited)		
Foreign terminating traffic revenue	10	9	(4)
(minutes, million)			
Foreign terminating traffic minutes	506	376	(26)

Other products and services

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

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

(in € millions)	For the nine months ended March 31, 2015	2016	% Change 2015/2016
	(unaudited)		
Operator services	11	10	(16)
Managed services	26	41	55
Tetra	14	15	2
UK/NI	22	23	3
Datacenter	12	11	(6)
Other revenue	22	23	12
Other products and services revenue	**107**	**123**	**14**

Revenue from other products and services for the nine months ended March 31, 2016 increased by 14% from €107 million for the nine months ended March 31, 2015 to €123 million for the nine months ended March 31, 2016. Managed services revenue increased by 55% from

€26 million for the nine months ended March 31, 2015 to €41 million for the nine months ended March 31, 2016, driven by contract wins in the eir Business unit. Operator services revenue decreased 16% from €11 million for the nine months ended March 31, 2015 to €10 million for the nine months ended March 31, 2016 as a result of reduced calls to our directory enquiries service. Tetra revenue increased by 2% from €14 million for the nine months ended March 31, 2015 to €15 million for the nine months ended March 31, 2016. UK/NI, Datacenter and other revenues were broadly flat for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015. Other revenue (which includes revenue from TV, property rental and repayable work orders) increased by 12% from €22 million for the nine months ended March 31, 2015 to €23 million for the nine months ended March 31, 2016 due to increasing TV income.

Mobile services revenue

Mobile services revenue comprises prepay and postpay revenue including interconnect, mobile broadband, roaming and device sales.

Mobile Revenue increased by 2% from €265 million for the nine months ended March 31, 2015 to €272 million for the nine months ended March 31, 2016. This was primarily due to an increase in revenue from postpay handsets, which increased by 6% due to an increase in the number of postpay customers. Prepay handset revenue decreased by 6% from €88 million for the nine months ended March 31, 2015 to €83 million for the nine months ended March 31, 2016, driven primarily by a 6% reduction in prepay customers.

The proportion of postpay customers (including mobile broadband) within our base increased from 43% as of March 31, 2015, to 47% as of March 31, 2016, representing an increase of approximately 34,000 net additional postpay customers.

The following table shows our revenue from the mobile services segment, analyzed by major products and services:

(in € millions)	For the nine months ended March 31, 2015	For the nine months ended March 31, 2016	% Change 2015/2016
	(unaudited)		
Prepay handset	88	83	(6)
Postpay handset	149	158	6
Mobile broadband	7	7	(2)
Roaming	3	5	56
Other	18	19	8
Total mobile services revenue	**265**	**272**	**2**

	As of March 31, 2015	As of March 31, 2016	% Change 2015/2016
	(thousands)		
Total subscribers			
Prepay handset customers	601	565	(6)
Postpay handset customers	437	469	7
Mobile broadband customers	47	44	(7)
Total subscribers	**1,085**	**1,078**	**(1)**

Mobile Churn

The table below sets forth our blended postpaid and prepaid annualized mobile churn rate for the periods indicated.

The churn rate reflects in large part the attractiveness of offers and pricing (including bundling and discounts) compared to other operators, the subscriber experience and perception of the brand, the perceived quality of our network (including its coverage) and the perceived quality of our services (including customer care). The churn rate may also be impacted by shifts in subscriber status (where a subscriber becomes active or inactive), subscription (contract) duration and other factors, such as seasonality.

	For the nine months ended March 31, [1]	
	2015	2016
Churn rate	40.7	40.5
Churn rate postpaid	16.2	16.7
Churn rate prepaid	58.3	60.2

(1) The figures for the nine months ended March 31, 2015 and 2016 are annualized churn rates. Annualized churn rates are calculated by dividing the total number of disconnections of subscribers in the nine month period by the average number of subscribers during the nine-month period, and dividing by the number of months of the period and multiplying by 12 (the number of annualized months).

Our blended annualized churn rate for our mobile business decreased by 0.2% from 40.7% for the nine months ended March 31, 2015 to 40.5% for the nine months ended March 31, 2016.

Mobile ARPU

	For the nine months ended March 31,	
	2015	2016
	(€ per month other than percentages)	
Prepaid ARPU	15.8	15.6
Postpaid ARPU	38.3	37.4
Blended ARPU	25.3	25.5

ARPU is driven primarily by prices for our services, traffic volume, data services utilization and revenue from access and interconnection fees for incoming calls.

ARPU for postpaid subscribers is generally significantly higher than for prepaid subscribers. For example, ARPU for prepaid handset subscribers averaged €15.6 per month for the nine months ended March 31, 2016 and ARPU for postpaid handset subscribers was €37.4 per month for the nine months ended March 31, 2016. Our strategy is to appeal to the higher value postpaid subscribers and business market segments, which tend to have higher ARPU (and which have a lower propensity for churn). The proportion of postpay customers (including mobile broadband) within our customer base has increased from 43% as of March 31, 2015, to 47% as of March 31, 2016, representing a net increase of 34,000 additional postpay customers; revenues have remained broadly stable on higher customer numbers due to the year-on-year decline in postpay ARPU.

Operating costs excluding depreciation, amortisation and exceptional items

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

(in € millions)	As adjusted for the nine months ended March 31, [a] 2015	2016	% Change 2015/2016
	(unaudited)		
Cost of sales			
Foreign outpayments	8	8	7
Interconnect	83	85	2
Equipment cost of sales	58	57	(3)
Other including subsidiaries	56	70	26
Total cost of sales	**205**	**220**	**7**
Pay costs			
Wages and salaries and other staff costs	183	186	2
Social welfare costs	9	9	(1)
Pension costs—defined contribution plans	3	3	2
Pension costs—defined benefit plans	11	10	(4)
Pay costs before non-cash pension charge and capitalisation	206	208	1
Capitalised labour	(53)	(50)	(6)
Total pay costs before non-cash pension charge	**153**	**158**	**4**
Non-pay costs			
Materials and services	11	16	44
Other network costs	11	11	3
Accommodation	83	78	(5)
Sales and marketing	53	55	5
Bad debts	7	6	(21)
Transport and travel	9	9	(3)
Customer services	31	32	—
Insurance and compensation	1	2	N.M.
Professional and regulatory fees	7	6	(11)
IT costs	18	18	(4)
Other non-pay costs	5	6	19
Total non-pay costs	**236**	**239**	**1**
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items	594	617	4
Non-cash pension charge	8	11	38
Non-cash lease fair value lease credits	(7)	(6)	(14)
Operating costs excluding amortisation, depreciation, and exceptional items	595	622	5

[a] The as adjusted numbers reflect Tetra's results of operations accounted for based on the proportionate consolidation method of accounting rather than the equity method of accounting as required under IFRS 11.

Operating costs excluding amortisation, depreciation, and exceptional items increased by 4% from €590 million for the nine months ended March 31, 2015 to €617 million for the nine months ended March 31, 2016. On an adjusted basis (accounting for Tetra's results on a proportionate basis), operating costs excluding amortisation, depreciation, and exceptional items increased by 4% from €594 million for the nine months ended March 31, 2015 to €617 million for the nine months ended March 31, 2016.

We have discussed below, on an adjusted basis (accounting for Tetra's results on a proportionate basis), the key factors affecting the changes in the various items making up our operating costs excluding amortisation, depreciation, and exceptional items.

Cost of Sales

Cost of sales increased by 7% from €205 million for the nine months ended March 31, 2015 to €220 million for the nine months ended March 31, 2016. Foreign outpayments, interconnect payments and equipment cost of sales remained broadly flat for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015.

Other cost of sales increased by €14 million from €56 million for the nine months ended March 31, 2015 to €70 million for the nine months ended March 31, 2016, driven by higher managed services revenue and TV costs.

Pay costs

Total staff pay costs, before non-cash pension charges, increased by 4% from €153 million for the nine months ended March 31, 2015 to €158 million for the nine months ended March 31, 2016, primarily due to costs related to one-off repairs for damage to our network due to flooding, exceptionally low overtime costs in the nine month period ended March 31, 2015, offset by lower capitalization and wage inflation.

FTE Headcount as of March 31, 2016 was 3,408 FTE, representing a net reduction of 22 FTE as compared to March 31, 2015.

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 our defined benefit scheme, and the current service cost recognized in operating profit in accordance with IAS 19 (*Revised*). The IAS 19 (*Revised*) accounting charge is not aligned with the principles that we apply in measuring our EBITDA. As a result, we include the non-cash pension charge as an adjustment to our EBITDA. See "*Presentation Financial Data—Financial Information—Non-IFRS Financial Data*".

Total non-pay costs

Non-pay costs increased by 1% from €236 million for the nine months ended March 31, 2015 to €239 million for the nine months ended March 31, 2016. Non-pay storm costs were €4 million for the nine months ended March 31, 2016, driven by higher level of faults in the network due to exceptional weather conditions in the three months ended March 31, 2016. Excluding storm costs, non-pay costs decreased by €1 million for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015.

- Materials and services costs increased by €5 million from €11 million for the nine months ended March 31, 2015 to €16 million for the nine months ended March 31, 2016, due to storm costs incurred in the quarter ended March 31, 2016.
- Accommodation costs decreased by €5 million from €83 million for the nine months ended March 31, 2015 to €78 million for the nine months ended March 31, 2016, due to lower rates, the rationalization of office space and lower power costs.
- Sales and marketing costs increased by €2 million from €53 million for the nine months ended March 31, 2015 to €55 million for the nine months ended March 31, 2016, due to a difference in the timing of investment in sales and marketing year on year.
- All other costs for the nine months ended March 31, 2016 are broadly in line with costs for the nine months ended March 31, 2015.

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the period arises from the unfavorable lease provision recognized on acquisition of eircom Limited. At the date of acquisition, we were required to recognize 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.

Amortisation

Amortisation charges increased by €21 million from €38 million for the nine months ended March 31, 2015 to €59 million for the nine months ended March 31, 2016, partly due to higher amortisation as a result of new intangible assets and partly due to us commencing amortization from October 1, 2015 of the Fixed Line Trademark (an intangible asset), which had an impact of €13 million for the period following our re-branding in September 2015.

Adjustments to amortisation based on changes to our accounting policy for joint venture arrangement were immaterial.

Depreciation

Depreciation charges increased by €15 million from €190 million for the nine months ended March 31, 2015 to €205 million for the nine months ended March 31, 2016. On an as adjusted basis (accounting for Tetra's results on a proportionate basis) depreciation charges increased by €15 million from €196 million for the nine months ended March 31, 2015 to €211 million for the nine months ended March 31, 2016, due to higher depreciation as a result of tangible assets in both the fixed line and mobile segments as well as accelerated depreciation of €2.6 million on a leasehold property tangible assets, which were written off in the first quarter following the expiry of that lease.

Exceptional items

Net exceptional charges of €27 million for the nine months ended March 31, 2016 include €16 million for re-branding costs, €2 million for strategic review costs, €5 million for the management incentive plan, €4 million for restructuring staff exits and €3 million for onerous lease contracts offset by exceptional credits of €3 million, comprised of €2 million credit as a result of the release of dilapidation provisions in respect of a leasehold property that were carried forward at the start of the year and €1 million credit in respect of a legal related matter.

Exceptional charges of €23 million for the nine months ended March 31, 2015 included €11 million for strategic review costs, €8 million for the management incentive plan and €11 million for certain legal matters, including severance payments in relation to the exit of certain senior officers of the company, offset by an exceptional credit of €7 million reflecting the release of provisions carried forward at the start of the financial year.

There were no adjustments made to this line item based on changes to our accounting policies.

Finance costs (net)

Our net finance costs decreased by €8 million for the nine months ended March 31, 2016, primarily due to lower interest amortization on the Facility B borrowings (€17 million) as a result of the debt repayment of €238 million in the year ended June 30, 2015 and the extension of €1,625 million of the Facility B borrowings to May 2022, and lower discount rate on pension liability (€4 million) offset by €12 million fair value movements on derivatives not qualifying for hedge accounting.

Adjustments to our net finance costs based on changes to our accounting policy for joint venture arrangement were immaterial.

Taxation

Tax credit decreased by €6 million, from €10 million for the nine months ended March 31, 2015 to €4 million for the nine months ended March 31, 2016, primarily because the tax credit for the nine months ended March 31, 2015 includes a reversal of amounts previously charged in prior years (€14 million) to reflect the effect of uncertain tax treatments.

Adjustments to taxation based on changes to our accounting policy for joint venture arrangement were immaterial.

Results of operations for the year ended June 30, 2015 compared to year ended June 30, 2014 and year ended June 30, 2013.

The following table shows selected consolidated income statement data (which has been prepared in accordance with IFRS) from our operations for the periods indicated.

(in € millions)	For the year ended June 30,			As adjusted for the year ended June 30,		
	2013	2014	2015	2013 [b]	2014 [a]	2015 [a]
		(audited)			(unaudited)	
Revenue	1,394	1,267	1,249	1,367	1,283	1,265
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(907)	(809)	(779)	(892)	(816)	(786)
Amortisation	(71)	(76)	(53)	(68)	(76)	(53)
Depreciation and impairment of plant and equipment	(266)	(262)	(264)	(266)	(269)	(271)
Exceptional items	(22)	(235)	(31)	(22)	(235)	(31)
Exception gain on exit from subsidiary	17	—	—	—	—	—
Profit/(loss) on disposal of property, plant and equipment	—	3	1	—	3	1
Operating profit/(loss)	**145**	**(112)**	**123**	**119**	**(110)**	**125**
Finance costs	(263)	(223)	(227)	(263)	(224)	(228)
Finance income	1	1	—	1	1	—
Finance costs—net	(262)	(222)	(227)	(262)	(223)	(228)
Share of profit of joint venture	—	1	1	—	—	—
Loss before tax	**(117)**	**(333)**	**(103)**	**(143)**	**(333)**	**(103)**
Income tax (charge)/credit	(1)	24	8	—	24	8
Loss for the year	**(118)**	**(309)**	**(95)**	**(143)**	**(309)**	**(95)**

(a) The as adjusted numbers reflect Tetra's results of operations accounted for based on the proportionate consolidation method of accounting rather than the equity method of accounting as required under IFRS 11.

(b) The as adjusted numbers reflect adjustments for the disposal of Phonewatch.

Revenue

Revenue decreased by 1% from €1,267 million for the year ended June 30, 2014 to €1,249 million for the year ended June 30, 2015 and by 9% from €1,394 million for the year ended June 30, 2013 to €1,267 million for the year ended June 30, 2014. On an adjusted basis (accounting for Tetra's results on a proportionate basis), our revenue decreased by 1% from €1,283 million for the year ended June 30, 2014 to €1,265 million for the year ended June 30, 2015. On an adjusted basis (accounting for Tetra's results on a proportionate basis and for the disposition of Phonewatch), our revenue decreased by 8% from €1,367 million for the year ended June 30, 2013 to €1,283 million for the year ended June 30, 2014.

The following discussion is based on our adjusted results, which reflects Tetra's results applying the proportionate consolidation method of accounting rather than the equity method as required under IFRS 11, and, for the year ended June 30, 2013, excludes Phonewatch's results. In the year ended June 30, 2013, Phonewatch had revenue of €27 million and EBITDA of €12 million.

The following table shows certain segmental information relating to our business for the periods indicated:

(in € millions)	For the year ended June 30, 2013	2014	2015	% Change 2013/2014	% Change 2014/2015
Fixed line services and other revenue	1,066	980	959	(8)	(2)
Mobile services revenue	353	347	352	(2)	2
Total segmental revenue	**1,419**	**1,327**	**1,311**	**(7)**	**(1)**
Intracompany eliminations	(52)	(44)	(46)	(16)	4
Total revenue	**1,367**	**1,283**	**1,265**	**(6)**	**(1)**

Fixed line services

Fixed ARPU

	For the year ended June 30, 2013	2014	2015
	(€ per month/ percentages)		
Retail fixed voice ARPU	37.7	36.5	35.2
Retail broadband ARPU	16.5	15.5	15.2
Blended retail fixed line ARPU	45.5	44.5	43.8

Fixed Subscribers

	As of June 30, 2013	2014	2015	% Change 2013/2014	% Change 2014/2015
Access line base: PSTN/ISDN (000's)					
Retail	917	844	776	(8)	(8)
Wholesale WLR	414	470	474	14	1
Wholesale LLU	16	14	12	(9)	(16)
Total	**1,347**	**1,328**	**1,262**	**(1)**	**(5)**
DSL Lines: (000's)					
Retail	451	456	454	1	—
Wholesale	218	262	328	20	25
Total	**669**	**718**	**782**	**7**	**9**

Fixed Line Services and other Revenue

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

(in € millions)	For the year ended June 30, 2013	2014	2015	% Change 2013/2014	% Change 2014/2015
Access (rental and connections)	508	492	486	(4)	(1)
Voice traffic	278	236	216	(15)	(9)
Data Services	113	99	95	(12)	(4)
Foreign Inpayments	14	10	14	(29)	45
Other products and services	153	143	148	(6)	3
Total fixed line services and other revenue	**1,066**	**980**	**959**	**(8)**	**(2)**

Total fixed line services and other revenue before intra-company eliminations decreased by 2% for the year ended June 30, 2015 as compared to the year ended June 30, 2014, and total fixed line services and other revenue before intra-company eliminations decreased by 8% for the year ended June 30, 2014 as compared to the year ended June 30, 2013. Revenue decreased across all major categories in the years ended June 30, 2014 and June 30, 2015, primarily as a result of a reduction in retail access lines and traffic usage. This was partially offset in 2015 by new emerging products such as TV.

Fixed Churn

	For the year ended June 30,			% Change	% Change
	2013	2014	2015	2013/2014	2014/2015
Consumer fixed access churn (%)	19.2	20.3	21.1	(2.4)	(4.6)
Consumer broadband churn (%)	24.3	21.6	20.5	(11.2)	(4.1)

Consumer fixed access churn increased from 20.3% for the year ended June 30, 2014 to 21.1% for the year ended June 30, 2015 and increased from 19.2% for the year ended June 30, 2013 to 20.3% for the year ended June 30, 2014. This was primarily due to increased losses among voice-only customers who were previously receiving a DSP (Department of Social Protection) telephone allowance. The reduced broadband churn rate reflects the attractiveness of new offers and pricing (including bundled promotions) due to the launch of high speed broadband and our IPTV proposition, eir Vision, and quad-play offerings.

Access (rental and connections)

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

	For the year ended June 30,			% Change	% Change
(in € millions)	2013	2014	2015	2013/2014	2014/2015
Total access revenue:					
Retail PSTN/ISDN rental and connection	291	267	241	(9)	(10)
Wholesale PSTN/ISDN/LLU rental and connection	96	103	112	7	9
ADSL and bitstream rental and connection	121	122	133	1	9
Total access revenue	**508**	**492**	**486**	**(4)**	**(1)**

Retail PSTN/ISDN line rental and connection revenue decreased by 10% from €267 million in the year ended June 30, 2014 to €241 million in the year ended June 30, 2015, and decreased by 9% from €291 million in the year ended June 30, 2013 to €267 million in the year ended June 30, 2014, primarily due to a decline in PSTN and ISDN lines, which have been impacted by increased competition and the continuing migration of customers to other operators and to mobile services. Retail Access lines as of June 30, 2015 were 776,000, a decrease of 8% as compared to the year ended June 30, 2014, and 844,000 as of June 30, 2014, a decrease of 8% as compared to the year ended June 30, 2013.

Wholesale rental and connection revenue increased by 9% from €103 million in the year ended June 30, 2014, to €112 million in the year ended June 30, 2015. WLR lines increased by 1% from 470,000 in the year ended June 30, 2014 to 474,000 in the year ended June 30, 2015. The WLR PSTN ARPU increased by 3% due to the expiration of a promotional discount to operators in Large Exchange Areas (LEA) on December 31, 2014. Wholesale LLU connections decreased by 16% to 12,000 connections in the year ended June 30, 2015. ADSL and bitstream revenue increased by 9% from €122 million in the year ended June 30, 2014 to €133 million in the year ended June 30, 2015. As of June 30, 2015, the number of DSL lines had increased by 9% to 782,000 lines from 718,000 as of June 30, 2014, driven primarily by an increase in the number of Wholesale customers.

Wholesale rental and connection revenue increased 7% from €96 million in the year ended June 30, 2013 to €103 million in the year ended June 30, 2014. WLR lines had increased from 414,000 in the year ended June 30, 2013 to 470,000 in the year ended June 30, 2014, while Wholesale LLU connections decreased by 9% to 14,000 connections in the year ended June 30, 2014. ADSL and bitstream revenue for the year ended June 30, 2014 was €122 million, broadly in line with the year ended June 30, 2013. The number of ADSL and bitstream lines had increased by 7% from 669,000 lines as of June 30, 2013 to 718,000 lines as of June 30, 2014, driven primarily by an increase in the number of wholesale customers.

Traffic

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

(in € millions)	For the year ended June 30, 2013	2014	2015	% Change 2013/2014	% Change 2014/2015
Revenue:					
Retail	203	171	151	(16)	(12)
Wholesale	75	65	65	(13)	—
Total traffic revenue	**278**	**236**	**216**	**(15)**	**(9)**
	(in millions of minutes, except percentages)				
Traffic:					
Retail	2,805	2,359	1,973	(16)	(16)
Wholesale	4,678	4,615	4,551	(1)	(1)
Total traffic minutes	**7,482**	**6,974**	**6,524**	**(7)**	**(6)**

Retail traffic revenue decreased by 12% in the year ended June 30, 2015 as compared to the year ended June 30, 2014, primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market, mobile substitution and loss of market share. Wholesale traffic revenue was flat for the year ended June 30, 2015 as compared to the year ended June 30, 2014.

Retail traffic revenue decreased by 16% in the year ended June 30, 2014 as compared to the year ended June 30, 2013, primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market due to economic conditions, mobile substitution and loss of market share. Wholesale traffic revenue decreased by 13% in the year ended June 30, 2014 as compared to the year ended June 30, 2013, primarily due to the reduction in the fixed termination rate implemented from July 2013 as a consequence of a European wide directive. Interconnect cost of sales also decreased for the year ended June 30, 2014 as compared to the year ended June 30, 2013 due to the aforementioned rate reduction.

Data communications

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

(in € millions)	For the year ended June 30, 2013	2014	2015	% Change 2013/2014	% Change 2014/2015
Data communications revenue:					
Leased lines	64	54	53	(16)	(2)
Switched data	35	27	21	(22)	(22)
Next generation data services	14	18	21	31	18
Total data communications revenue	**113**	**99**	**95**	**(12)**	**(4)**

Revenue from data communications decreased by 4% from €99 million for the year ended June 30, 2014 to €95 million for the year ended June 30, 2015. Leased line revenue decreased by 2% due to a further reduction in leased line volumes as customers rationalized their networks as well as migrated to higher speed alternatives. Switched data revenue decreased by €6 million, while NGN and VoIP revenue increased by €3 million for the year ended June 30, 2015, reflecting a move from legacy products to next generation services.

Revenue from data communications decreased by 12% from €113 million for the year ended June 30, 2013 to €99 million for the year ended June 30, 2014. Leased line revenue decreased by 16% due to a further reduction in leased line volumes as customers rationalized their networks as well as migrated to higher speed alternatives. Switched data revenue decreased by €8 million, while NGN and VoIP revenue increased by €4 million.

Foreign Inpayments

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

	For the year ended June 30,			% Change	% Change
(in € millions)	**2013**	**2014**	**2015**	**2013/2014**	**2014/2015**
Foreign terminating traffic revenue	14	10	14	(29)	45
(minutes, in millions)					
Foreign terminating traffic minutes	800	645	643	(19)	—

Foreign inpayments revenue increased by 45% from €10 million for the year ended June 30, 2014 to €14 million for the year ended June 30, 2015, primarily due to a one-off revenue reduction in the year ended June 30, 2014 relating to the write-off of old international debtors.

Foreign inpayments revenue decreased by 29% from €14 million for the year ended June 30, 2013 to €10 million for the year ended June 30, 2014, primarily due to the one-off revenue reduction in the year ended June 30, 2014 relating to the write-off of old international debtors.

Other products and services

Other products and services revenue includes our share of revenue from Tetra and our operations in UK, Operator services, managed services, data centers and other revenue.

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

	For the year ended June 30,			% Change	% Change
(in € millions)	**2013**	**2014**	**2015**	**2013/2014**	**2014/2015**
Operator services	22	20	15	(11)	(25)
Managed services and solutions	36	36	40	2	12
Tetra	19	19	19	—	2
UK	32	29	30	(10)	3
Datacenter	13	15	16	18	4
Other revenue	31	24	28	(22)	16
Other products and services revenue	**153**	**143**	**148**	**(6)**	**3**

Revenue from other products and services increased by 3% from €143 million for the year ended June 30, 2014 to €148 million for the year ended June 30, 2015. Operator services revenue decreased by 25% for the year ended June 30, 2015 as compared to the year ended June 30, 2014, primarily due to reduced call volumes to our 11811 services. Managed services revenue increased by 12% due to significant contracts won by eir Business which included upfront transitional work performed in the year. Tetra, UK and Datacenter revenues were broadly flat for the year ended June 30, 2015 as compared to the year ended June 30, 2014. Other revenue increased by €4 million mainly driven by increased revenues from TV services.

Revenue from other products and services decreased by 6% from €153 million for the year ended June 30, 2013 to €143 million for the year ended June 30, 2014. Operator services revenue decreased by 11% for the year ended June 30, 2014 as compared to the year ended June 30, 2013, primarily due to reduced call volumes. Managed services revenue increased by 2%, benefitting from internal capability build and greater focus on this sector. Our UK revenue decreased by 10% for the year ended June 30, 2014 as compared to the year ended June 30, 2013, due to the impact of key contract wins in the government sector in the UK in 2012 which included one-off implementation revenues which were recognized in year ended June 30, 2013. Datacenter revenue increased by 18% and other revenue decreased by 22% for the year ended June 30, 2014.

Mobile services revenue

The following table shows revenue from our Mobile segment, analyzed by major products and services:

(in € millions)	For the year ended June 30, 2013	2014	2015	% Change 2013/2014	% Change 2014/2015
Mobile services:					
Prepaid handset	168	132	116	(21)	(12)
Postpaid handset	146	177	200	21	14
Mobile broadband	10	10	10	(5)	3
Roaming	5	4	4	(10)	(2)
Other	24	24	22	(2)	(10)
Total mobile services revenue	**353**	**347**	**352**	**(2)**	**2**

Mobile services revenue increased by 2% for the year ended June 30, 2015. The increase reflects the growth in total mobile subscribers of approximately 27,000 while Group blended ARPU of €25.40 for the year ended June 30, 2015 increased by 1% as compared to Group blended ARPU for the year ended June 30, 2014. eir continued to grow the postpay handset customer base which was approximately 442,000 as of June 30, 2015, an increase of approximately 42,000 compared to June 30, 2014. The contracted postpay base was 44% of total mobile subscribers as of June 30, 2015 compared to 40% as of June 30, 2014.

Prepay handset revenue decreased by 12% for the year ended June 30, 2015, due to a 3% reduction in subscribers and a 6% decrease in prepay ARPU. The mobile prepay handset subscriber base decreased from approximately 609,000 as of June 30, 2014 to approximately 594,000 as of June 30, 2015. Prepay churn is impacted by the market trend of prepay to postpay migration and wider macro-economic factors.

Postpay handset revenue increased by 14% for the year ended June 30, 2015, due to an 11% increase in subscribers. As of June 30, 2015 total mobile customer numbers amounted to approximately 1,083,000, an increase of approximately 27,000 from the year ended June 30, 2014.

Mobile services revenue decreased by 2% for the year ended June 30, 2014. The decrease reflects a small reduction in total mobile subscribers of approximately 4,000 while Group blended ARPU of €25.10 for the year ended June 30, 2014 was in line with Group blended ARPU for the year ended June 30, 2013. eir continued to grow the postpay customer base which was approximately 400,000 as of June 30, 2014, an increase of approximately 71,000 as compared to June 30, 2013. The contracted postpay base was 40% of total mobile subscribers as of June 30, 2014 compared to 34% as of June 30, 2013.

Prepay handset revenue decreased by 21% for the year ended June 30, 2014, due to a 9% reduction in subscribers and a 11% decrease in prepay ARPU. The mobile prepay handset subscriber base decreased from approximately 673,000 as of June 30, 2013 to approximately 609,000 as of June 30, 2014. Prepay churn is impacted by the market trend of prepay to postpaid migration and wider macro-economic factors.

Postpaid handset revenue increased by 21% for the year ended June 30, 2014, due to a 21% increase in subscribers partially offset by a 3% decrease in postpaid ARPUs. The mobile postpaid handset subscriber base increased from approximately 329,000 as of June 30, 2013 to approximately 400,000 as of June 30, 2014.

Mobile Adjusted EBITDA margin as a percentage of revenue was 5%, 10% and 16% in the years ended June 30, 2013, 2014 and 2015, respectively, and 19% for the twelve months ended March 31, 2016.

As of June 30, 2014 total mobile customer numbers amounted to approximately 1,055,000, broadly in line with total mobile customer numbers as of June 30, 2013.

	As of June 30,			% Change	% Change
	2013	2014	2015	2013/2014	2014/2015
		(thousands)			
Total subscribers					
Prepaid handset customers	673	609	594	(9)	(3)
Postpaid handset customers	329	400	442	21	11
Mobile Broadband customers	57	46	47	(18)	1
Of which are prepaid customers	29	19	14	(32)	(29)
Of which are postpaid customers	28	27	33	(3)	23
Total subscribers	**1,059**	**1,055**	**1,083**	**—**	**3**

Mobile Churn

Our blended churn rate decreased from 43.4% for the year ended June 30, 2014 to 40.5% for the year ended June 30, 2015. During the year ended June 30, 2015, postpay churn decreased from 18.4% to 16.1%. Prepay churn was flat for the year ended June 30, 2015 as compared to the year ended June 30, 2014.

Our blended churn rate decreased from 45.1% for the year ended June 30, 2013 to 43.4% for the year ended June 30, 2014. During the year ended June 30, 2014, postpaid churn increased due to an increase in customers coming out of contract and a reduction in customer acquisition costs in latter half of year leading to fewer proactive upgrades. Prepay churn is impacted by market trends of prepay to postpaid migration and wider macro-economic factors. Our Meteor prepay base is heavily weighted towards the youth segment, which has been disproportionately impacted by unemployment and emigration over the past four years.

	For the year ended June 30		
	2013	2014	2015
Churn rate	45.1%	43.4%	40.5%
Churn rate Postpaid	16.9%	18.4%	16.1%
Churn rate Prepaid	57.0%	58.2%	58.2%

Mobile ARPU

The following table shows mobile customer base and average revenue per user (ARPU):

	For the year ended June 30,		
	2013	2014	2015
	(€ per month)		
Prepaid ARPU	18.9	16.8	15.7
Postpaid ARPU	40.2	39.1	38.7
Total ARPU	**25.2**	**25.1**	**25.4**

Our total ARPU was broadly flat at €25.4 per month for the year ended June 30, 2015 and €25.1 per month for the year ended June 30, 2014. Despite significant ARPU declines in prepay in the period of 6%, total ARPU slightly improved due to the improvement in postpay subscriber mix.

Our total ARPU was broadly flat at €25.1 per month for the year ended June 30, 2014 and €25.2 per month for the year ended June 30, 2013 due to the increase in the number of postpaid customers in the base. Despite significant ARPU declines in prepay in the period of 11%, total ARPU decline was tempered by the significant increase in higher ARPU postpaid subscriber mix.

Operating costs excluding amortisation, depreciation, impairment and exceptional items

The following table shows information relating to our operating costs excluding amortisation, depreciation, impairment, and exceptional items (including restructuring), and the percentage changes for the periods indicated:

	As adjusted for the year ended June 30,			% Change	% Change
(in € millions)	2013	2014	2015	2013/2014	2014/2015
Cost of sales					
Foreign outpayments	12	6	12	(55)	111
Interconnect	136	112	112	(18)	1
Equipment cost of sales	67	74	69	11	(7)
Other including subsidiaries	74	69	79	(7)	15
Total cost of sales	289	261	272	(10)	5
Pay costs					
Wages and salaries and other staff pay costs	303	272	243	(10)	(11)
Social welfare costs	15	13	12	(12)	(10)
Pension costs—defined contribution plan	5	4	4	(17)	(5)
Pension costs—defined benefit plan	20	19	15	(8)	(22)
Pay Costs before non-cash pension charge and capitalisation	**343**	**308**	**274**	**(10)**	**(11)**
Capitalised labour	**(79)**	**(78)**	**(73)**	**(1)**	**(7)**
Total pay costs before non-cash pension charge	**264**	**230**	**201**	**(13)**	**(13)**
Non-pay costs					
Materials and services	15	14	11	(12)	(14)
Other network costs	13	14	15	12	4
Accommodation	113	109	110	(3)	—
Sales and marketing	67	77	72	15	(7)
Bad debts	7	8	10	12	8
Transport and travel	14	14	12	(1)	(13)
Customer services	40	42	40	6	(5)
Insurance and compensation	7	3	2	(57)	(35)
Professional and regulatory fees	18	13	10	(28)	(21)
IT costs	31	24	23	(21)	(4)
Other non-pay costs	8	5	6	(41)	42
Total non-pay costs	333	323	311	(3)	(4)
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**886**	**814**	**784**	**(8)**	**(4)**
Non-cash pension charge	15	10	11	(33)	10
Non-cash fair value lease credits	(9)	(8)	(9)	(11)	13
Operating costs excluding amortisation, depreciation and exceptional items	**892**	**816**	**786**	**(9)**	**(4)**

Operating costs excluding amortisation, depreciation, and exceptional items decreased by 3.7% from €809 million for the year ended June 30, 2014 to €779 million for the year ended June 30, 2015. Operating costs excluding amortisation, depreciation, and exceptional items decreased by 10.8% from €907 million for the year ended June 30, 2013 to €809 million for the year ended June 30, 2014.

On an adjusted basis (accounting for Tetra's results on a proportionate basis), operating costs excluding amortisation, depreciation, and exceptional items decreased by 4% from €816 million for the year ended June 30, 2014 to €786 million for the year ended June 30, 2015. On an adjusted basis (accounting for Tetra's results on a proportionate basis and for the disposition of Phonewatch), operating costs excluding amortisation, depreciation, and exceptional items decreased by 9% from €892 million for the year ended June 30, 2013 to €816 million for the year ended June 30, 2014.

We have discussed below, on an adjusted basis, the key factors affecting the changes in the various items making up our operating costs excluding amortisation, depreciation, and exceptional items.

Cost of Sales

Cost of sales in the year ended June 30, 2015 increased by 5% compared to the year ended June 30, 2014. Foreign outpayments were €6 million higher due to an increase in rates and one off write-backs in the year ended June 30, 2014 compared to the year ended June 30, 2015. Interconnect payments to other telecommunications operators were flat year-on-year. Equipment cost of sales in the year ended June 30, 2015 decreased by 7% compared to the year ended June 30, 2014 primarily due to lower mobile equipment costs. Other cost of sales were 15% higher in the year ended June 30, 2015 compared to the year ended June 30, 2014, mainly driven by increased revenue from new services—TV and managed services.

Cost of sales for the year ended June 30, 2014 decreased by 10% compared to the year ended June 30, 2013. Foreign outpayments for the year ended June 30, 2014 decreased by 55% compared to the year ended June 30, 2013 due to a one-off write-back in the year ended June 30, 2014 and a planned reduction in bi-lateral agreements with international operators, which also resulted in a reduction in foreign inpayments traffic revenue. Declines in our retail international traffic volumes also resulted in savings in foreign outpayment costs. Interconnect payments to other telecommunications operators were 18% lower due to falling interconnect traffic volumes and reductions in mobile termination and other interconnect rates. Equipment cost of sales for the year ended June 30, 2014 increased by 11% compared to the year ended June 30, 2013. Other cost of sales were 7% lower primarily due to reduced activity in eir UK.

Pay Costs

Total pay costs before non-cash pension charges decreased by 13% from €230 million for the year ended June 30, 2014 to €201 million for the year ended June 30, 2015. This was primarily due to a reduction in headcount from 3,633 as of June 30, 2014 to 3,391 as of June 30, 2015.

Total pay costs before non-cash pension charges decreased by 13% from €264 million for the year ended June 30, 2013 to €230 million for the year ended June 30, 2014. This was primarily due to a reduction in headcount of 1,078 from 4,711 as of June 30, 2013 to 3,633 as of June 30, 2014. This headcount reduction was in line with eir's resource reduction cost saving initiative announced in October 2012.

Non-Pay Costs

Total non-pay costs decreased by 4% for the year ended June 30, 2015 compared to the year ended June 30, 2014. Materials and services costs for the year ended June 30, 2015 decreased by 14% compared to the year ended June 30, 2014 due to lower repair costs than the year ended June 30, 2014 which had higher fault volumes driven by storms. Other network costs and accommodation costs were broadly flat for the year ended June 30, 2015 compared to the year ended June 30, 2014. Sales and marketing costs decreased by 7% driven by mobile sales commissions, and bad debt costs increased by €2 million. Transport and travel costs decreased by 13%, reflecting lower headcount. Customer services costs decreased by 5% due to our strategy to outsource activities to realize efficiencies, while insurance and compensation costs decreased by 35% primarily due to a credit in the prior year. Professional and regulatory fees decreased by 21% driven by cost management. IT costs decreased by 4%. Other non-pay costs increased by €1 million for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Total non-pay costs decreased by 3% for the year ended June 30, 2014 compared to the year ended June 30, 2013. Materials and services costs for the year ended June 30, 2014 decreased by 12% compared to the year ended June 30, 2013 due to an ongoing cost reduction program and lower stock obsolescence. Other network costs increased by 12% due primarily to additional spectrum usage costs associated with the mobile spectrum we acquired in November 2012. Accommodation costs decreased by 3% due to lower rent. Sales and marketing costs increased by

12% driven by mobile sales commissions, and bad debt costs increased by 12%. Transport and travel costs decreased by 1% as higher fuel costs were offset by reductions in the fleet size. Customer services costs increased by 6% reflecting an increased number of calls handled by customer services staff, while insurance and compensation costs decreased by 57%. Professional and regulatory fees decreased by 28%. IT costs decreased by 21%. Other non-pay costs decreased by 41% driven by lower training, recruitment costs and other miscellaneous costs.

Non-Cash Pension Charge

The non-cash pension charge represents the difference between the amount of cash contributions that we have agreed to make to the fund during the year, on an accruals basis, and the accounting charges recognized in operating profit in accordance with IAS 19 (*Revised*). The IAS 19 (*Revised*) accounting charge is not aligned with the principles that we apply in measuring our EBITDA. As a result, we include the non-cash pension charge as an adjustment to our EBITDA. See "*Summary—Summary Historical Financial Data*".

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the period is in respect of the unfavorable lease fair value adjustment which arose on acquisition of eircom Limited. At the date of acquisition, we were required to recognize a liability for the difference between the amount of future rental payments that had been contractually committed to and the market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. The IFRS accounting treatment is not aligned with the principles we apply in measuring our EBITDA. As a result, non-cash lease fair value credit is included as an adjustment to our EBITDA.

Amortisation

Amortisation charges decreased by 30% from €76 million for the year ended June 30, 2014 to €53 million for the year ended June 30, 2015, due to the fair value intangible assets for fixed line customer relationships and fixed license being fully amortized.

Amortisation charges increased by 12% from €68 million for the year ended June 30, 2013 to €76 million for the year ended June 30, 2014, due to the increases in license amortisation (spectrum), increases in intangible assets in the year with the continued investment by us in key strategic projects (e.g. new billing system) offset by decreases in customers relationships.

Adjustments to amortisation based on changes to our accounting policy for joint venture arrangement were immaterial.

Depreciation and impairment of plant and equipment

Depreciation charges increased by 1% from €262 million for the year ended June 30, 2014 to €264 million for the year ended June 30, 2015. On an adjusted basis (accounting for Tetra's results on a proportionate basis), depreciation charges increased by 1% from €269 million for the year ended June 30, 2014 to €271 million for the year ended June 30, 2015, due to the continued investment by us in key strategic projects.

Depreciation charges decreased by 1.5% from €266 million for the year ended June 30, 2013 to €262 million for the year ended June 30, 2014. On an adjusted basis (accounting for Tetra's results on a proportionate basis), depreciation charges increased by 1% from €266 million for the year ended June 30, 2013 to €269 million for the year ended June 30, 2014, due to the impairment of surplus properties to reflect a further decline in the fair value of properties no longer in use.

Exceptional Items

For the year ended June 30, 2015, our exceptional charge of €31 million included €14 million for strategic review costs, €12 million for our management incentive plan and €12 million for certain legal matters for the year ended June 30, 2015. These exceptional charges were partially offset by an exceptional credit of €7 million in relation to excess provisions carried forward from the previous year.

For the year ended June 30, 2014, the exceptional charge of €235 million included €200 million in restructuring costs, €29 million for our management incentive plan, €10 million for certain legal matters, €2 million for other exceptional costs offset by €6 million excess provisions carried forward from the previous year.

The exceptional restructuring costs of €200 million in the year ended June 30, 2014 related to the reorganization of our staff as a result of which approximately 1,100 staff had either exited the business, or were committed to exiting the business as of June 30, 2014. The charge of €200 million includes an IAS 19 (*Revised*) defined benefit pension charge of €57 million arising as a result of the incentivized exit program, comprising €36 million in past service costs and €21 million in curtailment charges.

For the year ended June 30, 2013, the exceptional charge of €22 million comprised of €27 million in restructuring costs and €6 million for our management incentive plan, offset by €5 million release for onerous contracts and €6 million gain on liquidation of a subsidiary undertaking.

There were no adjustments made to this line item based on changes to our accounting policy for joint venture arrangement or our disposal of Phonewatch.

Liquidity

The table below sets out certain information related to our cash flows.

(in € millions)	For the year ended June 30, 2013	2014	2015	For the nine months ended March 31, 2015	2016
Cash flows from operating activities					
Cash generated from operations	376	271	423	268	301
Financial restructuring costs paid	(6)	—	—	—	—
Interest received	1	1	—	—	—
Interest paid	(82)	(104)	(128)	(89)	(88)
Income tax (paid)/refund	(17)	3	—	—	(12)
Net cash generated from operating activities	272	171	295	179	201
Cash flows from investing activities					
Disposal of subsidiary undertaking, net of cash disposed	117	—	—	—	—
Disposal of associate undertaking	—	1	—	—	—
Purchase of property, plant and equipment (“**PPE**”)	(197)	(230)	(249)	(181)	(187)
Purchase of intangible assets	(219)	(66)	(43)	(36)	(40)
Proceeds from sale of PPE	2	3	6	6	—
Restricted cash	10	8	6	7	—
Loans advanced to holding company	—	—	(14)	(13)	—
Net cash used in investing activities	(287)	(284)	(294)	(217)	(227)
Cash flows from financing activities					
Dividends paid to equity shareholders	—	—	(1)	—	—
Proceeds from issuance of Senior Secured Notes due 2020	350	—	—	—	—
Proceeds from loan borrowings	—	—	238	—	2,367
Repayment on borrowings	(347)	—	(238)	—	(2,367)
Debt issue costs paid	(12)	—	—	—	—
Amend and extend fees paid	—	(13)	(7)	(1)	(4)
Net cash used in financing activities	(9)	(13)	(8)	(1)	(4)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**(24)**	**(126)**	**(7)**	**(39)**	**(30)**
Cash, cash equivalents and bank overdrafts at beginning of financial year	348	319	193	193	186
Cash, cash equivalents and bank overdrafts at end of financial year	**324**	**193**	**186**	**154**	**156**

(in € millions)	As adjusted for the year ended June 30, 2013 [(a)]	2014 [(b)]	2015 [(b)]	As adjusted for the nine months ended March 31 [(b)], 2015	2016
Cash flows from operating activities					
Cash generated from operations	365	282	433	274	311
Financial Restructuring Costs Paid	(6)	—	—	—	—
Interest received	1	1	—	—	—
Interest paid	(82)	(105)	(129)	(89)	(88)
Income tax (paid)/refund	(17)	3	—	—	(12)
Net cash generated from operating activities	261	181	304	185	211
Cash flows from investing activities					
Disposal of subsidiary undertaking, net of cash disposed	128	—	—	—	—
Disposal of associate undertaking	—	1	—	—	—
Purchase of property, plant and equipment ("**PPE**")	(197)	(230)	(249)	(181)	(187)
Purchase of intangible assets	(216)	(66)	(43)	(36)	(40)
Proceeds from sale of PPE	2	3	6	6	—
Restricted cash	10	8	6	7	—
Loans advanced to holding company	—	—	(14)	(13)	—
Net cash used in investing activities	(273)	(284)	(294)	(217)	(227)
Cash flows from financing activities					
Dividends paid to equity shareholders	—	—	(1)	—	—
Proceeds from issuance of Senior Secured Notes due 2020	350	—	—	—	—
Proceeds from loan borrowings	—	—	238	—	—
Repayment on borrowings	(347)	(9)	(247)	(9)	(9)
Debt issue costs paid	(12)	—	—	—	—
Amend and extend fees paid	—	(13)	(7)	(1)	(4)
Net cash used in financing activities	(9)	(22)	(17)	(10)	(13)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**(21)**	**(125)**	**(7)**	**(42)**	**(29)**
Cash, cash equivalents and bank overdrafts at beginning of financial year	345	324	199	199	192
Cash, cash equivalents and bank overdrafts at end of financial year	**324**	**199**	**192**	**157**	**163**

(a) The as adjusted numbers reflect adjustments for the disposal of Phonewatch.

(b) The as adjusted numbers reflect Tetra's results of operations accounted for based on the proportionate consolidation method of accounting rather than the equity method of accounting as required under IFRS 11.

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, amortization, 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.

Net cash generated from operating activities increased by €22 million from €179 million for the nine months ended March 31, 2015 to €201 million for the nine months ended March 31, 2016. On an as adjusted basis (accounting for Tetra's results on a proportionate basis), net cash generated from operating activities increased by €26 million from €185 million for the nine months ended March 31, 2015 to €211 million for the nine months ended March 31, 2016. The increase is primarily due to lower voluntary leaving and other provision payments for the nine months ended March 31, 2016, which decreased by €39 million as compared to the nine months ended March 31, 2015, partially offset by tax payments of €12 million.

Net cash generated from operating activities increased from €171 million for the year ended June 30, 2014 to €295 million for the year ended June 30, 2015. On an as adjusted basis (accounting for Tetra's results on a proportionate basis), net cash generated from operating activities increased from €181 million for the year ended June 30, 2014 to €304 million for the year ended June 30, 2015. The increase was primarily related to a decrease in restructuring (incentivized exits) payments of €119 million from €154 million for the year ended June 30, 2014 to €35 million for the year ended June 30, 2015. The increase also reflects lower provision payments, which decreased by €11 million from €32 million for the year ended June 30, 2014 to €21 million for the year ended June 30, 2015.

These have been partially offset by higher interest payments, which increased by €24 million from €105 million for the year ended June 30, 2014 to €129 million for the year ended June 30, 2015. The higher interest payments are due to the higher interest rate on our Facility B2 borrowings (EURIBOR plus a margin of 4.5%). The interest payments for our Facility B1 borrowings were based on EURIBOR plus a margin of 3% (and non-cash 1% payment-in-kind interest was added to the principal amount of our outstanding Facility B1).

Net cash generated from operating activities decreased from €272 million for the year ended June 30, 2013 to €171 million for the year ended June 30, 2014. On an adjusted basis (accounting for Tetra's results on a proportionate basis and for the disposition of Phonewatch), net cash generated from operating activities decreased from €261 million for the year ended June 30, 2013 to €181 million for the year ended June 30, 2014. The decrease was primarily related to higher restructuring (incentivized exits) payments of €154 million for the year ended June 30, 2014, compared to €63 million for the year ended June 30, 2013, representing an increase of €91 million. The decrease also related to higher interest payments (which increased by €23 million from €82 million for the year ended June 30, 2013 to €105 million for the year ended June 30, 2014) and a final one-off payment of €10 million in respect of certain onerous lease contracts. These have been partially offset by lower tax payments (decreasing by €20 million from a €17 million payment for the year ended June 30, 2013 to €3 million refund for the year ended June 30, 2014) and lower financial restructuring payments (decreasing by €6 million). The higher interest payments for the year ended June 30, 2014 are mainly due to the higher interest rate on our 9.25% Senior Secured Notes which were issued in May 2013, resulting in a higher charge for the year ended June 30, 2014.

Cash flows from investing activities

Total cash used in investing activities increased by €10 million, from €217 million for the nine months ended March 31, 2015 to €227 million for the nine months ended March 31, 2016, due to higher payments made in the nine months ended March 31, 2016 in relation to our capital expenditure investment program. The adjustments made to this line item based on changes to our accounting policy were immaterial.

For the year ended June 30, 2015, we made payments for capital expenditure of €292 million, a decrease of €4 million compared to capital expenditure of €296 million for the year ended June 30, 2014, which was largely in line with the prior year and, we believe, demonstrates our continued commitment to invest in key strategic projects.

We also had cash inflows in respect of restricted cash deposits of €6 million for the year ended June 30, 2015, comprised of €3 million refunded by ComReg and €3 million refunded by various institutions in relation to certain commercial contracts. In addition, we advanced a loan of €14 million to eircom Holdco SA. The loan was used to repurchase the shares held by departing executives and these are currently held by the Group.

For the year ended June 30, 2014, we made payments for capital expenditure of €296 million compared to capital expenditure of €416 million for the year ended June 30, 2013. On an adjusted basis (accounting for the disposition of Phonewatch), capital expenditure decreased from €413 million for the year ended June 30, 2013 to €296 million for the year ended June 30, 2014, a decrease of €117 million. The decrease was mainly due to the prior year acquisition of spectrum licenses in November 2012 amounting to €144 million. Excluding spectrum license payments, capital expenditure has increased in the year, mainly due to increased investments in our fixed network (NGA and IPTV), mobile network (3G/4G) and IT systems. For the year ended June 30, 2014, we also had cash inflows in respect of restricted cash deposits of €8 million, comprised of

€6 million refunded by ComReg and €2 million refunded by various institutions in relation to certain commercial contracts.

For the year ended June 30, 2013, we sold 100% of our shareholding in Phonewatch, and after allowance for certain costs relating to the disposal, received net proceeds of €117 million. On an adjusted basis (accounting for the disposition of Phonewatch), we received net proceeds of €128 million (excluding €11 million cash in Phonewatch at date of disposal). We also had cash inflows in respect of restricted cash deposits of €10 million for the year ended June 30, 2013 in relation to refunds received from ComReg.

Cash flows from financing activities

For the nine months ended March 31, 2016, we made loan repayments of €9 million (March 31, 2015: €9 million) in relation to our share of Tetra borrowings. These borrowings have now been paid in full. In addition, we made payments of €4 million (March 31, 2015: €1 million) in the nine months ended March 31, 2016 in respect of transaction fees relating to the amendment and extension of our Facility B borrowings.

For the year ended June 30, 2015, we effected a further amendment and extension of our Facility B bank borrowings with 92% of the outstanding principal now extended to May 2022. New proceeds of €238 million borrowed under our Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The new and amended Facility B3 borrowings of €1,863 million are subject to cash-pay interest at EURIBOR plus 4.5% margin. Transaction costs of €7 million were paid in the year ended June 30, 2015 in relation to this transaction and the previous year's amend and extend transaction. We also made loan repayments of €9 million in relation to our share of Tetra borrowings.

For the year ended June 30, 2014, we effected an amendment and extension of the terms of our Facility B borrowings. The amendment redesignated €1,913 million of principal as Facility B2 borrowings, with a maturity date of September 30, 2019. The amended Facility B2 borrowings were subject to cash-pay interest at EURIBOR plus 4.5% margin. Amend and extend fees of €13 million were paid in the year in relation to this transaction. We also made loan repayments of €9 million in relation to our share of Tetra borrowings.

For the year ended June 30, 2013, we undertook a permitted bond refinancing and received proceeds from the issuance of Senior Secured Notes due 2020 of €350 million. We made repayments of €339 million in respect of our Facility B borrowings, which was funded from the net proceeds from the issuance of Senior Secured Notes due 2020, after allowance for certain costs relating to issuance. We also made loan repayments of €8 million in relation to our share of Tetra borrowings.

Capital resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Our primary sources of liquidity have been and will be cash flow generation from our operations and permitted borrowings, and will include the Revolving Facility, in the event the Consent Request is successful, as well as the potential sale of non-core assets. We believe that we have sufficient liquidity to meet the cash requirements of our business operations.

Contractual obligations and commitments

The following table sets out our contractual obligations and commitments (excluding interest) as they fall due for payment after giving effect to the Refinancing Transactions:

(in € millions)	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total [2][3]
As of June 30, 2015					
Revolving Credit Facility [1]	—	—	—	—	—
Facility B2	—	—	159	—	159
Facility B3	—	—	—	1,863	1,863
Notes offered hereby	—	—	—	350	350
Other borrowings [2]	9	—	—	—	9
Operating leases	38	56	46	213	353
Capital commitments	45	—	—	—	45
	92	**56**	**205**	**2,426**	**2,779**

(1) Assumes the Consent Request is successful.

(2) Excludes derivatives.

(3) The funding requirements in respect of our defined benefit pension schemes are not included in the table above.

Capital Expenditures and Investments

The following table shows our capital expenditures defined as additions of property, plant and equipment and intangible assets for the periods indicated (including an intangible recognized in connection with our acquisition of Setanta).

	For the year ended June 30,			For the nine months ended March 31,	
(in € millions)	2013	2014	2015	2015	2016
Property, plant and equipment	209	262	239	152	156
Intangible assets	71	63	41	33	37
Spectrum License	144	—	—	—	—
Total capital expenditure	**424**	**325**	**280**	**185**	**193**

The following table shows our capital expenditures by investment program (excluding an intangible recognized in connection with our acquisition of Setanta).

	For the year ended June 30,			For the nine months ended March 31,	
(in € millions)	2013	2014	2015	2015	2016
Roll-out of NGA Network	107	96	66	45	55
Spectrum License	144	—	—	—	—
Other	173	229	214	141	130
Total capital expenditure	**424**	**325**	**280**	**186**	**185**

The following table shows our capital expenditures on a quarterly basis by investment program (excluding an intangible recognized in connection with our acquisition of Setanta).

	For the quarter ended							
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
	2014			2015				2016
	(€ in millions)							
Roll-out of NGA Network	19	14	14	17	22	18	17	20
Other	87	39	43	59	72	44	45	41
Total capital expenditure	**106**	**53**	**57**	**76**	**94**	**62**	**62**	**61**

For the nine months ended March 31, 2016, our (accrued) capital expenditures amounted to €193 million, which related primarily to expenditures on our network and on IT. Our total capital expenditures during this period represented €156 million of capital expenditure on property, plant and equipment and €37 million of capital expenditure on intangible assets. We did not acquire spectrum licenses in the nine months ended March 31, 2016.

For the year ended June 30, 2015, our (accrued) capital expenditures amounted to €280 million, which related primarily to expenditures on our network and on IT. Our total capital expenditures during this period represented €239 million of capital expenditure on property, plant and equipment and €41 million of capital expenditure on intangible assets. We did not acquire spectrum licenses in the year ended June 30, 2015.

For the year ended June 30, 2014, our (accrued) capital expenditures amounted to €325 million, which related primarily to expenditures on our network and on IT. Our total capital expenditures during this period represented €262 million of capital expenditure on property, plant and equipment and €63 million of capital expenditure on intangible assets. We did not acquire spectrum licenses in the year ended June 30, 2014.

For the year ended June 30, 2013, our (accrued) capital expenditures amounted to €424 million, which related primarily to expenditures on our network and on IT. Our total capital expenditures during this period represented €209 million of capital expenditure on property, plant and equipment, €144 million of capital expenditure on spectrum licenses and €71 million of capital expenditure on other intangible assets.

We estimate our capital expenditures for the period between April 1, 2016 and June 30, 2017 to be in the range of between 19% and 22% of our revenues for that period.

Off-balance Sheet Arrangements

As of March 31, 2016, we had no off-balance sheet arrangements.

Contingent Liabilities

We are subject to a number of lawsuits, claims and disputes with third parties, including with regulatory and taxation authorities, which give rise to contingent obligations. For a description of certain of these matters, see "*Business—Litigation*".

In addition, we reserve cash for performance guarantees (including for ComReg guarantees) and security in respect of ancillary facilities. See "*Regulation*". Performance guarantee deposits have been reserved in respect of our obligation to make payments to third parties in the event that we do not perform our contracted commitments under the terms of certain contracts. As of March 31, 2016, these include €3 million in respect of undertakings arising in relation to the roll-out of our 3G network in Ireland, including achieving certain agreed milestones, €3 million in respect of our obligation under a "quality of service performance improvement program" and €3 million in relation to other obligations under certain of our commercial contracts.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including interest rate fluctuations, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and management of the credit risk of counterparty institutions selected to hold assets.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including legal risk.

Interest Rate Risk Management

We are exposed to market risks as a result of changes in interest rates. Financial liabilities issued at floating rates, such as those under our Senior Facilities, expose us to cash-flow interest rate risk, while fixed rate financial liabilities expose us to fair value interest rate risk.

During the year ended June 30, 2015, we entered into two forward starting interest rate swaps with a total notional principal amount of €1.2 billion for a period of three years from June 11, 2015. These new swaps replaced the previous three year swaps which expired on June 11, 2015. However, we also effected a further amendment and extension of the terms of our Facility B borrowings during the year ended June 30, 2015 and introduced a floor for LIBOR and EURIBOR of zero, which applies to all of our term loan facilities. There is no corresponding floor in our interest rate swaps and, as a result, the swaps do not meet the requirements for hedge accounting.

Further details are included in the notes to the consolidated financial statements of eircom Holdings (Ireland) Limited contained elsewhere in this offering memorandum.

Foreign Exchange Rate Risk Management

We operate mainly in the currency of the primary jurisdiction in which we operate, the euro. Our exposure to currency risk has therefore been limited.

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments in the ordinary course of business and not for speculative purposes.

Credit Risk Management

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value.

We seek to minimize credit risk through a preventative credit check and security deposit process. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk.

We additionally exercise timely post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate defaults in payment, different measures may be implemented: deposits or advanced payments can be required to customers, limitation to prepay offers, etc.);
- sending reminders to subscribers;
- employing measures for the collection of overdue receivables depending on strategy, portfolio and subscriber profiles (penalties, reconnection letter with an option for a new contract, etc.); and
- measuring and monitoring debt collection status through our internal reporting tools.

On the dealer side, we have a certain degree of concentration which we manage with the timing of payment of commissions after the activation of a new subscriber. Concentration of credit risk relating to accounts receivable from subscribers is limited due to their large number. For accounts receivable from foreign telecommunications operators, the concentration of credit risk is also limited due to netting agreements with accounts payable to these companies, prepayment obligations, imposed bank guarantees and credit limits.

Credit risk relating to cash and cash equivalents, derivative financial instruments and financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency.

To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party. We also have a detailed treasury policy which provides a framework and parameters for managing the financial risks associated with the treasury functions.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our balance sheet.

Liquidity Risk

Liquidity risk arises primarily in connection with cash flows generated and used in financing activities, and particularly by capital expenditure servicing indebtedness, in terms of both interest and principal, and from all of our payment obligations that result from business activities. In general, we manage our liquidity risk by monitoring our cash flow and rolling liquidity reserve forecast in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

The preparation of our financial statements requires our management to make assumptions that affect the reported amount of assets and liabilities at the date of our balance sheet and the reported amounts of revenue and expenses during the fiscal period. Estimates and judgments used in the determination of reported results are continuously evaluated.

Estimates and judgements are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies and a description of our use of estimates and judgments are set out in note 5 to our consolidated financial statements as of and for the year ended June 30, 2015 included elsewhere in this offering memorandum.

INDUSTRY

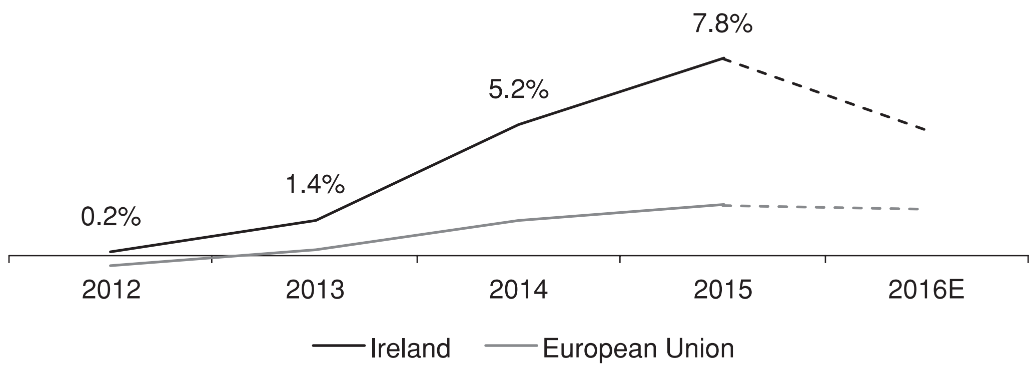
The market information presented in this section is taken or derived from the cited sources. Forecasts of market data are inherently forward-looking and all market data are subject to uncertainty and do not necessarily reflect actual market conditions. They are based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based on internal information, insights, subjective opinions or internal estimates, and not on any third-party or independent source; these statements contain words such as "we estimate", "we expect", "we believe" or "in our view" and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. See "Industry and Market Data" for additional information.

Macroeconomic overview

We operate in Ireland, a country with a population of 4.64 million people as of April 2015, according to the latest data from Ireland's Central Statistics Office. Ireland is a developed market economy, with a nominal GDP per capita in 2015 of $51,351, as compared to $55,805 for the U.S., $43,771 for UK, $40,997 for Germany and $37,675 for France (Source: Eurostat).

Since 2012, Irish GDP growth has outpaced the EU average.

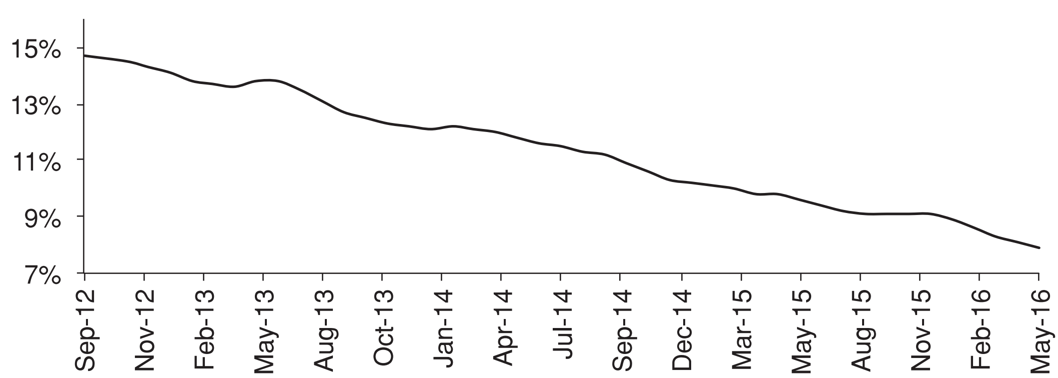
Ireland vs EU-28 GDP Growth



Source: Ireland Central Statistics Office, Eurostat

Irish unemployment has shown significant improvement, having declined from 14.7% in 2012 to 9.4% in 2015 (Source: Ireland Central Statistics Office). This compares with unemployment rates as of 2015 of 4.7% in Germany, 10.4% in France, 5.8% in the UK and 9.7% average for the EU-28 (source: Eurostat).

Ireland vs EU-28 unemployment rate



Source: Ireland Central Statistics Office

Overview of Irish telecommunications market

The Irish telecommunications market has evolved significantly in terms of products offered, network technologies used and market structures since its full opening to competition in December 1998. Prior to liberalization, Bord Telecom Éireann, our predecessor and the incumbent operator, held a virtual monopoly in the fixed market; a small number of operators competed with our retail voice services or data services using leased lines, or offered deregulated value added data services. Following liberalization, there has been growth in the number of customers using services at least partially provided on competitors' alternative fixed and mobile networks. There is also an ongoing shift in the mix of telecommunications services used by customers: fixed voice services are in decline, while data usage and bandwidth consumption increasing rapidly; this trend is driving the adoption of fiber-based fixed line services. Furthermore, telecommunications services are increasingly sold in bundles with convergence in the residential market between voice and data communications as well as TV services. As such, our main competitors today include Vodafone, Virgin Media, Sky Ireland, 3, and BT (Source: ComReg 16/17).

In its Quarterly Key Data Report on the Irish communications market (ComReg Document No. 16/17, Irish Communications Market, Quarterly Data Report, Data as of Q4 2015), ComReg reported that the Irish telecommunications market, which includes the fixed line, mobile and broadcasting (including cable) sectors, accounted for an estimated €3.00 billion in retail revenues for the twelve month period ended December 31, 2015. Of this, 52.3% was attributable to mobile, 42.6% to fixed line and 5.1% to the broadcasting (including cable) sector (Source: ComReg 16/17). (The ComReg figures for broadcasting revenues do not include license fee and/or television advertising revenues.)

Retail revenues in the industry for the quarter ended December 31, 2015 were an estimated €0.77 billion, representing a marginal increase of 1.3% compared to the quarter ended September 30, 2015, driven by growth in mobile and fixed revenues of 2.1% and 0.8% respectively, which more than offset the 1.2% decline in broadcasting retail revenues (Source: ComReg 16/17).

The markets for television and telecommunications have been converging over the years as customers look to purchase these services from a single provider. This helped develop a market for multi-play offerings, whereby fixed line voice, mobile, broadband and/or television services are bundled into integrated offerings. In the quarter ended December 2015 an increase in double play subscriptions was observed when compared to the previous quarter. In the quarter ended December 2015 39.5% of fixed market retail subscriptions were single play compared to 43.9% in the quarter ended December 2014, 36.1% of subscriptions were double play (a bundle of two services) compared to 32.9% in December 2014 and 36.3% in December 2013; 24.4% were triple and higher play (a bundle of three or more services) compared to 23.2% in December 2014 and 16.5% in December 2013 (Source: ComReg 16/17). Nevertheless, penetration of multi-play offerings in Ireland remains below levels seen in other European markets such the UK and Spain, where penetration of triple and higher play offers stood at 27% in the UK (as of March 31, 2015) and 45% in Spain (as of December 31, 2014).

Fixed Line telecommunications market

Providers of fixed line telecommunications services typically derive revenue from the sale to consumers of access to their network, tariffs charged for the carriage of voice and other communications on their network and from data-related services, including Internet and broadband access, and information technology services. They also charge other telecommunications providers regulated rates for access to their network; for example, for the use of interconnect services that permit communication between and across different networks, including between fixed and mobile networks. Our main competitors in the provision of fixed line services include BT, Vodafone, Virgin Media and Sky.

The rate of growth in the Irish fixed line telecommunications market has slowed since 2002, primarily as a result of the contraction in the voice segment of this market. According to ComReg 16/17, the Irish fixed line market increased in size by 0.8% in the quarter ended December 31, 2015 compared to the previous quarter. We remain the largest provider in the fixed line telecommunications market, with a reported market share of 48.9% as of December 31, 2015, based on fixed line revenues (Source: ComReg 16/17).

Broadband fixed access and Internet

According to ComReg 16/17, the Irish fixed broadband per capita penetration rate as of September 30, 2015 was 27.3%, and increase of 2.4% versus September 30, 2013. Fixed broadband penetration remains behind the benchmarked EU 25 average of 29.6% (Source: ComReg 16/17). By the end of December 2015, the fixed broadband per capita penetration rate in Ireland had risen to 28.2%, with ComReg reporting overall fixed residential broadband subscriptions (i.e. excluding business subscriptions and mobile broadband subscriptions) of 1.14 million at the end of December 2015 (Source: ComReg 16/17).

DSL broadband accounted for the single largest share of fixed broadband subscriptions with 40.0% at the end of December 2015. DSL broadband subscribers declined 16.8% compared to the quarter ended December 2014 (Source: ComReg 16/17). VDSL broadband accounted for 27.2% of broadband subscriptions as of December 31, 2015 (Source: ComReg 16/17). VDSL subscribers increased by 76.7% compared to the quarter ended December 2014 (Source: ComReg 16/17). 67.3% of all fixed broadband connections in Ireland leverage eir's fixed network. Cable broadband had a 28.6% share of all fixed broadband subscriptions as of December 31, 2015, down from 29.1% in the quarter ended December 31, 2014 although this share of the national market has been achieved in a footprint that is confined to only part of Ireland, namely the urban areas (Source: ComReg 15/27 and 16/17). Other forms of access (FWA, fiber, satellite) accounted for 4.2% of broadband connections as of December 2015 (Source: ComReg 16/17). According to Analysys Mason and ComReg, there were 741,000 VDSL, FTTH, FTTB and cable broadband connections in Ireland as of December 31, 2015, which is expected to grow to 1.6 million in 2020.

According to the data reported by ComReg 16/17, for the quarter ended December 2015, eir had 34.5% of total fixed broadband subscriptions, followed by Virgin Media who had 28.4% of subscriptions. Vodafone had 18.0% (excluding mobile broadband subscriptions) and Sky Ireland had 10.0% market share (Source: ComReg 16/17). All OAOs combined accounted for the remaining 9.1% share of fixed broadband subscriptions (Source: ComReg 16/17).

Generally, the evolution of the fixed broadband market has reflected consumer preferences for higher speeds. Accordingly, we have made a significant investment in our fiber-based NGA network, with a target of passing 1.9 million premises (representing more than 80% of Irish premises) in approximately four years using VDSL and other technologies such as FTTH. This explains the significant decline in the number of broadband lines utilizing DSL technology, and the simultaneous rise in the number of VDSL lines. Availability of these new, fiber-based fixed broadband solutions underpins the significant growth in VDSL subscriptions seen in the market, with number of VDSL connections increasing from 201,649 in December 2014 to 356,313 in December 2015 (Source: ComReg 16/17). Furthermore, as high-speed fixed broadband networks become more widely available throughout Ireland, consumers who in the past may have only had access to a mobile broadband solution may now avail themselves of a fixed connection. This can explain the 11.4% reduction in mobile broadband connections between December 2014 (450,538 connections) and December 2015 (399,177 connections) (Source: ComReg 16/17).

Other initiatives underway includes Vodafone's fiber build out initiative with the Electricity Supply Board through their joint venture company, Siro. Vodafone is currently the sole retail supplier of FTTH, and has expressed an intention that Siro pass 500,000 premises by the end of 2018. To date, Siro has partially cabled 4 of the 50 towns which will make up the 500,000 premises.

The NBP is a government policy initiative in Ireland which aims to deliver high speed broadband to every citizen and business in Ireland. This is being achieved through a combination of commercial investment by telecom operators and a proposed State intervention to provide high speed broadband to those parts of the country where there is no certainty that the commercial sector will invest. The NBP goal is to provide minimum broadband service of 30 Mb/s download and 6 Mb/s upload to all 2,350,000 premises in Ireland by 2022. The intervention area includes 757,000 premises, split into two geographic regions (North and South). eir's 300,000 rural roll-out of high-speed broadband is currently included in the intervention footprint of 757,000. We are reviewing the decision to retain these premises in the intervention footprint. The contract is expected to be awarded in 2017.

Narrowband fixed access

According to ComReg 16/17, there were over 1.5 million direct and indirect PSTN and ISDN access paths in the Irish market in the quarter ended December 31, 2015. Indirect access paths relate to telephone lines provided to customers by means of Carrier Pre-select (''**CPS**''), Wholesale Line Rental (''**WLR**'') or Switchless Voice (''**SV**''). CPS allows the user to receive all or a portion of calls from one provider and line rental from another provider (usually eir). SB-WLR (also known as Single Billing-WLR) allows the user to receive every aspect of telephone service, including all calls and line rental from one single supplier. SV, also known as White Label Access-Voice Access (''**WLA-Voice**'') is a switchless voice service which allows an operator to purchase end-to-end call services without the need to have its own interconnection infrastructure. In the quarter ended December 2015, indirect access accounted for 38.1% of all narrowband access paths in the fixed line market (Source: ComReg 16/17). The data indicates that OAOs continue to migrate their customer base to single-bill services, i.e. SB-WLR or WLA rather than CPS only (i.e. a calls only service, excluding line rental). SB-WLR used by OAOs now accounts for 64.7% of indirect access paths compared to 69.3% in December 2013 (Source: ComReg 16/17). WLA paths account for 32.0% of total indirect access paths compared to 25.8% in December 2013 (Source: ComReg 16/17). The share of CPS only indirect access paths has declined by 1.4 percentage points in the last two years and now accounts for 3.3% of overall indirect access paths (Source: ComReg 16/17).

Fixed voice

ComReg 16/17 reported that fixed voice traffic in the quarter ended December 31, 2015 reached just under 1.09 billion minutes, a 0.7% increase compared to the quarter ended September 30, 2015 and a 4.6% decrease since December 31, 2014. The largest proportion of calls in the fixed line market are domestic calls (which include local and national calls), representing 54.8% of all fixed call line minutes (Source: ComReg 16/17). Managed voice over broadband (''**VoB**'') minutes account for 12.7% of total fixed voice minutes in the quarter ended December 31, 2015, up from 12.2% in the quarter ended December 31, 2014 (Source: ComReg 16/17). This reflects a continued increase in managed VoB subscriptions.

The general reduction in demand for fixed voice lines is due to a number of factors including substitution by mobile and by ''over-the-top'' products (Skype, Viber and others). Overall voice traffic volumes (by minutes) increased for the quarter ended December 31, 2015, up by 1.2% from the quarter ended September 30, 2015 but were down slightly by 0.1% compared to the quarter ended December 31, 2014 (Source: ComReg 16/17). Mobile voice traffic was stronger, with an increase of 1.5% compared to the quarter ended December 31, 2014, and a rise of 1.4% compared to the quarter ended September 30, 2015 (Source: ComReg 16/17).

Mobile telecommunications market

Mobile telecommunications services have been available in Ireland since 1985 and there are currently three MNOs in Ireland: 3, Vodafone and eir. There are a number of MVNOs currently active in the market as well, including Tesco Mobile.

In 2014, the European Commission cleared the acquisition of O2 Telefonica Ireland by 3, subject to certain conditions. First, 3 was required to offer a package aimed at ensuring the short-term entry of two MNVOs, with an option for one of them to become a full mobile network operator by acquiring spectrum at a later stage. To accomplish this, 3 committed to offer wholesale network access under a fixed capacity ''take or pay'' pricing model. This means that an MVNO will pay a fixed fee for a pre-determined amount of capacity, measured in terms of bandwidth. This would ensure that the MVNO entrants will obtain a dedicated ''pipe'' from the merged entity's network for each of voice and data traffic and would be incentivized to fill this ''pipe'' by introducing aggressively priced offers into the marketplace. 3 also granted an option allowing one of the new MVNOs to purchase five blocks of spectrum across the 900 MHz, 1800 MHz and 2100 MHz bands to enable such MVNO to become a full mobile network operator at a later stage. The option for one of these MVNOs to acquire this spectrum will be valid for ten years, starting from January 1, 2016. Secondly, 3 offered a package aimed at ensuring that eir remains a competitive mobile network operator in Ireland. 3 committed to offer to continue their pre-existing netword sharing agreement with eir on improved terms. Given the importance of network sharing in Ireland, this will help to secure eir's ability to achieve its roll-out plans and help to ensure that eir will remain an effective and viable competitor.

ComReg 16/17 reported overall mobile subscriptions of 5.86 million at the end of December 2015 representing an increase of 0.6% since the end of December 2014. The penetration of mobile subscriptions, calculated based on the number of active SIM cards per 100 of the population, including mobile broadband and M2M at the end of December 2015 was 126.1%, representing a small decrease of 0.1% compared to a penetration of 126.2% at the end of December 2014 and an increase of 0.3% compared to 125.8% as of September 30, 2015 (Source: ComReg 16/17). According to Analysys Mason, mobile penetration (excluding M2M) in Ireland was 113.8% as of December 2015, below the averages in the UK (131.6%) and Western Europe (126.7%).

According to data published by ComReg 16/17, the Irish mobile market by revenues increased in size by 2.0% for the quarter ended December 31, 2015 as compared with the quarter ended December 31, 2014, to €401 million, mainly due to increases in data and voice revenues.

According to ComReg 16/17, in the quarter ended December 31, 2015 Irish mobile operators' ARPU was estimated at €24.62 per month, down 1.5% from €25.00 per month in the quarter ended December 31, 2014. According to ComReg, this decline in ARPU is likely to be a reflection of a number of factors such as those attributable to increased sales of bundled products (combining mobile with fixed calls and sometimes broadband and/or television) and reductions in roaming and mobile termination rates, among others.

Mobile users pay for their mobile service by either purchasing prepaid credit, or by receiving a monthly bill from their mobile operator, which is a postpaid payment option. At the end of December 2015, 50.1% of mobile subscriptions were postpaid, up from 47.6% at the end of December 2014 (Source: ComReg 16/17). According to Analysys Mason, the post-paid share of the total mobile subscriptions (excluding M2M) in Ireland is well below comparable European countries such as the UK (60.5%), Germany (56.3%), France (88.4%) and Spain (75.6%) as of December 2015.

According to ComReg 16/17, eir Group's mobile market share (including mobile broadband and M2M) for the quarter ended December 31, 2015, in terms of subscribers and revenues, respectively, was 18.6% and 18.8%, a slight decrease from 18.7% and 18.9% for the quarter ended December 31, 2014.

Spectrum

The table below presents certain key data with respect to the frequency licenses of Irish mobile operators.

		3***	Vodafone	Meteor (eir)
800 MHz*	Spectrum available	2x10 MHz	2x10 MHz	2x10 MHz
	Valid until	2030	2030	2030
900 MHz*	Spectrum available	2x5 MHz and 2x10 MHz	2x10 MHz	2x10 MHz
	Valid until	2030	2030	2030
1800 MHz*	Spectrum available	2x20 MHz and 2x15 MHz	2x25 MHz	2x15 MHz
	Valid until	2030	2030	2030
2100 MHz**	Spectrum available	2x15 MHz, 2x15 MHz and 1x5 MHz unpaired	2x15 MHz	2x15 MHz
	Valid until	2022	2022	2027

* —Licensed for all technologies permitted under the EC Decisions on 800 MHz, 900 MHz and 1800 MHz basis.

** —Licensed for 3G/IMT-2000 systems (and potentially LTE in the future—consultation underway).

*** —3 granted an option allowing one of the new MVNOs to purchase five blocks of spectrum across the 900 MHz, 1800 MHz and 2100 MHz bands to enable such MVNO to become a full mobile network operator at a later stage. The spectrum will be available for ten years, starting from January 1, 2016.

Mobile termination rates

According to data published by BEREC, as of July 2015 Ireland had the highest MTRs in the European Union, at €0.026/minute, versus EU-28 average of €0.011347 per minute. From September 1, 2016 MTRs will decrease to €0.0084/minute, followed by further decreases to €0.0082 per minute from January 1, 2017 and to €0.0079 per minute from January 1, 2018. These decreases bring Ireland's MTRs below the EU-28 average.

The Irish Television Market

According to ComReg 16/17, there were 1,569,000 TV homes in Ireland as of January 2016, representing a penetration of 92.1% of all Irish homes. According to Analysys Mason, pay-TV household penetration was estimated at 61.8% in 2015, of which satellite represents the most widely adopted broadcasting medium, attracting 38.7% of total TV households, followed by cable with a 19.0% share and IPTV with a 4.1% share. Total spend in pay-TV market was €0.5 billion in 2015, with the main providers of subscription television being Virgin Media and Sky. According to Analysys Mason, pay-TV spend in Ireland is forecast to grow at approximately 1.2% per annum between 2016 and 2020.

Satellite

Satellite TV is offered by Sky, which launched service in 1989 and is estimated to have had 820,040 connections as of 2015. Sky currently offers a mixture of free-to-air and subscription multichannel pay-TV services. In addition, Freesat, a UK joint venture between the BBC and ITV, offers free-to-air channels over satellite which can be received in Ireland.

Cable

Cable is offered by Virgin Media (formerly UPC), which launched service in 1990 and had 332,600 subscribers as of March 31, 2016, of which 301,700 are digital. Virgin Media's digital footprint covers in excess of 836,200 homes passed and provides television, broadband Internet and fixed voice services to much of this footprint. Virgin Media acquired the assets of NTL Ireland in 2005, which completed its network footprint in all of the country's major provinces.

IPTV

As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoB services. As of 2015, there were approximately 74,200 homes using IPTV services according to Analysys Mason. We are the largest provider of IPTV services in Ireland, having launched in October 2013, with 49,000 subscribers as of March 31 2016. We were the first quad-play provider of fixed voice, data, mobile and TV services in Ireland.

Competition

Fixed

ComReg 16/17 reported that for the quarter ended December 31, 2015, eir was the leading provider of fixed line voice and data with 48.9% of revenues, followed by BT (13.4%), Vodafone (9.8%), Virgin Media (9.4%), Sky (2.8%) and OAOs (15.7%). This represents a 0.5% reduction in revenue market share from 49.4% for the quarter ended December 31, 2014.

With respect to the fixed broadband market, ComReg 16/17 reported that as of December 31, 2015 eir was the market leader with 34.5% share of retail subscribers, followed by Virgin Media (28.4%), Vodafone (18.0%), Sky (10.0%), and OAOs (9.1%). eir's share of fixed broadband subscribers has declined from 36.5% as of December 31, 2014.

Mobile

ComReg 16/17 reported that as of December 31, 2015, Vodafone had the largest number of mobile subscriptions (including mobile broadband and M2M) with 38.7% market share, followed by 3 (34.9%), eir (18.6%) and Tesco Mobile (5.8%). eir's share of total subscriptions declined marginally by 0.1% from 18.7% as of December 31, 2014 to 18.6% of December 31, 2015. Excluding mobile broadband and M2M, eir's market share in terms of total subscriptions for the quarter ending December 31, 2015 was 20.5%, while Vodafone's was 38.3%, 3's was 32.0% and Tesco Mobile's was 6.8%.

ComReg 16/17 also reported that as of December 31, 2015, 3 was the market leader in mobile broadband with 48.4% of total subscriptions, followed by Vodafone (38.7%), and eir (11.5%). eir's share has grown by over 1.1% from 10.4% as of December 31, 2014.

Pay-TV

According to ComReg 16/17, as of December 2015 there were 1,383,000 cable and satellite serviced TV homes. 14% of the total TV homes in Ireland, representing 219,600 subscribers, had satellite services from providers other than Sky (Source: ComReg 16/17). As of December 2015, Virgin Media had approximately 343,300 cable subscribers, which leaves Sky as the market leader in 2015 with 820,040 subscribers.

BUSINESS

Overview

We are the sole telecommunications provider in Ireland that offers quad-play bundles on our own integrated network, and we offer a range of retail and wholesale services. We are the principal provider of fixed line telecommunications and operate the third largest mobile telecommunications provider.

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 73% of our revenue (before inter-segment eliminations) for the twelve months ended March 31, 2016. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our total revenue market share of the total Irish market (including mobile) was 32% for the quarter ended December 31, 2015. Our mobile division includes Meteor and eir Mobile, which provides mobile services to bundled customers, and is also the brand used in the eir Business division. The mobile business contributed 27% of our total revenue (before inter-segment eliminations) for the twelve months ended March 31, 2016. Adjusted revenue for the twelve months ended March 31, 2016 was €1.29 billion and Adjusted EBITDA was €497 million.

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our fixed/mobile convergence (''**FMC**'') bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fiber network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports.

Our strategy to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms, is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between June 30, 2012 and March 31, 2016 we have spent €1.2 billion, or 25% of revenue, in relation to the roll-out of our fiber network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fiber network now passes over 1.4 million homes and businesses in Ireland.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2015, the annual growth in Irish GDP was 7.8%, the highest of the 28 countries in the EU, and further growth is expected in 2016.

In terms of the overall Irish telecommunications market, total market revenue (including retail and wholesale revenue but excluding satellite pay-TV) was €3.87 billion for the twelve months ended December 31, 2015 (*Source: ComReg*).

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering broadband, voice, TV, datacomms and managed services to individual consumers and business users under the eir brand. We also offer other authorized operators (''**OAOs**'') a range of wholesale services including high-speed broadband, voice and managed services under our new Open eir brand. According to quarterly data published by ComReg (ComReg 16/17), we had a market share for the quarter ended December 31, 2015 of 48.9% of the Irish fixed line market, based on revenue, compared to 49.4% of revenue market share in the quarter ended December 31, 2014. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach, and other network operators therefore rely heavily on our infrastructure. We are also the leading provider of retail broadband services in Ireland with 447,000 retail and 389,000 wholesale customers as of March 31, 2016. As of March 31, 2016, we had 1,220,000 fixed line retail and wholesale telephone access lines (excluding wholesale Local Loop Unbundling (''**LLU**'')) in service. Approximately 96% of our active access lines are in exchanges enabled to support both PSTN and ADSL permitting simultaneous, high-speed transmission of voice and data over our network.

Revenue (before inter-segment eliminations) from our retail fixed line services was €652 million for the twelve months ended March 31, 2016 and from our wholesale fixed line services was €332 million (including €14 million of revenue from networks and property income) for the twelve months ended March 31, 2016.

Mobile services

Our Mobile division is comprised of the Meteor and eir Mobile brands. The eir Mobile brand is used mainly for bundling in the consumer market, but is also the main brand used by our eir Business division. Through our capital investment program, we were the first mobile operator in Ireland to launch 4G services, and more recently we were the first operator to introduce free EU roaming. We are the third largest mobile operator in Ireland in terms of revenue and customers. According to data published by ComReg for the quarter ended December 31, 2015, we had an overall market share of 18.6% based on the number of subscribers, including mobile broadband, and 18.8% based on revenue, a market principally comprised of three large players: Vodafone Ireland Ltd ("**Vodafone**"), 3 and eir. Our mobile handset market share as of December 31, 2015 was 20.5%, according to data published by ComReg.

The mix of our mobile base continues to improve and, as of March 31, 2016, 47% of our customer base was postpay. Revenue (before inter-segment eliminations) for our mobile division for the twelve months ended March 31, 2016 was €359 million, compared to €349 million for the twelve months ended March 31, 2015, an increase of 2.8%. Adjusted EBITDA was €66 million for the twelve months ended March 31, 2016, representing an increase of €17 million compared to the twelve months months ended March 31, 2015. Adjusted EBITDA margin increased to 19% for the twelve months ended March 31, 2016, from 14% for the corresponding prior year period.

Our Strengths

We operate in the attractive Irish market, which was the fastest growing economy in the EU in 2015 when it also enjoyed its lowest unemployment rate in seven years. We believe we have a number of strengths, including the following:

We are the largest integrated telecommunications operator, and the first with quad-play infrastructure in Ireland

We have successfully rolled out bundled services including high-speed broadband, TV, voice and mobile services delivered to customers on a single bill. As of March 31, 2016, over 46% of our customers were on a dual-play bundle, with a further 19% on triple- or quad-play bundles. In January 2014 we commercially launched eir Vision, our IPTV service, over our fiber network, which made us the first operator in Ireland to offer quad-play bundles at the time. As of March 31, 2016, we had over 49,000 eir Vision subscribers representing a 26% penetration rate of our fiber-served residential customer base.

Through increased bundling, we are well-positioned for further significant increases to our revenue generating units ("**RGU**") per household, which stood at 2.02 as of March 31, 2016. We believe there is significant potential for cross-selling and up-selling of our fixed line voice, broadband, mobile and TV services, which we believe will increase RGU's per household and increase customer satisfaction, resulting in reduced churn. Specifically, we believe there are significant opportunities within the triple- and quad-play market, and that our broad geographic reach and integrated nature of our network, alongside our leading fixed line subscriber base, will position us to compete effectively in this market. We believe that customers subscribing to larger bundle packages will churn at lower rates. Our triple- and quad-play bundle penetration of 19% compares with triple- and quad-play bundle penetration of approximately 24.4% in the Irish market overall as of December 31, 2015 and 27% in the UK as of March 31, 2015.

We acquired Setanta Sports Ireland in April 2016. Through this transaction, we have acquired exclusive and attractive sports content including Premier League, Champions League and Europa League football, among others, which will further strengthen our bundling capabilities.

We are the leading provider of fixed voice and broadband services in Ireland with strong brand recognition

We are the preferred fixed line operator in Ireland according to external research, and have retained an impressive market position, notwithstanding that the market has been fully liberalized since 1998, and infrastructure competition has developed and intensified in the last five years. We had 1,220,000 fixed access lines (excluding LLU) as of March 31, 2016. Our overall fixed line market revenue share (including fixed broadband) was reported by ComReg as 48.9% for the quarter ended December 31, 2015 and, for the same period, our fixed broadband market share of retail and wholesale subscriptions was 67.4%, including a retail market share of 34.5%. Our market position means that we have benefitted from historically stable fixed line rental ARPU and are well placed to take advantage of the growth opportunity, in both the telecommunications and the converging media markets, arising from Ireland's strong economic recovery. At 66.8%, fixed broadband penetration in Ireland is lower than in the majority of other advanced European countries, and we therefore see an opportunity for growth in this area.

In September 2015, we launched our new brand, eir. The new brand reflects our revitalized and modernized company, which has been transformed by the investment in our integrated network capabilities and the development of new customer propositions delivered across these networks. According to research conducted on our behalf by an independent research agency, Red C Research, 84% of Irish customers are aware of our rebranding, 74% actively recall our rebranding advertising, and customers of competitors are more likely to consider eir as a result of the rebrand. We have scored highly in terms of brand consideration, with Red C Research reporting that 43% of Irish adults would consider eir for fixed broadband. Awareness of our TV offering has grown steadily since its launch, with 58% of the market now aware of our eir Vision TV service. We believe that our strong brand recognition, investments in our network and our extensive reach give us considerable competitive advantages in Ireland, our core market. This is demonstrated by our continuing strong market position in a now highly competitive retail market with strong participation and marketing from our main fixed line competitors: Vodafone, Virgin Media and Sky.

We are the third largest mobile operator in Ireland

Since re-entering the Irish mobile market with our acquisition of Meteor in November 2005, we have invested significantly in our network and in growing our customer base and had 1,078,000 mobile customers as of March 31, 2016. According to data published by ComReg for the quarter ended December 31, 2015, we had an overall market share of 18.6% based on the number of subscribers, including mobile broadband, and 18.8% based on revenue. The market includes three large MNOs (Vodafone, 3 and eir) and several smaller MVNOs, including the established brands Tesco Mobile and Lycamobile, as well as the recently launched Virgin Media and iD Mobile brands. Our mobile handset market share as of December 31, 2015 was 20.5%, according to data published by ComReg.

Meteor historically targeted prepaid customers in the under 25-year old market segment as well as value conscious customers, but has now been expanded to appeal to higher value postpaid subscribers, which have higher ARPU and a lower propensity for churn. In 2009 we launched eMobile, a second mobile brand that was more explicitly associated with the eircom fixed line business in the consumer and business markets, and which was re-branded eir Mobile in September 2015. This brand was predominantly targeted at an older, higher income demographic with a focus on offering bundled services to our fixed line subscribers and to business markets.

As of March 31, 2016, we had 503,000 postpaid subscribers, including mobile broadband. This represents 47% of our mobile customer base and an increase of 4 percentage points since March 31, 2015. We have steadily grown our business-to-business ("**B2B**") mobile offering to target the business segment in Ireland in which currently two of our competitors (Vodafone and 3) have the largest market shares. As of December 31, 2015, we had an 8.1% share of the business market segment, excluding mobile-to-mobile ("**M2M**") and mobile broadband ("**MBB**"), compared to 6.5% as of December 31, 2014. We believe that the business market segment continues to represent a sizeable expansion opportunity for our mobile business, and that we are well positioned to cross-sell and up-sell our mobile services through bundled offerings to our extensive business customer base.

We were the first to launch 4G mobile services in Ireland, in 2013, achieving 75% outdoor population coverage as of March 31, 2016. There was a 45% increase in data usage since March 31, 2015, which drove growth in our mobile revenues, and we have launched HD Voice Nationwide, an upgrade to call quality aimed at providing a crystal clear mobile voice service. Our 3G and 2G networks are fully national with 99% of the population covered, and 80% of our 3G network is dual carrier HSPA+ enabled as of March 31, 2016, which supports increased speeds of up to 42 Mb/s.

On June 30, 2015, following an extensive site roll-out program, we ended our national roaming agreement ("**NRA**") with Vodafone which covered the west, south west and north west of Ireland. Through the roll-out of 3G sites in the former NRA area, as well as network sharing arrangements with 3, we have delivered a substantial improvement in customer experience in relation to data services in those areas. We believe our investments in our mobile network and our network sharing arrangement with 3 give us a platform to capitalize on the growth of mobile data throughout Ireland and improve our existing coverage footprint in rural and urban locations.

Our substantial investments have resulted in an extensive fiber network infrastructure in Ireland, delivering the next generation of broadband data services

We have constructed an extensive Next Generation Access ("**NGA**") fiber network, investing approximately €360 million from early 2012 through March 31, 2016. As of March 31, 2016, we had passed over 1,405,000 premises with Fiber to the Cabinet ("**FTTC**") technology which offers broadband speeds of up to 100 Mb/s with the aid of vectoring technology. Furthermore, we have commenced the roll-out of high-speed broadband to rural Ireland, using predominately Fiber to the Home Technology ("**FTTH**"). In September 2015 we rolled out our pilot FTTH program, with speeds of up to 1 Gb/s and as of March 31, 2016 we had passed approximately 30,000 premises across 18 regional communities, and we plan to reach 300,000 premises passed within approximately four years. As of March 31, 2016, more than approximately 60% of all premises in Ireland can benefit from high-speed fiber broadband provided by eir.

We believe the reach and quality of our network allows us to offer highly attractive and competitive services in terms of speed, capacity, content, connection reliability and cost efficiency. Our current network enables us to respond to customer demand for high-speed connectivity delivered to a multitude of locations over a variety of technologies. We plan to reach 1.9 million premises passed (representing over 80% of Irish premises) within approximately four years, including 300,000 premises passed by our FTTH network. As of March 31, 2016, 394,000 or 47% of Group broadband customers signed up to NGA fiber services, compared to 242,000, or 32% of the total, as of March 31, 2015. Our state-of-the-art network has allowed us, through our Consumer division, to provide super-fast broadband services to consumers and enabled us to launch a range of entertainment services on fiber, including TV services, where we hold a 3% share of the market as of January 31, 2016.

We have the largest core fiber network in Ireland, with over 13,000 km of lines and we believe that this investment, together with our investment in our fiber access network, uniquely positions us to meet customer demand for high-speed services, as well as providing the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services. We believe that the growth in data traffic will increase utilization of our NGA fiber network and, given the planned quality and reach of our network, will enable us to benefit from increased broadband penetration and data traffic across fixed and mobile networks in Ireland, and maintain our product leadership in the high bandwidth demand environment. We believe that our fiber network also positions us well to tender in the Irish government's National Broadband Plan ("**NBP**"), a government-sponsored scheme to ensure all Irish premises have broadband access (with minimum download speeds of 30 Mb/s and minimum upload speeds of 6 Mb/s) by 2022.

We are a leading provider of telecommunications solutions to Irish businesses and government bodies

We are the largest communications service provider to businesses and the public sector in Ireland, serving almost 90,000 small and medium enterprise, corporate and public sector customers with a range of traditional fixed line, data center services, managed services and solutions.

In particular, we offer local, national, fixed-to-mobile and international fixed voice services to our business customers throughout Ireland, and also offer a range of advanced fixed voice services, including Freefone, cost-shared and premium rate services, virtual private networks and teleconference services to our corporate and medium sized business customers, a large proportion with whom we have longstanding relationships. We also provide a range of fixed broadband, datacomms, managed services and solutions, and data center services to our business customer base, and have grown our B2B mobile services to business customers in Ireland, with 8.1% share (excluding MBB and M2M) of this market as of December 31, 2015, compared to 6.5% as of December 31, 2014. We believe that our B2B eir Mobile service allows us to cross-sell FMC solutions to our extensive customer base, which we believe will help us reduce our fixed line churn and mitigate the impact of increased competition from other mobile operators.

eir UK has grown significantly in the last five years, as a result of several major managed network services contract awards, primarily with public sector customers. We also provide fixed communications services to a small number of UK subsidiaries of Irish companies and a number of multinationals.

We are the largest wholesale telecommunications provider in Ireland

In the wholesale market, we provide a broad range of infrastructure and managed services such as wholesale line rental, bitstream, line share, LLU, capacity based products and interconnect services, and we provide the capability for other operators to provide retail services to customers, as well as high capacity backhaul services for mobile network operators (''**MNOs**'') to connect their radio sites.

Our wholesale division operates on a non-discriminatory basis, offering a range of regulated services (including fiber) on ''open access'' basis, meaning it is available to other operators in the market, on an equivalent basis to our retail division, which drives the most efficient utilization of the asset and provides us with additional revenue opportunities. Our wholesale business has undergone a significant transformation process, moving from a supplier of telecommunications services to a strategic partner of choice for our wholesale customers. Competition within the wholesale market is strongest in core network services and, although other operators are beginning to compete in the wholesale access market, the majority of operators including Vodafone, BT, and 3 are significant customers of our wholesale business and rely on our core and access networks for the provision of mobile backhaul services as well as services to their end user consumer and business customers. As a consequence, we often gain some wholesale business when we lose retail business to OAOs. We have had success with our value-added services, including a service for resellers which includes managed calls and broadband access services (sometimes called ''**White Label**'') that allows our customers to make more extensive use of our network and services instead of investing in their own infrastructure. White Label subscriptions among our existing WLR lines have increased from 106,000 as of March 31, 2015 to 142,000 subscribers as of March 31, 2016.

We generate strong operating cash flows and have significant upside from cost savings

Our business is strongly cash generative, with Adjusted EBITDA of €481 million and €497 million for the financial year ended June 30, 2015 and the twelve months ended March 31, 2016, respectively. We have continued to generate significant cash flows in the face of competitive and regulatory pressures by increasing revenues, improving operational efficiencies and reducing costs through our cost savings program. We generated net operating cash flows of €295 million and €317 million for the financial year ended June 30, 2015 and twelve months ended March 31, 2016, respectively. We have a strong track record of achieving cost savings and have decreased operational expenses from €597 million for the year ended June 30, 2013 to €512 million for the year ended June 30, 2015, and increased our Adjusted EBITDA margin from 35% for the year ended June 30, 2013 to 38% for the year ended June 30, 2015. We have achieved this through a mix of Full-time Employee (''**FTE**'') (including contractors) reductions facilitated by incentivized exit schemes, modernization of our work practices, reductions in IT and core network support costs through consolidation of our fixed and mobile network infrastructure and network sharing with telecom provider 3, which allowed us to end our roaming agreement with Vodafone, implementation of shared services in our fixed and mobile commercial operations, and effective procurement processes that have delivered significant cost reductions. We have also succeeded in implementing rational market pricing, including increases when supported by competitive market conditions (as evidenced by a recent increase of 5% on average across our residential fixed line base announced in January 2016). Going forward, we plan to grow our current operating cash flow levels by growing revenue and continuing to exercise strict cost controls.

We have a highly respected and experienced management team

Our board of directors and management team have extensive experience operating in both the Irish and international telecommunications markets and other industries. Our Chief Executive Officer, Richard Moat, who joined us in September 2012 and was appointed CEO in November 2014, has over 20 years of international mobile experience, previously leading T-Mobile UK as its Managing Director, before becoming Deputy Chief Executive and Chief Financial Officer of Everything Everywhere. Our Chief Financial Officer, Huib Costermans joined in August 2015, after holding a number of senior positions with KPN, the Dutch telecommunications company, including CFO of KPN Netherlands (2013-2015), CFO of E-Plus (2011-2013) and CFO Wholesale & Operations (2008-2011). He also gained significant international experience in the pharmaceutical industry before moving into telecommunications.

Our management team has demonstrated its skill and delivery capability in the critical areas of cost reduction, increasing efficiencies, defending market position, rolling out new infrastructures and commercial offerings such as NGA and 4G, as well as working effectively with key stakeholders, including ComReg. Our management team also has sophisticated commercial and financial expertise gained through completing numerous complex transactions.

Our Strategy

Connecting is our core business; we are responding to the growing customer demand for continuous fast and reliable accessibility, whether for high-speed broadband, calls, TV or mobile services, by improving our fixed and mobile infrastructure, which is the foundation on which our services are based. With our high-quality infrastructure, we make it easy for our customers to use our products and services.

Our goal is the creation of value by maintaining our market leadership in the fixed line market and capturing value in the mobile market, while maximizing operational efficiencies and maintaining strict cost discipline. We plan to leverage our extensive fixed and mobile reach and significant investments in our networks to provide our retail and wholesale customers with a full range of stand-alone and bundled telecommunications services as well as outsourced managed services.

The key elements of our strategy are:

Delivery of a best-in-class integrated network to connect people and places across Ireland

Our fixed line infrastructure is widespread in Ireland, with approximately 67% of our fixed line broadband network footprint not matched by any of our competition. We aim to maintain and improve our position in the fixed line telecommunications market (including voice and broadband) by:

- continuing the roll-out of our NGA FTTC fiber network from over 1.4 million premises passed as of March 31, 2016 (representing 60% of Irish premises) to 1.6 million premises passed (representing over 65% of Irish premises) by June 2016;
- rolling out our 1 Gb/s FTTH offering, which is currently in pilot stage passing 34,000 premises across 18 regional communities, to reach 330,000 premises. This will increase to 1.9 million or over 80% of the number of Irish premises passed by our NGA broadband network, and we are planning to complete the roll-out within approximately four years;
- further capturing the opportunities presented by bundling to increase RGUs per customer and maximize customer lifetime value, by extending the reach and penetration of our triple- and quad-play services, including TV, and leveraging the potential in the newly acquired Setanta business;
- remaining engaged with, and tendering in, the Irish government's NBP to ensure the availability of high speed data services to everyone in Ireland by 2022;

- maintaining high levels of customer service and strong brand recognition to retain customer loyalty; focusing on retaining and winning back customers through re-contracting activity, bundled services offerings, and improved marketing campaigns that defend and retain existing customer relationships and revenue by reducing churn, and by developing new services to meet the needs of our customers; and
- highlighting the affordability, capacity, quality and reliability of fixed line services and the benefits they bring to homes and businesses.

We will continue working to create maximum value in mobile services by focusing on earnings growth and customer retention. We will do this by:

- investing in the network: we have a nationwide radio access base station network. Approximately 1,700 base stations are 2G enabled providing service to 99% of the population, approximately 2,300 base stations are 3G enabled providing service to 99% of the population and approximately 600 base stations are 4G enabled providing service to 75% of the population (in each case as of March 31, 2016), which we plan on extending to over 95% of the population by March 2017. We have upgraded 80% of our 3G network to dual carrier HSPA+ enabled, which supports increased speeds of up to 42 Mb/s, and we plan on increasing this to 80% by December 31, 2016. We also believe that our investments in NGA fiber broadband will provide our wholesale business with a platform for the provision of backhaul services to a number of mobile operators. We are currently focused on enhancing capacity and coverage of our network at reduced costs through our own build-out and the 3 network sharing agreement; and
- increasing relative market share among higher spend customers (who normally have a lower propensity for churn), especially in the postpaid subscriber market segment through our eir Mobile brand. We believe we can continue to grow our postpaid subscriber base in the consumer market by increasing the uptake of triple- and quad-play bundles, and in the business market through our B2B mobile offering which offers an end-to-end solution for businesses. While we have achieved growth and market penetration since roll-out of our B2B mobile offering, we believe there is significant upside, as our market share in B2B mobile was 8.1% (excluding MBB and M2M) as of March 31, 2016, giving us substantial room for growth in this market.

The investments in our networks, coupled with a focused approach to commercial investments, are expected to generate higher returns while at the same time delivering a differentiated service for our customers and maximizing customer lifetime value.

Strengthen our wholesale position, and capitalize on B2B opportunities through eir Business

We will continue to leverage the strength of our core and access networks and develop our growing mobile network to leverage our wholesale and B2B revenues. We will do this by:

- retaining our share of Ireland's growing broadband market by offering wholesale access to OAOs in situations where we are unable to maintain the retail customer relationship ourselves. Ireland's fixed broadband market has grown from 1,189,000 subscribers as of December 31, 2013 to 1,309,000 subscribers as of December 31, 2015 (*Source*: ComReg 16/17), while our combined share of this market (across retail and wholesale) has remained relatively constant at 65% and 67%, due in part to our growing wholesale share;
- utilizing our leading core fiber network to provide mobile backhaul services to ourselves, to 3 through our network sharing agreement or to other MNOs on commercial terms;
- bidding on specific complementary projects, such as tenders within the Irish government's NBP, and certain ''White Label'' opportunities;
- transitioning our B2B offering away from reliance on legacy access and voice, to data, mobile and services to offset structural declines in legacy products;
- targeting all B2B segments with next generation voice, data and video solutions; and
- leveraging fixed line business customer relationships to cross-sell mobile services. We have experienced strong growth in mobile business market share in the twelve months ending March 31, 2016, with a 22% increase in our mobile B2B subscriber base and a 27% increase

in our mobile B2B revenues in this time, and believe there is opportunity to continue this expansion.

Improving our customer experience in the residential market through improved bundles, provision of content and improved customer service

We will continue to leverage our strong position in the residential fixed line market to drive sales and growth. We will do this by:

- simplifying and improving our bundled offerings, supported by our position as the only provider with quad-play infrastructure (covering fixed line telephone, fixed line broadband, mobile and TV) and our new converged billing system, to enable cross selling and increasing the number of RGUs per customer;
- expanding into television content provision to create a consumer television offering, such as through our acquisition of Setanta Sports, which includes a range of exclusive content (including Premier League, Champions League and Europa League football), and which has begun to be integrated into the business; and
- ensuring we deliver the best customer service for our customers, including our recently developed 24/7 broadband helpline, simplified bill format and improving the appointment and provisioning process.

Simplification of our operations and processes to drive operational efficiencies and reduce costs

We have a strong track record in cost reduction and intend to continue to improve our earnings and cash flow by significantly reducing operational costs within our business. We reduced our workforce from 5,444 as of December 31, 2012 to 3,408 as of March 31, 2016 without impacting the delivery of our strategy. Pay and non-pay costs reduced from €597 million for the year ended June 30, 2013 to €512 million for the year ended to June 30, 2015, a reduction of 14%. We are pursuing further efficiencies through our simplification program which is enabling the simplification of our processes, the transformation of our IT landscape and our product and services portfolio. This is expected to deliver gross savings of at least €60 million by the end of the next three years, approximately 60% of which we intend to reinvest in the business.

Focus on smart sustainable growth, cash flow generation, liquidity and deleveraging

We are committed to pursuing smart growth opportunities available to us in a manner that generates high incremental return on both our capital and commercial investments to drive increased EBITDA and cash flows. Our key priorities will be to develop our growth areas, increase revenue, implement cost savings, achieve operationally driven deleveraging in the medium term through growth in EBITDA, and deleveraging through the repayment of debt.

History

In July 1999, the Irish government privatized Bord Telecom Éireann plc, (at the time Ireland's primary, and state owned, telecommunications company) in line with the EU requirement to liberalize the telecommunications industry. Further to the Irish government's decision to privatize, Bord Telecom Éireann plc was floated on the Irish, London and New York stock exchanges, and then changed its name to eircom plc.

In 2001, we disposed of our mobile phone segment and were taken private by the Valentia consortium. In 2004, we refloated on the Irish and London stock exchanges. In 2005 we re-entered the mobile phone market with the acquisition of Meteor, and were owned successively by the Australian investment group Babcock and Brown Limited (2006-2010) and Singapore Technologies Telemedia (2010-2012).

In March 2012, we entered examinership, a court protection system that allowed us to restructure our debt. We exited examinership in June 2012, and under the scheme of arrangement endorsed by a majority of our creditors, we were controlled by an entity ultimately controlled by our lenders under the Senior Facilities Agreement. Pursuant to the Amendment and Restatement of the Senior Facilities Agreement, the debt and equity staple, which had been due to expire in June 2014, ceased with effect from April 2014, thereby allowing the debt and equity to be traded separately. A number of our senior lenders continue to be shareholders in eircom Holdco S.A. See "*Description of Other Indebtedness—Debt to Equity Staple*".

In June 2012, we began the implementation of our five year strategic plan, underpinned by a program of significant capital expenditure including the roll-out of our NGA network and improvements to our mobile infrastructure to deliver our fixed-mobile converged strategy. During May 2013, we launched high speed broadband services over our NGA network and were the first to market with "quad-play" in January 2014 enabled by the launch of our IPTV offering, eir Vision. We continue to evolve our TV offering which now includes video on demand, TV across platforms and additional compelling sports content through the acquisition of Setanta Sports. Following the Irish spectrum auction in November 2012, we commenced the roll-out of our 4G (LTE technology) network, and were the first of the Irish mobile operators to commercially launch 4G services in September 2013. We have 75% outdoor population coverage as of March 31, 2016, compared to 26% at launch, and plan to extend to over 90% by December 31, 2016.

In May 2013, we returned to the capital markets with the issuance of €350 million of Senior Secured Notes. In February 2014, Moody's upgraded our corporate family credit rating ("**CFR**") to B3, from Caa1, and S&P and Fitch upgraded their outlook to stable. In March 2014, we achieved our planned €100 million cost savings target ahead of schedule. In April 2014, the Senior Facilities Agreement was amended and the maturity of a significant portion of the loans was extended from September 2017 to September 2019. During April 2015, Fitch upgraded our rating from B- to B and this was followed in May by a change in outlook from Moody's, improving the outlook on our B3 rating from stable to positive. In June 2015, we further amended and extended the maturity of a significant portion of our debt to 2022 and also built in further operational flexibility by resetting our financial covenants under the Senior Facilities Agreement. During March and April 2016, Moody's upgraded our CFR from B3 to B2 (positive outlook), and both Fitch and S&P revised their outlooks to positive, from stable. As a result the outlooks of all the ratings agencies are positive which indicates favorable prospects with regard to further upgrades within the next twelve to eighteen months. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time.

Our Brand

In September 2015, we launched our new brand, eir. According to research conducted by independent research agency Red C Research on our behalf during the first quarter of 2016, 84% of Irish customers are aware of our rebranding, 74% actively recall our rebranding advertising, and customers of competitors are more likely to consider eir as a result of the rebrand. We have scored highly in terms of brand consideration, with Red C Research reporting that 43% of Irish adults would consider eir for fixed broadband. Awareness of our TV offering has grown steadily since launch, with 58% of the market now aware of our eir Vision TV service.

While Virgin Media now leads the market in terms of first choice brand consideration for residential broadband, we remain ahead of both Sky and Vodafone. We believe that where Virgin Media is present with its infrastructure, eir has over 95% presence in such areas with our fiber network, with the remaining 5% covered by our ADSL network. Where Virgin Media does not have a presence, we believe that eir has 42% fiber coverage, with 45% covered by our ADSL network, and the remaining 13% with no service. Over a fifth (21%) of Irish adults would consider eir to be their only or first choice provider. Our consideration levels were impacted by the launch of Sky's fiber offering in early 2015 and the increased competitiveness of the market recently, but planned recovery is driven by continuous through the line direct response marketing campaigns which include television, radio, press, outdoor and digital advertising.

The increase in the number of eir Fibre customers has considerably improved our customers' overall brand experience. Our Relationship Net Promoter Score ("**RNPS**"), which is a measure of the entire eir brand experience versus our competitors for home broadband has increased annually from +9% (for the twelve months to June 30, 2015) to +14% (for the nine months to March 31, 2016) driven by eir Fibre customers who report a RNPS score of +26%. Our continued strategy to upsell and cross sell to eir Fibre customers is paying dividends with higher RNPS scores reported by triple- and quad-play customers.

Our association with Corporate Social Responsibility ("**CSR**") remains strong, with recent independent research conducted by Red C Research in August 2015 placing us in line with

Vodafone in terms of spontaneous association with a CSR policy. eir's 30 year association with Special Olympics Ireland ("**SOI**") continues to have a positive impact on the eir brand, with two thirds (67%) of Irish adults agreeing it's a good fit with their image of eir, a similar proportion (65%) agreeing that the sponsorship shows the long term commitment of eir to Irish society and 63% also agree that eir sponsorship of SOI shows that eir thinks beyond profit. Half of Irish adults also claimed to feel more positive about eir on hearing that last year was our 30th year of partnering with SOI.

eir's sponsorship of the Gaelic Athletic Association ("**GAA**") football championship had a positive effect in 2015, with improvements in both our association with GAA (+5% pts.) and increases in favorability (+2% pts.) towards eir as a result of the sponsorship.

Our Converged Service Platform

While our existing fixed line network is the most extensive in Ireland with respect to customer reach, providing nearly ubiquitous coverage of the population, we are also heavily investing in next generation technologies. We have already invested over €360 million in an NGA network that will provide fiber based services to customers through the deployment of a combination of FTTC and FTTH to over approximately 1.9 million homes and businesses and plan to complete this roll-out within approximately four years. This modernization includes extending the reach of our current fiber back-haul core IP network to exchanges in the NGA footprint.

On May 20, 2013 we launched our high speed broadband services over our NGA network, and with the aid of vectoring technology now offer speeds of up to 100 Mbps, allowing high speed broadband and TV services to be delivered to our customers across the NGA fiber footprint. In September 2014, we passed 1,000,000 premises with fiber, and at March 31, 2016 our investment has facilitated our roll-out to over 1,405,000, or 60% of Irish premises with high speed fiber. Our fiber network is competitively positioned, with over 95% of Virgin's broadband footprint also falling within the footprint of our fiber network as of March 31, 2016.

Continuing the evolution of our network, in September 2015, we rolled out our pilot FTTH program with broadband speeds of up to 1 Gb/s, passing 33,736 premises across 18 regional communities. During 2016, we commercially launched our roll-out of high-speed broadband to 300,000 premises in rural Ireland (which fall within the NBP planned intervention areas) and we plan to pass the first 100,000 premises within approximately one year. Additionally, our NGA network will drive fiber deeper into our network and provide significant back-haul capacity to serve our own mobile business and will also serve as a means of generating incremental revenues by offering this capacity to other MNOs.

As of March 31, 2016, 394,000 retail and wholesale customers were availing of our fiber services, an increase from 242,000 at March 31, 2015. Our NGA network enables us to offer to our customers a quad-play bundle of services including fixed line voice and broadband, mobile voice and IPTV services providing linear and on-demand TV. Our advanced retail billing system, which was launched in conjunction with our NGA services, delivers integrated fixed and mobile billing capabilities which are critical to the delivery of triple- and quad-play bundles.

Our proposition will be further strengthened in the coming months through the acquisition of Setanta Sports Ireland in April 2016 which has given eir access to exclusive sports content such as Premier, Champions and Europa League football, marking our first step into the TV content business. The acquisition of Setanta will give eir a real point of differentiation against our competitors and we anticipate that it will reduce churn and further our bundle penetration strategy.

We believe that further potential exists for the development of bundles with the emergence of fixed voice, fixed broadband and TV triple-play services, as well as quad-play services incorporating mobile. Penetration of multi-play offerings in Ireland remains below levels seen in other European markets such as UK, Spain and Portugal. For example, penetration of triple-, quad- and quintuple play offers stood at 27% in the UK (as of Q1 2015), 45% in Spain (as of 2014) and 67% in Portugal (as of 2015). We commercially launched eir Vision, our own IPTV service over our fiber network, in October 2013, enabling eir to offer a quad-play of services. We also see clear evidence of accelerated uptake of triple-play bundles through examination of RGU's per customer. Our consumer fixed line RGU per household was 2.0 as of March 31, 2016 and continues to see steady growth, with 19% of customer households subscribing to bundles with three or more products.

In addition to the investment being made in our NGA network we are continuing to invest in our mobile network. In September 2013, we launched 4G services utilizing the spectrum acquired in the November 2012 ComReg auction and offer 4G outdoor coverage to 75% of the population as of March 31, 2016. Our 4G network will be integrated into our NGA network to provide a ubiquitous product agnostic delivery platform to our customers. The spectrum acquired has also enabled us to deploy 3G at 900 MHz, which is delivering improved 3G coverage and data speeds for over 99% of the outdoor population as of March 31, 2016.

Fixed Line and Mobile Services

We are the largest provider of fixed line telecommunications services in Ireland. According to ComReg, we had a total revenue market share of 48.9% of the Irish fixed line market for the quarter ended December 31, 2015. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach, and OAOs rely heavily on our infrastructure. Included in our fixed line revenue is the provision of fixed voice and broadband Internet services to households and businesses on a retail and wholesale basis. We sometimes use the terms "bitstream" and "ADSL" to refer to broadband products for wholesale and retail customers. Throughout this section, we will use broadband to refer to and describe these products. We leverage our extensive fixed line network and relationships to sell mobile services and offer bundles to consumers and businesses across Ireland. Our retail blended fixed line ARPU for the quarters ending March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015 and March 31, 2016 was €43.2, €46.1, €46.4, €46.2 and €47.3, respectively. Our WLR PTSN and bitstream ARPU for the same periods was €31.0, €32.4, €32.0, €32.4 and €32.8, respectively. Our prepaid mobile ARPU for the same periods was €15.3, €15.3, €15.8, €15.6 and €15.2, our postpaid mobile ARPU for the same periods was €38.5, €37.7, €38.3, €37.3 and €36.0, and our blended mobile ARPU for the same periods was €25.4, €25.2, €25.9, €25.5 and €24.9. The monthly mobile prepay churn for the same periods was 4.8%, 4.8%, 4.9%, 5.4% and 4.7%, while the monthly postpaid churn for the same periods was 1.4%, 1.3%, 1.4%, 1.3% and 1.5%.

Retail

Our retail fixed line business is composed of "consumer" and "business" end customers with whom we have a direct network and billing relationship. This is distinct from our wholesale business, in which we do not have a direct relationship with the end customer. As of March 31, 2016, we had 724,000 retail access lines and 447,000 retail broadband customers.

Consumer

The Consumer division is the largest division within the eir Group. We offer fixed and mobile services to approximately 1,500,000 customers comprising 533,000 fixed and 978,000 mobile customers as of March 31, 2016. We offer voice, high speed broadband, TV and mobile services to households and individuals under the eir and Meteor brands.

Fixed line

In line with the trend elsewhere in Europe, the retail voice subscriber base in Ireland has been contracting due to fixed-to-mobile substitution, albeit the rate of this decline has begun to slow. In response to this trend, we have focused on retaining our existing customers through re-contracting and promotional offers and attracting new customers through the sale of "dual-play", "triple-play" and more recently "quad-play" service offerings comprising of fixed line voice, mobile voice, high-speed broadband and TV services to stabilize subscriber numbers and ARPU and grow RGU's. See "—Bundling" below for further details of these offers. The first major price increase in 4 years was successfully announced in January 2015 and implemented in April 2015. A further price increase was successfully implemented twelve months later in April 2016. As of March 31, 2016 and 2015 we had 509,000 and 556,000 fixed access lines (excluding stand-alone broadband), respectively.

We are the market leader in fixed consumer broadband and we have 34.5% of the fixed broadband market at December 31, 2015, according to ComReg. Consumer residential broadband penetration in Ireland is at 67% as of December 31, 2015, and we believe that broadband penetration will grow given the demand for high-speed connectivity and therefore there exists an opportunity for us to maintain and grow our market position. In May 2013, we launched eir Fibre, our new high speed broadband service over our NGA network and further enhancements since then, facilitated by vectoring technology, enable us to offer broadband speeds of up to 100Mb/s. As of March 31, 2016 and 2015, we had 190,000 and 143,000 eir Fibre customers, representing approximately 52% and 38% penetration of our consumer broadband base of 368,000 and 371,000, respectively.

Mobile

We continue to leverage our significant investment in our Mobile network. We were "first to market" with 4G services in September 2013, and, as of March 31, 2016 have 75% population coverage, and have improved our 3G coverage and in-building penetration. Our Meteor brand appeal has expanded to include prepay and higher value postpay customers. The brand is positioned as the "Value Champion", targeted at the younger "standalone mobile" market of renters and first time mobile owners with innovative data offerings at every price point. Our eir mobile offering, launched in September 2010 under the eir Mobile brand, is now targeted at the broader household market with a focus on offering bundled services, including mobile, TV and broadband to our fixed line customers. In September 2015, we launched a new prepay loyalty campaign called "Meteor Extras" which offers customers free cinema tickets and 2-for-1 dining and day out experiences. In addition, our existing customer data offerings have been refreshed to include 15 GB of data to increase loyalty and reduce churn. For more information about our Mobile division, see "—*Group Mobile*" below.

Bundling

Bundling is a key part of our strategy for addressing the decline in the fixed line market. As of March 31, 2016 there are 105,000 triple- and quad-play customers making use of our fixed line network. In September 2015, eir introduced a new simplified bundles portfolio. The objective of the new portfolio is to bundle in all types of voice usage, including calls to mobiles and international destinations, to protect against usage and revenue declines on these call types for which customers have recently been switching to OTT calling applications, such as Skype. We intend to add even more inclusive minutes and premium sports content through the acquisition of Setanta, with a plan to migrate the entire broadband base to the new bundles starting in August 2016.

In January 2014, we commercially launched eir Vision, our IPTV service, over our fiber network. eir is uniquely positioned to capitalize on growth in IPTV, leveraging our investment in the broadband and mobile networks. We offer a basic TV package for €15 per month, which includes over 55 channels, as well as additional customer options such as experience TV, which includes 30 extra channels for an additional €10 per month, HDTV, which includes 17 additional channels for an additional €5 per month and multi-room for an additional €5 per month. The TV user base continues to grow, with over 49,000 eir Fibre customers taking the eir Vision TV service as of March 31, 2016, representing a 26% penetration rate among our eir Fibre customer base. The eir Vision offering remains a highly competitive TV offering with full PVR capabilities as standard. When a customer chooses to add TV services to an existing account, we typically renew the contract covering the entire bundle for 18 months, which helps reduce churn. In November 2015, we launched a mobile TV App "eir Vision Go" offering eir Vision customers the ability to take their favorite channels out of the home across a range of mobile devices. As of March 31, 2016, approximately 10% of eir Vision customers are actively using eir Vision Go at least monthly. eir Vision Go is also free rated as part of a mobile bundle, meaning customers can enjoy live TV content on eir mobile free of data charges. The eir Vision platform is designed for the integration of third party applications (including Sky channels), which we believe represents a unique selling point in the Irish TV market and therefore a source of competitive advantage.

We will continue to evolve our TV functionality to bring to consumers a TV everywhere experience. From July 2016, eir will be well positioned to offer premium sports content to the broadband and bundles user base. eir successfully completed the acquisition of Setanta Sports on

April 1, 2016, including the exclusive rights to offer and sell BT Sports in Ireland. This acquisition represents a significant opportunity to build on the success of eir Vision and launch a new Sports brand as part of the eir family, offering exclusive premium content. Bundling sports content with Broadband, TV and Mobile will deliver a strong point of difference which we believe will drive broadband and bundles growth. Following the lead of operators in other markets, eir will leverage sports content in a bid to protect the broadband base from Sky and win share from Virgin and Vodafone.

Other

We also provide a range of value added services ("**VAS**") to our customers. These are primarily positioned to improve customer experience and promote customer loyalty to our brand. Key VAS include:

- eir StudyHub: Free access to exclusive educational content for our broadband customers; and
- eir Parental Controls: Free access to parental controls from the modem across a range of devices within the home for added security and peace of mind.

Our services also consist of providing public payphones and public access Internet terminals ("**PAITs**") at "on street" and selected internal sites in Ireland. The number of public payphones and PAITs that we provide has reduced steadily over recent years as usage of these services has decreased reflecting increased mobile penetration. As of March 31, 2016, we operated a network of approximately 511 payphones.

We provide operator assisted telephone services and a directory enquiry service ("11811") to customers on all networks, both fixed and mobile. We estimate that our directory enquiry services held a market share of approximately 80% of the total market for directory enquiry services as of March 31, 2016. Directory enquiry information is also available free of charge via an on-line phone book at www.eirphonebook.ie.

eir Business

eir Business is our second largest division and generates revenues through the development of standard offerings that are configurable according to the specifications of each customer. We use our segmentation model to tailor solutions to unique customer groupings, including small and medium enterprises ("**SMEs**") located throughout Ireland. We primarily offer to SMEs connectivity services; enterprise customers, which include large private sector companies in Ireland; and the Irish government and the public sector. We also provide ICT services to the public sector in Northern Ireland as well as to Irish customers with subsidiaries or branches in the United Kingdom. eir Business also oversees a joint venture with Tetra, a provider of emergency communications services in Ireland, which is described in further detail below. Revenues for our eir Business division were €283 million for the nine month period ending March 31, 2014, €274 million for the nine month period ending March 31, 2015 and €282 million for the nine month period ending March 31, 2016.

Brand

We adopted the eir Business brand in September 2015 as part of the Group-wide rebranding as "eir." We have adopted the "eir Advantage" value proposition, which is built around four pillars: network, portfolio, expertise and commitment. The solutions-focused identity and value proposition provides a consistent platform and message to raise our profile and position eir Business as expert, reliable and in tune with business needs. Advantage bundles were re-launched as simpler and better value business bundles allowing businesses to build double- or triple-play bundles on a single bill to suit their needs. Customers can choose from two broadband packages, pick a landline plan and then add mobile. Our mobile plans include options for roaming in the UK, EU and U.S. and for shared data across multiple users within the same enterprise. For business broadband customers, we have moved away from speed based pricing and users now get the very best speed their line can offer, up to 100 Mbps.

The new identity was brought to life across all marketing communications channels, including mass media and individualized campaigns to our 95,000 customers. Marketing activity raised our profile among the Irish business audiences throughout the year through sponsorships (Irish Open, Newstalk Breakfast, Munster Rugby, eGovernment Awards) and advertising campaigns.

Connectivity Services

Connectivity services include voice and data fixed line, wi-fi and mobile services, as well as bundled offerings for SMEs. We also provide VoIP, data, mobile and wi-fi solutions as well as Internet access enhancements.

SIP Voice

SIP voice was launched in June 2014. This is part of our Next Generation Voice portfolio and is a converged voice/data service which allows voice calls to be carried over our data network, removing the need for traditional voice lines. SIP opens considerable opportunities for Irish businesses, bringing their architecture into the IP world of converged communications. The proposition targets providing exceptional value by carrying both calls and data over the data network while at the same time maintaining the call quality customers have come to expect from traditional voice services. SIP Voice lays the foundation for future services like unified communications and hosted private branch exchanges.

eir Fibre

As of March 31, 2016, eir Fibre is available to approximately 41% of our customers. We have 26,000 businesses availing of our eir Fibre broadband service representing approximately 32% of our business fixed broadband customer base of 79,000.

Mobile

We launched our business mobile offering in 2012 via the eir Mobile brand, and it has captured a handset subscription market share of approximately 8.1% as of December 31, 2015. Having developed end-to-end business processes to support our mobile offering, we have seen significant winning momentum, most notably in the Small Business Segment. We are currently investing in our on-boarding, in-life service and roaming experiences to support our penetration of the Enterprise and Government segments which represent an untapped opportunity for eir Business. We have plans to launch enhanced propositions that combine mobile, fixed and virtualized services offering customers significant value beyond basic connectivity. We have a unique opportunity to leverage our infrastructure and extensive customer relationships to cross-sell these FMC solutions to business customers. Our business mobile offering further improves our competiveness vis à vis our key competitors. As of March 31, 2016, we had 100,000 business mobile customers, up from 82,000 as of March 31, 2015. For more information about our Mobile division, see "—*Group Mobile*" below.

NGN IP Express

NGN IP Express, a data network service targeted at medium to large business customers, was launched in 2015 and leverages our investment in NGA technology. The service provides secure, cost-effective private data networks for business customers at speeds of up to 100Mbps. To date, the service has been sold to 34 customers.

Virtualized Services

Virtualized services merge broadband connectivity services with advanced network features that add utility and value to basic connectivity. Services are delivered from shared, on demand platforms with flexible, consumption oriented pricing and will incorporate rapid provisioning/ disconnect and customer control. Examples of these services include collaboration solutions, hosted telephony infrastructure as a service and FMC. We now offer FMC solutions and hosted Mobile Device Management services and we launched a new Cisco-based hosted IP Telephony Unified Communications and Contact Centre Service in 2015 which enables customers to replace premises-based infrastructure with a network-based service delivered on an opex basis. Two large customers have already signed up for the service. We are also in customer pilot with next-generation voice offerings that will offer network-based hosted voice and fixed/mobile converged services to the wider mid-market of business customers.

Network Integration Services

Network integration services include solutions combining devices/premise infrastructure, network connectivity and services (e.g., virtual services and network management). Examples of these services include managed networking solutions, which encompass offerings for designing, deploying and operating connectivity, network equipment and infrastructure and related services, such as security and Managed Wi-Fi. The Advantage Managed Wi-Fi solution was launched in March 2015 and offers fast, secure, reliable and fully managed on-premises wi-fi services with 24/7 support for a single monthly price. Other services such as a standardized outsourcing proposing, enhanced managed data service and managed security are under development for launch in the 2016/17 financial year.

Certifications

Following a stringent audit, the second in three years, the Certification Europe Auditor issued new 3-year certificates for ISO20000 and ISO270001:13 accreditation to eir Business. This demonstrates an integrated Service Management System and excellent Data Centre Information Security Management System, which is unique within the Irish Telecoms Market. It also illustrates our customer focus and sets out our business service as a leading edge differentiator within the Irish market.

Emergency Services Network (Tetra)

We hold a 56% stake in Tetra, a consortium consisting of eir, Motorola and Sigma Communications Group Limited, which signed a contract in May 2008 with Ireland's Department of Finance for the provision of nationwide digital radio services for the major state emergency and security agencies, such as police, prisons, revenue commissioners and the ambulance service. The initial contract period will run until June 2017, following which the department has the option to extend the contract for a further two years. Tetra fully completed the build-out of its network in the Dublin region in March 2009, including all of its core network and operational systems. The remaining regions of the nationwide system were built out on a phased basis, and the final region was completed in October 2010. As of March 31, 2016, Tetra had 20,474 billable users on to its network. The Tetra technical standard is an agreed Europe wide standard for encrypted digital mobile radio, allowing secure push-button group communications (one-to-many) and delivering high voice quality voice and short message data services to public safety and emergency personnel throughout Ireland.

Wholesale ("Open eir")

Through Open eir we provide communication service providers with open access to eir's nationwide fixed network, products and technical expertise. Our wholesale business is a strategic partner of choice for OAOs providing telecommunication services to households, individuals and business customers.

Our fixed line network infrastructure enables us to offer a range of compelling and high-speed services to our customers. Through our NGA and NGN core network we can offer high speeds, super-flexibility, and a high degree of reliability on a national scale. Additionally, our NGA network will drive fiber deeper into our network and provide significant back-haul capacity to serve our own mobile business and will also serve as a means of generating incremental revenues by offering this capacity to other MNOs. We also transit and terminate voice and data traffic on behalf of OAOs.

The price at which we offer wholesale services to our customers is regulated by ComReg, and as of March 31, 2016, the prices and terms on which we offer the majority of our wholesale products are regulated under the (i) Reference Interconnect Offer ("**RIO**") which details the wholesale offering of our PSTN and ISDN traffic service, (ii) the Access Reference Offer ("**ARO**") which details an offering of unbundled access service to all access seekers and (iii) the Wholesale Bitstream Access Reference Offer ("**WBARO**") which details the bitstream offering. Our position in the wholesale market provides us with an opportunity to develop services for OAOs as well as retain the wholesale component of a significant proportion of business lost to competitors at a retail level. For the twelve months ended March 31, 2016 we grew by an equivalent of 102% of retail access losses (including Standalone Broadband Lines) through increased wholesale volumes.

As of March 31, 2016, we had 598,000 access lines, including Standalone Broadband (of which 389,000 were wholesale broadband lines and 11,000 LLU lines). We manage 68 (and bill over 100) national and have 32 international customers. The wholesale customer base as of March 30, 2016 can be analyzed as follows.

Wholesale line rental	496,000
Wholesale broadband (bitstream)	389,000
Local loop unbundling (LLU)	11,000

Our proposition for resellers includes managed calls and broadband access services (sometimes called "**White Label**") that allows our OAO customers make more extensive use of our network and services instead of investing in their own infrastructure. Our proposition for mobile operators includes a managed Ethernet service (sometimes called mobile backhaul) to carry the growing volume of data traffic being generated by customers of mobile network operators and service providers.

We market and sell to our wholesale customers through our wholesale account management team, which is our primary sales channel. The account managers are trained to deal with the specific information and communications technology needs of our wholesale customers and are often assisted by our professional project management team and appropriate technical experts.

Revenues for our Open eir division were €217 million for the nine month period ending March 31, 2014, €228 million for the nine month period ending March 31, 2015 and €249 million for the nine month period ending March 31, 2016. Key services of our wholesale division, as of March 31, 2016 are set out below:

Interconnect Services

Our wholesale business provides fixed line voice traffic services between us and other operators such as Vodafone, BT and 3. We provide interconnection services to OAOs in Ireland and to international operators for incoming international calls. Our interconnection services include both the physical link of our telecommunications network with that of OAOs, and the traffic that passes over the link.

Our revenue in the year ended March 31, 2016 includes revenue generated in connection with interconnection services for the termination of incoming international traffic in Ireland. We also generate revenue from transit services for calls made between two operators, which otherwise have no physical connection. Our domestic interconnection services include:

- call origination and carrier pre-selection, providing OAOs with the ability to carry domestic calls placed from geographically assigned telephone numbers within our network for termination on the operator's network or for onward transmission to other networks;
- call termination, which takes calls handed over from OAOs for termination on geographic number ranges within our network;
- transit to OAOs or OAO services, which takes calls which are passed on from an OAO's network to geographic and non-geographic number ranges within another OAO's network; and
- ancillary services, such as Freefone and premium rate services, Internet services, and directory enquiry services.

Access Revenue

Access and bitstream revenue is generated from the rental of physical lines between a subscriber and an exchange. Local loop unbundling revenue is generated where OAOs install their own equipment in our exchanges for the provision of access and broadband services. Of our Wholesale Access revenue in the nine months ended March 31, 2016, 65% was from the wholesale line rental of PSTN, ISDN and LLU lines and 35% from bitstream.

Wholesale access channels

Carrier pre-selection single billing through WLR allows an operator to resell our access service and provide the customer with a single bill for access and call services. We maintain and repair the access line, which remains connected to our switched network, and bill the operator for the line. The operator bills the end customer for the operator's bundled service. This service is only available if the end customer has made a carrier pre-selection for all call types with the relevant operator.

Bitstream

Bitstream is a broadband access product that we offer to OAOs. It consists of a high-speed access link to the customer's premises, which we create by installing ADSL equipment and configuring our local access network. We currently offer a range of ATM, IP and NGN (bitstream managed backhaul) based services at a variety of speeds and levels of contention, and, in line with our regulatory obligations, effectively offer to our wholesale customers equivalent products to our retail ADSL offerings.

Next Generation Access

On May 20, 2013, eir wholesale launched its Next Generation Access (NGA) product portfolio to the market. The product portfolio consists mainly of FTTC and FTTH products. These products come with the option of being either a Standalone Broadband or a POTS Based (Voice plus Broadband) variant. Both of these have a Bitstream Plus and a Virtual Unbundled Access version. The FTTC variant employs vectoring technology which allows for speeds of up to 100Mb/s per second. The FTTH option is currently available in 30,000 premises across 18 local communities with speeds of up to 1 Gb/s. Both FTTC and FTTH come with a multicast capability which allows for the broadcast of TV. As of March 31, 2016 and 2015 we had 178,000 and 83,000 Wholesale customers availing of fiber broadband.

Local loop unbundling

As we are designated by ComReg as having significant market power ("**SMP**"), we are required to make our local networks available to OAOs on a wholesale basis, i.e. share access to unbundled local loops. We are obliged to provide LLU access services to OAOs and to publish an ARO, describing the access services we offer. Unbundled local loop access requires the physical co-location of infrastructure owned by OAOs on our premises in order to permit such operators to access our unbundled local loop services. We are also required to enable an end customer's telephone number to migrate to LLU. The prices of these services are regulated through our ARO.

The service also includes several LLU migration products. These products, termed Inter Operator Migrations, allow customers to move between OAOs and have their underlying wholesale product change from LLU to Single Billing-Wholesale Line Rental ("**SB-WLR**") or vice versa. Other LLU product offerings include a facility called Intra-Operator Migrations. This allows an OAO to seamlessly migrate its existing WLR and bitstream customers to LLU.

Line Share allows operators to provide services such as broadband to their customers without the requirement to take control of the local loop through LLU. The retail customer pays for line rental and calls to the first operator, and pays for the services delivered over Line Share to the Line Share operator. Line share prices are regulated through our ARO.

Carrier pre-selection

Carrier pre-selection allows OAOs to compete with us in the provision of call origination services without having to develop a local access infrastructure, by allowing customers to choose another authorized operator as the default carrier for some or all calls.

Wholesale leased lines and partial private circuits

We provide OAOs with wholesale leased lines, including Partial Private Circuits ("**PPCs**"), as set out in the Leased Line Reference Offer ("**LLRO**"), and interconnect paths, which are dedicated leased lines connecting our network to that of another authorized operator.

ComReg requires that we enter into service level agreements for the provision of wholesale leased lines, PPCs and interconnect paths. These agreements contain penalties which we may be subject to for delays in processing applications for the installation of leased lines and for late delivery of leased lines or interconnect paths. Our support systems now provide full visibility of all steps from ordering services to actual delivery.

Partial private circuits are partial leased lines that connect a customer's premises to the point of connection between our network and that of another authorized operator. OAOs that possess a core network can use partial private circuits, which are priced in accordance with a different tariff schedule, as a substitute for wholesale leased lines. We also offer NGN Ethernet products. These NGN Ethernet products provide operators with an access mechanism through Wholesale Symmetrical Ethernet Access (''**WSEA**'') and a backhaul mechanism through to our next generation network. We offer a 1 and 10 Gbit/s uncontended point to point leased line to cater for the growth in demand for dedicated high bandwidth capacity.

Managed Services

We provide a portfolio of managed services to customers such as resellers and mobile network operators.

Our proposition for resellers includes a managed calls and broadband access service (sometimes called ''White Label'') that allows customers to make more extensive use of our network and services instead of investing in their own infrastructure. The main elements of white label agreements are our standard products such as SB-WLR and bitstream but the agreement also includes value add services such as on net calls and managed ISP services. White Label subscriptions among our existing WLR lines have increased from approximately 106,000 subscribers as of March 31, 2015 to approximately 142,000 as of March 31, 2016. White label agreements tend to be for a duration of three years and provide a platform to further develop business with these customers. We have developed White Label versions of NGA services to protect and grow this customer base.

Our proposition for mobile operators includes a managed Ethernet service (sometimes called mobile backhaul) as well as bespoke network build. Both propositions are used to carry the growing volume of data traffic being generated by mobile consumers on our network.

During 2012, we signed a five year managed services agreement to carry mobile voice and broadband traffic from the Meteor/O2 network sharing agreement. The Memorandum of Understanding (''**MoU**'') signed by eir and 3 on August 27, 2014 confirms eir Wholesale's appointment as the aggregator for leased lines of the managed leased lines service to the network sharing partnership. Each base station site will be deployed with 1G Ethernet services and will aggregate the voice and broadband demands from both organizations and transport them using our Next Generation Network. This agreement will see us grow our penetration of fiber enabled base stations over the course of the contract.

We have also signed a multi-year agreement with a mobile operator that will see us deploying eir Fibre to this operator's base stations as they transform their network to an all IP network.

Group Mobile

Our Mobile division is comprised of our Meteor and eir Mobile brands. The eir Mobile brand in consumer is used mainly for bundling in the consumer context, but is also the main mobile brand for the business and enterprise segments. We are the third largest mobile operator in Ireland in terms of revenue and customers. As of December 31, 2015, according to ComReg we had a share of approximately 18.6% of the total mobile subscription market, 20.5% of the mobile subscription market (excluding mobile broadband and M2M), 11.5% of the mobile broadband market and 7.1% of the M2M market. As of March 31, 2016, we offered services to approximately 1,078,000 mobile subscribers of which 575,000 and 503,000 were prepay and postpay subscribers (including mobile broadband and M2M), respectively.

eir's customer mix is steadily improving and our postpay customer base has experienced strong growth: postpay subscriber numbers were 503,000 (including mobile broadband and M2M) as of March 31, 2016, representing an increase of 7% compared to March 31, 2015, despite a decline in total postpay subscriptions in Ireland of 4% in the twelve month period to December 31, 2015 (Source: ComReg). This growth has been assisted through increased prepay to postpay migrations and the ongoing success of 4G data offers and increasing take up of mobile bundles. The postpay churn rate for our mobile subscribers (including mobile broadband and M2M) was 16.4% for the twelve months ended March 31, 2016. Our mobile prepay customer numbers (including mobile broadband and M2M) as of March 31, 2016 were 575,000, representing a reduction of 6.7% compared to March 31, 2015, due to migration to postpay in line with the overall market trend and also due to increased competition. Our mobile service offerings include mobile voice and data services and other VAS including music downloads, entertainment and international roaming. We also offer a range of competitive SIM only plans at all price levels, as well as hardware including mobile handsets, external USB modems, tablets and wearables.

We are licensed to operate a mobile network in the following bands: 800 MHz (4G LTE); 900 MHz 2G (GSM) and 3G (UMTS); 1800 MHz 2G (GSM) and 4G (LTE); and 2100 MHz 3G (UMTS). Our full national mobile network covers 99% of the population of Ireland with voice and 3G data service. The Radio Access Network ("**RAN**") is designed to provide high levels of service availability in conjunction with excellent coverage, voice quality and data throughput. We provide a variety of wireless products and services designed to match a range of needs for business and personal use, and market our mobile services through the tailored brands Meteor and eir Mobile to appeal to sub-segments of the mobile market. eir has a balanced spectrum portfolio between low and high frequency, allowing it to provide both high speed mobile access and cost-effective population coverage to consumers. In the 2012 4G spectrum auction, eir acquired 2 × 10MHz in the 800MHz and 900MHz Digital Dividend spectrum bands and 2 × 15MHz in the 1800MHz band. The acquired multiband license is valid until 2030 and is liberalized for use with all access technologies.

We launched our 4G (LTE technology) network in September 2013 and now provide 4G service to approximately 75% of the population. Our LTE network delivers theoretical maximum data download speed of 72 Mb/s, with average speeds expected to be 24 Mb/s—significantly greater than average speeds on our 3G network. In conjunction with our 4G roll-out by December 31, 2015 we have made service enhancements to over 1,000 sites, of which more than 300 are new sites. This has doubled our maximum 3G speeds from a peak of 21 Mb/s to 42 Mb/s for customers with compatible handsets, and as of March 31, 2016 our dual-carrier HSPA+ 3G coverage extends to 75% of the population and increased real-world 3G performance by 70%.

We launched our business mobile offering in 2012 via the eir Mobile brand, and it has captured a handset subscription market share of approximately 8.1% as of December 31, 2015. Having developed end-to-end business processes to support our mobile offering we have seen significant growth, most notably in the Small Business Segment. We are currently investing in our on-boarding, in-life service and roaming experiences to support our penetration of the Enterprise and Government segments which represent an untapped opportunity for eir Business. We have plans to launch enhanced propositions that combine mobile, fixed and virtualized services offering customers significant value beyond basic connectivity. We have a significant opportunity to leverage our infrastructure and extensive customer relationships to cross-sell these FMC solutions to business customers. Our business mobile offering further improves our competitiveness vis à vis our key competitors.

We offer customers an extensive range of mobile handset makes and models over a wide price range, subsidized at different levels depending on the price plan chosen by the customer. We also offer customer handset upgrades based on criteria such as length of tenure and value of the customer. We also offer a small range of mobile broadband modems. These vary based on speed capability and single / multiple user capability.

Key performance indicators as of and for the twelve months ended March 31, 2016 are set out below.

Mobile Customers	Prepaid handset subscribers		565,000
	Postpaid handset subscribers		469,000
	Mobile broadband subscriptions		43,000
	Total mobile subscriptions		1,078,000
Churn (%)	Prepaid		59.6%
	Postpaid		16.4%
ARPU	Prepaid	€	15.6
	Postpaid	€	37.4

Central Services

Our central services unit provides core internal support functions, such as finance, credit and cash management, human resources, legal services, regulatory support and compliance, logistics and property services. In the twelve months ended March 31, 2016, our employee related pay costs represented approximately 29% of the total costs for this unit (twelve months ended March 31, 2015: 27%). Non-pay costs comprise mainly power, rent, facilities management, customer services and professional & regulatory fees. Following the success of the outsourcing of the Group fleet management in 2014, the Group main warehouse and logistic services were outsourced in the latter part of 2015. Management continues to review other outsourcing opportunities with a view to improving cost efficiency.

Sales, Marketing and Customer Care

Sales and Marketing

We have one of the broadest distribution networks of all telecommunications operators in Ireland, with 84 stores, including franchise stores, and 171 stores when partner stores are included. We have rebranded Meteor stores to enhance the prominence of the eir brand. There are currently 67 dual branded stores throughout Ireland, with the remaining 17 being Meteor standalone stores.

We support sales and marketing programs with direct marketing campaigns through a wide range of media including TV, telephone, radio, press, outdoor, and the Internet. In addition:

- We have developed a portfolio of data analytics that is unique in the market, which looks at the market in terms of households. There are 1.7 million households in Ireland; eir has a direct relationship with approximately 540,000 or 32% of these. In addition, eir has segmented the market five distinct segments to fully understand what drives customer behavior. This data is used to inform how we sell, communicate and target customers and acts as a competitive advantage.
- We have developed a differentiated way to classify our customers based on the product holdings within the household. To drive our bundling strategy, offers are targeted to drive the addition of more products to move them incrementally up the value curve to increase ARPU and reduce churn.
- Due to the profile of the existing customer base, there are substantial opportunities to grow product penetration and increase loyalty.

We market and sell to business customers through a mix of dedicated field and desk-based account managers for our larger SME, enterprise and government customers and through outsourced contact center partners for our smaller SME customers. The dedicated account managers are trained to deal with the advanced information and communications technology needs of our larger business customers. We have a fully integrated fixed and mobile sales force within the small business market. This enables us to pursue the customer's entire communications spend by leveraging emerging bundled fixed and mobile propositions.

We market and sell to wholesale customers through our wholesale account management team. Account managers are trained to deal with the specific information and communications technology needs of our wholesale customers and are often assisted by the professional project management team and appropriate technical experts.

Customer Care and Billing

We have nationwide contact center coverage with sites located in Dublin, Cork and Limerick. HCL is our appointed outsource provider with sole responsibility for Dublin consumer and small business, sales, retentions and customer care for fixed and mobile customers. We offer our customers who are serviced by HCL a comprehensive level of service, accessible from 8 a.m. to 8 p.m., 365 days a year for Mobile prepay and postpay subscribers, and for Fixed Line customers between 8 a.m. to 8 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays. Our customer support channel strategy is continuously evolving, and our overall contact center service is enhanced through the effective use of comprehensive online and interactive voice response functionality allowing customers to perform routine transactions, such as view/pay bill or check account balance 24/7, 365 days a year. We have also intorduced a 24/7 broadband technical support service for our customers.

We continue to deliver improvements in end to end customer service delivery, enhancing customer journeys, resulting in an improvement in customer experience and reduction in call volumes across our product lines. We have delivered an additional level of efficiency to the contact center operations through the up-skilling and cross-skilling of agents. Multi-skilled agents are now handling a variety of query types on single calls. Overall customer satisfaction ratings and first call resolution has increased as a consequence.

Ongoing investment in systems has enabled us to improve our overall service proposition. For example, we have implemented a converged billing system which enables us to provide quad-play single billed propositions to the market. This was also a key dependency for eir to launch NGA and TV. The converged billing system substantially simplifies the process of rolling out new tariff and bundle structures, and provides eir with the ability to add new products and services to existing packages rapidly and with minimal additional effort.

Networks & IT

The Networks business unit manages the national transmission, core, IP fixed and mobile networks which underpin the services offered by our Consumer, Business and Wholesale business units. The Networks unit also operates eir's field operations (fixed, core and mobile) as well as service management and monitoring. All significant network infrastructure programs are managed within Networks, including the roll-out of Next Generation Access.

IT develops our networks and information technology strategy and engages with the Consumer, Business and Wholesale business units to design, develop and manage their technology requirements. IT also evaluates, selects, pilots and deploys future technologies and provides IT support for systems and platforms.

Fixed line Network

eir Core IP Network

We have deployed a nationwide Next Generation Core IP network (''**NGN Core**''), based on technology from Alcatel-Lucent. The network consists of a core layer, an edge layer and an aggregation layer, and is based on IP/MPLS routers using Gigabit Ethernet (GE) and 10 Gigabit Ethernet (10GE) links with 100 Gigabit Ethernet links now in the process of being commissioned. Connectivity for the IP network is provided by an underlying optical transport network. This network provides a simple fully integrated network for voice and data services and will in time enable the retirement of many of our existing data networks.

Aggregation nodes are deployed at 205 eir sites, and a Carrier Ethernet network (known as Access Packet Transport, or ''APT'') is used to extend the reach of the NGN Core to over 550 fiber exchanges outside the main aggregation footprint. This network provides cost-effective Ethernet transport for DSLAM backhaul and also for other applications such as mobile backhaul and business fiber services.

The NGN Core network has a number of resilience features including the use of dual-star architecture with each aggregation node diversely connected to two edge nodes, high-availability routers with non-stop routing in the event of a processor failure; in-service software upgrades and MPLS Traffic Engineering. The network supports IP Quality of Service throughout, allowing us to provide multiple services including voice, video and business connectivity as well as consumer broadband.

We also have international IP nodes in London for handling Internet peering and transit, and IP VPN connections to customers with UK addresses. There are also remote connections to Internet exchanges in Amsterdam and Frankfurt.

In addition, our legacy Cisco IP network also provides national coverage at approximately 80 locations. This network is being superseded by the NGN Core; however, many of the edge routers will be retained to support existing customers accessing via TDM leased lines.

A Tellabs Martis network for delivering legacy leased line services is deployed in approximately 900 exchanges, with approximately 3,000 nodes including customer sites. It provides customer connections for low-rate data speeds from 64 Kb/s to 2 Mb/s, and also provides the access bearer for other services such as ISDN Primary Rate Access and Business IP.

A mobile packet core network provides access to IP services for our mobile broadband customers and is based on a standard architecture. Connectivity between mobile packet core network elements is implemented over the NGN IP network.

Optical Transport and Transmission Network

The core optical transport network ("**OTN**") is based on an extensive network which provides fiber optic cables, with over 13,000 fiber route kilometers lit using Dense Wavelength Division Multiplexing ("**DWDM**") and Coarse Wavelength Division Multiplexing ("**CWDM**") technologies. Overall, the fiber network consists of over 400,000 optical kilometers of capacity, and it also supports the legacy Synchronous Digital Hierarchy ("**SDH**") network and customer access to IP and Ethernet NGN services. The core Wavelength Division Multiplexing ("**WDM**") network sites is currently being upgraded to a 96-channel, 200 Gb/s per channel capable Reconfigurable Optical Add-Drop Multiplexer ("**ROADM**") network, which also supports the Optical Transport Network ("**OTN**") protocol for sub-100 Gb/s transport. This network is being deployed to the largest 24 towns and cities nationally; Phase 1 covering Dublin is in the process of being commissioned.

There are approximately 180 WDM and CWDM sites. In more rural areas, extensive use of passive CWDM provides low-cost fiber gain and supports the roll-out of business fiber services using our Access Packet Transport network.

The dominant legacy transmission technology in use is SDH. The SDH network has nationwide coverage and is deployed in approximately 900 exchanges. The architecture is one of National higher-layer rings with speeds of STM16 (2.5 Gb/s) and STM64 (10 Gb/s), and regional lower-layer rings with speeds of STM4 (622 Mb/s) and STM16. Traffic between layers is connected by means of digital cross-connects. Smaller exchanges are connected by means of STM1 rings or linear fiber systems, with some remote sites connected on microwave radio point-to-point systems.

Broadband Network

We provide broadband services using both ADSL and VDSL2 access technologies, with a small amount of Gigabit Passive Optical Network ("**GPON**") in FTTH applications. ADSL broadband services are provided at over 942 locations with approximately 1.2 million ports deployed. Approximately 96% of all copper paths are connected to a DSL-enabled exchange.

There are two main types of Digital Subscriber Line Access Multiplexers ("**DSLAMs**") in use: ATM-based DSLAMs and current Ethernet based DSLAMs. The newer Ethernet DSLAMs are installed at 700 of the 941 locations served. The DSLAMs are equipped with a mix of DSL line cards capable of supplying ADSL (up to 8 Mb/s) and ADSL2+ services (up to 24 Mb/s).

VDSL2 broadband services are provided from 624 exchanges and over 5,000 roadside cabinets across Ireland, with 800,000 ports in the network. This network is still in the process of being rolled out and is expected to grow to cover 1.6 million premises by June 2016. The VDSL2 platform supports vectoring, which allows us to support downstream speeds of up to 100 Mb/s and upstream speeds of 20 Mb/s in our standard products. Currently, there are approximately 440,000 active ADSL and 415,000 VDSL2 lines in service.

The majority of the 941 ADSL exchange locations have ADSL2+ ports. All VDSL lines in service are VDSL2 using band plan 17a. IPTV is available on VDSL and FTTH (GPON) lines, and not on our ADSL or ADSL2+ lines

PSTN and Fixed Voice Networks

The key retail and wholesale products supported include PSTN access, ISDN PRA, FRA and BRA access, carrier selection and pre-selection/WLR, national and international wholesale interconnection for origination termination and transit, international mobile roaming, signal routing for other mobile operators, number portability (geographical and non-geographical) and number translation services.

The PSTN/fixed voice network consists of an edge layer with remote switching units ("**RSUs**") at over 1,200 sites and a class five primary and secondary layer with 46 main switching unit nodes, supported by tertiary layer. In addition, there are also Intelligent Network ("**IN**") core nodes providing key functions relating to number portability and number translation services, a VoIP platform providing for business trunking and second line consumer service and a voicemail platform providing call answering services.

The PSTN architecture is hierarchical and highly meshed to provide resilience for voice services. The tertiary layer comprises dual-switch node international and national switches with interconnection to OAOs, mobile operators and international destinations. The VoIP platform is connected at the tertiary layer. The tertiary layer has no physical customer terminations.

The secondary layer provides both transit and local exchange capability (i.e. it has customer terminations) and again is highly meshed to provide resilience. The primary layer has both local customer terminations at the exchange site and remote customer terminations at RSUs.

The international switching layer is a dual-switch node, consisting of two Ericsson next generation Telephony Soft Switches comprising IP-enabled soft switches and media gateways, which act as an international gateway for our PSTN network, an interconnect point for OAOs with sufficient international traffic to warrant direct interconnect routes and has an SCCP-relay node to enable international roaming for Irish MNOs. We also connect to the UK PSTN in Belfast.

The Mobile Circuit Switched (CS) Core Network carries all voice and SMS traffic for our 2G and 3G mobile customers. It consists of two Ericsson Next Generation Mobile Soft Switches (MSS) comprising IP-enabled soft switches and media gateways. All of our voice will eventually migrate to IP Multimedia Subsystem ("**IMS**"). A production IMS platform was deployed in 2014, supporting business trunking service. This platform can be extended to provide other services, including first-line VoIP.

Network and Service Management

We operate a Service Management Center ("**SMC**") for fixed & mobile voice, fixed and mobile broadband, IPTV and internal services and systems, in Citywest, Dublin. The network management platforms are located in Blanchardstown, North Dublin, with high availability redundant systems, where applicable in Citywest, South Dublin. The Blanchardstown Data Center also acts as a standby/business continuity site for the SMC in the event that Citywest should be disabled. The SMC proactively monitors our end customer services and networks, including international points of presence. The SMC is supported by a family of integrated network support systems, underpinned by a suite of Information Technology Infrastructure Library compliant processes and procedures. These systems and processes allow monitoring and control of the services and network remotely, from a single location and allow prompt and appropriate response to all network events.

The network is monitored at all times at the SMC and is supported by expert groups within our operations and design areas. When on-site work is required, SMC staff dispatch a member of our national field force, which consists of skilled technicians located throughout Ireland.

Access Network

Our fixed access network consists primarily of copper connections using multi-pair cables. The cables are placed overhead on poles or underground in ducts. The copper cables emanate from exchange nodes. In urban areas, these cables are usually connected to cross connection points ("**CCPs**") using exchange-side (E-side) cables. The CCPs are in turn connected to distribution points using distribution-side (D-side) cables. Some urban cables and most rural cables are directly connected to distribution points (direct-fed network). Almost all of our underground cables are located in duct lines (primarily multi-way ducts).

Next Generation Access (NGA)

As of March 31, 2016, our NGA network passed over 1.4 million premises, compared to approximately 1.1. million as of March 31, 2015. This has been achieved by the deployment of VDSL2 technology in roadside cabinets and in our exchanges ("**eVDSL**"). To date, we have installed 9,000 kilometers of fiber in 6,000 kilometers of sub-duct, using our existing ducts, to support our NGA network. We are on target to extend coverage to 1.9 million premises within approximately four years.

Our initial VDSL2 deployment was to customers served through roadside cabinets, referred to as indirect fed customers. We constructed and landed our first active cabinet in April 2012 and an additional 5,470 active cabinet DSLAMs have been deployed to date. In 2014-15, following ComReg and Industry agreement, we deployed Exchange launched VDSL2 to serve customers whose local network architecture is directly fed from the exchange, rather than through a cabinet, and a total of 560 Exchange launched DSLAMs have been deployed to date.

We were one of the first operators in Europe to deploy vectoring technology on our cabinets early in 2014, which allowed speeds of up to 100 Mb/s to be offered to our NGA customers. Recent deployment of Node-level vectoring technology, which increases the number of cabinet ports that can be deployed with vectoring, now enables us to provide speeds up to 100 Mb/s across the full NGA cabinet footprint.

The network provides high speed services to approximately 394,000 active NGA customer connections as of March 31, 2016. In addition to high-speed Internet access, our NGA network supports our IPTV service.

Network Fixed Access Field Force

The build and maintenance of our fixed access network is the responsibility of the field operations organization. The main activities this group undertakes include overhead and underground build, nationwide repair and maintenance of the fixed access network, provisioning of PSTN, DSL broadband, IPTV and NGA for our business units, and delivery of the NGA infrastructure roll-out program. The internal field force is supplemented with a managed services partner, thereby benefiting from a flexible resourcing model with the use of outsourcing where economical.

Mobile Network

We are licensed to operate a mobile network in the following bands: 800 MHz (4G LTE); 900 MHz 2G (GSM) and 3G (UMTS); 1800 MHz 2G (GSM) and 4G (LTE); and 2100 MHz 3G (UMTS). Our fully national mobile network covers 99% of the outdoor population of Ireland with voice and 3G data service. The RAN is designed to provide high levels of service availability in conjunction with excellent coverage, voice quality and data throughput. The mobile network is fiber powered with at least 400 fiber backhaul connections from our base stations to our core mobile network to deliver a low latency data network as of March 31, 2016. The majority of the fiber connectivity is provided by eir Wholesale. The roll-out of our high capacity 4G/LTE network continues to deliver an improved digital experience for our customers and enables continued data growth.

Over the last several years, we have deployed a single vendor network with Ericsson as our strategic mobile partner enabling the latest technology capability nationwide with at least 1700 2G sites, 2300 3G sites and 640 4G sites. We continue our transition to an all-IP network for 2G and 3G services, and over 80% of the network delivers dual carrier HSPA+ 3G service with speeds up to 42 Mb/s.

The 2G voice, text and data service mainly utilizes GSM 900 MHz; GSM 900 MHz and GSM 1800 MHz support EDGE and GPRS services. The 3G voice, text and data utilize UMTS 2100 MHz and UMTS 900 MHz technologies. The UMTS 900 MHz locations are targeted at high data areas to increase the indoor 3G data footprint and improve customer experience. Over 70% of the UMTS 2100 MHz sites support dual-carrier HSPA+ 3G service with speeds up to 42 Mb/s. 4G LTE service on the 1800 MHz band has been extensively deployed in urban and suburban locations, with the 800 MHz band used to provide 4G LTE services to more rural locations.

Mobile Network Sharing Agreement

We entered into a network sharing agreement, called Mosaic, with O2 on April 7, 2011 to improve our network quality and create a more efficient radio access network. The network sharing agreement enabled us to increase our 2G indoor population coverage and 3G and 4G geographic coverage. Following the acquisition of O2 Ireland in June 2014 by Hutchison Whampoa, owner of 3, eir and 3 signed the MoU on August 27, 2014 for network sharing in line with the conditions set out by the European Commission. The network sharing MoU include an obligation on Hutchison Whampoa to offer eir improved terms and conditions as compared to those which existed under the Mosaic network sharing agreement between Meteor and O2 Ireland. The terms and conditions of the MoU with 3 are now represented in a revised network sharing agreement that was finalized in August 2015. The scope of the network sharing agreement is based on passive antenna sharing for 2G, 3G and 4G until 2030, where each operator will deploy its own RAN equipment and possess service independence. Both transmission and power systems will also be shared to enable cost efficiency. Over 950 sites are now shared through a mix of site consolidation and site infill. This improved network sharing agreement, along with our own site expansions, allowed us to end, as of June 30, 2015, the roaming agreement we had previously maintained with Vodafone.

IT

IT continues to develop the technology solutions that enhance our products and services and sustain our growth, such as enhanced customer experience initiatives, BSS transformation, delivering an industry standard BSS and digital environment while retiring legacy environments, Network convergence and the upcoming OSS program, which focuses on the future network technologies and the upcoming NBP. Naturally, we continue to emphasize operational efficiency, with programs such as our data center consolidation, business intelligence/data warehouse system, next generation end-user computing and security. We have also recently concluded an outsourcing contract of certain of our IT support functions to Tech Mahindra Limited, which we believe will help us to achieve cost efficiencies and operational agility, as well as reduce system risks.

Competition

We face competition in the Irish fixed line and mobile telecommunications markets. Since the liberalization of the Irish fixed line telecommunications market, our overall fixed line market share, based on revenue, has declined as a result of competition from retail fixed line operators such as Virgin Media (formerly UPC), Vodafone, Imagine, BT, eNet and Sky. We are able to regain, through our wholesale business, a significant proportion of retail access lines lost to competitors, although we also face competition from wholesale fixed line operators such as BT. In particular, our business has been adversely affected by customers switching to cable voice and broadband services offered by Virgin Media and other operators. The level of retail competition has also increased as a result of Sky's entry into the Irish telecommunications market in February 2013.

Our main mobile competitors include Vodafone and 3 (which acquired O2). Competition, together with decreases in MTRs mandated by ComReg, has contributed to decreases in mobile market ARPU in recent periods. The O2 and 3 transaction was conditionally approved by the European Commission on May 28, 2014. The approval was conditional on the provision by Hutchinson Whampoa (3's owner) of a commitment to a package which includes enabling the short-term entry of two MVNOs into the Irish telecommunications market and the continuation of the existing network sharing agreement on improved terms to protect the continued competitiveness of eir's mobile services. These improved terms and conditions are reflected in a MoU, which was signed by eir and 3 on August 26, 2014 and effective from August 27, 2014. The

European Commission’s decision leaves open the possibility for one of the two MVNOs to become full MNOs at a later date. To facilitate this, Hutchinson Whampoa committed to divest five blocks of spectrum in the 900 MHz, 1800 MHz and 2100 MHz bands. The spectrum will be available for ten years, starting from January 1, 2016. An MVNO agreement between Hutchison Whampoa and Virgin Media was announced in May 2014 while a second agreement between with Carphone Warehouse was announced in July 2014. In July 2015, Carphone Warehouse launched its mobile brand, iD Mobile, with an online expression of interest. Virgin Media launched their new mobile business in Ireland in October 2015. The entry of both MVNOs is likely to result in increased competition in the Irish mobile telecommunications market.

In addition, Siro, a joint venture between the ESB, the incumbent power network company in Ireland, and Vodafone has begun to roll-out FTTB to selected urban and semi-urban areas, ultimately targeting 500,000 premises at an estimated cost of €450 million. Siro will offer wholesale services using fiber attached to the access infrastructure of the ESB. We plan to seek the same level of access to the ESB infrastructure that will be provided to the joint venture.

We have sought to address competitive pressures through our fiber roll-out and 4G investment, which has allowed us to offer a full range of services, especially in competitive urban areas, through the introduction of bundled offerings.

Group Insurance Cover

As an integral part of our risk management program, we purchase insurance to mitigate a number of risks including property damage and contingent business interruption, employer, public and motor liabilities, director’s and officer’s liabilities, professional indemnity liabilities, cyber-attack liabilities, and other miscellaneous risks such as goods in transit, employee travel, and personal accident liabilities. Insurance cover for these risks is provided to eir within self-insured deductibles for individual claims, and for some policies also within aggregate annual risk retention limits, both of which may change on policy renewal from time to time. This program is renewed on an annual basis. In addition to the above insurance covers which are renewed annually, eir has also purchased “extended director’s and officer’s liability run-off” insurance covers, following previous corporate financing transactions, some of which remain in force. The company believes the levels of risks insured, risks retained and the limits of insurance indemnity are broadly in line with similar companies in the same industry sector. Insurance covers are in full force and effect with all due premiums paid.

Outsourcing

Spending on outsourcing has reduced in the fixed line business as a result of lower volumes and tighter operating and capital budgets. However we continue to outsource a considerable proportion of work, particularly in our contact center capabilities (sales, retentions, customer services and broadband support) and in field sales. We have also outsourced certain operations in IT, access network operations, core network operations and central services. Through our contact center outsource partner we offer our consumer-category customers a comprehensive level of service, accessible from 8 a.m. to 8 p.m. every day of the year for our mobile customers, 8 a.m. to 8 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays for our fixed line customers as well as 24/7 broadband technical support. We are reviewing and will continue to examine opportunities to outsource our requirements and functions in circumstances and on terms as may from time to time be considered appropriate.

As a result of our IT outsourcing agreement with Tech Mahindra Limited (the “**Supplier**”), which we concluded on June 3, 2016, approximately 140 of our employees will be affected. The majority of these employees will either permanently transfer to the Supplier or engage in a knowledge transfer to ensure continuity, then exit under a voluntary leave program at an agreed future date. The remainder of this staff will redeploy within the company.

Patents, licenses, industrial, commercial or financial contracts or new manufacturing processes

No material portion of our business is dependent on eir specific or unique patents, licenses, industrial, commercial or financial contracts or new manufacturing processes, other than those generally found in similar telecommunications businesses.

Properties

As of March 31, 2016, we occupied approximately 1,249 properties (excluding Tetra mast sites, Meteor stores, Meteor mast sites and Meteor office premises located at Unit 4030 Citywest). The tenure of these properties may be approximately summarized as follows:

- 965 are freehold;
- 67 are held under long-term leases (leases with a term in excess of 50 years);
- 59 are held under short-term leases/licenses (leases with a term of less than 50 years);
- 143 are properties owned by the Irish State. We have rights to remain in occupation of these properties, and
- 15 are owned by the Irish Postal Authority, An Post, and are occupied by us based on statutory rights granted to us under the Postal and Telecommunications Services Act, 1983.

As of March 31, 2016, our mobile division also occupied approximately 2,026 mast sites, of which two are owned freehold by Meteor itself, 52 are held under lease from Coillte, the Irish state-sponsored forestry company (typically for a 100 year term), 1,171 are Licensed to Meteor (of which we share 329 with 3 under the Network Sharing Agreement) and 526 are licenced to 3, with eir having rights to share occupancy under the Network Sharing Agreement. Approximately 240 are greenfield mast sites and the remainder are on other structures, such as commercial rooftops and Electricity Supply Board towers, and held under license (typically for a term of less than 20 years). Meteor also leases 42 retail outlets under various lease agreements, 32 with less than ten years remaining to the next break and 10 with more than ten years remaining. Meteor also leases office premises at Unit 4030 Citywest Business Campus. From time to time, we buy, sell and exchange our properties as market conditions and operations needs evolve.

As of March 31, 2016, Tetra occupied 591 mast sites, including 74 under license from eir. All of these sites are held under short-term leases or licenses. The economic benefit of 69 of the mast sites licensed by us to Tetra was assigned on April 1, 2010 to a third party.

The properties are used for the following functions:

Function	Approximate number of Properties
Telephone Exchanges	1,092
Area engineering headquarters	27
Offices	7
Standalone mast/radio sites	45
Cable stations	1
Other	77

As of March 31, 2016, we own or occupy the following principal establishments:

Property	Area (buildings, gross sq. m.)	Tenure	Use
1 Heuston South Quarter	24,000	1st lease: 25 years from July 2008 2nd lease: 25 years from July 2008	Office—corporate headquarters
Dame Court, Dublin	8,592	Freehold	International exchange
Adelaide Rd., Dublin	5,360	Leasehold: 3 years and approximately 7 months from January 29, 2015 to August 30, 2018.	National exchange
Citywest, Dublin	8,326	Leasehold: 25 years from September 29, 2010	Network management center
Crown Alley, Dublin	5,225	(1) Freehold (2) 150 year lease from March 25, 1889	National exchange and ISP hub
Clondalkin, Dublin	6,219	Freehold	Logistics center
Mervue, Galway	9,791	Freehold	National exchange, office and depot
Templehill, Cork	2,465	Freehold	Engineering depot
Beggars Bush, Dublin	1,908	Leasehold: 63 years from November 7, 1968	National exchange
Churchfield, Cork	11,771	Leasehold: Two Leases, both 99 years from October 1, 1973	National exchange and office
Roches St., Limerick	5,495	Leasehold: (1) 983 years from March 25, 1799 (2) 995 years from March 25, 1803 (3) 900 years from May 1, 1831 (4) 900 years from March 25, 1883 (5) 140 years from December 1, 1947 (6) 999 years from March 25, 1801	National exchange and office
Quaker Rd. Cork	2,334	Freehold	National exchange
Summerhill, Dublin	1,686	Leasehold	National exchange
Priory Park, Dublin	2,367	Two Leases: (1) 999 years from March 25, 1935 (2) 999 years from September 1, 1946	National exchange
Blanchardstown (Grove Road), Dublin	3,221	Freehold	National exchange
4030 Kingswood Avenue, Citywest	2,827	Leasehold: 25 years from October 1, 1998	Meteor Operations Center Office—operator services 999 facility)
Clonshaugh	9,000	Leasehold: 11 years from August 22, 2008	Data Center
4050 Kingswood Avenue, Citywest	3,000	Leasehold: 20 years from September 1, 1999	Data Center
Dundrum, Dublin	4,080	Freehold	Data Center
Ship Street Exchange	1,414	See "*Litigation—Claim for title by the State in respect of the Ship Street and Leitrim House properties*", below.	National exchange

Employees and Industrial Relations

We are one of the largest employers in Ireland, and the substantial majority of our employees are employed in Ireland.

The total number of persons (Full Time Equivalents) employed by us as of March 31, 2016 and March 31, 2015 were as follows:

	As of March 31	
	2015	**2016**
Fixed line		
Operational/technical	2,196	2,179
Sales/customer support	664	617
Administration	166	258
Total fixed line	3,026	3,054
Mobile	404	355
Total fixed line and mobile	3,430	3,409

We have a well-developed collective bargaining relationship with our trade unions. We employ graded staff who are employed on collectively negotiated terms and conditions, and non-graded staff, who are employed on a personal contract/service agreement basis. Graded employees' terms and conditions are the subject of collective bargaining agreements, primarily, but not exclusively, negotiated through the Joint Conciliation Council which is the Company's main collective bargaining forum. The trade unions who participate in this forum are as follows:

- Communications Workers Union (the main union in the Company);
- Public Services Executive Union; and
- Civil Public and Services Union

The Company established a separate industrial relations forum in 2015 with the Irish Bank Officials Union (now known as the Financial Services Union) as part of the transfer arrangements of approximately 24 employees into the Company under the European Communities (Protection of Employees on Transfer of Undertakings) Regulations 2003.

Litigation

Except as disclosed below or as disclosed in "*Regulation—The Regulatory Regime—Compliance*", we are not engaged in or, so far as we are aware, have pending or threatened, any government, legal or arbitration proceedings which may have, or have had in the last twelve months, a significant effect on our financial position or results of operations.

Hearing Loss claims

As of March 31, 2016, we had received notice of personal injury claims for alleged hearing loss from 116 current and former employees, 15 of which have been withdrawn, and 8 of which have been discontinued. Of the 93 remaining claims, 55 have become prima facie statute barred, and so we consider these cases to be closed. Of the remaining cases, 26 individuals issued court proceedings but did not serve these within the period they had to do so and so we also consider these cases to be closed. Twelve sets of proceedings have been served and are active. We have denied liability in all of the claims and intend to vigorously defend all proceedings issued in respect of hearing loss claims.

Allegations of anti-competitive practices

In October 2002, ComReg determined that we were not in compliance with our obligations under the voice telephony regulations, as we provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. In December 2002, Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court against us seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. We submitted our defense on January 26, 2004, and intend to defend the proceedings vigorously. The plaintiffs submitted general particulars of their damages claim on February 3, 2004 under the headings of loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further un-quantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on our part under each of these headings, we do not believe that these figures represent damages which would be properly recoverable. No further action has been taken by the plaintiffs in the ten years since they amended the plenary summons and statement of claim. We do not expect the plaintiffs to take any further action, and even if they attempted to do so, we believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Claims by Smart Telecom

On June 8, 2005, Smart Telecom instituted proceedings against us in the Irish High Court, challenging the validity of a notice of termination issued by us to Smart Telecom terminating an interconnection agreement, and alleging that the notice of termination was an abuse by us of our dominant position in the telecommunications market. Smart Telecom further alleged that we were abusing our dominant position by refusing to provide network access in the form of LLU in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid, that we were abusing our dominance by failing to meet Smart Telecom's LLU requirements, and unspecified damages, including exemplary damages, for breach of contract, violation of the Competition Act 2002 and the EC Treaty. We delivered our defense in proceedings on December 23, 2005. We believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that we provide access to its network fully in accordance with our obligations, and we intend to defend proceedings vigorously, if pursued. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum) and capitalization of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on our part under each of these headings, we do not believe that these figures represent damages that would be properly recoverable. In October 2006, we terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, we introduced the LLU functionality that is the subject of Smart's claim in the proceedings. No further action has been taken by Smart Telecom after the delivery of our defense in December 2005. In December 2009, Smart Telecom went into liquidation. We do not expect the plaintiff to take any further action and even if it attempted to do so, we believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Asbestos claims

At March 31, 2016, approximately 132 premises, currently or previously occupied by us contain or have contained asbestos and these have been controlled and monitored. In 1987, we began a program of removing asbestos from some of our premises and introduced safety measures and a warning procedure. Claims have been received from approximately 107 employees or former employees alleging injuries caused by exposure to asbestos. Of these, nine claims were settled, withdrawn or never proceeded beyond an initial letter of claim. The remaining 98 actual claims relate to one particular set of premises we occupied in 1985 where the presence of asbestos was identified. A composite Irish High Court action for unquantified damages and costs initiated on behalf of 92 of these employees has remained dormant since 1997. The remaining six claims have remained inactive for several years. The Plaintiffs in most cases issued proceedings in order to protect their position in relation to the statute of limitations, but in the absence of any asbestos illness having developed. Asbestos related illnesses carry an average latency period of around 40 years. At present, if any claim were to be reactivated by any of the above Plaintiffs, in the absence of any physical injury, the position remains that it would be confined to damages for fear of developing an asbestos related illness. The Irish Supreme Court has adjudicated on this precise point and does not recognise this as a compensable cause of action. Given the uncertain nature of this kind of litigation, and the lengthy period of time before asbestos related injuries become manifest, there can be no assurance that future claims will not be made against us. We do not expect any material adverse impact on our results of operations or financial position based upon the claims which have been made.

East West Interconnector Matter

We are party to litigation involving a project by Eirgrid Interconnector Limited to construct the East West Interconnector enabling electricity to be carried between Ireland and the UK. Preliminary testing on the East West Interconnector, once constructed but before it was fully operational, indicated the presence of electro-magnetic interference on copper based land line telephones. Consequently we entered into a memorandum of commercial understanding with Eirgrid Interconnector Limited on December 7, 2012 to allow testing on the interference with the objective of developing a solution to it. Under the terms of that memorandum of commercial understanding, Eirgrid Interconnector Limited agreed, amongst other things, to keep us indemnified in respect of all of our reasonable costs and expenses up to €250,000 (and such further sums as may from time to time be agreed) incurred by us due to our obligations under that memorandum including the costs of us having to carry out remediation work on our lines arising from the interference. All works contemplated by the memorandum of commercial understanding of December 7, 2012 have been completed to the satisfaction of eir.

Data center construction defect

We occupy a number of data centers. A construction defect was identified in a specific center. The Company entered into negotiations with the landlord which culminated in the parties entering an agreement on February 6, 2013. Under that agreement, the landlord accepted responsibility for the construction defects and has carried out, at its own cost, the necessary remedial works to remedy construction defects identified at the property in a manner that has facilitated our current operation of the data center. Practical completion for the remediation works was issued on August 1, 2014, save that a number of discrete zones within the data center are being left unremediated due to either the risk of operational disruption or remediation being deemed unnecessary. We are in negotiations with the landlord regarding entering into a supplemental agreement whereby the landlord would be responsible for the continued monitoring and inspection of these left behind areas as well as for all future remediation works that may be required at the data center resulting from the construction defect.

There is risk involved in carrying out remedial construction works at a live data center in that penalties could potentially be invoked by the individual customers under their service level agreements if the breach/interruption of use is not remedied in accordance with the time limits prescribed in the service level agreement. Under the agreement with the landlord, the landlord is responsible for reimbursing us in respect of this risk. We will be liable for any differential loss that is not caused by the negligence of the landlord, but we have taken out a program of enhanced non-negligence insurance to cover this gap.

The above risk has now significantly diminished since the remedial works (save for identified left behind areas which are subject to a monitoring program) were successfully complete on August 1, 2014 and we conduct a continuous program of remediation activity in respect of all the data centers we occupy.

Claim for title by the State in respect of the Ship Street and Leitrim House properties

eir Limited, and its predecessor before privatization, the Department of Posts and Telegraphs, has been in occupation of the Leitrim House and Ship Street exchange properties in Dublin city center 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 July 12, 2013 seeking possession. Those proceedings were served on eircom Limited on July 1, 2014, prior to the date for expiry of the summons on July 12, 2014. A Statement of Claim was delivered by the State on December 17, 2014. eircom raised a Notice for Particulars on March 27, 2015. Replies to those Particulars was delivered by the State on May 8, 2015. A Notice for Further and Better Particulars was served by eircom on August 17, 2015, to which no reply has been received. The proceedings have been dormant since that time and eircom remains in occupation.

REGULATION

Overview

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework consisting primarily of five Directives adopted by the EU in 2002 and amended in 2009, including the Framework Directive and four other specific directives, namely the Access Directive, the Universal Service Directive, the Authorization Directive and the Directive on Privacy and Electronic Communications. The main policy objectives of the EU Regulatory Framework are to protect customers including through Universal Service Obligations imposed on one or several operators, to facilitate market entry by simplifying authorization and licensing conditions, and to use a market-focused mechanism for assessing and designating operators with SMP (a concept akin to the competition law concept of dominant position) and subject to specific obligations (which may extend in certain specific circumstances to functional separation). The Framework Directive provides operators with procedural rights including recourse to challenge the decisions of national regulatory authorities ("**NRAs**") and NRAs are subject to strict procedures in imposing SMP designations and obligations.

This basic framework for regulation of the Irish telecommunications market is laid out in a series of legislative acts and statutory instruments ("**SIs**"), which have facilitated the development of competition, principally through the implementation of various EU directives relating to telecommunications. The principal relevant legislation includes the Communications Regulation Act 2002, the Communications Regulation (Amendment) Act 2007, the Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010 and five SIs, the European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (SI No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (SI No. 334 of 2011), the European Communities (Electronic Communications Networks and Services) (Authorization) Regulations 2011 (SI No. 335 of 2011), the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011 (SI No. 336 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (SI No. 337 of 2011). These SIs were adopted on July 1, 2011 and transposed the five EU Directives as amended by the two 2009 EU Directives. Parties affected by ComReg's decisions and regulations may exercise a right of appeal in the Irish High Court.

The aim of the EU Regulatory Framework is, over time, to allow the transition of the governance of electronic communications networks from sector specific ex ante regulation to general competition law. In the long term, the amount of regulation should lessen as competition within the sector continues to grow. In the short to medium term, however, ex ante sector specific regulation is expected to remain the predominant form of regulation and it applies to services that flow from investments in next generation networks.

The European Commission has announced a timetable for the review of the EU Regulatory Framework as part of its Digital Single Market strategy with proposals for change anticipated towards the end of 2016.

The Regulatory Regime

ComReg

The 2002 Framework Directive provides for the establishment of a national regulatory authority to be charged with any of the regulatory tasks assigned in the EU Regulatory Framework. The present legislation vests all responsibility for regulating the electronic networks and services and premium rate services sectors in Ireland in ComReg, with certain minor residual functions having been retained by the Minister for Communications, Energy and Natural Resources. Broadcasting content services fall outside the remit of ComReg and are regulated by the Broadcasting Authority of Ireland (the "**BAI**"). The Broadcasting Act 2009, which merged the BCI and the Broadcasting Complaints Commission into a single content regulator, the BAI, provides for the modernisation of radio licenses including the option of "fast-tracked" applications, license enforcement and legal definitions regarding TV license and contract awards. It also transposed the TV elements of the Audio/visual Directive, which will impact IPTV and DTT.

ComReg regulates electronic communications networks and services principally through a system of general authorization (ComReg 03/81R5 dated December 22, 2015), licenses for premium rate services (content, data services and value-added services that are charged to a customer's telephone bill), licenses for radio frequency and rights of use for numbers.

We operate our telecommunications business in Ireland under this regime. The most important authorization under which we operate our business is the General Authorization published by ComReg (ComReg 03/81R5) which sets out the terms and conditions that all providers of electronic communications services and networks must comply with in Ireland. We also hold various individual radio frequency licenses under the Wireless Telegraphy Act 1926 including, through our subsidiary Meteor, mobile spectrum licenses.

ComReg was established under the Communications Regulation Act 2002 as the independent regulator. The Minister for Communications, Energy and Natural Resources may, in the interest of proper and effective regulation of the electronic communications market, give policy directions to be followed by ComReg in the exercise of its functions. ComReg is led by a commission comprised of up to three commissioners and the chairman of ComReg is appointed by the Minister for Communications, Energy and Natural Resources from among these three commissioners. There are currently three commissioners.

Enforcement powers

ComReg has the power to request information to enable it to verify compliance with license and general authorization conditions, including SMP conditions, and may apply to the Irish High Court for an appropriate court order requiring compliance, including an order directing that a financial penalty be paid. If such an order is granted, the penalty is paid to ComReg. There is no limit set in statute as to the maximum financial penalty which the High Court may impose; in deciding the amount of the financial penalty, the High Court must consider the circumstances of the non-compliance including its duration, the effect on consumers, users and other operators, ComReg's submission on the appropriate amount and any excuse or explanation for the non-compliance. In addition, under the Communications Regulation (Amendment) Act 2007, the Minister for Communications, Energy and Natural Resources may, in making regulations for the purpose of giving effect to a provision of EU law, provide for an offence under those regulations to be triable summarily or on indictment, with maximum fines of up to €5 million or 10% of an operator's revenue, whichever is greater. Where the current Statutory Instruments (see Overview above) provide for an offence, the maximum penalties provided are set at in the case of a body corporate to a fine not exceeding €500,000.

Under the Communications Regulation (Amendment) Act 2007, ComReg has the power to carry out investigations, on its own initiative or following a complaint, and to collect and publish information accordingly. In addition, ComReg has the power to suspend or withdraw an authorization, license or right of use where, in its opinion, there has been serious or repeated non-compliance with the conditions attached to such general authorization, license or right of use, or failure to meet a specific obligation relating to SMP or universal service. ComReg may amend authorizations, licenses and rights of use from time to time ''where objectively justifiable, and in a proportionate manner''. ComReg may also apply to the High Court to seek the immediate suspension of premium rate services which it considers to be in breach of the relevant license conditions.

The Data Protection Commissioner is entrusted with the enforcement of a member of obligations to which we are subject under the Privacy and Electronic Communication Regulations (SI 337 of 2011) referred to above. The Data Protection Commissioner is also responsible for enforcement of the Data Protection Acts 1988 and 2003, to which we are also subject.

Competition and Consumer Protection regulation

ComReg also has powers, concurrent to those of the Competition and Consumer Protection Commission (CCPC), to investigate anti-competitive practices, including anti-competitive agreements and concerted practices and abuses of a dominant position in the marketplace related to the provision of electronic communications services and networks. The Irish Competition Act 2002 (as amended) regulates competition generally by prohibiting anti-competitive arrangements and abuse of a dominant position, and by providing for pre-approval of certain mergers and acquisitions. The CCPC was created in 2014 following the merger of the Irish Competition Authority and the National Consumer Agency. The CCPC is responsible for the administration and enforcement of the Competition Act and consumer protection legislation (both of which we are subject to). A person found guilty of an offence under the Competition Act may be liable for fines of up to the greater of €5 million or 10% of turnover and/or imprisonment for up to ten years. Sanctions can also be imposed for breaches of consumer protection legislation. Under the Communications Regulation (Amendment) Act 2007, ComReg was granted the power to investigate compliance with, and enforce, the provisions of the Competition Act prohibiting anti-competitive arrangements and abuse of a dominant position insofar as they relate to practices in the electronic communications sector. ComReg has the authority to conduct on its own initiative investigation into anti-competitive behavior or regarding a formal complaint of such behavior. A body convicted of competition offences may also have to pay the costs of investigation and court proceedings. Amendments to the Act since July 3, 2012 make it easier for private individuals affected by anti-competitive practices to prove an action for damages against a cartelist, once public enforcement proceedings have successfully been taken. In addition to above, we are also subject to EU competition law. Enforcement of EU competition law is undertaken by the European Commission as well as national authorities including, in Ireland, ComReg and the CCPC.

General Authorizations, Licenses and Rights of Use

We are not permitted to delegate, grant or otherwise transfer any right, interest or entitlement in its general authorization to another person. ComReg has extensive powers to enforce or modify conditions to general authorizations, licenses or rights of use, and to issue directions under those conditions. It is an offence to fail to comply with the conditions of a general authorization, license or right of use.

Levies

ComReg levy and Spectrum Usage Fees

All authorized entities, including eir and Meteor, are required under their respective general authorizations to pay an annual levy, equal to 0.2% of relevant annual turnover, to ComReg to defray its administrative costs. ''Relevant annual turnover'' is defined as turnover excluding VAT for the provision of electronic communications services or networks and includes turnover from electronic communications networks and services provided to other authorized operators and their subsidiaries. Until such time as the relevant annual turnover for a financial year is known, the quarterly instalments paid to ComReg are based on the most recent relevant annual turnover statement available. For the year ended June 30, 2015, to date eir has paid a levy of €1.7 million and Meteor paid a levy of €0.6 million. eir and Meteor also pay fees for the right to use the radio spectrum that has been allocated to them by ComReg. All licensed spectrum is subject to annual usage fees. For the financial year to June 30, 2015 eir expensed a total of €11.5 million in usage fees for its fixed and mobile spectrum licenses.

Premium Rate Services

The Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010 Act and associated Regulations apply to all Premium Rate Service Providers including, among others, a person such as eir who provides the electronic communications service over which a premium rate service is provided, or provides the electronic communications network over which a premium rate service is transmitted. Under current licensing arrangements, an individual license is required only in relation to the provision of certain premium rate services.

Network providers that facilitate the provision of premium rate services, and premium rate service providers pay a levy of 1.8% of premium rate services revenue (equally divided between the premium rate services provider and the host network operator). This levy applies to retail revenue for premium rate services, and is ''ring fenced'' from the general electronic communications networks and services levy. ComReg issued a consultation on June 15, 2013 which reviewed the current level of this levy and proposed a 38% increase in the levy. We responded to the consultation on August 2, 2013. ComReg has not yet issued its decision.

Numbering

The use of national numbering resources is governed by ComReg's Numbering Conditions of Use (ComReg 15/136) last updated in December 2015. The conditions of use allow for the automatic withdrawal of rights of use of both code and number range where an undertaking's premium rate services license, authorization or other approval to operate is suspended or withdrawn for compliance failures. In relation to calling shared cost numbers from mobile telephones, ComReg set tariff ceilings on the standard cost of calling a geographic number. However ComReg stated that it will seek greater transparency concerning the exclusion or inclusion of non-geographic numbers in tariff bundles. For universal access numbers and personal numbers, ComReg introduced a tariff ceiling for calls made from mobile phones (in line with the changes to shared cost numbers).

Access to the emergency services

Under the Universal Service Regulations (SI. 337 of 2011), all electronic communications services providers which provide end users with a service for originating national calls to a number or numbers in the national numbering scheme, including VoIP providers, must ensure that such end-users, including disabled end-users, are able to call the emergency service free of charge. Providers of publicly available telephone services must also take all necessary measures to ensure uninterrupted access to emergency services.

The Communications Regulation (Amendment) Act 2007 allows the Minister for Communications, Energy and Natural Resources to award a contract for the operation of the Emergency Call Answering Service ("**ECAS**"), i.e. the "999" and "112" services. Following a tender process, the contract to provide the ECAS was awarded to BT for an initial five-year period, and since September 2010, BT handles all calls to the ECAS. A call handling fee, subject to a ceiling reviewed annually by ComReg, is payable to BT by operators, including eir and Meteor, on whose networks a "999/112" call originates. The applicable handling fee per call for the year to February 11, 2017 is set at €3.82. The Department for Communications Energy and Natural Resources has exercised its right to extend the term of the contract with BT for a maximum of two years while it prepares a new tender process. eir is participating in the tender process which was formally commenced on April 15, 2016.

Consumers

Under the Universal Service Regulations (SI No. 337 of 2011), the provision of publicly available electronic communications services to consumers and certain end-users must be done in accordance with a contract which must include a number of specific provisions. Any modification to the contractual conditions must be communicated to the customers concerned at least one month in advance of implementation together with a notice of their right to withdraw without penalty from such contract if they do not accept the modification. The Universal Service Regulations set limits as to the maximum minimum term period for contracts, namely 24 months and require that subscribers are able to subscribe to a contract of a maximum duration of 12 months. Without prejudice to minimum contractual period, providers must ensure that their conditions and procedures for contract termination do not act as a disincentive to a consumer changing service provider.

The Universal Service Regulations also provide for the right of subscribers to retain their numbers independently of the service provider that they choose. Geographic number portability permits a customer with a telephone number that was assigned based on geographic location to retain that telephone number when changing local service providers, provided the customer's telephone line remains physically located within the same geographic area. Non-geographic number portability permits customers with numbers that are standard throughout the country, including Freefone and premium rate service customers, to migrate to another service provider without changing their telephone number. Number portability is intended to remove the significant barrier to competition believed to result from customers having to change their telephone numbers if they wanted to change service providers.

Under the Universal Service Regulations reflecting the provisions of the Universal Service Directive as amended in 2009, the porting of numbers and subsequent activation is required to be carried out in the shortest possible time and in any event within one working day after the subscriber has concluded an agreement to port the number with loss of service during the porting process not to exceed one working day. Each operator is responsible for making its network capable of handling number portability. All operators, including eir and Meteor, are responsible for certain individual costs in relation to this activity, while certain other costs are shared between operators.

The General Authorization contains a number of Consumer Protection Rules including the requirement that all fixed line operators place certain references on a consumer's bill. These include the customer telephone number, customer account number and the circuit reference number for LLU lines. This requirement seeks to facilitate switching between providers on our network including win-backs for us. In addition, in 2013, specific requirements were included in the General Authorization concerning Itemized Billing and Billing Mediums, including obligations to issue bills free of charge and within a reasonable period in advance of each payment due date; the obligation to provide a customer with fully itemized bill or non-itemized bill, at the request of the Customer, if either request is made and not change the level of itemization provided without the Customer's consent; and certain restrictions on the use of medium other than paper on which bills are issued.

On May 29, 2014, ComReg adopted its Decision D04/14 (ComReg 14/52) imposing on all authorized operators providing publicly available telephone services obligations to adopt some measures to ensure equivalence in access and choice for disabled users including accessible complaints procedures, an accessible top-up facility for prepay mobile end-users, accessible directory enquiries, accessible billing and an accessible facility to test the compatibility of terminal equipment or an appropriate returns policy. In addition, providers are required to ensure that the information concerning products and services, including information provided to the majority of end-users is accessible to disabled end users. They are also required to establish and maintain a facility to enable disabled users to register their requirements. These obligations must be complied with within six months (nine months in respect of the provision of an accessible top-up facility for prepay mobile end-users, the provision of a facility to enable disabled users to register their requirements and the provision of information accessible to the majority of end users).

We are also subject to a code of practice for Tariff Transparency (ComReg Decision D11/04) which ComReg introduced with the stated objective of ensuring that service providers present tariff information that is accurate, comprehensive and accessible. The Code applies to standard tariffs covering access, all types of usage charges and maintenance charges, including details of standard discounts applied and special and targeted schemes. Moreover it is an offence under section 45 of the Communications Regulation Act 2002 as amended in 2007 to charge for supplying an electronic communications service an amount that exceeds the amount specified in the provider's published tariffs or in a written statement previously given to the customer, or for supplying a service that was not requested by the consumer or for a service that was requested by a consumer but not supplied.

ComReg has established an interactive website for consumers, www.callcosts.ie. This website covers mobile, fixed line and broadband services.

USO Regime

In order to ensure that all users in Ireland have access to a defined set of basic telephony services independent of their geographical location and at an affordable price, ComReg may under the Universal Service Regulations designate Universal Service Providers tasked with the provision of relevant services, whether or not the provision of those services is economic. We have been designated by ComReg as a USP, for successive periods since 2003. The USO has the following components: (i) obligation to meet all reasonable requests for telephone lines to fixed locations throughout the state; (ii) provision of a telephone line capable of functional Internet access; (iii) making available a comprehensive printed telephone directory to end users; (iv) provision of public payphones to meet the reasonable needs of end users; (v) services for disabled users; and (vi) affordability measures. Broadband and mobile services are not part of the USO.

In addition to the obligation to make available a Text Relay Service for the period to June 30, 2016 (ComReg Decision D04/15), eir is currently the only USP in respect of the following services:

- The provision of payphones: under ComReg Decision D08/14, we are required to maintain payphones throughout Ireland until June 30, 2018, subject to a removals policy including threshold usage below which we may remove public payphones. ComReg is in the process of reviewing the usage threshold and has proposed to maintain current levels (ComReg 16/43). As of December 31, 2015 there were 870 USO public payphones still in service. We will review these USO public payphones to assess their continued economic viability and take appropriate action in the light of applicable requirements.
- The provision of a comprehensive printed directory or directories to subscribers: under ComReg Decision D07/14, we are required to make a comprehensive directory or directories to subscribers, to be updated at least once a year, until June 30, 2018. For the period until June 30, 2016, directories must be provided to all subscribers who have not opted out; for period July 1, 2016 to June 30, 2018, we may choose to deliver directories only to subscribers who have opted in, in which case a communications campaign must be run in advance giving consumers a variety of ways to opt in.
- The provision of telephony services including connection and access at a fixed location (including an obligation to apply geographically averaged prices throughout the country in respect of USO services and to provide for control of expenditure services or measures): ComReg Decision D10/15 of December 31, 2015 designated eir as the USP in respect of the provision of connection and access at a fixed location for a provisional period from January 1, 2016 to June 30, 2016. The requirement to meet reasonable requests for a connection at a fixed location is subject to a threshold of €7,000. This means that if the cost of providing service is below the threshold, we are obliged to consider the request as "reasonable" and supply service for the standard connection fee. If the cost is above the threshold, we are required to supply service where the customer agrees to pay the amount in excess of the threshold, in addition to the standard connection fee. With regard to provision of functional Internet access, ComReg introduced a minimum data rate of 28.8Kb/s with a target of 94% of telephone lines to be capable of achieving functional interest access. On May 4, 2016, ComReg published a consultation document (ComReg 16/31) which considers the future scope of the access at a fixed location USO and proposes to maintain the current scope of the USO, with certain exceptions relating to the availability of alternative services and re-designate us as the USP for a period of 5 years from July 1, 2016.

Compensation

We do not currently receive compensation for fulfilling our USO. The establishment of a sharing mechanism, including in the form of a fund, is required under the EU Universal Service Directive of 2002 and the Irish Universal Service Regulations where the net cost of the USO is found to amount to an unfair burden on the USP. On May 31, 2011, ComReg published Decision D04/11 (ComReg 11/42) on the methodology for costing USO and the requirements which we must meet in applying for funding. On May 31, 2012, we submitted our USO funding application for the period 2009/2010. The application was for €6.22 million (ComReg Information Notice 12/57). On January 9, 2014, ComReg determined in ComReg Decision D01/14 (ComReg 14/03) that the net cost of the USO for eir's financial year ending June 30, 2010 was €5.1 million and that it did not represent an unfair burden for us. On February 9, 2014, we brought an appeal against ComReg's Decision in the Irish High Court. The Appeal was struck out with the consent of both parties on November 17, 2014 (see ComReg 14/119). There are currently five applications for USO funding before ComReg in respect of the periods 2010/2011, 2011/2012 and 2012/13, 2013/2014 and 2014/2015.

In 2011, ComReg consulted on principles that could govern cost sharing if it was found that there was a net cost for us in providing the USO which amounted to an unfair burden (ComReg 11/77). ComReg proposed that operators contribute to a USO fund in proportion to their revenue subject to a minimum threshold of €0.5 million. ComReg has not yet published a final decision.

Performance targets

Since 2008 we have been subject to binding performance targets in respect of the obligation to provide connections and access set by ComReg under the Universal Service Regulations in respect of installations ("in situ" and "first time" connections); fault repair time (time taken, in working days, to repairs faults); and fault occurrence (the number of line faults per 100 lines in the network).

Following failure by us, in the view of ComReg, to meet some of the performance targets in 2009, we agreed with ComReg an approach with respect to the provision of the USO including successive quality of service performance improvement programs ("**PIP**"). Under the various PIP agreements, we have maintained cash guarantee on deposit to cover any financial penalty that may be imposed by ComReg if the targets are not met. The latest performance improvement program, known as PIP 3, was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129). There is no PIP agreement in place in respect of the current designation period to end June, 2016.

National Directory Database

The national directory database ("**NDD**") contains all telephone numbers listed in public directories or available through directory enquiries. ComReg designated us as the NDD operator for the period to June 30, 2018 (ComReg Decision D02/15; ComReg 15/44) as the result of which we are required to manage and keep the NDD up-to-date.

SMP Regime

The EU Regulatory Framework provides for the designation by NRAs of operators with SMP in markets that meet certain criteria for ex ante regulation. An operator will be designated as having SMP in a particular market if it has a dominant position in that market, as determined in a manner consistent with competition law practice. Once an operator has been designated as having SMP in a market, the NRA is obliged to impose at least one of the obligations listed in the Access Directive and must impose all such obligations on that operator as are considered appropriate, which may include the regulatory remedies of access, transparency, non-discrimination, accounting separation and cost accounting, and price control/cost orientation. Furthermore, where an NRA finds that these obligations have failed to achieve effective competition and that there are important and persisting competition problems or market failures identified in relation to the wholesale provision of certain access product markets, it may impose an obligation of functional separation, subject to the European Commission's approval.

Markets that are susceptible to ex ante regulation are listed in a Recommendation of the European Commission revised from time to time. The European Commission's initial recommendation in 2003 included 18 relevant markets. In November 2007, the European Commission revised the list of recommended markets, reducing their number to seven. In October 2014, a second review by the European Commission was completed revising the number of recommended markets to five. Under the Framework Directive, NRAs are obliged to conduct a market analysis of the markets listed by the European Commission and designate operators with SMP as appropriate and impose obligations, following prior notification to the European Commission. The European Commission may object to the definition of a relevant market and the designation of the SMP operator but it cannot veto the remedies chosen by the NRA. NRAs may regulate other markets but the European Commission may veto such a decision.

The European Regulatory Framework requires the review of regulated markets every three years and that a market analysis is carried out to determine whether or not there is in fact effective competition in that market. New remedies may not be imposed without such a review, nor may existing remedies be removed without a market analysis, even where a regulated market is removed from the European Commission's list of markets susceptible to ex ante regulation.

ComReg's implementation of the market analysis process is ongoing. The following table lists the seven markets recommended by the EU in November 2007 along with the equivalent 2014 recommended markets, and the operators designated with SMP by ComReg.

2007	2014 Market	Market	SMP Operator(s)	ComReg Decision	Date
1 . .	N/a	Retail Fixed Narrowband Access (Business & Residential)	eir	Decision D12/14 (ComReg 14/89)	August 2014
				Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers) [1]	February 2013
2 . .	N/a	Wholesale Fixed Call origination [2]	eir	Decision D05/15 (ComReg 15/82)	July 2015'
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
3 . .	1	Wholesale Fixed Call termination	eir and six OAOs [3]	Decision D06/07 (ComReg 07/109)	December 2007
4 . .	3a	Wholesale Local Access at a Fixed Location [4]	eir	Decision D05/10 (ComReg 10/39)	May 2010
				Decision D03/13 (ComReg 13/11) (Remedies for NGA) [5]	January 2013
				Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers) [1]	February 2013
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
5 . .	3b	Wholesale Central Access at a Fixed Location [6]	eir	Decision 06/11 (ComReg 11/49)	July 2011
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
6 . .	4	High Quality Access at a Fixed Location [7]	eir	Decision D06/08 (ComReg 08/103)	December 2008
				Decision D02/12 (ComReg 12/03) (Price Control)	February 2012
7 . .	2	Wholesale Mobile Call termination	Hutchison 3G Ireland, Lycamobile, Meteor, Telefónica O2, Tesco Mobile and Vodafone	Decision D11/12 (ComReg 12/124)	December 2012
				Decision D02/16 (Price Control)	February 2016

(1) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in markets 1 and 4.

(2) ComReg has withdrawn regulation of the transit market.

(3) In addition to eir, six OAOs were designated as having SMP: BT Communications Ireland Limited; Verizon Ireland Limited; NTL Communications (Ireland) Limited and Chorus Communications Limited (now UPC); Colt Telecom Ireland Limited; Smart Telecom; and Magnet Networks Limited.

(4) Market formerly called Wholesale Fixed Unbundled Access (WPNIA) including Current and Next Generation Access. WPNIA is wholesale physical network infrastructure access and includes LLU and next generation access/fiber.

(5) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in markets 4 and 5.

(6) Equivalent to Wholesale Fixed Broadband Access market in the 2007 list.

(7) Equivalent to Wholesale Fixed Terminating Segments of Leased Lines market in 2007 list.

SMP Regulation of our retail fixed access products and services

We were designated as having SMP in three markets related to retail fixed access pursuant to ComReg Decision D12/14 including Standalone Lower Level Voice Access, Bundled Lower Level Voice Access, and Higher Level Voice Access. In respect of Standard Lower Level Voice Access, we are subject to a price publication obligation and to a price cap permitting increases of dCPI minus 0% and to an obligation not to unreasonably bundle voice access as well as a cost accounting obligation. In respect of the provision of Bundled Lower Level Voice Access and Higher Level Voice Access, we are subject to an obligation not to unreasonably bundle voice access and a cost accounting obligation. The obligation not to unreasonably bundle is specified in ComReg Decision D04/13.

Under ComReg Decision D04/13 (ComReg 13/14), we are required to notify ComReg five days in advance of launching a bundle which has a retail line rental component and obtain ComReg's prior approval. The decision provides additional pricing flexibility for bundled services offered in "Larger Exchange Areas" ("**LEA**") where competition is most intense through the use of modified wholesale costs to assess margin squeeze and the use of a portfolio and product by product test with some use of LRIC for retailing costs of calls.

SMP Regulation of our Wholesale fixed access products and services

Fixed voice telephony regulation

We are currently designated as having SMP in the wholesale fixed voice telephony markets, including in particular the markets for wholesale call origination services and wholesale call termination services. As a result, we must offer interconnection services to OAOs seeking to interconnect with our network. We publish a RIO, which sets out the tariffs, contract terms and conditions at which we offer interconnection services. These must be non-discriminatory and transparent. We must also ensure that our cost accounting systems are suitable for implementing our interconnection obligations.

RIO prices are in general based on the LRIC of providing interconnection services, plus a rate of return on investment. ComReg has issued several notices and decisions relating to the methodology for calculating these prices, including the calculation of costs that may or may not be included in setting RIO prices, as well as the permitted rate of return on investment. In December 2007, following consultation, ComReg published its Decision D06/07 confirming that we have SMP in the wholesale fixed call termination market. ComReg also designated six OAOs as having SMP on their own networks in this market. In September 2012, ComReg issued a consultation, ComReg 12/96, proposing to maintain the existing SMP designations and to impose SMP designations on all other operators active in the fixed termination market. The draft decision instrument identified 18 SMP operators. As of the date of this report, no decision has been made by ComReg.

As a result of the existing SMP designation ComReg has imposed obligations of access, transparency, non-discrimination, price control, accounting separation, and cost accounting upon us. OAOs designated with SMP are only subject to obligations of non-discrimination, transparency and price control. ComReg Decision D12/12 (ComReg 12/125) requires each of the fixed operators designated with SMP in Decision D06/07 to ensure that its fixed termination rate(s) are set in accordance with a pure LRIC costing methodology. The decision provides for the transition from rates as of December 31, 2012 to pure LRIC rates in the form of a glide path. Since July 1, 2015, the maximum chargeable rates are € cent 0.060 per call and € cent 0.049 per minute when two part charging is applied, and € cent 0.072 for single charge. We apply two-part charging.

On July 24, 2015 ComReg issued Decision D05/15 (ComReg 15/82) completing its review of the wholesale fixed voice call origination and transit markets. ComReg Decision D05/15 maintains eir's designation as SMP operator in respect of fixed voice call origination and deregulates the transit market where we no longer have SMP and as a result are no longer subject to SMP obligations. In respect of fixed voice call origination, ComReg maintained the obligations of access, transparency, non-discrimination, price control, cost accounting and accounting separation.

Our obligation of access includes the obligation to provide facilities that allow customers to choose alternative service providers while remaining on our network. Carrier pre-selection and Single Billing-Wholesale Line Rental (SB-WLR) allow an authorized operator to resell our access service. We maintain and repair the access line, which remains connected to our switched network, and bill the operator for the use of the line. The operator bills the end customer for the operator's bundled service. We are also required to make call tracking, call barring, voicemail, call waiting, three way calling and alarm/reminder call and similar services available to all operators as ancillary services to carrier pre-selection SB-WLR. These services are provided through the SB-WLR product.

We provide a wholesale end-to-end call service to OAOs without the need for OAOs to have their own interconnection infrastructure. The service is known as switchless voice (White Label). On September 15, 2011, following a period of consultation, ComReg published its Decision D07/11 (ComReg 11/67), which introduced price controls and transparency obligations in the associated wholesale call origination and wholesale call termination markets in order to guard against the possibility of a margin squeeze between switchless voice and the associated wholesale products In addition, ComReg directed that we have obligations to publish terms, conditions, service level agreements, guarantees and other product related assurances in respect of the call origination and call termination component elements of a switchless voice service.

On May 18, 2016, following consultation, ComReg published Decision D03/16 (ComReg 16/39) concerned with eir's pricing of its wholesale fixed access services. The Decision imposed cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling, Pole and Duct access as well as two new Margin Squeeze Tests between retail and wholesale line rental prices. As a result of the Decision which replaces the previous retail-minus price control for SB-WLR with cost-orientation and a margin squeeze test, we are required to lower our prices for SB-WLR from July 1, 2016.

Leased lines

We offer leased lines on a wholesale and retail basis. We are required to submit proposed wholesale prices or wholesale price changes to ComReg for approval. The prices at which we offer wholesale leased lines must be cost oriented.

In December 2008, ComReg published its Decision D06/08 (ComReg 08/103) on the review of Leased Lines Markets, removing the SMP designation from us and lifting regulations on the retail leased lines market and the wholesale market for trunk segments of leased lines. ComReg retained the SMP designation and regulation on us in the wholesale market for terminating segments of leased lines, which includes Ethernet based connectivity services. The unregulated wholesale market for trunk segments of leased lines is defined as comprising circuits of a capacity equal to or exceeding STM-1 between (but not within) certain Urban Centres in Ireland. The number of Urban Centres defining the boundaries of the unregulated trunk segment market has been reviewed by ComReg from time to time and increased at our request from 8 to 16.

The price at which we provide partial private circuits is regulated by ComReg under Decision D06/08 and is required to be based on LRIC. Furthermore ComReg Decision D02/12 (ComReg 12/03) published in February 2012 set price ceilings for wholesale leased lines (being end circuits, set at the level of the prices applicable on the date of the decision) and price floors determined on the basis of a model applying a similarly efficient operator ("**SEO**") test. An SEO is defined as an operator that is as efficient as us but does not benefit to the same degree as we do from economies of scale. An SEO test accordingly uses costs for us adjusted upwards. The price control is a margin squeeze test designed to ensure that the price of our end-to-end wholesale leased lines (including such wholesale leased lines notionally included in our retail leased lines) do not cause a margin squeeze for an SEO using our PPCs and NGN Ethernet inputs to produce end-to-end leased lines. PPCs and NGN Ethernet products (part circuits) are subject to price control and must be priced on the bottom-up long run average incremental cost ("**BU-LRAIC**") methodology. Retail leased line prices are not directly regulated. However, we have obligations under ComReg Decision D06/08 (ComReg 08/103) not to cause a margin squeeze and accordingly the price of retail leased lines is constrained by the price of our regulated wholesale leased lines.

Wholesale Physical Network Infrastructure Access—Current Generation—Unbundled local loops

On May 20, 2010, ComReg in Decision D05/10 (ComReg 10/39) re-designated us as having SMP in the wholesale physical network infrastructure access market ("**WPNIA**") and continued our obligation to make available to OAOs our copper cables, or local loops, that run from customers' premises to the local exchange. The local exchange lines that we make available are referred to as "unbundled local loops". OAOs may site their equipment in or adjacent to our local exchanges so that they can use our local access network directly by connecting their equipment to it. They are then able to use our access network to offer services directly to the customer. In addition to LLU, Decision D05/10 requires us to provide shared unbundled access (Line Share) which permits an operator to provide a service (such as broadband), on the same copper pair that another operator uses to provide another service (such as narrowband) to the same retail customer, sub-loop unbundling ("**SLU**") and access to ducts and poles. We are obliged to meet reasonable requests for new forms of full and shared unbundled access to our local loop and related facilities under transparent, fair, reasonable and non-discriminatory conditions. An assessment of whether a request for access is reasonable is made with reference to criteria set out in the applicable regulations.

The WPNIA market incorporates LLU (current generation access) and fibre (NGA). The overall market is national in scope so there is no geographic segmentation. However, in imposing and designing obligations, ComReg has taken a dual approach, treating next generation WPNIA separately from the current generation WPNIA (LLU).

With respect to current generation WPNIA, we cannot withdraw any existing facility without the prior approval of ComReg and giving sufficient notice. ComReg has not mandated a specific minimum notice period but has indicated that 5 years may be considered reasonable although a shorter timeframe may be appropriate, to be decided on a case by case basis. We must also provide access to operational support systems ("**OSS**") and provide legally binding SLAs with service credits where targets are not met. Our obligations include obligations in respect of access, non-discrimination, transparency, accounting separation and price control and cost accounting.

In January 2013, ComReg published its Decision D03/13 (ComReg 13/11) in relation to remedies for NGA markets, covering the WPNIA and wholesale broadband access markets. In relation to WPNIA, Decision D03/13 requires us to provide access, including in the form of duct and pole access and dark fibre when duct or pole access is unavailable, co-location, backhaul and interconnection. We are also required to provide access to sub loop unbundling in areas designated as susceptible to form part of a state subsidy scheme, for instance as a result of the implementation of the government's NBP for Ireland announced in August 2012. In other areas, sub loop unbundling will only be required in the absence of imminent or credibly scheduled NGA deployment. The decision also provides for an enhanced non-discrimination obligation supported by a regime of compliance monitoring and governance. Extended notification periods to ComReg and OAOs apply for the introduction of new products, changes to new products and pricing. The price control obligation includes an obligation to apply cost-oriented prices for LLU and sub loop unbundling in line with the equivalent copper prices; new products in the market are also subject to cost-orientation but there is flexibility for us to negotiate prices directly with OAOs, with ComReg to intervene only where negotiations fail.

In accordance with ComReg's Information Notice ComReg 13/01 published in January 2013, we have charged €9.91 per month per LLU line and €9.03 per month for sub LLU since February 1, 2013. We charged €0.77 per month for Line Share in accordance with ComReg Decision D04/09 (ComReg 09/66) on August 18, 2009 which set the monthly line share price at the incremental costs of line share.

ComReg Decision D03/16, published on May 18, 2016 following consultation, amends the applicable price controls for our current generation wholesale access, see below.

Wholesale broadband access—Current Generation—Bitstream

We have been required to offer a bitstream port transfer product and process since January 2004. This facilitates a customer with an existing WBA service switching to an OAO without the need for a significant break in service.

Following a consultation process, ComReg published Decision D06/11 (ComReg 11/49) in July 2011 on the review of the wholesale broadband access market. ComReg found that there was a single national market (i.e., no sub-geographic markets). Cable (due to lack of ubiquity), mobile and fixed wireless access are excluded from the wholesale market definition. ComReg redesignated us as having SMP and imposed upon us the remedies of access, accounting separation, transparency, non-discrimination, price control and cost accounting. As a result of Decision D06/11, we are obliged to give ComReg one month's notice of proposed changes to wholesale broadband products or prices, in advance of giving two months' notice to other operators. Decision D06/11 perpetuates the retail-minus price setting mechanism which had applied since ComReg Decision D01/06. On July 8, 2014 ComReg Decision 11/14 (ComReg 14/73R) refined the price control including by way of geographic variation of the existing cost orientation and margin squeeze controls. Furthermore, we are subject as the result of ComReg Decision D06/12 (ComReg 12/32) published in April 2012 following consultation to certain price floors for wholesale broadband access products which are determined by reference to LLU prices so as to ensure that LLU operators are in the position to compete with us in the provision of wholesale broadband access. In addition, the decision requires us not to cause a margin squeeze for an SEO, that is, an operator as efficient as us but of a lesser scale, in our offering of White Label end-to-end wholesale broadband products. This effectively imposes a price floor on our White Label broadband offers.

Pricing of Current Generation wholesale access services including WPNIA and WBA

ComReg Decision D03/16 (ComReg 16/39), published on May 18, 2016 following consultation, amends the applicable price controls for our current generation wholesale access. In particular, ComReg Decision D03/16 further specifies how we are to comply with our obligation of cost-orientation in the WPNIA and WBA markets and seeks to achieve, from ComReg's perspective, the appropriate balance between ensuring that we can recover our efficiently incurred costs (including an appropriate rate of return) and that appropriate investment signals are provided to the marketplace in terms of efficient market entry and sufficient incentives to invest in urban areas. ComReg accordingly used in some instances bottom-up long run average incremental costs plus an apportionment for joint and common costs (BU-LARAIC+) and in others, Top Down historic cost accounting (TD HCA) taking into account as the case may be the likely geographic areas where the services are expected to be availed and/or the state of infrastructure competition using the notion of "Larger Exchange Area" ("**LEA**") also used for the purpose of regulating the price of retail bundles including a voice access (line rental) component. The price control applies for a minimum period of three years:

	July 1, 2016 - June 30, 2017	July 1, 2017 - June 30, 2018	July 1, 2018 - June 30, 2019
LLU (BU LRAIC+) . . .	9.34	9.88	10.40
SLU (BU-LRAIC+) . . .	5.41	5.60	5.77
Stand-Alone Broadband outside the LEA (TD-HCA) .	21.68	22.09	22.45

Decision D03/16 also sets a maximum annual price per meter of sub-duct based on a blend of TD costs and BU-LRAIC, differentiated between Dublin exchanges and provincial exchanges. Maximum annual prices are also set for Pole access and separately Dark Fibre, differentiated between the LEA and Outside the LEA and using a blend of TD costs and BU-LRAIC.

WPNIA and WBA—Next Generation Access

In addition to a requirement to meet reasonable requests for fiber unbundling, in relation to next generation wholesale broadband access, ComReg Decision D03/13 (ComReg 13/11) requires us to provide access including in the form of virtual unbundled access, enhanced bitstream, multicast, co-location, backhaul, interconnection, migrations and in-premises services. We are also subject to an obligation of non-discrimination in the form of an equivalence of inputs requirement for the end-user elements of virtual unbundled access and bitstream, and in the form of an enhanced equivalence of outputs requirement to apply to all remaining elements. This enhancement includes in particular obligations of compliance monitoring and governance. The decision also imposes extended notification periods to ComReg and OAOs for new products, changes to existing products and pricing as well as strict requirements around the provision of network information concerning NGA roll-out plans.

We are also required to ensure that the respective levels of retail and wholesale prices, including as between various wholesale prices, are such that they do not cause a margin squeeze and we must furnish to ComReg a compliance statement with respect to the prices of new products and changes to existing products. Some relaxation of the margin squeeze test is provided including the use of a portfolio approach rather than individual product test, the use of an equally efficient operator's ("**EEO**") costs in some instances. For retail price changes, a notification period to ComReg of five working days applies.

Rate of return

On August 11, 2009, ComReg published a Decision (ComReg D03/09) on our regulatory assets lives, extending the lives of the major asset classes. The decision took effect with respect to the 2009/2010. The change in asset lives resulted in a difference in the treatment of assets in the regulatory accounts when compared with the statutory accounts. The regulatory accounts are used to set regulated wholesale prices. The effect of the decision was to reduce our depreciation costs to be included in the regulatory accounts and potentially wholesale prices.

ComReg Decision D15/14 (ComReg 14/136) specifies a WACC of 8.18% to be used in respect of our regulated activities and a WACC of 8.63% in respect of Meteor's regulated activities. Any obligations imposed on us relating to cost recovery and price controls (including regulated wholesale prices) imposed prior to the Effective Date and calculated using a previous WACC set by ComReg continue to apply until such time as a price review is conducted and a new regulated price set.

Accounting separation

We are subject to an obligation of accounting separation in respect of the wholesale markets in which we have been designated with SMP. Following consultation, ComReg published its Decision D08/10 (ComReg 10/67) in August 2010, directing measures relating to the content, format and level of granularity of our regulated (separated) accounts. Our annual separated accounts are prepared in line with the requirements of this decision.

Key Performance Indicators

Following a consultation process, in June 2011, ComReg published its Final Decision D05/11 (ComReg 11/45) directing that our report on a quarterly basis on key performance indicators for provision and repair in the following regulated markets: (i) retail narrowband access; (ii) wholesale broadband access; (iii) WPNIA; and (iv) wholesale terminating segment of leased lines. The key performance indicators must be published by us no later than two months from the end of each quarter.

eir Wholesale Reform-Regulatory Governance Model

We have been involved in a number of wholesale reform initiatives, including a range of reforms that enhance access to our infrastructure for other telecommunications operators. These measures aim to deliver process improvements for existing regulated wholesale products such as LLU, as well as for NGA products by ensuring that all operators have access via eir wholesale to our technology organisation and product development processes to deliver products and services to the end customer on a non-discriminatory basis.

We have engaged with ComReg on proposals on the following topics:

- organisation structure and internal processes;
- systems;
- Code of Practice/behavioral changes; and
- governance.

A key element of eir's Wholesale Reform Program was the development of an enhanced Regulatory Governance Model which has delivered the following:

- A Group Wide Code of Practice (COP) dealing with eir's Access and Non-Discrimination Obligations. This is currently being updated to include Transparency, Pricing and our Consumer obligations.

- A Business Unit Process Compliance review program to ensure our day to day processes are compliant with the COP by implementing the necessary Regulatory Controls, the output of which is Statements of Compliance (SoCs).This has been completed for Access and non-discrimination and is planned to be completed for Transparency, Pricing and Consumer Obligations in the 2016/2017 financial year.
- Independent Regulatory Compliance and Audit Reports to the Board Wholesale Reforms Committee and updates to ComReg/Industry on a six monthly basis. The latest report, covering the period to end March 2016 was published in May 2016.

On December 7, 2015, ComReg announced its intention to review the effectiveness of eir's Regulatory Governance Model (See ComReg 15/128). ComReg has indicated that the review will continue for the remainder of this calendar year (ComReg 16/42).

Compliance

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. In addition, the Framework Regulations 2011 provide for a dispute resolution mechanism whereby disputes between operators, including eir, may be brought for resolution to ComReg with the view to ensuring compliance with relevant obligations. Set out below are the compliance investigations which have been the subject of a notification of non-compliance by ComReg issued within the last 12 months and which remain open.

- ***ComReg Case 481—Quality of Supply for Bitstream.*** In March 2013 ComReg commenced an investigation into the differences (up to 3%) in the Quality of Supply (QoS) for Bitstream connections versus Retail connections apparent from the published KPI reports. Internal analysis of the data at the time did not identify a clear cause for the differences, however, misreporting of faults by Wholesale Customers was considered to be a factor. The scope of the investigation was subsequently broadened by ComReg to include equivalence of Bitstream repair more generally. In July 2015 ComReg issued four notifications of findings of non-compliance in relation to eir's compliance with its non-discrimination and transparency obligations. In August 2015 we responded to the above findings of non-compliance outlining why it believed that ComReg's Notifications should be withdrawn outlining in particular that remediation measures that had been undertaken in the meantime had addressed the issues. We await ComReg's response to our representations.
- ***ComReg Case 815—Disclosure of details of the extension of FTTH Roll Out Plans to downstream arm and to Wholesale Customers.*** In August 2015 ComReg commenced a compliance investigation into eir's compliance with its non-discrimination obligations in the Wholesale Physical Network Infrastructure Access and Wholesale Bitstream Access Markets in the context of the FTTH Roll Out Plans. We were requested to provide details of any information that was provided to our downstream arm regarding the 300,000 FTTH roll-out between the Board approving the roll-out and its public announcement. In January 2016, ComReg issued a Notification of a finding of non-compliance, finding that the making available of certain information to our downstream arm three weeks before it was made available to Wholesale Customers constituted a breach of our obligation of non-discrimination. We have denied the breach in our representations to the Notification and await ComReg's response to our representations.
- ***ComReg Case 683—Access Reference for Poles.*** On March 21, 2016, ComReg notified us of its finding that for the period up to August 10, 2015, when we published our Access Reference Offer for Poles, we had been in breach of its transparency obligations under ComReg Decision D05/10 and ComReg Decision D03/13. We have denied the breach and we await ComReg's response to our representations.
- ***Case 850—Dispute brought by Sky UK Ltd, BT Communications Ltd, Vodafone Ltd and Magnet Networks Ltd*** in respect of the service level agreements ("**SLAs**") which we are required to conclude with OAOs as part of our obligation of access in the WPNIA and FACO markets and concerning LLU, Line Share and SB-WLR, in particular the level of service below which we agree to pay penalties to the OAO concerned. A draft resolution was published by ComReg on May 20, 2016.

There are other on-going regulatory investigations which have been either dormant or in respect of which ComReg has not issued notifications of breach but which may lead to such notifications and to fines and other penalties.

Non-Irish Regulation

Although we principally provide telecommunications services in Ireland, we also provide some services outside of Ireland in the United Kingdom through our UK subsidiary, eir UK, and are accordingly subject to their laws.

Since 2003, telecommunications services in the United Kingdom are provided under general authorizations, and such general authorizations, broadly similar to those applicable in Ireland as described above under "—General Authorizations, Licenses and Rights of Use", govern our telecommunications services within and from the United Kingdom. More onerous regulatory obligations apply to those undertakings found from time to time by the UK Office of Communications ("**Ofcom**") to have SMP in certain specified markets.

In a decision dated September 15, 2009, Ofcom, following a review of the wholesale fixed narrowband access markets, determined that eir UK, along with all other providers of fixed networks in the United Kingdom, has SMP in the market for fixed geographic call termination. Ofcom further decided to require eir UK to provide network access if reasonably requested to do so, and to do so on fair and reasonable terms. In effect, this decision maintains the regulation that had been imposed on eir UK and all providers of fixed networks in the United Kingdom by a previous decision of Ofcom on November 28, 2003. In a statement dated April 27, 2011, Ofcom confirmed its previously stated view that any of our fixed geographic call termination charges that are not based on BT plc charges are unlikely to be fair and reasonable.

While this measure does affect the ability of eir UK to set its own termination charges in the United Kingdom, its current effect is minimal. In the United Kingdom, we use BT's network for the most part for terminating call traffic. Therefore, we benefit from regulatory measures imposed by Ofcom on BT, which have the effect of reducing call termination charges.

On September 26, 2013, Ofcom published a statement concluding its review of the fixed narrowband services markets and, among other things, redesignating eir UK and all other providers of fixed networks in the United Kingdom with SMP in respect of the provision of call termination services. Ofcom has required all fixed providers with SMP to provide network access on reasonable request and to notify charges. In addition, Ofcom has decided to continue with the principle of symmetry of termination rates, such that termination rates above those of BT's would be considered to be unreasonable unless they can be justified by reference to specific criteria. However, Ofcom also directed that BT's fixed termination rates be set on the basis of Pure LRIC from January 1, 2014.

Up until June 2012, we operated in the United States through a subsidiary which had been granted an international carrier's license, also known as a section 214 license. This license, which allowed us to provide both facilities based and resale telecommunications services, including voice and data services originating or terminating in the United States, and services terminating in countries outside the United States, including Ireland, was relinquished in June 2012 following an assessment that it was not necessary for us to conduct our business.

Regulation of mobile services

Mobile spectrum rights

Meteor operates its mobile network using two spectrum licenses, a Liberalised Use License, issued in 2012 and a 3G License issued in 2007.

In 2012 Meteor acquired rights under an additional license to use spectrum for the following spectrum:

- 2x10MHz in the 800MHz band from February 1, 2013 to July 12, 2030;
- 2x5MHz in the 900MHz band from February 1, 2013 to July 12, 2030;
- 2x5MHz in the 900MHz band from July 13, 2015 to July 12, 2030 following expiry of its 2G license;

- 2x10MHz in the 1800MHz band from February 1, 2013 to July 12, 2030. In combination with this acquisition eir agreed to surrender 2x4.4MHz of 1800MHz under its 2G license; and
- 2x5MHz in the 1800MHz band from July 13, 2015 to July 12, 2030 following expiry of its 2G license.

This license operates on a technology neutral basis meaning that Meteor can, and does, use GSM, UMTS and LTE technologies in the spectrum bands.

The fourth 3G license in Ireland was granted to eircom Limited (Ireland) on March 12, 2007 and was subsequently assigned to Meteor. The license is for successive one-year terms, up to a maximum term of 20 years, subject to the payment of relevant annual fees. The licensee is committed to achieving defined performance targets in respect of network roll-out and quality of service by specified dates. Upon initial grant of the license, we issued performance bonds totaling €100 million in respect of these commitments. Following various ComReg compliance assessments and the achievement of the relevant targets required to be met as of the compliance dates, the performance bond, in the form of a cash guarantee, in relation to the 3G license has been reduced to €1.9 million. Meteor maintains an ongoing compliance program with respect to outstanding targets. Failure to meet a defined performance target by specified dates will result in payment of specified penalties.

On June 27, 2014 ComReg issued a Call for Input (ComReg 14/65) seeking views on making existing 3G licenses technology neutral (referred to as liberalization). It is ComReg's intention to issue a further consultation on this matter.

Mobile Termination Rates

Following a consultation process, ComReg published its Decision D11/12 (ComReg 12/124) in November 2012. Arising from the Decision, six mobile operators were redesignated with SMP in the mobile termination market, 3, Lycamobile, Meteor, O2, Tesco and Vodafone. Each operator carries the following SMP obligations: access, non-discrimination, transparency, price controls (operators were required to apply symmetric rates, following a glide path for reductions and achieving FL-LRIC based prices by July 2014).

Following its consultation, ComReg published its Decision D12/12 (ComReg 12/125) on the price control of the termination rates for fixed and mobile operators. For MTRs, all mobile operators designated as having SMP must have symmetric MTRs in place from December 31, 2012. As part of the transition from the previous 4.15cpm to pure LRIC, a straight line glide path applied with a step change from January 1, 2013. ComReg intended that a pure bottom-up LRIC model will be developed for mobile operators to inform a cost oriented MTR price control from July 2014 onwards.

On December 18, 2012 Vodafone lodged an appeal to the Irish High Court challenging Decision D11/12, insofar as that decision imposed a cost orientation obligation, and also ComReg Decision D12/12 regarding the mechanism to determine the applicable MTR. In its judgment given on August 14, 2013, the High Court determined that setting MTRs by means of benchmarking, as per the initial ComReg model, was not appropriate and that it was ultra vires. The court did not make any comment on the appropriateness of a pure LRIC basis for setting MTRs (the other element of Vodafone's appeal), as a pure LRIC model had not yet been developed by ComReg. In October 2013, the Irish High Court ordered that the MTR applicable from January 1, 2013, namely 2.60 cents per minute continues in place in respect of all SMP mobile operators until such time that ComReg determined a maximum MTR on the basis of a pure bottom-up LRIC model.

ComReg through a consultation process has been developing a Bottom Up Pure Long Run Incremental Cost Model for Mobile Termination Rates. On February 12, 2016, ComReg issued Decision D02/16 which requires the six SMP mobile operators to adjust their MTRs to meet Pure LRIC price caps from 1st September 2016:

- 0.84 cpm from September 1, 2016 to December 31, 2016
- 0.82 cpm from January 1, 2017 to December 31, 2017
- 0.79 cpm from January 1, 2018 to December 31, 2018

International roaming tariffs

Following the adoption of Regulation EC No 717/2007 of the European Parliament and of the Council in June 2007 on roaming on public mobile telephone networks within the Community, both wholesale and retail international roaming charges have been subject to regulation and price controls.

In June 2009, Regulation No 544/2009 was adopted by the European Parliament and the Council, amending the 2007 Regulation. The 2009 Regulation amended the timing and level of price caps in respect of voice roaming and introduced new requirements in respect of SMS and data roaming price caps, and technical requirements in respect of consumer protection. Following a review of the functioning of the Regulation, Regulation No 531/2012 was adopted by the European Parliament and Council of Ministers replacing the 2007 and 2009 Regulations, for further regulation of international roaming within the European Community beyond July 2012. The 2012 Regulation imposed further retail and wholesale caps for voice, SMS and data roaming services.

On November 25, 2015, Regulation (EU) No. 2015/2120 was adopted by the European Parliament and the Council. It is the intention of the Regulation that retail roaming will be abolished on June 15, 2017, subject to completion of a review of the operation of the wholesale roaming market by the European Commission and the adoption of implementing acts laying down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges. A transition period commenced on April 30, 2016 during which the mark-up for roaming retail charges relative to domestic retail charges is limited to the wholesale price caps.

MANAGEMENT

Directors and Senior Management

Board of Directors of the Issuer

The board of directors of the Issuer currently consists of six directors. A list of the members of the board of directors of the Issuer is set forth in the table below:

Name	Age	Position
Padraig McManus	65	Chairman
Bruno Claude	57	Director
Nicholas Hartery	65	Director
Parm Sandhu	47	Director
Richard Moat	61	Director
Huib Costermans	49	Director

The address of the Board of Directors of the Issuer is at the registered office of the Issuer.

Board of Directors of EHIL

The table below sets forth the members of the board of directors of EHIL:

Name	Age	Position
Padraig McManus	65	Non-Executive Chairman
Bruno Claude	57	Non-Executive Director
Nicholas Hartery	65	Non-Executive Director
Parm Sandhu	47	Non-Executive Director
Richard Moat	61	Director and Group Chief Executive Officer
Huib Costermans	49	Director and Group Chief Financial Officer

The address of the Board of Directors of EHIL is at the registered office of EHIL.

Padraig McManus joined EHIL as Non-Executive Chairman in January 2013. From 2002 to 2011, he was chief executive and member of the board at the ESB Group. Mr. McManus is currently on the board of the Photonomi Group, Bhsl and Chairs the Boards of Economic and Social Research Institute of Ireland (''**ESRI**'') and Mincon International. He has previously served for two terms as a board member of the Conference Board of the United States. Mr. McManus took ESB through its successful acquisition of Northern Ireland Electricity Limited in 2010. He holds a Bachelor of Electrical Engineering from University College Dublin.

Bruno Claude joined EHIL as a Non-Executive Director in June 2012. Mr. Claude served as President and Chief Executive Officer of Cablecom GmbH from 2001 to 2006 when the company was successfully sold to Liberty Global. He was responsible for the turn around and the strategic re-direction of the business into one of the most successful quad-play operators in Europe. From 2000 to 2003 Mr. Claude also served as Chief Operating Officer of NTL where he was responsible for all the continental European activities. He was a member of the Industry Council at GMT Communications Partners LLP from 2004 to 2011. In addition to the above roles, Mr. Claude was Managing Director of CEA Capital Advisor and held various positions with Prime Cable, which he joined in 1985 and served as deputy to the president. He holds a Master of Engineering degree from the University of Louvain and a Master of Business Administration from Cornell University.

Nicholas Hartery joined EHIL as a Non-Executive Director in June 2011. He previously served as a Non-Executive Director from 2009 to 2010. From 2000 to 2008, Mr. Hartery was vice-president of manufacturing and business operations for Dell Inc.'s Europe, Middle East and Africa operations. He is chairman of CRH plc, an Irish based international building materials group, where he has been a Non-Executive Director since 2004. He is also a non-executive director of Musgrave Group, a privately owned international food retailer and of Finning International, Caterpillar's largest equipment dealer and global business partner. He is currently chief executive of Prodigium, a consulting company which provides business advisory services. In addition to the above roles, Mr. Hartery has also been executive vice president at Eastman Kodak and held the position of president and Chief Executive Officer at Verbatim Corporation. He holds a Bachelor of

Engineering (Electrical) from University College Cork and Masters in Business Administration from University College Galway and is a Fellow of the Institute of Engineers of Ireland.

Parm Sandhu joined EHIL as a Non-Executive Director in 2012. He is also a non-executive director of Central European Media Enterprises (where he chairs the nominating and corporate governance committee), Largo Limited (the holding company for the Greek challenger mobile and fixed telecoms business Wind Hellas where he is acting Chairman) and Hibu (a digital marketing business operating in U.S., UK and Spain). Mr Sandhu was CEO of Unitymedia, Europe's third largest broadband cable operator, for seven years before leaving in 2010 after overseeing its successful sale to Liberty Global Inc. for €3.5 billion. He was previously Finance Director with Liberty Media International and spent six years at Telewest Communications plc (now Virgin Media) in a number of senior finance and strategy positions. Mr. Sandhu has represented the cable industry's interests at an international level as a former board member of ANGA, the Association of German Cable Operators, and as a former member of the Executive Committee of Cable Europe. He is a graduate of Cambridge University where he gained a MA Honours degree in Mathematics and is a UK qualified ACA and a member of the Chartered Institute of Marketing. Mr. Sandhu is recognised as an international media and telecoms expert with a track record of value creation through his knowledge and experience of strategic marketing, capital allocation and balance sheet management.

Richard Moat joined EHIL as Group Chief Financial Officer in September 2012. He was appointed as Chief Executive Officer in November 2014. From 2010 to 2011, Mr. Moat was Deputy Chief Executive and Chief Financial Officer at Everything Everywhere Limited. From 2009 to 2010, he was Managing Director at T-Mobile UK Limited. Mr. Moat took T-Mobile's UK unit through its restructuring before its merger with Orange UK to join Everything Everywhere Limited. Over the last 13 years, in addition to the aforementioned directorships, Mr. Moat has held Chief Executive Officer positions within the Orange group, including at Orange Thailand from 2000 to 2002, Orange Denmark A/S from 2002 to 2004 and Orange Romania SA from 2004 to 2009. Since June 2012, he has been an independent Non-Executive Director of International Personal Finance plc. He is a member of the advisory board of Tiaxa, Inc. He is a fellow of the Association of Chartered Certified Accountants and holds a Diploma in Corporate Finance and Accounting from London Business School and a Master's (Honours) degree in Law from St Catharine's College, Cambridge.

Huib Costermans joined EHIL as Group Chief Financial Officer in August 2015. From 2008 to 2015, Mr. Costermans held a number of senior finance roles at KPN, including Chief Financial Officer at KPN NL (September 2013 to July 2015), CFO E-Plus (September 2011 to August 2013) and CFO of Wholesale & Operations (2008 to 2011). From 1992 to 2008, Mr. Costermans held a number of finance roles with Akzo Nobel—BU Organon, a Human Pharmaceuticals firm, and worked in a number of locations including the Netherlands, New Jersey, U.S. and France. He holds a Masters in Economic Science from Erasmus University Rotterdam and a Masters in Finance from Tilburg Institute for Academic Studies.

Senior Management Team of eir

Our senior management consists of the following senior managers who are responsible for the business and administrative departments indicated below. Each of our senior managers are employed by eir.

Name	Age	Position
Richard Moat [(1)]	61	Group Chief Executive Officer
Huib Costermans [(1)]	49	Group Chief Financial Officer
Jon Florsheim	55	Managing Director—Consumer
Bill Archer	58	Managing Director—eir Business
Carolan Lennon	49	Managing Director—Wholesale
Johnny Shine	62	Managing Director—Networks
Steve Mitchell	40	Chief Strategy Officer
Erik Slooten	44	Chief Information Officer
Orla Coughlan	51	Chief Human Resources Officer
Tim Spence	43	Managing Director—Customer Operations

(1) Biography included under "*—Directors and Senior Management—Board of Directors of eir*".

Jon Florsheim was appointed to the position of Managing Director, Consumer Division, in November 2014. Mr. Florsheim has been with eir since March 2014 as Director of TV & Fixed, spearheading our approach to consumer bundles, as well as the continued development of our TV services. He has a wealth of experience and deep knowledge of the TV and broadband industry combined with exceptional commercial expertise. Before joining eir, Mr. Florsheim was CEO of M7 Group SA, a European Provider of Satellite Services in Luxembourg. Mr. Florsheim has also served more than 13 years in various senior and executive roles at Sky UK including Managing Director for Sky's Customer Group where he launched Sky +, Sky Broadband and Sky's Telephony offering. Prior to that, he was the Marketing Director for the Dixons Group.

Bill Archer was appointed Managing Director of our Business Division in February 2014. Mr. Archer has over 30 years of experience in the telecommunications industry, including fixed, wireless cloud and managed network services. He has previously held several roles at AT&T, including President of Advanced Solutions, Executive Vice President, Strategy and Transformation, CMO AT&T Business Solutions and President of EMEA. He holds a Bachelor of Science from Providence College.

Carolan Lennon was appointed as Managing Director of Wholesale in June 2013. From 2010 to 2013, Ms. Lennon was Chief Commercial Officer of the Consumer division where she had responsibility for both the fixed and mobile businesses, including the eir, eir Mobile and Meteor brands. Prior to joining eir in 2010, Ms. Lennon held a variety of positions in the telecommunications and technology sectors, including Consumer Director and Marketing Director while at Vodafone Ireland. Ms. Lennon is a Fellow of the Marketing Institute, holds a Master of Business Administration from Trinity College, Dublin and a Bachelor of Science from University College Dublin. Ms. Lennon has also lectured in operations management at university level.

Johnny Shine was appointed Managing Director of our Networks division in August 2013. From 2009 to 2013, Mr. Shine was the Deputy Chief Executive of the Electricity Supply Board, where he also held a number of senior executive positions within the Networks, Marketing and International Services divisions. Mr. Shine holds a Master of Business Administration and an Electrical Engineering Degree from University College Dublin.

Steve Mitchell was appointed Chief Strategy Officer in December 2014. Mr. Mitchell joined eir in 2012, leading our Corporate Finance function, where he was responsible for Group M&A, Capital Structure, Capital Expenditure, Investor Relations and Treasury activities. His appointment as Chief Strategy Officer saw his responsibilities expand to include the Group's Strategy, Pricing and Analytics functions. The Group Finance function also reported to Mr. Mitchell until August 2015, when Mr. Costermans commenced his role as Group Chief Financial Officer. His previous experience includes 10 years with T-Mobile and Everything Everywhere, where he held a variety of leadership roles. Mr. Mitchell holds a First Class Bachelor degree in Business and is a UK qualified ACA.

Erik Slooten commenced his role in August, 2015, having been appointed Chief Information Officer, joining eir from T-Mobile in the Czech Republic, where Mr. Slooten was Regional Vice President for Processes and Systems. Prior to this, he was CIO of GTS, for Central Europe. He was previously CIO at Vivacom in Bulgaria. Prior the CIO roles, he worked in Senior Management positions in IT and Technical and Transformation Program and Project Director Roles in the Telecommunications industry across Europe. Mr. Slooten holds a Telecommunications Engineering Degree.

Orla Coughlan was appointed Chief Human Resource Officer in November 2015, which became effective in December 2015. In this role she will be responsible for our People Strategy, and operational management of all aspects of our Human Resource function, including Talent Acquisition/Management, Reward, Health & Safety, and Industrial Relations. Prior to coming to eir Ms. Coughlan had over 20 years experience, across a number of Executive HR roles in Ireland and internationally (U.S. & EMEA), including Global VP HR at Activision Blizzard, EMEA HR Director at Citrix, and Vice President of HR & Communications at Cleverbug. She holds a Bachelor of Arts from UCC in Economics and Psychology.

Tim Spence was appointed as Managing Director of Customer Operations in January 2016. From 2013 to 2015 Mr. Spence held a number of roles in the Finance and Consumer Business Units at eir including Programme Manager for the re-branding project in 2015. Prior to joining eir, Mr. Spence held a number of senior positions in Finance at Everything Everywhere and T-Mobile in the UK and started his career as part of the graduate programme at PwC in Australia. Mr. Spence holds Bachelor of Arts (Honours) and Bachelor of Commerce degrees from University of Melbourne and is a member of the Institute of Chartered Accountants Australia.

Executive Officers

The Chief Executive Officer and the Chief Financial Officer are both executive officers and employed by EHIL.

Name	Age	Position
Richard Moat [(1)]	61	Group Chief Executive Officer
Huib Costermans [(1)]	49	Group Chief Financial Officer

(1) Biography included under "—Directors and Senior Management—Board of Directors of eir".

Committees of EHIL's Board of Directors

We have four permanent board committees: the audit committee, the remuneration committee the nominations committee and the wholesale reforms committee. All four committees have formal terms of reference approved by our board of directors. All directors are members of the audit, remuneration and nominations committees and Padraig McManus and Nicholas Hartery are members of the wholesale reforms committee.

Audit Committee

The audit committee assists the Board of Directors in discharging their responsibilities in relation to financial reporting, risk management, external and internal audits and controls. This includes matters such as reviewing EHIL's annual financial statements, internal financial control and risk management systems, monitoring and reviewing eir's internal audit program and advising on the appointment of eir's external auditors.

Remuneration Committee

The remuneration committee assists the Board of Directors in discharging their responsibilities in relation to remuneration. This includes determining and agreeing with the Board of Directors the policy for the individual remuneration and benefits of each of the Chief Executive Officer, the Chief Financial Officer, the executive directors and company secretary, as well as monitoring and recommending the remuneration of senior management, and approving the overall remuneration policy in relation to all other employees.

Nominations Committee

The nomination committee assists the Board of Directors in nominating candidates for roles within the organisation.

Wholesale Reforms Committee

The Wholesale Reforms Committee assists the Board of Directors in implementing wholesale reforms in eir as they relate primarily to eir's non-discriminatory obligations.

Compensation of directors and executive officers

The aggregate compensation paid and payable to all of our directors, executive officers and the senior management team, for the period for which they acted as directors executive officers and members of the senior management team included all individuals who served during the year, including salary, pension contributions, compensation for loss of office, directors' fees and the estimated total value of benefits-in-kind granted by us to our directors and executive officers and senior management team as a group, during the financial year ended June 30, 2015 under any description whatsoever was €28.2 million. Fees are paid to the directors on the board of directors for each year of service and all of the directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending board meetings.

We maintain directors' and officers' liability insurance.

Directors' service contracts

Details of the terms of each of our Directors' service agreement are set out below.

Name	Areas of responsibility	Date of expiry of current office	Expiration date of duties	Contractual remuneration upon termination
Padraig McManus .	Chairman	Indefinite duration; may be terminated with three months' notice	Indefinite	No contractual termination payments.
Bruno Claude	Non-Executive Director	Indefinite duration; may be terminated with three months' notice	Indefinite	No contractual termination payments
Nicholas Hartery . .	Non-Executive Director	Indefinite duration; may be terminated on three months' notice	Indefinite	No contractual termination payments
Parm Sandhu	Non-Executive Director	Indefinite duration; may be terminated on three months' notice	Indefinite	No contractual termination payments
Richard Moat	Director and CEO	Successive two year rolling fixed terms commencing on December 1 of each year, which can be terminated by written notice 3 months prior to contract renewal date (15 months).	Indefinite	Minimum severance payment on involuntary termination which shall be not less than 15 months of base salary.
Huib Costermans .	Director and CFO	Indefinite duration. May be terminated with 12 months written notice	Indefinite	Minimum severance payment on involuntary termination which shall be not less than 18 months of base salary in first two years of service and not less than 12 months of base salary after first 2 years of service.

Loans to Directors and Executive Officers

Under the management incentive plan put in place in March 2013, loans of up to an aggregate maximum of €1 million may be made to some directors or executive officers for the purposes of funding or part funding those directors' or officers' acquisition of equity interests under the management incentive plan. As of March 31, 2016, no such loans have been made. We do not have any outstanding loans to any of our directors or executive officers.

Management incentive plan

The management incentive plan was initiated in the year ended June 30, 2013 by our parent holding company, Eircom Holdco S.A., for certain of our directors and senior executives. The management incentive plan originally incentivised the participants to deliver full repayment of our 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 debt value element was accounted for in accordance with IAS 19, Employee benefits, and as a result is required to be re-measured at each reporting date and the equity value element in accordance with IFRS 2, Share based payments. 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 implementation of the management incentive plan amendments approved by shareholders on December 8, 2014, and the transactions envisaged pursuant to those amendments, were completed during the quarter ended June 30, 2015. Following these amendments all of the benefits of the management incentive plan are accounted for in accordance with IFRS 2.

The individual participants' entitlements under the management incentive plan are subject to graded vesting on a time basis over five years, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 2.46 years.

The participants are entitled to receive instruments in Eircom MEP S.A., which in turn holds instruments in Eircom Holdco S.A. The instruments held in Eircom MEP S.A. carry no voting rights and are not transferable. For some participants, there is a separate entitlement to receive a cash payment (upon the occurrence of specific liquidity events) by reference to the value of notionally allocated instruments in Eircom MEP S.A. held by Eircom MEP STAR Trust. Under the terms of the management incentive plan there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

PRINCIPAL SHAREHOLDERS

Beneficial ownership

The Issuer is a wholly owned subsidiary of eircom Limited (Jersey) (or the Company) which is a wholly owned subsidiary of EHIL which, in turn, is a wholly owned subsidiary of eircom Holdco S.A.

Major shareholders

The table below sets forth the ten largest holders of shares of eircom Holdco S.A., the ultimate parent of the Issuer, as of close of business on May 31, 2016. References to the shareholders include funds advised by such shareholders.

	Ordinary shares and warrants beneficially owned			
Name (2)	**No. of Class A Shares**	**No. of Class A Warrants**	**Total**	**(%)** (1)
Anchorage Capital Group	2,349,855.87	—	2,349,855.87	38.54%
York Capital Management	761,514.64	218,281.33	979,795.97	16.07%
Davidson Kempner Capital	670,846.32	50,009.09	720,855.41	11.82%
Credit Suisse entities	201,456.04	—	201,456.04	3.30%
Citi entities	180,972.14	—	180,972.14	2.97%
BNP Paribas entities	77,085.64	—	77,085.64	1.26%
Alcentra entities	48,540.28	—	48,540.28	0.80%
Banco Espirito Santo	44,176.61	—	44,176.61	0.72%
Bluebay entities	37,726.00	—	37,726.00	0.62%
Pemba entities	19,330.57	—	19,330.57	0.32%

(1) The percentage is determined based on the total number of Class A shares and Class A warrants as a % of the total equity, and includes equity interests held for the purposes of the management incentive plan, together with shares and warrants held in treasury.

(2) The list excludes equity interests held for the purposes of the management incentive plan which are noted below.

On December 8, 2014, all of the outstanding Class B Shares (which were held by Eircom MEP S.A.) were converted into Class A shares and all of the Class C warrants (held by Eircom MEP S.A.) were cancelled. On the same date, all of the Class A shares that were held in treasury were transferred to Eircom MEP S.A. As of May 31, 2016, Eircom MEP S.A. owned 806,972 shares.

As of May 31, 2016, 133,521.00 shares were held by an indirect subsidiary Eircom Lux Holdings 2 as treasury shares.

Secondary Share Sale

One or more high-grade institutional investors are contemplating purchasing an aggregate of up to 25% of our Class A shares and Class A warrants from certain of our existing shareholders. We expect the sales, if any, to be consummated within 60 days from the date of this offering memorandum.

Share capital

As of May 31, 2016, the issued capital of Eircom Holdco S.A. was €54,248.86, represented by 5,424,886 Class A shares with a par value of €0.01 each.

RELATED PARTY TRANSACTIONS

The following are descriptions of the material provisions of agreements and other documents between either the Issuer or eir and various individuals and entities that may be deemed to be related parties.

Securityholders deed

The immediate holding company of eircom Limited (Ireland), EHIL, and its ultimate holding company, eircom Holdco S.A. (''**EHSA**'') entered into a securityholders deed with the securityholders of EHSA on June 11, 2012 (the ''**Deed**''). The Deed was amended and restated on June 5, 2014 and further amended and restated on December 8, 2014.

The Deed sets out certain matters regulating the governance of EHSA, including the requirement for securityholder approval of certain matters such as alterations to authorized or issued share capital, material changes to the scope and nature of the business of the Group, certain disposals and acquisitions, public offerings, management incentivization arrangements, steps in relation to insolvency or related proceedings and certain other transactions.

The Deed provides for the delegation to the board of EHIL of the general management of the Group, with certain matters reserved to the EHSA board, including the appointment of our Chairman, Chief Executive Officer and Chief Financial Officer. It also sets out the mechanism for the appointment of directors: shareholders as a body have the right to appoint four directors, with the Chief Executive Officer, Chief Financial Officer and three Luxembourg residents also being members of the board. In addition, the largest single shareholder (provided it holds at least 15% of the Class A Shares in EHSA on an as-converted basis) has the right to appoint one director and the right to appoint a board observer is reserved to the next largest shareholder (or the largest shareholder if its holding is at least 5% of the Class A Shares on an as-converted basis).

Administrative services agreement

We had entered into an administrative services agreement with eircom ESOP Trustee Limited (as trustee for the eir Employee Share Ownership Trust (''**ESOT**'') a former indirect shareholder of eircom Limited) and the eir Approved Profit Sharing Scheme (''**APSS**''). Our current and former employees and certain of our current and former subsidiaries were the beneficiaries of the ESOT and the APSS. Under the agreement, eir agreed to provide certain administrative services during the winding-up the ESOT and the APSS and relating to the distribution of the remaining assets to the beneficiaries following eir ESOT Trustee Limited's liquidation.

On July 11, 2013 the ESOP Trustee Limited (as trustee for the ESOT (a former indirect shareholder of eircom Limited (Ireland)) and the APSS, entered into a member's voluntary liquidation. The residual assets not yet claimed by beneficiaries have been transferred to eircom Limited, which will continue to administer the residual assets of the ESOT and the APSS in respect of untraced holders and unclaimed funds for a period of up to twelve years from the substantial winding-up of the trusts.

Management incentive plan

For an overview of our management incentive plan, see ''*Management—Management incentive plan*''.

Under the terms of the management incentive plan there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

We re-measured the debt value element prior to the amendment in December 2014 and as a result recognised a charge of €1 million (June 30, 2014: €20 million) in our income statement. Following the amendment, we reclassified the cumulative debt value event liability of €27 million to equity and classified this within the capital contribution reserve. No provision is recorded on the balance sheet as of June 30, 2015 (June 30, 2014: €26 million). The conversion of the previously held management incentive plan instruments gave the participants equal value before and after modification.

Separately, we also recognised a charge of €11 million (June 30, 2014: €9 million) in our income statement, with a corresponding increase in equity, in respect of contractual rights under the management incentive plan awarded by our parent company, eircom Holdco S.A., to our employees, for which we have no obligation to make any payment. This charge reflects the original equity settled instrument and the instruments converted to equity in the current year. A resulting cumulative capital contribution of €47 million is recorded on the balance sheet as of June 30, 2015 (June 30, 2014: €9 million).

Other related parties transactions

During the year ended June 30, 2015, we advanced a loan of €14 million to eircom Holdco SA. The loan was advanced following the decision by the Board of Directors of eircom Holdco SA to exercise a call option over vested shares in eircom Holdco SA held by departing executives through the management incentive plan. The loan was used by eircom Holdco SA to repurchase the shares. The amount outstanding as of June 30, 2015 is €14 million.

During the year ended June 30, 2015, we recharged operating costs incurred on behalf of eircom Holdco SA of €0.2 million (June 30, 2014: €0.4 million). The amount outstanding in respect of these costs is €0.4 million as of June 30, 2015 (June 30, 2014: €0.4 million).

During the year ended June 30, 2015, we provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.8 million (June 30, 2014: €5.8 million). The amount outstanding in respect of these costs is €5.3 million as of June 30, 2015 (June 30, 2014: €5.2 million).

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material provisions of our principal financing arrangements after giving effect to the Refinancing Transactions. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. We recommend you refer to the actual documents for further details, copies of which may be made available by the Issuer upon request. All references to the term "Group", when used in this "Description of other Indebtedness" section, shall be construed as referring to EHIL and each of its subsidiaries' other than Tetra.

Senior Facilities Agreement

Overview

EHIL and certain of its subsidiaries are party to a facilities agreement dated June 11, 2012 (the "Restructuring Date"), with the lenders under and as defined therein (together, the "Lenders" and each a "Lender"), and Wilmington Trust (London) Limited as agent (the "Agent") and as security agent (the "Security Agent"), which facilities agreement was amended and restated on January 22, 2013, on March 14, 2013, on April 4, 2014, amended on August 22, 2014, amended and restated on June 11, 2015 and amended on July 16, 2015 (together, the "Senior Facilities Agreement").

The following description of the Senior Facilities Agreement does not give effect to the amendments contemplated pursuant to the Consent Request, certain further information of which is set out below under the section entitled "*—Consent Request—Revolving Credit Facility*".

Structure

As of March 31, 2016, the Senior Facilities Agreement provides for committed facilities available for drawing in euro, in the following amounts (excluding facilities which are no longer existing or available):

- a €158,883,911.15 million senior secured term loan facility B2 ("Facility B2"); and
- a €1,862,769,111.47 million senior secured term loan facility B3 ("Facility B3", and together with Facility B2, the "Facilities").

The outstanding principal amount of the Facilities is set out elsewhere in this offering memorandum under the caption "*Capitalization*".

The borrower of Facility B2 and Facility B3 is Eircom Finco S.à r.l. ("Finco").

As of the date of this offering memorandum, the members of the Group which are guarantors of the Facilities comprise EHIL, Finco, eircom Limited (Ireland), MMC, ITI, Meteor Mobile Holdings Limited ("MMHL"), Meteor Ireland Holdings LLC, eircom (UK) Limited and the Issuer (together, the "Obligors" and each an "Obligor").

Interest and Fees

The loan made available under Facility B2 bears interest at a rate *per annum* equal to EURIBOR (subject to a floor of zero), plus certain mandatory costs, if any, plus a margin of 4.50% *per annum*.

The loan made available under Facility B3 bears interest at a rate per annum equal to EURIBOR (subject to floor of zero), plus certain mandatory costs, if any, plus a margin of 4.50% per annum. The margin for Facility B3 will, following a flotation, be subject to a ratchet based on certain leverage ratios.

Default interest on each of Facility B2 and Facility B3 will be calculated as an additional 1% on the overdue amount.

EHIL or Finco are also required to pay (or procure that another Obligor pays) customary agency fees to the Agent and the Security Agent in connection with the Senior Facilities Agreement.

Repayments

Facility B2 must be repaid in full on September 30, 2019.

Facility B3 must be repaid in full on May 31, 2022.

Prepayments and Cancellation

The Senior Facilities Agreement allows for voluntary prepayments and voluntary cancellation of the Facilities (subject to *de minimis* amounts).

The Senior Facilities Agreement also requires mandatory prepayment in full, or in part, of the Facilities in certain circumstances including:

- on a change of control, other than certain ''specified change of control events'' occurring on or prior to June 11, 2017 subject to, immediately after the occurrence of such specified change of control event, and after giving *pro forma* effect thereto, (x) there being no increase in the leverage ratio from the most recent testing date for the leverage ratio financial covenant under the Senior Facilities Agreement (see ''—*Financial Covenants*'' below) and (y) the ratio of consolidated total net debt to certain equity in eircom Holdco S.A. not being greater than certain prescribed ratios;
- on a flotation;
- on the sale of all or substantially all of the assets of the Group (whether in a single transaction or a series of related transactions);
- a corporate reorganisation of the Group which results in the separation of the Group's network assets from the rest of the Group;
- from certain cash proceeds received by the Group from certain asset disposals, vendor claims and claims against report providers in respect of acquisitions permitted to be made by the Group and insurance claims, in each case, subject to certain exceptions;
- following the earlier of (x) June 30, 2016, (y) the date on which the Group's total net leverage ratio is equal to or less than 4.00:1, and (z) the date on which the Group has completed fiber optic network roll-out to 1 million properties or more (such event, the ''Excess Cashflow Trigger Event''), from an amount equal to 50% of excess cashflow for the financial year in which the Excess Cashflow Trigger Event occurs and in each subsequent financial year, subject to a *de minimis* amount and the Group's total net leverage ratio; and
- from the proceeds of certain refinancing debt, on either a *pari passu* or junior basis to the Facilities, unless the Group makes an election to otherwise use such debt to fund debt purchases of the outstanding loans under the Facilities, to finance or refinance certain acquisitions permitted under the Senior Facilities Agreement or to refinance any notes refinancing debt previously issued.

The Senior Facilities Agreement also contains customary provisions:

- requiring mandatory prepayment where it becomes unlawful for a Lender to perform any of its obligations contemplated by the Senior Facilities Agreement or to fund, issue or maintain its participation in Facility B2 and/or Facility B3;
- allowing for cancellation of the commitment of a single Lender, and prepayment of that Lender's participation in Facility B2 and/or Facility B3 (as determined by EHIL in accordance with the terms of the Senior Facilities Agreement), in certain circumstances where the relevant borrower is required to pay additional amounts under the tax gross-up provisions of the Senior Facilities Agreement, or where a Lender claims indemnification from an Obligor under the tax indemnity or increased costs provisions of the Senior Facilities Agreement; and
- allowing for cancellation of the available commitments of a defaulting Lender.

Guarantees

Each of the Obligors currently provide a senior guarantee of all amounts payable to the finance parties under the finance documents relating to the Senior Facilities Agreement.

Recourse against EHIL under its guarantee is limited to the proceeds of enforcement of Transaction Security (as defined under the caption "*—Intercreditor Agreement*" below).

The Senior Facilities Agreement requires that (subject to certain agreed security principles) each subsidiary of EHIL that is or becomes a material company (which includes, among other things, an Obligor, a wholly-owned member of the Group that holds shares in an Obligor and any member of the Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated earnings before interest, tax, depreciation and amortization of the Group or gross assets representing 5% or more of the gross assets of the Group or turnover (excluding intra-group items) representing 5% or more of the gross turnover of the Group) (a "Material Company") is required to become a guarantor under the Senior Facilities Agreement.

Furthermore, EHIL must ensure that, at all times, the aggregate consolidated earnings before interest, tax, depreciation and amortization, and consolidated gross assets and consolidated turnover of the guarantors under the Senior Facilities Agreement, respectively, represents at least 85% of each of the consolidated earnings before interest, tax, depreciation and amortization, consolidated gross assets and consolidated turnover of the Group.

Security

Each of eircom Holdco S.A., EHIL, Finco, Meteor Ireland Holdings LLC, eircom Limited (Ireland), eircom Limited (Jersey), MMC, MMHL, ITI and eircom (UK) Limited and the Issuer has granted, in favour of the Security Agent, liens and security interests on a first-priority basis, subject to the operation of certain agreed security principles, certain perfection requirements certain excluded assets and certain permitted security interests under the Senior Facilities Agreement, over certain of its assets as described below:

- in the case of the Issuer, EHIL and Meteor Ireland Holdings LLC, over all or substantially all of their assets;
- in the case of Holdco, over the shares in EHIL and related rights;
- in the case of Finco, over certain of its bank accounts and its rights in certain intercompany loan agreements with other Group companies;
- in the case of MMHL, over substantially all of its assets other than: (i) bank accounts opened as a result of any escrow arrangements or security deposits put in place by it prior to May 24, 2016 and (ii) any licenses granted to Meteor Mobile Holdings Limited by the Commission for Communications Regulation;
- in the case of eircom (UK) Limited, over substantially all of its assets other than: (i) certain leasehold properties located in Northern Ireland and England; (ii) a general authorization to provide telecommunications services in the United Kingdom and related rights of use for numbers; and (iii) eircom (UK) Limited's interests in certain agreements with third parties relating to procurement of telecommunications and network services;
- in the case of eircom Limited (Ireland), over substantially all of its assets other than: (i) shares held by eircom Limited (Ireland) in certain of its subsidiaries; (ii) certain licences granted to eircom Limited (Ireland) by the Commission for Communications Regulation; and (iii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date;
- in the case of eircom Limited (Jersey), over substantially all of its assets other than bank accounts opened as a result of any escrow arrangements or security deposits put in place by it prior to December 17, 2014;
- in the case of MMC, over substantially all of its assets other than: (i) certain trademark applications made in respect of the "MOSAIC" name; (ii) certain licences granted to MMC by the Commission for Communications Regulation; and (iii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date; and
- in the case of ITI, over substantially all of its assets other than: (i) certain licences granted to ITI by the Commission for Communications Regulation; and (ii) bank accounts opened as a

result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date.

The Senior Facilities Agreement also requires each Material Company or any other member of the Group which becomes a guarantor of the Facilities, subject to certain agreed security principles, to grant security over its assets as the Security Agent may require.

Representations and Warranties

The Senior Facilities Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties required to be repeated on certain dates), including:

- corporate representations including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, validity and admissibility in evidence, authorizations, and *pari passu* ranking;
- recognition of choice of law and judgments obtained, tax filings and deductions, payment of taxes, stamp duty and no adverse consequences;
- no insolvency, no litigation, no breach of laws, environmental compliance and no environmental claims;
- no default and no misleading information;
- no security or financial indebtedness except as permitted;
- ownership of or right to use material assets and ownership of secured assets;
- shares subject to transaction security for the Facilities are fully paid and able to be charged;
- ownership, use and no infringement of intellectual property rights;
- accuracy of group structure chart;
- Material Companies will be Obligors and guarantor coverage;
- accounting reference date and the financial statements of EHIL fairly represent the consolidated financial condition of the Group and were prepared in in accordance with accounting principles consistently applied;
- acquisition and equity documents contain all material terms;
- no trading activities of holding and dormant companies;
- center of main interests and no English establishments;
- no unlawful financial assistance or unlawful assistance to directors;
- competition and merger and regulatory compliance;
- adequate funding of all pension schemes of the Group as required by law; and
- no license, qualifications or other entitlement of the creditors being required in order to fund in the relevant jurisdictions.

Covenants

The Senior Facilities Agreement contains customary operating and financial covenants (see "—*Financial Covenants*" below), subject to certain exceptions and qualifications, including covenants restricting the ability of certain members of the Group to:

- make acquisitions or investments, including entering into joint ventures or incorporating any company;
- make loans or grant guarantees;
- incur indebtedness (other than certain permitted indebtedness including capital leases, finance leases and certain refinancing debt) or enter into certain derivatives contracts;
- create security over assets;

- dispose of assets;
- merge with other companies;
- enter into transactions other than on arm's length terms and for full market value;
- issue shares, redeem share capital or make scheduled payments of interest, coupons or similar payments in respect of certain refinancing debt;
- pay dividends, other than, amongst other things, for the purposes of funding the MIP and certain management equity purchases, the payment of certain dividends to eircom Holdco S.A. to enable it to pay corporate and other administrative expenses up to an annual cap, and the payment of dividends to shareholders following a flotation (subject to meeting certain leverage ratios);
- make payments on or purchase, redeem, defease or discharge certain structural intra-group loans including loans made by EHIL to any member of the Group and the Restated Intercompany Claims, unless permitted under the Senior Facilities Agreement or the Intercreditor Agreement;
- make a substantial change to the nature of the business of EHIL, the Obligors or the Group taken as a whole and, in the case of EHIL and Finco, act other than as a holding company;
- allow any dormant company to commencing trading;
- make amendments to certain documents and enter into agreements with shareholders of EHIL;
- establish or participate in any defined benefit pension scheme; and
- enter into any debt purchase transaction in respect of commitments under the Senior Facilities Agreement other than in accordance with the procedures set out in the Senior Facilities Agreement.

The Senior Facilities Agreement also requires certain members of the Group to observe certain affirmative covenants, including covenants relating to:

- maintenance of relevant authorizations;
- compliance with laws, including environmental laws and laws relating to financial assistance and notification of environmental claims;
- payment of taxes;
- maintenance of assets;
- maintenance of *pari passu* ranking;
- maintenance of insurance;
- compliance with obligations relating to pension schemes;
- provision of financial and other information and (in certain circumstances) granting access to premises, assets, books and records to, and arranging meetings with senior management for, the Agent or Security Agent;
- maintenance of intellectual property;
- maintenance of Group bank accounts with approved financial institutions;
- compliance with interest rate hedging requirements;
- obtaining and maintaining a credit rating; and
- maintenance of guarantor coverage and further assurances.

Financial Covenants

The Senior Facilities Agreement requires the Group to comply with certain financial covenants, comprising:

- an interest cover ratio (the ratio of consolidated earnings before interest, tax, depreciation and amortization to consolidated net finance charges);
- a leverage ratio (the ratio of consolidated total net debt to consolidated earnings before interest, tax, depreciation and amortization); and
- a cashflow coverage ratio (the ratio of cashflow to net debt service).

The Group is also subject to limits on capital expenditure during each financial year, subject to certain carry forward and carry back allowances.

Events of Default

The Senior Facilities Agreement contains events of default, the occurrence of which would allow the Agent, if directed by the requisite majority of Lenders, to, amongst other actions, accelerate all or part of the outstanding loans and terminate all commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds, a clean-up period in respect of acquisitions permitted under the Senior Facilities Agreement and other qualifications):

- failure to pay amounts when due under the finance documents entered into in connection with the Senior Facilities Agreement;
- breach of any financial covenant or failure to comply with any other obligation under the Senior Facilities Agreement or any finance document entered into in connection with the Senior Facilities Agreement;
- inaccuracy of a representation or statement when made;
- cross defaults;
- insolvency, insolvency proceedings and commencement of certain creditors' processes, such as expropriation, attachment, sequestration, distress or execution;
- unlawfulness, repudiation, invalidity or unenforceability of the finance documents entered into in connection with the Senior Facilities Agreement and repudiation of certain restructuring documents;
- breach of the Intercreditor Agreement by any party to it (other than a finance party) or any representation or warranty given in the Intercreditor Agreement being incorrect in any material respect;
- cessation of business by a Material Company;
- non-permitted change in ownership of an Obligor or Material Company;
- termination, rescission, repudiation, cessation, revocation or supersession of any material licence, including any material telecommunications licence;
- audit qualification of the financial statements of EHIL;
- curtailment of the ability of any Material Company to conduct its business by any seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any government, regulatory or other authority or other person;
- repudiation or rescission of any finance document entered into in connection, among other things, the Senior Facilities Agreement or certain acquisition documents; and
- litigation or other proceedings which are likely to have a material adverse effect on the Group or any material adverse change.

Governing law

The Senior Facilities Agreement is governed by English law.

Consent Request—Revolving Credit Facility

On May 24, 2016, EHIL launched a consent request process with the existing Lenders under the Senior Facilities Agreement, requesting their consent to, among other things, introduce a new committed and underwritten revolving credit facility into the Senior Facilities Agreement in an aggregate principal amount of up to €150,000,000. As of the date of this offering memorandum, we had obtained the consent of 63.3% of the Lenders.

Subject to receiving the consent of the requisite number of Lenders and the satisfaction of customary conditions precedent, the Revolving Facility will be incorporated into the Senior Facilities Agreement by way of an amendment and restatement agreement in respect of the Senior Facilities Agreement which we currently expect to enter into, and become effective, on or about the Issue Date of the Notes.

The following is a summary of certain of the principal terms of the Revolving Credit Facility proposed to be implemented pursuant to the Consent Request:

- the Revolving Facility will be guaranteed and secured on the same basis as, and rank *pari passu* with, Facility B2 and Facility B3, respectively;
- the Revolving Facility may be used for financing or refinancing our working capital requirements and/or for general corporate purposes of the Group;
- the original borrower under the Revolving Facility will be Finco;
- the Revolving Facility may be utilised in euros or in any other readily available currency which is freely convertible into euros with the consent of the lenders under the Revolving Facility funding the relevant utilization;
- the Revolving Facility may be utilized from and including the date of incorporation of the Revolving Facility into the Senior Facilities Agreement (the "Revolving Facility Effective Date") until the date falling one month prior to the "termination date" of the Revolving Facility (which is the earlier of (x) the date falling 60 months after the Revolving Facility Effective Date and (y) November 30, 2021);
- the loans under the Revolving Facility will bear cash pay interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.50% per annum, subject to a margin ratchet linked to total leverage levels;
- the Revolving Facility will only be subject to mandatory prepayment on (i) a change of control (but excluding certain specified change of control events), (ii) the sale of all or substantially all of the assets of the Group (whether in a single transaction or a series of related transactions) or (iii) a corporate reorganisation of the Group which results in the separation of the Group's network assets from the rest of the Group; and
- the Revolving Facility will be subject to the same financial covenants and events of default as per the Facilities, as set out above in "*—Financial Covenants*" and "*—Events of Default*".

In addition to the foregoing, it is proposed, as part of the Consent Request, that the ability of the Group to raise a super senior revolving credit facility ("Super Senior RCF") in an aggregate principal amount of up to €150,000,000 be removed from the Senior Facilities Agreement and the ability to amend certain finance documents to incorporate the Super Senior RCF be removed from the Intercreditor Agreement.

Interest Rate Swaps and Certain Other Hedging Arrangements

We are exposed to market risks as a result of changes in interest rates. Financial liabilities issued at floating rates, such as those under our Senior Facilities, expose us to cash-flow interest rate risk, while fixed rate financial liabilities expose us to fair value interest rate risk.

We manage our net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in our total financial debt portfolio. To manage this mix, on December 7, 2012 we entered into interest rate swap agreements with a nominal amount of €1.2 billion, with agreed-upon interest rate payments made on a quarterly basis. These interest rate swap agreements terminated on June 11, 2015. On November 24, 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1.2 billion for a period of three years from June 11, 2015.

Existing Facilities

As of March 31, 2016 we had short term liabilities outstanding under guarantee facilities from Allied Irish Banks in the amount of €3 million. These guarantee facilities relate to certain of our contingent liabilities including in respect of: guarantees in favour of the Revenue Commissioners for payment of VAT; bonds in favour of County Councils and Local Authorities; letters of credit in respect of certain insurances; and performance bonds in favour of OfCom.

In addition, as of March 31, 2016 we had contingent liabilities to ComReg in relation to our 3G Licence and in respect of a performance improvement program in respect of which we had provided in aggregate cash deposits of €5 million as collateral. Neither the guarantee facilities nor the contingent liabilities to ComReg are classified as indebtedness for IFRS purposes and neither is included as a liability on our balance sheet.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, each of EHIL, Finco, eircom Limited (Ireland), MMC, ITI, MMHL, Meteor Ireland Holdings LLC, eircom (UK) Limited and the Issuer (together, the ''Debtors'') are party to an intercreditor agreement dated as of the Restructuring Date, with, among others, the Security Agent, the Lenders and the Agent, as amended on June 11, 2015 (the ''Intercreditor Agreement''). On or prior to the Issue Date, we intend to procure the Trustee to accede to the Intercreditor Agreement. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of the Intercreditor Agreement.

Capitalized terms set forth and used in this ''*Intercreditor Agreement*'' section and not otherwise defined have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Definitions

The following defined terms are used in this summary of the Intercreditor Agreement:

''Acceleration Event'' means the exercise of acceleration rights under the Senior Facilities Agreement or the exercise of acceleration rights or any acceleration rights being automatically invoked under any Senior Secured Notes Indenture.

''Borrowing Liabilities'' means, in relation to a member of the Group, the liabilities (not being Guarantee Liabilities) it may have as a principal debtor to a Creditor, Holdco or a Debtor in respect of Financial Indebtedness arising under the Debt Documents (whether incurred solely or jointly).

''Creditor Representative'' means:

(a) in relation to the Lenders, the Agent; and

(b) in relation to the Senior Secured Noteholders, any Senior Secured Notes Trustee.

''Creditors'' means the Lenders, the Senior Secured Notes Creditors, the Hedge Counterparties, the Intra-Group Lenders and EHIL.

''Debt Document'' means each of the Intercreditor Agreement, the Hedging Agreements, the Senior Finance Documents, the Senior Secured Notes Documents, the Security Documents, any agreement evidencing the terms of the Structural Intra-Group Loans, the EHIL Liabilities, the Intra-Group Liabilities or the Holdco Liabilities and any other document designated as such by the Security Agent and EHIL.

"Debtor Liabilities" means, in relation to a member of the Group, any liabilities owed to any Debtor (whether actual or contingent and whether incurred solely or jointly) by that member of the Group.

"EHIL Liabilities" means all Liabilities owed by any Debtor to EHIL under any relevant Structural Intra-Group Loan.

"Guarantee Liabilities" means, in relation to a member of the Group, the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have to a Creditor, Holdco or a Debtor as or as a result of its being a guarantor or surety.

"Hedge Counterparty" means any person which becomes party to the Intercreditor Agreement as a Hedge Counterparty pursuant the Intercreditor Agreement which is or has become party to the Senior Facilities Agreement as a Hedge Counterparty.

"Hedge Counterparty Obligations" means the obligations owed by any Hedge Counterparty to the Debtors under or in connection with the Hedging Agreements.

"Hedging Agreement" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by an Obligor and a Hedge Counterparty for the purpose of hedging interest rate risks in relation to the Facilities.

"Hedging Liabilities" means the Liabilities owed by any Debtor to the Hedge Counterparties under or in connection with the Hedging Agreements.

"Holdco Liabilities" means any Liabilities owed to Holdco by any member of the Group.

"Instructing Group" means at any time:

(a) prior to the Senior Discharge Date, the Majority Senior Creditors and the Majority Senior Secured Notes Creditors (in each case, acting through their respective Creditor Representatives) provided that in relation to any instructions given with respect to:

   (i) the enforcement of the Transaction Security;

   (ii) the requesting of a Distressed Disposal and/or the release of claims and/or Transaction Security on a Distressed Disposal;

   (iii) the giving of instructions as to actions in respect of any Transaction Security in connection with the enforcement of that Transaction Security; and

   (iv) the taking of any other actions consequential on (or necessary to effect) the enforcement of the Transaction Security,

   or if, at that time, the Security Agent is obliged to give effect to instructions from the Instructing Group as to the manner of enforcement of the Transaction Security, if the Senior Secured Notes Liabilities represent less than 30%. of the aggregate of the Senior Secured Notes Liabilities and the Senior Liabilities, the Creditor Representative acting on behalf of the Senior Secured Notes Creditors shall not canvass the Senior Secured Notes Creditors for their vote on such actions and the Senior Secured Notes Creditors shall be deemed to have voted their share in the same manner and in the same proportion as the Senior Creditors; and

(b) on or after the Senior Discharge Date, the Majority Senior Secured Notes Creditors.

"Intra-Group Lenders" means each member of the Group (other than EHIL) which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with another member of the Group and which is or becomes a party to the Intercreditor Agreement as an Intra-Group Lender in accordance with the terms of the Intercreditor Agreement.

"Intra-Group Liabilities" means the Liabilities owed by any member of the Group to any of the Intra-Group Lenders (other than the EHIL Liabilities).

"Liabilities" means all present and future liabilities and obligations at any time of any member of the Group to any Creditor or to Holdco under the Debt Documents, both actual and contingent and whether incurred solely or jointly or in any other capacity together with any related Additional Liabilities.

"Majority Lenders" means a Lender or Lenders whose Commitments under the Senior Facilities Agreement aggregate more than 66⅔%. of the Total Commitments under the Senior Facilities Agreement (or, if the Total Commitments have been reduced to zero, aggregated more than 66⅔%. of the Total Commitments immediately prior to that reduction). For the purposes of this definition "Commitments" and "Total Commitments" have the meanings given in the Senior Facilities Agreement.

"Majority Senior Creditors" means, at any time, those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66.67%. of the total Senior Credit Participations at that time.

"Majority Senior Lenders" means the Majority Lenders after the application of certain snooze and lose and defaulting lender adjustments which are applied to lender voting under the Senior Facilities Agreement.

"Majority Senior Secured Notes Creditors" means, at any time, those Senior Secured Notes Creditors whose Senior Secured Notes Credit Participations at that time aggregate more than 50%. of the total Senior Secured Notes Credit Participations at that time.

"Other Liabilities" means, in relation to a member of the Group, any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to Holdco, an Intra-Group Lender or a Debtor.

"Primary Creditors" means the Senior Creditors and the Senior Secured Notes Creditors.

"Secured Parties" means the Security Agent, any Receiver or Delegate and each of the Primary Creditors from time to time but, in the case of each Primary Creditor, only if it is a party to the Intercreditor Agreement or is required to and has acceded to the Intercreditor Agreement, in the appropriate capacity.

"Senior Creditors" means the Lenders and the Hedge Counterparties.

"Senior Lender Liabilities" means the Liabilities owed by the Debtors to the Lenders under the Finance Documents (as defined in the Senior Facilities Agreement).

"Senior Liabilities" means the Senior Lender Liabilities and the Hedging Liabilities.

"Senior Secured Noteholders" means the registered holders, lenders or other creditors from time to time, of the Senior Secured Notes, as determined in accordance with the relevant Senior Secured Notes Indenture provided that any Senior Secured Noteholder which is the holder, lender or creditor in respect of any Senior Secured Notes (other than by way of capital markets instruments in respect of which a Senior Secured Notes Trustee is or becomes party to the Intercreditor Agreement) accedes to the Intercreditor Agreement and will include the holders of the Notes.

"Senior Secured Notes" means any issue by EHIL, Finco or other Obligor (as defined in the Senior Facilities Agreement) of notes, debt securities or other debt instrument or the incurrence of financial indebtedness under any credit agreements, loans or trust deeds for the purpose of refinancing and discharging all or part of the indebtedness under the Senior Facilities Agreement in accordance with the terms of the Senior Facilities Agreement or effecting a Debt Purchase Transaction as permitted under the Senior Facilities Agreement or for any other purpose(s) permitted or not prohibited by the terms of the Senior Facilities Agreement, together with any Additional Liabilities.

"Senior Secured Notes Creditors" means the Senior Secured Noteholders and each Senior Secured Notes Trustee.

"Senior Secured Notes Liabilities" means the Liabilities owed by the Company and the Debtors to the Senior Secured Notes Creditors under the Senior Secured Notes Documents, together with any related Additional Liabilities (but excluding any Hedging Liabilities).

"Senior Secured Notes Trustee" means any agent or trustee acting on behalf of any Senior Secured Noteholders in respect of any Senior Secured Notes Liabilities, provided that any such person is or becomes party to the Intercreditor Agreement.

"Structural Intra-Group Liabilities" means Liabilities (other than EHIL Liabilities) arising under or in connection with the Structural Intra-Group Loans.

"Structural Intra-Group Loans" means a loan by EHIL to any member of the Group and any other loans made by one member of the Group to another member of the Group as specified in the structure memorandum for the Examinership.

"Transaction Security" means any security granted in favor of the Security Agent under any document entered into by an Obligor creating (or expressed to create) any security over all or part of its assets in respect of the obligations of the Obligors under the finance documents entered into in connection with the Senior Facilities Agreement.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the Liabilities owed by the Debtors to the Primary Creditors in relation to the Facilities, certain hedging obligations, and any Senior Secured Notes, which includes the Notes, shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking Liabilities as follows:

- first, the Hedging Liabilities; and
- second, the Senior Lender Liabilities and the Senior Secured Notes Liabilities *pari passu* between themselves and without any preference between them.

The Intercreditor Agreement also provides for a Super Senior RCF to be put in place that would rank ahead of the Senior Lender Liabilities and the Senior Secured Notes Liabilities both in right and priority of payment and in relation to the Transaction Security. As discussed above under the caption "*—Senior Facilities Agreement—Consent Request—Revolving Credit Facility*", it is contemplated that the provisions relating to the Super Senior RCF will be removed from the Intercreditor Agreement if the Consent Request is approved by the requisite Lenders under the Senior Facilities Agreement.

Priority of Security

The Transaction Security shall secure the relevant Liabilities (but only to the extent that such security is expressed to secure the relevant Liabilities) in the following order:

- first, the Hedging Liabilities; and
- second, the Senior Lender Liabilities and the Senior Secured Notes Liabilities *pari passu* between themselves and without any preference between them.

Holdco, Intra-Group and EHIL Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities, the Holdco Liabilities and the EHIL Liabilities are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors.

Restrictions Relating to Senior Lender Liabilities and Senior Secured Notes Liabilities

The Debtors may make payments of the Senior Lender Liabilities at any time in accordance with the Senior Finance Documents.

The Debtors may make payments of the Senior Secured Notes Liabilities at any time in accordance with the Senior Secured Notes Documents.

Security and Guarantees: Lenders and Senior Secured Notes Creditors

The Lenders and the Senior Secured Notes Creditors may take, accept or receive the benefit of:

- any security in respect of the Senior Lender Liabilities or Senior Secured Notes Liabilities in addition to the shared security if and to the extent legally possible and subject to certain agreed security principles, at the same time it is also offered either:
  - to the Security Agent as trustee for the other Secured Parties in respect of their Liabilities; or
  - in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as trustee for the Secured Parties:
    - to the other Secured Parties in respect of their Liabilities; or
    - to the Security Agent under a parallel debt structure for the benefit of the other Secured Parties,

    and ranks in the same order of priority as that set out under the caption "—*Ranking and Priority—Priority of Security*";
- any guarantee, indemnity or other assurance against loss in respect of the Senior Lender Liabilities or Senior Secured Notes Liabilities in addition to those in:
  - the original form of Senior Facilities Agreement or Senior Secured Notes Documents;
  - the Intercreditor Agreement; or
  - any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Secured Parties in respect of their Liabilities,

  if and to the extent legally possible and subject to certain agreed security principles, at the same time it is also offered to the other Secured Parties in respect of their Liabilities and ranks in the same order of priority as that set out under the caption "—*Ranking and Priority—Priority of Security*".

In addition the Lenders may take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss not otherwise permitted if the Majority Senior Secured Notes Creditors give their consent and the Senior Secured Notes Creditors may take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss not otherwise permitted if the Majority Senior Lenders give their consent.

Restrictions Relating to Hedge Counterparties

No member of the Group is permitted to make any Payment of any Hedging Liabilities at any time unless the Payment is a Permitted Hedging Payment (as defined below) or receipt of the Payment is permitted after an Insolvency Event in the circumstances set out under the caption "—*Permitted Hedge Counterparty Enforcement after Insolvency Event*" below.

The term "Permitted Hedging Payment" refers to any Payment to any Hedge Counterparty in respect of the Hedging Liabilities which is then due to that Hedge Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement:

(i) if the Payment is a scheduled Payment arising under the relevant Hedging Agreement;

(ii) to the extent that the relevant Debtor's obligation to make the Payment arises as a result of the operation of:

(A) any of sections 2(d) (Deduction or Withholding for Tax), 2(e) (Default Interest; Other Amounts), 8(a) (Payment in the Contractual Currency), 8(b) (Judgments) and 11 (Expenses) of the 1992 ISDA Master Agreement (if the Hedging Agreement is based on a 1992 ISDA Master Agreement);

(B) any of sections 2(d) (Deduction or Withholding for Tax), 8(a) (Payment in the Contractual Currency), 8(b) (Judgments), 9(h)(i) (Prior to Early Termination) and 11 (Expenses) of the 2002 ISDA Master Agreement (if the Hedging Agreement is based on a 2002 ISDA Master Agreement); or

(C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in paragraphs (A) or (B) above (if the Hedging Agreement is not based on an ISDA Master Agreement);

(iii) to the extent that the relevant Debtor's obligation to make the Payment arises from a Non Credit Related Close Out;

(iv) to the extent that:

(A) the relevant Debtor's obligation to make the Payment arises from a Credit Related Close Out in relation to that Hedging Agreement; and

(B) no Event of Default under the Senior Facilities Agreement or any Senior Secured Notes Indenture is continuing at the time of that Payment; or

(v) if the Instructing Group gives prior consent to the Payment being made,

provided that a Payment made to a Hedge Counterparty will not be a Permitted Hedging Payment if any scheduled Payment due from that Hedge Counterparty to a Debtor under a Hedging Agreement to which they are both party is due and unpaid.

Failure by a Debtor to make a Payment to a Hedge Counterparty which results solely from the restriction on the Debtor making that Payment where there is a scheduled payment due from a Hedge Counterparty, as described above, shall not result in a default in respect of that Debtor under that Hedging Agreement.

Amendments and waivers of Hedging Agreements

The Hedge Counterparties are not permitted to amend or waive any term of the Hedging Agreements unless the amendment or waiver does not breach any term of the Intercreditor Agreement or any Senior Finance Document or Senior Secured Notes Document.

Security and Guarantees: Hedge Counterparties

The Hedge Counterparties may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss from any member of the Group in respect of the Hedging Liabilities other than:

- the shared security;
- any guarantee, indemnity or other assurance against loss contained in:
  - the original form of Senior Facilities Agreement;
  - the Intercreditor Agreement;
  - any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Secured Parties in respect of their Liabilities; or
  - the relevant Hedging Agreement as long as it is no greater in extent than any of those referred to in the three points above;
- in the circumstances in which the Lenders receive additional security, guarantees, indemnities or other assurances as set out above under the caption "—*Security and Guarantees: Lenders and Senior Secured Notes Creditors*"; and
- the indemnities contained in the ISDA Master Agreements (in the case of a Hedging Agreement which is based on an ISDA Master Agreement) or any indemnities which are similar in meaning and effect to those indemnities (in the case of a Hedging Agreement which is not based on an ISDA Master Agreement).

Restriction on Enforcement—Hedge Counterparties

Other than as described below in the sections titled "*—Permitted Hedge Counterparty Enforcement*", "*—Permitted Hedge Counterparty Enforcement after Insolvency Event*" and "*—Required Hedge Counterparty Enforcement*", Hedge Counterparties are not permitted to take any Enforcement Action in respect of the Hedging Liabilities or any hedging transactions under the Hedging Agreements.

Permitted Hedge Counterparty Enforcement

In certain circumstances a Hedge Counterparty is entitled to terminate or close out a hedging transaction prior to its stated maturity.

If a Debtor has defaulted on a Payment due under a Hedging Agreement and the default has continued for more than 15 Business Days after notice of the default has been given to the Security Agent, the Hedge Counterparty may terminate or close out in whole or in part any hedging transaction under that Hedging Agreement and until such time as the Security Agent has given notice to that Hedge Counterparty that the Transaction Security is being enforced (or that any formal steps are being taken to enforce the Transaction Security), a Hedge Counterparty may exercise any right it might otherwise have to sue for, commence or join legal or arbitration proceedings against any Debtor to recover any Hedging Liabilities due under that Hedging Agreement.

Permitted Hedge Counterparty Enforcement after Insolvency Event

After the occurrence of an Insolvency Event in relation to any member of the Group, each Hedge Counterparty shall be entitled to exercise any right it may otherwise have in respect of that member of the Group to:

- prematurely close out or terminate any Hedging Liabilities of that member of the Group;
- make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Hedging Liabilities;
- exercise any right of set off or take or receive any Payment in respect of any Hedging Liabilities of that member of the Group; or
- claim and prove in the liquidation of that member of the Group for the Hedging Liabilities owing to it.

Required Hedge Counterparty Enforcement

Hedge Counterparties are required (subject to limited exceptions) to terminate or close out in full any hedging transaction upon the instruction of the Security Agent (acting on the instructions of the Instructing Group) following an exercise by the Agent of acceleration rights under the Senior Facilities Agreement.

If a Hedge Counterparty is entitled to terminate or close out any hedging transaction due to a payment default as described above, but the Hedge Counterparty has not terminated or closed out the hedging transaction, the Hedge Counterparty is required to terminate or close out in the transaction upon the request of the Security Agent (acting on the instructions of the Instructing Group).

Terms of Hedging Agreements and amounts hedged

The Intercreditor Agreement contains requirements for the terms of the Hedging Agreements, including that such agreements must be in the form of an ISDA Master Agreement or similar framework agreement and must permit the parties to take such action as may be required to ensure that the aggregate of the notional amounts hedged by the Debtors in any interest rate hedge transactions under the Hedging Agreements (the "Hedged Amounts"), does not exceed the amount of principal outstanding under the Facilities (the "Permitted Maximum Interest Rate Hedged Amount"). If the Hedged Amounts exceed the Permitted Maximum Interest Rate Hedged Amount at any time, the Debtors are required to terminate or close out hedge transactions so as to bring the Hedged Amounts back below the Permitted Maximum Interest Rate Hedged Amount threshold.

Payments due from Hedge Counterparties following termination

If, on termination of any hedging transaction under any Hedging Agreement occurring after an Acceleration Event or enforcement of any Transaction Security, a settlement amount or other amount (following the application of any Close Out Netting, Payment Netting or Inter-Hedging Agreement Netting in respect of that Hedging Agreement) falls due from a Hedge Counterparty to the relevant Debtor then that amount shall be paid by that Hedge Counterparty to the Security Agent, treated as the proceeds of enforcement of the Transaction Security and applied in accordance with the terms of the Intercreditor Agreement.

Restrictions on Intra-Group Liabilities

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, members of the Group may only pay any Intra-Group Liabilities:

(a) when due and provided that in the case of any Structural Intra-Group Loan the Payment is a Permitted Payment under the Senior Facilities Agreement and is expressly permitted by the Senior Secured Notes Documents and in the case of any other Intra-Group Liability that no Acceleration Event has occurred, or an Acceleration Event has occurred and:

- prior to the Senior Discharge Date, the Instructing Group consent to that Payment being made;
- on or after the Senior Discharge Date, the Majority Senior Secured Notes Creditors consent to that Payment being made; or
- the Payment is made to facilitate Payment of the Senior Liabilities or Senior Secured Notes Liabilities; or

(b) receipt of the Payment is permitted in the circumstances set out under "—*Permitted Intra-Group Enforcement*" below.

Restrictions on Security for Intra-Group Lenders

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, the Intra-Group Lenders may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss in respect of the Intra-Group Liabilities unless:

- that security, guarantee, indemnity or other assurance against loss is expressly permitted under the terms of the Senior Facilities Agreement and the Senior Secured Notes Documents; or
- prior to the Senior Discharge Date, the prior consent of the Instructing Group is obtained, or on or after the Senior Discharge Date, the prior consent of the Majority Senior Secured Notes Creditors is obtained.

Restriction on Intra-Group Enforcement

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, the Intra-Group Lenders may not take any enforcement action other than in the circumstances described under "—*Permitted Intra-Group Enforcement*" below.

Permitted Intra-Group Enforcement

After the occurrence of an Insolvency Event in relation to any member of the Group, each Intra-Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender), exercise any right it may otherwise have against that member of the Group to:

- accelerate any of that member of the Group's Intra-Group Liabilities or declare them prematurely due and payable or payable on demand;

- make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra-Group Liabilities;
- exercise any right of set off or take or receive any Payment in respect of any Intra-Group Liabilities of that member of the Group; or
- claim and prove in the liquidation of that member of the Group for the Intra-Group Liabilities owing to it.

Restrictions on EHIL Liabilities and Holdco Liabilities

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, members of the Group may only pay any EHIL Liabilities or Holdco Liabilities:

(a) when due and provided that either the Payment is expressly permitted by the Senior Facilities Agreement and the Senior Secured Notes Documents or the Instructing Group or, after the Senior Discharge Date the Majority Senior Secured Notes Creditors, consent to that Payment being made; or

(b) where the receipt of the Payment is permitted in the circumstances described in "*—Permitted EHIL and Holdco Enforcement*" below.

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, neither EHIL nor Holdco may take any Enforcement Action other than in the circumstances described in "*—Permitted EHIL and Holdco Enforcement*".

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, neither EHIL nor Holdco may amend the terms of any agreement evidencing their Liabilities (other than any minor, non-prejudicial amendments) without prior consent.

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, EHIL may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss in respect of the EHIL Liabilities other than as expressly permitted by the Senior Finance Documents and the Senior Secured Notes Documents.

Holdco may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss from any member of the Group in respect of any of the Holdco Liabilities while any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding.

Permitted EHIL and Holdco Enforcement

After the occurrence of an Insolvency Event in relation to any member of the Group, EHIL or Holdco may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of EHIL or Holdco (as applicable)), exercise any right it may otherwise have against that member of the Group to:

- accelerate any of that member of the Group's EHIL Liabilities or Holdco Liabilities (as applicable) or declare them prematurely due and payable or payable on demand;
- make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any EHIL Liabilities or Holdco Liabilities (as applicable);
- exercise any right of set off or take or receive any Payment in respect of any EHIL Liabilities or Holdco Liabilities (as applicable) of that member of the Group; or
- claim and prove in the liquidation of that member of the Group for the EHIL Liabilities or Holdco Liabilities (as applicable) owing to it.

Payment Obligations continue

No Debtor shall be released from the liability to make any payment under any Debt Document by operation of any of the provisions described in the sections entitled "*—Restrictions relating to Hedge Counterparties*", "*—Restrictions on Intra-Group Liabilities*" and "*—Restrictions on EHIL*

Liabilities and Holdco Liabilities'' even if its obligation to make such payment is restricted by the terms of those provisions.

No liabilities acquisitions

Members of the Group are not permitted to acquire any Hedging Liabilities without the consent of the Instructing Group.

Members of the Group are restricted from acquiring Intra-Group Liabilities where such acquisition would result in a breach of the Senior Facilities Agreement or Senior Secured Notes Documents or where an Acceleration Event has occurred and in the case of Structural Intra-Group Liabilities at all times unless expressly permitted under the Senior Facilities Agreement and the Senior Secured Notes Documents.

Members of the Group are not permitted to acquire any EHIL Liabilities or Holdco Liabilities without the consent of the Instructing Group (or following the Senior Discharge Date the Major Senior Secured Notes Creditors).

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any member of the Group any party entitled to receive a distribution out of the assets of that member of the Group in respect of Liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the Liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption ''—*Application of Proceeds*'' below.

Subject to certain exceptions, to the extent that any member of Group's Liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor or Holdco which benefited from that set-off shall pay an amount equal to the amount of the Liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption ''—*Application of Proceeds*'' below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the Liabilities, the Liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the Liabilities.

After the occurrence of an Insolvency Event in relation to any member of the Group, each Creditor and Holdco irrevocably authorises the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of Group's Liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of Group's Liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Group's Liabilities.

Each Creditor and Holdco will (i) do all things that the Security Agent requests in order to give effect to the matters referred to in this ''—*Effect of Insolvency Event; Filing of Claims*'' section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this ''—*Effect of Insolvency Event; Filing of Claims*'' section or if the Security Agent requests that a Creditor or Holdco take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require) to enable the Security Agent to take such action.

The exception for the Senior Secured Notes Trustee as described in the final paragraph of the following section captioned ''—*Turnover*'' also applies to the requirements to turnover or repay amounts in the circumstances described in this section.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Holdco receives or recovers from any member of the Group:

(i) any Payment or distribution of, or on account of or in relation to, any of the Liabilities which is not a payment permitted under the Intercreditor Agreement or made in accordance with the provisions set out in the caption ''—*Application of Proceeds*'' below;

(ii) other than as referred to in the second paragraph under the caption ''—*Effect of Insolvency Event; Filing of Claims*'' any amount by way of set-off in respect of any of the Liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement or any amount:

(A) on account of, or in relation to, any of the Liabilities after the occurrence of an Acceleration Event or the enforcement of any Transaction Security or as a result of any other litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group; or

(B) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of an Acceleration Event or the enforcement of any Transaction Security,

other than, in each case, any amount received or recovered in accordance with the provisions set out below under the caption ''—*Application of Proceeds*;''

(iv) the proceeds of any enforcement of any Transaction Security except in accordance with the provisions set out below under the caption ''—*Application of Proceeds*;'' or

(v) other than as referred to in the second paragraph of the caption ''—*Effect of Insolvency Event; Filing of Claims*'', any distribution in cash or in kind or Payment of, or on account of or in relation to, any of the Liabilities owed by any member of Group which is not in accordance with the provisions set out under the caption ''—*Application of Proceeds*'' and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that Creditor or Holdco (as applicable) will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant Liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

There is an exception to all turnover provisions in the Intercreditor Agreement for the Senior Secured Notes Trustee, which is that the Senior Secured Notes Trustee only has an obligation to turnover or repay amounts received or recovered if (a) it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement (a ''Turnover Receipt'') and (b) to the extent that, prior to receiving that knowledge, it had not distributed the amount of the Turnover Receipt to the relevant Senior Secured Noteholders in accordance with the provisions of the relevant Senior Secured Notes Indenture.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by an Instructing Group.

Subject to the Transaction Security having become enforceable in accordance with its terms an Instructing Group may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce any Transaction Security or to exercise any rights or powers arising under the Security Documents except through the Security Agent.

The Secured Parties may not give instructions to the Security Agent as to any Enforcement Action other than in accordance with the Intercreditor Agreement.

Manner of Enforcement

If the Transaction Security is being enforced as set forth above under the caption "*Enforcement Instructions*," the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as an Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

Each Creditor and Holdco agrees with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Secured Obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the Transaction Security prior to the Senior Discharge Date, the duties of the Security Agent and of any Receiver or Delegate owed to any Hedge Counterparties and Senior Secured Notes Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that Transaction Security shall be no different to or greater than the duty that is owed by the Security Agent, Receiver or Delegate to the Debtors under general law.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorised and instructed (at the cost of the relevant Debtor or EHIL) to, in respect of a Non Distressed Disposal of an asset by a Debtor or a Non Distressed Disposal of an asset which is subject to Transaction Security to a person outside the Group;

(i) release any Transaction Security (and/or any other claim relating to a Debt Document) over the asset; and

(ii) where the asset consists of shares in a Debtor, release any Transaction Security (and/or any other claim relating to a Debt Document) over that Debtor's assets.

The Security Agent is irrevocably authorised and instructed (at the cost of the relevant Debtor or EHIL) to enter into and deliver such documentation as the Security Agent considers necessary to give effect to any release described above.

If any proceeds from a Non-Distressed Disposal are required to be applied in mandatory prepayment of any of the Secured Obligations or to be offered to Secured Parties pursuant to the terms of the relevant Debt Documents then such proceeds shall be applied in or towards Payment of such Secured Obligations or shall be offered to the relevant Secured Parties in accordance with the terms of the relevant Debt Documents and the consent of any other party shall not be required for that application.

Distressed Disposals

A "Distressed Disposal" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable, (b) being effected by enforcement of Transaction Security or (c) being disposed of to a third party subsequent to an Acceleration Event or the enforcement of any Transaction Security.

If a Distressed Disposal is being effected, the Security Agent is irrevocably authorised (at the cost of the relevant Debtor or EHIL):

(i) to release the Transaction Security or any other claim over that asset and execute and deliver or enter into any release of that security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

(A) that Debtor and any subsidiary of that Debtor from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and its Other Liabilities;

(B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of Holdco, an Intra-Group Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant Creditors, Debtors and Holdco;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

(A) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, its Guarantees Liabilities and its Other Liabilities;

(B) any Transaction Security granted by t any subsidiary of that holding company over any of its assets; and

(C) any other claim of Holdco, any Intra-Group Lender or another Debtor over the assets of any subsidiary of that holding company,

on behalf of the relevant Creditors, Debtors and Holdco;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the Liabilities or the Debtor Liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those Liabilities or Debtor Liabilities (the "Transferee") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities, *provided* that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the Liabilities owed to the Primary Creditors and all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case, the relevant Creditors, Debtors and Holdco;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the ''Disposed Entity'') and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the ''Receiving Entity'') all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or the Debtor Liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities disposed of in accordance with paragraph (iv) above) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption ''—*Application of Proceeds*'' as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of Liabilities or Debtor Liabilities has occurred, as if that disposal of Liabilities or Debtor Liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of Liabilities in accordance with paragraph (iv)(B) above), effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

For the purposes of the actions described in paragraphs (ii), (iii), (iv) and (v) of the second paragraph of this ''—*Distressed Disposals''* section and those described in the immediately preceding paragraph, the Security Agent shall act in such manner as an Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Insurance, Acquisition and Report Provider proceeds

The Intercreditor Agreement provides for authorization of the Security Agent to give certain consents and releases to facilitate the making of certain insurance claims or claims against vendors or report providers in respect of Permitted Acquisitions. The Intercreditor Agreement also confirms that the proceeds of such claims which are required to be applied in prepayment of the Facilities may be so applied.

Application of Proceeds

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Transaction Security (for the purposes of this ''—*Application of Proceeds*'' section, the ''Recoveries'') shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this ''—*Application of Proceeds*'' section), in the following order of priority:

(i) in discharging any sums owing to the Security Agent, any Receiver or any Delegate;

(ii) in payment of all costs and expenses incurred by any Creditor Representative or Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in payment to the Hedge Counterparties for an application towards the discharge of the Hedging Liabilities on a *pro rata* basis between the Hedging Liabilities of each Hedge Counterparty;

(iv) in payment to:

(A) the Agent on its own behalf and on behalf of the Lenders; and

(B) the Senior Secured Notes Trustee,

for application towards the discharge of:

(I) the Senior Agent Liabilities and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents); and

(II) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Documents),

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(v) if none of the Debtors is under any further actual or contingent liability under any Senior Finance Document, Hedging Agreement or Senior Secured Notes Documents, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(vi) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement provides that if, for any reason, any Senior Liabilities or Senior Secured Notes Liabilities remain unpaid after the Enforcement Date and the resulting losses are not borne by the Primary Creditors in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the Primary Creditors at the Enforcement Date, the Primary Creditors will make such payments amongst themselves as the Security Agent shall require to put the Primary Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the written consent of the Creditor Representatives, the Majority Senior Lenders, the Majority Senior Secured Note Creditors and the Security Agent.

The Intercreditor Agreement may be amended by the Creditor Representatives, the Security Agent and Finco without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or to meet the requirements of any person proposing to act as Senior Secured Notes Trustee which are customary for persons acting in such capacity.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any Debt Document expressly provide otherwise, the Security Agent may, if authorised by an Instructing Group, and if EHIL consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security Documents which shall be binding on each party to the Intercreditor Agreement.

Subject to the certain exceptions under the Intercreditor Agreement, any amendment or waiver of, or consent under, any Transaction Security Document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the Transaction Security are distributed requires the consent of the Creditor Representatives (in respect of and acting on instructions from such Lenders and such Senior Secured Notes Creditors as are required under the relevant Senior Facilities Agreement and the Senior Secured Notes Documents (as the case may be)).

Exceptions

Subject to the following paragraph of this "—*Exceptions*" section:

(a) if an amendment, waiver or consent may impose new or additional obligations on or withdraw or reduce the rights of any party other than:

(i) in the case of a Primary Creditor, in a way which affects or would affect Primary Creditors of that party's class generally; or

(ii) in the case of a Debtor, to the extent consented to by EHIL as described in the first paragraph of "—*Amendments and Waivers: Security Documents*" above,

the consent of that party is required; and

(b) an amendment, waiver or consent which relates to the rights or obligations of a Creditor Representative, the Security Agent or a Hedge Counterparty may not be effected without the consent of that Creditor Representative or, as the case may be, the Security Agent or that Hedge Counterparty.

Neither paragraph (a) nor (b) above, shall apply:

(i) to any release of Transaction Security, claim or Liabilities; or

(ii) to any consent

which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement as described in the sections entitled "—*Proceeds of Disposals*" and "—*Insurance, Acquisition and Report Provider proceeds*" above.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Debt Documents to the contrary.

Super Senior RCF

The Intercreditor Agreement provides for a Super Senior RCF to be put in place with the approval of the Majority Senior Lenders. This means that a Super Senior RCF could be put in place by the Group without the consent of the holders of the Notes. As discussed above under the caption "—*Senior Facilities Agreement—Consent Request—Revolving Credit Facility*", it is contemplated that the provisions relating to the Super Senior RCF will be removed from the Intercreditor Agreement if the Consent Request is approved by the requisite Lenders under the Senior Facilities Agreement.

Bond Refinancings

The Intercreditor Agreement provides for further Senior Secured Notes and subordinated notes to be put in place.

In relation to any Senior Secured Notes which are issued in accordance with the permissions in the Senior Facilities Agreement, the parties to the Intercreditor Agreement are required to enter into any documentation necessary to ensure that such Senior Secured Notes are given the ranking and benefit of security required which may be equivalent to the Facilities and existing Senior Secured Notes. If the incoming Senior Secured Notes Creditors require amendments to the Intercreditor Agreement these may be made with the consent of the Creditor Representatives and the Majority Senior Lenders. The consent of the Note holders would not be required for such amendments.

The Intercreditor Agreement also provides for certain subordinated bond financing to be put in place within the parameters set out in the Senior Facilities Agreement. The parameters under the Senior Facilities Agreement include that the subordinated bond must rank behind the Senior Lender Liabilities (and by virtue of that requirement therefore behind the Senior Secured Notes Liabilities), the Hedging Liabilities and any Super Senior RCF, but ahead of any Intra-Group Liabilities or EHIL Liabilities. Such a subordinated bond refinancing would require the consent of the Majority Senior Lenders and the Majority Senior Secured Notes Creditors.

Instructions to the Security Agent and exercise of discretion

Subject to the exceptions set out under the caption "—*Exceptions*" below, the Security Agent shall act in accordance with any instructions given to it by an Instructing Group or, if so instructed by an Instructing Group, refrain from exercising any right, power, authority or discretion vested in it as Security Agent and shall be entitled to assume that (i) any instructions received by it from the Creditor Representatives, the Creditors or a group of Creditors are duly given in accordance with the terms of the Debt Documents and (ii) unless it has received actual notice of revocation, that those instructions or directions have not been revoked.

Instructions given to the Security Agent by the Instructing Group shall be provided by the relevant Creditor Representative(s) for such Instructing Group and the Security Agent shall be entitled to communicate with any Creditor or Creditors through their Creditor Representative and shall have no obligation to communicate with any Creditor or Creditors other than through their Creditor Representative(s).

The Security Agent shall be entitled to request instructions, or clarification of any direction, from an Instructing Group (to the extent they are entitled to give instructions to the Security Agent pursuant to the provisions relating to enforcement of Transaction Security, as summarized under the heading "—*Enforcement of Security*" above) as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers, authorities and discretions and the Security Agent may refrain from acting unless and until those instructions or clarification are received by it.

Exceptions

Save as provided the provisions relating to enforcement of Transaction Security, as summarized under the heading "—*Enforcement of Security*" above, any instructions given to the Security Agent by an Instructing Group shall override any conflicting instructions given by any other Parties.

The obligation of the Security Agent to act in accordance with any instructions given to it by an Instructing Group or, if so instructed by an Instructing Group, refrain from exercising any right, power, authority or discretion vested in it as Security Agent as described in the first paragraph of this "—*Instructions to the Security Agent and exercise of discretion*" section shall not apply:

(i) where a contrary indication appears in the Intercreditor Agreement;

(ii) where the Intercreditor Agreement requires the Security Agent to act in a specified manner or to take a specified action;

(iii) in respect of any provision of the Intercreditor Agreement which protects the Security Agent's own position in its personal capacity as opposed to its role of Security Agent for the Secured Parties; and

(iv) in respect of the exercise of the Security Agent's discretion to exercise a right, power or authority under any of certain specified provisions of the Intercreditor Agreement including those relating to non-distressed disposals and application of proceeds as described above.

If giving effect to instructions given by an Instructing Group would (in the Security Agent's opinion) have an effect equivalent to an amendment of the Intercreditor Agreement which would require consent under the Intercreditor Agreement, the Security Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Security Agent) whose consent would have been required in respect of that amendment in accordance the Intercreditor Agreement.

In exercising any discretion to exercise a right, power or authority under this Agreement where either it has not received any instructions from an Instructing Group as to the exercise of that discretion; or the exercise of that discretion is subject to the specified provisions as referred to in paragraph (iv) above, the Security Agent shall, do so having regard to the interests of all the Secured Parties.

Without prejudice to the provisions of the Intercreditor Agreement in relation to enforcement of Transaction Security and instructions to the Security Agent and exercise of discretion (as summarized above), the Security Agent may (but shall not be obliged to), in the absence of any instructions to the contrary, take such action in the exercise of any of its powers and duties under the Debt Documents as it considers in its discretion to be appropriate.

Security Agent and Senior Secured Notes Trustee Protections

The Intercreditor Agreement contains customary protections for each of the Security Agent and any Senior Secured Notes Trustee in relation to their respective duties and obligations, some of which limit the liabilities and duties of the Security Agent and the Senior Secured Notes Trustee.

DESCRIPTION OF THE NOTES

The following is a description of the €350,000,000 aggregate principal amount of % Senior Secured Notes due 2022 (the "Notes"). The Notes will be issued by eircom Finance DAC (the "Issuer") under an indenture (the "Indenture") between, among others, the Issuer, eircom Holdings (Ireland) Limited (the "Company"), Deutsche Trustee Company Limited, as trustee (the "Trustee"), and Wilmington Trust (London) Limited, as security agent, in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"). See "*Notice to Investors*." The terms of the Notes include those stated in the Indenture and will not incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The Notes will be subject to all such terms pursuant to the provisions of the Indenture, and Holders of the Notes are referred to the Indenture for a statement thereof.

The net proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer to fund a loan to eircom Limited (Jersey) (the "Notes Proceeds Loan"), which in turn will use the funds received to repay the proceeds loan made to it by the Issuer in connection with the Existing Notes. The Issuer will then use those proceeds to redeem the Existing Notes as set forth in this Offering Memorandum under the caption "*Use of Proceeds.*"

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Intercreditor Agreement. This does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note and the Intercreditor Agreement will be available as set forth below under "*Where You Can Find More Information.*"

Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*". In this description, the term "Issuer" refers only to eircom Finance DAC and its successors, and the "Company" refers to eircom Holdings (Ireland) Limited and its successors and not to any of its Subsidiaries.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Guarantees

The Notes

The Notes:

- will be senior secured obligations of the Issuer;
- will be secured by liens over the Collateral as described herein, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super priority basis for the benefit of counterparties to certain hedging obligations have been paid in full, as described below under "*Security—The Collateral;*"
- will be *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness incurred under the Senior Facilities Agreement;
- will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- will be contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement, as described under "*Description of Other Indebtedness—Intercreditor Agreement*;"
- will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- will be effectively subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Notes; and

• will be fully, unconditionally and irrevocably guaranteed by the Guarantors on a joint and several basis, subject to the guarantee limitations described herein.

The Guarantees

The Guarantees:

• will be the senior obligations of the relevant Guarantor, which will be secured by liens over the Collateral as described herein, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super priority basis for the benefit of counterparties to certain hedging obligations, have been paid in full, as described below under "*Security—The Collateral*;"

• will rank *pari passu* in right of payment with all of the Guarantors' existing and future senior indebtedness, including any indebtedness under the Senior Facilities Agreement and certain other future indebtedness;

• will rank senior in right of payment to all existing and future subordinated indebtedness of the Guarantors;

• will be contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement, as described under "*Description of Other Indebtedness—Intercreditor Agreement*;"

• will be effectively subordinated to any existing and future indebtedness of the Guarantors that is secured by property or assets that do not secure the Guarantors' guarantees of the Notes on an equal basis, to the extent of the value of the property or assets securing such indebtedness;

• will be effectively subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Notes; and

• will be subject to limitations described herein.

Principal and Maturity

The Issuer will issue €350.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on May 31, 2022. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes will be subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest

Interest on the Notes

Interest on the Notes will accrue at the rate of % per annum and will be payable, in cash, semi-annually in arrears on and of each year, commencing on , 2016, to holders of record on the immediately preceding and , respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

Additional Notes

The Issuer may issue an unlimited principal amount of additional Notes having terms specified from time to time by the Issuer (the "Additional Notes") so long as such issuance is in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*"). The Notes issued in this offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture. If Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, the Additional Notes will have separate CUSIP and ISIN numbers. Unless the context otherwise requires, in this "*Description of the Notes,*" references to the "Notes" include the Notes and any Additional Notes that are actually issued.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Note registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of one or more Paying Agents in London, United Kingdom or Dublin maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each a "Paying Agent") for the Notes in London, United Kingdom (the "Principal Paying Agent"). The initial Principal Paying Agent for the Notes will be Deutsche Bank AG, London Branch, in London.

The Issuer will also maintain one or more registrars (each, a "Registrar") and a transfer agent in Luxembourg. The initial Registrar and transfer agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. The Registrar and the transfer agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer, as applicable. Each transfer agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or transfer agent for the Notes without prior notice to the Holders of the Notes. The Issuer, the Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. For so long as the Notes are listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Registrar or transfer agent in a newspaper having a general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and Exchange

The Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "144A Global Notes").
- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes").
- The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors.*" In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of the Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of the Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to the Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar and the Paying Agents will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes and upon the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries, apart from Tetra Ireland Communications Limited, which is a joint venture that we account for on the equity method. As at and for the twelve month period ended March 31, 2016, Tetra's EBITDA was €9.0 million and Tetra had no debt. The Company indirectly owns 56% of Tetra's shares and for accounting purposes consolidates Tetra using the equity method.

In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary,*" the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer and eircom Limited (Jersey)) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Guarantees

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will be guaranteed, jointly and severally on a senior basis, by the Company and each material subsidiary of the Company that is a guarantor under the Senior Facilities Agreement (each a "Guarantor" and such guarantee, a "Guarantee").

The initial Guarantors will be Eircom Holdings (Ireland) Limited, eircom Limited (Ireland), Eircom Finco S.à r.l, Irish Telecommunications Investments DAC, Meteor Mobile Communications Limited, Eircom (UK) Limited, Meteor Ireland Holdings LLC, eircom Limited (Jersey) and Meteor Mobile Holdings Limited.

As of and for the twelve months ended March 31, 2016, after giving effect to the Refinancing Transactions, the Guarantors would have represented 100%, 100% and 99.85% of the Group's consolidated Adjusted EBITDA, revenue and assets, respectively, in each case excluding Tetra.

In addition, as described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement, each Restricted Subsidiary of the Company that guarantees the Senior Facilities Agreement, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to Our Structure—The insolvency laws of the Republic of Ireland or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.*"

The Guarantee of EHIL will be limited in an equivalent manner to the guarantee of EHIL in the Senior Facilities Agreement, subject to and until all liabilities under the Senior Facilities Agreement have been fully and finally discharged. Under the Senior Facilities Agreement, recourse against EHIL under the guarantee is limited to the proceeds of enforcement of the Transaction Security to which EHIL is a party. See "*Description of Other Indebtedness—Senior Facilities Agreement—Guarantees.*"

The Guarantee of a Guarantor will terminate and release upon:

- except for the Guarantee given by the Company and eircom Limited (Jersey) (the "Parent Guarantees"), a sale or other disposition (including by way of consolidation or merger) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case, otherwise permitted by the Indenture;
- except for the Parent Guarantees, in connection with any sale or other disposition of Capital Stock of that Guarantor (or Capital Stock of any Parent of such Guarantor (other than the Company and eircom Limited (Jersey))) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset sale" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- except for the Parent Guarantees, if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Defeasance*" and "*—Satisfaction and Discharge;*"
- upon the full and final payment of the Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes;
- in the case only of the Parent Guarantees, pursuant to the provisions described below under "*—IPO Pushdown*";
- as described under the caption "*—Amendment and Waiver;*" or
- except for the Parent Guarantees, with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement and (ii) does not guarantee any other Credit Facility or Public Debt.

Substantially all the operations of the Company (and the Issuer) are conducted through its Subsidiaries. Claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders of Subsidiaries of the Company (other than the Guarantors).

As of March 31, 2016, after giving effect to the Refinancing Transactions, the total liabilities of the Company and its Subsidiaries that will not guarantee the Notes were immaterial. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Security

The Collateral

Subject to the operation of the Agreed Security Principles, certain excluded assets, certain perfection requirements and any Permitted Collateral Liens, the Notes and the Guarantees will be secured by the following initial collateral ("Initial Collateral"):

- in the case of the Issuer, eircom Holdings (Ireland) Limited and Meteor Mobile Holdings Limited, over all or substantially all of their assets;
- in the case of eircom Holdco S.A., over the shares in eircom Holdings (Ireland) Limited and related rights;
- in the case of eircom Finco S.à r.l., over certain of its bank accounts and its rights in certain intercompany loan agreements with other Group companies;
- in the case of Meteor Ireland Holdings LLC, over substantially all of its assets;
- in the case of eircom (UK) Limited, over substantially all of its assets other than: (i) certain leasehold properties located in Northern Ireland and England; (ii) a general authorization to provide telecommunications services in the United Kingdom through the Office of Communications and related rights of use for numbers; and (iii) eircom (UK) Limited's interests in certain agreements with third parties relating to procurement of telecommunications services and the provision of education network services;
- in the case of eircom Limited (Ireland), over substantially all of its assets other than: (i) shares held by eircom Limited (Ireland) in certain of its subsidiaries; (ii) certain licenses granted to eircom Limited (Ireland) by the Commission for Communications Regulation; and (iii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date;
- in the case of eircom Limited (Jersey), over substantially all of its assets;
- in the case of MMC, over substantially all of its assets other than: (i) certain trademark applications made in respect of the "MOSAIC" name; (ii) certain licenses granted to MMC by the Commission for Communications Regulation; and (iii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date; and
- in the case of ITI, over substantially all of its assets other than: (i) certain licenses granted to ITI by the Commission for Communications Regulation; and (ii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date.

The Agreed Security Principles apply to the granting of security in favor of obligations under the Senior Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of security where, among other things, such grant would be restricted by corporate benefit, financial assistance, fraudulent preference or "thin capitalization" laws or regulations (or analogous restrictions), or where an action would result in a significant risk to the officers of the relevant grantor of security of contravention of their fiduciary duties and/or of civil and/or criminal liability, or result in costs disproportionate to the benefit obtained by the beneficiaries of that security.

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, each subsidiary of the Company that becomes a Guarantor of the Notes after the Issue Date will grant security in connection therewith (together with the Initial Collateral, the "Collateral"). All Collateral shall be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens. Counterparties to certain Hedging Agreements, and potentially future debt under super senior revolving credit facilities, will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected) in accordance with the Agreed Security Principles.

The Collateral will secure the liabilities under the Notes, the Senior Facilities Agreement, certain Hedging Agreements and any Additional Notes. Pursuant to the Intercreditor Agreement, any Hedging Obligations permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Indebtedness*" will be permitted to be secured on the Collateral on a super priority basis, and will receive priority over the Holders with respect to any proceeds received upon any enforcement action over any Collateral. Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement. The Indenture, the Senior Facilities Agreement and the Intercreditor Agreement currently permit the Company and its Restricted Subsidiaries to secure Indebtedness incurred under a Super Senior RCF (as defined below) on a super priority basis. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of obligations under the Super Senior RCF, if any, and certain Hedging Obligations have been discharged from such recoveries, will be applied *pro rata* in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of the Company or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. Notwithstanding the foregoing, if the Consent Request is approved by the requisite lenders under our Senior Facilities Agreement and implemented to include the New RCF (as defined below), the Senior Facilities Agreement will no longer permit the Company and its Restricted Subsidiaries to incur Indebtedness under a Super Senior RCF on a super priority basis and the ability to amend the "Debt Documents," (as defined in the Intercreditor Agreement) to incorporate a Super Senior RCF will be removed from the Intercreditor Agreement. See "*—Summary—Recent Developments—Consent Request—Senior Facilities Agreement*".

Administration of Security and Enforcement of Liens

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*".

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's bankruptcy. See "*Risk Factors—Risks Related to Our Structure—the insolvency laws of the Republic of Ireland or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar*." In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligation under its Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

Subject to the terms of the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes, the payment of obligations under the Senior Facilities Agreement and any Hedging Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of some of the Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed Wilmington Trust (London) Limited, as Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each Holder will also be deemed to have authorized the Trustee to enter into any such Additional Intercreditor Agreement.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Facilities Agreement, (b) the counterparties under certain Hedging Agreements and (c) the Trustee and the Holders under the Indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes will receive proceeds or enforcement of security over the Collateral only after certain Hedging Obligations are satisfied. See "*Description of Other Indebtedness—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*—Security—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Release of Liens

Subject to the terms of the Intercreditor Agreement, upon receipt of an Officer's Certificate, the Security Agent shall release, and the Trustee shall, if so requested, direct the Security Agent to release, without the need for consent of the Holders, Liens over the property and other assets constituting Collateral securing the Notes and the Guarantees:

(1) in connection with any disposition of Collateral, directly or indirectly, to (a) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation—The Company*" or "*Certain Covenants—Merger and Consolidation—The Issuer*") that is permitted by the Indenture (with respect to the Lien on such Collateral), (b) the Company or any Restricted Subsidiary consistent with the Intercreditor Agreement or any Additional Intercreditor Agreement or if permitted by the Senior Facilities Agreement or (c) pursuant to any Permitted Property Transaction;

(2) in the case of a Guarantor that is released from its Guarantee (with respect to the Liens securing such Guarantee granted by such Guarantor) in accordance with the Indenture;

(3) if the Company designates any of its Restricted Subsidiaries (other than the Issuer or eircom Limited (Jersey)) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Restricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Defeasance*" and "*—Satisfaction and Discharge;*"

(5) upon the full and final payment of the Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(6) as described under the caption "*—Amendments and Waivers;*"

(7) as described under the caption "*—Certain Covenants—Impairment of Security Interest;*"

(8) in connection with an IPO Pushdown, as specified in the Indenture;

(9) automatically without any action by the Trustee, if the Lien granted in favor of the Senior Facilities Agreement, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above; or

(10) as otherwise provided in the Intercreditor Agreement or any Additional Intercreditor Agreement.

Each of these releases shall be effected by the Security Agent and the Trustee without the consent of the Holders. The Indenture will provide that any release of a Lien on Collateral shall be evidenced by the delivery by the Issuer to the Trustee of an Officer's Certificate.

The Company, the Issuer and its Restricted Subsidiaries may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents and the Intercreditor Agreement.

IPO Pushdown

(a) On, in contemplation of, or following an IPO Event, the Company shall be entitled to require (by written notice to the Trustee (a "Pushdown Notice")) that the terms of the Indenture and the Intercreditor Agreement shall operate (with effect from the date specified in the relevant Pushdown Notice (the "Pushdown Date")) on the basis that: (i) references to the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Entity and its Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity and the pledge of the shares of the Issuer and eircom Limited (Jersey) shall remain in place; (ii) all financial ratio, basket calculations and financial definitions shall exclude any Holding Company of the IPO Entity and all reporting obligations shall be assumed at the level of the IPO Entity; (iii) each reference in the Indenture and/or the Intercreditor Agreement to the "Company" shall be deemed to be a reference to the IPO Entity (to the extent applicable and unless the context requires otherwise); and *provided*, that nothing in this paragraph (a), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Entity prior to it being deemed to be the Company, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the Indenture, the Intercreditor Agreement or the Collateral Documents shall apply to any entity of which the IPO Entity is Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement and any security granted by any such Holding Company; and (vii) unless otherwise notified by the Company: (A) each person which is party to the Intercreditor Agreement as a "Subordinated Creditor" shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Company that Person shall cease to be party to the Intercreditor Agreement as a Subordinated Creditor and shall have no further rights or obligations under the Intercreditor Agreement as a Subordinated Creditor); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement as a Subordinated Creditor; and (viii) in the event that any Person is released from or does not become party to the Intercreditor Agreement as a Subordinated Creditor as a consequence of this paragraph (a), any term of the Indenture and/or the Intercreditor Agreement which requires or assumes that any Person be a

Subordinated Creditor or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply. An IPO Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(b) The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement or the Collateral Documents required by the Company in writing and/or take such other action as is required by the Company in order to facilitate or reflect any of the matters contemplated by paragraph (a) above. The Trustee and the Security Agent are each irrevocably authorized and instructed by the Holders of the Notes (without any consent by the Holders of the Notes) to execute any such amended or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of and at the cost of the Company).

(c) For the purpose of this covenant, the "IPO Entity" shall be the Company or any Restricted Subsidiary of the Company notified to the Trustee by the Company in writing as the Person to be treated as the IPO Entity in relation to the relevant IPO Event; provided, that: (i) the IPO Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such member of the Group); and (ii) the Company may not designate a Subsidiary of eircom Limited (Jersey) as the IPO Entity.

(d) If the Company delivers a Pushdown Notice to the Trustee pursuant to paragraph (a) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph (d): (i) the provisions of sub-paragraphs (a)(i) to (a)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (a) above in reliance on that Pushdown Notice, if required by the Trustee by prior written notice to the Company and subject to the Agreed Security Principles, the Company or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Collateral Document in respect of that security; and (iii) if any Person party to the Intercreditor Agreement as an "Subordinated Creditor" has been released from the Intercreditor Agreement pursuant to sub-paragraph (a)(vii) above in reliance on that Pushdown Notice, if required by the Trustee by prior written notice to the Company and that Person, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement as a Subordinated Creditor.

For the avoidance of doubt: (A) nothing in paragraph (d) above shall prohibit or otherwise restrict the Company from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Company, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "Additional Intercreditor Agreement"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that any Additional Intercreditor Agreement may give super priority ranking to any obligations under a Super Senior RCF and Hedging Obligations; *provided, further,* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the

Company shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described herein under "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement on each Holder's behalf.

A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available to the Holders upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer and, for so long as any Notes are admitted for trading on the Global Exchange Market of the Irish Stock Exchange, at the offices of the Registrar in Luxembourg.

Notes Proceeds Loan

Upon the issuance of the Notes, the Issuer, as lender, and eircom Limited (Jersey), as borrower, will enter into a Notes Proceeds Loan Agreement pursuant to which the Issuer will loan to eircom Limited (Jersey) the proceeds from the issuance of the Notes after deducting any fees borne by the Issuer in relation to the offering of the Notes ("Issuance Costs").

The Notes Proceeds Loan Agreement will provide that eircom Limited (Jersey) will pay the Issuer an amount equal to the interest and principal due and payable on the Notes and any additional amounts due thereunder. Upon any redemption of all or a portion of the Notes prior to their maturity date, eircom Limited (Jersey) will make a payment to the Issuer in an amount equal to the aggregate principal amount of the Notes so redeemed (consisting of principal amount of the Notes Proceeds Loan plus additional interest) plus accrued and unpaid interest up to the redemption date. In addition, the Notes Proceeds Loan will provide that upon any redemption of the Notes prior to their maturity date that results in any additional payments whatsoever by the Issuer in relation to the Notes under the terms of the Indenture, eircom Limited (Jersey) shall make a payment to the Issuer in an amount equal to such additional payments. All amounts payable under the Notes Proceeds Loan will be payable to such account or accounts with such person or persons as the Issuer may designate. The maturity date of the Notes Proceeds Loan will be the same maturity date as the maturity date of the Notes.

Except as otherwise required by law, all payments under the Notes Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that eircom Limited (Jersey) is required to make any such deduction or withholding, it shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made. The Notes Proceeds Loan will provide that eircom Limited (Jersey) will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes. The Notes Proceeds Loan will comprise part of the Collateral.

Optional Redemption

Optional Redemption of the Notes

Except as set forth herein and under "—*Redemption for Taxation Reasons,*" the Notes are not redeemable at the option of the Issuer.

At any time prior to , 2018, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date.

At any time and from time to time on or after , 2018, the Issuer may redeem the Notes in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to, but not including, the redemption date:

Twelve month period commencing May 15 in	Percentage
2018	%
2019	%
2020 and thereafter	100.000%

At any time and from time to time prior to , 2018, the Issuer may redeem the Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to % plus accrued and unpaid interest to, but not including, the redemption date, in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (excluding any Additional Notes with terms and conditions that are not identical to the terms and conditions of the Notes), *provided* that:

(1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and

(2) not less than 60% of the original principal amount of the Notes being redeemed (excluding any principal amount of any Additional Notes with terms and conditions that are not identical to the terms and conditions of the Notes) remain outstanding immediately thereafter.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

General

Notwithstanding the foregoing, in connection with any tender offer for the Notes, if Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making a such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer (other than any incentive payment for early tenders), plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but not including, the redemption date. In determining whether the

Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a tender offer or other offer to purchase for all of the Notes, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, inform the Irish Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Paying Agent or the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

So long as any Notes are listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the Holders of the Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Irish Stock Exchange (www.ise.ie) and in addition to such release, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Issuer or Successor Issuer, as defined below, may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a ''Tax Redemption Date'') (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see ''—*Withholding Taxes*''), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer, Successor Issuer or Guarantor determine in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in official published practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a ''Change in Tax Law''),

the Issuer, Successor Issuer or Guarantor are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and the Issuer determines in good faith that such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Issuer or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and would not cause the Issuer to incur additional out-of-pocket costs, but not including assignment or novation of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the Successor Issuer. Notice of redemption for taxation reasons will be published in accordance with the procedures described under ''—*Selection and Notice*.'' Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Successor Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Issuer or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or resident for tax purposes or organized or has a permanent establishment or any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by the Issuer, a Successor Issuer or Guarantor (a ''Payor'') on the Notes or the Guarantees, as defined below, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Ireland or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Guarantee is made by the Issuer, Successor Issuer, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clauses (1), (2) and (3), a ''Relevant Taxing Jurisdiction''),

will at any time be required from any payments made by a Payor with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the ''Additional Amounts'') as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including but not limited to being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in or a dependent agent in, or being physically present in, or having a place of management present or deemed present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, deducted or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with any reasonable request of the Payor to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) or to make any declaration or similar claim or satisfy any certification, information, documentation or other reporting requirement relating to such matters, which is required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Notes or any Guarantee;

(4) any estate, inheritance, gift, value, use, sales, excise, transfer, personal property or similar Taxes;

(5) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent;

(6) any Taxes which would not have been imposed if the Holder had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period);

(7) any Taxes imposed on or with respect to a payment to a Holder that is a fiduciary or partnership (including an entity that is treated as a partnership for applicable tax

purposes) or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or entity treated as a partnership for applicable tax purposes or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(8) any Taxes imposed on or with respect to a Note pursuant to Sections 1471 to 1474 of the Code, any successor law or regulation implementing or complying with, or introduced in order to conform to, such Sections or any intergovernmental agreement or any agreement entered into pursuant to Section 1471(b)(1) of the Code; or

(9) any combination of items (1) through (8) above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction to the extent required by applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Issuer and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Registrar in Ireland if the Notes are then admitted for trading on the Global Exchange Market.

If any Payor becomes obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture, the Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes, or any other property or similar taxes, charges or levies that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the Indenture, the Intercreditor Agreement, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes) excluding any such taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Payor agrees to indemnify the Holders for any such taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof), as the case may be, of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*—Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the relevant Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Notes are listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (www.ise.ie).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third-party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the notes that remain outstanding to, but not including, the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date). In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a tender offer or other offer to purchase for all of the Notes, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

Under the Senior Facilities Agreement, the occurrence of a change of control would require the repayment of such debt. Future debt of the Company or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks Related to Our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*."

Holders of the Notes may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of the Company's board of directors, including in connection with a proxy contest, where the Company's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indenture.

In addition, you should note that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, the Company may nevertheless avoid triggering a change of control under a clause similar to clause (2) of the definition of "Change of Control", if the outgoing directors were to approve the new directors for the purpose of such change of control clause.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Company and any of the Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries is less than 4.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility and any Refinancing Indebtedness in respect thereof in a maximum aggregate principal amount at any time outstanding not exceeding €2,350.0 million, plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary to the extent such Guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant; or

(b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in connection with cash management positions of the Company and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Company and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Guarantee, in the case of a Guarantor, in the case of both (i) and (ii), to the extent required by the Intercreditor Agreement; and

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes and the Notes Proceeds Loan (other than any Additional Notes and any Additional Notes Proceeds Loan), (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date, including any Existing Bond Facility, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness of any Person (i) Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary; *provided*, *however*, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or Senior Management of the Company);

(7) Indebtedness represented by (i) Capitalized Lease Obligations or Purchase Money Obligations, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €75.0 million and 16.0% of Consolidated EBITDA and (ii) Permitted Vendor Financing;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 Business Days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness related to a disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 Business Days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €125.0 million and 5.0% of Total Assets;

(12) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing; and

(14) Indebtedness under daylight borrowing facilities incurred in connection with the Refinancing Transactions or any refinancing of Indebtedness (including by way of set-off

or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Issue Date under the Senior Facilities Agreement shall be deemed initially Incurred under clause (1) of the second paragraph of the description of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and any Indebtedness Incurred under clause (1) of the second paragraph of the description of this covenant may not be reclassified pursuant to clause (1) of this paragraph;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (12) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change of IFRS to U.S. GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*" (and in the case of Indebtedness that constitutes the payment of interest in the form of additional Indebtedness shall be permitted to be secured by a Lien to the same extent as the Indebtedness to which the payment of interest relates). The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of "Indebtedness."

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date.

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a Senior Facilities Agreement; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such non-euro-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) (i) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

  (ii) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

  (iii) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "*—Limitation on Indebtedness*" covenant after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (6), (10), (11), (12) and (18) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from April 1, 2013 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Company or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Company or a Restricted Subsidiary after the Issue Date, the fair market value (as determined by the Company in good faith) of the Investment in such Unrestricted Subsidiary (or the assets transferred) at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation, consolidation or transfer of assets, other than to the extent such Investment constituted a Permitted Investment; *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary;

(B) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(C) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *provided further*, however, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c). Upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to the Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

As of March 31, 2016, the Company would have been able to make Restricted Payments in the amount of €71 million pursuant to clause (c) of the first paragraph of this covenant. The fair market value of property or assets other than cash covered by the first paragraph of this covenant shall be the fair market value thereof as determined in good faith by the Board of Directors of the Company.

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

  (a) (i) from Net Available Cash to the extent permitted under "—*Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Company shall have first complied with the terms described under "—*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

  (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Company shall have first complied with the terms described under "—*Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

  (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €15.0 million plus (2) €5.0 million multiplied by the number of calendar years that have commenced since the Issue Date plus (3) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*;"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.0 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the greater of €100.0 million and 4.0% of Total Assets;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Company);

(13) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through

the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate, the issuance of Designated Preference Shares) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result from), any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock of the Company or any direct or indirect Parent of the Company in an aggregate amount outstanding at any time not to exceed the greater of €100.0 million and 4.0% of Total Assets; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that the Consolidated Net Leverage Ratio on a pro forma basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 3.75 to 1.0.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer;

(2) make any loans or advances to the Issuer; or

(3) sell, lease or transfer any of its property or assets to the Issuer,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Finance Documents) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);

(4) any encumbrance or restriction:

   (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

   (b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

   (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets

of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under ''—*Limitation on Indebtedness*'' if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement and the Intercreditor Agreement, together with the security documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Company) or where the Company determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Company's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any lien permitted under ''—*Limitation on Liens*''; or

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

    (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness incurred under clause (1) of the second paragraph of the covenant described under ''—*Limitation on Indebtedness*'' within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (iii) to purchase the Notes through open-market purchases at a price equal to or higher than 100% of the principal amount thereof, or make an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of such Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (iv) to redeem Notes as described under "—Optional Redemption"; or

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds" under the Indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds €75.0 million, the Company will be required to make an offer ("Asset Disposition Offer") to all Holders of Notes issued under the Indenture and, to the extent the Company elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Company will purchase the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Company will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Company for purchase, and the Company will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €75.0 million and 16.0% of Consolidated EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") involving aggregate value in excess of €10.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction or series of related Affiliate Transactions involves an aggregate value in excess of €25.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company; and

(3) in the event such Affiliate Transaction or series of related Affiliate Transactions involves an aggregate consideration in excess of €50.0 million, the Issuer has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this covenant if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as described in paragraphs (l)(b), (2), (11) and (18) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Refinancing Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, lenders, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Company or the relevant Restricted Subsidiary, or (in the case of lenders, and) are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity (other than any RAN Entity);

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €3.0 million per year (with unused amounts in any calendar year being carried over to the succeeding calendar year) and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Company in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries;

(13) any transaction effected as part of a Qualified Receivables Financing;

(14) transactions with lenders under the Senior Facilities Agreement solely in their capacity as such with respect to loans outstanding thereunder; *provided* that clause (1) of the first paragraph of this covenant shall apply to any such transaction; and

(15) any Permitted Investment described in paragraph (18) of the definition thereof; *provided* that clause (1) of the first paragraph of this covenant shall apply to any such Permitted Investment.

Reports

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies, with a similar scope and level of detail to that included in this Offering Memorandum; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company beginning with the first fiscal quarter ending after the Issue Date, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or

balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Company.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenues, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, at the offices of the Registrar in Ireland or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Irish Stock Exchange.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. Delivery of any information, documents and reports to the Trustee pursuant to this "*Reports*" covenant is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained herein including the Company's compliance with any of its covenants under the Indenture.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the ''Successor Issuer'') will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Jersey, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (1) and (2) above.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under ''—*The Company*'' and ''—*Subsidiary Guarantors*'' (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer, and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary of the Issuer that becomes a parent of one or more of the Issuer's Subsidiaries.

The Issuer shall remain a Wholly Owned Subsidiary of the Company.

The Company

The Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Jersey, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Parent Guarantee and (b) all obligations of the Company under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "—*Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described above under "—*The Issuer*" and below under "—*Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2), (3) and (4) (which does not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

Subsidiary Guarantors

No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Guarantor,

unless

(a) the other Person is the Company or any Restricted Subsidiary that is Guarantor (or becomes a Guarantor concurrently with the transaction); or

(b) (i) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and

(ii) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (B)(2) and the provisions described above under "—*The Issuer*" and "—*The Company*", (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor and (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Restricted Payments*," "*—Limitation on Indebtedness*," "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," "*—Limitation on Affiliate Transactions*," "*—Limitation on Sales of Assets and Subsidiary Stock*," "*—Additional Guarantees*," "*—Lines of Business*," and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Company*", and, in each case, any related default provision of such Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of such Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*."

Limited Condition Acquisition and Irrevocable Repayment

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Company, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into after giving pro forma effect to the applicable Limited Condition Acquisition or Irrevocable Repayment. For the avoidance of doubt, if the Company has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the definitive agreements for the applicable Limited Condition Acquisition or Irrevocable Repayment were entered into and prior to the consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment for purposes of:

(1) determining compliance with any provision of the Indenture which requires the calculation of the Consolidated Net Senior Secured Leverage Ratio or Consolidated Net Leverage Ratio; or

(2) testing baskets set forth in the Indenture;

in each case, at the option of the Company (the Company's election to exercise such option in connection with any Limited Condition Acquisition or Irrevocable Repayment, an "LCA Election"), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into (the "LCA Test Date"). If, after giving pro forma effect to the Limited Condition Acquisition or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent four consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Company are available, the Company could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If the Company has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in Consolidated EBITDA of the Company or the Person subject to such Limited Condition Acquisition or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Company has made an LCA Election for any Limited Condition Acquisition or Irrevocable Repayment, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Company or the designation of an Unrestricted Subsidiary on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition or Irrevocable Repayment is consummated or the definitive agreement for such Limited Condition Acquisition or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such ratio or basket shall be calculated on a pro forma basis assuming such Limited Condition Acquisition or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated.

Additional Guarantees

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to Guarantee any Indebtedness under the Senior Facilities Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*") or Public Debt and any refinancing thereof in whole or in part unless such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Concurrently with the provision of any additional Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a basis consistent with the Collateral.

Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Company or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement.

Impairment of Security Interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "—*Limitation on Liens*;" *provided,* that the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Document.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Liens in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect as determined by the Company in good faith; *provided, however*, that, subject to the foregoing, except where permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, no Security Document may be amended, extended, renewed, restated, or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting Liens after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Security Agent and the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Further Assurances

The Company will, and will procure that each of its Restricted Subsidiaries will, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will, and will procure that each of its Restricted Subsidiaries will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Lines of Business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

Limitation on Activities of the Issuer

The Issuer will not engage in any business activity or undertake any other activity, except any activity (a) subject to compliance with the terms of the Indenture, related to the offering, sale or issuance of the Notes or the incurrence of Indebtedness by the Issuer represented by the Notes or any Public Debt, (b) undertaken with the purpose of, and directly related to, fulfilling its obligations under the Notes, the Indenture and any other document relating to the Notes (including the Notes Proceeds Loans), the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Facilities Agreement or any document relating to any Public Debt, (c) related to reorganizations for bona fide corporate purposes in compliance the covenant described under *"—Merger and Consolidation"*; *provided* that any successor entity resulting from any such reorganization is subject to this covenant, (d) related to the granting of security interests, indemnities and payment of overhead costs or taxes and the entry into any Security Document to which it is a party, (e) related to the establishment and maintenance of the Issuer's corporate existence, (f) related to using amounts received by the Issuer to make investments in cash or Cash Equivalents in a manner not otherwise prohibited by the Indenture or (g) reasonably related to the foregoing. The Issuer will not (a) incur any Indebtedness (except to eircom Limited (Jersey)) other than, subject to compliance with the terms of the Indenture, the Notes or any Public Debt, (b) issue any Capital Stock (other than to eircom Limited (Jersey)) or (c) undertake any transaction that will require the Issuer to register as an "investment company" or an entity "controlled by an investment company" as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

The Issuer and the Company will not, and will not permit any of the Company's Restricted Subsidiaries or any other Person that is an obligor under the Notes Proceeds Loan Agreement, to amend, modify supplement or waive any rights under the Notes Proceeds Loan in a manner that would adversely affect the rights of the Issuer or its creditors with respect to the Notes Proceeds Loan.

The foregoing provisions of this covenant will fall away if the Issuer is consolidated or merged in compliance with the covenant under the caption *"—Merger and Consolidation."*

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Irish Stock Exchange and the admission to trading on its Global Exchange Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Global Exchange Market of the Irish Stock Exchange, and thereafter use its reasonable best efforts to maintain, a listing of such Notes on another recognized stock exchange.

Payments for Consent

The Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% (or more) in aggregate principal amount of the outstanding Notes with any of the Company's obligations under the covenants described under ''*—Change of Control*'' above or under the covenants described under ''*—Certain Covenants*'' above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% (or more) in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (''payment default''); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the ''cross acceleration provision'');

    and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €30.0 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the ''bankruptcy provisions'');

(7) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the ''judgment default provision'');

(8) any security interest under the Security Documents on any Collateral having a Fair Market Value in excess of €20.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "security default provisions"); and

(9) any Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days (the "guarantee provisions").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% (or more) in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (3), (4), (5) and (7), the Company does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Company and the Trustee, may declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability and/or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee security and/or indemnity (including by way of pre-funding) against any loss, liability and/or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law, its fiduciary duties or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of payment in advance) satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and a Responsible Officer of the Trustee is informed of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 90 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity or security to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only amend one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of any series of Notes affected, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "—*Optional Redemption*";

(5) make any such Note payable in money other than that stated in such Note;

(6) amend the contractual right of any Holder to bring suit for the payment of principal, premium, if any, and interest on its Note, on or after the respective due dates expressed or provided for in such Note;

(7) make any change in the provision of the Indenture described under "—*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release (i) the security interest granted for the benefit of the Holders in the Collateral having a Fair Market Value in excess of €20.0 million or (ii) any Guarantee, in each case, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision to this "*Description of the Notes*," or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Company, the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code) or change the minimum denomination for the Notes;

(4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect or that would provide additional rights or benefits to the Holders or the Trustee;

(6) at the Company's election, comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act, if such qualification is required;

(7) make such provisions as necessary (as determined in good faith by the Company) for the issuance of Additional Notes;

(8) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the Covenant described under "—*Certain Covenants—Limitation on Indebtedness*" and "—*Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such

release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement or the Security Documents;

(9) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent in any property which is required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted, to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

The Trustee shall be entitled to receive and to rely absolutely on such evidence as it deems appropriate including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment or supplement of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment or supplement. A consent to any amendment or supplement or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Acts by Holders

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all its and each Guarantor's obligations under the Notes and the Indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantor's obligations under the covenants described under "*—Certain Covenants*" (other than with respect to clauses (1) and (2) of each of the covenants described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," "*—Certain Covenants—Merger and Consolidation—The Company*" and "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Company, the Issuer and its Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of each of the covenants described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," "*—Certain Covenants—Merger and Consolidation—The Company*" and "*—Certain Covenants—Merger and Consolidation—*

Subsidiary Guarantors''), (4), (5), (6) (with respect only to the Company, the Issuer and Significant Subsidiaries), (7), (8) or (9) under ''—*Events of Default*'' above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the ''defeasance trust'') with the Trustee (or such entity designated by the Trustee for this purpose) cash in euro, non-callable Government Obligations or a combination thereof in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Security Document will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Company) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has irrevocably deposited or caused to be deposited with the Trustee (or such entity designated by the Trustee for this purpose), euro or non-callable Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Company or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Company and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Company may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, notices with respect to the Notes will be published in a newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered, in English, to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other

Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by the Company and the Guarantors under or in connection with the Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Company are held by Subsidiaries located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, including any Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

"*Additional Notes Proceeds Loan Agreement*" means any loan agreement between the Issuer and the Company pursuant to which the Issuer lends, on terms substantially identical to those contained in the Notes Proceeds Loan Agreement, the proceeds from the issuance of Additional Notes to eircom Limited (Jersey).

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the Agreed Security Principles as set out in a schedule to the Senior Facilities Agreement as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in the good faith judgment of the Company.

"*Applicable Premium*" means, with respect to any Note, the greater of:

(1) 1% of the principal amount of such Note; and

(2) on any redemption date, the excess (to the extent positive) of:

  (a) the present value at such redemption date of (i) the redemption price of such Note at , 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "—*Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the applicable Bund Rate at such redemption date plus 50 basis points; over

  (b) the outstanding principal amount of such Note,

as calculated by the Company or on behalf of the Company by such Person as the Company shall designate. For the avoidance of doubt, the calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation—The Company*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than €20.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole); *provided, further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (17), does not exceed 4.0% of Total Assets;

(18) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

"*Associate*" means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"*Board of Directors*" means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the Redemption Date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the Redemption Date to , 2018; *provided*, *however*, that if the period from the Redemption Date to , 2018 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such Redemption Date to , 2018 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Dublin, Ireland, London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided, however*, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("TARGET") payment system is open for the settlement of payments.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any Lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB−" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Company and its Subsidiaries on the Issue Date.

"*Change of Control*" means:

(1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person"

or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consent Request*" means the consent request dated as of May 24, 2016 to the lenders under the Senior Facilities Agreement relating to, *inter alia*, approval of the introduction of a new revolving credit facility into the Senior Facilities Agreement.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees or charges related to the Refinancing Transactions), in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(7) the amount of expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation of Affiliate Transactions;*" and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an

accrual of or reserve for cash charges in any future period) or other items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes) and franchise taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations;

(6) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, and (c) restrictions not

prohibited by the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Refinancing Transactions, in each case, as determined in good faith by the Company;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment charge, amortization or write-off; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum, without duplication, of (i) the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in clause (c) of the penultimate paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") on a consolidated basis less (ii) cash and Cash Equivalents of the Company and its Restricted Subsidiaries on a consolidated basis.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase (including all reasonably anticipated synergies and cost savings, wherever expected to be realized) occurred on the first day of such period;

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period; and

(4) since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, the Company or any Restricted Subsidiary, that constitutes an event that is contemplated by the definition of "Specified Change of Control Event" (any such transaction, a "Specified Change of Control Transaction"), and solely for the purposes of making the determination pursuant to the definition of "Specified Change of Control Event," Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto (including any cost savings and synergies that can reasonably expected to be obtained from cooperation and other arrangements associated with the Specified Change of Control Transaction) as if such Specified Change of Control Transaction (including such cost savings and synergies associated with the Specified Change of Control Transaction) had occurred on the first day of such period; provided that any determination made pursuant to the definition of "Consolidated Net Leverage Ratio" shall also give effect to any payments required under the relevant acquisition or similar business combination agreement with respect to such Specified Change of Control Transaction.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Company (including in respect of cost savings and synergies) and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period and (b) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period. In calculating the Consolidated Net Leverage Ratio and the Consolidated Secured Net Leverage Ratio, pro forma effect will not be given to (i) any Indebtedness incurred on the date of determination pursuant to the second paragraph of the covenant set forth in "Limitation on Indebtedness" and (ii) any discharge on the date of determination of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to second paragraph of the covenant set forth in "Limitation on Indebtedness".

"*Consolidated Secured Net Leverage Ratio*" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

    (a) for the purchase or payment of any such primary obligation; or

    (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Senior Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means in respect of a Person any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an "Event of Default."

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted

Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Company having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Company shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Company or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Equity Offering*" means (x) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of, or as Subordinated Shareholder Funding to, the Company or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company.

"*Existing Bond Facility*" means any bonding, guarantee, escrow, security deposit and other security arrangement, each relating to business or regulatory obligations of the Company or a Restricted Subsidiary in an aggregate principal amount of all such facilities outstanding at any time not to exceed €50 million; *provided* that Indebtedness under the Existing Bond Facility existing on the Issue Date shall be deemed to have been Incurred under the Existing Bond Facility.

"*Existing Notes*" means the 9.25% Senior Secured Notes due 2020 governed by the indenture dated May 20, 2013, among the Issuer, the guarantors named therein, Wilmington Trust, National Association as Trustee, Wilmington Trust (London) Limited as security agent, Citibank, N.A., London Branch as principal paying agent and Citigroup Global Markets Deutschland AG as registrar and transfer agent.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*Government Obligations*" mean direct obligations of, or obligations guaranteed by, a Permissible Agency, Instrumentality or Government, for the payment of which the full faith and credit of such agency, instrumentality or government is pledged.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means the Company (or the Successor Company) and any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "*Hedging Agreement*").

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Clearstream and Euroclear.

"*Holding Company*" means, in relation to any Person, any Person of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, any asset retirement obligations, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings;

(2) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Company.

"*Initial Investors*" means (i) Anchorage Capital Group, L.L.C.; (ii) York Capital Management; (iii) Davidson Kempner Capital; (iv) the respective Affiliates of and any funds or partnerships managed or advised, directly or indirectly, by the Persons described in (i), (ii) and (iii) and their respective Affiliates, and, solely in their capacity as such, any limited partner of any such partnership or fund and (v) the prospective shareholders described in this Offering Memorandum under the caption "*Principal Shareholders—Beneficial Ownership—Secondary Share Sale*" and their respective Affiliates and any funds or partnerships managed or advised, directly or indirectly, by such shareholders and their respective Affiliates, and, solely in their capacity as such, any limited partner of any such partnership or fund, *provided*, such Person or Persons beneficially own at least 5% of the Capital Stock (other than Disqualified Stock) of the Company or any Parent.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated June 11, 2012, among, *inter alios*, eircom Holdco S.A., eircom Finco S.à r.l. and Wilmington Trust (London) Limited as agent and security agent, as amended and/or amended and restated from time to time and to which the Trustee will accede to on or about the Issue Date.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*:"

(1) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade*" means (i) BBB− or higher by S&P, (ii) Baa3 or higher by Moody's, or (iii) the equivalent of such ratings by S&P or Moody's, or of another Nationally Recognized Statistical Ratings Organization.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A−" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally

Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB−" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's; or

(3) the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Event*" means the occurrence of an Initial Public Offering or a Listing.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Irrevocable Repayment*" means any repayment, repurchase or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"*Issue Date*" means , 2016.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing.

"*Listing*" means a listing of all or any part of the share capital of the Company or any Subsidiary of the Company on any recognised investment exchange (as that term is used in the Financial Services and Markets Act 2000) or any other sale or issue by way of flotation or public offering in relation to the Company or any such Subsidiary of the Company in any jurisdiction or country.

"*Management Advances*" means loans, advances or distributions made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary, or any management equity plan or management vehicle:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock of the Company, its Subsidiaries or any Parent, or the entitlement of any such person under such plan or in such vehicle in connection with such plan upon meeting specified exit targets with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €5.0 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*New RCF*" means a revolving credit facility of up to €150 million to be incorporated into the Senior Facilities Agreement and made available for utilization by certain members of the Group pursuant to the implementation of the Consent Request.

"*Note Documents*" means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents.

"*Notes Proceeds Loan*" means the loan incurred by eircom Limited (Jersey) under the Notes Proceeds Loan Agreement.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" means the offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Director, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Parent*" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Refinancing Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing Transactions or the ownership, directly or indirectly, by any Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Refinancing Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, in an amount not to exceed €5.0 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

    (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

    (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Company or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Guarantees, as the case may be, and, in each case, is secured by a Lien on assets of the Company.

"*Paying Agent*" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Note on behalf of the Company.

"*Permissible Agency, Instrumentality or Government*" means any agency, instrumentality or government of any Permissible Jurisdiction.

"*Permissible Jurisdiction*" means any member state of the European Union (other than Greece, Portugal and Italy).

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Permitted Collateral Liens*" means (w) Liens on the Collateral that are Permitted Liens (other than Liens described in clauses (1), (7), (14), (15) (to the extent such Liens secure Indebtedness owing to a Restricted Subsidiary that is not the Issuer or a Guarantor), (16), (25), (26) and (30) of the definition of "Permitted Liens")), (x) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), 4(c) (if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (6) and (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of such Indebtedness; *provided, however*, that such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor Agreement, but super priority ranking may be given to any Hedging Obligations permitted by clause (6) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" (but only to the extent such Hedging Obligations relate to Indebtedness Incurred under the first paragraph or under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a) and (11) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*") or obligations incurred under a Super Senior RCF, (y) Liens on the Collateral securing Indebtedness incurred under the first paragraph and clauses (5)(ii) and (12) of the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*"; *provided* that, in the case of this clause (y), after giving effect to such incurrence on that date, the Consolidated Secured Net Leverage Ratio shall be equal to or less than 4.5 to 1.0; and *provided further* that each of the parties to Indebtedness secured by Liens pursuant to clauses (x) or (y) hereof or their agent, representative or trustee will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and (z) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes; *provided* that, in the case of this clause (z), the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any Affiliate thereof, (2) Senior Management (provided such Persons beneficially own at least 5% of the Capital Stock (other than Disqualified Stock) of the Company or any Parent), (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group, no Person or other group (other than a Permitted Holder) has beneficial ownership of more than 50% of the Voting Stock of the Company or any of its direct or indirect parent companies. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;"

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*;"

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €100.0 million and 4.0% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*;"

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" and

(17) Investments in the Notes and the Notes Proceeds Loan; and

(18) any Investment made as a result of the contribution of the RAN Assets into a RAN Entity (including any Investment in a RAN Entity where such Investment was acquired by the Company or any of its Restricted Subsidiaries in exchange for the contribution of the RAN Assets into a RAN Entity) and, in each case, to the extent such transaction resulting in the relevant Investment would have constituted an Asset Disposition but for clause (8) of the definition thereof, such transaction would have complied with the covenant described under the caption "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*"; *provided* that the maximum amount of RAN Assets that may be contributed in reliance on this clause (18) shall be limited to an aggregate book value of €100.0 million thereof, in each case determined at the time of contribution; and *provided further* that no RAN Entity shall incur any Indebtedness except in relation to ordinary course working capital requirements and shareholder debt.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of the Company of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing (i) Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or (ii) Permitted Vendor Financing; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on the Issue Date, excluding Liens securing the Senior Facilities Agreement and the Notes;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary, or arising from any escrow arrangement in relation to a management equity program to the extent funded as Management Advances;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any

Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness incurred under clause (10) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" with local financial institutions;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens Incurred in the ordinary course of business with respect to obligations which do not exceed €25.0 million at any one time outstanding;

(26) Permitted Collateral Liens;

(27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(28) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(29) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(30) Liens on Indebtedness permitted to be Incurred pursuant to clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; and

(31) Liens on assets securing any Existing Bond Facility.

"Permitted Property Transaction" means: (a) the sale of (i) Clondalkin; (ii) Sandwith Street; (iii) Adelaide Road; (iv) Sommerville House, Dundrum; (v) Sandyford; (vi) Templehill; (vii) Dame Court; (viii) Mill Street; (ix) Ennis; (x) Crown Alley; or (x) any other freehold or leasehold properties situated in Ireland which have, in aggregate, a book value as at the Restructuring Date not exceeding €50 million; (b) the investment in and the development of Mill Street or Ennis, or (c) the investment in and the development of any other freehold or leasehold properties situated in Ireland which have in aggregate a book value as of the Issue Date not exceeding €5 million.

"Permitted Vendor Financing" means Indebtedness incurred by any Restricted Subsidiary of the Company (other than eircom Limited (Ireland)) up to a maximum amount outstanding of €300.0 million at any time in relation to the fiber network roll out and mobile network upgrade, provided that such Indebtedness is provided on arm's length and market terms.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €75.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*RAN Assets*" means assets constituting radio access network assets, including sites and related equipment.

"*RAN Entity*" means a Person formed for the primary purpose of operating RAN Assets.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any other Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any other Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing

Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Refinancing Transactions*" means the issuance of the Notes, the Security Documents and the redemption, repayment, repurchase or discharge of existing indebtedness under the Existing Notes and/or the Senior Facilities Agreement, in whole or in part, and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

   (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

   (b) issuing or holding Subordinated Shareholder Funding;

   (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

   (e) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

"*Responsible Officer*," when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) including any vice president, assistant vice president, assistant treasurer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien on a basis *pari passu* with or senior to the security in favor of the Notes.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, security assignments, debentures and any other instrument or document creating security interests in the Collateral, as the same may be amended, supplemented or otherwise modified from time to time.

"*Senior Facilities Agreement*" means the Senior Facilities Agreement dated June 11, 2012, among, *inter alios*, the Company, certain of the Company's Subsidiaries, as borrowers and guarantors and Wilmington Trust (London) Limited, as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Senior Finance Documents*" means the Senior Facilities Agreement and such other documents that are defined and/or designated as "Senior Finance Documents" pursuant to the Senior Facilities Agreement.

"*Senior Management*" means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date, (b) the telecommunications business, including the distribution, sale and provision of standalone and bundled offerings of high-speed broadband, TV, fixed telephony and mobile services, datacomms services and managed service solutions and other services in relation thereto, (c) any business of owning, operating, creating or assembling packages of content for, internet websites, portals or vortals conducted by the Company and any of its Restricted Subsidiaries on the date of the Indenture and any reasonable extension of such business and (d) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that, immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries would have been less than (x) 4.5 to 1.0, if the date of such occurrence is prior to the 18-month anniversary of the Issue Date or (y) 4.0 to 1.0, if the date of such occurrence is on or after the 18-month anniversary of the Issue Date. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Guarantees pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Company by a Parent in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the

time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Super Senior RCF*" means a revolving credit facility of up to €150 million which ranks senior in priority of ranking and payment (including prepayment and including in relation to security over the assets of the Group) to the Notes.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"*Tax Sharing Agreement*" means any group relief, tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Senior Facilities Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by

S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Tetra*" means Tetra Ireland Communications Limited.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

"*Trust Indenture Act*" means the Trust Indenture Act of 1939, as amended.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means Tetra and:

(1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Issuer) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided,* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the "*Limitation on Indebtedness*" covenant or (y) the Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Company, all of the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

On the Issue Date, the Global Notes will be deposited with, and registered in the name of, the nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). Each series of Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A will initially be represented by one global note in registered form without interest coupons attached (the "**144A Global Notes**"). Each series of Notes sold outside the United States in reliance on Regulation S will initially be represented by one global note in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**").

After the closing date, Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through those participants. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary or its nominee for Euroclear and Clearstream will be considered the sole holder of Global Notes for all purposes under the Indenture governing the Notes. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests, to transfer the interests or in order to exercise any rights of holders under the Indenture governing the Notes. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Neither we, the Trustee, any Paying Agent, the Registrar, the Transfer Agent, the Common Depositary for Euroclear and Clearstream nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by that participant. The laws of some jurisdictions, including some states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, "holders" of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

Under the terms of the Indenture governing the Notes, to the extent permitted by Euroclear or Clearstream, owners of Book-Entry Interests will receive definitive Notes in registered form ("**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act and we do not appoint a successor within 90 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause, their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry

Interests). Those definitive registered Notes will bear the restrictive legend described under "*Transfer Restrictions*" unless that legend is not required at the time by the Indenture governing the Notes or applicable law.

Redemption of Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the Book-Entry Interests in that Global Note from the amount received by it in respect of the redemption of the Global Note. The redemption price payable in connection with the redemption of the Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of the Global Note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on any other basis that they deem fair and appropriate (including the pool factor); provided, however, that no book-entry interest of less than €100,000 principal amount may be deemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and additional amounts) will be made by us in euros to the Principal Paying Agent. The Principal Paying Agent will, in turn, make payments to the common depositary for Euroclear and Clearstream, which will distribute those payments to participants in accordance with its procedures. Under the terms of the Indenture governing the Notes, we and the Trustee will treat the registered holder of the Global Notes as the owner of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee nor any of our or its agents has or will have any responsibility or liability for:

- any aspect of the records of (or maintaining, supervising or reviewing the records of) Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or for monitoring, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interst;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participants indirect participants; or
- the common depositary, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of those participants, as is the case with securities held for the accounts of customers registered in "street name".

To the extent permitted by law, we, the Trustee, any Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Company, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of the portion of the aggregate principal amount of Notes for which the participant or participants has or have given direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form, and to distribute those definitive registered Notes to its participants.

Transfers

The Global Notes will bear a legend as described under "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to restrictions on transfer described under "*Transfer Restrictions*".

Book-Entry Interests in the Rule 144A Global Note ("**restricted Book-Entry Interests**") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note ("**unrestricted Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that the transfer is made in accordance with Regulation S or any other exemption (if available under the U.S. Securities Act) and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Prior to 40 days after the date of initial issuance of the Notes, ownership interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream and any sale or transfer of interests to U.S. persons will not be permitted unless the resale or transfer is made pursuant to Rule 144A.

Unrestricted Book-Entry Interests may be transferred to a person who takes delivery in the form of restricted Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all Transfers, if any, and other procedures applicable to Book-Entry Interest in that other Global Note for as long as that person retains the Book-Entry Interests.

Definitive Registered Notes, if any, may be transferred and exchanged for Book-Entry Interests in a Global Note only pursuant to the terms of the Indenture governing the Notes and, if required, only after the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture governing the Notes) to the effect that the transfer will comply with the appropriate Transfers applicable to those Notes.

Global Clearance and Settlement under the Book-Entry System

Application will be made to list the Notes on the Official List of the Irish Stock Exchange. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Company, the Trustee, any Paying Agent, the Transfer Agents or the Registrar will have any responsibility for the performance by Euroclear or Clearstream, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream, and will settle in same-day funds. Since the sale determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand the following with respect to Euroclear and Clearstream:

- Euroclear and Clearstream hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.
- Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and Clearstream participant, either directly or indirectly.

TAX CONSIDERATIONS

Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquired our Notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations, rulings and judicial decisions, as well as the income tax treaty between the United States and Ireland (the "Treaty") all as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxation and does not address the effects of the Medicare contribution tax on net investment income or foreign, state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for U.S. federal income tax purposes, individual retirement accounts and other tax-deferred accounts, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the Notes whose "functional currency" is not the U.S. dollar;
- U.S. federal estate or gift tax consequences, if any;
- alternative minimum tax consequences, if any; or
- any state, local or foreign tax consequences.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership for U.S. federal income tax purposes holding our Notes, you should consult your tax advisors.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

Interest income (including any Irish tax withheld from interest payments and additional amounts paid in respect of such Irish tax withheld) will generally be taxable to you as ordinary income at the time it is received or accrued in accordance with your method of accounting for U.S. federal income tax purposes.

If you receive interest payments in euros and you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the euros received at the spot rate of exchange (the ''spot rate'') in effect on the date such payment is received, regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting for U.S. federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods (or portions thereof) in such year during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on the last day of the accrual period (or the last day of the taxable year if the accrual period straddles your taxable year) or the date the interest payment is received if such date is within five business days of the end of the accrual period.

In addition, if you use the accrual method of accounting, upon receipt of an interest payment on a Note (including upon the sale or other taxable disposition of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognise exchange gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the euros received at the spot rate in effect on the date of receipt) and the U.S. dollar value of the interest income that you have previously included in income with respect to such payment. Any such exchange gain or loss will generally be treated as U.S. source ordinary income or loss.

You may be entitled to deduct or credit any such withholding tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note will generally be considered foreign source income and, for purposes of the U.S. foreign tax credit, will generally be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed on a payment of interest with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or Other Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, you will generally recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will, in general, be your U.S. dollar cost for such Note. If you purchased a Note with euros, your cost generally will be the U.S. dollar value of the euros paid for such Note determined at the spot rate on the date of such purchase (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the purchase if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). If your Note is sold, exchanged, retired or otherwise disposed of in a taxable transaction for euros, then your amount realized generally will be based on the spot rate in effect on the date of such sale, exchange, retirement or other taxable disposition (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the sale, exchange, retirement or disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes).

Except with respect to gain or loss attributable to changes in exchange rates as discussed below, any such gain or loss you recognise will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the Note for more than one year. Long-term capital gains of non-corporate United States Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A portion of your gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Exchange gain or loss will generally be treated as U.S. source ordinary income or loss. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in euros on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined at the spot rate on the date of the sale, exchange, retirement or other taxable disposition of the Note and (ii) the U.S. dollar value of the principal amount determined at the spot rate on the date you purchased the Note (or, possibly, in the case of cash basis or electing accrual basis taxpayers, the settlement dates of such purchase and taxable disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). The amount of exchange gain or loss realised on the disposition of the Note (with respect to both principal and accrued interest) will be limited to the amount of overall gain or loss realised on the disposition of the Note.

Exchange Gain or Loss with Respect to Foreign Currency

Your tax basis in euros received as interest on a Note or on the sale, exchange, retirement or other taxable disposition of the Note will be the U.S. dollar value thereof at the spot rate in effect on the date the euros are received. Any gain or loss recognized by you on a sale, exchange or other disposition of the foreign currency will generally be treated as U.S. source ordinary income or loss.

Reportable Transactions

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the Internal Revenue Service ("**IRS**"), including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a Note, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments we make to you and the proceeds from a sale of a Note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the IRS. You are urged to consult your tax advisors regarding the application of these rules.

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

Irish Taxation

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Noteholders

Withholding Tax

In general, tax at the standard rate of income tax (currently 20%.), is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

(a) the Notes are quoted Eurobonds i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognized stock exchange (such as the Irish Stock Exchange) and which carry a right to interest; and

(b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:

- the Notes are held in a clearing system recognized by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognized); or
- the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

(c) to the extent that interest payable on the Notes is dependent on the results of the business of the Issuer (or any part of its business) or exceeds a reasonable commercial rate, one of the following conditions is satisfied:

- the Noteholder is resident for tax purposes in Ireland; or
- the Noteholder is subject, without any reduction computed by reference to the amount of such interest, premium or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or
- the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:
    - from whom the Issuer has acquired assets;
    - to whom the Issuer has made loans or advances; or
    - with whom the Issuer has entered into a swap agreement, where the aggregate value of such assets, loans, advances or swap agreements represents not less than 75%. of the assets of the Issuer; or
- at the time of issue of the Notes, the Issuer was not in possession, or aware, of any information which could reasonably be taken to indicate whether or not the beneficial owner of the Notes would be subject to tax on any interest payments.

where the term:

"*Relevant Territory*" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty; and

"*swap agreement*" means any agreement, arrangement or understanding that—(I) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and (II) transfers to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange, are held in Euroclear and/or Clearstream, Luxembourg, and, to the extent that the interest paid on the Notes is dependent on the results of the business of the Issuer (or any part of its business) or exceeds a reasonable commercial rate, one of the conditions set out in paragraph (c) above is met, interest on the Notes can be paid by any paying agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognized clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland and one of the conditions set out in paragraph (c) above is met.

Encashment Tax

In certain circumstances (e.g. quoted Eurobonds), Irish tax will be required to be withheld at the standard rate of income tax (currently 20%.) from interest on any Note, where such interest is collected or realized by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax, notwithstanding that the Noteholder is not resident in Ireland. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act , 1997 ("**TCA**"), the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory or the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which will come in to force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption or under the wholesale debt instruments exemption is exempt from income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory or is a company not resident in Ireland which is under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory is resident for the purposes of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, or is a company not resident in Ireland where the principal class of shares of the company or its 75% parent is substantially and regularly traded on a recognized stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest. Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, the charge to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 33%) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act, 1999 so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

PLAN OF DISTRIBUTION

The Issuer, the Guarantors and Deutsche Bank AG, London Branch (the "Representative"), Credit Suisse Securities (Europe) Limited, Barclays Bank PLC, BNP Paribas, DNB Markets, a division of DNB Bank ASA, Goldman Sachs International, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc (together, the "Initial Purchasers"), will enter into a purchase agreement to be dated the date of this offering memorandum with respect to the Notes.

The Initial Purchasers propose to offer the Notes to purchasers at the price to investors indicated on the cover page of this offering memorandum. After the initial offering of the Notes, the Initial Purchasers may from time to time vary the offering price and other selling terms without notice. The Offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Issuer expects that delivery of the Notes will be made against payment therefor on or about the business day following the date of pricing of the Notes.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the Initial Purchasers may be required to make in respect of any such liabilities. The Issuer will pay the Initial Purchasers a commission and pay certain expenses of the Offering.

The Issuer and the Parent Guarantor have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after delivery of the Notes is made against payment therefor (if the sale of the Notes by the Issuer and the Guarantors to the Initial Purchasers shall have occurred), neither the Parent Guarantor nor any of its subsidiaries will, without the prior written consent of the Representative, directly or indirectly, pledge, issue, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any debt (including, without limitation, any debt securities, loans or other debt instruments) issued or guaranteed by the Parent Guarantor or any of its subsidiaries having a maturity of more than one year from the date of issue (other than the Notes and the Guarantees).

No action has been or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes and the Note Guarantee, or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Accordingly, the Notes and the Note Guarantee may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about, and to observe, any restrictions relating to the Offering of the Notes, the distribution of this offering memorandum and resales of the Notes. See "*Transfer Restrictions*".

The Notes are a new issue of securities with no established trading market. The Issuer has been advised by the Initial Purchasers that the Initial Purchasers intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes.

We expect that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this offering memorandum, which will be the eighth business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+ "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery hereunder will be required, by virtue of the fact that the Notes initially will settle in T+ , to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In connection with the Offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the Offering is in progress.

These activities by the Initial Purchasers, as well as other purchases by the Initial Purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes, and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer or its affiliates, for which they received or will receive customary fees and expenses. Certain of the Initial Purchasers, or their respective affiliates are holders of the Existing Notes, lenders under the Senior Facilities and holders of shares and/or warrants of eircom Holdco S.A., and their bonds and loans may be repaid, redeemed or repurchased with the proceeds from the Offering of the Notes. See "*Use of Proceeds*" and *"Principal Shareholders"*. In addition, we have entered into interest rate swap agreements with BNP Paribas and Goldman Sachs International, and the Initial Purchasers or their respective affiliates may act as counterparties in any hedging arrangements eircom or its affiliates enter into in connection with the Offering or otherwise, and will receive customary fees for their services in such capacities.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

The Notes (including the Note Guarantee) have not been and will not be registered under the Securities Act, and may not be offered or sold except (i) to QIBs in offers and sales that occur within the United States, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and (ii) to non-U.S. persons in offers and sales that occur outside the United States, in reliance on Regulation S, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Notes (including the Note Guarantee) as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in accordance with Rule 903 of Regulation S. Transfer of the Notes (including the Note Guarantee) will be restricted and each purchaser of the Notes (including the Note Guarantee) in the United States will be required to make certain acknowledgements, representations and agreements, as described under "*Transfer Restrictions*".

Any offer or sale in the United States will be made by affiliates of the Initial Purchasers who are broker-dealers registered under the U.S. Securities Exchange Act of 1934, as amended. In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the Securities Act and in connection with any applicable state securities laws.

TRANSFER RESTRICTIONS

The following restrictions will apply to the Notes. You are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes. See "*Description of the Notes*".

None of the Notes have been registered under the U.S. Securities Act, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Notes are being offered and sold only (A) inside the United States to qualified institutional buyers in compliance with Rule 144A and (B) outside the United States to non-U.S. persons in accordance with Regulation S. A non-U.S. person shall include any dealer or other professional fiduciary in the United States which is acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust) in reliance upon Regulation S. As used in this section, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have acknowledged, represented and agreed with us, the Initial Purchasers as follows:

(1) It is purchasing the Notes for its own account or for an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a qualified institutional buyer, and is aware that the sale to it is being made in reliance on Rule 144A or (B) at the time the buy order for the Notes is originated, a non-U.S. person that is outside the United States (or a non-U.S. person that is a dealer or other fiduciary as referred to above).

(2) It acknowledges that the Notes are being offered for resale in a transaction not involving a public offering in the United States (within the meaning of the U.S. Securities Act) and have not been registered under the U.S. Securities Act or any other securities laws and may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It shall not offer, resell, pledge or otherwise transfer the Notes except (A) to the Issuer or any of its subsidiaries, (B) inside the United States to a qualified institutional buyer in a transaction complying with Rule 144A or (C) outside the United States in an offshore transaction in compliance with Regulation S under the U.S. Securities Act. It acknowledges that the exemption provided by Rule 144 for resale of the Notes is not available.

(4) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(5) It is relying on the information contained in this offering memorandum in making its investment decision with respect to the Notes. It acknowledges that neither we nor the Initial Purchasers have made any representation to it with respect to us or the offering or sale of any Notes, other than the information contained in this offering memorandum which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from us and the Initial Purchasers.

(6) It acknowledges that prior to any proposed transfer of Notes in certificated form or of beneficial interests in a Global Note (in each case other than pursuant to an effective registration statement), the holder of Notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Indenture governing the Notes.

(7) Each holder of Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on

which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a ''Qualified Institutional Buyer'' as defined in Rule 144A to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act; (iv) outside the United States in an offshore transaction in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS, IN THE CASE OF NOTES ISSUED IN RELIANCE ON RULE 144A, ONE YEAR, AND IN THE CASE OF NOTES ISSUED UNDER REGULATION S, 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OR ANY OF ITS AFFILIATES WAS THE OWNER OF THIS SECURITY, OFFER, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY BUYER THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED

AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES," AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

(8) It acknowledges that the Trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth above have been complied with.

(9) It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify us and the Initial Purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

(10) It agrees to indemnify and hold us, the Trustee, the Initial Purchasers and their respective affiliates harmless from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act, as amended ("**ERISA**"), any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any federal, state, local non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Law**"), or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Simpson Thacher & Bartlett LLP, as to matters of United States federal and New York state law and by Arthur Cox, as to matters of Irish law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Linklaters LLP, as to matters of United States federal and New York state law, and by A&L Goodbody, as to matters of Irish law.

INDEPENDENT AUDITORS

The audited consolidated financial statements of EHIL and its subsidiaries as of and for the years ended June 30, 2015, 2014 and 2013, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers, independent auditors, as stated in their reports appearing herein. In accordance with guidance issued by The Institute of Chartered Accountants in Ireland, the independent auditors' report states that: it was made solely to EHIL's members, as a body, in accordance with Section 193 of the Companies Act 1990; the independent auditors' work was undertaken so that the independent auditors might state to EHIL's members those matters that were required to state to them in an auditors' report and for no other purpose; and, to the fullest extent permitted by law, the independent auditors do not accept or assume responsibility to anyone other than EHIL and its members as a body, for their audit work or the opinions they have formed.

Investors in the Notes should understand that in making these statements the independent auditors confirmed that they do not accept or assume any liability to parties (such as the purchasers of the notes) other than EHIL and its members as a body with respect to the report and to the independent auditors' audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act or in a report filed under the Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the notes may have against the independent auditors based on their report or the consolidated financial statements to which it relates could be limited.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

England and Wales

eircom (UK) Limited (the "English Obligor") is a company incorporated under the laws of England and Wales. Therefore, any main insolvency proceedings in respect of the English Obligor would likely be commenced in England. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another member state of the European Union, the jurisdiction of the English courts may be limited if the company's "center of main interests" is found to be in another Member State. There are a number of factors that are taken into account to ascertain the centre of main interests. The centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the center of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-European) court may have jurisdiction where any English company has the centre of its main interests in such foreign jurisdiction or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). Therefore, the centre of main interests of a company is determined on a factual basis taking into account where the company regularly conducts its affairs and where its creditors perceive a company's centre of main interests to be. As the Issuer of the Notes and a number of the Guarantors are companies incorporated in England and Wales, there is a presumption that their "centre or main interests" is situated in England and Wales.

English insolvency law may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that the Issuer or any one or more of the Guarantors experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Schemes of Arrangement

Part 26 of the Companies Act 2006 provides a mechanism (which has become increasingly common) enabling a company to enter into a court sanctioned compromise or arrangement with its creditors (or any class of them), including secured creditors, or members (or any class of them) outside of a formal insolvency process. Any proposed compromise or arrangement must be voted on at meetings of each class of creditors or members (the convening of which is approved by the court). To proceed the scheme must be approved by 75 percent in value and a majority in number of those present and voting in person or by proxy in respect of each class. Classes must be comprised of those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. If approved by the requisite majorities at the scheme meetings, the scheme must then be considered by the court once again and, to become effective, must be sanctioned by the court. Once sanctioned by the court, a scheme will be binding on each class of creditors (both secured and unsecured) and members including any dissenting or abstaining party.

Formal Insolvency Processes

Under the Insolvency Act 1986, as amended by the Enterprise Act 2002, and as otherwise amended from time to time (the "UK Insolvency Act"), a company may file for certain formal insolvency processes. The insolvency processes a company may commence will depend on, inter alia, whether or not it is "unable to pay its debts as they fall due" or is likely to become unable to pay its debts as they fall due. Under section 123 of the UK Insolvency Act, a company is unable to pay its debts if it is insolvent on a "cash-flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance-sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order). Formal insolvency proceedings under the laws of England and Wales include administration or liquidation.

Administration may be initiated in a number of ways, including by the debtor or any of its creditors making an application to court for administration proceedings or (in the case of the debtor's directors or any creditor holding security over substantially all of the debtor's assets under a qualified floating charge) through an out of court process.

A company can also enter into voluntary or involuntary liquidation. For a company to commence a members voluntary liquidation (on a solvent basis), its directors must supply a statutory declaration that the company can settle its liabilities including actual, contingent and prospective liabilities for the 12 months following the date of the declaration. Involuntary liquidation can be initiated by: (i) a creditor, the company or its directors filing a petition to wind up the company at court; or (ii) the company's shareholders resolving to go into liquidation without the statutory declaration from the directors mentioned above. Involuntary liquidation proceedings may be commenced by the court if a creditor establishes that a company is "unable to pay its debts" or if it is just and equitable to do so. Once a company enters liquidation a liquidator is appointed. A liquidator is an officer of the English court tasked with (amongst other things) gathering in the company's assets and distributing them to its creditors.

The distinction between administration and liquidation is discussed further below but, in essence, administration is designed to provide a tool to rescue the company or its business as a going concern, whereas liquidation is designed to distribute the company's assets to its creditors.

Administration

The UK Insolvency Act empowers English courts to make an administration order, in respect of a company registered in England and Wales or Scotland, and, subject to the EU Insolvency Regulation, a company incorporated in an EEA State other than the UK or which is not incorporated in an EEA state but has its "center of main interests" in a member state other than Denmark. As noted above, in certain circumstances the company (by its directors) or certain creditors can commence administration through an out of court process (provided that, in the case of an application by the company, the company is not subject to an outstanding winding up petition).

The appointment of an administrator triggers a statutory moratorium and (subject to certain exceptions) no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with permission of the court or the consent of the administrator.

While an administrator is in office, the powers of the board of directors of the company cease (save for those powers that do not interfere with the exercise of the administrators' powers, or where permitted by the administrator) and the administrator has primary responsibility for managing the company's affairs.

The administration of a company must achieve one of the following statutory objectives: (1) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (2) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the second objective); or (3) the realisation of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the third objective). An administrator must attempt to achieve the first objective of administration, unless he or she thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective unless he thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

A company may exit administration if the administrator is satisfied that one or more of the statutory objectives have been achieved. On exiting administration the company may resume normal business. However, the administrator also has the power, should he conclude that there is no reasonable prospect of rescuing the company, to either place the company into liquidation or use his powers under, and in accordance with, the UK Insolvency Act to distribute the company's assets and thereby achieve substantially the same result as a liquidation.

Liquidation

Liquidation is a company dissolution procedure pursuant to which the assets of the company are realised and distributed by the liquidator to creditors in the statutory order of priority prescribed by the UK Insolvency Act. At the end of the liquidation process the company will be dissolved. In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected). On the appointment of a liquidator, the directors' powers to bind the company automatically cease, save for those powers that are sanctioned by the liquidator or creditors (as appropriate).

Under English insolvency law, with some exceptions a liquidator has the power to disclaim any onerous property, which includes unprofitable contracts and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract where all of the obligations have been performed nor can it be used to disturb accrued rights and liabilities, and if a contract is disclaimed the contractual counterparty has a right to sue for damages in respect of the terminated contract.

Financial Collateral Arrangements (No 2) Regulations 2003

The Financial Collateral Arrangements (No 2) Regulations 2003 (SI 2003/3226) (the "FCA Regulations"), apply in respect of English law governed security interests granted over "financial collateral". Financial collateral is defined in the FCA Regulations as cash, financial instruments or credit claims that are tradeable on capital markets. The definition of "financial instruments" includes shares in companies and debt instruments such as bonds. The purpose of the FCA Regulations was to simplify the process of taking financial collateral across the European Union by introducing a minimum uniform legal framework.

If a security arrangement qualifies as a financial collateral arrangement under the FCA Regulations certain modifications or exclusions to English insolvency law apply which remove restrictions on enforcing security, disapply provisions relating to the order of payment of creditors and prohibit avoidance by the insolvency office-holder of the financial collateral arrangement in certain situations. For example, security interests to which the FCA Regulations apply are not required to be registered as a registrable charge at Companies House, and are not subject to the statutory moratorium on enforcement that would otherwise apply when a company enters into administration proceedings and furthermore, the FCA Regulations enable the creditor holding the security interest to appropriate (i.e. to become the absolute legal owner of) the financial collateral to which the security interests applies without the need for a court order provided the security interests have become enforceable in accordance with their terms.

Fixed Charge Receivership

The ability to appoint a receiver is a "self-help" non-collective remedy for certain secured creditors and is typically provided for in English law security documents. There is also a statutory right under section 101 of the Law of Property Act 1925 for the holder of a mortgage or charge created by deed over the assets of a chargor to appoint a receiver over the charged assets.

A receiver can be appointed in accordance with the terms of the security documentation once the relevant security interests become enforceable in accordance with their terms. Once appointed, the receiver acts as the agent of the chargor. The charge document pursuant to which the receiver is appointed will typically set out the powers of the receiver once appointed. Typically, these powers will include the right to take possession of and sell the charged assets, with the proceeds being used to pay the secured creditors.

Challenges to Guarantees and security

There are circumstances under English insolvency law in which the granting by a company of security and guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period from the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to a company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company.

The following potential grounds for challenge may apply under English insolvency law to charges and guarantees:

Transactions at an undervalue

Under English insolvency law, a liquidator or administrator can apply to the court for an order to set aside a security interest or a guarantee if the liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue under Section 238 of the UK Insolvency Act. A transaction will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the company is/ was unable to pay its debts for the purpose of Section 123 of the UK Insolvency Act (see "*Formal Insolvency Processes*" above). It is for the administrator or liquidator to demonstrate that the company was insolvent unless a beneficiary of the transaction was a connected person (as defined in Section 249 of the UK Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration, or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company in return. The transaction must also have occurred during the two year period before the company enters into administration or liquidation. A court will not generally set aside a transaction if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into.

Preference

Under English insolvency law, a liquidator or administrator can apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference under section 239 of the UK Insolvency Act. A transaction will only constitute a preference if at the time of the transaction or as a result of the transaction the company is/was unable to pay its debts for the purpose of Section 123 of the UK Insolvency Act (see "*Formal Insolvency Processes*" above). A transaction may constitute a preference if it has the effect of putting an existing creditor of the company (or an existing surety or guarantor for any of the company's debts or liabilities) in a better position in the event of the company going into insolvent liquidation than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. For the court to determine a preference, however, it must be shown that the company was influenced by a desire to produce the preferential effect (under Section 239(5) of the UK Insolvency Act). It is for the administrator or liquidator to demonstrate that the company was insolvent at the time and that the company was influenced by a desire to prefer the counterparty to the transaction, unless the beneficiary of the transaction was a connected person (other than by being an employee), in which case there is a presumption that the company was influenced by a desire to prefer and the connected person must demonstrate in such proceedings that there was no such desire. The transaction must also have occurred during the six month period (if the beneficiary of the security or the guarantee is not a connected person) or two year period (if the beneficiary is a connected person) of the date the company enters into administration or liquidation. If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes and the Guarantees (although there is protection for a third-party who enters into a transaction in good faith and without notice).

Transaction defrauding creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators. There is no time limit in English insolvency law within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction but the Limitation Act 1980 does apply to claims under Section 423 of the UK Insolvency Act. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

Extortionate credit transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English Obligor up to three years before the day on which the English Obligor entered into administration or went into liquidation. A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing. The court can make an order in relation to extortionate credit transactions entered into by a company up to three years before the day on which a company entered into administration or went into liquidation.

Invalid floating charges

The UK Insolvency Act provides that, in certain circumstances, a floating charge granted by a company during the "relevant time" may be invalid in whole or in part if certain conditions are met. In the case of a floating charge which is created in favour of a person that is not connected to an English Obligor, the relevant time is deemed to be the period of 12 months ending with the onset of the English Obligor's insolvency provided that at the time the charge was granted the English Obligor was unable to pay its debts or became unable to pay its debts as a result of the transaction in respect of which the floating charge was granted. If the floating charge is created in favour of a person connected to the English Obligor, the relevant look back time is a period of two years ending with the onset of insolvency.

Recharacterisation of fixed security interests

There is a possibility that a court could find that the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the English Obligor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the holder of the security, in practice. Where an English Obligor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Account banks' right to set-off

With respect to any charges over cash deposits (each an "Account Charge") granted by an English Obligor over any of its bank accounts, the banks with which some of those accounts are held (each an "Account Bank") may have reserved their right at any time (whether prior to or upon a crystallisation event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that English Obligor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallised and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to an English

Guarantor) the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights, since the Account Bank will only be entitled to exercise its netting and set-off rights while the bank accounts are subject only to floating security, except where account banks have expressly reserved set-off rights.

Limitation on enforcement

The grant of a Guarantee or security by an English Obligor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the Guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English Obligor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for an English Obligor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Cross border insolvency

Pursuant to the EC Insolvency Regulation, where a company incorporated in England has its "center of main interests" in a Member State of the EU other than the UK, then the main insolvency proceedings for that company should be opened in the Member State in which its "center of main interest" is located (rather than England) and be subject to the laws of that Member State. However, it should be noted that there is a rebuttable presumption that the "center of main interests" will be in the jurisdiction where the company's registered office is located. Article 5 of the EU Insolvency Regulation provides that the rights in rem of creditors that relate to assets in a Member State other than that in which the debtor has its center of main interests are not affected by the opening of insolvency proceedings, but without prejudice to any applicable rules as to voidness, voidability or unenforceability of legal acts detrimental to all the creditors under the law of the jurisdiction where the debtor has its center of main interests, which continue to apply.

In addition, the Cross Border Insolvency Regulations 2006 (SI 2006/1030) (the "CBIR") implements the United Nations Commission on International Trade Law Model Law on Cross Border Insolvency (the "UNCITRAL Model Law") in Great Britain (being England, Scotland and Wales). Certain jurisdictions other than England, Scotland and Wales have also adopted legislation implementing the UNCITRAL Model Law. The CBIR provides that a representative of foreign main insolvency proceedings (where the relevant company has its "center of main interests" in that foreign jurisdiction) or non-main proceedings (where the relevant company has an "establishment" (defined as any place of operations where it carries out a non-transitory economic activity with human means and assets or services)), can apply to the relevant British court for recognition of the foreign insolvency proceedings. Upon making an application for recognition of foreign main proceedings an interim moratorium comes into effect, and subsequently upon recognition certain automatic stays and suspensions will take effect. The moratorium will not, however, affect a right to enforce security, repossess hire-purchase goods or exercise set-off, to the extent such rights could be exercised in a winding-up, nor will it automatically stay British insolvency proceedings in relation to assets located in Britain. The scope of the moratoria is limited to assets within the jurisdiction of Great Britain. Following recognition, the relevant British courts may also grant certain additional discretionary relief to the foreign representative of main proceedings. Although the automatic moratorium does not apply to non-main proceedings, the relevant British courts still have the ability to grant discretionary relief. To the extent that the CBIR conflicts with an obligation of the UK under the EU Insolvency Regulation, however, the requirements of the EU Insolvency Regulation will prevail.

Priority of claims

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realise the assets of the insolvent company and to distribute the cash realisations made from those assets to its creditors. Under the UK Insolvency Act, creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realisation of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the prescribed part (see "*Prescribed Part*" below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been repaid in full. Unless creditors have agreed otherwise, distributions are made on a pari passu basis, that is, the cash is distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

First: holders of fixed charge security, who are entitled to the proceeds of those secured assets up to the value of their secured claim, and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor are entitled to the assets in which they have a proprietary interest;

Second: expenses of the insolvent estate incurred during the relevant insolvency proceedings (there is a further statutory order of priority setting out the order in which expenses are paid);

Third: preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date;

Fourth: holders of floating charge security to the extent of the realisations from those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realisations to the holders of floating charges, the prescribed part must be set aside for distribution to unsecured creditors (see "*Prescribed Part*" below);

Fifth: general unsecured creditors. Any secured creditor not repaid in full from the realisation of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim;

Sixth: subordinated creditors. Creditors whose claims are subordinated to the payment of all of the company's other creditors; and

Seventh: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Prescribed Part

An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of assets subject to floating charge security for the benefit of unsecured creditors (and subject to the exception for financial collateral arrangements) (the "Prescribed Part"). Under current law (the Prescribed Part was set by secondary legislation (the Insolvency Act (Prescribed Part) Order 2003)), this applies to 50% of the first £10,000 of net floating charge realisations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate ring-fenced fund cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. The Prescribed Part will not be available for any shortfall claims of secured creditors.

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than pounds sterling must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines.

Northern Ireland

General

The laws relating to validity and enforceability of security are broadly the same as those in England and Wales but substantially different from those equivalent laws in Ireland.

Fixed versus floating charges

There are a number of ways in which fixed charge security created in an Northern Irish law governed security document has an advantage over floating charge security:

(a) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets;

(b) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security;

(c) there are particular challenge risks in relation to floating charge security; and

(d) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing.

Under Northern Irish law, there is a possibility that a court could find that the fixed security interests expressed to be created by a security document could take effect as floating charges because the description given to them as fixed charges is not determinative. Whether fixed security interests will be upheld as fixed rather than floating security interests will depend, among other things, on whether the chargee has the requisite degree of control over the ability of the relevant chargor to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Ireland

The Issuer and a number of the Guarantors are incorporated under the laws of Ireland (such Guarantors together, the "Irish Guarantors"). Any insolvency proceedings applicable to any of them will be likely to be governed by Irish insolvency laws, although insolvency proceedings in respect of an Irish company could also be based in other jurisdictions under certain circumstances (see "—Cross-Border Insolvency" below). Irish insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the Notes to recover the amount in respect of the Notes or of the Guarantors' or an Irish Guarantor's Guarantee of the Notes than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

Cross-Border Insolvency

The Issuer and the Irish Guarantors each have registered offices in Ireland. As a result there is a rebuttable presumption that their centre of main interest, for the purposes of any collective proceedings under Council Regulation EC No. 1346/2000 (the "European Union Insolvency Regulation"), is in Ireland and consequently it is likely that main insolvency proceedings applicable to such companies would be governed by Irish law. However, if any of the Issuer or the Irish Guarantors has its "centre of main interests" in a Member State of the European Union other than Ireland, then the main insolvency proceedings for that company may be opened in such other Member State and will be subject to the laws of that Member State.

Preferential Creditors

Under Section 621 of the Irish Companies Act 2014, as amended (the "2014 Act"), in a winding-up of an Irish company preferential debts are required to be paid in priority to all other debts other than those (a) in respect of any examiners fees and costs if sanctioned by the court pursuant to Section 554 of the 2014 Act or (b) secured by a fixed charge, or (c) in respect of the winding up costs pursuant to Section 617 of the 2014 Act.

The preferential debts will comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the Irish Revenue Commissioners for income/ corporation/capital gains tax, VAT, PAYE, social security and pension scheme contributions and remuneration, salary and wages of employees and certain contractors and the expenses of liquidations and examinership (should either occur) of the Irish company.

Furthermore, in the case of the application of monies arising from the realization of secured assets that are subject to a floating charge, or in a winding up, the costs of the liquidation and the liquidator's fees will take priority over the claims of floating chargeholders in respect of relevant assets as will the remuneration, costs and expenses of an examiner (if any) appointed to the Irish company which have been sanctioned by the relevant Irish court as reasonable expenses properly incurred by such examiner in the course of the examinership (which may include borrowings incurred by an examiner during the period of examinership if the examiner seeks to have them sanctioned by the relevant Irish court under Section 554 of the 2014 Act.

As a result, if the assets of the relevant company available for the payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge. Under Section 440 of the 2014 Act, the holder of a floating charge, or a receiver appointed by such a holder, who takes possession of property subject to the floating charge when the company is not in the course of being wound up, is required to pay the preferential debts out of that property in priority to principal and interest secured by the floating charge.

In addition, there is a further limited category of super-preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super-preferential claims consist of the remuneration and costs incurred in respect of an examination (e.g. the examiners legal fees and other advisors fees) and any capital gains tax payable on the disposition of an asset of the company by a liquidator, receiver or mortgagee in possession. Any expenses properly incurred by the company in examinership, which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment, that have been certified by the examiner and approved by the Irish courts, will rank ahead of those of a floating charge holder (see—"Examinership" below).

Disclaimer of Onerous Property

Section 615 of the 2014 Act confers power on a liquidator, with leave of the court, at any time within twelve months after the commencement of the winding-up or such extended period as may be allowed by the court, to disclaim any property of the Irish company being wound up which consists of, among other things, (i) unprofitable contracts or (ii) any property which is unsaleable or not readily saleable by reason of its binding the possessor to the performance of any onerous act or to the payment of money. The liquidator's hand may be forced, in that any person interested in the property may require him to decide whether or not he will disclaim and if the liquidator wishes to disclaim in such circumstances, he must give notice within 28 days or such further period as may be allowed by the courts that he intends to apply to court to disclaim.

A liquidator must disclaim the whole of the property, he may not keep part and disclaim part. A disclaimer shall operate to determine as and from the date of the disclaimer the rights, interest and liabilities of the company in the contract or the property, but, the disclaimer does not affect the rights or liabilities of any other person, except so far as necessary for the purpose of releasing the company from liability. Any person damaged by the operation of a disclaimer shall be deemed a creditor of the company to the amount of the damages, and may prove that amount as a debt in the winding-up.

The meaning given to an unprofitable contract is one that would involve the liquidator in some liability. There must be some ''burden'' associated with the contract; the mere fact that the insolvent company's estate would be better off by disclaimer is not enough.

Examinership

In addition, a court protection procedure, known as examinership, is available under the 2014 Act to facilitate the survival of a company and the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. Provided a company can demonstrate viability, and can satisfy certain tests, the High Court appoints an independent examiner whose function is to supervise the restructuring process. During the protection period the examiner will formulate, in conjunction with the existing stakeholders and potential investors, proposals for a scheme of arrangement, which are presented to statutory meetings of all members and creditors and ultimately to the High Court for confirmation. The scheme will provide for the treatment of creditors claims in the restructuring, the adjustment of the rights of shareholders, and a structure for the investment underpinning the restructuring. Once confirmed by the High Court the scheme is binding on the company and all its members and creditors. During the protection period the day-to-day business of the company remains under the control of the directors of the company, subject to certain rights of the examiner to apply to the High Court.

If the Issuer or any Irish Guarantor is placed in examinership, you may not be able to enforce your rights under the Notes or any Guarantee of the Notes.

Protection Period

Where an examinership petition is presented in relation to a company, that company is deemed to be under the protection of the Court during the period beginning on presentation of the petition and ending 70 days later (which period may be extended by a further 30 days where the Court is satisfied that the examiner would not be able to present his report within 70 days, or by such further unlimited period as the Court may allow where the Court needs more time to consider the proposals contained in the examiner's final report). In the event of an appeal of the High Court's decision, the protection period is likely to be further extended in order to allow the determination of the appeal.

Effect of Appointment of Examiner

The effect of the appointment of an examiner is to suspend most of the rights of creditors for the protection period. For as long as a company is under the protection of the High Court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner.

Section 520 of the 2014 Act provides, among other things:

(a) where any claim against the company is secured by a mortgage, charge, lien or other encumbrance or a pledge of, on or affecting the whole or any part of the property, effects or income of the Irish company, no action may be taken to realise the whole or any part of such security except with the consent of the examiner;

(b) no receiver over any part of the property or undertaking of the Irish company shall be appointed; and

(c) no proceedings for the winding up of the Irish company may be commenced or resolution for winding up passed in relation to the company in examinership and any resolution so passed shall have no effect.

No other proceedings in relation to the company may be commenced except by leave of the court and subject to such terms as it may impose. In addition, no payment may be made by a company during the period when it is under protection of the court by way of satisfaction or discharge of the whole or any part of a liability incurred by the company before the date of presentation of the petition for the appointment of the examiner, except in limited circumstances.

Repudiation of contracts

Under Section 537 of the 2014 Act ("Section 537"), where proposals for a compromise or scheme of arrangement are to be formulated in relation to a company, the company may, subject to the approval of the Court, affirm or repudiate any contract under which some element of performance other than payment remains to be rendered both by the company and the other contracting party/parties. Any person who suffers loss or damage as a result of such repudiation stands as an unsecured creditor for the amount of such loss or damage and is entitled to be treated as such in any scheme of arrangement as if the loss or damage constituted a pre-petition claim. Where the Court approves the affirmation or repudiation of a contract under Section 537, it may in giving such approval make such orders as its thinks fit for the purposes of giving full effect to its approval including orders as to notice to, or declaring the rights of, any party affected by such affirmation or repudiation.

Liability of Guarantors

The 2014 Act provides, inter alia, that no proceedings of any sort may be commenced against a guarantor in respect of the debts of the Irish company in examinership, while the company is in examinership. Post examinership guarantees can be enforced provided certain statutory provisions have been complied with.

Priority of Examiner Payments

The 2014 Act allows for the remuneration, costs and expenses of the examiner which have been sanctioned by an order of the court (other than the expenses that, by virtue of section 529 of the 2014 Act, are treated as expenses properly incurred by the examiner) to be paid prior to any other claims including secured claims. Section 529 of the 2014 Act provides that any liabilities incurred by a company in examinership which are certified by the examiner which have been incurred in circumstances where, in the opinion of the examiner, the survival of the company under court protection as a going concern during the period would otherwise be seriously prejudiced, shall be treated as expenses properly incurred for the purposes of Section 554 of the 2014 Act but will rank behind the claims of creditors secured by a mortgage, charge, lien or other encumbrance of a fixed nature or a pledge. Nonetheless, if the court sanctions borrowings by an examiner as part of the expenses of the examiner pursuant to Section 554 of the 2014 Act, such borrowings will rank ahead of the claims of both unsecured creditors and creditors secured by a floating charge of the company under court protection.

Improper Transfers/Fraudulent Preference

Under Section 608 (Power of the court to order the return of assets improperly transferred—liquidator) of the 2014 Act, Section 443 (Power of the court to order the return of assets improperly transferred—receiver) of the 2014 Act and Section 557 (Power of the court to order the return of assets improperly transferred—examiner) of the 2014 Act, if it can be shown on the application of a liquidator, creditor, contributory of a company, receiver or examiner (as applicable), to the satisfaction of the High Court, that any property of that company was disposed of (including a disposal by way of charge, security assignment, mortgage or in any way whatsoever and the effect of such a disposal was to "perpetrate a fraud" on the company, its creditors or members, the High Court may, if it deems it just and equitable to do so, order any person who appears to have "use, control or possession" of the property concerned, or of the proceeds of the sale or development of that property, to deliver it or them, or to pay a sum in respect of it to the liquidator, receiver or examiner (as applicable) on such terms as the High Court sees fit.

Section 604 (Unfair preference: effect of winding up on antecedent and other transactions) of the 2014 Act provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against a company which is unable to pay its debts as they become due in favor of any creditor of the company or any person on trust for any such creditor, with a view to giving such creditor (or any surety or guarantor of the debt due to such creditor) a preference over the company's other creditors, shall be deemed to be an unfair preference of its creditors and be invalid accordingly if a winding up of the company commences within six months of the doing of the act and the company is, at the date of commencement of the winding up, unable to pay its debts (taking into account contingent and prospective liabilities).Where the conveyance, mortgage, delivery of goods, payment, execution or other act is in favour of a ''connected person'', the six month period is extended to two years and the act in question shall be deemed, if the Company is being wound up and is, at the time that the winding up commences, unable to pay its debts, to have been done with a view to giving the connected person a preference over the Company's other creditors, to be an unfair preference, and to be invalid. Consequently, the burden of proof is on the connected person to show that any such act was not an unfair preference.

Corporate Benefit

We believe that in the case of the Guarantees given by the Irish Guarantors, these will be given in good faith for the purposes of carrying on each of their businesses and that there will be reasonable grounds for believing that they would benefit each such Irish Guarantor. There can be no assurance, however, that the provision of the Guarantees by the Irish Guarantors will not be challenged by a liquidator, on the basis that the Irish Guarantors did not receive any benefit, or that a court would support this analysis.

If the corporate benefit requirement is not met, (a) the directors of the company may be held liable by the company for negligence in the management of the company; or (b) the validity of the guarantees could be open to challenge.

Financial Assistance

The Notes may only be guaranteed by the relevant Irish company to the extent that it would not result in such guarantee constituting the giving of unlawful financial assistance under Section 82 of the 2016 Act.

Recharacterisation of a Fixed Charge

It is open to a court to find that assignments and charges described as fixed charges constitute floating charges rather than fixed charges, the description given to them as fixed charges not being determinative and no opinion is expressed on whether security interests created by a security document are fixed charges or floating charges. One of the three characteristics of a floating charge is the ability of the chargor to carry on business in the ordinary way so far as concerns the particular class of assets in question until some further step is taken by or on behalf of the chargee. Where the chargor is free to deal with the assets, which form the subject matter of the charge, without the consent of the chargee, or the chargee does not exercise the requisite degree of control over the assets, or the proceeds of such assets, the court would be likely to hold that the charge in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge. Irish case law has interpreted the requisite level of control to a high standard. To the extent that any of the secured assets are not specifically identified a court may hold that such assets which are expressed to be subject to a fixed charge may in fact be subject to a floating charge. It should be noted that insofar as any of the security documents purport to create fixed security over future assets the asset must either be identified as at the date of execution of the security documents or identifiable as falling within the security purported to be created thereby.

A floating charge is more vulnerable than a fixed charge both to being set aside in a winding-up and to losing its priority to other rights and interests.

Moreover, amounts received in a winding-up or receivership by realising assets subject to a floating charge must first be used to pay certain preferential debts (see ''Preferential Creditors'' above).

The effectiveness of any crystallisation clause in the security documents is unclear although it has been held by the Supreme Court that a crystallisation notice served by the chargee was valid to crystallise the floating charge and that the floating charge had become a fixed charge and, as such, ranked ahead of preferential creditors and pari passu with other fixed security over the chargor's assets. The service of any such notice of crystallisation should, to be effective, occur immediately prior to enforcement or be accompanied by restrictions on the use of the charged asset consisted with a fixed charge.

Limitations on enforcement of security

A fixed charge on book debts is subject to the provisions of Section 1001 Taxes Consolidation Act 1997 which provides *inter alia* that on receipt of a notice from the Revenue Commissioners that the chargor is in arrears on its PAYE (pay-as-you-earn), VAT (value added tax), PRSI (pay-related social insurance) or LPT (local property tax) payments, the holder of the fixed charge must thereafter pay all sums it receives from the chargor to the Revenue Commissioners until the arrears (and any further arrears which accrue) of PAYE, VAT, PRSI or LPT payments (as the case may be) have been discharged in full. However, if within 21 days of execution of the charge, the Revenue Commissioners receive notice of the prescribed details of the fixed charge over book debts, then payments to the Revenue Commission will be limited to any arrears accruing after the date of such notice.

Monies held in a bank account of the Company could, notwithstanding any charge or right of set-off over such account being held by the Security Agent, be subject to Section 1002 of the Taxes Consolidation Act 1997 which provides *inter alia* that on receipt of a notice from the Revenue Commissioners that a taxpayer is in arrears in the discharge of any tax, interest or penalty, a person owing money to the taxpayer (including, without limitation, a bank holding monies of the taxpayer) must pay such monies to the Revenue Commissioners.

On a disposal of any secured assets on an enforcement of the security created pursuant to the security documents, the Security Agent may be required to pay any capital gains tax owed in respect of those assets in priority to the debts secured by such assets.

Failure to register the particulars of the security documents and any other requisite documents in the Companies Registration Office within 21 days of the date of creation of the security in accordance with the 2014 Act will render the relevant charge void as against any liquidator or creditor of the Company.

To the extent that the legal title (as distinct from the beneficial title) to any of the secured assets is not held by the Company, then the legal title will not be subject to the security created by the Security Documents.

Luxembourg

Luxembourg insolvency proceedings

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as Insolvency Proceedings) may be opened against any of the Guarantors being incorporated in Luxembourg (being, at the date of this Offering Memorandum, Eircom Finco S.à r.l.) (the "Luxembourg Obligor") to the extent that such Luxembourg Obligor has its principal establishment (*établissement principal*) or its center of main interests (*centre des intérêts principaux*) (for the purposes of the EU Insolvency Regulation) in Luxembourg:

- bankruptcy proceedings (*faillite*);
- controlled management proceedings (*gestion contrôlée*); and
- composition proceedings (*concordat préventif de la faillite*).

In addition to these proceedings, the ability of the holders of Notes to receive payment under the Notes may be affected by a decision of the Luxembourg District Court sitting in commercial matters (*Tribunal d'arrondissement siégeant en matière commerciale*) granting suspension of payments (*sursis de paiements*) or putting the Luxembourg Obligor into judicial liquidation (*liquidation judiciaire*).

Bankruptcy (faillite)

General administration of bankruptcy proceedings

The opening of bankruptcy proceedings may be requested by the Luxembourg Obligor or by any of its creditors. Following such a request, the Commercial District Court having jurisdiction may open bankruptcy proceedings in the event that the Luxembourg Obligor (a) has ceased to make payments (*cessation de paiements*) (meaning that the Luxembourg Obligor does not pay its debts as they fall due) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*) (meaning that the Luxembourg Obligor no longer has the ability to obtain financing at normal commercial terms). If the Commercial District Court considers that these conditions are met, it may open bankruptcy proceedings on its own motion, absent a request made by the Luxembourg Obligor or a creditor.

If the Commercial District Court declares a company bankrupt, it will appoint one or more bankruptcy receivers (*curateur(s)*), depending on the complexity of the proceedings and a supervisory judge (*juge-commissaire*) to supervise the bankruptcy proceedings.

The period within which creditors must file their proof of claims (*déclaration de créance*) is specified in the judgment adjudicating the company bankrupt. Claims filed after such period may nevertheless be taken into account by the bankruptcy receiver subject to certain limitations as to distributable proceeds.

The bankruptcy receiver takes over the management and control of the company in place of the directors or the managers. The bankruptcy receiver will realize the company's assets and distribute the proceeds to the company's creditors in accordance with the statutory order of payment and, if there are any funds left, to the bankrupt company's shareholders. The bankruptcy receiver represents the company as well as the creditors collectively (*masse des créanciers*).

The bankruptcy receiver will need to obtain of the Commercial District Court permission for certain acts, such as agreeing to a settlement of claims or deciding to pursue the business of the company during the bankruptcy proceedings.

Bankruptcy is a matter of public policy, which generally delays the process and limits restructuring options of the group to which the bankrupt company belongs.

On closing of the bankruptcy proceedings, the bankrupt company will normally be dissolved.

Effects of bankruptcy proceedings

The main effect of bankruptcy proceedings is the suspension of all measures of enforcement against the Luxembourg Obligor, except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of the assets of the Luxembourg Obligor.

As from the judgment declaring the Luxembourg Obligor bankrupt, outstanding debts of the Luxembourg Obligor (which are not yet due) are accelerated and the creditors of the Luxembourg Obligor can file their proof of claims with the Luxembourg District Court sitting in commercial matters.

In principle, contracts of the bankrupt company are not automatically terminated on commencement of bankruptcy proceedings, save for contracts for which the identity or solvency of the company was crucial (intuitu personae agreements) for the other party. However, certain contracts are terminated automatically by law, such as employment contracts, unless expressly confirmed by the receiver. Contractual provisions purporting to terminate a contract upon bankruptcy or the initiation of bankruptcy proceedings are generally held as being valid. The receiver may choose to terminate contracts of the company subject to the obligations that the Luxembourg Obligor may have to perform first its obligations (rule of "*exceptio non adimpleti contractus*") and the creditors' interest.

Unsecured claims will, in the event of a liquidation of the Luxembourg Obligor, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- salaries, wages, and indemnities owed to employees resulting from the execution or the termination of an employment contract.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors of the Luxembourg Obligor (except after enforcement and to the extent a surplus is realized and subject to application of the relevant priority rules, liens and privileges arising mandatorily by law). During insolvency proceedings, all enforcement measures by unsecured creditors of the Luxembourg Obligor are suspended.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Luxembourg Obligor during the pre-bankruptcy hardening period (*période suspecte*) which is a period of a maximum of six months preceding the judgment declaring bankruptcy, except that in certain specific situations the Commercial District Court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce, some transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Luxembourg law of August 5, 2005 on collateral arrangements, as amended (the Collateral Act 2005); the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange (unless, arguably, that method of payment was agreed from inception); transactions without consideration or with substantially inadequate consideration entered into during the suspect period (or the ten days preceding it)) are null and void by operation of law;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to setting aside by the Commercial District Court upon proceedings initiated by the bankruptcy receiver, if they were concluded with the knowledge of the bankrupt's cessation of payments save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg civil code (*action paulienne*), the bankruptcy receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

The Collateral Act 2005 provides that with the exception of the provisions of the Luxembourg law of January 8, 2013 on over-indebtedness (*surendettement*) (which only apply to natural persons), the provisions of Book III, Title XVII of the Luxembourg Civil Code, the provisions of Book 1, Title VIII of the Luxembourg Commercial Code, the provisions of Book III of the Luxembourg Commercial Code and the national or foreign provisions governing reorganization measures, winding-up proceedings or other similar proceedings and attachments are not applicable to financial collateral arrangements (such as Luxembourg pledges over shares of Luxembourg private or public limited companies or receivables) and shall not constitute an obstacle to the enforcement and to the performance by the parties of their obligations. Certain preferred creditors of the Luxembourg Obligor (including the Luxembourg tax, social security and other authorities) may have a privilege that ranks senior to the rights of the secured or unsecured creditors.

Controlled management proceedings (gestion contrôlée)

General administration of controlled management proceedings

A company, which has lost its commercial creditworthiness (*ébranlement de crédit*) or which is not in a position to completely fulfill its obligations, can apply for the regime of controlled management in order either (i) to restructure its business or (ii) to realize its assets in good conditions. An application for controlled management can only be made by the company.

The loss of commercial creditworthiness (*ébranlement de crédit*) is identical to the credit test applied in bankruptcy proceedings. As to the second criterion (that is, the case where a company is not in a position to completely fulfill its obligations), a broad view of the total situation of the company is taken. Controlled management proceedings are only available for good-faith debtor.

Controlled management proceedings are rarely used as they are not often successful and generally lead to bankruptcy proceedings. They are occasionally applied to companies, in particular holding or finance companies, which are part of an international group and whose inability to meet obligations results from a default of group companies.

The proceedings are divided into three steps:

- The company must file an application with the Commercial District Court. The Commercial District Court can reject the application because (i) the company has already been declared bankrupt or (ii) the evidence brought forward by the company does not ensure the stabilization and the normal exercise of the company's business or improve the realization of the company's assets in better conditions. If the application is upheld at this stage, the Commercial District Court will appoint an investigating judge (*juge délégué*) to make a report on the overall situation of the company.
- Once the investigating judge has delivered a report, the Commercial District Court may (i) turn down the application on the ground that the proposals made by the applicant are unlikely to lead to the reorganization of the business or the realization of the assets in better conditions or (ii) appoint one or more administrators (*commissaires*) who will supervise the management of the assets of the company. If the Commercial District Court ascertains that the company is unable to pay its creditors (i.e. the company has ceased its payments (*cessation de paiements*)), it may set the date as from which the company will be deemed to have been in such situation. Such date may be set up to six months prior to the filing of application for controlled management proceedings. However, bankruptcy may only be declared if the two conditions for bankruptcy are met (cessation of payment (*cessation de paiements*) and loss of commercial creditworthiness (*ébranlement de crédit*)), and if the application has been dismissed either before or after consideration of the report by the investigating judge or after the reorganization plan proposed by the administrators (*commissaires*) at the third step described below. The administrators will draw up the inventory of the assets as well as the financial situation of the company. They are also in charge of the annual accounts of the company. The administrators may also prescribe any act they consider to be in the interests of the applicant or its creditors. The administrators have to be convened to any meeting of the board of directors or of the board of managers (as applicable). They may attend all board meetings but have no voting rights. They have the right to convene such board meetings.
- The administrators will draft a reorganization plan in respect of the applicant's business or a plan for realization of the assets, within the deadlines set forth by the Commercial District Court. The plan shall equitably take into account all interests involved and will comply with the ranking of mortgages (*hypothèques*) and privileges (*privilèges*) as required by law, without taking into account any contractual clause regarding termination, penalties or acceleration. The administrators will notify the draft plan to the creditors, joint debtors and guarantors. Within fifteen days of such notification or publication, the creditors will inform the Commercial District Court whether they agree or object to the draft plan. Any creditor who abstains will be considered as having adhered to the plan. The creditors, the company, the joint debtors and the guarantors may submit written observations to the Commercial District Court. The Commercial District Court may (i) approve the plan if a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed thereto or (ii) disagree with the plan proposed by the administrators even though a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed to such plan, in which case the application for controlled management will be dismissed or (iii) ask the administrators to propose an amended plan (such amended plan will have to be submitted again to the creditors). The judgment approving the plan will be binding upon the company and its creditors, joint debtors and guarantors. The fees of the administrators will be fixed by the Commercial District Court and will be borne by the company. The administrators who at the same time are creditors of the applicant are not entitled to any fees.

Effects of controlled management proceedings

As from the day of the appointment of the investigating judge and up to the final decision on the application for controlled management, any subsequent enforcement proceedings or acts, even if initiated by privileged creditors (including creditors who have the benefit of pledges (*gages*) and mortgages (*hypothèques*)) are stayed, save as provided for by the Collateral Act 2005. The company may not enter into any act of disposition, mortgage or contract or accept any movable asset without the authorization of the investigating judge.

Once the administrators have been appointed, the company may not carry out any act (including receiving funds, lending money, granting any security, or making any payment) without the prior authorization of the administrators. The administrators may bring any action before the Commercial District Court in order to have any act made in violation of the legislation governing the controlled management or in fraud of the creditors' rights be set aside. Subject to the prior authorization of the Commercial District Court, they may bring an action (i) to have the directors, managers or the statutory auditor held liable or (ii) if the Commercial District Court has declared the company to be in cessation of payments, to have certain payments, set-offs (*compensations*) or security interests set aside (under certain conditions set forth in Articles 445 et seq. of the Luxembourg code of commerce).

Preventive composition proceedings (concordat préventif de la faillite)

General administration of preventive composition proceedings

A company may enter into preventive composition proceedings (*concordat préventif de la faillite*) in order to resolve its financial difficulties by entering into an agreement with its creditors, the purpose of which is to avoid bankruptcy.

Preventive composition proceedings may only be applied for by a company which is in financial difficulty. Similar to controlled management proceedings, the preventive composition proceedings are not available if the company has already been declared bankrupt by the Commercial District Court or if the company is acting in bad faith. The application for the composition proceedings can only be made by the company and must be supported by proposals of composition.

The Commercial District Court will delegate to a delegated judge (*juge délégué*) the duty to verify, and to prepare a report on, the situation of the company. Based on such report, the Commercial District Court will decide whether or not to pursue the preventive composition proceedings. If the Commercial District Court considers that the procedure should not be pursued, it will in the same judgment declare the bankruptcy of the company (which bankruptcy may also be declared during the composition proceedings if the conditions for the composition proceedings are not met). If the Commercial District Court considers that the procedure may be pursued, it will set the place, date and hour of a meeting (*assemblée concordataire*) at which the creditors will be convened. The delegated judge will make its report at the *assemblée concordataire*.

The composition may only be adopted if a majority of the creditors representing, by their unchallenged claims, three-quarters of the company's debt, has adhered to the proposal and if the composition has been approved by the Commercial District Court. Creditors benefiting from mortgages (*hypothèques*), privileges (*privilèges*) or pledges (gages) only have a deliberating voice in the operations of the concordat, if they renounce the benefit of their mortgages, privileges or pledges. The vote in favor of the concordat entails renunciation. The renunciation may be limited by the secured creditors to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights.

The composition has no effect on the claims secured by a mortgage, a privilege or a pledge and on claims by the tax authorities. If the application results in a composition arrangement sanctioned by the Commercial District Court, the composition could still either be annulled (if it has not been executed) or terminated (in case of fraud or bad faith of the company). In such scenarios, the Commercial District Court may adjudicate the company bankrupt. The bankruptcy judgment can decide to set the date of cessation of payment to the date of the application for the preventive composition proceedings. If that date is less than six months prior to the bankruptcy judgment, the court can of course set the cessation of payment date at six months prior to its judgment.

Preventive composition proceedings are rarely used in practice since they are not binding upon secured creditors.

Effects of composition proceedings

The company's business activities continue during the preventive composition proceedings. While the composition is being negotiated, the company may not dispose of, or grant any security over, any assets without the approval of the delegated judge. Once the composition has been agreed by the Commercial District Court, this restriction is lifted. However, the company's business activities will still be supervised by the delegated judge.

Unsecured creditors may not take action against the company to recover their claims while the composition is being negotiated. Secured creditors who do not participate in the composition proceedings may take action against the company to recover their claims and to enforce their security. Security interests governed by the Collateral Act 2005 are not affected by composition proceedings. Fraudulent transactions which took place before the date on which the Commercial District Court commenced preventive composition proceedings may be set aside (please see the bankruptcy proceedings section above).

Suspension of payments proceedings (sursis de paiements)

General administration of a suspension of payments proceedings

A suspension of payments (*sursis de paiements*) for commercial companies is different from the *sursis de paiement* proceedings available to banks and insurance companies. It can only be applied to a company which, as a result of extraordinary and unforeseeable events, has to temporarily cease its payments but which has on the basis of its statement of financial position sufficient assets to pay all amounts due to its creditors. The suspension of payments may also be granted if the situation of the applicant, even though showing a loss, presents serious elements of reestablishment of the balance between its assets and its debts.

The purpose of the suspension of payments proceedings is to allow a business undertaking experiencing financial difficulties to suspend its payments for a limited time after a complex proceeding involving both the Commercial District Court and the *Cour* supérieure de justice and the approval by a majority of the creditors representing, by their claims, three- quarters of the company's debts (excluding claims secured by privilege (*privilège*), mortgage (*hypothèque*) or pledge (*gage*)).

The suspension of payments is, however, not for general application, which is one of the main reasons it has lost its attractiveness. It only applies to those liabilities which have been assumed by the debtor prior to obtaining the suspension of payment and has no effect as far as taxes and other public charges or secured claims (by right of privilege, a mortgage or a pledge) are concerned.

Effects of suspension of payments proceedings

During the suspension of payments, ordinary creditors cannot open enforcement proceedings against the debtor or the debtor's assets. This stay on enforcement does not extend to preferred creditors, or to creditors which are secured by mortgages (*hypothèques*), pledges (*gages*) or financial collateral arrangements governed by the Collateral Act 2005. The debtor continues to manage its own business under the supervision of a court-appointed administrator who must approve most of the transactions carried out by the debtor.

When a suspension of payments ends, the stay on enforcement is terminated and the debtor's directors can run the business again.

Judicial liquidation (liquidation judiciaire)

Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the Luxembourg commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended (the Companies Act 1915).

Based on case law the management of such judicial liquidation proceedings generally follows similar rules as those applicable to bankruptcy proceedings, even though there can be no absolute certainty in this respect.

Effects of opening of Luxembourg insolvency proceedings on security interests governed by the Collateral Act 2005

The Collateral Act 2005 expressly provides that financial collateral arrangements (including pledges) including enforcement measures are valid and enforceable even if entered into during the pre-bankruptcy period, against third parties including supervisors, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting anyone of the parties.

Limitation on enforcement of security interests

According to Luxembourg conflict of laws rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the security interests (such as a pledge) are situated) in relation to the creation, perfection and enforcement of security interests over such assets.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of pledges over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg financial institution, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares (such as registered shares in Luxembourg companies or bearer shares physically located in Luxembourg), bank accounts and receivables located or deemed to be located in Luxembourg. Under the Collateral Act 2005, the perfection of pledges depends on certain registration, notification and acceptance requirements. A share pledge over registered shares in a Luxembourg company must be (i) acknowledged and accepted by the company which has issued the shares (subject to the pledge) and/or (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional notification to such company and/or registration in the shareholders' register of such company. A pledge under a receivables pledge agreement will be validly created and perfected provided that the pledge under such receivables pledge agreement is executed by the parties thereto. However, if the debtor has not been notified of such receivables pledge or if it did not otherwise acquire knowledge of the pledge, it will be validly discharged of its obligations if it pays the pledgor. A bank account pledge agreement must be notified to and accepted by the account bank so as to ensure that the account bank has waived any pre- existing security interests and other rights in respect of the relevant account. If (future) bank accounts are pledged, such additional notification to, acceptance and waiver by the account bank will be required. Article 11 of the Collateral Act 2005 sets out enforcement remedies available upon the occurrence of an enforcement event, including, but not limited to:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at a value determined in accordance with a valuation method agreed upon by the parties;
- sell or cause the sale of the pledged assets (i) in a private transaction at normal commercial terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange (if listed shares) or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the pledges might be substantially delayed.

The Collateral Act 2005 expressly provides that financial collateral arrangements (including pledges and transfer of title by way of security) including enforcement measures are valid and enforceable, even if entered into during the hardening period, against third parties including supervisory, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting any one of the parties.

Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable or recognized in respect of assets located or deemed to be located in Luxembourg. Security interests/ arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators might not be recognized or enforced by the Luxembourg courts, even over assets located outside of Luxembourg, in particular where the relevant Luxembourg security provider or Luxembourg guarantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if 'main insolvency proceedings' (as defined in the EU Insolvency Regulation) are opened under Luxembourg law and such security interests/arrangements constitute rights in rem over assets located in another Member State in which the EU Insolvency Regulation applies in accordance with article 5 of the EU Insolvency Regulation.

While the Collateral Act 2005 recognizes the validity and enforceability of outright transfers of title to "assets" (which are defined as financial instruments and claims, together, the "Collateral Law Assets") against third parties, administrators, insolvency receivers, liquidators and other similar persons notwithstanding the existence of a reorganization measure, liquidation proceedings or the occurrence of any competing claims between creditors, whether located in Luxembourg or not, it is untested and legally questionable whether assets transferred by way of security (as contemplated by the first ranking assignment) (other than the Collateral Law Assets) would benefit from the provisions of the Collateral Act 2005.

The perfection of the security interests created pursuant to pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled to priority over the proceeds of such sale (subject to preferred rights by operation of law).

Finally, the appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions. Generally, according to paragraph 2(4) of the Luxembourg Collateral Act 2005, a security (financial collateral) may be provided in favor of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis-a-vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

Limitation on the Luxembourg Obligor's Guarantee

The Companies Act 1915 does not specifically provide for rules governing the ability of the Luxembourg Obligor to guarantee the indebtedness of another entity of the same group. Within a group of companies, the corporate interest (*intérêt social*) of each individual corporate entity could, to a certain extent, be tempered by, and subordinated to, the interest of the group. The notion of interest of group is recognized neither by the Luxembourg law nor by published Luxembourg case law.

A reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company. However, this assistance must be temporary and in proportion with the real financial means of the assisting company. The Luxembourg Obligor may give a guarantee provided that the giving of the guarantee is covered by the company's corporate objects and is in the best interest of the company. The test regarding the Luxembourg Obligor's corporate interest is whether in providing the guarantee does the Luxembourg Obligor receive some (direct or indirect) consideration in return (such as an economic or commercial benefit) and whether the benefit is proportional to the burden of the assistance. A guarantee that substantially exceeds the guarantor company's ability to meet its obligations to the beneficiary of the guarantee and to its other creditors would expose its directors or managers (as applicable) to personal liability. Furthermore, under certain circumstances, the directors or managers (as applicable) of a Luxembourg company might incur criminal penalties based on the concept of misappropriation of corporate assets (article 171-1 of the Companies Act 1915).

The Guarantees granted by the Luxembourg Obligor, for the obligations of a relevant obligor which is not a direct or indirect subsidiary of that Luxembourg Obligor, will be limited to a certain percentage of, among others, the relevant company's net worth as provided for in the Indenture.

The Guarantee, to the extent it is granted by the Luxembourg Obligor could, if submitted to a Luxembourg court, depending on the terms of such guarantee, possibly be construed by such court as a suretyship (*cautionnement*) and not a demand guarantee or an independent guarantee. Article 2012 of the Luxembourg Civil Code provides that the validity and the enforceability of a suretyship (which constitutes an accessory obligation) are subject to the validity of the underlying obligation. It follows that if the Notes were invalid or challenged, it cannot be excluded that the Luxembourg Obligor would be released from its liabilities under the Guarantee.

Jersey

Insolvency

eircom, which is one of the Guarantors, is incorporated under the laws of Jersey. Consequently, in the event of an insolvency of eircom, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding up (including just and equitable winding up and creditors' winding up). The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "*en désastre*" (a "**declaration**"). On a declaration of *désastre*, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "**Viscount**"). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The shareholders must give creditors 14 days' notice of the meeting to commence the creditors' winding up. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the company without the leave of the court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (*inter alia*) three quarters in number and value of the creditors acceded to the arrangement.

Transactions at an Undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preferences

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

Extortionate Transactions, Onerous Property, Disclaimer and Customary Law Fraudulent Dispositions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "*désastre*" and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but "does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the *désastre* or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Enforcement of Security and Security in Insolvency

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey, but to the extent that any floating charge is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, the Jersey court may, under Article 49(1) of the Jersey Bankruptcy Law assist the courts of prescribed countries and territories and, applying general principles of comity assist the courts in other jurisdictions, in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If insolvency proceedings have been commenced in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume that the position reached by the Royal Court, in its discretion, will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply as a result.

Enforcement of a security interest against a Jersey company may be further limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, and laws in relation to transactions at undervalue, preference, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions also apply in Jersey.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of eircom will be secured pursuant to Jersey law governed security agreements. The 2012 Law provides that a secured party may enforce security over intangible movable assets by way of sale or appropriation of the collateral or proceeds. In addition a secured party may take certain ancillary actions including any bespoke enforcement powers included in a security agreement to the extent not in conflict with the 2012 Law. More than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of a secured party. The power of enforcement is exercisable once an event of default has occurred and written notice specifying the event of default has been served on the grantor by the secured party. If enforcement is by way of sale or appropriation, the secured party must give the grantor 14 days prior written notice. Importantly, the grantor may agree in writing to waive its right to notice of appropriation or sale and it is usual to include such a waiver in the security agreement. The secured party is obliged on sale or appropriation, to give at least 14 days prior written notice to (i) any person who 21 days before the sale or appropriation has a registered security interest in the collateral, and (ii) any person other than the grantor who has an interest in the collateral unless the secured party and such person have otherwise agreed in writing. There are specific carve-outs from the obligation to give notice of sale. On exercising the power of enforcement by appropriation or sale, the secured party must: (i) take all commercially reasonable steps to determine or, in the case of a sale, obtain the fair market value of the collateral, as of the time of the relevant appropriation or sale; (ii) act in a commercially reasonable manner in relation to the appropriation or sale; and (iii) (in the case of a sale only) enter into any agreement for or in relation to the sale only on commercially reasonable terms. The duty of the secured party is owed to the grantor and also to any other person to whom the secured party was required to give notice of sale or appropriation. If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (being the grantor (subject to it having waived this requirement), any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale); (ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a company organized under the laws of Ireland. All of its directors and executive officers are non-residents of the United States, and all of the Issuer's assets and those of such persons are located outside the United States. Although the Issuer will appoint an agent for service of process in the United States and will submit to the jurisdiction of the courts of the State of New York, in each case in connection with any action under U.S. securities laws, you may not be able to effect service of process on such persons or the Issuer within the United States in any action, including actions predicated on civil liability provisions of the U.S. federal and state securities laws or other laws.

As the United States is not a party to a convention with Ireland in respect of the enforcement of judgments, common law rules apply in order to determine whether a judgment of the courts of the State of New York is enforceable Ireland. A judgment of the courts of the State of New York will be enforced by the courts of Ireland if the following general requirements are met:

- the courts of the State of New York must have had jurisdiction in relation to the particular defendant; according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and
- the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment should not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive.

However, Irish courts may refuse to enforce a judgment of the courts of the State of New York which meets the above requirements for one of the following reasons:

- if the judgment is not for a definite sum of money;
- if the judgment was obtained by fraud;
- the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice;
- the judgment is contrary to Irish public policy or involves certain United States laws which will not be enforced in Ireland; or
- jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service Ireland or outside Ireland under Order 11 of the Superior Courts Rules.

Jersey

The following summary with respect to the enforceability of certain U.S. court judgments in Jersey is based upon advice provided to us by Jersey legal advisors. The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;

- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money (although there are circumstances where non-money judgments can also be recognized);
- the recognition or enforcement of the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. Federal securities laws.

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information here;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are ''restricted securities'' within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any request should be directed to eircom Finance DAC.

All of the above documents will be available upon request at the offices of the Issuer in Dublin.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Notes Indenture that will govern the Notes, we will agree to furnish periodic information to the holders of relevant series of Notes. See ''*Description of the Notes—Certain covenants—Reports*''.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

For so long as the Notes are listed on the Official List of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, copies of the following documents may be inspected and obtained in electronic and/or physical form free of charge at the specified office of the Issuer in Dublin during normal business hours on any weekday:

- the Issuer's organizational documents;
- the most recent audited financial statements, and any interim quarterly financial statements published by the Issuer;
- the Issuer's annual reports;
- the Intercreditor Agreement; and
- the Indenture relating to the Notes (which includes the form of the Notes).

The Issuer reserves the right to vary such appointment and it will, to the extent required, publish notice of such change of appointment in a newspaper having a general circulation in Dublin (which is expected to be the *Irish Times*) or on the Irish Stock Exchange website (www.ise.ie).

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

Clearing information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The Rule 144A Global Note has a Common Code and an ISIN and the Regulation S Global Note has a Common Code and an ISIN .

Legal information

Information about the Issuer

The Issuer is a special purpose vehicle established for the purpose of financing and re-financing of assets and was incorporated in Ireland as a private limited company on February 28, 2013, registered number 524458, under the Companies Acts 1963-2012 (as amended) of Ireland (the "**Companies Acts**"). The registered office of the Issuer is 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland and its telephone number at that address is +353 1 671 4444.

Guarantors of the Notes

The companies that are expected to become Guarantors of the Notes have the following corporate information:

- eircom Holdings (Ireland) Limited (formerly known as Moceir Holdings (Ireland) Limited), a company incorporated under the laws of Ireland with registered number 512352 with registered office at 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland;
- Eircom Finco S.à r.l. a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg with registered number B168903 and with registered office at 46A, Avenue J.F. Kennedy, L—1855 Luxembourg, having a share capital of EUR 12,500;
- eircom Limited a company incorporated under the laws of Ireland with registered number 98789 and with registered office at 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland;

- eircom Limited a company incorporated under the laws of Jersey with registration number 116389 and having its registered office at 22 Grenville Street, St. Helier, Jersey, JE4 8PX and having its principal place of business at 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland;
- eircom (UK) Limited, a company incorporated under the laws of England and Wales with registered number 03478971 and with registered office at Davenport House 16 Pepper Street, Glengall Bridge, London E14 9RP;
- Irish Telecommunications Investments DAC a company incorporated under the laws of Ireland with registered number 81987 and with registered office at 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland;
- Meteor Mobile Communications Limited a company incorporated under the laws of Ireland with registered number 282645 and with registered office at 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland;
- Meteor Mobile Holdings Limited, a company incorporated under the laws of Ireland with registered number 325785 and with registered office at 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland; and
- Meteor Ireland Holdings, LLC, a limited liability company formed under the laws of the State of Delaware with registered number 2919102 and with a registered agent's office at The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA.

Share capital and ownership

The authorized share capital of the Issuer is EUR1,000,000 divided into 1,000,000 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid and is held by eircom Limited (Jersey).

Business

The principal objects of the Issuer are set forth in clause 2 of its memorandum of association and include, inter alia, the power to issue securities and to raise or borrow money, to grant security over its assets for such purposes, to lend with or without security and to enter into derivative transactions.

So long as any of the Notes remain outstanding, the Issuer will be subject to the restrictions set in the Indenture and the related transaction documents. In particular, the Issuer has undertaken not to carry out any business other than the issue of Notes and the entry into of agreements related thereto and does not and will not have any substantial assets other than its interest in the Note, Proceeds Loan Agreement and any cash in its bank account and does not and will not have any substantial liabilities other than in connection with the Notes.

The Issuer has, and will have, no material assets other than the proceeds of its issued share capital, the amounts received under the Note, Proceeds Loan Agreement, such fees (as agreed) payable to it in connection with the issue of the Notes or the purchase, sale or incurring of other obligations and any other assets on which the Notes are secured. Save in respect of the fees generated in connection with the issue of Notes, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the proceeds of the Issuer's issued share capital, the Issuer will not accumulate any surpluses.

The Issuer has not during the previous 12 months been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware) which have had in the recent past, or may have, a significant effect on the Issuer's financial position and profitability.

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer and there has been no significant change in the financial or trading position of the Issuer since the date of its last audited accounts. Save for the issues of Notes described above and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Directors and company secretary.

The Issuer's articles of association provide that the board of directors of the Issuer will consist of at least two directors.

The directors of the Issuer and their business addresses are as follows:

Padraig McManus . .	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Bruno Claude	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Nicholas Hartery	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Parm Sandhu	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Richard Moat .	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Huib Costermans	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

The Company Secretary is Jacqui Conroy of 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

There are no potential conflicts of interest between any duties of the Issuer's Board of Directors and their private interests and/or other duties.

Financial statements

The financial year of the Issuer ends on June 30 in each year. The Issuer will not prepare any interim financial statements.

Financial statements can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months. One annual general meeting must be held in each calendar year.

The auditors of the Issuer are PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland. PricewaterhouseCoopers are members of the Institute of Chartered Accountants in Ireland qualified to practice in Ireland.

Shareholders and control

The Issuer is a wholly owned subsidiary of eircom Limited (Jersey), as described above in *"—Share capital and ownership"*.

Pursuant to the Articles of Association of the Issuer, the Board is responsible for the management of the Issuer. Under Irish law, for so long as the Issuer is solvent the Board is required to act in the best interests of the Issuer.

The relationship between the Issuer and eircom Limited (Jersey), the sole shareholder of the Issuer, is governed by the memorandum and articles of association of the Issuer and Irish company law, including the Irish Companies Acts 2014 and regulations made thereunder.

The Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes will be authorized by the Issuer's board of directors prior to the closing of the offering of the Notes.

Expenses

The expenses in relation to the admission of the Notes on the Global Exchange Market will be approximately €4,600.

GLOSSARY

"ADSL" or "asymmetrical digital subscriber line"	an access technology that allows voice and high-speed data to be sent simultaneously over local exchange service copper facilities.
"ARO" or "Access Reference Offer"	details the wholesale offering of new access service to all access seekers (other operators).
"ARPU"	average revenue per user is a telecom industry metric generally calculated by dividing total revenue for a product group by the average number of subscribers during a period.
"ATM"	Asynchronous Transfer Mode; a high-speed, high-volume, packet-switching protocol which supplies bandwidth on demand and divides any signal (voice, date or video) into efficient, manageable packets for ultra-fast switching.
"B2B"	business to business.
"Broadband"	a descriptive term for evolving digital technologies that provide consumers with a packet-switched facility capable of supporting integrated access to voice, high-speed data service, video-demand services and interactive delivery services (typically at speeds greater than 512 kilobits per second).
"Business IP+"	An international protocol-based service that allows multi-site customers to build data networks between sites and is carried on a separate network from the public Internet and is therefore secure.
"CPI"	consumer price index.
"DSL"	digital subscriber line.
"FMC"	fixed/mobile convergence.
"FTTB"	Fiber to the Building.
"FTTC"	Fiber to the Cabinet.
"FTTH"	Fiber to the Home.
"Gbits/s," "Gbps" or "Gb/s"	Gigabits per second.
"GSM"	Global System for Mobile communications.
"IaaS"	Our cloud-based Infrastructure as a Service offering to our business customers.
"Interconnect"	the connection of one telecom operator's network to another.
"IP" or "Internet protocol"	the protocol for data transfer between computer systems that provides a basic packet delivery service.
"ISDN"	Integrated Services Digital Network. An international standard which enables high speed simultaneous transmission of voice and/or data over the public telecommunications network. An ISDN Basic Rate Access (BRA) consists of two channels; a Primary Rate Access (PRA) consists of 30 channels.

"ISP" or "Internet service provider"	a business providing Internet access.
"Kbits/s," "Kbps" and "Kb/s"	Kilobits per second.
"LLU"	Local loop unbundling, the regulatory process of allowing multiple telecommunications operators to use connections from the telephone exchange to the customer's premises, See also "ULL".
"M2M"	Mobile to mobile.
"Mast access"	a commercial service offered by mast owners to network operators facilitating installation on masts, of antennas, feeders and channel combining equipment.
"MBB"	Mobile broadband.
"Mbps" or "Mb/s"	Megabits per second.
"MNO"	Mobile network operator.
"MPLS"	Multi-Protocol Label Switching, an advanced protocol supporting virtual links within a data stream.
"MTR"	Mobile termination rates.
"MVNO"	Mobile virtual network operator.
"Narrowband"	a network or circuit capacity of less than 64 bit/s.
"NBP"	National Broadband Plan.
"net additions"	the combined impact on volumes of new sales less cessations.
"Next Generation Network"	a broad term that encompasses newer generation core and access network technologies with high capacities over which an operator is able to provide innovative services to its customers.
"NGA"	Our Next Generation Access fiber network.
"NRA"	National Roaming Agreement.
"Number portability"	the ability of a customer to transfer from one telecom operator to another and retain their original number.
"OAO" or "Other Authorized Operators"	an authorized operator (other than eir) which operates telecommunications systems.
"OTT"	Over-the-top applications.
"Packet switching"	the process of routing and transferring data by means of addressed packets, so that a channel is occupied during the transmission of the packet only, and upon completion of the transmission, the channel is made available for the transfer of other traffic packets.
"PPC"	Partial Private Circuit, a service consisting of the provision of capacity from a customer's premises to an operator's point of connection, whereby the operator's network will be physically and logically linked to our network.
"PSTN" or "public switched telephone network"	a telecommunications network usually accessed by telephones, key telephone systems, private branch exchange trunks and data arrangements. A PSTN line consists of a single access channel.

"PVR"	personal video recorder.
"RGU" or "Revenue Generating Unit"	a measure of the total number of services purchased to reflect customers purchasing more than one service.
"RIO"	Reference Interconnect Offer.
"SIP"	Session Initiation Protocol, a communications protocol for signalling and controlling multimedia communication sessions.
"SMP" or "Significant Market Power"	is a classification on the basis of market analysis, they are assessed as being able to exert economic influence, alone or with others, that allows it to operate, to a considerable extent, independently of competitors, consumers or other users.
"SMS"or "short messaging service"	enables transmissions of alphanumeric messages of up to 160 characters among mobile subscribers on GSM and other digital mobile networks.
"Switched data services"	services that are used to transfer data between specific points in a network by means of electronic, optical or electromechanical routing of signals, including frame relay, asynchronous transfer mode, and packet switching.
"Traffic"	calls or other transmissions being sent and received over a communications network.
"Transit services"	conveyance services provided by a network between two points of interconnection. It is a service that links two networks that are not directly interconnected.
"Unbundled local loop"	under the provision of the regulations of the European Parliament and European Council on Unbundled Access to the Local Loop, we are obliged to provide unbundled local access services to other licensed operators.
"Virtual private network"	a switched network with special services such as abbreviated dialing.
"VoIP" or "Voice over Internet Protocol"	a technology for the delivery of voice communications and multimedia sessions over private or public Internet Protocol (IP) networks.
"WACC"	Weighted average cost of capital.
"WBA"	Wholesale broadband access.
"White Label"	a wholesale service provided to switchless resellers where the service is delivered entirely on eir's network and the reseller provides only customer functions such as sales, marketing and billing.
"WLR" or "Wholesale Line Rental"	a wholesale service that allows OAOs to resell eir's access service and provide customers with a single bill for access and call services.

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eircom Holdings (Ireland) Limited

Consolidated Income Statement—unaudited

For the third quarter ended 31 March 2016

	31 March 2015	31 March 2016
	€m	€m
Revenue	307	**317**
Operating costs excluding amortisation, depreciation and exceptional items	(189)	**(201)**
Amortisation	(14)	**(23)**
Depreciation	(66)	**(68)**
Exceptional items	(10)	**(3)**
Profit on disposal of property, plant and equipment	1	**—**
Operating profit	29	**22**
Finance costs—net	(49)	**(46)**
Loss before tax	(20)	**(24)**
Income tax credit	1	**1**
Loss for the period	(19)	**(23)**

eircom Holdings (Ireland) Limited

Consolidated statement of comprehensive income—unaudited

For the third quarter ended 31 March 2016

	31 March 2015	31 March 2016
	€m	€m
Loss for the financial period attributable to equity holders of the parent	(19)	**(23)**
Other comprehensive expense:		
Items that will not be reclassified to profit or loss		
Defined benefit pension scheme remeasurement losses:		
—Remeasurement loss in period	(2)	**(140)**
—Tax on defined benefit pension scheme remeasurement losses	—	**17**
	(2)	**(123)**
Items that may be reclassified subsequently to profit or loss		
Net changes in cash flow hedge reserve:		
—Fair value loss in period	(2)	**—**
—Tax on cash flow hedge movements	1	**—**
	(1)	**—**
Other comprehensive expense, net of tax	(3)	**(123)**
Total comprehensive expenses for the financial period	(22)	**(146)**

eircom Holdings (Ireland) Limited

Consolidated Income Statement—unaudited

For the nine-month period ended 31 March 2016

	Notes	31 March 2015	31 March 2016
		€m	€m
Revenue	3	928	**962**
Operating costs excluding amortisation, depreciation and exceptional items		(590)	**(617)**
Amortisation	3	(38)	**(59)**
Depreciation	3	(190)	**(205)**
Exceptional items	3, 4	(23)	**(27)**
Profit on disposal of property, plant and equipment		1	**—**
Operating profit	3	88	**54**
Finance costs—net	5	(146)	**(138)**
Share of profit of joint venture		1	**1**
Loss before tax		(57)	**(83)**
Income tax credit		10	**4**
Loss for the period		(47)	**(79)**

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

eircom Holdings (Ireland) Limited

Consolidated statement of comprehensive income—unaudited

For the nine-month period ended 31 March 2016

	31 March 2015	31 March 2016
	€m	€m
Loss for the financial period attributable to equity holders of the parent	(47)	**(79)**
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss		
Defined benefit pension scheme remeasurement (losses)/gains:		
—Remeasurement (loss)/gain in period	(90)	**92**
—Tax on defined benefit pension scheme remeasurement losses/(gains)	11	**(12)**
	(79)	**80**
Items that may be reclassified subsequently to profit or loss		
Net changes in cash flow hedge reserve:		
—Fair value (loss)/gain in period	(5)	**1**
—Tax on cash flow hedge movements	1	**—**
	(4)	**1**
Other comprehensive (expense)/income, net of tax	(83)	**81**
Total comprehensive (expenses)/income for the financial period	(130)	**2**

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 2016

	Notes	30 June 2015	31 March 2016
		€m	€m
Assets			
Non-current assets			
Goodwill	6	192	**192**
Other intangible assets	7	435	**417**
Property, plant and equipment	8	1,527	**1,473**
Investment in joint venture		2	**3**
Derivative financial instruments		1	**—**
Deferred tax assets		6	**5**
Other assets		15	**15**
		2,178	**2,105**
Current assets			
Inventories		9	**12**
Trade and other receivables	9	232	**234**
Restricted cash		8	**8**
Cash and cash equivalents		186	**156**
		435	**410**
Total assets		2,613	**2,515**
Liabilities			
Non-current liabilities			
Borrowings	10	2,106	**2,130**
Derivative financial instruments	11	2	**8**
Trade and other payables		152	**145**
Deferred tax liabilities		46	**48**
Retirement benefit liability	12	426	**353**
Provisions for other liabilities and charges	13	101	**94**
		2,833	**2,778**
Current liabilities			
Derivative financial instruments	11	2	**5**
Trade and other payables		461	**417**
Current tax liabilities		12	**5**
Provisions for other liabilities and charges	13	32	**31**
		507	**458**
Total liabilities		3,340	**3,236**
Equity			
Equity share capital		—	**—**
Capital contribution		47	**52**
Cash flow hedging reserve		—	**1**
Retained loss		(774)	**(774)**
Total equity		(727)	**(721)**
Total liabilities and equity		2,613	**2,515**

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 2016

	Notes	31 March 2015	31 March 2016
		€m	€m
Cash flows from operating activities			
Cash generated from operations	14	268	**301**
Interest paid		(89)	**(88)**
Income tax paid (net)		—	**(12)**
Net cash generated from operating activities		179	**201**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(181)	**(187)**
Purchase of intangible assets		(36)	**(40)**
Proceeds from sale of PPE		6	**—**
Restricted cash		7	**—**
Loan advanced to holding company		(13)	**—**
Net cash used in investing activities		(217)	**(227)**
Cash flows from financing activities			
Repayment on borrowings		—	**(2,367)**
Proceeds from loan borrowings		—	**2,367**
Amend and extend fees paid		(1)	**(4)**
Net cash used in financing activities		(1)	**(4)**
Net decrease in cash, cash equivalents and bank overdrafts		(39)	**(30)**
Cash, cash equivalents and bank overdrafts at beginning of period		193	**186**
Cash, cash equivalents and bank overdrafts at end of period		154	**156**

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 2016

	Equity share capital	Capital Contribution	Cash flow hedging reserve	Retained loss	Total equity
	€m	€m	€m	€m	€m
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)**
Balance at 30 June 2015	**—**	**47**	**—**	**(774)**	**(727)**
Loss for the period	—	—	—	**(79)**	**(79)**
Defined benefit pension scheme remeasurement gains	**—**	**—**	**—**	**92**	**92**
Tax on defined benefit pension scheme remeasurement gains	**—**	**—**	**—**	**(12)**	**(12)**
Cash flow hedges:					
—Fair value gain in year	**—**	**—**	**1**	**—**	**1**
Total comprehensive income	**—**	**—**	**1**	**1**	**2**
Capital contribution in respect of MIP equity value event	**—**	**5**	**—**	**—**	**5**
Dividends relating to equity shareholders	**—**	**—**	**—**	**(1)**	**(1)**
Balance at 31 March 2016	**—**	**52**	**1**	**(774)**	**(721)**

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

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.

The company was incorporated on 23 April 2012. The company directly holds 100% of the issued share capital of two principal subsidiaries: eircom Finco Sarl and eircom Limited. The company incorporated eircom Finco Sarl, a company registered in Luxembourg, on 24 May 2012.

On 11 June 2012, the company acquired 100% of the issued share capital of eircom Limited for €1.00 pursuant to a Scheme of Arrangement approved by the Irish High Court. The principal trading activities of the group are undertaken by eircom Limited and its subsidiaries. eircom Limited is the incumbent telecommunications operator in the Republic of Ireland.

On 1 July 2015, eircom Limited, the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of eircom Holdings (Ireland) Limited, eircom Limited (Irish Branch), a company incorporated in Jersey. The transfer of assets included the transfer of shareholding interests in underlying subsidiary companies. The business transfer was undertaken in the context of a corporate reorganisation within the eircom Holdings (Ireland) Limited Group.

The internal corporate reorganisation was undertaken following receipt of the required consents from noteholders and lenders under the Senior Facilities Agreement on 22 August 2014. The primary corporate benefit derived from the reorganisation is increased flexibility to make distributions in the future. The internal corporate reorganisation had no effect on the business or operations of the group, and it has had no impact on the accounting principles or measurement bases which apply in the preparation of the financial statements of the group. The net assets of the group were unchanged as a result of the transaction.

Eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate holding company.

This condensed consolidated interim financial information was approved for issue on 2 June 2016.

2. Basis of preparation

The condensed interim financial information, as at and for the period ended 31 March 2016, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2015, with the exception that the group commenced amortisation from 1 October 2015 of the Fixed Trademark intangible asset which has been assigned a five year useful life following the re-brand in September 2015. The Trademark (Fixed) intangible asset had an indefinite useful life as of 30 June 2015.

The group has prepared this condensed interim financial information in accordance with IAS 34—''Interim Financial Information''. 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 2015 contained elsewhere in this Offering Memorandum.

Income tax in interim periods has been accrued using the effective tax rate expected to be applicable to annual results.

This condensed interim financial information has been prepared on the going concern basis.

The net liabilities of the group included in the balance sheet at 31 March 2016 include liabilities in respect of borrowings which are measured at amortised cost including the unamortised fair value difference on borrowings of €214 million, as IFRS requires borrowings to be included at fair

2. Basis of preparation (Continued)

value on the date of initial recognition and subsequently at amortised cost (see Note 10 for further information).

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the financial statements notwithstanding the net liability position of the group as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due and is expected to comply with its financial covenants, for the foreseeable future.

Having made due enquiries, the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the interim financial statements.

This condensed interim financial information does not comprise statutory accounts within the meaning of Section 340 (4) of the Companies Act 2014. The statutory accounts for the financial year ended 30 June 2015 were approved by the Board of Directors on 27 August 2015. The auditors have reported on the statutory accounts for the financial year ended 30 June 2015. The audit report on eircom Holdings (Ireland) Limited statutory accounts for the financial year ended 30 June 2015 was not qualified nor did it contain an emphasis of matter paragraph.

There are no new IFRS standards effective from 1 June 2015 which have a material effect on the consolidated interim financial statements. IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019 subject to EU endorsement. The group is currently reviewing the expected impact of this standard.

3. Segment information

The group provides communications services, principally in Ireland. The group is organised into two main operating segments: fixed line and mobile. There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

The segment results for the nine-months period ended 31 March 2016 are as follows:

	Fixed line	Mobile	Inter-segment	Reported *	Adjusted	Statutory *
	€m	€m	€m	€m	€m	€m
Revenue	734	272	(32)	**974**	(12)	**962**
EBITDA **	312	45	—	**357**	(7)	**350**
Non-cash lease fair value credits	6	—	—	**6**	—	**6**
Non-cash pension charges	(11)	—	—	**(11)**	—	**(11)**
Amortisation	(40)	(19)	—	**(59)**	—	**(59)**
Depreciation	(190)	(21)	—	**(211)**	6	**(205)**
Exceptional items	(27)	—	—	**(27)**	—	**(27)**
Operating profit	**50**	**5**	**—**	**55**	**(1)**	**54**

3. Segment information (Continued)

The segment results for the nine-months period ended 31 March 2015 are as follows:

	Fixed line	Mobile	Inter-segment	Reported *	Adjusted	Statutory *
	€m	€m	€m	€m	€m	€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	**86**	**3**	—	**89**	(1)	**88**

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

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

The segment assets and liabilities and capital expenditure are as follows:

	31 March 2016			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	**2,154**	**352**	**9**	**2,515**
Liabilities	**872**	**150**	**2,214**	**3,236**
Capital expenditure for the nine months to 31 March 2016:				
Intangible assets (Note 7)	**26**	**11**	**—**	**37**
Property, plant and equipment (Note 8)	**137**	**19**	**—**	**156**

	30 June 2015			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	**2,239**	**365**	**9**	**2,613**
Liabilities	**992**	**171**	**2,177**	**3,340**
Capital expenditure for the twelve months to 30 June 2015:				
Intangible assets (Note 7)	**34**	**7**	**—**	**41**
Property, plant and equipment (Note 8)	**201**	**38**	**—**	**239**

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables and operating cash. They exclude taxation, investments and derivatives.

Segment liabilities comprise operating liabilities, retirement benefit liability and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable and derivatives.

3. Segment information (Continued)

Capital expenditure comprises additions to intangible assets (Note 7) and property, plant and equipment (Note 8).

4. Exceptional items

	31 March 2015	31 March 2016
	€m	€m
Restructuring programme costs	—	**4**
Management incentive plan	8	**5**
Re-branding and other strategic review costs	11	**18**
Other exceptional items	4	**—**
	23	**27**

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 €4 million for staff exits in the period ended 31 March 2016. The exceptional charge reflects charges relating to those staff who were committed to exiting the business at 31 March 2016. No provision has been included in respect of future staff exits not committed at 31 March 2016 and any further costs will be charged to the income statement 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 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.

During the period ended 31 March 2016, the group recognised a charge of €5 million (31 March 2015: €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.

Re-branding and other strategic review costs

The group recognised an exceptional charge of €16 million for re-branding costs and €2 million for strategic review costs in the period ended 31 March 2016.

During the prior year period ended 31 March 2015, the group recognised an exceptional charge of €11 million in respect of strategic review costs.

4. Exceptional items (Continued)

Other exceptional items

The group recognised exceptional credits of €3 million in the period ended 31 March 2016, comprising €2 million credit as a result of the release of dilapidation provisions in respect of Telephone House that were carried forward at the start of the year and €1 million credit in respect of a legal related matter. These were offset by exceptional charges of €3 million in respect of onerous lease contracts and other exceptional costs.

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

5. Finance costs—net

	31 March 2015	31 March 2016
	€m	€m
(a) Finance costs:		
Interest payable on bank loans and other debts	95	**96**
Payment-in-kind ("PIK") interest charge on borrowings	1	**—**
Interest amortisation on non-current borrowings	38	**21**
Net interest cost on net pension liability	9	**5**
Capitalised interest on property, plant and equipment and intangible assets	(2)	**—**
Amortisation of debt issue costs on bank loans and amend and extend fees	3	**3**
Other unwinding of discount	2	**1**
Fair value movements on derivatives not qualifying for hedge accounting	—	**12**
	146	**138**
(b) Finance income:		
Interest income	—	**—**
	—	**—**
Finance costs—net	146	**138**

In November 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group's Senior Credit Facility. The margin on the senior credit facility is 4.5% over Euribor on Facility B2 and B3 borrowings. These new swaps replaced the previous three year swaps which expired on 11 June 2015.

On 11 June 2015, the group effected an amendment and extension of the terms of its Facility B borrowings and as part of the 'Amendment and Restatement' this included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group's interest rate swaps. The hedges remain economically effective in hedging interest rate risk where EURIBOR is not negative.

6. Goodwill

	30 June 2015	31 March 2016
	€m	€m
Opening net book value	192	**192**
Net book value at end of financial period	192	**192**

Goodwill and indefinite life intangible assets are not subject to amortisation. Instead, goodwill and indefinite life intangible assets are tested for impairment annually as part of the cash generating unit (''CGU'') to which they relate, and are carried at cost less accumulated impairment losses.

An impairment test of the Fixed Line CGU was undertaken as of 30 June 2015. No impairment was identified.

As at 31 March 2016, the Directors concluded that there was no indicator of impairment and consequently no test of impairment was required to be performed.

7. Other intangible assets

	Computer software	Trademarks	TV content rights	Licence	Total
	€m	€m	€m	€m	€m
Nine months ended 31 March 2016:					
Opening net book value	**149**	**127**	**—**	**159**	**435**
Additions	**29**		**8**		**37**
Amortisation charge for the financial period	**(38)**	**(13)**	**—**	**(8)**	**(59)**
Transfer from PPE	**4**	**—**	**—**	**—**	**4**
At 31 March 2016	**144**	**114**	**8**	**151**	**417**
Twelve months ended 30 June 2015:					
Opening net book value	149	127	—	171	447
Additions	41	—	—	—	41
Amortisation charge for the financial year	(41)	—	—	(12)	(53)
At 30 June 2015	149	127	—	159	435

8. Property, plant and equipment ("PPE")

	Land and Buildings	Network, Plant and Equipment	Total
	€m	€m	€m
Nine months ended 31 March 2016:			
Opening net book value	**196**	**1,331**	**1,527**
Additions	**—**	**156**	**156**
Depreciation charge for the financial period	**(13)**	**(192)**	**(205)**
Exchange adjustments	**—**	**(1)**	**(1)**
Transfer to intangible assets	**—**	**(4)**	**(4)**
At 31 March 2016	**183**	**1,290**	**1,473**
Twelve months ended 30 June 2015:			
Opening net book value	218	1,339	1,557
Additions	3	236	239
Depreciation charge for the financial year	(19)	(245)	(264)
Exchange adjustments	—	1	1
Disposals/retirements	(6)	—	(6)
At 30 June 2015	196	1,331	1,527

9. Trade and other receivables

During the period ended 31 March 2016, the group recognised a provision for impaired receivables of €6 million (31 March 2015: €9 million), reversed provisions for impaired receivables of €Nil (31 March 2015: €1 million) and utilised provisions for impaired receivables of €12 million (31 March 2015: €9 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

10. Borrowings

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

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
As at 31 March 2016					
Bank borrowings (Facility B)	**—**	**—**	**159**	**1,863**	**2,022**
Unamortised fair value difference on borrowings	**—**	**—**	**(17)**	**(197)**	**(214)**
Amend and extend fees	**—**	**—**	**(2)**	**(18)**	**(20)**
	—	**—**	**140**	**1,648**	**1,788**
9.25% Senior Secured Notes due 2020	**—**	**—**	**350**	**—**	**350**
Debt issue costs	**—**	**—**	**(8)**	**—**	**(8)**
	—	**—**	**342**	**—**	**342**
	—	**—**	**482**	**1,648**	**2,130**
As at 30 June 2015					
Bank borrowings (Facility B)	—	—	159	1,863	2,022
Unamortised fair value difference on borrowings	—	—	(18)	(217)	(235)
Amend and extend fees	—	—	(2)	(20)	(22)
	—	—	139	1,626	1,765
9.25% Senior Secured Notes due 2020	—	—	350	—	350
Debt issue costs	—	—	(9)	—	(9)
	—	—	341	—	341
	—	—	480	1,626	2,106

At 31 March 2016, the group has Senior Bank borrowings of €2,022 million with a maturity date of 30 September 2019 for Facility B2 borrowings of €159 million and a maturity date of 31 May 2022 for Facility B3 borrowings of €1,863 million.

During the year ended 30 June 2013, the group undertook a permitted bond refinancing. In accordance with the terms of the Senior Facilities Agreement, €339 million of the net proceeds from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement at an average price of €0.933 per €1.00, with an equivalent reduction in the group's borrowings under the Senior Facilities Agreement.

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 bank borrowings. On 11 June 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The maturity date of the remaining non-extending Facility B2 borrowings of €159 million is unchanged at 30 September 2019. The new and amended Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin.

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

10. Borrowings (Continued)

borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 31 March 2016 was €214 million.

During July 2015, the group entered into new borrowing arrangements for €2,367 million, which were drawndown and subsequently repaid in full in the context of a corporate reorganisation within the eircom Holdings (Ireland) Limited Group as described in Note 1. The transactions had no impact on the measurement or recognition of the pre-existing borrowings of the consolidated group. No gain or loss arose on the repayment of borrowings in the group financial statements and the pre-existing borrowings were not modified or otherwise affected. eircom Limited, the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of the group, eircom Limited (Irish Branch), a company incorporated in Jersey. The internal corporate reorganisation was undertaken following receipt of the required consents from noteholders and lenders under the Senior Facilities Agreement.

Interest accrued on borrowings at 31 March 2016 is €18 million (30 June 2015: €9 million). This is included in trade and other payables.

11. Fair value hierarchy

Fair value hierarchy

The table below shows for the group's financial assets and liabilities that are recognised and subsequently measured at fair value their classification within a three-level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets at the balance sheet date. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Financial assets held at fair value	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Derivative financial instruments	—	—	—	—
At 31 March 2016	—	—	—	—
Derivative financial instruments	—	1	—	1
At 30 June 2015	—	1	—	1

Financial liabilities held at fair value	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Derivative financial instruments	—	13	—	13
At 31 March 2016	—	13	—	13
Derivative financial instruments	—	4	—	4
At 30 June 2015	—	4	—	4

11. Fair value hierarchy (Continued)

Valuation technique

The fair value of derivative financial instruments is calculated as the present value of the estimated future cash flows and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

12. 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 2016 reflects the IAS 19 (Revised) deficit of €353 million as at 31 March 2016.

Pension scheme obligation

The status of the principal scheme at 31 March 2016 is as follows:

	30 June 2015	31 March 2016
	€m	€m
Present value of funded obligations	4,331	**4,561**
Fair value of scheme assets	(3,905)	**(4,208)**
Liability recognised in the Balance Sheet	426	**353**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2015	At 31 March 2016
Rate of increase in salaries	1.50%	1.50%
Rate of increase in pensions in payment	1.50%	1.50%
Discount rate	2.40%	2.10%
Inflation assumption	1.70%	1.70%
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old male	88 years	88 years
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old female	90 years	90 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	91 years	91 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	93 years	93 years

The above assumptions reflect the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.

13. Provisions for other liabilities and charges

	TIS Annuity Scheme	Onerous Contracts	Asset Retirement Obligations	Other	Total
	€m	€m	€m	€m	€m
At 30 June 2015	**24**	**8**	**56**	**45**	**133**
Charged to consolidated income statement:					
—Additional provisions	—	2	—	1	**3**
—Unused amounts reversed	—	—	—	(2)	**(2)**
Increase in provision capitalised as ARO	—	—	1	—	**1**
Utilised in the financial period	(5)	(1)	—	(4)	**(10)**
At 31 March 2016	**19**	**9**	**57**	**40**	**125**

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

	30 June 2015	31 March 2016
	€m	€m
Non-current	101	**94**
Current	32	**31**
	133	**125**

14. Cash generated from operations

	31 March 2015	31 March 2016
	€m	€m
Loss after tax	(47)	**(79)**
Add back:		
Income tax credit	(10)	**(4)**
Share of profit of joint venture	(1)	**(1)**
Finance costs—net	146	**138**
Operating profit	88	**54**
Adjustments for:		
—Profit on disposal of property, plant and equipment	(1)	**—**
—Depreciation and amortisation	228	**264**
—Non-cash lease fair value credits	(7)	**(6)**
—Non cash retirement benefit charges	8	**11**
—Restructuring programme costs	—	**4**
—Non cash exceptional items	8	**4**
—Other non cash movements in provisions	1	**1**
Cash flows relating to restructuring, onerous contracts and other provisions	(52)	**(13)**
Cash flows relating to construction contracts	2	**—**
Changes in working capital		
Inventories	3	**(3)**
Trade and other receivables	(32)	**(4)**
Trade and other payables	22	**(11)**
Cash generated from operations	268	**301**

15. Post Balance Sheet Events

On 1 April 2016, the group acquired 100% of the share capital of Setanta Sports Channel Ireland Limited, a company incorporated in Ireland, as well as the Irish residential subscriber business and assets of Setanta Sports Hibernia Sàrl (together "Setanta Sports Ireland"). Setanta Sports Ireland is Ireland's leading premium sports broadcaster and its offering includes exclusive Irish rights to the BT Sports channels.

Details of total purchase consideration are as follows:

	€'m
Purchase consideration:	
—Cash paid	22
—Deferred Consideration	3
Total purchase consideration	25

A purchase price allocation of the consideration attributed to the identifiable assets and liabilities of the acquiree had not been completed as of the date of completion of these financial statements but will be included in the financial statements for the year ended 30 June 2016.

The acquisition allows eir to significantly expand its TV offering and further enhance the range of propositions on offer to customers. Setanta Sports Ireland offers a compelling range of exclusive sports content in the Republic of Ireland.

There have been no other significant events affecting the group since the period ended 31 March 2016.

16. Contingent liabilities

There have been no material changes in our contingent liabilities since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2015.

17. Guarantees

There have been no material changes in our credit guarantees and in derivatives since the publication of the financial statements of EHIL in the bondholder's report for the year ended 30 June 2015.

18. Seasonality

Fixed line

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

Mobile

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

19. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €344 million at 31 March 2016 (30 June 2015: €353 million). The payments due on operating leases

19. Commitments (Continued)

are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments

The group's capital contractual obligations and commitment payments were €58 million at 31 March 2016 (30 June 2015: €45 million).

20. 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. During the period ended 31 March 2016, the group recognised a charge of €5 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 2015.

Independent auditors' report to the Directors of eircom Holdings (Ireland) Limited

Report on the non-statutory group financial statements

Our opinion

In our opinion, eircom Holdings (Ireland) Limited's non-statutory group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 30 June 2015 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

What we have audited

The financial statements comprise:

- the group balance sheet as at 30 June 2015;
- the group income statement for the year then ended;
- the group cash flow statement for the year then ended;
- the group statement of comprehensive income for the year then ended;
- the group statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page F-4, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the group's directors as a body in accordance with our engagement letter dated 14 May 2015 and updated on 3 June 2015 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

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Chartered Accountants

Independent auditors' report to the Directors of eircom Holdings (Ireland) Limited—continued

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other Matter—financial statements

We draw your attention to the fact that these financial statements have not been prepared under section 391 of the Companies Act 2014 and are not the company's statutory group financial statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

27 August 2015

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements

For the Year Ended 30 June 2015

The directors are responsible for preparing the non-statutory consolidated financial statements for the bondholders in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for being satisfied that they give a true and fair view of the state of the group's affairs at the end of the financial year and of the profit or loss and cash flows of the Group for the financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These non-statutory consolidated financial statements have been approved for issue by the Directors on 27 August 2015.

eircom Holdings (Ireland) Limited

Group income statement

For the Year Ended 30 June 2015

	Notes	Restated Year ended 30 June 2014	Year ended 30 June 2015
		€m	€m
Revenue	6	1,267	**1,249**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	7	(809)	**(779)**
Amortisation	7, 13	(76)	**(53)**
Depreciation and impairment of property, plant & equipment	7, 14	(262)	**(264)**
Exceptional items	7, 8	(235)	**(31)**
Profit on disposal of property, plant and equipment	7, 9	3	**1**
Operating (loss)/profit		(112)	**123**
Finance costs	10 (a)	(223)	**(227)**
Finance income	10 (b)	1	**—**
Finance costs—net	10	(222)	**(227)**
Share of profit of investments accounted for using the equity method		1	**1**
Loss before tax		(333)	**(103)**
Income tax credit	11	24	**8**
Loss for the financial year attributable to equity holders	29	(309)	**(95)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of comprehensive income

For the Year Ended 30 June 2015

	Notes	Year ended 30 June 2014	Year ended 30 June 2015
		€m	€m
Loss for the financial year attributable to equity holders	29	(309)	**(95)**
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial gains/(losses):			
—Actuarial gain/(loss) in year	34	527	**(27)**
—Tax on defined benefit pension scheme actuarial (gains)/ losses	16, 25	(66)	**3**
		461	**(24)**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
—Fair value (loss)/gain in year	29	(6)	**1**
—Tax on cash flow hedge movements	29	1	**—**
Currency translation differences	29	1	**1**
		(4)	**2**
Other comprehensive income/(expense), net of tax		457	**(22)**
Total comprehensive income/(expense) for the financial year attributable to equity holders	29	148	**(117)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet

As at 30 June 2015

	Notes	Restated 1 July 2013	Restated 30 June 2014	30 June 2015
		€m	€m	€m
ASSETS				
Non-current assets				
Goodwill	12	192	192	**192**
Other intangible assets	13	460	447	**435**
Property, plant and equipment	14	1,556	1,557	**1,527**
Investments	15	—	1	**2**
Derivative financial instruments	24	4	—	**1**
Deferred tax asset	16	3	6	**6**
Other assets	17	5	1	**15**
		2,220	2,204	**2,178**
Current assets				
Inventories	18	12	12	**9**
Trade and other receivables	19	222	215	**232**
Derivative financial instruments	24	1	—	**—**
Restricted cash	20	22	14	**8**
Cash and cash equivalents	21	319	193	**186**
		576	434	**435**
Total assets		2,796	2,638	**2,613**
LIABILITIES				
Non-current liabilities				
Borrowings	23	1,959	2,031	**2,106**
Derivative financial instruments	24	—	—	**2**
Trade and other payables	27	170	159	**152**
Deferred tax liabilities	25	—	53	**46**
Retirement benefit liability	34	836	391	**426**
Provisions for other liabilities and charges	26	131	109	**101**
		3,096	2,743	**2,833**
Current liabilities				
Derivative financial instruments	24	—	1	**2**
Trade and other payables	27	441	456	**461**
Current tax liabilities		21	16	**12**
Provisions for other liabilities and charges	26	42	69	**32**
		504	542	**507**
Total liabilities		3,600	3,285	**3,340**
EQUITY				
Equity share capital	28, 29	—	—	**—**
Capital contribution	29	—	9	**47**
Cash flow hedging reserve	29	4	(1)	**—**
Retained loss	29	(808)	(655)	**(774)**
Total equity	29	(804)	(647)	**(727)**
Total liabilities and equity		2,796	2,638	**2,613**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited
Group cash flow statement
For the Year Ended 30 June 2015

	Notes	Restated Year ended 30 June 2014	Year ended 30 June 2015
		€m	€m
Cash flows from operating activities			
Cash generated from operations	30	271	**423**
Interest received		1	**—**
Interest paid		(104)	**(128)**
Income tax refund		3	**—**
Net cash generated from operating activities		171	**295**
Cash flows from investing activities			
Disposal of associate undertaking		1	**—**
Purchase of property, plant and equipment ("PPE")		(230)	**(249)**
Purchase of intangible assets		(66)	**(43)**
Proceeds from sale of PPE and other intangible assets		3	**6**
Restricted cash		8	**6**
Loan advanced to holding company		—	**(14)**
Net cash used in investing activities		(284)	**(294)**
Cash flows from financing activities			
Dividends paid to equity shareholders		—	**(1)**
Repayment on borrowings		—	**(238)**
Proceeds from loan borrowings		—	**238**
Amend and extend fees paid		(13)	**(7)**
Net cash used in financing activities		(13)	**(8)**
Net decrease in cash, cash equivalents and bank overdrafts		(126)	**(7)**
Cash and cash equivalents and bank overdrafts at beginning of financial year		319	**193**
Cash, cash equivalents and bank overdrafts at end of financial year	21	193	**186**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of changes in equity

For the Year Ended 30 June 2015

	Notes	Total Equity €m
Balance at 1 July 2013	29	(804)
Total comprehensive income for the financial year	29	148
Capital contribution in respect of management incentive plan ('MIP') equity value event	29	9
Balance at 30 June 2014	29	(647)
Balance at 1 July 2014	29	**(647)**
Total comprehensive expense for the financial year	29	**(117)**
Capital contribution in respect of MIP equity value event	29	**11**
Reclassification to equity of MIP debt value event provision	29	**27**
Dividends relating to equity shareholders	29	**(1)**
Balance at 30 June 2015	29	**(727)**

The accompanying notes form an integral part of the financial statements.

1. General information

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

eircom Holdings (Ireland) Limited was incorporated on 23 April 2012. eircom Holdings (Ireland) Limited directly holds 100% of the issued share capital of two principal subsidiaries: eircom Finco Sarl and eircom Limited. eircom Holdings (Ireland) Limited incorporated eircom Finco Sarl, a company registered in Luxembourg, on 24 May 2012.

On 11 June 2012, eircom Holdings (Ireland) Limited acquired 100% of the issued share capital of eircom Limited for €1.00 pursuant to a Scheme of Arrangement approved by the Irish High Court. The principal trading activities of the group are undertaken by eircom Limited and its subsidiaries. eircom Limited is the incumbent telecommunications operator in the Republic of Ireland. On 1 July 2015, after the balance sheet date, the assets and liabilities of eircom Limited were transferred to a newly formed fellow subsidiary, eircom Limited (Irish Branch), a company incorporated in Jersey, in the context of an internal corporate reorganisation.

Eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate holding company.

2. Going concern

The financial statements have been prepared on the going concern basis.

The net liabilities of the group included in the balance sheet at 30 June 2015 include liabilities in respect of borrowings which are measured at amortised cost including the unamortised fair value difference on borrowings of €235 million, as IFRS requires borrowings to be included at fair value on the date of initial recognition and subsequently at amortised cost (see Note 23).

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the financial statements notwithstanding the net liability position of the group, as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due and is expected to comply with its financial covenants, for the foreseeable future.

The financial covenants under the Senior Facilities Agreement include a maximum ratio of consolidated net debt to consolidated EBITDA, minimum ratios of cash flow and consolidated EBITDA to net debt service, minimum liquidity requirements and annual maximum capital expenditure limits. In setting the financial covenants consideration was given for potential downside risk to the eircom Limited Group's business plans. The covenants are required to be tested on a quarterly basis, except for the capital expenditure covenants which are required to be tested on an annual basis and the cash flow before net debt service to net debt service covenant which is effective from 30 September 2015. The covenant tests have been met for the year ended 30 June 2015. The financial covenant measures, if not complied with at future dates, could result in the new Facilities becoming immediately due and payable in advance of the agreed maturity date.

Having made due enquiries, the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

The significant accounting policies adopted by the group are set out below.

3.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis (see Note 2). A summary of the more important accounting policies is set out below.

The financial statements, which are presented in euro rounded to the nearest million, have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- pension obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Standards, amendments and interpretations effective for the year ended 30 June 2015

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' during the year. IFRS 11, 'Joint Arrangements' requires interests in jointly controlled entities to be recorded using the equity method. Under IFRS 11, the group's investment in Tetra has been classified as a joint venture and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11, the group's interest in Tetra was proportionately consolidated. See Note 40 for the impact on the financial statements.

The mandatory adoption of other new and amended standards has had no material impact on the group.

3.2. Basis of consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Holdings (Ireland) Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Holdings (Ireland) Limited included in the financial statements.

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the group from the date that control ceases.

3. Accounting policies (Continued)

(ii) *Joint arrangements*

Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The group holds 56% of the equity share capital in Tetra Ireland Communications Limited ("Tetra"). However, the group's interest in Tetra is subject to a contractual agreement with other shareholders, which prevents the group from exercising a majority of voting rights in key strategic, operational and financial decision-making. Accordingly, the group's interest is accounted for as a joint venture in accordance with IFRS 11 'Joint Arrangements'.

The group's interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. The group's joint venture' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) *Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

3. Accounting policies (Continued)

(iv) *Acquisitions*

The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities recognised. The interest of non-controlling interest shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised, and does not include a gross-up for goodwill. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group. There were no acquisitions in the two years to 30 June 2015.

(v) *Disposals*

The results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

3.3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets, liabilities and contingent liabilities recognised of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill may not be reversed in any circumstances.

Goodwill is allocated to cash generating units for the purpose of impairment testing in accordance with IAS 36 "Impairment of Assets". The allocation is made to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of estimates, including management's expectations of future revenue, operating costs, profit margins and capital requirements for each cash generating unit.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.4. Intangible assets

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or

3. Accounting policies (Continued)

cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives (three to four years). Costs associated with the upgrade of computer software programmes which increase the functionality of computer software or related assets are capitalised.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Licence fees paid to the government, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

The following useful lives have been assigned to intangible assets:

	Years
Computer software	3 - 4
Intangible assets from acquisitions:	
Customer relationships (Fixed)	2
Trademark (Fixed)	Indefinite
Licence (Fixed)	2
Mobile licences	15 - 18.5 (1)

(1) Spectrum licences are amortised over the term of the relevant licences which expire between 13 July 2015 and 12 July 2030.

Intangible assets not yet available for use are tested for impairment in accordance with IAS 36 "Impairment of Assets" in the same manner as goodwill (see 3.3 above).

An indefinite useful life has been attributed to the Trademark (Fixed) as a result of its prominence and the greater public's awareness of the Trademark in Ireland. The Directors expect to continue to use, develop and build upon the Trademark for the purposes of the group's Fixed Line operations for the foreseeable future, and to maintain the Trademark's distinction and appeal through a continuation of advertising and marketing campaigns.

3.5. Segmental reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team, which is the key management team that makes strategic decisions.

3.6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

3. Accounting policies (Continued)

The group recognises revenue when the amount of the revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the actual terms of each arrangement.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

When the group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the group acts as an agent on behalf of third parties, revenue is reported at the net amounts receivable from those third parties.

Fixed Line Revenue

Fixed line revenue is recognised in the period earned by rendering of services or delivery of products.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between four and five years. Connection lives are reviewed annually.

Revenue from equipment sold to third parties is recognised when the equipment is delivered to the customer. Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related services, is recognised over the term of the contract. Revenue from fixed price contracts is generally recognised in the period the services are provided, using a straight line basis over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Mobile Revenue

Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets and other accessories.

Bundled Contract Revenue

Revenue from the sale of bundled products is allocated to the separate elements of the bundle on the basis of each element's relative fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. Additionally, when allocating the bundled revenue to each element, amounts contingent upon provision of future service are not allocated to delivered elements. To the extent that there is a discount in the bundled

3. Accounting policies (Continued)

product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

3.7. Exceptional items

The group has adopted an income statement format which seeks to highlight significant items within group results for the year. The group believe that this presentation provides additional analysis as it highlights one-off items. Such items include, where significant, restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, impairment of surplus properties, onerous contracts and reinstatement/dilapidation provisions. 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.

3.8. Amounts paid and payable to other operators

Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

3.9. Customer acquisition costs

The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are expensed as incurred in the income statement.

The cost of mobile handsets, mobile handset promotions and the cost of data modems are expensed at the time the customer is acquired or when upgrades are provided to existing customers.

The costs associated with the group's advertising and marketing activities are also expensed as incurred.

3.10. Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). These consolidated financial statements are presented in euro, which is the group's presentation currency and is denoted by the symbol "€".

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of other comprehensive income as qualifying cash flow hedges.

3. Accounting policies (Continued)

Group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the statement of other comprehensive income.

3.11. Taxation

eircom Holdings (Ireland) Limited is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.12. Financial instruments

(i) Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the fair value on initial recognition and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

3. Accounting policies (Continued)

Where the terms of borrowings are amended, if the revised terms are substantially different from the original terms, the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any gain or loss on the extinguishment of the original liability is recognised immediately in the income statement. If the new terms are not substantially different from the original terms, the impact of the change in the cash flows on the financial instrument's amortised cost is recognised in the income statement over the modified instrument's remaining contractual period.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months from the balance sheet date.

(ii) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivative assets or liabilities are presented as current or non-current based on expected realisation or settlement dates.

(iii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for

3. Accounting policies (Continued)

those with maturities greater than 12 months after the balance sheet date. The group's loans and receivables are set out in Note 22.

3.13. Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Cost in the case of network plant includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Depreciation

Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives, from the date the asset is available for use. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Plant	
Transmission Equipment	20
Duct	8 - 15
Overhead cable/poles	14
Underground cable	6 - 15
Other local network	
Exchanges	
Exchange line terminations	8
Core hardware/operating software	3 - 4
Others	3 - 14

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, directly attributable to constructing qualifying assets that necessarily take a substantial period of time to get ready for their intended use, is capitalised based on the weighted average interest rate on outstanding borrowings.

Asset retirement obligations

The group has certain obligations in relation to the retirement of assets, mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are

3. Accounting policies (Continued)

removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

3.14. Impairment of non financial assets—group

Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use, are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses recognised in respect of goodwill are not reversed in any circumstances.

3.15. Leased assets

The fair value of property, plant and equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.16. Inventories

Inventories comprise mainly consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items, on the basis of a review of individual items included in inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

As part of the strategy to acquire new customers and retain existing customers, the group sells certain mobile handsets, in connection with a service contract, at below the acquisition cost. The group also currently provides modems free of charge to customers in connection with broadband service contracts. As the mobile handset subsidy and modem costs are part of the group's strategy for acquiring new customers and retaining existing customers, the loss on the sale of mobile handsets and the cost of providing modems to customers are recognised at the time

3. Accounting policies (Continued)

of the sale or provision to the customer on a free of charge basis and included in the income statement.

3.17. Trade and other receivables

Trade receivables are recognised initially at fair value, which is normally the original invoiced amount or amount advanced and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of the bad debt provision account, and the amount of the loss is recognised in the income statement in "operating costs". When a trade receivable or other receivable is uncollectible, it is written off against the bad debt provision account.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.18. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of less than three months.

3.19. Indefeasible rights of use ("IRU")

The group accounts for IRU contracts that are not leases in the following manner:

(i) Sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as an asset and amortised on a straight-line basis as an expense over the period of the relevant contracts.

3.20. Employee benefits

(i) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to independent trustee-administered funds. The group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

3. Accounting policies (Continued)

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation, and the related current service cost, and, where applicable, past service cost, are calculated by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually unless there has been a material change in the obligations, where it is then recalculated during the year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on current market yields at the balance sheet date of high quality corporate bonds that are denominated in euros, and reflect the duration of the related pension liability.

The amounts of current service cost and net interest cost recognised in the income statement are computed based on actuarial assumptions at the start of the financial year. Costs of administering the defined benefit plans, other than investment management costs, are recognised within operating expenses in the income statement as the administrative services are received.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited directly to reserves through the statement of other comprehensive income.

Past service costs and negative past service costs are recognised immediately in the group income statement.

Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets or liabilities in the group income statement. Before the effect of a curtailment or settlement is determined, the defined benefit obligation is re-measured using current actuarial assumptions.

The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Pre 1 January 1984, past-service costs are the responsibility of the Irish Minister for Finance (see Note 34(b)).

(ii) *Other bonus plans*

The group recognises a liability and an expense for bonuses where contractually obliged, or where there is past practice that has created a constructive obligation.

The entitlement to bonuses under long term bonus plans is usually conditional on the completion of a minimum service period. The expected costs of the bonuses are accrued over the period of employment based on estimates of the ultimate amount payable and targets under the schemes.

(iii) *Other long term incentive arrangements*

Where the group has committed to other long term incentive arrangements, resulting long term employment benefits are accounted for in a similar manner to post employment benefits. The group accounts for obligations relating to long term incentive bonus plans for executive directors, key management and other employees at the present value of the incentive bonus plan obligation at the reporting date. The service cost relating to such plans is allocated over each of the years which service under the plan is rendered by the individual to meet the conditions under each of the individual vesting periods. The income statement expense represents the increase in the

3. Accounting policies (Continued)

present value of the incentive bonus plan obligation resulting from employee service in the current period, and any changes in the estimate of the ultimate amounts payable under the scheme, in addition to any associated finance costs where material.

Where long term incentive arrangements include share-based payment obligations, the accounting for such arrangements differs depending on whether the obligations are equity-settled, cash-settled and where the cost is borne by the holding company. Under the plans currently in existence, the group has no obligations in respect of share based payments, which are borne by the holding company, eircom Holdco SA. As the relevant individuals provide services to the group, the group is required to recognise a charge to the income statement and a corresponding increase in equity. For cash settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(iv) *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits comprise the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact.

3.21. Provisions

A provision is recognised when, and only when (a) the group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A constructive obligation for restructuring cost exists where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous lease provisions have been measured at the lower of the cost to fulfil the contract, or the estimated cost to exit it, where appropriate.

3.22. Financial guarantee contracts

Liabilities are initially measured at fair value in respect of financial guarantees issued by the group for the benefit of third parties, and subsequently at the higher of the amount determined in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

3. Accounting policies (Continued)

3.23. Contingent liabilities and contingent assets

A contingent liability, including contingent liabilities in respect of financial guarantee contracts, is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (b) the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised but is disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

Where the group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.

3.24. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.25. Dividend distribution

Final dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are paid.

3.26. Dividends

Dividend income is recognised when the right to receive payment is established.

4. Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: liquidity risk, market rate risk (including cash flow, interest rate risk, currency risk and price risk) and credit risk. The group's overall risk management program focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments, such as interest rate swaps, to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, and ageing analysis for credit risk. Responsibility for managing these risks rests with the Board.

The group does not hold or issue derivative financial instruments for financial trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

On 11 June 2012, following the implementation of a High Court approved Scheme of Arrangement under which eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited, eircom Finco Sarl, a subsidiary company, became the borrower of €2,345 million under a Senior Facilities Agreement with the group's external lenders. eircom Holdings (Ireland)

4. Financial risk management (Continued)

Limited together with certain of its subsidiary companies, are guarantors under the Senior Facilities Agreement. The Senior Facilities Agreement requires, amongst other things, that the eircom Holdings (Ireland) Limited Group comply with financial covenants. Further details of the financial covenants are set out in Note 2 to the financial statements. Non-compliance with these covenants, which are measured on a quarterly basis, would allow the lenders under the Senior Facilities Agreement to accelerate the indebtedness requiring all incurred liabilities to be immediately repaid in full.

As set out in Note 23, the net proceeds of €339 million from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement (at an average price of €0.933 per €1.00). The Senior Secured Notes bear fixed rate cash pay interest of 9.25% in semi-annual instalments.

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 bank borrowings. On 11 June 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal now extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The maturity date of the remaining non-extending Facility B2 borrowings of €159 million is unchanged at 30 September 2019. The new and amended Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin. The €238 million mandatory prepayment of Facility B1 and B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €32 million in the income statement within 'finance costs'. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. Transaction costs of €11 million directly attributable to the modification and new borrowings have been deferred to the balance sheet and will be amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

There have been no other changes in the types of financial risks or the group's risk management program (including methods used to measure the risks) arising from any of the group's trading activities since 30 June 2014.

4.1. Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to meet the group's requirements and to repay maturing debt and other liabilities as they fall due.

The balance sheet of eircom Holdings (Ireland) Limited includes a recognised liability of €1,787 million in respect of the group's borrowings under the Senior Credit Facilities Agreement in non-current liabilities as at 30 June 2015. The actual non-current liability in respect of these borrowings at 30 June 2015 is €2,022 million. The difference of €235 million, arising from recognising the borrowings based on the fair value on inception, is amortised over the term of the borrowings in accordance with the effective interest rate method under IAS 39.

Details of the maturities of the obligations of the group are set out below.

As set out in Note 2, having reviewed the group's business plans and cash flow forecasts, and considering forecast compliance with financial covenants up to the period ending 31 December 2016, the Directors consider that the group will able to realise its assets and discharge its liabilities in the ordinary course of business for the foreseeable future. Management of the group's liquidity risk is fundamental to its operations. The nature of the group's business, its working capital

4. Financial risk management (Continued)

management activities and investment in network assets has often resulted in minimal current assets or net current liabilities.

The eircom Holdings (Ireland) Limited group has net current liabilities of €72 million at 30 June 2015. The current liabilities at that date include deferred revenue of €105 million. There is no cash outflow requirement associated with deferred revenue.

Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the interest rates effective at the balance sheet date and includes the margins applicable to the relevant debt.

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
Borrowings					
—At 30 June 2015	**—**	**—**	**509**	**1,863**	**2,372**
—At 30 June 2014 (restated)	—	—	108	2,263	2,371
Interest on borrowings					
—At 30 June 2015	**125**	**124**	**369**	**163**	**781**
—At 30 June 2014	127	128	379	60	694
Derivative financial instruments					
—At 30 June 2015	**2**	**2**	**—**	**—**	**4**
—At 30 June 2014	1	—	—	—	1
Trade and other payables					
—At 30 June 2015	**301**	**8**	**23**	**16**	**348**
—At 30 June 2014 (restated)	302	4	23	24	353
TIS annuity scheme					
—At 30 June 2015	**6**	**5**	**9**	**3**	**23**
—At 30 June 2014	9	7	11	5	32

4.2. Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders over the long term. The capital structure of the group consists of the borrowings as set out above, and equity comprising issued capital, reserves and accumulated losses as listed in Note 29. The maturities of the group's borrowings are shown in Note 4.1.

4.3. Credit risk

Credit risk refers to the loss that the group would incur if a debtor or other counter-party fails to perform under its contractual obligations. Credit risks are mainly related to counter-party risks associated with cash and cash equivalents, restricted cash, trade and other debtors, amounts owed by related companies and derivative contracts.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a regular basis, including some processing of current

4. Financial risk management (Continued)

credit information on subscribers from third-party sources (subject to availability) and, where appropriate, a provision for doubtful debtors is made.

The credit risk and net exposure on key accounts, particularly other authorised operators and international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

Ageing of trade receivables

The ageing analysis of trade receivables is set out below.

	Past due but not impaired				Neither impaired nor past due	Impaired	Total
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days			
	€m	€m	€m	€m	€m	€m	€m
Trade receivables							
—at 30 June 2015	**28**	**15**	**7**	**21**	**80**	**22**	**173**
—at 30 June 2014 (restated)	21	14	8	22	81	25	171

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The group held collateral on trade receivables in the form of cash deposits of €2 million (30 June 2014: €2 million) as security.

The group is exposed to credit risk relating to its cash and cash equivalents. The group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties and with institutions whose long-term Standard & Poor's (S&P) credit rating is "BBB−" or above (or Moody's equivalent rating of "Baa3") or is an acceptable bank under the Senior Facilities Agreement.

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings in the table below.

	Restated 30 June 2014	30 June 2015
	€m	€m
Cash and cash equivalents		
AAA	25	**—**
AA−	14	**—**
A+	42	**—**
A	66	**—**
BBB+	1	**—**
BBB−	—	**3**
BB+	10	**183**
BB	35	**—**
	193	**186**

4.4. Market rate risk

Market rate risk refers to the exposure of the group's financial position to movements in interest rates, currency rates and general price risk. The group has limited exposure to equity,

4. Financial risk management (Continued)

currency and price risk, other than the impact of those risks on the group's defined benefit pension scheme.

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates.

Cash and cash equivalents and borrowings at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents and borrowings at a fixed rate expose the group to fair value interest rate risk.

The group uses derivative financial instruments to hedge certain interest rate risk exposures on group borrowings.

In accordance with the terms of the Senior Facilities Agreement of eircom Holdings (Ireland) Limited in November 2012 a hedging letter was agreed between eircom Holdings (Ireland) Limited and the Agent. The hedging letter required the group to hedge its exposure to interest rate risk on not less than 50 per cent of its consolidated total net debt as defined under the Senior Facilities Agreement until 11 June 2015. Since that date, the group is no longer required to hedge its exposure to interest rate risk.

During the year, the group entered into two forward starting interest rate swaps with a notional principal amount of €1,200 million for a period of three years from 11 June 2015. These new swaps replaced the previous three year swaps which expired on 11 June 2015. However, during the year the group also effected a further amendment and extension of the terms of its Facility B borrowings and the 'Amendment and Restatement' included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group's interest rate swaps. Therefore, the swaps do not meet the requirements for hedge accounting.

As at reporting date, the group had the following cash and cash equivalents (Note 21), floating-rate borrowings (Note 23) and interest rate swap contracts outstanding (Note 24):

	30 June 2014 (Restated)		30 June 2015	
	Weighted average Interest rate	Balance	Weighted average Interest rate	Balance
	%	€m	%	€m
Cash and cash equivalents	0.16%	193	—	**186**
Bank borrowings (Facility B1)	4.26%	(108)	—	—
Bank borrowings (Facility B2)	4.76%	(1,913)	**4.50%**	**(159)**
Bank borrowings (Facility B3)	—	—	**4.50%**	**(1,863)**
Interest rate swaps (Notional principal amount)		1,200		**1,200**
Net exposure to interest rate risk		(628)		**(636)**

Interest rate sensitivity analysis

Based on the financial instruments held at the balance sheet date, if interest rates are 25 basis points ("bps") higher/lower and all other variables are held constant, the group's profit/(loss) after

4. Financial risk management (Continued)

tax for the year ended 30 June 2015 will increase or decrease by the amounts set out in the table below:

	Increase by 25 bps	Decrease by 25 bps
	€m	€m
Profit for the year—(lower)/higher	**(1)**	**1**

A sensitivity of 25 bps has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

Currency risk

The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

Given the limited level of risk the group does not generally hedge its foreign exchange risk arising on transactions and capital expenditure denominated in foreign currencies.

Price risk

The group is exposed to price risk on the assets held by the group's defined benefit pension scheme (see Note 34).

4.5. Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

This information has been provided in Note 22.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair values of short-term deposits and overdrafts approximate to their carrying amounts.

4. Financial risk management (Continued)

4.6. Hedging instruments

Derivatives ineligible for hedge accounting

As at the reporting date, the group had entered into a number of swaps to cover interest rate exposure on various debt obligations. These instruments are ineligible for hedge accounting under IAS 39 and movements in the fair value of these derivatives have been taken through the income statement. The details of the effective interest rate and maturity of these instruments is:

	Principal value	Fair Value	Weighted average Interest rate	Maturity date—principal value Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€m	€m	%	€m	€m	€m	€m	€m	€m
Derivatives ineligible for hedge accounting									
—at 30 June 2015	**1,200**	**(3)**	**0.099%**	**—**	**—**	**1,200**	**—**	**—**	**—**
—at 30 June 2014	—	—	—	—	—	—	—	—	—

The group does not use derivatives for trading or speculative purposes but has derivatives which are ineligible for hedge accounting.

Further information on the group's use of interest rate swaps is included in Note 24.

Interest rate swaps—ineligible for hedge accounting

During the year, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group's Senior Credit Facility. The margin on the senior credit facility is 4.5% over Euribor on Facility B2 and B3 borrowings. These new swaps replaced the previous three year swaps which expired on 11 June 2015.

On 11 June 2015, the group effected a further amendment and extension of the terms of its Facility B borrowings and as part of the 'Amendment and Restatement' this included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group's interest rate swaps. Therefore the swaps are no longer an effective hedge for the group's exposure to interest rate risk.

The unrealised loss recognised in the income statement during the year that arises from derivatives ineligible for hedge accounting is €2 million. These amounts have been classified in the income statement within 'finance costs'.

Derivatives designated and eligible for hedge accounting

As at 30 June 2014, the group had a number of swaps to cover interest rate exposure on various debt obligations. In accordance with IAS 39: ''Financial Instruments—Recognition and Measurement'', these instruments had been designated as cash flow hedges and movements in

4. Financial risk management (Continued)

the effective portion of the fair value of the hedges have been taken through the cash flow hedge reserve.

	Principal value	Fair Value	Weighted average Interest rate	Maturity date—principal value Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€m	€m	%	€m	€m	€m	€m	€m	€m
Designated active interest rate swap									
—at 30 June 2015	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
—at 30 June 2014	1,200	(1)	0.252%	1,200	—	—	—	—	—

Interest rate swaps—cash flow hedges

The effective interest rates in the table above are based on the effective interest rates in the derivative financial instruments designated for cash flow hedging. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group's Senior Credit Facility. The margin on the senior credit facility is 4.5% over Euribor on Facility B2 and B3 borrowings.

5. Critical Accounting Judgements and Estimates

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1. Determining the purchase price allocation in respect of business combinations

In the purchase price allocation made for each acquisition, the purchase price is assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets and liabilities. Any remaining excess value is reported as goodwill. This allocation requires management judgement including estimating the fair value of the acquired tangible and intangible assets and estimating the revenue and profits to be generated by the acquired business. Other judgements might result in significantly different results and financial position in the future.

5.2. Making appropriate assumptions on non-financial asset impairment reviews

The group undertakes a review for impairment of goodwill, indefinite lived intangible assets, intangible assets not yet available for use annually and for other non-financial assets if events or circumstances indicate that the carrying amount may not be recoverable.

Factors which the group consider could trigger an impairment include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, (3) results of fair market valuations performed or (4) changes in key assumptions underpinning the fair value less cost to sell and value in use calculations. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount, which is the higher of the fair value less cost to sell and its value in use, based on discounted future cash flows. When an asset is not recoverable in full, impairment is measured as the excess of carrying value over the recoverable

5. Critical Accounting Judgements and Estimates (Continued)

amount of the long-life asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value less cost to sell. Changes in these estimates directly affect management's assessment of whether an impairment charge is required and the amount of the impairment charge recorded.

The discount rate used in impairment testing is derived from a weighted average cost of capital ("WACC") which is impacted by interest rates and market risk premiums, estimated for companies in the telecommunications sector. Given the recent market volatility there is a risk that the WACC could increase significantly in future periods. There is also a risk of deterioration in the budgeted future cash flows as a result of the current economic environment.

Any significant deterioration in the budgeted future cash flows or changes in WACC or estimates in respect of terminal growth rates could result in a further impairment of our goodwill and/or non-financial assets, which could have a further negative effect on operating profits and assets. Future cash flows would not be impacted by any impairment provision.

Details of the assumptions used in the impairment test at 30 June 2015 are set out in Note 12.

5.3. Establishing lives for amortisation purposes of intangible assets

The group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period. Detail of the useful lives is included in Note 3.4 and the related intangible assets are set out in Note 13.

5.4. Establishing lives for depreciation purposes of property, plant and equipment

Long-life assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation, physical condition of the assets concerned and other factors that may impact on the remaining useful lives of assets. Changes in asset lives can have a significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted. Detail of the useful lives is included in Note 3.13 and the related assets are set out in Note 14.

5.5. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates a funded defined benefit scheme, which is independent of the group's finances, for the majority of employees. Valuations of the main scheme are carried out by the scheme actuaries. The rates of contribution payable and the pension cost are determined on the advice of the actuaries. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, and the interest rate at which the future pension payments are discounted. The group uses estimates for all of these factors in determining the pension costs, surpluses or deficits arising on acquisitions and assets and liabilities reflected in the financial statements.

5. Critical Accounting Judgements and Estimates (Continued)

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

During the year ended 30 June 2010, the eircom Limited group agreed certain caps on future increases in pensionable salaries. The maximum increase in any given year is set at the lower of pre-determined fixed annual rates, the rate of CPI or salary inflation. However, there is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The effect of changes in assumptions on the pension scheme valuation is contained in Note 34.

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rate at which future pension liabilities are valued have fluctuated significantly over the last number of years.

5.6. Making appropriate assumptions in calculating long term employee benefit charges

Judgement is required in calculating the accrued charges and liabilities in connection with certain of the group's long term employee incentive arrangements. Where the arrangements give rise to a liability for a holding company, the group recognises a charge with a corresponding increase in equity. To the extent that the arrangements give rise to a liability for the group, the group recognises a charge with a corresponding increase in liabilities. The estimate of the total liability accrued under long term incentive arrangements at the balance sheet date is determined based on a number of factors including the group's forecasted future repayments of the Senior Credit Facility and any refinancing events which may take place. The liability is discounted to reflect the time value of money. The estimated liability is based on a number of estimates and judgements, the actual outcome of which will only become known at future dates and will be required to be re-measured at subsequent reporting dates with any corresponding changes in the estimated liability being accounted for in the group's statement of total income.

5.7. Providing for litigation, contingencies and other constructive obligations

The group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The group reviews the current status of any pending or threatened proceedings with the group's legal counsel on a regular basis.

In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred, (2) the degree of probability of an unfavourable outcome, and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above and other known relevant facts and circumstances, the group recognises any loss that is considered probable and that can be measured reliably as of the balance sheet date.

In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory and taxation authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

5. Critical Accounting Judgements and Estimates (Continued)

Details of the contingent liabilities are set out in Note 37 and provisions for other liabilities and charges are set out in Note 26.

5.8. Charges for restructuring costs

Provisions for restructuring costs including the associated pension costs are made where a constructive obligation to restructure arises and the restructuring programme is within the scope of IAS 37, i.e. where there is a detailed formal plan for the restructuring and in addition, there is a valid expectation in those affected, that the group will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Provisions reflect the current estimate of the staff exit costs associated with plans for which the group has constructive obligations at year end, and includes the estimated benefit payable to staff availing of the scheme and the associated pension impact.

The restructuring programme is ongoing, and therefore additional charges are expected to be incurred in future years in respect of future restructuring schemes for which constructive obligations are not deemed to exist at 30 June 2015.

5.9. Asset retirement obligations

The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the amount and timing of cash flows associated with the asset retirement obligations as some of the cash flows are anticipated up to 15 years in the future, and no significant retirement or decommissioning costs have been incurred to date.

There is a plan in place to de-commission property, plant and equipment held on a number of base stations over the next three years as a result of the group's network sharing agreement with Three, another mobile operator in Ireland, with the objective of enhancing efficiencies and achieving cost savings from the sharing and integration of certain aspects of the Radio Access Networks of both groups. This partnership with Three strengthens the existing network sharing agreement that has been in place between O2 and the group since 2011. The estimated change in the amount and timing of cash flows associated with the asset retirement obligations on base stations are included in the financial statements.

There are also ongoing changes in legislation which impact on the group's assessment on the level of cost and the manner in which certain asset retirement obligations can be met. Any adverse changes in legislation or interpretations of existing legislation could have a significant impact on the group's estimate of its asset retirement obligations.

5.10. Taxation

Current tax

The actual tax the group pays is determined according to complex tax laws and regulations. Where the effect of these laws and regulations are unclear, the group uses estimates in determining the liability for the tax to be paid. The group believes the estimates, assumptions and judgements are reasonable but the estimates can involve complex issues which may take a

5. Critical Accounting Judgements and Estimates (Continued)

number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement in future periods. The value of the group's current tax liability is disclosed on the balance sheet.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. The carrying value of the group's deferred tax assets and liabilities are disclosed in Notes 16 and 25, respectively.

5.11. Providing for doubtful debts

The group provides services to individuals and business customers on credit terms. The group expects that some debts due will not be paid as a result of the default of a small number of customers. The group uses estimates based on historical and current experience in determining the level of debts which may not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. Further worsening in the Irish economy or negative industry trends could require an increase in the estimated level of debts that may not be collected, which would negatively impact the operating results. The level of provision required is reviewed on an ongoing basis.

5.12. Assessing the level of interconnect and other income from and payments to other telecommunications operators

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions. Changes in the estimates directly affect revenue, operating costs and profit or loss.

5.13. Onerous contracts

The group has onerous contracts associated with vacant offices and leasehold properties relating to relocations and other business disposals. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflect current economic conditions and estimates are used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5.14. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses discounted cash flow analysis and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

6. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group which are regularly reviewed by the 'Chief Operating Decision Maker' in order to allocate resources to the segments and to assess their performance.

The group's operating segments are reported based on financial information provided to the Senior Management Team ("SMT"), which is the key management team and represents the 'Chief Operating Decision Maker'. The SMT is chaired by the Group Chief Executive and the other members are the Group Chief Financial Officer, Chief Information Officer, Business Directors, Customer Operations Director and Networks Director.

The SMT considers the business from a fixed line and mobile perspective and assesses the performance of the operating segments based on a measure of adjusted EBITDA. Adjusted EBITDA is before non-cash lease contracts, non-cash pension charge and exceptional items. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, onerous contracts and other charges/income. The non-cash lease contracts credit included in the income statement during the year is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. The non-cash pension charge is determined based on the difference between the charge determined under IAS 19 and employer contributions payable in respect of the financial year. Interest costs on borrowings are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the borrowings position of the group.

Sales between segments for telecommunication services are carried out on an arm's length basis. Other recharges in respect of non-telecommunication services are based on actual cost of employee remuneration or other external costs incurred. The revenue from external parties reported to the SMT is measured in a manner consistent with that in the group income statement.

The segment results for the year ended 30 June 2015 are as follows:

	Fixed line	Mobile	Inter-segment	Reported [2]	IFRS 11	Published [2]
	€m	€m	€m	€m	€m	€m
Revenue	959	352	(46)	1,265	(16)	1,249
Adjusted EBITDA [1]	423	58	—	481	(9)	472
Non-cash lease contracts	9	—	—	9	—	9
Non-cash pension charge	(11)	—	—	(11)	—	(11)
Amortisation	(30)	(23)	—	(53)	—	(53)
Depreciation	(247)	(24)	—	(271)	7	(264)
Exceptional items (Note 8)	(30)	(1)	—	(31)	—	(31)
Profit on disposal of PPE	1	—	—	1	—	1
Operating profit	115	10	—	125	(2)	123
Finance costs				(228)	1	(227)
Share of profit of investments accounted for using the equity method				—	1	1
Loss before income tax				(103)	—	(103)
Income tax credit				8	—	8
Loss for the financial year				(95)	—	(95)

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

6. Segment information (Continued)

(2) Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The published basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis. See Note 40 for further details.

The segment results for the year ended 30 June 2014 (restated) are as follows:

	Fixed line	Mobile	Inter-segment	Reported [2]	IFRS 11	Published [2]
	€m	€m	€m	€m	€m	€m
Revenue	980	347	(44)	1,283	(16)	1,267
Adjusted EBITDA [1]	433	36	—	469	(9)	460
Non-cash lease contracts	8	—	—	8	—	8
Non-cash pension charge	(10)	—	—	(10)	—	(10)
Amortisation	(47)	(29)	—	(76)	—	(76)
Depreciation	(250)	(19)	—	(269)	7	(262)
Exceptional items (Note 8)	(235)	—	—	(235)	—	(235)
Profit on disposal of PPE	3	—	—	3	—	3
Operating loss	(98)	(12)	—	(110)	(2)	(112)
Finance costs				(224)	1	(223)
Finance income				1	—	1
Share of profit of investments accounted for using the equity method				—	1	1
Loss before income tax				(333)	—	(333)
Income tax credit				24	—	24
Loss for the financial year				(309)	—	(309)

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

(2) Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The published basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis. See Note 40 for further details.

Other segment items included in the income statement are as follows:

	Year ended 30 June 2014			Year ended 30 June 2015		
	Fixed line	Mobile	Group	Fixed line	Mobile	Group
	€m	€m	€m	€m	€m	€m
Impairment of trade receivables (Note 19)	7	3	10	**9**	**2**	**11**
Reversal of trade receivable impairments (Note 19)	—	—	—	**(1)**	**—**	**(1)**

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2015			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	**2,239**	**365**	**9**	**2,613**
Liabilities	**992**	**171**	**2,177**	**3,340**
Capital expenditure:				
Intangible assets (Note 13)	**34**	**7**	**—**	**41**
Property, plant and equipment (Note 14)	**201**	**38**	**—**	**239**

6. Segment information (Continued)

	30 June 2014 (Restated)			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	2,271	361	6	2,638
Liabilities	1,000	174	2,111	3,285
Capital expenditure:				
Intangible assets (Note 13)	48	15	—	63
Property, plant and equipment (Note 14)	213	49	—	262

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables and operating cash. They exclude taxation, investments and derivatives.

Segment liabilities comprise operating liabilities, retirement benefit liability and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable and derivatives.

Capital expenditure comprises additions to intangible assets (Note 13) and property, plant and equipment (Note 14).

Geographical information

The group is domiciled in the Republic of Ireland. The group operates in two countries, Republic of Ireland and the United Kingdom, though substantially all of the group's revenues arise in the Republic of Ireland. For the purposes of the geographical allocation of revenue, the group identifies revenues earned by entities operating in each country. Total revenue of the group for the current year is €1,249 million (30 June 2014: €1,267 million) of which €1,210 million (30 June 2014: €1,229 million) was earned by group entities operating in the Republic of Ireland and €39 million (30 June 2014: €38 million) was earned by group entities operating in the United Kingdom. Total non-current assets of the group, other than investments, derivatives and deferred tax assets as at year end are €2,169 million (30 June 2014: €2,197 million), of which €2,159 million were located in the Republic of Ireland (30 June 2014: €2,188 million) and €10 million were located in the United Kingdom (30 June 2014: €9 million).

7. Operating costs

	Restated Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Staff costs:		
Wages and salaries	271	**242**
Social insurance costs	13	**12**
Pension costs—defined contribution plans (Note 34)	4	**4**
Pension costs—defined benefit plans (Note 34)	29	**26**
	317	**284**
Staff costs capitalised	(78)	**(73)**
Net staff costs included in operating costs (a)	239	**211**
Other operating costs:		
Amounts paid and payable to telecommunications operators	122	**128**
Purchase of goods for resale, commission and related costs	137	**143**
Materials and services	13	**10**
Other network costs	11	**12**
Accommodation	101	**101**
Sales and marketing	77	**72**
Customer services	42	**40**
Transport and travel	14	**12**
IT costs	24	**23**
Provision for impaired receivables	9	**10**
Other costs	20	**17**
Total other operating costs	570	**568**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	809	**779**
Amortisation (Note 13)	76	**53**
Depreciation and impairment of property, plant & equipment (Note 14)	262	**264**
Exceptional items (Note 8)	235	**31**
Total operating costs	1,382	**1,127**
Profit on disposal of property, plant and equipment (Note 9)	(3)	**(1)**
Total operating costs (net)	1,379	**1,126**

7. Operating costs (Continued)

(a) Operating costs are stated after charging:

	Restated Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Staff costs	317	**284**
Exceptional restructuring programme costs (Note 8)	200	**—**
Exceptional management incentive plan (Note 8)	29	**12**
Total staff costs	546	**296**
Staff costs capitalised	(78)	**(73)**
Total staff costs (net of staff costs capitalised)	468	**223**
Research costs	1	**1**
Hire of plant and machinery	3	**3**
Other operating lease rentals	51	**52**

(b) Auditor's remuneration

Remuneration (including expenses) of the auditors for the statutory audit of the group financial statements and other services to the group is as follows:

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Statutory audit of group financial statements	0.8	**0.7**
Other assurance services	1.1	**1.7**
Tax advisory services	0.1	**—**
Other non-audit services	0.7	**1.3**
Total services	2.7	**3.7**

(c) Directors remuneration

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Emoluments	2.5	**1.7**
Benefits under long term incentive schemes	—	**0.6**
Contributions to retirement benefits schemes:		
—defined contributions	0.2	**0.1**
Compensation for loss of office and other termination payments	—	**9.8**
	2.7	**12.2**

As of 30 June 2015, retirement benefits are accruing to 1 director (30 June 2014: 2 directors) under a defined contribution scheme.

Benefits under long term incentive schemes are in respect of services performed by Directors' over a period which exceeds one year.

The compensation for loss of office includes an €8.0 million payment for acquiring vested shares in eircom MEP S.A. eircom MEP S.A. is the Management Incentive Plan entity that holds shares in eircom HoldCo S.A.

8. Exceptional items

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Restructuring programme costs (a)	200	**—**
Management incentive plan (b)	29	**12**
Strategic review costs (c)	—	**14**
Other exceptional items (d)	6	**5**
Exceptional charge	235	**31**

(a) Restructuring programme costs

The group included an exceptional charge of €200 million for restructuring programme costs in respect of staff exits in the year ended 30 June 2014. The exceptional charge of €200 million relates to approximately 1,100 staff who had either exited the business, or were committed to exiting the business. No provision has been included in respect of future staff exits not committed at 30 June 2015, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €200 million at 30 June 2014 includes an IAS 19 (Revised) defined benefit pension charge of €57 million arising as a result of the incentivised exit programme, comprising €36 million in past service costs and €21 million in curtailment charges.

(b) Management incentive plan

The management incentive plan (''MIP'') was introduced in the year ended 30 June 2013 by the group's holding 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 (30 June 2014: €20 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. No provision is recorded on the balance sheet as at 30 June 2015 (30 June 2014: €26 million).

Separately, the group also recognised a charge of €11 million (30 June 2014: €9 million) in its income statement, with a corresponding decrease in equity, in respect of contractual rights under the MIP awarded by the holding company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

(c) Strategic review costs

The group recognised an exceptional charge of €14 million in respect of strategic review costs in the period ended 30 June 2015.

(d) Other exceptional items

During the year ended 30 June 2015, the group recognised an exceptional charge of €12 million in respect of certain legal matters arising in the period which were partially offset by exceptional credits of €7 million reflecting the release of provisions carried forward at the start of the year.

8. Exceptional items (Continued)

During the year ended 30 June 2014, the group recognised an exceptional charge of €10 million in respect of certain legal matters, €1 million for an impairment of a receivable from a former holding company of eircom Limited, the group's main operating subsidiary, and €1 million for financial restructuring costs. These were offset by a €3 million release of excess provisions relating to the St. Stephen's Green onerous lease contracts and an additional €3 million release of excess provisions in respect of certain legal matters carried forward from prior years.

9. Profit on disposal of property, plant and equipment

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Profit on disposal of property, plant and equipment	3	**1**
	3	**1**

10. Finance costs—net

	Restated Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
(a) Finance costs:		
Interest payable on bank loans and other debts	105	**127**
Payment-in-kind ("PIK") interest charge on borrowings	16	**1**
Interest amortisation on non-current borrowings	69	**50**
Net interest cost on net pension liability	29	**11**
Capitalised interest on property, plant and equipment	(3)	**(1)**
Amortisation of debt issue costs on bank loans and amend and extend fees	2	**3**
Other unwinding of discount	5	**2**
Fair value movements on derivatives not qualifying for hedge accounting	—	**2**
	223	**195**
Loss on extinguishment of debt	—	**32**
	223	**227**
(b) Finance income:		
Interest income	(1)	**—**
	(1)	**—**
Finance costs—net	222	**227**

On 11 June 2015, the group effected an amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The new and amended Facility B3 borrowings are subject to cash-pay interest at Euribor plus 4.5% margin. The €238 million mandatory prepayment of Facility B1 and B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €32 million in the income statement. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. See Note 23 for further information.

11. Income tax credit

(a) Recognised in the income statement

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Current tax expense		
Current financial period	(9)	**9**
Adjustments for prior periods	—	**(14)**
	(9)	**(5)**
Deferred tax expense		
Origination and reversal of temporary difference	(19)	**(3)**
Adjustments for prior periods	4	**—**
	(15)	**(3)**
Total income tax credit in income statement	(24)	**(8)**

The €14 million adjustment for prior periods recognised during the year ended 30 June 2015 mainly relates to a release of a prior year revenue audit provision as a result of a recent tax settlement with Revenue.

The tax credit for the year ended 30 June 2015 includes a credit of €1 million (30 June 2014: €24 million) in respect of exceptional items (see Note 8).

(b) Reconciliation of effective tax rate

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 losses of the consolidated companies as follows:

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Loss before tax	(333)	**(103)**
Tax calculated at Irish tax rates	(42)	**(13)**
Effects of:—		
Non deductible expenses	14	**19**
Income taxable at higher rate	1	**1**
Utilisation of losses carried forward	(1)	**(1)**
Adjustments in respect of prior periods	4	**(14)**
Tax credit for financial period (Note 11(a))	(24)	**(8)**

The weighted average applicable tax rate was 12.5% (30 June 2014: 12.5%).

12. Goodwill

	30 June 2014	30 June 2015
	€m	€m
Cost		
At beginning of financial period	734	**734**
At end of financial period	734	**734**
Accumulated impairments		
At beginning of financial period	(542)	**(542)**
Recognised during the financial period	—	**—**
At end of financial period	(542)	**(542)**
Net book value at end of financial period	192	**192**

Goodwill and indefinite life intangible assets are not subject to amortisation. Instead, goodwill and indefinite life intangible assets are tested for impairment annually as part of the cash generating unit (''CGU'') to which they relate, and are carried at cost less accumulated impairment losses.

The group's goodwill relates to the acquisition of eircom Limited in June 2012, pursuant to a Scheme of Arrangement of creditors approved by the High Court. eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited for consideration of €1.

Goodwill arising on the acquisition of eircom Limited in June 2012 was allocated to the group's CGUs as follows:

	Acquisition Date
	€m
Fixed Line	**836**
Mobile	**—**

The recognition of the assets of the Fixed Line and Mobile CGUs was measured as at 11 June 2012 based on their fair values, as required by IFRS 3, *Business Combinations*, except for the defined benefit pension obligation which was measured under IAS 19, *Employee Benefits,* and deferred tax which was measured under IAS 12, *Income Taxes*. Goodwill of €836 million was recognised as the difference between the purchase consideration and the fair value of the individual assets and liabilities at the date of acquisition, 11 June 2012. Goodwill was allocated to the group's cash generating units, Fixed Line and Mobile, based on the allocation of net assets and liabilities acquired and purchase consideration to each CGU, based on the factors giving rise to the goodwill. These include eircom's market position in the Irish telecommunications industry. The goodwill also arises in part because eircom Limited was acquired for a nominal amount pursuant to the Scheme of Arrangement and because the pension obligation and the deferred tax balances were recognised in accordance with the measurement requirements of IAS 19 and IAS 12 respectively and not at fair value. No goodwill was allocated to the Mobile CGU.

In the financial year ended 30 June 2013, eircom Limited sold its 100% shareholding in eircom Phonewatch Limited and as a result recognised disposal of goodwill of €102 million in the year.

An impairment test of the Fixed Line CGU was performed as of 30 June 2012 in accordance with IAS 36, *Impairment of Assets*. The group identified an impairment of €542 million of the goodwill related to the Fixed Line CGU.

An impairment test of the Fixed Line CGU was performed as of 30 June 2014. No impairment was identified.

12. Goodwill (Continued)

An impairment test of the Fixed Line CGU has been undertaken as of 30 June 2015. No impairment has been identified.

Any adverse changes in a key assumption underpinning the fair value less costs to sell calculation as at 30 June 2015 may cause a further impairment loss to be recognised in future periods.

Impairment test of Fixed Line CGU as at 30 June 2015

An impairment test of the Fixed Line CGU was performed as at 30 June 2015 in accordance with IAS 36, *Impairment of Assets*. The impairment test has been undertaken at the year end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested together with the goodwill.

An impairment test of the Fixed Line CGU is required annually as it contains goodwill. An impairment test of the Mobile CGU is not required as at 30 June 2015 as the group held no Mobile intangible assets not yet available for use for which the recoverable amount could not be estimated on an individual asset basis. The Directors concluded that there was no indicator of impairment and consequently no test of impairment was required to be performed.

Impairment testing methodology

The recoverable amount of the CGU is determined on the basis of the higher of the fair value less costs to sell and value-in-use, using the discounted cash flow (DCF) method. Cash flows for the years beyond the approved business plans are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

The impairment test was based on fair value less costs to sell which is higher than value in use because of the investment in infrastructure development required by the group's CGU. The cash flows and assumptions used as of 30 June 2015 for the impairment test are consistent with the assumptions that would be made by a market participant acquiring the CGU.

Key assumptions

The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of fair value less costs to sell include management's estimates of future operating cash-flows, capital expenditure requirements, tax considerations, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were benchmarked against external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy and consistent with the assumptions that would be used by a market participant. Adjustments are made to the business plan cashflows to take account of possible variations in the amount or timing of cashflows, which can be affected by factors such as increased competitor activity, the roll-out of new technologies and the timing of the introduction of new services, pricing trends, termination rates, customer acquisition costs, margin levels and restructuring programmes, such that the estimated cashflows reflect the range of possible outcomes for each CGU's future trading performance.

Fair Value less Costs to Sell—cash flow projections

At 30 June 2015, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2020.

12. Goodwill (Continued)

At 30 June 2014, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2019.

The other key assumptions used for fair value less costs to sell calculations for the Fixed Line and Mobile CGUs are as follows:

	Fixed Line 30 June 2014	Mobile 30 June 2014	Fixed Line 30 June 2015	Mobile 30 June 2015
Long-term growth rates	−0.75%	N/A	**−0.75%**	**N/A**
Discount rates (Post-tax)	8.00%	N/A	**7.16%**	**N/A**
Budgeted EBITDA [(1)]	−5.35%	N/A	**−2.81%**	**N/A**
Budgeted capital expenditure [(2)]	14% - 18%	N/A	**14% - 25%**	**N/A**

Notes:

(1) Budgeted EBITDA is expressed as the compound annual growth rates over the periods covered by the business plans for all cash-generating units of the plans used for impairment testing.

(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue (for all periods covered by the business plans plus the terminal value).

Long Term Growth Rates

The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGUs operate, and reflect an assessment of the long-term growth prospects of the sectors. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used reflect specific risks relating to the CGUs. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2015, the yield on ten-year Irish government bonds provided the basis for the risk free rate, which was then adjusted to take account of market risks specific to the CGUs. The group has used Irish government bond yields as the basis for the risk-free rate in keeping with its observations of practices applied by external market analysts in determining appropriate weighted average costs of capital for Irish companies. In estimating the discount rate under CAPM, in addition to the risk-free rate, other inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment factor known as beta is applied to reflect the risk of the specific CGU operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies. Year-on-year, the discount rates used have decreased primarily as a result of reductions in the yields on long term sovereign bonds, as well as the continued stabilisation in the Irish macroeconomic environment.

12. Goodwill (Continued)

Impairment sensitivity analysis

The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2015	
	Fixed Line	Mobile
	%	%
Discount rates (post-tax) (absolute increase)	**3.61%**	**—**
Long-term growth rates (absolute decrease)	**5.36%**	**—**
Terminal business plan EBITDA (relative decrease)	**18.68%**	**—**
Terminal capital expenditure (relative increase)	**62.47%**	**—**

13. Other intangible assets

	Computer software	Trademarks	Contracts and related customer relationships	Licence	Total
	€m	€m	€m	€m	€m
Cost					
At 30 June 2013	162	127	47	195	531
Additions	63	—	—	—	63
At 30 June 2014	225	127	47	195	594
Additions	**41**	**—**	**—**	**—**	**41**
At 30 June 2015	**266**	**127**	**47**	**195**	**635**
Amortisation					
At 30 June 2013	37	—	25	9	71
Charge for the financial year	39	—	22	15	76
At 30 June 2014	76	—	47	24	147
Charge for the financial year	**41**	**—**	**—**	**12**	**53**
At 30 June 2015	**117**	**—**	**47**	**36**	**200**
Net Book Value at 30 June 2015	**149**	**127**	**—**	**159**	**435**
Net Book Value at 30 June 2014	149	127	—	171	447

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €37 million (30 June 2014: €32 million).

Computer software relates to internal and external capitalised software development costs.

Trademark (Fixed) which have an indefinite life are tested for impairment as part of the fixed line CGU. See Note 12.

14. Property, plant and equipment ("PPE")

	Land and Buildings	Network, Plant And Equipment	Total
	€m	€m	€m
Cost			
At 30 June 2013 (as previously reported)	258	1,609	1,867
Effect of changes in accounting policies	—	(51)	(51)
Balance at 1 July 2013 (restated)	258	1,558	1,816
Additions	4	258	262
Exchange adjustments	—	1	1
Disposals/retirements	—	(1)	(1)
At 30 June 2014 (restated)	262	1,816	2,078
Additions	**3**	**236**	**239**
Exchange adjustments	**—**	**1**	**1**
Disposals/retirements	**(8)**	**(1)**	**(9)**
At 30 June 2015	**257**	**2,052**	**2,309**
Accumulated Depreciation			
At 30 June 2013 (as previously reported)	23	260	283
Effect of changes in accounting policies	—	(23)	(23)
Balance at 1 July 2013 (restated)	23	237	260
Charge for financial year	19	241	260
Disposals/retirements	—	(1)	(1)
Impairments	2	—	2
At 30 June 2014 (restated)	44	477	521
Charge for financial year	**19**	**245**	**264**
Disposals/retirements	**(2)**	**(1)**	**(3)**
At 30 June 2015	**61**	**721**	**782**
Net Book Value at 30 June 2015	**196**	**1,331**	**1,527**
Net Book Value at 30 June 2014 (restated)	218	1,339	1,557

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. The review for the year ended 30 June 2015 and 30 June 2014 resulted in no material adjustments to asset lives.

The group has capitalised interest costs of €1 million (30 June 2014: €3 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest at 30 June 2015 is 8.03% (30 June 2014: 9.15%).

Assets in the course of construction included in property, plant and equipment are €131 million (30 June 2014: €127 million).

15. Investments

(a) Investments in Joint ventures

At 30 June 2015, the group has a joint venture in Tetra Ireland Communication Limited ("Tetra"). The following tables presents, on a condensed basis, the summarised financial information of Tetra. The information disclosed reflects the amount reported in the financial statements of Tetra and not the groups share of those amounts.

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Revenue	34	**34**
Operating costs excluding depreciation	(18)	**(18)**
Depreciation	(13)	**(13)**
Operating profit	3	**3**
Finance costs—net	(1)	**(1)**
Profit before tax	2	**2**
Income tax charge	—	**—**
Profit for the financial year	2	**2**

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Profit for the financial year	2	**2**
Other comprehensive income	—	**—**
Total comprehensive income for the financial year	2	**2**

	30 June 2014	30 June 2015
	€m	€m
ASSETS		
Non-current assets	39	**26**
Current assets	22	**22**
Total assets	61	**48**
LIABILITIES		
Non-current liabilities	23	**6**
Current liabilities	36	**38**
Total liabilities	59	**44**
EQUITY		
Total equity	2	**4**
Total equity	2	**4**
Total liabilities and equity	61	**48**

15. Investments (Continued)

(b) Investments in associates

The group share of the results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit	Interest held
	€m	€m	€m	€m	%
As at and for the year ended 30 June 2015					
Altion Limited	—	—	1	—	31.3%
As at and for the year ended 30 June 2014					
Altion Limited	—	—	—	—	31.3%

16. Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 30 June 2015	Liabilities 30 June 2015	Net 30 June 2015
	€m	€m	€m
Tax loss carry forward	**5**	**—**	**5**
Property, plant and equipment	**1**	**—**	**1**
	6	**—**	**6**

	Assets 30 June 2014	Liabilities 30 June 2014	Net 30 June 2014
	€m	€m	€m
Tax loss carry forward	5	—	5
Property, plant and equipment	1	—	1
	6	—	6

The movement in deferred tax assets during the year ended 30 June 2015 is as follows:

	1 July 2014	Reclass to deferred tax liabilities (Note 25)	Recognised in income credit/ (charge)	Recognised in other comprehensive income	30 June 2015
	€m	€m	€m	€m	€m
Tax loss carry forward	**5**	**—**	**—**	**—**	**5**
Property, plant and equipment	**1**	**—**	**—**	**—**	**1**
	6	**—**	**—**	**—**	**6**

16. Deferred tax asset (Continued)

The movement in deferred tax assets during the year ended 30 June 2014 is as follows:

	Restated 1 July 2013	Reclass to deferred tax liabilities (Note 25)	Recognised in income credit/ (charge)	Recognised in other comprehensive income	30 June 2014
	€m	€m	€m	€m	€m
Tax loss carry forward	—	—	5	—	5
Intangibles	(24)	24	—	—	—
Property, plant and equipment	(97)	97	1	—	1
Deferred revenues	2	(2)	—	—	—
Leases	17	(17)	—	—	—
Provisions	2	(2)	—	—	—
Pensions	104	(104)	—	—	—
Derivative financial instruments	(1)	1	—	—	—
	3	**(3)**	**6**	**—**	**6**

17. Other assets

	30 June 2014	30 June 2015
	€m	€m
Deposits and other non-current assets	1	**1**
Loan advanced to holding company	—	**14**
	1	**15**

During the year, the group advanced a loan of €14 million to the ultimate holding company, eircom Holdco SA. The loan was advanced following the decision by the Board of Directors of eircom Holdco SA to exercise a call option over vested shares in eircom Holdco SA held by departing executives through the Management Incentive Plan. The loan was used by eircom Holdco SA to repurchase the shares.

18. Inventories

	30 June 2014	30 June 2015
	€m	€m
Network development and maintenance stocks	8	**6**
Consumable and other stocks	4	**3**
	12	**9**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €94 million (30 June 2014: €103 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2015, the group recognised a loss for impaired inventories of €Nil (30 June 2014: €Nil), reversed previous recognised impaired inventories of €Nil (30 June 2014: €Nil), and utilised provisions for impaired inventories of €Nil (30 June 2014: €Nil). The creation and reversal of provisions for impaired inventories have been included in "operating costs" in the income statement.

19. Trade and other receivables

	Restated 30 June 2014	30 June 2015
	€m	€m
Current assets:		
Trade receivables	168	**173**
Less: Provision for impairment of trade receivables	(21)	**(22)**
Trade receivables—net	147	**151**
Prepayments and accrued income	61	**73**
Other current assets	2	**3**
Amounts due from joint ventures	5	**5**
	215	**232**

The fair values of trade and other receivables approximate to their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 30 June 2015, trade receivables of €22 million (30 June 2014: €22 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered. Provisions for impaired receivables of €27 million were incorporated in determining the fair value of trade receivables arising on the acquisition of eircom Limited on 11 June 2012; the fair value adjustment for provisions for impaired receivables has now been fully utilised (30 June 2014: €3 million).

Total additional provisions of €11 million (30 June 2014: €10 million) relate to individual impairments of €1 million (30 June 2014: €1 million) and collective impairments of €10 million (30 June 2014: €9 million). Total reversals of unused provisions of €1 million (30 June 2014: €Nil) relate to individual impairments of €1 million (30 June 2014: €Nil) and collective impairments of €Nil (30 June 2014: €Nil).

The group uses estimates based on historical experience and customer specific information in determining the level of debts which may not be collected. The estimates include such factors as the current state of the economy and particular industry issues. The level of provision required is reviewed on an ongoing basis.

Provision for impairment of trade receivables

The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2014	30 June 2015
	€m	€m
At beginning of financial period	11	**21**
Charged to income statement:		
—Additional provisions	10	**11**
—Unused amounts reversed	—	**(1)**
Utilised in the financial year	—	**(9)**
At end of financial period	21	**22**

The creation and reversal of provisions for impaired receivables are included in "operating costs" in the income statement.

20. Restricted cash

The restricted cash of €8 million (30 June 2014: €14 million) is in relation to cash lodged for performance guarantees of €6 million (30 June 2014: €12 million) and €2 million (30 June 2014: €2 million) security in respect of ancillary facilities. The interest earned on these deposits, after deduction of any taxation payable, is due to the group.

Performance guarantees

Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. At 30 June 2015, these include €3 million (30 June 2014: €4 million) in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €3 million (30 June 2014: €5 million) in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO'') and €Nil (30 June 2014: €3 million) in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €8 million (30 June 2014: €14 million).

21. Cash and cash equivalents

	Restated 30 June 2014	30 June 2015
	€m	€m
Cash at bank and on hand	42	**186**
Short-term bank deposits	151	**—**
Cash and cash equivalents	193	**186**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2014, the effective interest rate on short term bank deposits was 0.16%. These deposits had a weighted average maturity of 14 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

22. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	Assets at fair value through profit or loss	Loans and receivables	Total
	€m	€m	€m
Derivative financial instruments	**1**	**—**	**1**
Other assets	**—**	**14**	**14**
Trade receivables	**—**	**151**	**151**
Other current assets	**—**	**3**	**3**
Amounts due from joint ventures	**—**	**5**	**5**
Restricted cash	**—**	**8**	**8**
Cash and cash equivalents	**—**	**186**	**186**
At 30 June 2015	**1**	**367**	**368**
Trade receivables	—	147	147
Other current assets	—	2	2
Amounts due from joint ventures	—	5	5
Restricted cash	—	14	14
Cash and cash equivalents	—	193	193
At 30 June 2014 (Restated)	—	361	361

Liabilities as per balance sheet	Liabilities at fair value through profit or loss	Loans and other liabilities	Total
	€m	€m	€m
Borrowings	**—**	**2,106**	**2,106**
Derivative financial instruments	**4**	**—**	**4**
Trade payables	**—**	**164**	**164**
Interest payable	**—**	**9**	**9**
Accruals	**—**	**177**	**177**
TIS Liabilities	**—**	**24**	**24**
At 30 June 2015	**4**	**2,480**	**2,484**
Borrowings	—	2,031	2,031
Derivative financial instruments	1	—	1
Trade payables	—	129	129
Interest payable	—	9	9
Accruals	—	215	215
TIS Liabilities	—	32	32
At 30 June 2014 (Restated)	1	2,416	2,417

Fair value hierarchy

The table below shows for the group's financial assets and liabilities that are recognised and subsequently measured at fair value their classification within a three-level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets at the balance sheet date. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer,

22. Financial instruments by category (Continued)

broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Financial assets held at fair value	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Derivative financial instruments	—	1	—	1
At 30 June 2015	**—**	**—**	**—**	**1**
Derivative financial instruments	—	—	—	—
At 30 June 2014	—	—	—	—

Financial liabilities held at fair value	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Derivative financial instruments	—	**4**	—	**4**
At 30 June 2015	**—**	**4**	**—**	**4**
Derivative financial instruments	—	1	—	1
At 30 June 2014	—	1	—	1

23. Borrowings

	Carrying Value		Fair Value	
	Restated 30 June 2014	30 June 2015	Restated 30 June 2014	30 June 2015
	€m	€m	€m	€m
Non-current liabilities				
Bank borrowings (Facility B1/B2/B3)	2,021	**2,022**	1,986	**1,992**
Unamortised fair value difference on borrowings	(315)	**(235)**	—	**—**
Amend and extend fees	(14)	**(22)**	—	**—**
	1,692	**1,765**	1,986	**1,992**
9.25% Senior Secured Notes due 2020	350	**350**	397	**383**
Debt issue costs	(11)	**(9)**	—	**—**
	339	**341**	397	**383**
Total Borrowings	2,031	**2,106**	2,383	**2,375**

23. Borrowings (Continued)

Bank borrowings (Facility B1, B2 & B3)

At 30 June 2015, the group has Senior Bank borrowings of €2,022 million with a maturity date of 30 September 2019 for Facility B2 borrowings of €159 million and a maturity date of 31 May 2022 for Facility B3 borrowings of €1,863 million. The borrowings are subject to a Senior Facilities Agreement, which, amongst other things, requires the eircom Holdings (Ireland) Limited Group to comply with financial covenants on a quarterly basis. Further details of these financial covenants are set out in Note 2 to the financial statements.

During the year ended 30 June 2013, the group undertook a permitted bond refinancing. In accordance with the terms of the Senior Facilities Agreement, €339 million of the net proceeds from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement at an average price of €0.933 per €1.00, with an equivalent reduction in the group's borrowings under the Senior Facilities Agreement.

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 bank borrowings. On 11 June 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal now extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The maturity date of the remaining non-extending Facility B2 borrowings of €159 million is unchanged at 30 September 2019. The new and amended Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin. The €238 million mandatory prepayment of Facility B1 and B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €32 million in the income statement within 'finance costs'. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. Transaction costs of €11 million directly attributable to the modification and new borrowings have been deferred to the balance sheet and will be amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

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 was 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 amendment and extension of the existing Senior Bank borrowings on 11 June 2015 has been accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. The remaining unamortised amount at 30 June 2015 was €235 million.

Senior Secured Notes

During the year ended 30 June 2013, the group issued €350 million in Senior Secured Notes, due for repayment in full on 15 May 2020. The Notes were issued by the group's wholly owned subsidiary, eircom Finance Limited. The Notes rank equally in priority of payment with the existing borrowings subject to the Senior Facilities Agreement. The Notes are subject to fixed rate cash-pay interest at 9.25% payable in semi-annual instalments in May and November each year. Total costs directly attributable to the transaction incurred by the group were €12 million.

Transaction costs are initially deferred and are subsequently amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

23. Borrowings (Continued)

Fair values

The fair value of borrowings are determined by reference to quoted market prices in active markets at the balance sheet date (classified as level 1 in the fair value hierarchy).

Maturity of financial borrowings

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

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
Bank borrowings (Facility B)	**—**	**—**	**159**	**1,863**	**2,022**
Unamortised fair value difference on borrowings	**—**	**—**	**(18)**	**(217)**	**(235)**
Amend and extend fees	**—**	**—**	**(2)**	**(20)**	**(22)**
	—	**—**	**139**	**1,626**	**1,765**
9.25% Senior Secured Notes due 2020	**—**	**—**	**350**	**—**	**350**
Debt issue costs	**—**	**—**	**(9)**	**—**	**(9)**
	—	**—**	**341**	**—**	**341**
At 30 June 2015	**—**	**—**	**480**	**1,626**	**2,106**
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
At 30 June 2014 (Restated)	—	—	91	1,940	2,031

Borrowing facilities

The Senior Facilities Agreement entered into in June 2012 includes provision to allow the group to seek a revolving credit facility of €150 million in the markets. At the date of signing of these financial statements, there is no revolving credit facility in place and there are no current plans to obtain any revolving credit facilities.

Currency

All of the group's borrowings are denominated in euro.

24. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2014	30 June 2015	30 June 2014	30 June 2015
	€m	€m	€m	€m
Non-current assets				
Interest rate swaps—ineligible for hedge accounting	—	1	—	1
Total assets	—	1	—	1
Non-current liabilities				
Interest rate swaps—ineligible for hedge accounting	—	2	—	2
Current liabilities				
Interest rate swaps—cash flow hedges	1	—	1	—
Interest rate swaps—ineligible for hedge accounting	—	2	—	2
Total liabilities	1	4	1	4

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps—ineligible for hedge accounting

In November 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. These new swaps replaced the previous three year swaps which expired on 11 June 2015. On initial recognition, the interest rate swaps were designated as cash flow hedges in accordance with IAS 39.

Subsequently, on 11 June 2015, the group effected a further amendment and extension of the terms of its Facility B borrowings and the 'Amendment and Restatement' included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group's interest rate swaps. Therefore if EURIBOR is negative, the swaps will not have the effect of hedging the group's exposure to interest rate risk. Accordingly, the group's interest rate swaps ceased to meet the criteria for hedge accounting under IAS 39 on that date, and any future changes in the fair value of these derivatives will be recognised immediately in the income statement.

The unrealised loss recognised in the income statement during the year that arises from derivatives ineligible for hedge accounting is €2 million. These amounts have been classified in the income statement within 'finance costs'.

25. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The group has no material unrecognised deferred tax assets at 30 June 2015.

25. Deferred tax liabilities (Continued)

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following:

	Assets 30 June 2015	Liabilities 30 June 2015	Net 30 June 2015
	€m	€m	€m
Intangibles	—	(20)	(20)
Property, plant and equipment	—	(95)	(95)
Deferred revenues	1	—	1
Leases	14	—	14
Provisions	1	—	1
Pensions	53	—	53
	69	(115)	(46)

	Assets 30 June 2014	Liabilities 30 June 2014	Net 30 June 2014
	€m	€m	€m
Intangibles	—	(20)	(20)
Property, plant and equipment	—	(101)	(101)
Deferred revenues	1	—	1
Leases	15	—	15
Provisions	3	—	3
Pensions	49	—	49
	68	(121)	(53)

The movement in net deferred tax liabilities during the year ended 30 June 2015 is as follows:

	1 July 2014	Reclass from corporation tax	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2015
	€m	€m	€m	€m	€m
Intangibles	(20)	—	—	—	(20)
Property, plant and equipment	(101)	—	6	—	(95)
Deferred revenues	1	—	—	—	1
Leases	15	—	(1)	—	14
Provisions	3	1	(3)	—	1
Pensions	49	—	1	3	53
	(53)	1	3	3	(46)

25. Deferred tax liabilities (Continued)

The movement in net deferred tax liabilities during the year ended 30 June 2014 is as follows:

	1 July 2013	Reclass from deferred tax asset (Note 16)	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2014
	€m	€m	€m	€m	€m
Intangibles	—	(24)	4	—	(20)
Property, plant and equipment	—	(97)	(4)	—	(101)
Deferred revenues	—	2	(1)	—	1
Leases	—	17	(2)	—	15
Provisions	—	2	1	—	3
Pensions	—	104	11	(66)	49
Derivative financial instruments	—	(1)	—	1	—
	—	3	9	(65)	(53)

26. Provisions for other liabilities and charges

	TIS Annuity Scheme	Onerous Contracts	Asset Retirement Obligations	MIP Debt Value	Other	Total
	€m	€m	€m	€m	€m	€m
At 30 June 2013 (as previously reported)	**42**	**31**	**51**	**6**	**46**	**176**
Effect of changes in accounting policies	—	—	(3)	—	—	**(3)**
Balance at 1 July 2013 (Restated)	**42**	**31**	**48**	**6**	**46**	**173**
Charged to consolidated income statement:						
—Additional provisions	—	—	—	20	13	**33**
—Unused amounts reversed	—	(3)	—	—	(4)	**(7)**
—Unwinding of discount	1	—	1	—	—	**2**
Transfers	—	—	(1)	—	1	**—**
Transfer to receivables	—	—	—	—	3	**3**
Increase in provision capitalised as asset retirement obligation	—	—	6	—	—	**6**
Utilised in the financial year	(11)	(15)	—	—	(6)	**(32)**
Balance at 1 July 2014 (Restated)	**32**	**13**	**54**	**26**	**53**	**178**
Charged to consolidated income statement:						
—Additional provisions	—	—	—	1	3	**4**
—Unused amounts reversed	—	(2)	—	—	(4)	**(6)**
—Unwinding of discount	—	—	1	—	—	**1**
Transfer to receivables	—	—	—	—	3	**3**
Reclassification to equity of MIP debt value	—	—	—	(27)	—	**(27)**
Increase in provision capitalised as asset retirement obligation	—	—	1	—	—	**1**
Utilised in the financial year	(8)	(3)	—	—	(10)	**(21)**
At 30 June 2015	**24**	**8**	**56**	**—**	**45**	**133**

26. Provisions for other liabilities and charges (Continued)

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

	Restated 30 June 2014	30 June 2015
	€m	€m
Non-current	109	**101**
Current	69	**32**
	178	**133**

Temporary income stream ("TIS") annuity scheme

The eircom Limited group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The group estimates the annuity liability as the present value of the fixed payment stream due to employees. At 30 June 2015, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of seven years.

Onerous Contracts

The group has onerous contracts in relation to leases on vacant properties and leasehold disposals relating to relocations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflects current economic conditions and judgements in respect of sub lease income on certain properties. If the group were unable to sublet the properties for the duration of the lease an additional provision of €0.3 million would be required in the financial statements. The group also has onerous contracts in relation to the settlement of certain legal matters. At 30 June 2015, the liabilities are expected to be discharged over a period of one to three years.

Asset Retirement Obligations

The group has provisions for costs arising from certain obligations in relation to the retirement and decommissioning of assets, mainly certain poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2016 to 2025, and these anticipated cash flows are discounted using a real rate of return of between 2% and 4%.

Debt value management incentive plan

The management incentive plan ("MIP") introduced in the year ended 30 June 2013 by the group's holding company, eircom Holdco SA, for certain directors and senior executives in the group incentivised the participants to deliver maximum returns to shareholders on a sale or other form of exit, and to achieve full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value 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 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.

Other

The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to 30 June 2015, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The group also has provisions for costs arising from certain compliance matters.

27. Trade and other payables

	Restated 30 June 2014	30 June 2015
	€m	€m
Non-current liabilities: -		
Unfavourable lease contracts arising on acquisition	111	**102**
Trade payables	48	**50**
	159	**152**
Current liabilities: -		
Unfavourable lease contracts arising on acquisition	10	**9**
Trade payables	87	**124**
Interest payable	9	**9**
Other tax and social insurance payable	38	**37**
Accruals	215	**177**
Deferred income	97	**105**
	456	**461**

The carrying amounts of trade payables are denominated in the following currencies:

	Restated 30 June 2014	30 June 2015
	€m	€m
Euro	133	**170**
Sterling	1	**2**
US dollar	1	**2**
	135	**174**

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

28. Share Capital

The share capital at 30 June 2015 and 30 June 2014 is set out below:—

As at 30 June 2015 and 30 June 2014

Authorised		Nominal Value per Share	Issued—presented as equity	
Number and Class of Share	Amount €		Number and Class of Share	Amount €
10,000,000 Ordinary shares	10,000,000	€1.00 each	2 Ordinary shares	2
Equity share capital	**10,000,000**		**Equity share capital**	**2**

There were no alterations to the issued share capital of eircom Holdings (Ireland) Limited during the year ended 30 June 2015.

Rights attaching to the ordinary shares are as follows:

The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary shares carry the right to share in any surplus assets of the Company.

29. Reconciliation of total shareholders' equity

	Equity share capital	Capital Contribution	Cash flow hedging reserve	Retained earnings /(loss)	Total equity
	€m	€m	€m	€m	€m
Balance at 1 July 2013	—	—	4	(808)	(804)
Loss for the financial year	—	—	—	(309)	(309)
Defined benefit pension scheme actuarial gains	—	—	—	527	527
Tax on defined benefit pension scheme actuarial 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
Capital contribution in respect of MIP equity value event	—	9	—	—	9
Balance at 30 June 2014	**—**	**9**	**(1)**	**(655)**	**(647)**
Loss for the financial year	**—**	**—**	**—**	**(95)**	**(95)**
Defined benefit pension scheme remeasurement losses	**—**	**—**	**—**	**(27)**	**(27)**
Tax on defined benefit pension scheme remeasurement losses	**—**	**—**	**—**	**3**	**3**
Cash flow hedges:					
—Fair value gain in year	**—**	**—**	**1**	**—**	**1**
Currency translation differences	**—**	**—**	**—**	**1**	**1**
Capital contribution in respect of MIP equity value event	**—**	**11**	**—**	**—**	**11**
Reclassification to equity of MIP debt value event provision	**—**	**27**	**—**	**—**	**27**
Dividends relating to equity shareholders	**—**	**—**	**—**	**(1)**	**(1)**
Balance at 30 June 2015	**—**	**47**	**—**	**(774)**	**(727)**

30. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

a) Cash generated from operations

	Restated Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Loss after taxation	(309)	**(95)**
Addback:		
Income tax credit	(24)	**(8)**
Share of profit of joint venture	(1)	**(1)**
Finance costs—net	222	**227**
Operating (loss)/profit	(112)	**123**
Adjustments for:		
—Profit on disposal of property, plant and equipment	(3)	**(1)**
—Depreciation, amortisation and impairment of property, plant & equipment	338	**317**
—Non cash lease contracts	(8)	**(9)**
—Non cash retirement benefit charge	10	**11**
—Restructuring programme costs	200	**—**
—Other non cash exceptional items	35	**11**
—Other non cash movements in provisions	2	**1**
Cash flows relating to restructuring and provisions	(186)	**(56)**
Cash flows relating to construction contracts	—	**2**
Changes in working capital		
—Inventories	—	**3**
—Trade and other receivables	11	**(13)**
—Trade and other payables	(16)	**34**
Cash generated from operations	271	**423**

b) In the group cash flow statement, proceeds from sale of property, plant and equipment (PPE) comprise:

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Profit on disposal of property, plant and equipment	3	**1**
Deferred consideration on disposal of property	—	**(1)**
Net book value of PPE disposals (Note 14)	—	**6**
Proceeds from sale of PPE	3	**6**

31. Post Balance Sheet Events

On 1 July 2015, subsequent to the balance sheet date, eircom Limited, the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of eircom Holdings (Ireland) Limited, eircom Limited (Irish Branch), a company incorporated in Jersey. The business transfer was undertaken in the context of a corporate reorganisation within the eircom Holdings (Ireland) Limited Group.

31. Post Balance Sheet Events (Continued)

The internal corporate reorganisation was undertaken following receipt of the required consents from noteholders and lenders under the Senior Facilities Agreement on 22 August 2014. The primary corporate benefit derived from the reorganisation is increased flexibility to make distributions in the future. The internal corporate reorganisation is not expected to have any effect on the business or operations of the group.

There have been no other significant events affecting the group since the year ended 30 June 2015.

32. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2015	Business	Registered Office and Country of Incorporation
eircom Limited	100%	Provision of telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Finco Sarl	100%	Finance Company	46A Avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
eircom Finance Limited	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Irish Telecommunications Investments Limited	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
eircom Holdings Limited	100%	Investment Holding Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

32. Principal Subsidiaries, Joint Ventures and Associated Undertakings (Continued)

	Interest in Ordinary Shares at 30 June 2015	Business	Registered Office and Country of Incorporation
Tetra Ireland Communications Limited (Joint venture)	56%	Build and Operate National Digital Radio Services Network	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Altion Limited (Associated undertaking)	31.3%	Telecommunications Software Solutions	7th Floor, O'Connell Bridge House, D'Olier Street, Dublin 2, Ireland.

33. Employees

The average number of persons employed by the group for the years ended 30 June 2015 and 30 June 2014 were as follows:—

	Year ended 30 June 2014	Year ended 30 June 2015
Fixed line		
Operations/Technical	2,624	**2,251**
Sales/Customer Support	748	**656**
Administration	256	**174**
Total	3,628	**3,081**
Mobile		
Operations/Technical	171	**172**
Sales/Customer Support	265	**217**
Administration	38	**28**
Total	474	**417**
Total fixed line and mobile	4,102	**3,498**

33. Employees (Continued)

The total number of persons employed by the group as at 30 June 2015 and 30 June 2014 were as follows:—

	30 June 2014	30 June 2015
Fixed line		
Operations/Technical	2,331	**2,193**
Sales/Customer Support	663	**654**
Administration	191	**162**
Total	3,185	**3,009**
Mobile		
Operations/Technical	170	**162**
Sales/Customer Support	242	**194**
Administration	36	**26**
Total	448	**382**
Total fixed line and mobile	3,633	**3,391**

Certain employees work in both the fixed and mobile businesses. The employee numbers are based on the entity that entered into the employment contract with the individual employees. The employee costs are recharged between the fixed and mobile segments based on estimates of the time spent by individual employees on fixed and mobile activities.

34. Pensions

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

The total group pension charge is split between the schemes as follows:

	Notes	Year ended 30 June 2014	Year ended 30 June 2015
		€m	€m
Defined Benefit Schemes (the principal scheme)			
Operating costs—staff pension costs	7	29	**26**
Finance costs—net interest cost on net pension liability	10	29	**11**
Defined Benefit Schemes		58	**37**
Defined Contribution Schemes	7	4	**4**
Total		62	**41**

Defined Benefit Schemes

The group sponsors a defined benefit scheme for members in Ireland, the eircom Main Superannuation Scheme. In the year ended 30 June 2014, the group established a separate, limited scope ancillary scheme, the eircom Limited early retirement pension scheme ('Early Retirement Trust'). ''At 30 June 2015, the eircom Main Superannuation Fund accounts for in excess of 99% of the group's defined benefit obligations measured in accordance with IAS 19 (Revised) ''Employee Benefits''.

The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds, the eircom Main Superannuation Fund and the Early Retirement Trust.

34. Pensions (Continued)

Regulatory Framework

The group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the Schemes are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required on an ongoing funding basis, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

Separately, the Pensions Act 1990 (as amended) generally requires that trustees of funded defined benefit pension schemes must submit an Actuarial Funding Certificate (AFC) at regular intervals to the Pensions Authority. In the AFC, the scheme's actuary certifies whether the scheme does or does not satisfy the minimum funding standard (MFS) at the effective date of the AFC. The funding standard is satisfied if, broadly, in the actuary's opinion, the scheme's assets at the AFC effective date were more than the sum of:

- The transfer values to which the members would be entitled to; and
- The estimated expenses of winding up the scheme.

From 1 January 2016, in addition to the existing statutory liabilities, the Scheme will need to hold sufficient assets to cover a risk reserve. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS at a specified future point in time.

eircom Main Superannuation Scheme

The Scheme is closed to new entrants. However, benefits continue to accrue to members in active service, and benefits in deferment and in payment are subject to discretionary increases on the part of the group.

Retirement benefits under the Main Superannuation Scheme are calculated by reference to pensionable service and pensionable salary at normal retirement date. Principal benefits comprise of:

(i) Retirement pension, calculated at 1/80th of pensionable pay for each year of reckonable service, up to a maximum of 40/80ths (that is, half pensionable pay). Pensionable pay in most cases is made up of a member's wages or salary at the last day of service plus certain pensionable allowances

(ii) Retirement gratuity (also known as "lump-sum"), calculated at 3/80th of pensionable pay for each year of reckonable service, up to a maximum of 120/80ths (that is, one and a half times pensionable pay).

(iii) Death gratuity, for in-service members, of at least one year's pensionable pay subject to a limit of one and a half times pensionable salary calculated in the same manner as the retirement gratuity.

On an ongoing basis, the Scheme's liabilities consist of obligations to make benefit payments to current and potential future beneficiaries.

34. Pensions (Continued)

As a result of the Pensions Accord, agreed with Trade Unions in 2010, increases in benefits in deferment and in payment and pensionable pay and allowances were frozen up to 30 June 2014. Thereafter, pension increases, if any, will be capped at the lowest of the following:

- the percentage increase in actual pay awarded;
- the percentage increases in consumer prices in the year as measured by the Consumer Price Index (CPI) published by the CSO for the prior year to 31 December; and
- a specified maximum annual increase as follows:
  - 4.00% in each of 2015, 2016 and 2017
  - 3.25% in each of 2018, 2019 and 2020
  - 2.50% in each year thereafter

Early Retirement Trust

The Early Retirement Trust was established in the year ended 30 June 2014 to provide benefits to staff exiting under the Incentivised Exit Programme who opted to avail of an enhanced early retirement option with up to five years added service. In addition to their pre-existing membership of the eircom Main Superannuation Scheme, those individuals became members of the Early Retirement Trust, which provides fixed pension benefits between the last day of service and age sixty. At age sixty benefits from the Early Retirement Trust cease and the preserved benefits under the eircom Main Superannuation Scheme become payable. The Early Retirement Trust is closed to future accrual of benefits.

In the year ended 30 June 2014, the group agreed to provide funding to the Early Retirement Trust totalling €26 million in respect of all its committed past service liabilities. The €26 million funding requirement has now been fully paid over as at 30 June 2015 (30 June 2014: €13 million). Thereafter, subject to achieving anticipated investment returns, the group does not anticipate any further contributions becoming due to the Early Retirement Trust, as members are incapable of earning increases in benefits or accruing additional benefits.

eircom Main Superannuation Scheme Actuarial Valuation and Funding

The eircom Limited group committed to an annual employer contribution of €20 million for three years ending on 31 December 2013. From 1 January 2014, the actual contributions in respect of the principal scheme represent a rate of 8.5% of pensionable emoluments, as advised by the group's actuaries. The last actuarial valuation of the principal scheme was carried out using the attained age method, as at 30 September 2013, by Mercer, who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 34 (b)) over the remaining working lifetime of the current members.

The actuarial valuation as at 30 September 2013 was determined by reference to the following critical assumptions: (1) an assumed rate of pensionable pay and pension inflation of 1.9% per annum with effect from 1 January 2014 (0% until 31 December 2013) and (2) an assumed rate of investment return of 4.9%. At the date of the last actuarial valuation, the market value of the pension scheme assets was €3,123 million, and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions.

The actuarial valuation report also indicated that the Scheme met the Minimum Funding Standard as at 30 September 2013, and included a completed Actuarial Funding Certificate

34. Pensions (Continued)

confirming this outcome. The actuarial report is available for inspection by the members of the scheme at 1 Heuston South Quarter, St. John's Road, Dublin 8. The actuarial report is not available for public inspection.

The next scheduled formal valuation of the scheme is as at 30 September 2016. If a deficit were to arise in the ongoing funding valuation at a future date, the actuary could recommend an increase in the employer contribution rate. However, there is no legal obligation on the group to remediate a deficit and there is a practical limit to what the group could reasonably afford, and would be prepared to pay. Other possible remediation could include, for example, further limitation of discretionary increases in pensions in deferment and in payment.

The minimum funding standard regime provides a practical base line in terms of both a target funding level and contribution rate. In circumstances where a scheme fails to satisfy the minimum funding standard, the Pensions Board has established guidelines in relation to what would constitute an acceptable funding proposal. Developing a funding proposal that is acceptable to the Trustees, eircom Limited and Pensions Authority could prove to be a significant challenge in the event that the Scheme fails to satisfy the minimum funding standard at a future date.

Mercer also perform all annual valuations required under IAS 19 "Employee Benefits". These valuations are performed on the projected unit basis.

Defined Benefit Schemes obligations

The status of the defined benefit schemes, as measured in accordance with IAS 19 (Revised) "Employee Benefits", is as follows:

	Restated 30 June 2013	30 June 2014	30 June 2015
	€m	€m	€m
Present value of funded obligations	3,918	3,940	**4,331**
Fair value of scheme assets	(3,082)	(3,549)	**(3,905)**
Liability recognised in the Balance Sheet	836	391	**426**

Reconciliation of defined benefit obligation	30 June 2014	30 June 2015
	€m	€m
At beginning of financial period	3,918	**3,940**
Current service cost	28	**25**
Interest cost	139	**113**
Past service costs and curtailment losses	57	**—**
Remeasurements:		
—Loss/(gain) from change in demographic assumptions	(104)	**10**
—Loss from change in financial assumptions	177	**329**
—Experience loss/(gain)	(196)	**6**
Contributions by employees	10	**8**
Benefits paid	(89)	**(100)**
Total—Defined benefit obligation	3,940	**4,331**

34. Pensions (Continued)

Defined benefit obligation by member status	30 June 2014	30 June 2015
	€m	€m
Actives	997	**1,138**
Vested deferreds	1,643	**1,637**
Retirees	1,300	**1,556**
Total—Defined benefit obligation	3,940	**4,331**

Reconciliation—Fair value of plan assets	30 June 2014	30 June 2015
	€m	€m
At beginning of financial period	3,082	**3,549**
Interest income on plan assets	110	**102**
Administration costs	(1)	**(1)**
Remeasurements: Return on plan assets, excluding amounts included in interest income	404	**318**
Contributions paid by group	33	**29**
Contributions by employees	10	**8**
Benefits paid	(89)	**(100)**
Total—Fair value of plan assets	3,549	**3,905**

The components of the amounts recognised in the income statement are as follows:

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Current service cost	28	**25**
Administration costs	1	**1**
Interest on obligation	139	**113**
Interest income on plan assets	(110)	**(102)**
Total net charge included in the income statement	58	**37**
Actual return on scheme assets	513	**419**

The expected contribution level for the year ended 30 June 2015 for the defined benefit scheme is €13 million.

The weighted average duration of scheme liabilities at 30 June 2015 was estimated to be 18 years (30 June 2014: 16 years).

Pensions Levy

The Irish Finance (No. 2) Act 2011 introduced a levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). Finance (No. 2) Act 2013 put in place a further 0.15% levy for 2014 and 2015. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year.

The group has recognised a charge of €6 million in respect of the 2015 pension levy through other comprehensive income for the year ended 30 June 2015 (30 June 2014: €25 million).

In 2011, the group informed the Trustees of the Main Fund that it is not in a position to carry the charges in relation to the pension levy. The Trustees considered various options with regard to funding the levy, ranging from absorbing the cost within the fund or directly reducing base benefits and pensions payable. The Trustees ultimately concluded that it would be necessary to

34. Pensions (Continued)

pass the pensions levy onto members. The precise mechanism will be determined by the Trustees following consultations between the group and the Trustees and separately between the group and member representatives.

While the Trustees have accepted that the members will ultimately bear the cost of the pensions levy, no reduction in the defined benefit obligation has been recognised as at 30 June 2015 in respect of the levy.

Pension scheme assets

The fair value of scheme assets as at 30 June 2015 was €3,905 million (30 June 2014: €3,549 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2014				30 June 2015			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
	€m	€m	€m		€m	€m	€m	
Equities & other assets	666	387	1,053	29%	**366**	**272**	**638**	**16%**
Bonds	1,974	225	2,199	62%	**2,251**	**467**	**2,718**	**70%**
Property	—	304	304	9%	**—**	**537**	**537**	**14%**
Cash	—	18	18	1%	**—**	**18**	**18**	**—**
Pension levy	—	(25)	(25)	(1)%	**—**	**(6)**	**(6)**	**—**
Total pension assets	2,640	909	3,549	100%	**2,617**	**1,288**	**3,905**	**100%**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2013	At 30 June 2014	At 30 June 2015
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%	2.40%
Inflation assumption	2.00%	1.80%	1.70%
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	90 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	91 years	91 years	91 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	92 years	92 years	93 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 no increase in pensionable pay will arise prior to 1 July 2014.

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

34. Pensions (Continued)

Sensitivity of defined benefit obligation to key assumptions

The table below sets out the sensitivity of defined benefit obligation to changes in key assumptions:

	Change in Assumption	Impact on actuarial liabilities
Discount rate	0.25% increase	**(216)**
Rate of increase in salaries and pensions in payment	0.25% increase	**183**
Life expectancy	1 year increase	**100**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, a change in one assumption could impact on other assumptions due to the relationship between assumptions. Some of the above changes in assumptions may also have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

Risks and risk management

Through its defined benefit pension schemes, the group is exposed to a number of areas of risk. The key areas of risk, and the ways in which the group has sought to manage them, are set out below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The funds hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. In 2010, the Trustees initiated a review of the Main Scheme's investment strategy. That review resulted in a substantial shift in the investment portfolio from equity to fixed interest investments. At the same time the Trustees put in place a dynamic de-risking process to further transition the Scheme's equity allocation to fixed interest holdings in a systematic manner.

However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently.

There is also an element of credit risk attaching to the bond portfolio and currency risk to the extent that assets are denominated in currencies other than the euro and are not correspondingly hedged.

Changes in bond yields

Interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

34. Pensions (Continued)

Inflation risk

The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plans against high inflation. However, for the most part these inflationary increases are ultimately discretionary in nature.

Life expectancy

The majority of the schemes' obligations are to provide a pension for the life of the member and that of the member's widowed spouse, which means that increases in life expectancy will result in an increase in the plans' liabilities.

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

35. Operating lease commitments

At 30 June 2015, the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:—

	Restated 30 June 2014		30 June 2015	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	€m	€m	€m	€m
Annual commitments				
Under non-cancellable operating leases expiring:				
No later than one year	2	—	**4**	**—**
Later than one year but no later than five years	14	1	**17**	**1**
Later than five years	23	—	**16**	**—**
	39	1	**37**	**1**

The total contracted payments due on operating leases are as follows:

	Restated 30 June 2014	30 June 2015
	€m	€m
Payable:		
No later than one year	40	**38**
Later than one year but no later than five years	108	**102**
Later than five years	222	**213**
	370	**353**

36. Credit guarantees and securities

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings.

Senior Credit Facility

At 30 June 2015, eircom Holdings (Ireland) limited and certain of its subsidiaries have guaranteed financial indebtedness for €2 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €2 billion term credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The guarantees rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Senior Credit Facility, including the guarantee of the Senior Secured Notes. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl, and fixed and floating charges over the assets of eircom Limited, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited, subject to certain exclusions specified in the security documents. The companies guaranteeing the Senior Credit Facility are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited, Meteor Ireland Holdings LLC, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Senior Secured Notes

eircom Holdings (Ireland) limited and certain of its subsidiaries have guaranteed financial indebtedness for €350 million of eircom Finance Limited, a subsidiary of the group, pursuant to the Senior Secured Notes issued in May 2013.

The guarantees are general senior obligations of each guarantor and rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Notes, including the guarantee of the Senior Credit Facility. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement.

The Senior Secured Notes are secured by pledges over the equity interests in eircom Finance Limited and each Guarantor, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl and fixed and floating charges over the assets of the guarantors, subject to certain exclusions specified in the security documents. The guarantors of the Senior Secured Notes are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited, Meteor Ireland Holdings LLC, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Hedging obligations

The group has entered into derivative financial instruments which are subject, amongst other things, to an Intercreditor Agreement. In accordance with this agreement, the liabilities to hedging counterparties rank in priority to liabilities arising under the Senior Credit Facility and Senior Secured Notes in the event of enforcement action.

36. Credit guarantees and securities (Continued)

Tetra Securities

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group and the Senior Secured Notes of eircom Finance Limited are secured by a second pledge over eircom Limited's shares of Tetra.

37. Contingent liabilities

Hearing loss claims

As of 30 June 2015, eircom has received notice of personal injury claims for alleged hearing loss from one hundred and sixteen current and former employees, fifteen of which have been withdrawn, and seven of which have been discontinued. Of the ninety-four remaining claims, fifty-five have become prima facie statute barred, and therefore eircom consider these cases to be closed. Of the remaining cases, twenty-six individuals have issued but not served court proceedings alleging hearing loss, and thirteen sets of proceedings have been served and are active. eircom has denied liability in all of the claims and intends to vigorously defend all proceedings issued in respect of hearing loss claims.

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. A Statement of Claim was delivered by the State on 17 December 2014. eircom raised a Notice for Particulars on 27 March 2015. Replies to those Particulars was delivered by the State on 8 May 2015. We are currently awaiting copy Title Deeds from the State and eircom intends to raise a Notice for Further and Better Particulars once it has reviewed those Title Deeds.

Performance guarantees

Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts (see Note 20). At 30 June 2015, these include €3 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, and €3 million in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO"). No material losses are expected in respect of these obligations.

Allegations of anti-competitive practices

In October 2002, ComReg determined that eircom Limited was not in compliance with its obligations under the voice telephony regulations, as it provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom's discount schemes and published prices. No penalties were levied on eircom Limited as a result of this determination.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom Limited seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom Limited submitted its defence on 26 January 2004 and intends to defend the proceedings vigorously.

37. Contingent liabilities (Continued)

The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings: loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million), and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom's part under each of these headings, eircom's Directors do not believe that these figures represent damages which would be properly recoverable from eircom Limited.

No further action has been taken by the plaintiffs in the ten years since they amended the plenary summons and statement of claim.

Claims by Smart Telecom

On 8 June 2005, Smart Telecom instituted proceedings against eircom Limited in the Irish High Court, challenging the validity of a notice of termination issued by eircom Limited to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom Limited of its dominant position in the telecommunications market. Smart Telecom further alleged that eircom Limited was abusing its dominant position by refusing to provide network access in the form of Local Loop Unbundling ("LLU") in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid and an abuse of dominance, that eircom Limited was abusing its dominance by failing to meet Smart Telecom's LLU requirements, and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty. eircom Limited delivered its defence in the proceedings on 23 December 2005.

eircom's Directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom Limited provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's Directors do not believe that these figures represent damages that would be properly recoverable from eircom Limited.

In October 2006, eircom Limited terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom Limited introduced the LLU functionality that is the subject of Smart's claim in the proceedings.

No further action has been taken by Smart Telecom after the delivery of eircom's defence in December 2005. In December 2009, Smart Telecom went into liquidation.

Other

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory and taxation authorities have arisen in the normal course of business. While any litigation or dispute with regulatory and tax authorities has an element of uncertainty, the Directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

38. Commitments

Capital commitments of the group which have been contracted for were €45 million at 30 June 2015 (30 June 2014: €45 million). These amounts have been approved by the Board.

Network share agreement with Three

Three and the group have signed a new network sharing agreement, fulfilling one of the commitments Three entered into as part of receiving EU Commission approval for its acquisition of O2 in Ireland in 2014. This partnership strengthens the existing network sharing agreement that had been in place between O2 and the group since 2011.

The new agreement will run to 2030 and commits funding to create a shared network of over 2000 sites within the next three years. Three and the group will share site equipment, power supply, towers and transmission throughout the country. The existing sites of both operators will be consolidated and new sites will be jointly built. The partnership will further facilitate the introduction of new technologies to roll out 4G/LTE services and provide data coverage to every part of the country.

To the extent that the group expects to decommission existing assets in connection with the agreement, the related useful lives of the assets concerned and asset retirement obligations have been revised as appropriate, and provisions have been recognised for any decommissioning costs for which a legal or constructive obligation existed at the balance sheet date.

The network sharing agreement between Three and the group is determined to be a joint operation in accordance with the guidance in IFRS 11. The group accounts for its own rights and obligations as well as its share of any joint rights and obligations.

39. Related party transactions

The following transactions were carried out with related parties:

a) Key management compensation

	Year ended 30 June 2014	Year ended 30 June 2015
	€m	€m
Salaries and other short-term employee benefits . . .	7.8	**5.9**
Other long-term employee benefits	20.8	**1.0**
Post-employment benefits	0.6	**0.2**
	29.2	**7.1**
Termination benefits	1.3	**9.9**
Share based payments	8.6	**11.2**
	39.1	**28.2**

Management Incentive Plan

The management incentive plan ("MIP") was initiated 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"). The debt value element was accounted for in accordance with IAS 19, *Employee benefits*, and as a result is required to be re-measured at each reporting date and the equity value element in accordance with IFRS 2, *Share based payments*. 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

39. Related party transactions (Continued)

participants with the returns to the shareholders. The implementation of the management incentive plan amendments approved by shareholders on 8 December 2014 and the transactions envisaged pursuant to those amendments to be completed by 8 October 2015 were completed during the quarter ended 30 June 2015. Following these amendments all of the benefits of the MIP are accounted for in accordance with IFRS 2.

The individual participants' entitlements under the MIP are subject to graded vesting on a time basis over five years, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 2.67 years.

The participants are entitled to receive instruments in Eircom MEP S.A., which in turn hold instruments in eircom Holdco S.A. The instruments held in Eircom MEP S.A. carry no voting rights and are not transferable. These instruments will be cash settled on vesting by eircom Holdco S.A., however there is no obligation for the group to make any cash payments.

Under the terms of the MIP there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

The group re-measured the debt value element prior to the amendment in December 2014 and as a result recognised a charge of €1 million (30 June 2014: €20 million) in its income statement. Following the amendment, the group reclassified the cumulative debt value event liability of €27 million to equity and classified this within the capital contribution reserve. No provision is recorded on the balance sheet as at 30 June 2015 (30 June 2014: €26 million). The conversion of the previously held MIP instruments gave the participants equal value before and after modification.

Separately, the group also recognised a charge of €11 million (30 June 2014: €9 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. This charge reflects the original equity settled instrument and the instruments converted to equity in the current year. A resulting cumulative capital contribution of €47 million is recorded on the balance sheet as at 30 June 2015 (30 June 2014: €9 million).

b) Other related parties transactions

During the year ended 30 June 2015, the group advanced a loan of €14 million to eircom Holdco SA. The loan was advanced following the decision by the Board of Directors of eircom Holdco SA to exercise a call option over vested shares in eircom Holdco SA held by departing executives through the Management Incentive Plan. The loan was used by eircom Holdco SA to repurchase the shares. The amount outstanding at 30 June 2015 is €14 million.

During the year ended 30 June 2015, the group recharged operating costs incurred on behalf of Eircom Holdco SA of €0.2 million (30 June 2014: €0.4 million). The amount outstanding in respect of these costs is €0.4 million at 30 June 2015 (30 June 2014: €0.4 million).

During the year ended 30 June 2015, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.8 million (30 June 2014: €5.8 million). The amount outstanding in respect of these costs is €5.3 million at 30 June 2015 (30 June 2014: €5.2 million).

40. Impact of adopting new accounting standards

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' on 1 July 2014. The revised standards are to be applied retrospectively and accordingly the group has restated the comparative periods.

40. Impact of adopting new accounting standards (Continued)

IFRS 11, 'Joint Arrangements' requires interests in jointly controlled entities to be recorded using the equity method. Under IFRS 11, the group's investment in Tetra has been classified as a joint venture and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11, the group's interest in Tetra was proportionately consolidated.

The other changes to the standards governing the accounting for subsidiaries, joint ventures and associates do not have a material impact on the group.

The following tables show the impact on the group financial statements of adopting the standard at 1 July 2014.

Group income statement (selected lines)

	Published 30 June 2014	IFRS 11	Restated 30 June 2014
	€m	€m	€m
Revenue	1,283	**(16)**	**1,267**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(816)	**7**	**(809)**
Amortisation	(76)	**—**	**(76)**
Depreciation	(269)	**7**	**(262)**
Exceptional items	(235)	**—**	**(235)**
Profit on disposal of PPE	3	**—**	**3**
Operating loss	(110)	**(2)**	**(112)**
Finance costs—net	(223)	**1**	**(222)**
Share of profit of investments accounted for using the equity method	—	**1**	**1**
Loss before tax	(333)	**—**	**(333)**
Income tax credit	24	**—**	**24**
Loss for the financial year attributable to equity holders	(309)	**—**	**(309)**
Other comprehensive income, net of tax	457	**—**	**457**
Total comprehensive income for the financial period	148	**—**	**148**

40. Impact of adopting new accounting standards (Continued)

Group balance sheet (selected lines)

	Published 30 June 2014	IFRS 11	Restated 30 June 2014
	€m	€m	€m
Assets			
Non-current assets			
Goodwill	192	—	**192**
Other intangible assets	447	—	**447**
Property, plant and equipment	1,578	**(21)**	**1,557**
Investments	—	**1**	**1**
Deferred tax assets	6	—	**6**
Other assets	1	—	**1**
	2,224	**(20)**	**2,204**
Current assets			
Inventories	12	—	**12**
Trade and other receivables	218	**(3)**	**215**
Restricted cash	14	—	**14**
Cash and cash equivalents	199	**(6)**	**193**
	443	**(9)**	**434**
Total assets	2,667	**(29)**	**2,638**
Liabilities			
Non-current liabilities			
Borrowings	2,040	**(9)**	**2,031**
Trade and other payables	159	—	**159**
Deferred tax liabilities	53	—	**53**
Retirement benefit liability	391	—	**391**
Provisions for other liabilities and charges	113	**(4)**	**109**
	2,756	**(13)**	**2,743**
Current liabilities			
Borrowings	9	**(9)**	—
Derivative financial instruments	1	—	**1**
Trade and other payables	463	**(7)**	**456**
Current tax liabilities	16	—	**16**
Provisions for other liabilities and charges	69	—	**69**
	558	**(16)**	**542**
Total liabilities	3,314	**(29)**	**3,285**
Total equity	(647)	—	**(647)**
Total liabilities and equity	2,667	**(29)**	**2,638**

40. Impact of adopting new accounting standards (Continued)

Group cash flow statement (selected lines)

	Published 30 June 2014	IFRS 11	Restated 30 June 2014
	€m	€m	€m
Cash flows from operating activities			
Cash generated from operations	282	**(11)**	**271**
Interest received	1	**—**	**1**
Interest paid	(105)	**1**	**(104)**
Income tax refund	3	**—**	**3**
Net cash generated from operating activities	181	**(10)**	**171**
Cash flows from investing activities			
Net cash used in investing activities	(284)	**—**	**(284)**
Cash flows from financing activities			
Repayment on borrowings	(9)	**9**	**—**
Amend and extend fees paid	(13)		**(13)**
Net cash used in financing activities	(22)	**9**	**(13)**
Net decrease in cash, cash equivalents and bank overdrafts	(125)	**(1)**	**(126)**
Cash and cash equivalents and bank overdrafts at beginning of financial year	324	**(5)**	**319**
Cash, cash equivalents and bank overdrafts at end of financial year	199	**(6)**	**193**

40. Impact of adopting new accounting standards (Continued)

The table below shows the impact of the restatement on the group balance sheet for the year commencing 1 July 2013:

Group balance sheet (selected lines)

	Published 30 June 2013	IFRS 11	Restated 30 June 2013
	€m	€m	€m
Assets			
Non-current assets			
Goodwill	192	—	**192**
Other intangible assets	460	—	**460**
Property, plant and equipment	1,584	**(28)**	**1,556**
Derivative financial instruments	4	—	**4**
Deferred tax assets	3	—	**3**
Other assets	5	—	**5**
	2,248	**(28)**	**2,220**
Current assets			
Inventories	12	—	**12**
Trade and other receivables	226	**(4)**	**222**
Derivative financial instruments	1	—	**1**
Restricted cash	22	—	**22**
Cash and cash equivalents	324	**(5)**	**319**
	585	**(9)**	**576**
Total assets	2,833	**(37)**	**2,796**
Liabilities			
Non-current liabilities			
Borrowings	1,977	**(18)**	**1,959**
Trade and other payables	170	—	**170**
Retirement benefit liability	836	—	**836**
Provisions for other liabilities and charges	134	**(3)**	**131**
	3,117	**(21)**	**3,096**
Current liabilities			
Borrowings	9	**(9)**	**—**
Derivative financial instruments	1	**(1)**	**—**
Trade and other payables	447	**(6)**	**441**
Current tax liabilities	21	—	**21**
Provisions for other liabilities and charges	42	—	**42**
	520	**(16)**	**504**
Total liabilities	3,637	**(37)**	**3,600**
Total equity	(804)	—	**(804)**
Total liabilities and equity	2,833	**(37)**	**2,796**

41. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 July 2015 or later periods but which the group has not early adopted, as follows:

IFRS 9, 'Financial instruments'. (Effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement). The new standard addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a model that has two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset host instruments and the cost exemption for unquoted equities. The group is currently reviewing the expected impact of this standard, which may change as a consequence of further developments resulting from the IASB's financial instruments project.

IFRS 15, 'Revenue from Contacts with Customers'. (Effective for periods beginning on or after 1 January 2018, subject to EU endorsement). IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue Standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Under current revenue accounting policies applied by the group, when allocating revenue to deliverables, amounts contingent upon provision of future service are not allocated to delivered elements. This will no longer be the case under IFRS 15, and the group expects in particular that it will therefore be required to recognise additional revenue at the time of transfer of subsidised handsets sold directly to customers in conjunction with a service contract, and less revenue as services are delivered over the service contract term. Separately, IFRS 15 also includes requirements for accounting for some costs that are related to a contract with a customer. A company would recognise an asset for the incremental costs of obtaining a contract if those costs are expected to be recovered. The group expects that certain of its contract acquisition and fulfilment costs, which are currently expensed to the income statement as incurred, will be deferred on the balance sheet under IFRS 15 and amortised as revenue is recognised under the related contract. Costs within the scope of this change are expected to include commissions payable to dealers for the acquisition and retention of mobile subscribers and the costs of modems, amongst others. The group is continuing to assess the full impact of IFRS 15 on its financial reporting in light of the distinct and marked impact this standard is expected to have on financial reporting by all telecommunications operators.

Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities". ((Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement). The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate holding entity is available to a holding entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. The amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Furthermore, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the

41. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

investment entity associate or joint venture to its interests in subsidiaries. This amendment is not expected to have any effect on the group.

Amendments to IAS 1, "Disclosure Initiative". (Effective for periods beginning on or after 1 January 2016, subject to EU endorsement). The amendments to IAS 1 include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. This amendment is not expected to have any significant effect on the group, the standard impacts on presentation and disclosure and has not impacted on the measurement of amounts.

Amendments to IAS 27, "Equity Method in Separate Financial Statements". (Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment is not expected to have any effect on the group.

Amendments to IAS 16 'Property, Plant and Equipment', and IAS 38 'Intangible Assets'. (Effective for financial periods beginning on or after 1 January 2016, subject to EU endorsement). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. Also, it introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. This amendment is not expected to have any significant effect on the group, as the group does not calculate depreciation or amortisation based on revenue.

IFRS 11 (Amendment), 'Joint Arrangements'. (Effective for periods beginning on or after 1 January 2016, subject to EU endorsement). The amendment clarifies the accounting for an interest in a joint operation when the joint operation is formed and there is an existing business that is contributed or where the acquisition of the interest is in an existing joint operation that is a business. The joint operator accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business applies the relevant principles for business combinations accounting in IFRS 3 and other Standards, and discloses the relevant information required by those Standards for business combinations. This is not expected to have any impact on the group's accounting for its existing joint arrangements.

Annual Improvements 2010 to 2012. (Effective in the EU for financial periods beginning on or after 1 February 2015). The IASB has issued "annual improvements" which amends various standards. The group is currently assessing the impact of these improvements on its financial reporting, but does not anticipate that the improvements will have a material impact on the group's financial statements.

Annual Improvements 2011 to 2013. (Effective in the EU for financial periods beginning on or after 1 January 2015). The IASB has issued "annual improvements" which amends various standards. The group is currently assessing the impact of these improvements on its financial reporting, but does not anticipate that the improvements will have a material impact on the group's financial statements.

Annual Improvements 2011 to 2014. (Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement). The IASB has issued "annual improvements" which

41. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

amends various standards. The group is currently assessing the impact of these improvements on its financial reporting, but does not anticipate that the improvements will have a material impact on the group's financial statements.

42. Comparative amounts

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

43. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 27 August 2015.

Independent Auditors' Report to the members of eircom Holdings (Ireland) Limited

We have audited the non-statutory consolidated financial statements of eircom Holdings (Ireland) Limited for the year ended 30 June 2014 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement as set out on page F-2, the directors are responsible for the preparation of the non-statutory consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the non-statutory consolidated financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the non-statutory consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory consolidated financial statements sufficient to give reasonable assurance that the non-statutory consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the non-statutory consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited non-statutory consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on non-statutory consolidated financial statements

In our opinion, the non-statutory consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2014 and of its loss and cash flows for the year then ended.

Emphasis of matter—non-statutory consolidated financial statements

In forming our opinion on the non-statutory consolidated financial statements, which is not modified, we draw attention to the fact that these non-statutory consolidated financial statements have not been prepared under Section 148 of the Companies Act 1963 and are not the company's statutory financial statements.

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

28 August 2014

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Chartered Accountants

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements

For the Year Ended 30 June 2014

The directors are responsible for preparing the non-statutory consolidated financial statements for the bondholders in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for being satisfied that they give a true and fair view of the state of the group's affairs at the end of the financial year and of the profit or loss and cash flows of the Group for the financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These non-statutory consolidated financial statements have been approved for issue by the Directors on 28 August 2014.

eircom Holdings (Ireland) Limited

Group income statement

For the Year Ended 30 June 2014

	Notes	Restated Year ended 30 June 2013	Year ended 30 June 2014
		€m	€m
Revenue	6	1,394	**1,283**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	7	(907)	**(816)**
Amortisation	7, 14	(71)	**(76)**
Depreciation and impairment of property, plant & equipment	7, 15	(266)	**(269)**
Exceptional items	7, 8	(22)	**(235)**
Exceptional gain on exit from subsidiary	7, 9	17	**—**
Profit on disposal of property, plant and equipment	7, 10	—	**3**
Operating profit/(loss)		145	**(110)**
Finance costs	11 (a)	(263)	**(224)**
Finance income	11 (b)	1	**1**
Finance costs—net	11	(262)	**(223)**
Loss before tax		(117)	**(333)**
Income tax (charge)/credit	12	(1)	**24**
Loss for the financial year attributable to equity holders of the parent	30	(118)	**(309)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of comprehensive income

For the Year Ended 30 June 2014

	Notes	Restated Year ended 30 June 2013	Year ended 30 June 2014
		€m	€m
Loss for the financial year attributable to equity holders of the parent	30	(118)	**(309)**
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial (losses)/gains:			
—Actuarial (loss)/gain in year	35	(151)	**527**
—Tax on defined benefit pension scheme actuarial losses/(gains)	17, 26	19	**(66)**
		(132)	**461**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
—Fair value gain/(loss) in year	30	5	**(6)**
—Tax on cash flow hedge movements	30	(1)	**1**
Currency translation differences	30	—	**1**
		4	**(4)**
Other comprehensive (expense)/income, net of tax		(128)	**457**
Total comprehensive (expense)/income for the financial year attributable to equity holders of the parent	30	(246)	**148**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet

As at 30 June 2014

	Notes	Restated 1 July 2012	Restated 30 June 2013	30 June 2014
		€m	€m	€m
ASSETS				
Non-current assets				
Goodwill	13	294	192	**192**
Other intangible assets	14	319	460	**447**
Property, plant and equipment	15	1,649	1,584	**1,578**
Derivative financial instruments	25	—	4	**—**
Deferred tax asset	17	1	3	**6**
Other assets	18	6	5	**1**
		2,269	2,248	**2,224**
Current assets				
Inventories	19	14	12	**12**
Trade and other receivables	20	240	226	**218**
Derivative financial instruments	25	—	1	**—**
Restricted cash	21	32	22	**14**
Cash and cash equivalents	22	349	324	**199**
		635	585	**443**
Total assets		2,904	2,833	**2,667**
LIABILITIES				
Non-current liabilities				
Borrowings	24	1,837	1,977	**2,040**
Derivative financial instruments	25	1	—	**—**
Trade and other payables	28	179	170	**159**
Deferred tax liabilities	26	28	—	**53**
Retirement benefit liability	35	638	836	**391**
Provisions for other liabilities and charges	27	152	134	**113**
		2,835	3,117	**2,756**
Current liabilities				
Borrowings	24	9	9	**9**
Derivative financial instruments	25	1	1	**1**
Trade and other payables	28	490	447	**463**
Current tax liabilities		26	21	**16**
Provisions for other liabilities and charges	27	101	42	**69**
		627	520	**558**
Total liabilities		3,462	3,637	**3,314**
EQUITY				
Equity share capital	29, 30	—	—	**—**
Capital contribution	30	—	—	**9**
Cash flow hedging reserve	30	—	4	**(1)**
Retained loss	30	(558)	(808)	**(655)**
Total equity	30	(558)	(804)	**(647)**
Total liabilities and equity		2,904	2,833	**2,667**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group cash flow statement

For the Year Ended 30 June 2014

	Notes	Year ended 30 June 2013	Year ended 30 June 2014
		€m	€m
Cash flows from operating activities			
Cash generated from operations	31	376	**282**
Financial restructuring costs paid		(6)	**—**
Interest received		1	**1**
Interest paid		(82)	**(105)**
Income tax (paid)/refund		(17)	**3**
Net cash generated from operating activities		272	**181**
Cash flows from investing activities			
Disposal of subsidiary undertaking, net of cash disposed		117	**—**
Disposal of associate undertaking		—	**1**
Purchase of property, plant and equipment ("PPE")		(197)	**(230)**
Purchase of intangible assets		(219)	**(66)**
Proceeds from sale of PPE and other intangible assets		2	**3**
Restricted cash		10	**8**
Net cash used in investing activities		(287)	**(284)**
Cash flows from financing activities			
Proceeds from issuance of Senior Secured Notes due 2020		350	**—**
Repayment on borrowings		(347)	**(9)**
Debt issue costs paid		(12)	**—**
Amend and extend fees paid		—	**(13)**
Net cash used in financing activities		(9)	**(22)**
Net decrease in cash, cash equivalents and bank overdrafts		(24)	**(125)**
Cash and cash equivalents and bank overdrafts at beginning of financial year		348	**324**
Cash, cash equivalents and bank overdrafts at end of financial year	22	324	**199**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of changes in equity

For the Year Ended 30 June 2014

	Notes	Restated Total Equity
		€m
Balance at 1 July 2012 (as previously reported)	30	(568)
Effect of changes in accounting policies	30, 42	10
Balance at 1 July 2012 (restated)	30	(558)
Total comprehensive expense for the financial year	30	(246)
Balance at 30 June 2013	30	(804)
Balance at 1 July 2013	30	**(804)**
Capital contribution in respect of management incentive plan ('MIP') equity value event	30	**9**
Total comprehensive income for the financial year	30	**148**
Balance at 30 June 2014	30	**(647)**

The accompanying notes form an integral part of the financial statements.

1. General information

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

eircom Holdings (Ireland) Limited was incorporated on 23 April 2012. eircom Holdings (Ireland) Limited directly holds 100% of the issued share capital of two subsidiaries: eircom Finco Sarl and eircom Limited. eircom Holdings (Ireland) Limited incorporated eircom Finco Sarl, a company registered in Luxembourg, on 24 May 2012.

On 11 June 2012, eircom Holdings (Ireland) Limited acquired 100% of the issued share capital of eircom Limited for €1.00 pursuant to a Scheme of Arrangement approved by the Irish High Court. The principal trading activities of the group are undertaken by eircom Limited and its subsidiaries. Eircom Limited is the incumbent telecommunications operator in the Republic of Ireland.

Eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate parent company.

2. Going concern

The financial statements have been prepared on the going concern basis.

The net liabilities of the group included in the balance sheet at 30 June 2014 include liabilities in respect of borrowings which are measured at amortised cost including the unamortised fair value difference on borrowings of €315 million, as IFRS requires borrowings to be included at fair value on the date of initial recognition and subsequently at amortised cost (see Note 24).

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the financial statements notwithstanding the net liability position of the group, as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due and is expected to comply with its financial covenants, for the foreseeable future.

The financial covenants under the Senior Facilities Agreement include a maximum ratio of consolidated net debt to consolidated EBITDA, minimum ratios of cash flow and consolidated EBITDA to net debt service, minimum liquidity requirements and annual maximum capital expenditure limits. In setting the financial covenants consideration was given for potential downside risk to the eircom Limited Group's business plans. The covenants are required to be tested on a quarterly basis, except for the capital expenditure covenants which are required to be tested on an annual basis and the cash flow before net debt service to net debt service covenant which is effective from 30 September 2015. The covenant tests have been met for the year ended 30 June 2014. The financial covenant measures, if not complied with at future dates, could result in the new Facilities becoming immediately due and payable in advance of the agreed maturity date.

Having made due enquiries, the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

The significant accounting policies adopted by the group are set out below.

3.1. Basis of preparation

These financial statements have been prepared in accordance with IFRS, as adopted by the European Union. The financial statements are prepared on a going concern basis (see Note 2). A summary of the more important accounting policies is set out below.

3. Accounting policies (Continued)

The financial statements, which are presented in euro rounded to the nearest million, have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- pension obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Standards, amendments and interpretations effective for the year ended 30 June 2014

IAS 19 (Revised), 'Employee Benefits' became effective during the year. The changes in the group's accounting policies have been as follows: to remove previously capitalised future administration expenses relating to deferred and retired members from the measurement of defined benefit plan obligations as such expenses are now recognised as incurred; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See Note 41 for the impact on the financial statements.

The mandatory adoption of other new and amended standards has had no material impact on the group.

3.2. Basis of consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Holdings (Ireland) Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Holdings (Ireland) Limited included in the financial statements.

(i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the group from the date that control ceases.

(ii) *Joint ventures*

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities on a line-by-line basis with similar items in the group's financial statements.

The group holds 56% of the equity share capital in Tetra Ireland Communications Limited ("Tetra"). However, the group's interest in Tetra is subject to a contractual agreement with other shareholders, which prevents the group from exercising a majority of voting rights in key

3. Accounting policies (Continued)

strategic, operational and financial decision-making. Accordingly, the group's interest is accounted for in accordance with IAS 31 '*Interests in Joint Ventures'*.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) *Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

(iv) *Acquisitions*

The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities recognised. The interest of non-controlling interest shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised, and does not include a gross-up for goodwill. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group. There were no acquisitions in the two years to 30 June 2014.

(v) *Disposals*

The results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated

3. Accounting policies (Continued)

as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

3.3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets, liabilities and contingent liabilities recognised of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is not amortised. Instead, Goodwill is tested for impairment annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill may not be reversed in any circumstances.

Goodwill is allocated to cash generating units for the purpose of impairment testing in accordance with IAS 36 ''Impairment of Assets''. The allocation is made to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of estimates, including management's expectations of future revenue, operating costs, profit margins and capital requirements for each cash generating unit.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.4. Intangible assets

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives (three to four years). Costs associated with the upgrade of computer software programmes which increase the functionality of computer software or related assets are capitalised.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Licence fees paid to the government, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

3. Accounting policies (Continued)

The following useful lives have been assigned to intangible assets:

	Years
Computer software	3 - 4
Intangible assets from acquisitions:	
Customer relationships (Fixed)	2
Trademark (Fixed)	Indefinite
Licence (Fixed)	2
Mobile licences	15 - 18.5 [1]

[1] Spectrum licences are amortised over the term of the relevant licences which expire between 13 July 2015 and 12 July 2030.

Intangible assets not yet available for use are tested for impairment in accordance with IAS 36 ''Impairment of Assets'' in the same manner as goodwill (see 3.3 above).

An indefinite useful life has been attributed to the Trademark (Fixed) as a result of its prominence and the greater public's awareness of the Trademark in Ireland. The Directors expect to continue to use the Trademark for the group's Fixed Line operations for the foreseeable future, and to maintain the Trademark's distinction through a continuation of advertising and marketing campaigns.

3.5. Segmental reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team, which is the key management team that makes strategic decisions.

3.6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

The group recognises revenue when the amount of the revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the actual terms of each arrangement.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

3. Accounting policies (Continued)

When the group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the group acts as an agent on behalf of third parties, revenue is reported at the net amounts receivable from those third parties.

Fixed Line Revenue

Fixed line revenue is recognised in the period earned by rendering of services or delivery of products.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between four and five years. Connection lives are reviewed annually.

Revenue from equipment sold to third parties is recognised when the equipment is delivered to the customer. Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related services, is recognised over the term of the contract. Revenue from fixed price contracts is generally recognised in the period the services are provided, using a straight line basis over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Mobile Revenue

Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets and other accessories.

Bundled Contract Revenue

Revenue from the sale of bundled products is allocated to the separate elements of the bundle on the basis of each element's relative fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. Additionally, when allocating the bundled revenue to each element, amounts contingent upon provision of future service are not allocated to delivered elements. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

3.7. Exceptional items

The group has adopted an income statement format which seeks to highlight significant items within group results for the year. The group believe that this presentation provides additional analysis as it highlights one-off items. Such items include, where significant, restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, impairment of surplus properties, onerous contracts and reinstatement/ dilapidation provisions. 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.

3. Accounting policies (Continued)

3.8. Amounts paid and payable to other operators

Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

3.9. Customer acquisition costs

The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are expensed as incurred in the income statement.

The cost of mobile handsets, mobile handset promotions and the cost of data modems are expensed at the time the customer is acquired or when upgrades are provided to existing customers.

The costs associated with the group's advertising and marketing activities are also expensed as incurred.

3.10. Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). These consolidated financial statements are presented in euro, which is the group's presentation currency and is denoted by the symbol "€".

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of other comprehensive income as qualifying cash flow hedges.

Group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the statement of other comprehensive income.

3.11. Taxation

eircom Holdings (Ireland) Limited is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

3. Accounting policies (Continued)

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.12. Financial instruments

(i) Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the fair value on initial recognition and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Where the terms of borrowings are amended, if the revised terms are substantially different from the original terms, the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any gain or loss on the extinguishment of the original liability is recognised immediately in the income statement. If the new terms are not substantially different from the original terms, the impact of the change in the cash flows on the financial instrument's amortised cost is recognised in the income statement over the modified instrument's remaining contractual period.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months from the balance sheet date.

(ii) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

3. Accounting policies (Continued)

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivative assets or liabilities are presented as current or non-current based on expected realisation or settlement dates.

(iii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. The group's loans and receivables are set out in Note 23.

3.13. Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Cost in the case of network plant includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Depreciation

Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives, from

3. Accounting policies (Continued)

the date the asset is available for use. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Plant	
Transmission Equipment	
Duct	20
Overhead cable/poles	8 - 15
Underground cable	14
Other local network	6 - 15
Exchanges	
Exchange line terminations	8
Core hardware/operating software	3 - 4
Others	3 - 14

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, directly attributable to constructing qualifying assets that necessarily take a substantial period of time to get ready for their intended use, is capitalised based on the weighted average interest rate on outstanding borrowings.

Asset retirement obligations

The group has certain obligations in relation to the retirement of assets, mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

3.14. Impairment of non financial assets—group

Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use, are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the

3. Accounting policies (Continued)

lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses recognised in respect of goodwill are not reversed in any circumstances.

3.15. Leased assets

The fair value of property, plant and equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.16. Inventories

Inventories comprise mainly consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items, on the basis of a review of individual items included in inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

As part of the strategy to acquire new customers and retain existing customers, the group sells certain mobile handsets, in connection with a service contract, at below the acquisition cost. The group also currently provides modems free of charge to customers in connection with broadband service contracts. As the mobile handset subsidy and modem costs are part of the group’s strategy for acquiring new customers and retaining existing customers, the loss on the sale of mobile handsets and the cost of providing modems to customers are recognised at the time of the sale or provision to the customer on a free of charge basis and included in the income statement.

3.17. Trade and other receivables

Trade receivables are recognised initially at fair value, which is normally the original invoiced amount or amount advanced and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount

3. Accounting policies (Continued)

of the asset is reduced through the use of the bad debt provision account, and the amount of the loss is recognised in the income statement in "operating costs". When a trade receivable or other receivable is uncollectible, it is written off against the bad debt provision account.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.18. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of less than three months.

3.19. Indefeasible rights of use ("IRU")

The group accounts for IRU contracts in the following manner:

(i) Sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as an asset and amortised on a straight-line basis as an expense over the period of the relevant contracts.

3.20. Employee benefits

(i) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to independent trustee-administered funds. The group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation, and the related current service cost, and, where applicable, past service cost, are calculated by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually unless there has been a material change in the obligations, where it is then recalculated during the year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on current market yields at the balance sheet date of high quality corporate bonds that are denominated in euros, and reflect the duration of the related pension liability.

3. Accounting policies (Continued)

The amounts of current service cost and net interest cost recognised in the income statement are computed based on actuarial assumptions at the start of the financial year. Costs of administering the defined benefit plans, other than investment management costs, are recognised within operating expenses in the income statement as the administrative services are received.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited directly to reserves through the statement of other comprehensive income.

Past service costs and negative past service costs are recognised immediately in the group income statement.

Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets or liabilities in the group income statement. Before the effect of a curtailment or settlement is determined, the defined benefit obligation is re-measured using current actuarial assumptions.

The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Pre 1 January 1984, past-service costs are the responsibility of the Irish Minister for Finance (see Note 35(b)).

(ii) *Other bonus plans*

The group recognises a liability and an expense for bonuses where contractually obliged, or where there is past practice that has created a constructive obligation.

The entitlement to bonuses under long term bonus plans is usually conditional on the completion of a minimum service period. The expected costs of the bonuses are accrued over the period of employment based on estimates of the ultimate amount payable and targets under the schemes.

(iii) *Other long term incentive arrangements*

Where the group has committed to other long term incentive arrangements, resulting long term employment benefits are accounted for in a similar manner to post employment benefits. The group accounts for obligations relating to long term incentive bonus plans for executive directors, key management and other employees at the present value of the incentive bonus plan obligation at the reporting date. The service cost relating to such plans is allocated over each of the years which service under the plan is rendered by the individual to meet the conditions under each of the individual vesting periods. The income statement expense represents the increase in the present value of the incentive bonus plan obligation resulting from employee service in the current period, and any changes in the estimate of the ultimate amounts payable under the scheme, in addition to any associated finance costs where material.

Where long term incentive arrangements include share-based payment obligations, the accounting for such arrangements differs depending on whether the obligations are equity-settled, cash-settled and where the cost is borne by the parent company. Under the plans currently in existence, the group has no obligations in respect of share based payments, which are borne by the parent, eircom Holdco SA. As the relevant individuals provide services to the group, the group is required to recognise a charge to the income statement and a corresponding increase in equity. For cash settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3. Accounting policies (Continued)

(iv) *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits comprise the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact.

3.21. Provisions

A provision is recognised when, and only when (a) the group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A constructive obligation for restructuring cost exists where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous lease provisions have been measured at the lower of the cost to fulfil the contract, or the estimated cost to exit it, where appropriate.

3.22. Financial guarantee contracts

Liabilities are initially measured at fair value in respect of financial guarantees issued by the group for the benefit of third parties, and subsequently at the higher of the amount determined in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

3.23. Contingent liabilities and contingent assets

A contingent liability, including contingent liabilities in respect of financial guarantee contracts, is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (b) the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised but is disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not

3. Accounting policies (Continued)

wholly within the control of the group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

Where the group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.

3.24. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.25. Dividend distribution

Final dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are paid.

3.26. Dividends

Dividend income is recognised when the right to receive payment is established.

4. Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: liquidity risk, market rate risk (including cash flow, interest rate risk, currency risk and price risk) and credit risk. The group's overall risk management program focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments, such as interest rate swaps, to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, and ageing analysis for credit risk. Responsibility for managing these risks rests with the Board.

The group does not hold or issue derivative financial instruments for financial trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

On 11 June 2012, following the implementation of a High Court approved Scheme of Arrangement under which eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited, eircom Finco Sarl, a subsidiary company, became the borrower of €2,345 million under a Senior Facilities Agreement with the group's external lenders. eircom Holdings (Ireland) Limited together with certain of its subsidiary companies, are guarantors under the Senior Facilities Agreement. The Senior Facilities Agreement requires, amongst other things, that the eircom Holdings (Ireland) Limited Group comply with financial covenants. Further details of the financial covenants are set out in Note 2 to the financial statements. Non-compliance with these covenants, which are measured on a quarterly basis, would allow the lenders under the Senior Facilities Agreement to accelerate the indebtedness requiring all incurred liabilities to be immediately repaid in full.

4. Financial risk management (Continued)

As set out in Note 24, the net proceeds of €339 million from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement (at an average price of €0.933 per €1.00). The Senior Secured Notes bear fixed rate cash pay interest of 9.25% in semi-annual instalments.

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 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 Facility B1 borrowings continue to be subject to cash-pay interest at Euribor plus a cash margin of 3% and PIK Margin of 1%, with a maturity date of 30 September 2017. The amendment to the terms of the debt has had no impact on the group's contracted interest rate swaps, which continue to represent effective hedges of interest cash flows on €1,200 million of the bank borrowings up to 11 June 2015. The transaction has been accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39.

There have been no other changes in the types of financial risks or the group's risk management program (including methods used to measure the risks) arising from any of the group's trading activities since 30 June 2013.

4.1. Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to meet the group's requirements and to repay maturing debt and other liabilities as they fall due.

The balance sheet of eircom Holdings (Ireland) Limited includes a recognised liability of €1,706 million in respect of the group's borrowings under the Senior Credit Facilities Agreement in non-current liabilities as at 30 June 2014. The actual non-current liability in respect of these borrowings at 30 June 2014 is €2,021 million. The difference of €315 million, arising from recognising the borrowings based on the fair value on inception, is amortised over the term of the borrowings in accordance with the effective interest rate method under IAS 39.

Details of the maturities of the obligations of the group are set out below.

As set out in Note 2, having reviewed the group's business plans and cash flow forecasts, and considering forecast compliance with financial covenants up to the period ending 31 December 2015, the Directors consider that the group will able to realise its assets and discharge its liabilities in the ordinary course of business for the foreseeable future. Management of the group's liquidity risk is fundamental to its operations. The nature of the group's business, its working capital management activities and investment in network assets has often resulted in minimal current assets or net current liabilities.

The eircom Holdings (Ireland) Limited group has net current liabilities of €115 million at 30 June 2014. The current liabilities at that date include deferred revenue of €100 million. There is no cash outflow requirement associated with deferred revenue.

Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts

4. Financial risk management (Continued)

disclosed in the table are the contractual undiscounted cash flows based on the interest rates effective at the balance sheet date and includes the margins applicable to the relevant debt.

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
Borrowings					
—At 30 June 2014	**9**	**9**	**108**	**2,263**	**2,389**
—At 30 June 2013	9	9	2,014	350	2,382
Interest on borrowings					
—At 30 June 2014	**127**	**128**	**379**	**60**	**694**
—At 30 June 2013	98	99	340	65	602
Derivative financial instruments					
—At 30 June 2014	**1**	**—**	**—**	**—**	**1**
—At 30 June 2013	1	—	—	—	1
Trade and other payables					
—At 30 June 2014	**305**	**4**	**23**	**24**	**356**
—At 30 June 2013	298	4	19	32	353
TIS annuity scheme					
—At 30 June 2014	**9**	**7**	**11**	**5**	**32**
—At 30 June 2013	12	9	14	8	43

4.2. Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders over the long term. The capital structure of the group consists of the borrowings as set out above, and equity comprising issued capital, reserves and accumulated losses as listed in Note 30. The maturities of the group's borrowings are shown in Note 4.1.

4.3. Credit risk

Credit risk refers to the loss that the group would incur if a debtor or other counter-party fails to perform under its contractual obligations. Credit risks are mainly related to counter-party risks associated with cash and cash equivalents, restricted cash, trade and other debtors, amounts owed by related companies and derivative contracts.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a regular basis, including some processing of current credit information on subscribers from third-party sources (subject to availability) and, where appropriate, a provision for doubtful debtors is made.

The credit risk and net exposure on key accounts, particularly other authorised operators and international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

4. Financial risk management (Continued)

Ageing of trade receivables

The ageing analysis of trade receivables is set out below.

	Past due but not impaired						
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days	Neither impaired nor past due	Impaired	Total
	€m	€m	€m	€m	€m	€m	€m
Trade receivables							
—at 30 June 2014	**21**	**14**	**8**	**22**	**86**	**25**	**176**
—at 30 June 2013	21	14	10	10	98	30	183

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The group held collateral on trade receivables in the form of cash deposits of €2 million (30 June 2013: €3 million) as security.

The group is exposed to credit risk relating to its cash and cash equivalents. The group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties and with institutions whose long-term Standard & Poor's (S&P) credit rating is "BBB−" or above (or Moody's equivalent rating of "Baa3") or is an acceptable bank under the Senior Facilities Agreement.

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings in the table below.

	30 June 2013	30 June 2014
	€m	€m
Cash and cash equivalents		
AAA	25	**25**
AA−	67	**14**
A+	71	**42**
A	107	**66**
BBB+	—	**1**
BB+	31	**16**
BB	23	**35**
	324	**199**

4.4. Market rate risk

Market rate risk refers to the exposure of the group's financial position to movements in interest rates, currency rates and general price risk. The group has limited exposure to equity, currency and price risk, other than the impact of those risks on the group's defined benefit pension scheme.

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates.

Cash and cash equivalents and borrowings at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents and borrowings at a fixed rate expose the group to fair value interest rate risk.

4. Financial risk management (Continued)

The group uses derivative financial instruments to hedge certain interest rate risk exposures on group borrowings.

In accordance with the terms of the Senior Facilities Agreement of eircom Holdings (Ireland) Limited in November 2012 a hedging letter was agreed between eircom Holdings (Ireland) Limited and the Agent. The hedging letter requires that the group hedges its exposure to interest rate risk on not less than 50 per cent of its consolidated total net debt as defined under the Senior Facilities Agreement, at least until 11 June 2015.

Eircom Finco Sarl entered into two interest rate swaps for a total notional principal amount of €1,200 million, at a weighted average rate of 0.252% less 3-month Euribor for the period from 11 December 2012 to 11 June 2015. These swaps have the effect of fixing the effective interest rate payable under €1,200 million of the group's Facility B1 debt to 4.25% and Facility B2 debt to 4.75% for the duration of the swaps.

The group issued €350 million of fixed rate 9.25% Senior Secured Notes in May 2013.

As at reporting date, the group had the following cash and cash equivalents (Note 22), floating-rate borrowings (Note 24) and interest rate swap contracts outstanding (Note 25):

	30 June 2013		30 June 2014	
	Weighted average Interest rate	Balance	Weighted average Interest rate	Balance
	%	€m	%	€m
Cash and cash equivalents	0.14%	324	**0.16%**	**199**
Bank borrowings (Facility B)	4.20%	(2,005)	**—**	**—**
Bank borrowings (Facility B1)	—	—	**4.26%**	**(108)**
Bank borrowings (Facility B2)	—	—	**4.76%**	**(1,913)**
Bank borrowings (Joint Venture)	1.11%	(27)	**1.26%**	**(18)**
Interest rate swaps (Notional principal amount) [(1)]		1,220		**1,214**
Net exposure to interest rate risk		(488)		**(626)**

(1) The interest rate swaps include €14 million (30 June 2013: €20 million) held by the group's Joint Venture, Tetra Ireland Communications Limited ("Tetra"), representing the group's share of 56%.

Interest rate sensitivity analysis

Based on the financial instruments held at the balance sheet date, if interest rates are 25 basis points ("bps") higher/lower and all other variables are held constant, the group's profit/(loss) after tax for the year ended 30 June 2014 will increase or decrease by the amounts set out in the table below:

	Increase by 25 bps	Decrease by 25 bps
	€m	€m
Profit for the year—(lower)/higher	**(1)**	**1**

A sensitivity of 25 bps has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

Currency risk

The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

4. Financial risk management (Continued)

Given the limited level of risk the group does not generally hedge its foreign exchange risk arising on transactions and capital expenditure denominated in foreign currencies.

Price risk

The group is exposed to price risk on the assets held by the group's defined benefit pension scheme (see Note 35).

4.5. Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

This information has been provided in Note 23.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair values of short-term deposits and overdrafts approximate to their carrying amounts.

4.6. Hedging instruments

As at the reporting date, the group had entered into a number of swaps to cover interest rate exposure on various debt obligations. In accordance with IAS 39: "Financial Instruments— Recognition and Measurement", these instruments have been designated as cash flow hedges and movements in the effective portion of the fair value of the hedges have been taken through the cash flow hedge reserve.

4. Financial risk management (Continued)

Derivatives designated and eligible for hedge accounting

The details of the effective interest rate and maturity of these designated and effective hedging instruments are:

	Principal value	Fair Value	Weighted average Interest rate	Maturity date—principal value: Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€m	€m	%	€m	€m	€m	€m	€m	€m
Designated active interest rate swap									
—at 30 June 2014	**1,200**	**(1)**	0.252%	1,200	—	—	—	—	—
—at 30 June 2013	1,200	5	0.252%	—	1,200	—	—	—	—

The effective interest rates in the table above are based on the effective interest rates in the derivative financial instruments designated for cash flow hedging. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group's Senior Credit Facility. The margin on the senior credit facility is 4% over Euribor on Facility B1 borrowings and 4.5% over Euribor on Facility B2 borrowings.

The group does not use derivatives for trading or speculative purposes but has derivatives which are not designated or are ineligible for hedge accounting as detailed below.

At 30 June 2014, the group's Joint Venture, Tetra Ireland Communications Limited (''Tetra''), has hedged its floating rate borrowings (excluding margin), using an interest rate swap with a fixed interest rate of 4.47%. The group has proportionately consolidated 56% of the net assets of this entity. The fair value of the Tetra derivative in the financial statements of the group is a liability of €Nil at 30 June 2014 (30 June 2013: €1 million). The group's share of the notional principal amount of this derivative is €14 million at 30 June 2014 (30 June 2013: €20 million). The notional principal amount varies throughout the life of this swap. This derivative has not been designated as a cash flow hedge under IAS 39.

Further information on the group's use of interest rate swaps is included in Note 25.

5. Critical Accounting Judgements and Estimates

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1. Determining the purchase price allocation in respect of business combinations

In the purchase price allocation made for each acquisition, the purchase price is assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets and liabilities. Any remaining excess value is reported as goodwill. This allocation requires management judgement including estimating the fair value of the acquired tangible and intangible assets and estimating the revenue and profits to be generated by the acquired business. Other judgements might result in significantly different results and financial position in the future.

5. Critical Accounting Judgements and Estimates (Continued)

5.2. Making appropriate assumptions on non-financial asset impairment reviews

The group undertakes a review for impairment of goodwill, indefinite lived intangible assets, intangible assets not yet available for use annually and for other non-financial assets if events or circumstances indicate that the carrying amount may not be recoverable.

Factors which the group consider could trigger an impairment include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, (3) results of fair market valuations performed or (4) changes in key assumptions underpinning the fair value less cost to sell and value in use calculations. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount, which is the higher of the fair value less cost to sell and its value in use, based on discounted future cash flows. When an asset is not recoverable in full, impairment is measured as the excess of carrying value over the recoverable amount of the long-life asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value less cost to sell. Changes in these estimates directly affect management's assessment of whether an impairment charge is required and the amount of the impairment charge recorded.

The discount rate used in impairment testing is derived from a weighted average cost of capital ("WACC") which is impacted by interest rates and market risk premiums, estimated for companies in the telecommunications sector. Given the recent market volatility there is a risk that the WACC could increase significantly in future periods. There is also a risk of deterioration in the budgeted future cash flows as a result of the current economic environment.

Any significant deterioration in the budgeted future cash flows or changes in WACC or estimates in respect of terminal growth rates could result in a further impairment of our goodwill and/or non-financial assets, which could have a further negative effect on operating profits and assets. Future cash flows would not be impacted by any impairment provision.

Details of the assumptions used in the impairment test at 30 June 2014 are set out in Note 13.

5.3. Establishing lives for amortisation purposes of intangible assets

The group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period. Detail of the useful lives is included in Note 3.4 and the related intangible assets are set out in Note 14.

5.4. Establishing lives for depreciation purposes of property, plant and equipment

Long-life assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation, physical condition of the assets concerned and other factors that may impact on the remaining useful lives of assets. Changes in asset lives can have a significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted. Detail of the useful lives is included in Note 3.13 and the related assets are set out in Note 15.

5. Critical Accounting Judgements and Estimates (Continued)

5.5. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates a funded defined benefit scheme, which is independent of the group's finances, for the majority of employees. Valuations of the main scheme are carried out by the scheme actuaries. The rates of contribution payable and the pension cost are determined on the advice of the actuaries. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, and the interest rate at which the future pension payments are discounted. The group uses estimates for all of these factors in determining the pension costs, surpluses or deficits arising on acquisitions and assets and liabilities reflected in the financial statements.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

During the year ended 30 June 2010, the eircom Limited group agreed certain caps on future increases in pensionable salaries. The maximum increase in any given year is set at the lower of pre-determined fixed annual rates, the rate of CPI or salary inflation. However, there is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The effect of changes in assumptions on the pension scheme valuation is contained in Note 35.

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rate at which future pension liabilities are valued have fluctuated significantly over the last number of years.

5.6. Making appropriate assumptions in calculating long term employee benefit charges

Judgement is required in calculating the accrued charges and liabilities in connection with certain of the group's long term employee incentive arrangements. Where the arrangements give rise to a liability for a parent company, the group recognises a charge with a corresponding increase in equity. To the extent that the arrangements give rise to a liability for the group, the group recognises a charge with a corresponding increase in liabilities. The estimate of the total liability accrued under long term incentive arrangements at the balance sheet date is determined based on a number of factors including the group's forecasted future repayments of the Senior Credit Facility and any refinancing events which may take place. The liability is discounted to reflect the time value of money. The estimated liability is based on a number of estimates and judgements, the actual outcome of which will only become known at future dates and will be required to be re-measured at subsequent reporting dates with any corresponding changes in the estimated liability being accounted for in the group's statement of total income.

5.7. Providing for litigation, contingencies and other constructive obligations

The group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The group reviews the current status of any pending or threatened proceedings with the group's legal counsel on a regular basis.

5. Critical Accounting Judgements and Estimates (Continued)

In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred, (2) the degree of probability of an unfavourable outcome, and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above and other known relevant facts and circumstances, the group recognises any loss that is considered probable and that can be measured reliably as of the balance sheet date.

In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory and taxation authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

Details of the contingent liabilities are set out in Note 38 and provisions for other liabilities and charges are set out in Note 27.

5.8. Charges for restructuring costs

Provisions for restructuring costs including the associated pension costs are made where a constructive obligation to restructure arises and the restructuring programme is within the scope of IAS 37, i.e. where there is a detailed formal plan for the restructuring and in addition, there is a valid expectation in those affected, that the group will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Provisions reflect the current estimate of the staff exit costs associated with plans for which the group has constructive obligations at year end, and includes the estimated benefit payable to staff availing of the scheme and the associated pension impact.

As at 30 June 2014, the group plans to further reduce headcount in the year ended 30 June 2015. The restructuring costs incurred in the year ended 30 June 2014 and included in the income statement in the current year will impact cash flows for this year and the year ended 30 June 2015.

5.9. Asset retirement obligations

The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the amount and timing of cash flows associated with the asset retirement obligations as some of the cash flows are anticipated up to 15 years in the future, and no significant retirement or decommissioning costs have been incurred to date.

There is a plan in place to de-commission property, plant and equipment held on a number of base stations over the next two to three years as a result of the group entering into a network sharing agreement with O^2, another mobile operator in Ireland, with the objective of enhancing efficiencies and achieving cost savings from the sharing and integration of certain aspects of the Radio Access Networks of both groups. The estimated change in the amount and timing of cash flows associated with the asset retirement obligations on base stations are included in the financial statements.

5. Critical Accounting Judgements and Estimates (Continued)

There are also ongoing changes in legislation which impact on the group's assessment on the level of cost and the manner in which certain asset retirement obligations can be met. Any adverse changes in legislation or interpretations of existing legislation could have a significant impact on the group's estimate of its asset retirement obligations.

5.10. Taxation

Current tax

The actual tax the group pays is determined according to complex tax laws and regulations. Where the effect of these laws and regulations are unclear, the group uses estimates in determining the liability for the tax to be paid. The group believes the estimates, assumptions and judgements are reasonable but the estimates can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement in future periods. The value of the group's current tax liability is disclosed on the balance sheet.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. The carrying value of the group's deferred tax assets and liabilities are disclosed in Notes 17 and 26, respectively.

5.11. Providing for doubtful debts

The group provides services to individuals and business customers on credit terms. The group expects that some debts due will not be paid as a result of the default of a small number of customers. The group uses estimates based on historical and current experience in determining the level of debts which may not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. Further worsening in the Irish economy or negative industry trends could require an increase in the estimated level of debts that may not be collected, which would negatively impact the operating results. The level of provision required is reviewed on an ongoing basis.

5.12. Assessing the level of interconnect and other income from and payments to other telecommunications operators

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions. Changes in the estimates directly affect revenue, operating costs and profit or loss.

5.13. Onerous contracts

The group has onerous contracts associated with vacant offices and leasehold properties relating to relocations and other business disposals. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflect current economic conditions and estimates are used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5. Critical Accounting Judgements and Estimates (Continued)

5.14. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses discounted cash flow analysis and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

6. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group which are regularly reviewed by the 'Chief Operating Decision Maker' in order to allocate resources to the segments and to assess their performance.

The group's operating segments are reported based on financial information provided to the Senior Management Team (''SMT''), which is the key management team and represents the 'Chief Operating Decision Maker'. The SMT is chaired by the Group Chief Executive and the other members are the Group Chief Financial Officer, Technology and Evolution Director, Business Directors, Group HR Director, Business Transformation and Strategy Director, Customer Operations Director, General Counsel and Regulatory & Public Affairs Director.

The SMT considers the business from a fixed line and mobile perspective and assesses the performance of the operating segments based on a measure of adjusted EBITDA. Adjusted EBITDA is before non-cash lease contracts, non-cash pension charge and exceptional items. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, onerous contracts and other charges/income. The non-cash lease contracts credit included in the income statement during the year is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. The non-cash pension charge is determined based on the difference between the charge determined under IAS 19 and employer contributions payable in respect of the financial year. Interest costs on borrowings are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the borrowings position of the group.

Sales between segments for telecommunication services are carried out on an arm's length basis. Other recharges in respect of non-telecommunication services are based on actual cost of employee remuneration or other external costs incurred. The revenue from external parties reported to the SMT is measured in a manner consistent with that in the group income statement.

6. Segment information (Continued)

The segment results for the year ended 30 June 2014 are as follows:

	Fixed line	Mobile	Inter-segment	Group
	€m	€m	€m	€m
Revenue	**980**	**347**	**(44)**	**1,283**
Adjusted EBITDA [(1)]	**433**	**36**	**—**	**469**
Non-cash lease contracts	**8**	**—**	**—**	**8**
Non-cash pension charge	**(10)**	**—**	**—**	**(10)**
Amortisation	**(47)**	**(29)**	**—**	**(76)**
Depreciation and impairment of property, plant & equipment	**(250)**	**(19)**	**—**	**(269)**
Exceptional items (Note 8)	**(235)**	**—**	**—**	**(235)**
Profit on disposal of property, plant and equipment	**3**	**—**	**—**	**3**
Operating loss	**(98)**	**(12)**	**—**	**(110)**
Finance costs				**(224)**
Finance income				**1**
Loss before income tax				**(333)**
Income tax credit				**24**
Loss for the financial year				**(309)**

(1) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, non-cash lease contracts and exceptional items and profit on disposal of property, plant and equipment.

The segment results for the year ended 30 June 2013 (Restated) are as follows:

	Fixed line	Mobile	Inter-segment	Group
	€m	€m	€m	€m
Revenue	1,093	353	(52)	1,394
Adjusted EBITDA [(2)]	476	17	—	493
Non-cash lease contracts	9	—	—	9
Non-cash pension charge	(15)	—	—	(15)
Amortisation	(44)	(27)	—	(71)
Depreciation	(247)	(19)	—	(266)
Exceptional items (Note 8)	(18)	(4)	—	(22)
Exceptional gain on exit from subsidiary (Note 9)	17	—	—	17
Operating profit/(loss)	178	(33)	—	145
Finance costs				(263)
Finance income				1
Loss before income tax				(117)
Income tax charge				(1)
Loss for the financial year				(118)

(2) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, non-cash lease contracts and exceptional items, including exceptional gain on exit from subsidiary.

6. Segment information (Continued)

Other segment items included in the income statement are as follows:

	Year ended 30 June 2013			Year ended 30 June 2014		
	Fixed line	Mobile	Group	Fixed line	Mobile	Group
	€m	€m	€m	€m	€m	€m
Impairment of trade receivables (Note 20)	7	3	10	**7**	**3**	**10**

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2014			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	**2,300**	**361**	**6**	**2,667**
Liabilities	**1,011**	**174**	**2,129**	**3,314**
Capital expenditure:				
Intangible assets (Note 14)	**48**	**15**		**63**
Property, plant and equipment (Note 15)	**213**	**49**		**262**

	30 June 2013 (Restated)			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	2,462	363	8	2,833
Liabilities	1,461	160	2,016	3,637
Capital expenditure:				
Intangible assets (Note 14)	53	162	—	215
Property, plant and equipment (Note 15)	194	15	—	209

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables and operating cash. They exclude taxation, investments and derivatives.

Segment liabilities comprise operating liabilities, retirement benefit liability and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable and derivatives.

Capital expenditure comprises additions to intangible assets (Note 14) and property, plant and equipment (Note 15).

Geographical information

The group is domiciled in the Republic of Ireland. The group operates in two countries, Republic of Ireland and the United Kingdom, though substantially all of the group's revenues arise in the Republic of Ireland. For the purposes of the geographical allocation of revenue, the group identifies revenues earned by entities operating in each country. Total revenue of the group for the current year is €1,283 million (30 June 2013: €1,394 million) of which €1,245 million (30 June 2013: €1,353 million) was earned by group entities operating in the Republic of Ireland and €38 million (30 June 2013: €41 million) was earned by group entities operating in the United Kingdom. Total non-current assets of the group, other than financial instruments and deferred tax assets as at year end are €2,218 million (30 June 2013: €2,237 million), of which €2,209 million were located in the Republic of Ireland (30 June 2013: €2,228 million) and €9 million were located in the United Kingdom (30 June 2013: €9 million).

7. Operating costs

	Restated Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Staff costs:		
Wages and salaries	308	**272**
Social welfare costs	16	**13**
Pension costs—defined contribution plans (Note 35)	5	**4**
Pension costs—defined benefit plans (Note 35)	36	**29**
	365	**318**
Staff costs capitalised	(79)	**(78)**
Net staff costs included in operating costs (a)	286	**240**
Other operating costs:		
Amounts paid and payable to telecommunications operators	148	**118**
Purchase of goods for resale, commission and related costs	146	**142**
Materials and services	24	**19**
Other network costs	30	**32**
Accommodation	87	**84**
Sales and marketing	67	**74**
Transport and travel	14	**14**
IT costs	23	**19**
Provision for impaired receivables	9	**9**
Other costs	73	**65**
Total other operating costs	621	**576**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	907	**816**
Amortisation (Note 14)	71	**76**
Depreciation and impairment of property, plant & equipment (Note 15)	266	**269**
Exceptional items (Note 8)	22	**235**
Total operating costs	1,266	**1,396**
Exceptional gain on exit from subsidiary (Note 9)	(17)	**—**
Profit on disposal of property, plant and equipment (Note 10)	—	**(3)**
Total operating costs (net)	1,249	**1,393**

7. Operating costs (Continued)

(a) Operating costs are stated after charging:

	Restated Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Staff costs	365	**318**
Exceptional restructuring programme costs (Note 8)	27	**200**
Exceptional management incentive plan (Note 8)	6	**29**
Total staff costs	398	**547**
Staff costs capitalised	(79)	**(78)**
Total staff costs (net of staff costs capitalised)	319	**469**
Research costs	1	**1**
Hire of plant and machinery	3	**3**
Other operating lease rentals	56	**53**

(b) Auditor's remuneration

Remuneration of the auditors for the statutory audit of the group financial statements and other services to the group is as follows:

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Statutory audit of group financial statements	0.7	**0.8**
Other assurance services	1.7	**1.1**
Tax advisory services	—	**0.1**
Other non-audit services	0.3	**0.7**
Total services	2.7	**2.7**

(c) Directors

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Emoluments		
—for services as Directors	1.2	**1.0**
—for other services	3.5	**1.5**
—pension contributions	0.2	**0.2**
—compensation for loss of office	0.3	**—**
	5.2	**2.7**

8. Exceptional items

	Year ended 30 June 2013	Year ended 30 June 2014
Restructuring programme costs (a)	27	**200**
Management incentive plan (b)	6	**29**
Gain on liquidation of subsidiary undertaking (c)	(6)	**—**
Other exceptional items—(credit)/charge (d)	(5)	**6**
Exceptional charge	22	**235**

(a) Restructuring programme costs

The group announced in October 2012 an intention to reduce its workforce by 2,000 by the end of the financial year 30 June 2014. On 16 January 2013, the group launched an Incentivised Exit (IE) scheme, which was designed to facilitate employees to leave the organisation on a voluntary basis. During the year ended 30 June 2013, 658 employees left the group under this and other individual IE schemes. The total costs of the exits achieved were €76 million, including cash cost of exits of €63 million and pension curtailment costs of €9 million. The cost of the scheme, over and above the provision of €49 million at 30 June 2012 has been included as an exceptional charge in the year ended 30 June 2013.

The group has included an exceptional charge of €200 million for restructuring programme costs in respect of staff exits in the year ended 30 June 2014.

In the year ended 30 June 2014, the exceptional charge of €200 million relates to approximately 1,100 staff who had either exited the business, or were committed to exiting the business. No provision has been included in respect of future staff exits not committed at 30 June 2014, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €200 million at 30 June 2014 includes an IAS 19 (Revised) defined benefit pension charge of €57 million arising as a result of the incentivised exit programme, comprising €36 million in past service costs and €21 million in curtailment charges. During the year ended 30 June 2014, the group made cash contributions of €18 million in respect of these obligations and has also agreed to make further cash contributions in respect of these obligations of €19 million to the pension funds in the next twelve months.

(b) Management incentive plan

The management incentive plan (''MIP'') 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 has recognised a charge of €20 million in its income statement for the year ended 30 June 2014 in respect of its obligations in connection with potential debt value events (30 June 2013: €6 million). Separately, the group has also recognised a charge of €9 million (30 June 2013: €Nil), 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.

(c) Gain on liquidation of subsidiary undertaking

The exceptional gain of €6 million included in the income statement in the year ended 30 June 2013 arises from the loss of control of Osprey Property Limited, a subsidiary company, to which a liquidator has been appointed in July 2012. As a result of placing Osprey Property Limited in

8. Exceptional items (Continued)

liquidation, the net liabilities of Osprey Property Limited of €6 million are no longer required to be consolidated in accordance with IAS 27. The group no longer controls this entity and this has reduced the group's consolidated net liabilities. The principal creditor of Osprey Property Limited is a former holding company of the eircom Limited group that is also in liquidation.

(d) Other exceptional items

During the year ended 30 June 2014, the group recognised an exceptional charge of €10 million in respect of certain legal matters, €1 million for an impairment of a receivable from a former parent company of eircom Limited, the group's main operating subsidiary, and €1 million for financial restructuring costs. These charges were partially offset by an exceptional credit of €6 million in relation to excess provisions, €3 million in respect of certain legal matters and €3 million in respect of the St. Stephen's Green onerous lease contracts as a result of an agreement with the landlord to surrender the leases.

During the year ended 30 June 2013, €5 million was released from the onerous lease contracts provision as a result of a change in the group's estimate of the expected outflows under the relevant leases.

The group has a significant property portfolio comprising of freehold and leasehold properties to accommodate the group's network and office accommodation required for its staff. As part of the group's overall portfolio, the group also leases a number of properties from third parties under long-term lease arrangements. Where the group no longer requires these properties, the group sub-leases the properties to third parties or disposes of properties no longer required. As a result of the rationalisation of the group's accommodation requirements there are a number of leased properties which are vacant or where rental contracts with sub-lease tenants are not expected to be sufficient to meet all of the lease obligations. Provision has been made in respect of the estimated net cash outflow required to settle the group's obligation under these leases.

9. Exceptional gain on exit from subsidiary

In the financial year ended 30 June 2013, eircom Limited sold its 100% shareholding in eircom Phonewatch Limited. The following tables sets out the effect of this transaction on the results of the eircom Holdings (Ireland) Limited group:

	€m
Disposal consideration:	
—Cash received	130
—Direct costs relating to the disposal	(2)
Total disposal consideration	128
Net assets disposed	(111)
Gain on exit from subsidiary	17

The assets and liabilities arising at the date of exit are as follows:

	€m
Cash and cash equivalents	11
Goodwill	102
Other intangible assets	6
Property, plant and equipment	1
Inventories	1
Total assets	121
Retirement benefit liability	(2)
Other current liabilities	(8)
Net assets disposed	111

9. Exceptional gain on exit from subsidiary (Continued)

	€m
Disposal consideration received in cash	130
Cash and cash equivalents in subsidiary disposed	(11)
Direct costs paid relating to the disposal	(2)
Cash inflow on disposal	117

10. Profit on disposal of property, plant and equipment

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Profit on disposal of property, plant and equipment	—	**3**
	—	**3**

11. Finance costs—net

	Restated Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
(a) Finance costs:		
Interest payable on bank loans and other debts	83	**107**
Payment-in-kind ("PIK") interest charge on borrowings	24	**16**
Interest amortisation on non-current borrowings	79	**69**
Net interest cost on net pension liability	25	**29**
Capitalised interest on property, plant and equipment and intangible assets	—	**(3)**
Fair value gain on derivatives not qualifying for hedge accounting	(1)	**(1)**
Amortisation of debt issue costs on bank loans and amend and extend fees	—	**2**
Other unwinding of discount	4	**5**
Change in discount rate	1	**—**
	215	**224**
Loss on extinguishment of debt	48	**—**
	263	**224**
(b) Finance income:		
Interest income	(1)	**(1)**
	(1)	**(1)**
Finance costs—net	262	**223**

During the year ended 30 June 2013, the group repurchased €364 million of outstanding principal under the Senior Facilities at an average price of €0.933 per €1.00. The repurchase was funded using €339 million of proceeds from the issuance of the 9.25% Senior Secured Notes. In accordance with IAS 39, the loss on extinguishment of the borrowings is the difference between the fair value of the consideration paid to extinguish the liability and the carrying value of the liability at that date.

11. Finance costs—net (Continued)

At the date of extinguishment, the carrying value of the €364 million of principal debt repurchased was €292 million, due to the initial recognition of the borrowings at their fair value at 11 June 2012, subsequently adjusted in accordance with the effective interest method. The loss of €48 million represents the difference between the carrying value of €292 million and the cost of the debt repurchase of €340 million, including associated costs of €1 million.

On 4 April 2014, the group effected an amendment and extension of 94.7% of the outstanding principal under its Facility B borrowings and €1,913 million of the principal was redesignated as Facility B2 borrowings with a maturity date of 30 September 2019. See Note 24 for further information.

On the adoption of IAS 19 (Revised) Employee Benefits, the group has replaced interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined liability and have reclassified these costs from operating costs to finance costs in the income statement. See Note 41 for further information.

12. Income tax expense/(credit)

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
(a) **Recognised in the income statement**		
Current tax expense		
Current financial period	13	**(9)**
	13	**(9)**
Deferred tax expense		
Origination and reversal of temporary difference	(12)	**(19)**
Adjustments for prior periods	—	**4**
	(12)	**(15)**
Total income tax expense/(credit) in income statement	1	**(24)**

The tax credit for the year ended 30 June 2014 includes a credit of €24 million (30 June 2013: €3 million) in respect of exceptional items (see Note 8).

12. Income tax expense/(credit) (Continued)

(b) **Reconciliation of effective tax rate**

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 losses of the consolidated companies as follows:

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Loss before tax	(117)	**(333)**
Tax calculated at Irish tax rates	(14)	**(42)**
Effects of:-		
Other non deductible expenses	18	**14**
Effect of changes in capital gains tax rates	1	**—**
Income not subject to taxation	(3)	**—**
Income taxable at higher rate	—	**1**
Utilisation of losses carried forward	(1)	**(1)**
Adjustments in respect of prior periods	—	**4**
Tax charge/(credit) for financial period (Note 12(a))	1	**(24)**

The weighted average applicable tax rate was 12.5% (30 June 2013: 12.5%).

13. Goodwill

	30 June 2013	30 June 2014
	€m	€m
Cost		
At beginning of financial period	836	**734**
Disposal of subsidiary undertaking (Note 9)	(102)	**—**
At end of financial period	734	**734**
Accumulated impairments		
At beginning of financial period	(542)	**(542)**
Recognised during the financial period	—	**—**
At end of financial period	(542)	**(542)**
Net book value at end of financial period	192	**192**

Goodwill and indefinite life intangible assets are not subject to amortisation. Instead, goodwill and indefinite life intangible assets are tested for impairment annually as part of the cash generating unit ("CGU") to which they relate, and are carried at cost less accumulated impairment losses.

The group's goodwill relates to the acquisition of eircom Limited in June 2012, pursuant to a Scheme of Arrangement of creditors approved by the High Court. eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited for consideration of € 1.

Goodwill arising on the acquisition of eircom Limited in June 2012 was allocated to the group's CGUs as follows:

	Acquisition Date
	€m
Fixed Line	836
Mobile	—

13. Goodwill (Continued)

The recognition of the assets of the Fixed Line and Mobile CGUs was measured as at 11 June 2012 based on their fair values, as required by IFRS 3, *Business Combinations*, except for the defined benefit pension obligation which was measured under IAS 19, *Employee Benefits,* and deferred tax which was measured under IAS 12, *Income Taxes*. Goodwill of €836 million was recognised as the difference between the purchase consideration and the fair value of the individual assets and liabilities at the date of acquisition, 11 June 2012. Goodwill was allocated to the group's cash generating units, Fixed Line and Mobile, based on the allocation of net assets and liabilities acquired and purchase consideration to each CGU, based on the factors giving rise to the goodwill. These include eircom's market position in the Irish telecommunications industry. The goodwill also arises in part because eircom Limited was acquired for a nominal amount pursuant to the Scheme of Arrangement and because the pension obligation and the deferred tax balances were recognised in accordance with the measurement requirements of IAS 19 and IAS 12 respectively and not at fair value. No goodwill was allocated to the Mobile CGU.

An impairment test of the Fixed Line CGU was performed as of 30 June 2012 in accordance with IAS 36, *Impairment of Assets*. The group identified an impairment of €542 million of the goodwill related to the Fixed Line CGU.

An impairment test of the Fixed Line and Mobile CGUs was performed as of 30 June 2013. No impairment has been identified.

An impairment test of the Fixed Line CGU has been undertaken as of 30 June 2014. No impairment has been identified.

Any adverse changes in a key assumption underpinning the fair value less costs to sell calculation as at 30 June 2014 may cause a further impairment loss to be recognised in future periods.

Impairment test of Fixed Line CGU as at 30 June 2014

An impairment test of the Fixed Line CGU was performed as at 30 June 2014 in accordance with IAS 36, *Impairment of Assets*. The impairment test has been undertaken at the year end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested together with the goodwill.

An impairment test of the Fixed Line CGU is required annually as it contains goodwill. An impairment test of the Mobile CGU is not required as at 30 June 2014 as the group held no Mobile intangible assets not yet available for use for which the recoverable amount could not be estimated on an individual asset basis. The Directors concluded that there was no indicator of impairment and consequently no test of impairment was required to be performed.

Impairment testing methodology

The recoverable amount of the CGU is determined on the basis of the higher of the fair value less costs to sell and value-in-use, using the discounted cash flow (DCF) method. Cash flows for the years beyond the approved business plans are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

The impairment test was based on fair value less costs to sell which is higher than value in use because of the investment in infrastructure development required by the group's CGU. The cash flows and assumptions used as of 30 June 2014 for the impairment test are consistent with the assumptions that would be made by a market participant acquiring the CGU.

13. Goodwill (Continued)

Key assumptions

The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of fair value less costs to sell include management's estimates of future operating cash-flows, capital expenditure requirements, tax considerations, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were benchmarked against external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy and consistent with the assumptions that would be used by a market participant. Adjustments are made to the business plan cashflows to take account of possible variations in the amount or timing of cashflows, which can be affected by factors such as increased competitor activity, the roll-out of new technologies and the timing of the introduction of new services, pricing trends, termination rates, customer acquisition costs, margin levels and restructuring programmes, such that the estimated cashflows reflect the range of possible outcomes for each CGU's future trading performance.

Fair Value less Costs to Sell—cash flow projections

At 30 June 2014, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2019.

At 30 June 2013, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2017.

The other key assumptions used for fair value less costs to sell calculations for the Fixed Line and Mobile CGUs are as follows:

	Fixed Line 30 June 2013	Mobile 30 June 2013	Fixed Line 30 June 2014	Mobile 30 June 2014
Long-term growth rates	−0.75%	0.75%	**−0.75%**	**N/A**
Discount rates (Post-tax)	9.00%	10.00%	**8.00%**	**N/A**
Budgeted EBITDA [(1)]	−6.37%	52.84%	**−5.35%**	**N/A**
Budgeted capital expenditure [(2)]	14% - 28%	5% - 17%	**14% - 18%**	**N/A**

Notes:

(1) Budgeted EBITDA is expressed as the compound annual growth rates over the periods covered by the business plans for all cash-generating units of the plans used for impairment testing.

(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue (for all periods covered by the business plans plus the terminal value).

Long Term Growth Rates

The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGUs operate, and reflect an assessment of the long-term growth prospects of the sectors. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used reflect specific risks relating to the CGUs. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2014, the yield on ten-year Irish government bonds provided the

13. Goodwill (Continued)

basis for the risk free rate, which was then adjusted to take account of market risks specific to the CGUs. The group has used Irish government bond yields as the basis for the risk-free rate in keeping with its observations of practices applied by external market analysts in determining appropriate weighted average costs of capital for Irish companies. In estimating the discount rate under CAPM, in addition to the risk-free rate, other inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment factor known as beta is applied to reflect the risk of the specific CGU operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies. Year-on-year, the discount rates used have decreased primarily as a result of reductions in the yields on long term sovereign bonds, as well as the continued stabilisation in the Irish macroeconomic environment.

Impairment sensitivity analysis

The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2014	
	Fixed Line %	**Mobile %**
Discount rates (post-tax) (absolute increase)	**3.78%**	**—**
Long-term growth rates (absolute decrease)	**6.07%**	**—**
Terminal business plan EBITDA (relative decrease)	**19.26%**	**—**
Terminal capital expenditure (relative increase)	**73.83%**	**—**

14. Other intangible assets

	Computer software	Monitoring contracts	Trademarks	Contracts and related customer relationships	Licence	Total
	€m	€m	€m	€m	€m	€m
Cost						
At 30 June 2012	90	4	127	49	53	323
Additions	68	3	—	—	144	215
Transfer from tangible assets	4	—	—	—	—	4
Disposals/retirements	—	(7)	—	(2)	(2)	(11)
At 30 June 2013	**162**	**—**	**127**	**47**	**195**	**531**
Additions	**63**	**—**	**—**	**—**	**—**	**63**
At 30 June 2014	**225**	**—**	**127**	**47**	**195**	**594**
Amortisation						
At 30 June 2012	2	—	—	2	—	4
Charge for the financial year	35	2	—	24	10	71
Disposals/retirements	—	(2)	—	(1)	(1)	(4)
At 30 June 2013	**37**	**—**	**—**	**25**	**9**	**71**
Charge for the financial year	**39**	**—**	**—**	**22**	**15**	**76**
At 30 June 2014	**76**	**—**	**—**	**47**	**24**	**147**
Net Book Value at 30 June 2014	**149**	**—**	**127**	**—**	**171**	**447**
Net Book Value at 30 June 2013	125	—	127	22	186	460

14. Other intangible assets (Continued)

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €32 million (30 June 2013: €140 million).

Computer software relates to internal and external capitalised software development costs.

Capital expenditure for the year ended 30 June 2013 includes €144 million in respect of the purchase of spectrum licences, which allows for the rollout of 4G.

Monitoring contracts related to purchased monitoring contracts in the group's residential security systems operating subsidiary, which was exited during the year ended 30 June 2013.

Trademark (Fixed) which have an indefinite life are tested for impairment as part of the fixed line CGU. See Note 13.

15. Property, plant and equipment ("PPE")

	Land and Buildings	Network, Plant And Equipment	Total
	€m	€m	€m
Cost			
At 30 June 2012	261	1,405	1,666
Additions	—	209	209
Transfer to intangible assets	—	(4)	(4)
Disposals/retirements	(3)	(1)	(4)
At 30 June 2013	**258**	**1,609**	**1,867**
Additions	**4**	**258**	**262**
Exchange adjustments	**—**	**1**	**1**
Disposals/retirements	**—**	**(1)**	**(1)**
At 30 June 2014	**262**	**1,867**	**2,129**
Accumulated Depreciation			
At 30 June 2012	1	16	17
Charge for financial year	22	244	266
At 30 June 2013	**23**	**260**	**283**
Charge for financial year	**19**	**248**	**267**
Disposals/retirements	**—**	**(1)**	**(1)**
Impairments	**2**	**—**	**2**
At 30 June 2014	**44**	**507**	**551**
Net Book Value at 30 June 2014	**218**	**1,360**	**1,578**
Net Book Value at 30 June 2013	235	1,349	1,584

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. The review for the year ended 30 June 2014 and 30 June 2013 resulted in no material adjustments to asset lives.

The group has capitalised interest costs of €3 million that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest at 30 June 2014 is 9.15%.

Assets in the course of construction included in property, plant and equipment are €127 million (30 June 2013: €91 million).

16. Investments

Investments in associates

The group share of the results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit	Interest held
	€m	€m	€m	€m	%
As at and for the year ended 30 June 2014					
Altion Limited	—	—	—	—	31.3%
As at and for the year ended 30 June 2013					
Altion Limited	—	—	—	—	31.3%
Buy4Now Limited	1	1	—	—	32.2%
	1	1	—	—	

In the financial year ended 30 June 2014, eircom Limited sold its shareholding in Buy4Now Limited.

17. Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 30 June 2014	Liabilities 30 June 2014	Net 30 June 2014
	€m	€m	€m
Tax loss carry forward	**5**	**—**	**5**
Property, plant and equipment	**1**	**—**	**1**
	6	**—**	**6**

	Assets 30 June 2013	Liabilities 30 June 2013	Net 30 June 2013
	€m	€m	€m
Intangibles	—	(24)	(24)
Property, plant and equipment	—	(97)	(97)
Deferred revenues	2	—	2
Leases	17	—	17
Provisions	2	—	2
Pensions	104	—	104
Derivative financial instruments	—	(1)	(1)
	125	(122)	3

17. Deferred tax asset (Continued)

The movement in deferred tax assets during the year ended 30 June 2014 is as follows:

	Restated 1 July 2013	Reclass to deferred tax liabilities (Note 26)	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2014
	€m	€m	€m	€m	€m
Tax loss carry forward	**—**	**—**	**5**	**—**	**5**
Intangibles	**(24)**	**24**	**—**	**—**	**—**
Property, plant and equipment	**(97)**	**97**	**1**	**—**	**1**
Deferred revenues	**2**	**(2)**	**—**	**—**	**—**
Leases	**17**	**(17)**	**—**	**—**	**—**
Provisions	**2**	**(2)**	**—**	**—**	**—**
Pensions	**104**	**(104)**	**—**	**—**	**—**
Derivative financial instruments	**(1)**	**1**	**—**	**—**	**—**
	3	**(3)**	**6**	**—**	**6**

The movement in deferred tax assets during the year ended 30 June 2013 is as follows:

	1 July 2012	Restated Reclass from deferred tax liabilities	Recognised in income credit/(charge)	Recognised in other comprehensive income	Restated 30 June 2013
	€m	€m	€m	€m	€m
Tax loss carry forward	1	—	(1)	—	—
Intangibles	—	(28)	4	—	(24)
Property, plant and equipment	—	(102)	5	—	(97)
Deferred revenues	—	2	—	—	2
Leases	—	18	(1)	—	17
Provisions	—	3	(1)	—	2
Pensions	—	79	6	19	104
Derivative financial instruments	—	—	—	(1)	(1)
	1	(28)	12	18	3

18. Other assets

	30 June 2013	30 June 2014
	€m	€m
Deposits and other non-current assets	5	**1**
	5	**1**

19. Inventories

	30 June 2013	30 June 2014
	€m	€m
Network development and maintenance stocks	8	**8**
Consumable and other stocks	4	**4**
	12	**12**

19. Inventories (Continued)

The cost of inventories recognised as an expense and included in ''operating costs'' amounted to €103 million (30 June 2013: €104 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2014, the group recognised a loss for impaired inventories of €Nil (30 June 2013: €Nil), reversed previous recognised impaired inventories of €Nil (30 June 2013: €Nil), and utilised provisions for impaired inventories of €Nil (30 June 2013: € Nil). The creation and reversal of provisions for impaired inventories have been included in ''operating costs'' in the income statement.

20. Trade and other receivables

	30 June 2013	30 June 2014
	€m	€m
Current assets:		
Trade receivables	172	**173**
Less: Provision for impairment of trade receivables	(11)	**(21)**
Trade receivables—net	161	**152**
Prepayments and accrued income	62	**62**
Other current assets	—	**2**
Amounts due from joint ventures	2	**2**
Other amounts receivable (net) (Note 40)	1	**—**
	226	**218**

The fair values of trade and other receivables approximate to their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 30 June 2014, trade receivables of €22 million (30 June 2013: €19 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered. Provisions for impaired receivables of €27 million were incorporated in determining the fair value of trade receivables arising on the acquisition of eircom Limited on 11 June 2012; €3 million of the fair value adjustment for provisions for impaired receivables is included at 30 June 2014 as the related trade receivable balances have not yet been written off.

Total additional provisions of €10 million (30 June 2013: €10 million) relate to individual impairments of €1 million (30 June 2013: €1 million) and collective impairments of €9 million (30 June 2013: €9 million).

The group uses estimates based on historical experience and customer specific information in determining the level of debts which may not be collected. The estimates include such factors as the current state of the economy and particular industry issues. The level of provision required is reviewed on an ongoing basis.

20. Trade and other receivables (Continued)

Provision for impairment of trade receivables

The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2013	30 June 2014
	€m	€m
At beginning of financial period	1	**11**
Charged to income statement:		
—Additional provisions	10	**10**
Utilised in the financial year	—	**—**
At end of financial period	11	**21**

The creation and reversal of provisions for impaired receivables are included in ''operating costs'' in the income statement.

21. Restricted cash

The restricted cash of €14 million (30 June 2013: €22 million) is in relation to cash lodged for performance guarantees of €12 million (30 June 2013: €20 million) and €2 million (30 June 2013: €2 million) security in respect of ancillary facilities. The interest earned on these deposits, after deduction of any taxation payable, is due to the group.

Performance guarantees

Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. At 30 June 2014, these include €4 million (30 June 2013: €6 million) in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €5 million (30 June 2013: €10 million) in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO'') and €3 million (30 June 2013: €4 million) in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €14 million (30 June 2013: €22 million).

22. Cash and cash equivalents

	30 June 2013	30 June 2014
	€m	€m
Cash at bank and on hand	43	**48**
Short-term bank deposits	281	**151**
Cash and cash equivalents	324	**199**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2014, the effective interest rate on short term bank deposits was 0.16% (30 June 2013: 0.14%). These deposits have a weighted average maturity of 14 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

23. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Derivatives used for hedging	Loans and receivables	Total
	€m	€m	€m
Assets as per balance sheet			
Trade receivables	—	**152**	**152**
Other current assets	—	**2**	**2**
Amounts due from joint ventures	—	**2**	**2**
Restricted cash	—	**14**	**14**
Cash and cash equivalents	—	**199**	**199**
At 30 June 2014	**—**	**369**	**369**
Derivative financial instruments	5	—	5
Other assets	—	4	4
Trade receivables	—	161	161
Amounts due from joint ventures	—	2	2
Other amounts receivable	—	1	1
Restricted cash	—	22	22
Cash and cash equivalents	—	324	324
At 30 June 2013	5	514	519

	Liabilities at fair value through profit or loss	Loans and other liabilities	Total
	€m	€m	€m
Liabilities as per balance sheet			
Borrowings	**—**	**2,049**	**2,049**
Derivative financial instruments	**1**	**—**	**1**
Trade payables	**—**	**130**	**130**
Interest payable	**—**	**9**	**9**
Accruals	**—**	**217**	**217**
TIS Liabilities	**—**	**32**	**32**
At 30 June 2014	**1**	**2,437**	**2,438**
Borrowings	—	1,986	1,986
Derivative financial instruments	1	—	1
Trade payables	—	114	114
Interest payable	—	7	7
Accruals	—	228	228
TIS Liabilities	—	42	42
At 30 June 2013	1	2,377	2,378

Fair value hierarchy

The table below shows for the group's financial assets and liabilities that are recognised and subsequently measured at fair value their classification within a three-level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets at the balance sheet date. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency,

23. Financial instruments by category (Continued)

and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Financial assets held at fair value				
Derivative financial instruments	—	—	—	—
At 30 June 2014	—	—	—	—
Derivative financial instruments	—	5	—	5
At 30 June 2013	—	5	—	5

	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Financial liabilities held at fair value				
Derivative financial instruments	—	1	—	1
At 30 June 2014	—	1	—	1
Derivative financial instruments	—	1	—	1
At 30 June 2013	—	1	—	1

24. Borrowings

	Carrying Value		Fair Value	
	30 June 2013	30 June 2014	30 June 2013	30 June 2014
	€m	€m	€m	€m
Non-current liabilities				
Bank borrowings (Facility B/B1/B2)	2,005	**2,021**	1,825	**1,986**
Unamortised fair value difference on borrowings	(384)	**(315)**	—	**—**
Amend and extend fees	—	**(14)**	—	**—**
	1,621	**1,692**	1,825	**1,986**
9.25% Senior Secured Notes due 2020	350	**350**	327	**397**
Debt issue costs	(12)	**(11)**	—	**—**
	338	**339**	327	**397**
Joint venture borrowings	18	**9**	18	**9**
Borrowings	1,977	**2,040**	2,170	**2,392**
Current liabilities				
Joint venture borrowings	9	**9**	9	**9**
Overdraft	—	**—**	—	**—**
Borrowings	9	**9**	9	**9**
Total Borrowings	1,986	**2,049**	2,179	**2,401**

Bank borrowings (Facility B, B1 & B2)

At 30 June 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. The borrowings are subject to a Senior Facilities Agreement, which, amongst other things, requires the eircom Holdings (Ireland) Limited Group to comply with financial covenants on a quarterly basis. Further details of these financial covenants are set out in Note 2 to the financial statements.

During the year ended 30 June 2013, the group undertook a permitted bond refinancing. In accordance with the terms of the Senior Facilities Agreement, €339 million of the net proceeds from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement at an average price of €0.933 per €1.00, with an equivalent reduction in the group's borrowings under the Senior Facilities Agreement.

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. A three-month interest period is in force at the balance sheet date and at the date of signing of these financial statements. An interest period of one-month, three-months or six-months may be selected at each roll-over date.

24. Borrowings (Continued)

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 was 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 amendment and extension of the Senior Bank borrowings has been accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. The remaining unamortised amount at 30 June 2014 was €315 million.

The amendment and extension transaction costs of €15 million are amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

Senior Secured Notes

During the year ended 30 June 2013, the group issued €350 million in Senior Secured Notes, due for repayment in full on 15 May 2020. The Notes were issued by the group's wholly owned subsidiary, eircom Finance Limited. The Notes rank equally in priority of payment with the existing borrowings subject to the Senior Facilities Agreement. The Notes are subject to fixed rate cash-pay interest at 9.25% payable in semi-annual instalments in May and November each year. Total costs directly attributable to the transaction incurred by the group were €12 million.

Transaction costs are initially deferred and are subsequently amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

Joint venture borrowings—Tetra securities

The security provided in respect of joint venture borrowings is set out in Note 37 to the financial statements.

Fair values

The fair value of borrowings are based on observable market prices where available and an active market exists. Where market prices are not available or are considered unreliable, fair values are obtained using valuation techniques including discounted cash flow models, which to the extent possible use observable market inputs.

24. Borrowings (Continued)

Maturity of financial borrowings

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

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
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**
Joint venture borrowings	**9**	**9**	**—**	**—**	**18**
At 30 June 2014	**9**	**9**	**91**	**1,940**	**2,049**
Bank borrowings (Facility B)	—	—	2,005	—	2,005
Unamortised fair value difference on borrowings (Facility B)	—	—	(384)	—	(384)
	—	—	1,621	—	1,621
9.25% Senior Secured Notes due 2020	—	—	—	350	350
Debt issue costs	—	—	—	(12)	(12)
	—	—	—	338	338
Joint venture borrowings	9	9	9	—	27
At 30 June 2013	9	9	1,630	338	1,986

Borrowing facilities

The Senior Facilities Agreement entered into in June 2012 includes provision to allow the group to seek a revolving credit facility of €150 million in the markets. At the date of signing of these financial statements, there is no revolving credit facility in place and there are no current plans to obtain any revolving credit facilities.

Our joint venture, Tetra, has a €32 million term loan facility, which has been fully drawn down at 30 June 2014 to finance the activities of Tetra.

Currency

All of the group's borrowings are denominated in euro.

25. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2013	30 June 2014	30 June 2013	30 June 2014
	€m	€m	€m	€m
Non-current assets				
Interest rate swaps—cash flow hedges	4	—	4	—
Current assets				
Interest rate swaps—cash flow hedges	1	—	1	—
Total assets	5	—	5	—
Current liabilities				
Interest rate swaps—cash flow hedges	—	**1**	—	**1**
Interest rate swaps—not designated as hedges	1	—	1	—
Total liabilities	1	**1**	1	**1**

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps—cash flow hedges

The notional principal amount of the active interest rate swap contracts designated and eligible for hedge accounting was €1,200 million at 30 June 2014. The swaps cover the period from 11 December 2012 to 11 June 2015.

At 30 June 2014, the fixed interest rate on our interest rate swaps was between 0.241% and 0.258% and the floating rate was based on 3-month Euribor.

Gains recognised in the cash flow hedging reserve in equity (see Note 30) on interest rate swaps as of 30 June 2014 will be released to the income statement when the hedged interest expense is recognised over the period from 1 July 2014 to 11 June 2015. The ineffective portion of the change in the fair value of the derivatives recognised in the income statement that arises from qualifying cash flow hedges amounts to a loss of €Nil.

Interest rate swaps—not designated as hedges

The group's share of the fair value of the Tetra derivative in the accounts is a liability of €Nil (30 June 2013: €1 million). The group's share of the notional principal amount of the active interest rate swap contracts used to cover our joint venture borrowings was €14 million at 30 June 2014 (30 June 2013: €20 million). The unrealised gain recognised in the income statement during the year that arises from derivatives not designated as hedges is €1 million (30 June 2013: €1 million). These amounts have been classified in the income statement within 'finance costs'.

26. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The group has no material unrecognised deferred tax assets at 30 June 2014.

26. Deferred tax liabilities (Continued)

Recognised net deferred tax liabilities

Net deferred tax liabilities for the year ended 30 June 2014 are attributable to the following:

	Assets 30 June 2014	Liabilities 30 June 2014	Net 30 June 2014
	€m	€m	€m
Intangibles	—	(20)	(20)
Property, plant and equipment	—	(101)	(101)
Deferred revenues	1	—	1
Leases	15	—	15
Provisions	3	—	3
Pensions	49	—	49
	68	(121)	(53)

The movement in net deferred tax liabilities during the year ended 30 June 2014 is as follows:

	1 July 2013	Reclass from deferred tax asset (Note 17)	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2014
	€m	€m	€m	€m	€m
Intangibles	—	(24)	4	—	(20)
Property, plant and equipment	—	(97)	(4)	—	(101)
Deferred revenues	—	2	(1)	—	1
Leases	—	17	(2)	—	15
Provisions	—	2	1	—	3
Pensions	—	104	11	(66)	49
Derivative financial instruments	—	(1)	—	1	—
	—	3	9	(65)	(53)

27. Provisions for other liabilities and charges

	TIS Annuity Scheme	Onerous Contracts	Asset Retirement Obligations	MIP Debt Value	Other	Total
	€m	€m	€m	€m	€m	€m
At 1 July 2013	**42**	**31**	**51**	**6**	**46**	**176**
Charged to consolidated income statement:						
—Additional provisions	—	—	—	20	13	**33**
—Unused amounts reversed	—	(3)	—	—	(4)	**(7)**
—Unwinding of discount	1	—	2	—	—	**3**
Transfers	—	—	(1)	—	1	**—**
Transfer to receivables	—	—	—	—	3	**3**
Increase in provision capitalised as asset retirement obligation	—	—	6	—	—	**6**
Utilised in the financial year	(11)	(15)	—	—	(6)	**(32)**
At 30 June 2014	**32**	**13**	**58**	**26**	**53**	**182**

27. Provisions for other liabilities and charges (Continued)

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

	30 June 2013	30 June 2014
	€m	€m
Non-current	134	**113**
Current	42	**69**
	176	**182**

Temporary income stream ("TIS") annuity scheme

The eircom Limited group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The group estimates the annuity liability as the present value of the fixed payment stream due to employees. At 30 June 2014, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of eight years.

Onerous Contracts

The group has onerous contracts in relation to leases on vacant properties and leasehold disposals relating to relocations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflects current economic conditions and judgements in respect of sub lease income on certain properties. If the group were unable to sublet the properties for the duration of the lease an additional provision of €1 million would be required in the financial statements. The group also has onerous contracts in relation to the settlement of certain legal matters. At 30 June 2014, the liabilities are expected to be discharged over a period of one to four years.

Asset Retirement Obligations

The group has provisions for costs arising from certain obligations in relation to the retirement and decommissioning of assets, mainly certain poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2015 to 2025, and these anticipated cash flows are discounted using a real rate of return of between 2% and 4%.

Debt value management incentive plan

The management incentive plan ("MIP") 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 incentivises the participants to deliver maximum returns to shareholders on a sale or other form of exit, and to achieve full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value event"). The group has recognised a charge of €20 million in its income statement for the year ended 30 June 2014 in respect of its obligations in connection with potential debt value events (30 June 2013: €6 million).

Other

The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to 30 June 2014, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The group also has provisions for costs arising from certain compliance matters.

28. Trade and other payables

	30 June 2013	30 June 2014
	€m	€m
Non-current liabilities:—		
Unfavourable lease contracts arising on acquisition	121	**111**
Trade payables	49	**48**
	170	**159**
Current liabilities:—		
Unfavourable lease contracts arising on acquisition	11	**10**
Trade payables	69	**88**
Interest payable	7	**9**
Other tax and social security payable	35	**39**
Accruals	228	**217**
Deferred income	97	**100**
	447	**463**

The carrying amounts of trade payables are denominated in the following currencies:

	30 June 2013	30 June 2014
	€m	€m
Euro	110	**134**
SDR	5	**—**
Sterling	2	**1**
US dollar	1	**1**
	118	**136**

29. Share Capital

The share capital at 30 June 2014 and 30 June 2013 is set out below:—

As at 30 June 2014 and 30 June 2013

Authorised		Nominal Value per Share	Issued	
Number and Class of Share	Amount €		Number and Class of Share	Amount €
10,000,000 Ordinary shares	10,000,000	€1.00 each	2 Ordinary shares	2
Equity share capital	**10,000,000**		**Equity share capital**	**2**

There were no alterations to the issued share capital of eircom Holdings (Ireland) Limited during the year ended 30 June 2014.

Rights attaching to the ordinary shares are as follows:

The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary shares carry the right to share in any surplus assets of the Company.

30. Reconciliation of total shareholders' equity

	Equity share capital	Capital Contribution	Cash flow hedging reserve	Retained earnings/ (loss)	Total equity
	€m	€m	€m	€m	€m
Balance at 1 July 2012 (as previously reported)	—	—	—	(568)	(568)
Effect of changes in accounting policies	—	—	—	10	10
Balance at 1 July 2012 (Restated)	—	—	—	(558)	(558)
Loss for the financial year	—	—	—	(118)	(118)
Defined benefit pension scheme actuarial losses	—	—	—	(151)	(151)
Tax on defined benefit pension scheme actuarial losses	—	—	—	19	19
Cash flow hedges:					
—Fair value gains in year	—	—	5	—	5
—Tax on cash flow hedge movements	—	—	(1)	—	(1)
Balance at 30 June 2013 (Restated)	**—**	**—**	**4**	**(808)**	**(804)**
Capital contribution in respect of MIP equity value event	**—**	**9**	**—**	**—**	**9**
Loss for the financial year	**—**	**—**	**—**	**(309)**	**(309)**
Defined benefit pension scheme actuarial gains	**—**	**—**	**—**	**527**	**527**
Tax on defined benefit pension scheme actuarial 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**
Balance at 30 June 2014	**—**	**9**	**(1)**	**(655)**	**(647)**

31. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

a) Cash generated from operations

	Restated Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Loss after taxation	(118)	**(309)**
Addback:		
Income tax charge/(credit)	1	**(24)**
Finance costs—net	262	**223**
Operating profit/(loss)	145	**(110)**
Adjustments for:		
—Profit on disposal of property, plant and equipment	—	**(3)**
—Exceptional gain on exit from subsidiary	(17)	**—**
—Depreciation, amortisation and impairment of property, plant & equipment	337	**345**
—Non cash lease contracts	(9)	**(8)**
—Non cash retirement benefit charge	15	**10**
—Restructuring programme costs	27	**200**
—Other non cash exceptional items	(5)	**35**
—Other non cash movements in provisions	3	**2**
Cash flows relating to restructuring and provisions	(96)	**(186)**
Changes in working capital		
—Inventories	1	**—**
—Trade and other receivables	14	**12**
—Trade and other payables	(41)	**(15)**
—Inter-company payables to former group undertakings	2	**—**
Cash generated from operations	376	**282**

b) In the group cash flow statement, proceeds from sale of property, plant and equipment (PPE) and intangible assets comprise:

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Profit on disposal of property, plant and equipment	—	**3**
Net book value of PPE disposals (Note 15)	4	**—**
Net book value of intangible disposals (Note 14)	7	**—**
	11	**3**
Net book value of intangible disposals on exit from subsidiary undertaking (Note 9)	(6)	**—**
Net book value of PPE disposals on exit from subsidiary undertaking (Note 9)	(1)	**—**
Net book value of PPE disposals on liquidation of subsidiary undertaking	(2)	**—**
Proceeds from sale of PPE and intangible assets	2	**3**

32. Post Balance Sheet Events

Reorganisation

The board of directors of the eircom Holdings (Ireland) Limited is currently considering strategic options for the future of the eircom group (such options are collectively referred to herein as a ''Transaction''). These options include a potential public offering of shares in the eircom group (the ''IPO''). In advance of any Transaction, the structure of the eircom group would need to be reorganised to make it suitable for a Transaction (the ''Reorganisation''). On August 7, 2014, we commenced the process of engaging with our shareholders, bondholders and lenders. On August 22, 2014, we obtained the required consents from the noteholders necessary to amend and to waive certain provisions of the Indenture governing the notes, intercreditor agreement and other debt documents. On August 22, 2014, we obtained the required consents from lenders under our Facilities Agreement necessary to amend and to waive certain provisions of the Facilities Agreement and certain other debt documents. On the same date, we also received the necessary shareholder consents to amend certain provisions of the securityholders deed to enable the Reorganisation for the purposes of the Transaction.

There have been no other significant events affecting the group since the year ended 30 June 2014.

33. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2014	Business	Registered Office and Country of Incorporation
eircom Limited	100%	Provision of telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Finco Sarl	100%	Finance Company	46A Avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
eircom Finance Limited . .	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Irish Telecommunications Investments Limited . .	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.

33. Principal Subsidiaries, Joint Ventures and Associated Undertakings (Continued)

	Interest in Ordinary Shares at 30 June 2014	Business	Registered Office and Country of Incorporation
eircom Holdings Limited .	100%	Investment Holding Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
GoFree Limited	100%	Property Investment Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Tetra Ireland Communications Limited (Joint venture)	56%	Build and Operate National Digital Radio Services Network	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Altion Limited (Associated undertaking)	31.3%	Telecommunications Software Solutions	7th Floor, O'Connell Bridge House, D'Olier Street, Dublin 2, Ireland.

Joint Venture

At 30 June 2014, eircom Limited has a joint venture in Tetra Ireland Communication Limited ("Tetra"). The following table presents, on a condensed basis, the effect on the consolidated financial statements of including Tetra using proportionate consolidation.

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Revenue	19	**19**
Operating costs excluding depreciation	(10)	**(10)**
Depreciation	(7)	**(7)**
Operating profit	2	**2**
Finance costs—net	(1)	**(1)**
Profit before tax	1	**1**
Income tax credit	—	**—**
Profit for the financial year	1	**1**

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Profit for the financial year	1	**1**
Other comprehensive income	—	**—**
Total comprehensive income for the financial year	1	**1**

33. Principal Subsidiaries, Joint Ventures and Associated Undertakings (Continued)

	30 June 2013	30 June 2014
	€m	€m
ASSETS		
Non-current assets	29	**22**
Current assets	12	**12**
Total assets	41	**34**
LIABILITIES		
Non-current liabilities	22	**13**
Current liabilities	19	**20**
Total liabilities	41	**33**
EQUITY		
Total equity	—	**1**
Total equity	—	**1**
Total liabilities and equity	41	**34**

34. Employees

The average number of persons employed by the group for the years ended 30 June 2014 and 30 June 2013 were as follows:-

	Year ended 30 June 2013	Year ended 30 June 2014
Fixed line		
Operations/Technical	3,179	**2,624**
Sales/Customer Support	1,105	**748**
Administration	357	**256**
Total	4,641	**3,628**
Mobile		
Operations/Technical	197	**171**
Sales/Customer Support	333	**265**
Administration	63	**38**
Total	593	**474**
Total fixed line and mobile	5,234	**4,102**

The total number of persons employed by the group as at 30 June 2014 and 30 June 2013 were as follows:-

	30 June 2013	30 June 2014
Fixed line		
Operations/Technical	2,983	**2,331**
Sales/Customer Support	885	**663**
Administration	321	**191**
Total	4,189	**3,185**
Mobile		
Operations/Technical	170	**170**
Sales/Customer Support	309	**242**
Administration	43	**36**
Total	522	**448**
Total fixed line and mobile	4,711	**3,633**

34. Employees (Continued)

Certain employees work in both the fixed and mobile businesses. The employee numbers are based on the entity that entered into the employment contract with the individual employees. The employee costs are recharged between the fixed and mobile segments based on estimates of the time spent by individual employees on fixed and mobile activities.

35. Pensions

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

The total group pension charge is split between the schemes as follows:

	Notes	Restated Year ended 30 June 2013	Year ended 30 June 2014
		€m	€m
Defined Benefit Schemes (the principal scheme)			
Operating costs—staff pension costs	7	36	**29**
Finance costs—net interest cost on net pension liability	11	25	**29**
Defined Benefit Schemes		61	**58**
Defined Contribution Schemes	7	5	**4**
Total		66	**62**

The comparative periods have been restated to reflect the impact of adopting IAS 19 (Revised) 'Employee Benefits. See Note 41 for further information.

Defined Benefit Schemes

The group sponsors a defined benefit scheme for members in Ireland, the eircom Main Superannuation Scheme. In the year ended 30 June 2014, the group established a separate, limited scope ancillary scheme, the eircom Limited early retirement pension scheme ('Early Retirement Trust'). The eircom Main Superannuation Fund accounts for in excess of 99% of the group's defined benefit obligations measured in accordance with IAS 19 (Revised) "Employee Benefits" at 30 June 2014.

The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds, the eircom Main Superannuation Fund and the Early Retirement Trust.

Regulatory Framework

The group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the Schemes are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required on an ongoing funding basis, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

35. Pensions (Continued)

Separately, the Pensions Act 1990 (as amended) generally requires that trustees of funded defined benefit pension schemes must submit an Actuarial Funding Certificate (AFC) at regular intervals to the Pensions Authority. In the AFC, the scheme's actuary certifies whether the scheme does or does not satisfy the minimum funding standard (MFS) at the effective date of the AFC. The funding standard is satisfied if, broadly, in the actuary's opinion, the scheme's assets at the AFC effective date were more than the sum of:

- The transfer values to which the members would be entitled to; and
- The estimated expenses of winding up the scheme.

From 1 January 2016, in addition to the existing statutory liabilities, the Scheme will need to hold sufficient assets to cover a risk reserve. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS at a specified future point in time.

eircom Main Superannuation Scheme

The Scheme is closed to new entrants. However, benefits continue to accrue to members in active service, and benefits in deferment and in payment are subject to discretionary increases on the part of the group.

Retirement benefits under the Main Superannuation Scheme are calculated by reference to pensionable service and pensionable salary at normal retirement date. Principal benefits comprise of:

(i) Retirement pension, calculated at 1/80th of pensionable pay for each year of reckonable service, up to a maximum of 40/80ths (that is, half pensionable pay). Pensionable pay in most cases is made up of a member's wages or salary at the last day of service plus certain pensionable allowances

(ii) Retirement gratuity (also known as ''lump-sum''), calculated at 3/80th of pensionable pay for each year of reckonable service, up to a maximum of 120/80ths (that is, one and a half times pensionable pay).

(iii) Death gratuity, for in-service members, of at least one year's pensionable pay. subject to a limit of one and a half times pensionable salary calculated in the same manner as the retirement gratuity.

On an ongoing basis, the Scheme's liabilities consist of obligations to make benefit payments to current and potential future beneficiaries.

As a result of the Pensions Accord, agreed with Trade Unions in 2010, increases in benefits in deferment and in payment and pensionable pay and allowances were frozen up to 30 June 2014. Thereafter, pension increases, if any, will be capped at the lowest of the following:

- the percentage increase in actual pay awarded;
- the percentage increases in consumer prices in the year as measured by the Consumer Price Index (CPI) published by the CSO for the prior year to 31 December; and
- a specified maximum annual increase as follows:
  - 4.00% in each of 2014, 2015, 2016 and 2017
  - 3.25% in each of 2018, 2019 and 2020
  - 2.50% in each year thereafter

35. Pensions (Continued)

Early Retirement Trust

The Early Retirement Trust was established during the financial year to provide benefits to staff exiting under the Incentivised Exit Programme who opted to avail of an enhanced early retirement option with up to five years added service. In addition to their pre-existing membership of the eircom Main Superannuation Scheme, those individuals became members of the Early Retirement Trust, which provides fixed pension benefits between the last day of service and age sixty. At age sixty benefits from the Early Retirement Trust cease and the preserved benefits under the eircom Main Superannuation Scheme become payable. The Early Retirement Trust is closed to future accrual of benefits.

In the year ended 30 June 2014, the group agreed to provide funding to the Early Retirement Trust totalling €26 million in respect of all its committed past service liabilities. €13 million had been paid as at 30 June 2014, with the balance expected to be paid in the year ended 30 June 2015. Thereafter, subject to achieving anticipated investment returns, the group does not anticipate any further contributions becoming due to the Early Retirement Trust, as members are incapable of earning increases in benefits or accruing additional benefits.

eircom Main Superannuation Scheme Actuarial Valuation and Funding

The eircom Limited group committed to an annual employer contribution of €20 million for three years ending on 31 December 2013. From 1 January 2014, the actual contributions in respect of the principal scheme represent a rate of 8.5% of pensionable emoluments, as advised by the group's actuaries. The last actuarial valuation of the principal scheme was carried out using the attained age method, as at 30 September 2013, by Mercer, who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 35 (b)) over the remaining working lifetime of the current members.

The actuarial valuation as at 30 September 2013 was determined by reference to the following critical assumptions: (1) an assumed rate of pensionable pay and pension inflation of 1.9% per annum with effect from 1 January 2014 (0% until 31 December 2013) and (2) an assumed rate of investment return of 4.9%. At the date of the last actuarial valuation, the market value of the pension scheme assets was €3,123 million, and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions.

The actuarial valuation report also indicated that the Scheme met the Minimum Funding Standard as at 30 September 2013, and included a completed Actuarial Funding Certificate confirming this outcome. The actuarial report is available for inspection by the members of the scheme at 1 Heuston South Quarter, St. John's Road, Dublin 8. The actuarial report is not available for public inspection.

The next scheduled formal valuation of the scheme is as at 30 September 2016. If a deficit were to arise in the ongoing funding valuation at a future date, the actuary could recommend an increase in the employer contribution rate. However, there is no legal obligation on the group to remediate a deficit and there is a practical limit to what the group could reasonably afford, and would be prepared to pay. Other possible remediation could include, for example, further limitation of discretionary increases in pensions in deferment and in payment.

The minimum funding standard regime provides a practical base line in terms of both a target funding level and contribution rate. In circumstances where a scheme fails to satisfy the minimum funding standard, the Pensions Board has established guidelines in relation to what would constitute an acceptable funding proposal. Developing a funding proposal that is acceptable to the

35. Pensions (Continued)

Trustees, eircom Limited and Pensions Authority could prove to be a significant challenge in the event that the Scheme fails to satisfy the minimum funding standard at a future date.

Mercer also perform all annual valuations required under IAS 19 ''Employee Benefits''. These valuations are performed on the projected unit basis.

Defined Benefit Schemes obligations

The status of the defined benefit schemes, as measured in accordance with IAS 19 (Revised) ''Employee Benefits'', is as follows:

	Restated 1 July 2012	Restated 30 June 2013	30 June 2014
	€m	€m	€m
Present value of funded obligations	3,469	3,918	**3,940**
Fair value of scheme assets	(2,834)	(3,082)	**(3,549)**
Liability recognised in the Balance Sheet	635	836	**391**

Reconciliation of defined benefit obligation

	Restated 30 June 2013	30 June 2014
	€m	€m
At beginning of financial period	3,469	**3,918**
Current service cost	34	**28**
Interest cost	141	**139**
Past service costs and curtailment losses	9	**57**
Remeasurements:		
—Loss/(gain) from change in demographic assumptions	37	**(104)**
—Loss from change in financial assumptions	286	**177**
—Experience loss/(gain)	7	**(196)**
Contributions by employees	11	**10**
Benefits paid	(76)	**(89)**
Total—Defined benefit obligation	3,918	**3,940**

Defined benefit obligation by member status

	Restated 30 June 2013	30 June 2014
	€m	€m
Actives	1,771	**997**
Vested deferreds	1,272	**1,643**
Retirees	875	**1,300**
Total—Defined benefit obligation	3,918	**3,940**

35. Pensions (Continued)

Reconciliation—Fair value of plan assets

	Restated 30 June 2013	30 June 2014
	€m	€m
At beginning of financial period	2,834	**3,082**
Interest income on plan assets	115	**110**
Administration costs	(1)	**(1)**
Remeasurements: Return on plan assets, excluding amounts included in interest income	179	**404**
Contributions paid by group	20	**33**
Contributions by employees	11	**10**
Benefits paid	(76)	**(89)**
Total—Fair value of plan assets	3,082	**3,549**

The components of the amounts recognised in the income statement are as follows:

	Restated Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Current service cost	34	**28**
Administration costs	1	**1**
Interest on obligation	141	**139**
Interest income on plan assets	(115)	**(110)**
Total net charge included in the income statement	61	**58**
Actual return on scheme assets	293	**513**

The expected contribution level for the year ended 30 June 2015 for the defined benefit scheme is €9 million.

The weighted average duration of scheme liabilities at 30 June 2014 was estimated to be 16 years (30 June 2013: 17.5 years).

Pensions Levy

The Irish Finance (No. 2) Act 2011 introduced a levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). Finance (No. 2) Act 2013 put in place a further 0.15% levy for 2014 and 2015. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year.

The group has recognised a charge of €25 million in respect of the 2014 pension levy through other comprehensive income for the year ended 30 June 2014. Charges in respect of the levy for prior periods up to 30 June 2013 totalled €52 million.

In 2011, the group informed the Trustees of the Main Fund that it is not in a position to carry the charges in relation to the pension levy. The Trustees considered various options with regard to funding the levy, ranging from absorbing the cost within the fund or directly reducing base benefits and pensions payable. The Trustees ultimately concluded that it would be necessary to pass the pensions levy onto members. The precise mechanism will be determined by the Trustees following consultations between the group and the Trustees and separately between the group and member representatives.

While the Trustees have accepted that the members will ultimately bear the cost of the pensions levy, no reduction in the defined benefit obligation has been recognised as at 30 June 2014 in respect of the levy.

35. Pensions (Continued)

Pension scheme assets

The fair value of scheme assets as at 30 June 2014 was €3,549 million (30 June 2013: €3,082 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2013				30 June 2014			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
	€m	€m	€m		€m	€m	€m	
Equities & other assets	766	333	1,099	36%	**666**	**387**	**1,053**	**29%**
Bonds	1,649	164	1,813	59%	**1,974**	**225**	**2,199**	**62%**
Property	—	177	177	6%	**—**	**304**	**304**	**9%**
Cash	—	12	12	—	**—**	**18**	**18**	**1%**
Pension levy	—	(19)	(19)	(1)%	**—**	**(25)**	**(25)**	**(1)%**
Total pension assets	2,415	667	3,082	100%	**2,640**	**909**	**3,549**	**100%**

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2012	At 30 June 2013	At 30 June 2014
Rate of increase in salaries	1.90% (1)	1.90% (2)	1.50% (3)
Rate of increase in pensions in payment	1.90% (1)	1.90% (2)	1.50% (3)
Discount rate	4.10%	3.60%	2.90%
Inflation assumption	2.00%	2.00%	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	90 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 2012 reflected the agreed freeze on pensionable pay up to 31 December 2013 and the imposition of a cap on the increases in pensionable pay thereafter to the lower of CPI, salary inflation or agreed fixed annual rates.

(2) The assumptions at 30 June 2013 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 no increase in pensionable pay will arise prior to 1 July 2014.

(3) The assumptions at 30 June 2014 reflect the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.

35. Pensions (Continued)

Sensitivity of defined benefit obligation to key assumptions

The table below sets out the sensitivity of defined benefit obligation to changes in key assumptions:

	Change in Assumption	Impact on actuarial liabilities
Discount rate	0.25% increase	**(151)**
Rate of increase in salaries and pensions in payment	0.25% increase	**158**
Life expectancy	1 year increase	**94**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, a change in one assumption could impact on other assumptions due to the relationship between assumptions. Some of the above changes in assumptions may also have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

Risks and risk management

Through its defined benefit pension schemes, the group is exposed to a number of areas of risk. The key areas of risk, and the ways in which the group has sought to manage them, are set out below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The funds hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. In 2010, the Trustees initiated a review of the Main Scheme's investment strategy. That review resulted in a substantial shift in the investment portfolio from equity to fixed interest investments. At the same time the Trustees put in place a dynamic de-risking process to further transition the Scheme's equity allocation to fixed interest holdings in a systematic manner.

However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently.

There is also an element of credit risk attaching to the bond portfolio and currency risk to the extent that assets are denominated in currencies other than the euro and are not correspondingly hedged.

Changes in bond yields

Interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

35. Pensions (Continued)

Inflation risk

The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plans against high inflation. However, for the most part these inflationary increases are ultimately discretionary in nature.

Life expectancy

The majority of the schemes' obligations are to provide a pension for the life of the member and that of the member's widowed spouse, which means that increases in life expectancy will result in an increase in the plans' liabilities.

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

36. Operating lease commitments

At 30 June 2014, the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:—

	30 June 2013		30 June 2014	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	€m	€m	€m	€m
Annual commitments				
Under non-cancellable operating leases expiring:				
No later than one year	3	1	**3**	**—**
Later than one year but no later than five years	21	1	**14**	**1**
Later than five years	22	—	**23**	**—**
	46	2	**40**	**1**

The total contracted payments due on operating leases are as follows:

	30 June 2013	30 June 2014
	€m	€m
Payable:		
No later than one year	48	**41**
Later than one year but no later than five years	124	**108**
Later than five years	244	**222**
	416	**371**

37. Credit guarantees and securities

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings.

Senior Credit Facility

At 30 June 2014, eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €2 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €2 billion term credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The guarantees rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Senior Credit Facility, including the guarantee of the Senior Secured Notes. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl, and fixed and floating charges over the assets of eircom Limited, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited, subject to certain exclusions specified in the security documents. The companies guaranteeing the Senior Credit Facility are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited, Meteor Ireland Holdings LLC, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Senior Secured Notes

eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €350 million of eircom Finance Limited, a subsidiary of the group, pursuant to the Senior Secured Notes issued in May 2013.

The guarantees are general senior obligations of each guarantor and rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Notes, including the guarantee of the Senior Credit Facility. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement.

The Senior Secured Notes are secured by pledges over the equity interests in eircom Finance Limited and each Guarantor, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl and fixed and floating charges over the assets of the guarantors, subject to certain exclusions specified in the security documents. The guarantors of the Senior Secured Notes are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited, Meteor Ireland Holdings LLC, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Hedging obligations

The group has entered into derivative financial instruments which are subject, amongst other things, to an Intercreditor Agreement. In accordance with this agreement, the liabilities to hedging counterparties rank in priority to liabilities arising under the Senior Credit Facility and Senior Secured Notes in the event of enforcement action. The derivative financial instruments held by the group's joint venture, Tetra, are not subject to the Intercreditor Agreement (see Note 25).

37. Credit guarantees and securities (Continued)

Tetra Securities

The Senior Credit Facility of Tetra of €32 million is secured by a first-priority pledge fixed and floating charges over the assets of Tetra and a first ranking pledge over all the shares of Tetra. The senior credit facility and derivative financial instruments held by Tetra are not subject to the Intercreditor Agreement in respect of the Senior Credit Facilities of the eircom Holdings (Ireland) Limited Group.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group and the Senior Secured Notes of eircom Finance Limited are also secured by a second pledge over eircom Limited's shares of Tetra.

38. Contingent liabilities

Hearing loss claims

As of 30 June 2014, eircom has received notice of personal injury claims for alleged hearing loss from one hundred and sixteen current and former employees, fifteen of which have been withdrawn, and seven of which have been discontinued. Of the ninety-four remaining claims, fifty-five have become prima facie statute barred, and therefore eircom consider these cases to be closed. Of the remaining cases, twenty-six individuals have issued but not served court proceedings alleging hearing loss, and thirteen sets of proceedings have been served and are active. eircom has denied liability in all of the claims and intends to vigorously defend all proceedings issued in respect of hearing loss claims.

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.

Performance guarantees

Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts (see Note 21). At 30 June 2014, these include €4 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €5 million in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO"), and €3 million in relation to other obligations under certain commercial contracts. No material losses are expected in respect of these obligations.

Allegations of anti-competitive practices

In October 2002, ComReg determined that eircom Limited was not in compliance with its obligations under the voice telephony regulations, as it provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom's discount schemes and published prices. No penalties were levied on eircom Limited as a result of this determination.

38. Contingent liabilities (Continued)

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom Limited seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom Limited submitted its defence on 26 January 2004 and intends to defend the proceedings vigorously.

The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings: loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million), and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom's part under each of these headings, eircom's Directors do not believe that these figures represent damages which would be properly recoverable from eircom Limited.

No further action has been taken by the plaintiffs in the eight years since they amended the plenary summons and statement of claim.

Claims by Smart Telecom

On 8 June 2005, Smart Telecom instituted proceedings against eircom Limited in the Irish High Court, challenging the validity of a notice of termination issued by eircom Limited to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom Limited of its dominant position in the telecommunications market. Smart Telecom further alleged that eircom Limited was abusing its dominant position by refusing to provide network access in the form of Local Loop Unbundling ("LLU") in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid and an abuse of dominance, that eircom Limited was abusing its dominance by failing to meet Smart Telecom's LLU requirements, and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty. eircom Limited delivered its defence in the proceedings on 23 December 2005.

eircom's Directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom Limited provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's Directors do not believe that these figures represent damages that would be properly recoverable from eircom Limited.

In October 2006, eircom Limited terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom Limited introduced the LLU functionality that is the subject of Smart's claim in the proceedings.

No further action has been taken by Smart Telecom after the delivery of eircom's defence in December 2005. In December 2009, Smart Telecom went into liquidation.

38. Contingent liabilities (Continued)

Other

The Irish taxation authorities are querying the deductibility of expenses in one of the subsidiary undertakings within the former ERC Ireland Holdings Group, a former holding company of the eircom Limited group, the resultant taxation losses of which were in part surrendered to entities in the eircom Limited group by way of group relief deductions. The former holding company has been in liquidation since May 2012. The queries cover the fiscal years ended 31 March 2004 to 30 June 2012 inclusive. As a result of these enquiries, the taxation authorities have issued amended assessments restricting the group relief deductions claims for the periods from 31 March 2004 to 30 June 2010. The amended assessments have been appealed and the Appeal Hearing has been set for 13 October 2014. The taxation authorities are also separately undertaking an audit of other expense deductions taken by eircom Limited in the financial years ended 30 June 2007 to 30 June 2009 inclusive. Management are satisfied that all group relief claims and expenses have been appropriately deducted in the tax computation and do not believe that there is any liability in respect of these periods.

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory and taxation authorities have arisen in the normal course of business. While any litigation or dispute with regulatory and tax authorities has an element of uncertainty, the Directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

39. Commitments

Capital commitments of the group which have been contracted for were €45 million at 30 June 2014 (30 June 2013: €49 million). These amounts have been approved by the Board.

Network share agreement with O_2

A network share agreement with O_2, another mobile operator in Ireland, was signed on 7 April 2011. This agreement sets out the terms under which the parties have agreed to the sharing and integration of certain aspects of the Radio Access Networks of both groups. The group recognises its own expenses, assets and liabilities in connection with the agreement. However, to the extent that the group's own operating and capital costs associated with shared assets exceed or amount to less than 50% of the total joint costs of the operation, a recharging mechanism exists which ensures equalisation of costs incurred by each party.

Each party has an unconditional right to terminate the agreement subject to a minimum period of prior notice. The agreement also contains standard rights for immediate termination for either party.

To the extent that the group expects to decommission existing assets in connection with the agreement, the related useful lives of the assets concerned and asset retirement obligations have been revised as appropriate, and provisions have been recognised for any decommissioning costs for which a legal or constructive obligation existed at the balance sheet date.

40. Related party transactions

The following transactions were carried out with related parties:

a) Key management compensation

	Year ended 30 June 2013	Year ended 30 June 2014
	€m	€m
Salaries and other short-term employee benefits	10.3	**7.8**
Other long-term employee benefits	4.2	**29.4**
Post-employment benefits	0.7	**0.6**
	15.2	**37.8**
Termination benefits	3.3	**1.3**
	18.5	**39.1**

Management Incentive Plan

The long term incentive plan for the management team for 2010 to 2014 provided for awards which were made for the years ended 30 June 2011 and 30 June 2012. In October 2012, the Remuneration Committee resolved to close the plan and replaced it with a new incentive plan, commencing August 2012. In accordance with the terms of the plan, amounts already awarded for years ended 30 June 2011 and 30 June 2012 are payable. Accruals at 30 June 2014 include €0.5 million (30 June 2012: €1.2 million) in respect of awards under the plan which have not yet been paid and are payable in the year ending 30 June 2015.

The management incentive plan (''MIP'') was initiated 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 MIP begins to accrue value from a stated threshold level of €1.8 billion (''MIP Threshold'') and the maximum permitted allocation for all participants in the scheme is an aggregate interest of up to 10% of the return above the MIP Threshold, or if higher, the proportionate shareholding of eircom MEP SA in eircom Holdco SA. The amount is subject to a cap in the event of a debt value event, 92% of the MIP has been allocated at year end. The individual participants' entitlements under the MIP are subject to graded vesting on a time basis over a five year period commencing on 31 August 2013, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 1.9 years. However, the Directors currently expect that vesting conditions in respect of a sale event are most likely to be fulfilled within the next financial year.

Under the MIP awards approved in the year ended 30 June 2013, the participants are entitled to receive instruments in Eircom MEP S.A., which in turn hold instruments in eircom Holdco S.A. The instruments held in Eircom MEP S.A. carry no voting rights and are not transferable.

In the year ended 30 June 2014 a separate class of MIP non-share award was approved for participants eligible for this class of award, who are substantially different individuals from those receiving shares, entitling them effectively to receive cash bonuses on the crystallization of the same vesting events as described above.

Under the terms of the MIP there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event. In the event that eircom Holdco S.A. has insufficient proceeds to discharge the amounts accruing to scheme

40. Related party transactions (Continued)

participants under a debt value event, the discharge of such amounts will be dependent on funding from eircom Limited and/or Eircom Holdings Ireland Limited.

The group has recognised a charge of €20 million in its income statement for the year ended 30 June 2014 in respect of its obligations in connection with potential debt value events (30 June 2013: €6 million). A resulting cumulative provision of €26 million is recorded on its balance sheet as at 30 June 2014 (30 June 2013: €6 million).

Separately, the group has also recognised a charge of €9 million, 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.

b) Transactions and loans between related parties

The former group undertakings are former entities in the ERC Ireland Equity SPC Group which was the ultimate parent company of the eircom Limited group until 11 June 2012. From 11 June 2012, ERC Ireland Equity SPC Group no longer holds any beneficial interest in the group.

	30 June 2013	30 June 2014
	€m	€m
Other amounts payable (owed to former eircom Limited group undertakings):		
Beginning of financial period	8	—
Amounts owed by subsidiary undertaking derecognised on liquidation	(8)	—
End of financial period (Note 28)	—	—
Other amounts receivable (due from former eircom Limited group undertakings):		
Beginning of financial period	3	**1**
Loan repayments during the financial year	(2)	—
Impairment provision recognised on receivable due from former eircom Limited group undertaking	—	**(1)**
End of financial period (Note 20)	1	—

c) Other related parties transactions

During the year ended 30 June 2014, the group recharged operating costs incurred on behalf of Eircom Holdco SA of €0.6 million (30 June 2013: €0.2 million). The amount outstanding in respect of these costs is €0.4 million at 30 June 2014 (30 June 2013: €0.2 million).

During the year ended 30 June 2014, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.8 million (30 June 2013: €5.4 million). The amount outstanding in respect of these costs is €5.2 million at 30 June 2014 (30 June 2013: €4.1 million).

During the year ended 30 June 2013, the group income statement included a charge of €0.3 million paid in respect of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS) which have not been recharged to the ESOT.

On 11 July 2013, ESOP Trustee Limited (as trustee of the ESOT) and the APSS entered a member's voluntary liquidation. The residual assets not yet claimed by beneficiaries have been transferred to eircom Limited which will continue to administer the residual assets of the ESOT

40. Related party transactions (Continued)

and the APSS in respect of untraced holders and unclaimed funds for a period of up to twelve years from the substantial winding-up of the trusts.

During the year ended 30 June 2013, the group paid €0.2 million on normal commercial terms to Prodigium Limited for strategic advice in relation to eircom Limited. All of these costs were expensed to the income statement. Mr. Hartery, an independent non-executive director of eircom Holdings (Ireland) Limited, is a controlling shareholder and a director of Prodigium Limited. The €0.2 million covers all services provided to eircom Limited to date and eircom Limited will not require further services from Prodigium Limited at this stage.

41. Impact of adopting new accounting standards

The group adopted IAS 19 (Revised), 'Employee Benefits' on 1 July 2013. The revised standard is to be applied retrospectively and accordingly the group has restated the comparative periods.

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense to be calculated as the product of the net defined liability and the discount rate as determined at the beginning of the year.

The changes in the group's accounting policies have been as follows:

- remove previously capitalised future administration expenses relating to deferred and retired members from the measurement of defined benefit plan obligations (these expenses are now recognised as incurred),
- immediately recognise all past service costs and
- replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The following tables show the impact on the group financial statements of adopting the standard at 1 July 2013.

Group income statement (selected lines)

	Published 30 June 2013	IAS19R	Restated 30 June 2013
	€m	€m	€m
Operating profit	123	22	**145**
Finance costs	(238)	(25)	**(263)**
Finance costs—net	(237)	(25)	**(262)**
Loss before tax	(114)	(3)	**(117)**
Loss for the financial period attributable to equity holders of the parent	(115)	(3)	**(118)**

41. Impact of adopting new accounting standards (Continued)

Group statement of comprehensive income (selected lines)

	Published 30 June 2013	IAS19R	Restated 30 June 2013
	€m	€m	€m
Loss for the financial period attributable to equity holders of the parent	(115)	(3)	(118)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial losses:			
—Actuarial loss in year	(155)	4	(151)
—Tax on defined benefit pension scheme actuarial losses	19	—	19
	(136)	4	(132)
Other comprehensive expense, net of tax	(132)	4	(128)
Total comprehensive expense for the financial period	(247)	1	(246)

Group balance sheet (selected lines)

	Published 30 June 2013	IAS19R	Restated 30 June 2013
	€m	€m	€m
ASSETS			
Non-current assets			
Deferred tax asset	4	(1)	3
Total assets	2,834	(1)	2,833
LIABILITIES			
Non-current liabilities			
Retirement benefit liability	848	(12)	836
Total liabilities	3,649	(12)	3,637
EQUITY			
Retained loss	(819)	11	(808)
Total equity	(815)	11	(804)
Total liabilities and equity	2,834	(1)	2,833

Group statement of changes in equity

	Published Total Equity	IAS19R	Restated Total Equity
	€m	€m	€m
Balance at 1 July 2012	(568)	10	(558)
Total comprehensive expense for the financial year	(247)	1	(246)
Balance at 30 June 2013	(815)	11	(804)

41. Impact of adopting new accounting standards (Continued)

From 1 July 2013, the group adopted IAS 19 (Revised) Employee Benefits which resulted in an increase in the costs of providing defined retirement benefits of €3 million for the year ended 30 June 2013 in the income statement as the expected return on plan assets was replaced by a net interest charge.

As a result of this restatement total equity at 30 June 2013 has increased by €11 million and total liabilities have been reduced by €12 million.

The table below shows the impact of the restatement on the group balance sheet for the year commencing 1 July 2012:

Group balance sheet (selected lines)

	30 June 2012	IAS19R	1 July 2012
	€m	€m	€m
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	27	1	28
Retirement benefit liability	649	(11)	638
Total liabilities	3,472	(10)	3,462
EQUITY			
Retained loss	(568)	10	(558)
Total equity	(568)	10	(558)
Total liabilities and equity	2,904	—	2,904

42. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 July 2014 or later periods but which the group has not early adopted, as follows:

IFRS 9, 'Financial instruments'. (Effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement). The new standard addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a model that has two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset host instruments and the cost exemption for unquoted equities. The group is currently reviewing the expected impact of this standard, which may change as a consequence of further developments resulting from the IASB's financial instruments project.

IFRS 10, 'Consolidated Financial Statements'. (Effective for annual periods beginning on or after 1 January 2014). The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, replacing the consolidation requirements in SIC-12 Consolidation 'Special Purpose Entities' and IAS 27 Consolidated and Separate Financial Statements. This is not expected to have any significant impact on the group.

IAS 27, 'Separate Financial Statements'. (Effective for annual periods beginning on or after 1 January 2014). This standard supersedes IAS 27 Consolidated and Separate Financial Statements following the issuance of IFRS 10, which replaced the consolidation requirements in

42. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

IAS 27. Only accounting and disclosure requirements for the preparation of separate financial statements remain in IAS 27; the Standard was therefore renamed Separate Financial Statements. This is not expected to have any significant effect on the group.

IAS 28, 'Investments in Associates and Joint Ventures'. (Effective for annual periods beginning on or after 1 January 2014). The standard incorporates the accounting for joint ventures. An entity applies IFRS 11 to determine the type of joint arrangement in which it is involved. Once it has determined that it has an interest in a joint venture, the entity recognises an investment and accounts for it using the equity method in accordance with IAS 28 (as amended in 2011), unless the entity is exempted from applying the equity method as specified in the standard. As the group has heretofore applied proportionate consolidation to its investments in joint ventures, application of the new standard will result in the use of equity accounting for these investments in the future.

IFRS 11, 'Joint Arrangements'. (Effective for annual periods beginning on or after 1 January 2014). The standard eliminates proportionate consolidation as a method to account for joint arrangements. IFRS 11 supersedes IAS 31 and SIC-13. The group has applied proportionate consolidation to its investments in joint ventures in accordance with IAS 31. Application of the new standard will result in the use of equity accounting for these investments in the future which will change how the results and net assets of joint ventures are presented in the financial statements.

IFRS 12, 'Disclosure of Interests in Other Entities'. (Effective for annual periods beginning on or after 1 January 2014). IFRS 12 includes additional disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The group is currently assessing the impact of this standard, but there will be no impact of a recognition or measurement nature given the disclosure focus of the standard.

IAS 19 (Amendment), 'Employee Benefits'. (Effective for financial periods beginning on or after 1 July 2014, subject to EU endorsement). The amendment is subject to EU endorsement. The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. This is not expected to have any significant effect on the group.

IAS 32 (Amendment), 'Financial Instruments: Presentation'. (Effective for financial periods beginning on or after 1 January 2014). The amendment does not change the current offsetting model in IAS 32, but clarifies that the right of set-off must be available at the balance sheet date and cannot be contingent on future events. Whilst it is expected that the amendment will primarily only affect financial institutions, the group is currently assessing the impact of the amendment on its financial reporting, but does not anticipate that amendment will have a material impact on the group's financial statements.

IAS 36 (Amendment), 'Impairment of Assets'. (Effective for financial periods beginning on or after 1 January 2014). The amendment seeks to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. This amendment is not expected to have any significant effect on the group.

42. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurements'. (Effective for financial periods beginning on or after 1 January 2014). This amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. This amendment is not expected to have any significant effect on the group.

Amendments to IAS 16 'Property, Plant and Equipment', and IAS 38 'Intangible Assets'. (Effective for financial periods beginning on or after 1 January 2016, subject to EU endorsement). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. Also, it introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. This amendment is not expected to have any significant effect on the group as the group does calculate depreciation or amortisation based on revenue.

Amendments to IFRS 10, 12 and IAS 27 'Investment entities'. (Effective for financial periods beginning on or after 1 January 2014). The guidance applies to an 'investment entity'. The amendment to IFRS 10 defines an investment entity and introduces an exception from consolidation. The amendments to IFRS 12 also introduce disclosures that an investment entity needs to make. eircom Holdings (Ireland) Limited is currently assessing the impact of these amendments on its financial reporting, but does not anticipate at this time that it will avail of this exception from consolidation.

Annual Improvements 2012 and 2013. (Effective for financial periods beginning on or after 1 July 2014, subject to EU endorsement). The IASB has issued "annual improvements" which amends various standards. The group is currently assessing the impact of these improvements on its financial reporting, but does not anticipate that the improvements will have a material impact on the group's financial statements.

IFRIC 21, 'Levies'. (Effective for financial periods beginning on or after 1 January 2014). IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. It identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. This is not expected to have any significant effect on the group's existing liabilities.

IFRS 11 (Amendment), 'Joint Arrangements'. (Effective for periods beginning on or after 1 January 2016, subject to EU endorsement). The amendment clarifies the accounting for an interest in a joint operation when the joint operation is formed and there is an existing business that is contributed or where the acquisition of the interest is in an existing joint operation that is a business. The joint operator accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business applies the relevant principles for business combinations accounting in IFRS 3 and other Standards, and discloses the relevant information required by those Standards for business combinations. This is not expected to have any impact on the group's accounting for its existing joint arrangements.

IFRS 14, 'Regulatory Deferral Accounts'. (Effective for periods beginning on or after 1 January 2016, subject to EU endorsement). IFRS 14 permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already

42. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard. The standard has no impact on the group.

IFRS 15, 'Revenue from Contacts with Customers'. (Effective for periods beginning on or after 1 January 2017, subject to EU endorsement). IFRS15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue Standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 also includes requirements for accounting for some costs that are related to a contract with a customer. A company would recognise an asset for the incremental costs of obtaining a contract if those costs are expected to be recovered. The group is currently assessing the full impact of IFRS 15 on its financial reporting, but expects a significant change in the timing of the recognition.

43. Comparative amounts

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

44. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 28 August 2014.

pwc

Independent Auditors' Report to the Members of eircom Holdings (Ireland) Limited

We have audited the non-statutory consolidated financial statements of eircom Holdings (Ireland) Limited for the year ended 30 June 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement as set out on page F-70, the directors are responsible for the preparation of the non-statutory consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the non-statutory consolidated financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the non-statutory consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory consolidated financial statements sufficient to give reasonable assurance that the non-statutory consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the non-statutory consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited non-statutory consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on non-statutory consolidated financial statements

In our opinion, the non-statutory consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2013 and of its loss and cash flows for the year then ended.

Emphasis of matter—non-statutory consolidated financial statements

In forming our opinion on the non-statutory consolidated financial statements, which is not modified, we draw attention to the fact that these non-statutory consolidated financial statements have not been prepared under Section 148 of the Companies Act 1963 and are not the company's statutory financial statements.

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

26 September 2013

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Chartered Accountants

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements

For the Year Ended 30 June 2013

The directors are responsible for preparing the non-statutory consolidated financial statements for the bondholders in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for being satisfied that they give a true and fair view of the state of the group's affairs at the end of the financial year and of the profit or loss and cash flows of the Group for the financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These non-statutory consolidated financial statements have been approved for issue by the Directors on 26 September 2013.

eircom Holdings (Ireland) Limited

Group income statement

For the Year Ended 30 June 2013

	Notes	Period ended 30 June 2012	Year ended 30 June 2013
		€m	€m
Revenue	7	83	**1,394**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	8	(52)	**(935)**
Amortisation	8, 14	(4)	**(71)**
Depreciation	8, 15	(17)	**(266)**
Goodwill impairment	8, 13	(542)	**—**
Exceptional items	8, 9	—	**(16)**
Exceptional gain on exit from subsidiary	8, 10	—	**17**
Operating (loss)/profit		(532)	**123**
Finance costs	11 (a)	(10)	**(238)**
Finance income	11 (b)	—	**1**
Finance costs—net	11	(10)	**(237)**
Loss before tax		(542)	**(114)**
Income tax charge	12	(1)	**(1)**
Loss for the financial period attributable to equity holders of the parent	30	(543)	**(115)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of comprehensive income

For the Year Ended 30 June 2013

	Notes	Period ended 30 June 2012	Year ended 30 June 2013
		€m	€m
Loss for the financial period attributable to equity holders of the parent	30	(543)	**(115)**
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial losses:			
—Actuarial loss in year	35	(28)	**(155)**
—Tax on defined benefit pension scheme actuarial losses	17, 26	3	**19**
		(25)	**(136)**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
—Fair value gain in year	30	—	**5**
—Tax on cash flow hedge movements	30	—	**(1)**
		—	**4**
Other comprehensive expense, net of tax		(25)	**(132)**
Total comprehensive expense for the financial period	30	(568)	**(247)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet

As at 30 June 2013

	Notes	30 June 2012 €m	30 June 2013 €m
ASSETS			
Non-current assets			
Goodwill	13	294	**192**
Other intangible assets	14	319	**460**
Property, plant and equipment	15	1,649	**1,584**
Derivative financial instruments	25	—	**4**
Deferred tax asset	17	1	**4**
Other assets	18	6	**5**
		2,269	**2,249**
Current assets			
Inventories	19	14	**12**
Trade and other receivables	20	240	**226**
Derivative financial instruments	25	—	**1**
Restricted cash	21	32	**22**
Cash and cash equivalents	22	349	**324**
		635	**585**
Total assets		2,904	**2,834**
LIABILITIES			
Non-current liabilities			
Borrowings	24	1,837	**1,977**
Derivative financial instruments	25	1	**—**
Trade and other payables	28	179	**170**
Deferred tax liabilities	26	27	**—**
Retirement benefit liability	35	649	**848**
Provisions for other liabilities and charges	27	152	**133**
		2,845	**3,128**
Current liabilities			
Borrowings	24	9	**9**
Derivative financial instruments	25	1	**1**
Trade and other payables	28	490	**448**
Current tax liabilities		26	**21**
Provisions for other liabilities and charges	27	101	**42**
		627	**521**
Total liabilities		3,472	**3,649**
EQUITY			
Equity share capital	29, 30	—	**—**
Cash flow hedging reserve	30	—	**4**
Retained loss	30	(568)	**(819)**
Total equity	30	(568)	**(815)**
Total liabilities and equity		2,904	**2,834**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group cash flow statement

For the Year Ended 30 June 2013

	Notes	Period ended 30 June 2012	Year ended 30 June 2013
		€m	€m
Cash flows from operating activities			
Cash generated from operations	31	20	**376**
Financial restructuring costs		(17)	**(6)**
Interest received		—	**1**
Interest paid		—	**(82)**
Income tax paid		—	**(17)**
Net cash generated from operating activities		3	**272**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		370	**—**
Disposal of subsidiary undertaking, net of cash disposed		—	**117**
Purchase of property, plant and equipment (“PPE”)		(12)	**(197)**
Proceeds from sale of PPE and other intangible assets		—	**2**
Purchase of intangible assets		(13)	**(219)**
Restricted cash		—	**10**
Net cash generated from/(used in) investing activities		345	**(287)**
Cash flows from financing activities			
Proceeds from issuance of Senior Secured Notes due 2020		—	**350**
Repayment on borrowings		—	**(347)**
Debt issue costs paid		—	**(12)**
Net cash used in financing activities		—	**(9)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		348	**(24)**
Cash and cash equivalents at beginning of financial year		—	**348**
Cash, cash equivalents and bank overdrafts at end of financial year	22	348	**324**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of changes in equity

For the Year Ended 30 June 2013

	Notes	Total equity €m
At beginning of financial period	30	—
Issue of share capital	29, 30	—
Total comprehensive expense for the financial period	30	(568)
Balance at 30 June 2012	30	(568)
Balance at 1 July 2012	30	**(568)**
Total comprehensive expense for the financial year	30	**(247)**
Balance at 30 June 2013	30	**(815)**

The accompanying notes form an integral part of the financial statements.

1. General information

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

eircom Holdings (Ireland) Limited was incorporated on 23 April 2012. eircom Holdings (Ireland) Limited directly holds 100% of the issued share capital of two subsidiaries: eircom Finco Sarl and eircom Limited. eircom Holdings (Ireland) Limited incorporated eircom Finco Sarl, a company registered in Luxembourg, on 24 May 2012.

On 11 June 2012, eircom Holdings (Ireland) Limited acquired 100% of the issued share capital of eircom Limited for €1.00 pursuant to a Scheme of Arrangement approved by the Irish High Court. The principal trading activities of the group are undertaken by eircom Limited and its subsidiaries. eircom Limited is the incumbent telecommunications operator in the Republic of Ireland. Further details of the acquisition of the eircom Limited group are set out in Note 6 to these financial statements.

eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate parent company.

2. Going concern

The financial statements have been prepared on the going concern basis, which assumes that the group will be able to continue in operational existence for the foreseeable future.

The principal trading subsidiaries of the group, eircom Limited and Meteor Mobile Communications Limited ("Meteor"), as well as the group's treasury company, Irish Telecommunications Investments Limited ("ITI"), were the subject of an Examinership process in the prior year.

An Examinership is a court protection system introduced by the Companies (Amendment) Act 1990, as amended by the Companies (Amendment) Act (No. 2) 1999, and allows an Examiner to propose an arrangement or compromise with the creditors of a company which becomes effective and binding on all of the creditors and members of the company if approved by more than 50% by number and more than 50% by value of creditors voting in at least one class of creditors being impaired under the proposals, and if confirmed by the High Court.

The Schemes of Arrangement were implemented on 11 June 2012, and eircom Limited, ITI and Meteor exited from the Examinership process with effect from that date.

Under the Scheme of Arrangement, the entire issued share capital of eircom Limited was transferred to eircom Holdings (Ireland) Limited for a consideration of €1.00 and eircom Finco Sàrl, became the borrower under the new Senior Credit Facility Agreement with the group's creditor banks and eircom Limited, Meteor and ITI and certain other subsidiaries are guarantors under this facility Agreement.

The new Senior Credit Facility includes provision that allows the group to seek in the financial markets, a €150 million uncommitted super senior revolving credit facility which, if obtained, may be utilised by way of drawing of loans, issuing of letters of credit, and ancillary facilities to cover working capital requirements.

The financial covenants under the new Senior Facilities Agreement include a maximum ratio of consolidated net debt to consolidated EBITDA, minimum ratios of cash flow and consolidated EBITDA to net debt service, minimum liquidity requirements and annual maximum capital expenditure limits. In setting the financial covenants consideration was given for potential downside risk to the eircom Limited Group's business plans. The covenants are required to be tested on a quarterly basis, except for the capital expenditure covenants which are required to be tested on an annual basis and the cash flow before net debt service to net debt service covenant

2. Going concern (Continued)

which is effective from 30 September 2015. The covenant tests have been met for the year ended 30 June 2013. The financial covenant measures, if not complied with at future dates, could result in the new Facilities becoming immediately due and payable in advance of the agreed maturity date.

During the year ended 30 June 2013, the group effected a debt refinancing transaction, which included the issuance of €350 million in Senior Secured Notes due May 2020. The Notes are guaranteed by eircom Holdings (Ireland) Limited and a number of its subsidiaries (see Note 37). The proceeds of the Notes were used to repurchase principal liabilities under the borrowings under the Senior Facilities Agreement (see Note 24).

The net liabilities of the group included in the balance sheet at 30 June 2013 exclude liabilities in respect of borrowings of €384 million, as IFRS requires borrowings to be included at fair value on the date of initial recognition and subsequently at amortised cost (see Note 24).

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the financial statements notwithstanding the net liability position of the group as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due and is expected to comply with its financial covenants, for the foreseeable future.

Having made due enquiries, the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

The significant accounting policies adopted by the group are set out below.

3.1. Basis of preparation

These financial statements have been prepared in accordance with IFRS, as adopted by the European Union. The financial statements are prepared on a going concern basis (see Note 2). A summary of the more important accounting policies is set out below.

These non-statutory financial statements have not been prepared under Irish law and are not the company's statutory financial statements.

The financial statements, which are presented in euro rounded to the nearest million, have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- pension obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Standards, amendments and interpretations effective for the year ended 30 June 2013

IAS 1 (Amendment), 'Presentation of Financial Statements' became effective during the year. The standard impacts on presentation and disclosure and has not impacted on the measurement of amounts.

3. Accounting policies (Continued)

3.2. Basis of consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Holdings (Ireland) Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Holdings (Ireland) Limited included in the financial statements.

(i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the group from the date that control ceases.

(ii) *Joint ventures*

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities on a line-by-line basis with similar items in the group's financial statements.

The group holds 56% of the equity share capital in Tetra Ireland Communications Limited ("Tetra"). However, the group's interest in Tetra is subject to a contractual agreement with other shareholders, which prevents the group from exercising a majority of voting rights in key strategic, operational and financial decision-making. Accordingly, the group's interest is accounted for in accordance with IAS 31 '*Interests in Joint Ventures*'.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) *Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of

3. Accounting policies (Continued)

associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

(iv) *Acquisitions*

The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities recognised. The interest of non-controlling interest shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised, and does not include a gross-up for goodwill. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group.

(v) *Disposals*

The results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

3.3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets, liabilities and contingent liabilities recognised of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is not amortised. Instead, Goodwill is tested for impairment annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill may not be reversed in any circumstances.

Goodwill is allocated to cash generating units for the purpose of impairment testing in accordance with IAS 36 "Impairment of Assets". The allocation is made to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of estimates, including management's expectations of future revenue, operating costs, profit margins and capital requirements for each cash generating unit.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. Accounting policies (Continued)

3.4. Intangible assets

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives (three to four years). Costs associated with the upgrade of computer software programmes which increase the functionality of computer software or related assets are capitalised.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

The following useful lives have been assigned to intangible assets:

	Years
Computer software	3 - 4
Intangible assets from acquisitions:	
Customer relationships (Fixed)	2
Trademark (Fixed)	Indefinite
Licence (Fixed)	2
Mobile licences	15 - 18.5 [(1)]

[(1)] Spectrum licences are amortised over the term of the relevant licences which expire between 13 July 2015 and 12 July 2030.

Intangible assets not yet available for use are tested for impairment in accordance with IAS 36 "Impairment of Assets" in the same manner as goodwill (see 3.3 above)

3.5. Segmental reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team, which is the key management team that makes strategic decisions.

3.6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

The group recognises revenue when the amount of the revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered

3. Accounting policies (Continued)

to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the actual terms of each arrangement.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

When the group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the group acts as an agent on behalf of third parties, revenue is reported at the net amounts receivable from those third parties.

Fixed Line Revenue

Fixed line revenue is recognised in the period earned by rendering of services or delivery of products.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between four and five years. Connection lives are reviewed annually.

Revenue from equipment sold to third parties is recognised when the equipment is delivered to the customer. Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related services, is recognised over the term of the contract. Revenue from fixed price contracts is generally recognised in the period the services are provided, using a straight line basis over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Mobile Revenue

Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets and other accessories.

Bundled Contract Revenue

Revenue from the sale of bundled products is allocated to the separate elements of the bundle on the basis of each element's relative fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

3. Accounting policies (Continued)

3.7. Exceptional items

The group has adopted an income statement format which seeks to highlight significant items within group results for the year. The group believe that this presentation provides additional analysis as it highlights one-off items. Such items include, where significant, restructuring costs, curtailment gains and losses in respect of pensions, impairment of surplus properties, onerous contracts and reinstatement/dilapidation provisions. 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.

3.8. Amounts paid and payable to other operators

Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

3.9. Customer acquisition costs

The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are expensed as incurred in the income statement.

The cost of mobile handsets, mobile handset promotions and the cost of data modems are expensed at the time the customer is acquired or when upgrades are provided to existing customers.

The costs associated with the group's advertising and marketing activities are also expensed as incurred.

3.10. Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). These consolidated financial statements are presented in euro, which is the group's presentation currency and is denoted by the symbol "€".

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates

3. Accounting policies (Continued)

prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in equity.

3.11. Taxation

eircom Holdings (Ireland) Limited is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.12. Financial instruments

(i) Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Borrowings are subsequently stated at amortised cost. Any difference between the fair value on initial recognition and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months from the balance sheet date.

(ii) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

3. Accounting policies (Continued)

Derivative assets or liabilities are presented as current or non-current based on expected realisation or settlement dates.

(iii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. The group's loans and receivables are set out in Note 23.

3.13. Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Cost in the case of network plant includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Depreciation

Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives, from the date the asset is available for use. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Plant	
Transmission Equipment	
Duct	20
Overhead cable/poles	8 - 15
Underground cable	14
Other local network	6 - 15
Exchanges	
Exchange line terminations	8
Core hardware/operating software	3 - 4
Others	3 - 14

3. Accounting policies (Continued)

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, directly attributable to constructing qualifying assets that necessarily take a substantial period of time to get ready for their intended use, is capitalised based on the weighted average interest rate on outstanding borrowings.

Asset retirement obligations

The group has certain obligations in relation to the retirement of assets, mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

3.14. Impairment of non financial assets—group

Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use, are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses recognised in respect of goodwill are not reversed in any circumstances.

3.15. Leased assets

The fair value of property, plant and equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Accounting policies (Continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.16. Inventories

Inventories comprise mainly consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items, on the basis of a review of individual items included in inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

As part of the strategy to acquire new customers and retain existing customers, the group sells certain mobile handsets, in connection with a service contract, at below the acquisition cost. The group also currently provides modems free of charge to customers in connection with broadband service contracts. As the mobile handset subsidy and modem costs are part of the group's strategy for acquiring new customers and retaining existing customers, the loss on the sale of mobile handsets and the cost of providing modems to customers are recognised at the time of the sale or provision to the customer on a free of charge basis and included in the income statement.

3.17. Trade and other receivables

Trade receivables are recognised initially at fair value, which is normally the original invoiced amount or amount advanced and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of the bad debt provision account, and the amount of the loss is recognised in the income statement in "operating costs". When a trade receivable or other receivable is uncollectible, it is written off against the bad debt provision account.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.18. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of less than three months.

3. Accounting policies (Continued)

3.19. Indefeasible rights of use ("IRU")

The group accounts for IRU contracts in the following manner:

(i) Sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as an asset and amortised on a straight-line basis as an expense over the period of the relevant contracts.

3.20. Employee benefits

(i) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to independent trustee-administered funds. The group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation, and the related current service cost, and, where applicable, past service cost, are calculated by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually unless there has been a material change in the obligations, where it is then recalculated during the year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on current market yields at the balance sheet date of high quality corporate bonds that are denominated in euros, and reflect the duration of the related pension liability.

The amounts of current service cost, interest cost and expected return on plan assets recognised in the income statement are computed based on actuarial assumptions at the start of the financial year.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited directly to reserves through the statement of other comprehensive income.

Past service costs and negative past service costs are recognised immediately as an expense in the group income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs or negative past service costs are amortised on a straight-line basis over the vesting period.

Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets or liabilities in the group income statement. Where a curtailment relates to only some of the employees covered by the plan, or where only part of an obligation is settled, the gain or loss includes a proportionate share of any previously unrecognised past

3. Accounting policies (Continued)

service costs. Before the effect of a curtailment or settlement is determined, the defined benefit obligation is re-measured using current actuarial assumptions.

The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Pre 1 January 1984, past-service costs are the responsibility of the Irish Minister for Finance (see Note 35(b)).

(ii) *Other bonus plans*

The group recognises a liability and an expense for bonuses where contractually obliged, or where there is past practice that has created a constructive obligation.

The entitlement to bonuses under long term bonus plans is usually conditional on the completion of a minimum service period. The expected costs of the bonuses are accrued over the period of employment based on estimates of the ultimate amount payable and targets under the schemes.

(iii) *Other long term incentive arrangements*

Where the group has committed to other long term incentive arrangements, resulting long term employment benefits are accounted for in a similar manner to post employment benefits. The group accounts for obligations relating to long term incentive bonus plans for executive directors, key management and other employees at the present value of the incentive bonus plan obligation at the reporting date. The service cost relating to such plans is allocated over each of the years which service under the plan is rendered by the individual to meet the conditions under each of the individual vesting periods. The income statement expense represents the increase in the present value of the incentive bonus plan obligation resulting from employee service in the current period, and any changes in the estimate of the ultimate amounts payable under the scheme, in addition to any associated finance costs where material.

Where long term incentive arrangements include share-based payment obligations, the accounting for such arrangements differs depending on whether the obligations are equity-settled, cash-settled and where the cost is borne by the parent company. Under the plans currently in existence, the group has no obligations in respect of share based payments, which are borne by the parent, eircom Holdco SA. As the relevant individuals provide services to the group, the group is required to recognise a charge to the income statement and a corresponding increase in equity. For cash settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(iv) *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.21. Provisions

A provision is recognised when, and only when (a) the group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (i.e. more likely than not) that an outflow

3. Accounting policies (Continued)

of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A constructive obligation for restructuring cost exists where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous lease provisions have been measured at the lower of the cost to fulfil the contract, or the estimated cost to exit it, where appropriate.

3.22. Financial guarantee contracts

Liabilities are initially measured at fair value in respect of financial guarantees issued by the group for the benefit of third parties, and subsequently at the higher of the amount determined in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

3.23. Contingent liabilities and contingent assets

A contingent liability, including contingent liabilities in respect of financial guarantee contracts, is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (b) the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised but is disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

Where the group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.

3.24. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Accounting policies (Continued)

3.25. Dividend distribution

Final dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are paid.

3.26. Dividends

Dividend income is recognised when the right to receive payment is established.

4. Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: liquidity risk, market rate risk (including cash flow, interest rate risk, currency risk and price risk) and credit risk. The group's overall risk management program focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments, such as interest rate swaps, to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, and ageing analysis for credit risk. Responsibility for managing these risks rests with the Board.

The group does not hold or issue derivative financial instruments for financial trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

As set out in Note 6, on 11 June 2012, following the implementation of a High Court approved Scheme of Arrangement under which eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited, eircom Finco Sarl, a subsidiary company, became the borrower of €2,345 million under a Senior Facilities Agreement with the group's external lenders. eircom Holdings (Ireland) Limited together with certain of its subsidiary companies, are guarantors under the Senior Facilities Agreement. The Senior Facilities Agreement requires, amongst other things, that the eircom Holdings (Ireland) Limited Group comply with financial covenants. Further details of the financial covenants are set out in Note 2 to the financial statements. The borrowings are repayable on 30 September 2017. Non-compliance with these covenants, which are measured on a quarterly basis, would allow the lenders under the Senior Facilities Agreement to accelerate the indebtedness requiring all incurred liabilities to be immediately repaid in full.

As set out in Note 24, the net proceeds of €339 million from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement (at an average price of €0.933 per €1.00). The Senior Secured Notes bear fixed rate cash pay interest of 9.25% in semi-annual instalments.

There have been no other changes in the types of financial risks or the group's risk management program (including methods used to measure the risks) arising from any of the group's trading activities since 30 June 2012

4.1. Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to meet the group's requirements and to repay maturing debt and other liabilities as they fall due.

The balance sheet of eircom Holdings (Ireland) Limited includes a recognised liability of €1,621 million in respect of the group's borrowings under the Senior Credit Facilities Agreement in

4. Financial risk management (Continued)

non-current liabilities as at 30 June 2013. The actual non-current liability in respect of these borrowings at 30 June 2013 is €2,005 million. The difference of €384 million, arising from recognising the borrowings based on the fair value on inception, is amortised over the term of the borrowings (up to 30 September 2017) in accordance with the effective interest rate method under IAS 39.

Details of the maturities of the obligations of the group are set out below.

As set out in Note 2, having reviewed the group's business plans and cash flow forecasts, and considering forecast compliance with financial covenants up to the period ending 31 December 2014, the Directors consider that the group will able to realise its assets and discharge its liabilities in the ordinary course of business for the foreseeable future. Management of the group's liquidity risk is fundamental to its operations. The nature of the group's business, its working capital management activities and investment in network assets has often resulted in minimal current assets or net current liabilities.

The eircom Holdings (Ireland) Limited group has net current assets of €64 million at 30 June 2013. The current liabilities at that date include deferred revenue of €97 million. There is no cash outflow requirement associated with deferred revenue.

Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the interest rates effective at the balance sheet date and includes the margins applicable to the relevant debt.

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
Borrowings					
—At 30 June 2013	**9**	**9**	**2,014**	**350**	**2,382**
—At 30 June 2012	9	9	18	2,346	2,382
Interest on borrowings					
—At 30 June 2013	**98**	**99**	**340**	**65**	**602**
—At 30 June 2012	89	90	274	156	609
Derivative financial instruments					
—At 30 June 2013	**1**	**—**	**—**	**—**	**1**
—At 30 June 2012	1	1	—	—	2
Trade and other payables					
—At 30 June 2013	**298**	**4**	**19**	**32**	**353**
—At 30 June 2012	320	5	16	39	380
TIS annuity scheme					
—At 30 June 2013	**12**	**9**	**14**	**8**	**43**
—At 30 June 2012	13	11	20	11	55

4. Financial risk management (Continued)

4.2. Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders over the long term. The capital structure of the group consists of the borrowings as set out above, and equity comprising issued capital, reserves and accumulated losses as listed in Note 30. The maturities of the group's borrowings are shown in Note 4.1.

4.3. Credit risk

Credit risk refers to the loss that the group would incur if a debtor or other counter-party fails to perform under its contractual obligations. Credit risks are mainly related to counter-party risks associated with cash and cash equivalents, restricted cash, trade and other debtors, amounts owed by related companies and derivative contracts.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a regular basis, including some processing of current credit information on subscribers from third-party sources (subject to availability) and, where appropriate, a provision for doubtful debtors is made.

The credit risk and net exposure on key accounts, particularly other authorised operators and international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

Ageing of trade receivables

The ageing analysis of trade receivables is set out below.

	Past due but not impaired						
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days	Neither impaired nor past due	Impaired	Total
	€m	€m	€m	€m	€m	€m	€m
Trade receivables							
—at 30 June 2013	**21**	**15**	**10**	**12**	**99**	**29**	**186**
—at 30 June 2012	17	14	9	9	121	31	201 [1]

[1] Provisions for impaired receivables of €27 million were incorporated in determining the fair value of trade receivables arising on the acquisition of eircom Limited.

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The group held collateral on trade receivables in the form of cash deposits of €3 million (30 June 2012: €3 million) as security.

The group is exposed to credit risk relating to its cash and cash equivalents. The group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties and with institutions whose long-term Standard & Poor's (S&P) credit rating is "BBB−" or above (or Moody's equivalent rating of "Baa3") or is an acceptable bank under the Senior Facilities Agreement.

4. Financial risk management (Continued)

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings in the table below.

	30 June 2012	30 June 2013
	€m	€m
Cash and cash equivalents		
AAA	145	**25**
AA−	—	**67**
A+	—	**71**
A	164	**107**
BBB+	40	**—**
BB+	—	**31**
BB	—	**23**
	349	**324**

4.4. Market rate risk

Market rate risk refers to the exposure of the group's financial position to movements in interest rates, currency rates and general price risk. The group has limited exposure to equity, currency and price risk, other than the impact of those risks on the group's defined benefit pension scheme.

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates.

Cash and cash equivalents and borrowings at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents and borrowings at a fixed rate expose the group to fair value interest rate risk.

The group uses derivative financial instruments to hedge certain interest rate risk exposures on group borrowings.

In accordance with the terms of the Senior Facilities Agreement of eircom Holdings (Ireland) Limited in November 2012 a hedging letter was agreed between eircom Holdings (Ireland) Limited and the Agent. The hedging letter requires that the group hedges its exposure to interest rate risk on not less than 50 per cent of its consolidated total net debt as defined under the Senior Facilities Agreement, at least until 11 June 2015.

eircom Finco Sarl entered into two interest rate swaps for a total notional principal amount of €1,200 million, at a weighted average rate of 0.252% less 3-month Euribor for the period from 11 December 2012 to 11 June 2015. These swaps have the effect of fixing the effective interest rate payable under €1,200 million of the group's debt to 4.25% for the duration of the swaps.

The group issued €350 million of fixed rate 9.25% Senior Secured Notes in May 2013.

4. Financial risk management (Continued)

As at reporting date, the group had the following cash and cash equivalents (Note 22), floating-rate borrowings (Note 24) and interest rate swap contracts outstanding (Note 25):

	30 June 2012		30 June 2013	
	Weighted average Interest rate	Balance	Weighted average Interest rate	Balance
	%	€m	%	€m
Cash and cash equivalents	0.34%	349	**0.14%**	**324**
Bank borrowings (Facility B)	4.66%	(2,346)	**4.45%**	**(2,005)**
Bank borrowings (Joint Venture)	1.39%	(35)	**1.11%**	**(27)**
Overdraft	2.88%	(1)	**—**	**—**
Interest rate swaps (Notional principal amount) [(1)]		26		**1,220**
Net exposure to interest rate risk		(2,007)		**(488)**

(1) The interest rate swaps include €20 million (30 June 2012: €26 million) held by the group's Joint Venture, Tetra Ireland Communications Limited ("Tetra"), representing the group's share of 56%.

Interest rate sensitivity analysis

Based on the financial instruments held at the balance sheet date, if interest rates are 25 basis points ("bps") higher/lower and all other variables are held constant, the group's profit/(loss) after tax for the year ended 30 June 2014 will increase or decrease by the amounts set out in the table below:

	Increase by 25 bps	Decrease by 25 bps
	€m	€m
Profit for the year—(lower)/higher	**(1)**	**1**

A sensitivity of 25 bps has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

Currency risk

The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

Given the limited level of risk the group does not generally hedge its foreign exchange risk arising on transactions and capital expenditure denominated in foreign currencies.

Price risk

The group is exposed to price risk on the assets held by the group's defined benefit pension scheme (see Note 35).

4.5. Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

4. Financial risk management (Continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

This information has been provided in Note 23.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair values of short-term deposits and overdrafts approximate to their carrying amounts.

4.6. Hedging instruments

As at the reporting date, the group had entered into a number of swaps to cover interest rate exposure on various debt obligations. In accordance with IAS 39: "Financial Instruments—Recognition and Measurement", these instruments have been designated as cash flow hedges and movements in the effective portion of the fair value of the hedges have been taken through the cash flow hedge reserve.

Derivatives designated and eligible for hedge accounting

The details of the effective interest rate and maturity of these designated and effective hedging instruments are:

				Maturity date—principal value					
	Principal value	Fair Value	Weighted average Interest rate	Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€m	€m	%	€m	€m	€m	€m	€m	€m
Designated active interest rate swap									
—at 30 June 2013	**1,200**	**5**	**0.252%**	**—**	**1,200**	**—**	**—**	**—**	**—**
—at 30 June 2012	—	—	—	—	—	—	—	—	—

The effective interest rates in the table above are based on the effective interest rates in the derivative financial instruments designated for cash flow hedging. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group's Senior Credit Facility. The margin on the senior credit facility is 4% over Euribor.

The group does not use derivatives for trading or speculative purposes but has derivatives which are not designated or are in eligible for hedge accounting as detailed below.

4. Financial risk management (Continued)

At 30 June 2013, the group's Joint Venture, Tetra Ireland Communications Limited (''Tetra''), has hedged its floating rate borrowings (excluding margin), using an interest rate swap with a fixed interest rate of 4.47%. The group has proportionately consolidated 56% of the net assets of this entity. The fair value of the Tetra derivative in the financial statements of the group is a liability of €1 million at 30 June 2013 (30 June 2012: €2 million). The group's share of the notional principal amount of this derivative is €20 million at 30 June 2013 (30 June 2012: €26 million). The notional principal amount varies throughout the life of this swap. This derivative has not been designated as a cash flow hedge under IAS 39.

Further information on the group's use of interest rate swaps is included in Note 25.

5. Critical Accounting Judgements and Estimates

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1. Determining the purchase price allocation in respect of business combinations

In the purchase price allocation made for each acquisition, the purchase price is assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets. Any remaining excess value is reported as goodwill. This allocation requires management judgement including estimating the fair value of the acquired tangible and intangible assets and estimating the revenue and profits to be generated by the acquired business as well as the definition of cash generating units for impairment testing purposes. Other judgements might result in significantly different results and financial position in the future.

5.2. Making appropriate assumptions on non-financial asset impairment reviews

The group undertakes a review for impairment of goodwill, indefinite lived intangible assets, intangible assets not yet available for use annually and for other non-financial assets if events or circumstances indicate that the carrying amount may not be recoverable.

Factors which the group consider could trigger an impairment include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, (3) results of fair market valuations performed or (4) changes in key assumptions underpinning the fair value less cost to sell and value in use calculations. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount , which is the higher of the fair value less cost to sell and its value in use, based on discounted future cash flows. When an asset is not recoverable in full, impairment is measured as the excess of carrying value over the recoverable amount of the long-life asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value less cost to sell. Changes in these estimates directly affect management's assessment of whether an impairment charge is required and the amount of the impairment charge recorded.

The discount rate used in impairment testing is derived from a weighted average cost of capital (''WACC'') which is impacted by interest rates and market risk premiums, estimated for companies in the telecommunications sector. Given the recent market volatility there is a risk that

5. Critical Accounting Judgements and Estimates (Continued)

the WACC could increase significantly in future periods. There is also a risk of deterioration in the budgeted future cash flows as a result of the current economic environment.

Any significant deterioration in the budgeted future cash flows or changes in WACC or estimates in respect of terminal growth rates could result in a further impairment of our goodwill and/or non-financial assets, which could have a further negative effect on operating profits and assets. Future cash flows would not be impacted by any impairment provision.

Details of the assumptions used in the impairment test at 30 June 2013 are set out in Note 13.

5.3. Establishing lives for amortisation purposes of intangible assets

The group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period. Detail of the useful lives is included in Note 3.4 and the related intangible assets are set out in Note 14.

5.4. Establishing lives for depreciation purposes of property, plant and equipment

Long-life assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation, physical condition of the assets concerned and other factors that may impact on the remaining useful lives of assets. Changes in asset lives can have a significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted. Detail of the useful lives is included in Note 3.13 and the related assets are set out in Note 15.

5.5. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates a funded defined benefit scheme, which is independent of the group's finances, for the majority of employees. Valuations of the main scheme are carried out by the scheme actuaries. The rates of contribution payable and the pension cost are determined on the advice of the actuaries. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, the return that the pension fund assets will generate in the period before they are used to fund the pension payments and the discount rate at which the future pension payments are valued. The group uses estimates for all of these factors in determining the pension costs, surpluses or deficits arising on acquisitions and assets and liabilities reflected in the financial statements.

During the year ended 30 June 2010, the eircom Limited group agreed certain caps on future increases in pensionable salaries. The maximum increase in any given year is set at the lower of pre-determined fixed annual rates, the rate of CPI or salary inflation. However, there is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The effect of changes in assumptions on the pension scheme valuation is contained in Note 35.

5. Critical Accounting Judgements and Estimates (Continued)

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rate at which future pension liabilities are valued have fluctuated significantly over the last number of years and since the year ended 30 June 2013.

5.6. Making appropriate assumptions in calculating long term employee benefit charges

The estimate of the total liability accrued under long term incentive arrangements at the balance sheet date is determined based on a number of factors including the group's forecasted future repayments of the Senior Credit Facility and any refinancing arrangements which may take place. The estimate of the total liability under long term incentive arrangements at the balance sheet date is determined based on the amounts repaid in respect of the Senior Credit Facility during the year and estimated fair value of the amount outstanding under the Senior Credit Facility and effectively assumes that the debt can be refinanced in September 2017 up to the amount of the fair value of the debt at 30 June 2013. The liability is discounted to reflect the time value of money. The estimated liability is based on a number of estimates and judgements the actual outcome of which will only become known at future dates and will be required to be re-measured at subsequent reporting dates with any corresponding changes in the estimated liability being accounted for in the group's statement of total income.

5.7. Providing for litigation, contingencies and other constructive obligations

The group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The group reviews the current status of any pending or threatened proceedings with the group's legal counsel on a regular basis.

In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred, (2) the degree of probability of an unfavourable outcome, and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above and other known relevant facts and circumstances, the group recognises any loss that is considered probable and reasonably quantifiable as of the balance sheet date.

In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory and taxation authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

Details of the contingent liabilities are set out in Note 38 and provisions for other liabilities and charges are set out in Note 27.

5.8. Charges for restructuring costs

Provisions for restructuring costs including the associated pension costs are made where a constructive obligation to restructure arises i.e. where there is a detailed formal plan for the restructuring and in addition, there is a valid expectation in those affected, that the group will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provisions reflect the current estimate of the staff exit costs associated with plans for which the group has constructive obligations at year end, and includes the estimated benefit payable to staff availing of the scheme and the associated pension impact. The timing of individual exits also

5. Critical Accounting Judgements and Estimates (Continued)

affects the estimated costs. As the schemes are voluntary, the timing of individual exits and individual staff participating in the scheme requires estimation.

The restructuring programme is ongoing. As at 30 June 2013, the group's plans to further reduce headcount in the year ended 30 June 2014 and subsequent periods do not meet the recognition criteria under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Consequently, no provision has been recognised as at 30 June 2013 in respect of the charges that are expected to be incurred in the year ended 30 June 2014 and subsequent periods in respect of future restructuring. The restructuring costs incurred in the year ended 30 June 2014 will directly impact on the income statement and cash flows for this period.

5.9. Asset retirement obligations

The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the amount and timing of cash flows associated with the asset retirement obligations as some of the cash flows are anticipated up to 15 years in the future, and no significant retirement or decommissioning costs have been incurred to date.

There is a plan in place to de-commission property, plant and equipment held on a number of base stations over the next two to three years as a result of the group entering into a network sharing agreement with O_2, another mobile operator in Ireland, with the objective of enhancing efficiencies and achieving cost savings from the sharing and integration of certain aspects of the Radio Access Networks of both groups. The estimated change in the amount and timing of cash flows associated with the asset retirement obligations on base stations are included in the financial statements.

There are also ongoing changes in legislation which impact on the group's assessment on the level of cost and the manner in which certain asset retirement obligations can be met. Any adverse changes in legislation or interpretations of existing legislation could have a significant impact on the group's estimate of its asset retirement obligations.

5.10. Taxation

Current tax

The actual tax the group pays is determined according to complex tax laws and regulations. Where the effect of these laws and regulations are unclear, the group uses estimates in determining the liability for the tax to be paid. The group believes the estimates, assumptions and judgements are reasonable but the estimates can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement in future periods. The value of the group's current tax liability is disclosed on the balance sheet.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. The carrying value of the group's deferred tax assets and liabilities are disclosed in Notes 17 and 26, respectively.

5. Critical Accounting Judgements and Estimates (Continued)

5.11. Providing for doubtful debts

The group provides services to individuals and business customers on credit terms. The group expects that some debts due will not be paid as a result of the default of a small number of customers. The group uses estimates based on historical and current experience in determining the level of debts which may not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. Further worsening in the Irish economy or negative industry trends could require an increase in the estimated level of debts that may not be collected, which would negatively impact the operating results. The level of provision required is reviewed on an ongoing basis.

5.12. Assessing the level of interconnect and other income from and payments to other telecommunications operators

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions. Changes in the estimates directly affect revenue, operating costs and profit or loss.

5.13. Onerous contracts

The group has onerous contracts associated with vacant offices and leasehold properties relating to relocations and other business disposals. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflect current economic conditions and estimates are used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5.14. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses discounted cash flow analysis and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

6. Business combinations

30 June 2013

There were no business combinations during the year ended 30 June 2013.

30 June 2012

On 11 June 2012, the group acquired 100% of the ordinary share capital of eircom Limited and eircom Limited became a subsidiary of the group from that date. The fair values of the assets and liabilities acquired were determined in accordance with IFRS 3, "Business Combinations" (Revised).

The acquisition of eircom Limited by eircom Holdings (Ireland) Limited followed a Scheme of Arrangement approved by the High Court of Ireland following the Examinership process (see Note 2).

6. Business combinations (Continued)

If the acquisition had occurred on 1 July 2011, revenue and loss before taxation for the year ended 30 June 2012 would have been €1,515 million (unaudited) and €21 million (unaudited) respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary undertakings to reflect the additional depreciation, amortisation and finance cost that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2011, to exclude the exceptional costs associated with restructuring the group debt and assuming that the group debt was in place from that date.

Details of net liabilities acquired and goodwill are as follows:

	€m
Total purchase consideration	—
Fair value of net liabilities acquired	836
Goodwill (Note 13)	836
Impairment recognised	(542)
Goodwill at 30 June 2012 (Note 13)	294

The goodwill is partly attributable to eircom's market position in the Irish telecommunications industry. eircom has a significant infrastructure base in Ireland and operates the third largest mobile carrier in Ireland (Meteor). The goodwill also arises in part because eircom Limited was acquired for a nominal amount pursuant to the Scheme of Arrangement and because the pension obligation and the deferred tax balance were recognised in accordance with the measurement requirements of IAS 19 and IAS 12 respectively and not at fair value.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount	Fair Value adjustments	Fair Value
	€m	€m	€m
Cash and cash equivalents	370	—	370
Goodwill (Note 13)	—	836	836
Other intangible assets (Note 14)	132	187	319
Property, plant and equipment (Note 15)	1,236	421	1,657
Other non-current assets	256	(247)	9
Current assets	314	—	314
Total assets	2,308	1,197	3,505
Borrowings	(1,841)	—	(1,841)
Retirement benefit liability	—	(620)	(620)
Other non-current liabilities	(281)	(93)	(374)
Other current liabilities	(670)	—	(670)
Total liabilities	(2,792)	(713)	(3,505)
Net liabilities acquired	(484)	484	—

The principal fair value adjustments relate to:

- the recognition of fixed line intangible assets (€187 million),
- an increase in the value of property, plant and equipment (€421 million),
- the recognition of a defined benefit pension liability (€620 million),

6. Business combinations (Continued)

- other assets and liabilities to reflect differences between the carrying values recorded by eircom Limited and the fair value of the underlying assets and liabilities; and
- deferred taxation liabilities to reflect the deferred tax impact of changes in the fair value of other asset and liabilities.

There was a cash inflow of €370 million on acquisition, which reflects the cash held by eircom Limited at the acquisition date.

7. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group which are regularly reviewed by the 'Chief Operating Decision Maker' in order to allocate resources to the segments and to assess their performance.

The group's operating segments are reported based on financial information provided to the Senior Management Team (''SMT''), which is the key management team and represents the 'Chief Operating Decision Maker'. The SMT is chaired by the Group Chief Executive and the other members are the Group Chief Financial Officer, Chief Technology Officer, Business Directors, Group HR Director, Programme Execution Director, General Counsel and Regulatory & Public Affairs Director.

The SMT considers the business from a fixed line and mobile perspective and assesses the performance of the operating segments based on a measure of adjusted EBITDA. Adjusted EBITDA is before non-cash lease contracts, non-cash pension charge and exceptional items. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, curtailment gains and losses in respect of pensions, onerous contracts and other charges/income. The non-cash lease contracts credit included in the income statement during the year is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. The non-cash pension charge is determined based on the difference between the charge determined under IAS 19 and employer contributions payable in respect of the financial year. Interest costs on borrowings are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the borrowings position of the group.

Sales between segments for telecommunication services are carried out on an arm's length basis. Other recharges in respect of non-telecommunication services are based on actual cost of employee remuneration or other external costs incurred. The revenue from external parties reported to the SMT is measured in a manner consistent with that in the group income statement.

7. Segment information (Continued)

The segment results for the year ended 30 June 2013 are as follows:

	Fixed line	Mobile	Inter-segment	Group
	€m	€m	€m	€m
Revenue	**1,093**	**353**	**(52)**	**1,394**
Adjusted EBITDA [1]	**470**	**17**	**—**	**487**
Non-cash lease contracts	**9**	**—**	**—**	**9**
Non-cash pension charge	**(37)**	**—**	**—**	**(37)**
Amortisation	**(44)**	**(27)**	**—**	**(71)**
Depreciation	**(247)**	**(19)**	**—**	**(266)**
Exceptional items (Note 9)	**(12)**	**(4)**	**—**	**(16)**
Exceptional gain on exit from subsidiary (Note 10)	**17**	**—**	**—**	**17**
Operating profit/(loss)	**156**	**(33)**	**—**	**123**
Finance costs				**(238)**
Finance income				**1**
Loss before income tax				**(114)**
Income tax charge				**(1)**
Loss for the financial year				**(115)**

The segment results for the period ended 30 June 2012 are as follows:

	Fixed line	Mobile	Inter-segment	Group
	€m	€m	€m	€m
Revenue	65	21	(3)	83
Adjusted EBITDA [1]	31	1	—	32
Non-cash pension charge	(1)	—	—	(1)
Amortisation	(2)	(2)	—	(4)
Depreciation	(15)	(2)	—	(17)
Goodwill impairment	(542)	—	—	(542)
Operating loss	(529)	(3)	—	(532)
Finance costs				(10)
Loss before income tax				(542)
Income tax charge				(1)
Loss for the financial period				(543)

(1) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, non-cash lease contracts and exceptional items, including exceptional gain on exit from subsidiary.

Other segment items included in the income statement are as follows:

	Period ended 30 June 2012			Year ended 30 June 2013		
	Fixed line	Mobile	Group	Fixed line	Mobile	Group
	€m	€m	€m	€m	€m	€m
Impairment of trade receivables (Note 20)	1	—	1	**7**	**3**	**10**

7. Segment information (Continued)

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2013			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	**2,462**	**363**	**9**	**2,834**
Liabilities	**1,473**	**160**	**2,016**	**3,649**
Capital expenditure:				
Intangible assets (Note 14)	**53**	**162**	**—**	**215**
Property, plant and equipment (Note 15)	**194**	**15**	**—**	**209**

	30 June 2012			
	Fixed line	Mobile	Unallocated	Group
	€m	€m	€m	€m
Assets	2,672	231	1	2,904
Liabilities	1,378	175	1,919	3,472
Capital expenditure:				
Intangible assets (Note 14)	3	1	—	4
Property, plant and equipment (Note 15)	8	1	—	9

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables and operating cash. They exclude taxation, investments and derivatives.

Segment liabilities comprise operating liabilities, retirement benefit liability and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable and derivatives.

Capital expenditure comprises additions to intangible assets (Note 14) and property, plant and equipment (Note 15).

Geographical information

The group is domiciled in the Republic of Ireland. The group operates in two countries, Republic of Ireland and the United Kingdom, though substantially all of the group's revenues arise in the Republic of Ireland. For the purposes of the geographical allocation of revenue, the group identifies revenues earned by entities operating in each country. Total revenue of the group for the current year is €1,394 million of which €1,353 million was earned by group entities operating in the Republic of Ireland and €41 million was earned by group entities operating in the United Kingdom. Total non-current assets of the group, other than financial instruments and deferred tax assets as at year end are €2,237 million (30 June 2012: €2,263 million), of which €2,228 million were located in the Republic of Ireland (30 June 2012: €2,255 million) and €9 million were located in the United Kingdom (30 June 2012: €8 million).

8. Operating costs

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Staff costs:		
Wages and salaries	17	**314**
Social welfare costs	1	**16**
Pension costs—defined contribution plans (Note 35)	—	**5**
Pension costs—defined benefit plans (Note 35)	2	**58**
	20	**393**
Staff costs capitalised	(4)	**(79)**
Net staff costs included in operating costs (a)	16	**314**
Other operating costs:		
Amounts paid and payable to telecommunications operators	12	**148**
Purchase of goods for resale, commission and related costs	7	**146**
Materials and services	1	**24**
Other network costs	1	**30**
Accommodation	5	**87**
Sales and marketing	3	**67**
Transport and travel	1	**14**
IT costs	1	**23**
Provision for impaired receivables	1	**9**
Other costs	4	**73**
Total other operating costs	36	**621**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	52	**935**
Amortisation (Note 14)	4	**71**
Depreciation (Note 15)	17	**266**
Goodwill impairment (Note 13)	542	**—**
Exceptional items (Note 9)	—	**16**
Total operating costs	615	**1,288**
Exceptional gain on exit from subsidiary (Note 10)	—	**(17)**
Total operating costs (net)	615	**1,271**

(a) Operating costs are stated after charging:

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Staff costs	20	**393**
Exceptional restructuring programme costs (Note 9)	—	**27**
Total staff costs	—	**420**
Staff costs capitalised	(4)	**(79)**
Total staff costs (net of staff costs capitalised)	16	**341**
Research costs	—	**1**
Hire of plant and machinery	—	**3**
Other operating lease rentals	3	**56**

8. Operating costs (Continued)

(b) Auditor's remuneration

Remuneration of the auditors for the statutory audit of the group financial statements and other services to the group is as follows:

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Statutory audit of group financial statements	0.1	**0.7**
Other assurance services	—	**1.7**
Other non-audit services	—	**0.3**
Total services	0.1	**2.7**

(c) Directors

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Emoluments		
—for services as Directors	—	**1.2**
—for other services	0.2	**3.5**
—pension contributions	—	**0.2**
—compensation for loss of office	—	**0.3**
	0.2	**5.2**

9. Exceptional items

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Restructuring programme costs (a)	—	**27**
Gain on liquidation of subsidiary undertaking (b)	—	**(6)**
Other exceptional items (c)	—	**(5)**
Exceptional charge	—	**16**

(a) Restructuring programme costs

The group announced in October 2012 an intention to reduce its workforce by 2,000 by the end of the financial year 30 June 2014. On 16 January 2013, the group launched an Incentivised Exit (IE) scheme, which was designed to facilitate employees to leave the organisation on a voluntary basis. During the year ended 30 June 2013, 658 employees left the group under this and other individual IE schemes. The total costs of the exits achieved were €76 million, including cash cost of exits of €63 million and pension curtailment costs of €9 million. The cost of the scheme, over and above the provision of €49 million at 30 June 2012 has been included as an exceptional charge in the year.

The restructuring programme is ongoing and the group plans to further reduce headcount by 1,000 in the year ended 30 June 2014. However, as at 30 June 2013, based on the status of these plans at that date they do not meet the recognition criteria under IAS 37 ''Provisions, Contingent Liabilities and Contingent Assets''. Consequently, no provision has been recognised as at 30 June 2013 in respect of the charges that are expected to be incurred in the year ended 30 June 2014 and

9. Exceptional items (Continued)

subsequent periods in respect of future restructuring. The restructuring costs incurred in the year ended 30 June 2014 will directly impact on the income statement and cash flows for this year.

(b) Gain on liquidation of subsidiary undertaking

The exceptional gain of €6 million included in the income statement in the year ended 30 June 2013 arises from the loss of control of Osprey Property Limited, a subsidiary company, to which a liquidator has been appointed in July 2012. As a result of placing Osprey Property Limited in liquidation, the net liabilities of Osprey Property Limited of €6 million are no longer required to be consolidated in accordance with IAS 27. The group no longer controls this entity and this has reduced the group's consolidated net liabilities. The principal creditor of Osprey Property Limited is a former holding company of the eircom Limited group that is also in liquidation.

(c) Other exceptional items

During the year ended 30 June 2013, €5 million was released from the onerous lease contracts provision as a result of a change in the group's estimate of the expected outflows under the relevant leases.

The group has a significant property portfolio comprising of freehold and leasehold properties to accommodate the group's network and office accommodation required for its staff. As part of the group's overall portfolio, the group also leases a number of properties from third parties under long-term lease arrangements. Where the group no longer requires these properties, the group sub-leases the properties to third parties or disposes of properties no longer required. As a result of the rationalisation of the group's accommodation requirements there are a number of leased properties which are vacant or where rental contracts with sub-lease tenants are not expected to be sufficient to meet all of the lease obligations. Provision has been made in respect of the estimated net cash outflow required to settle the group's obligation under these leases.

10. Exceptional gain on exit from subsidiary

In the financial year ended 30 June 2013, eircom Limited sold its 100% shareholding in eircom Phonewatch Limited. The following tables sets out the effect of this transaction on the results of the eircom Holdings (Ireland) Limited group:

	€m
Disposal consideration:	
—Cash received	130
—Direct costs relating to the disposal	(2)
Total disposal consideration	128
Net assets disposed	(111)
Gain on exit from subsidiary	**17**

10. Exceptional gain on exit from subsidiary (Continued)

The assets and liabilities arising at the date of exit are as follows:

	€m
Cash and cash equivalents	11
Goodwill	102
Other intangible assets	6
Property, plant and equipment	1
Inventories	1
Total assets	121
Retirement benefit liability	(2)
Other current liabilities	(8)
Net assets disposed	111

	€m
Disposal consideration received in cash	130
Cash and cash equivalents in subsidiary disposed	(11)
Direct costs paid relating to the disposal	(2)
Cash inflow on disposal	117

11. Finance costs—net

	Period ended 30 June 2012 €m	Year ended 30 June 2013 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	5	83
Payment-in-kind ("PIK") interest charge on borrowings	1	24
Interest amortisation on non-current borrowings	4	79
Fair value gain on derivatives not qualifying for hedge accounting	—	(1)
Other unwinding of discount	—	4
Change in discount rate	—	1
	10	190
Loss on extinguishment of debt	—	48
	10	238
(b) Finance income:		
Interest income	—	(1)
	—	(1)
Finance costs—net	10	237

During the year ended 30 June 2013, the group repurchased €364 million of outstanding principal under the Senior Facilities at an average price of €0.933 per €1.00. The repurchase was funded using €339 million of proceeds from the issuance of the 9.25% Senior Secured Notes. In accordance with IAS 39, the loss on extinguishment of the borrowings is the difference between the fair value of the consideration paid to extinguish the liability and the carrying value of the liability at that date.

11. Finance costs—net (Continued)

At the date of extinguishment, the carrying value of the €364 million of principal debt repurchased was €292 million, due to the initial recognition of the borrowings at their fair value at 11 June 2012, subsequently adjusted in accordance with the effective interest method. The loss of €48 million represents the difference between the carrying value of €292 million and the cost of the debt repurchase of €340 million, including associated costs of €1 million.

12. Income tax expense

(a) Recognised in the income statement

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Current tax expense		
Current financial period	1	**13**
	1	**13**
Deferred tax expense		
Origination and reversal of temporary difference	—	**(12)**
	—	**(12)**
Total income tax expense in income statement	1	**1**

The tax charge for the year ended 30 June 2013 includes a credit of €3 million in respect of exceptional items (see Note 9).

(b) Reconciliation of effective tax rate

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 losses of the consolidated companies as follows:

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Loss before tax	(542)	**(114)**
Tax calculated at Irish tax rates	(68)	**(14)**
Effects of:-		
Goodwill impairment—non deductible	68	**—**
Other non deductible expenses	1	**18**
Effect of changes in capital gains tax rates	—	**1**
Income not subject to taxation	—	**(3)**
Utilisation of losses carried forward	—	**(1)**
Tax charge for financial period (Note 12(a))	1	**1**

The weighted average applicable tax rate was 12.5% (30 June 2012: 12.5%).

13. Goodwill

	30 June 2012	30 June 2013
	€m	€m
Cost		
At beginning of financial period	—	**836**
Arising on acquisition of eircom Limited	836	**—**
Disposal of subsidiary undertaking (Note 10)	—	**(102)**
At end of financial period	836	**734**
Accumulated impairments		
At beginning of financial period	—	**(542)**
Recognised during the financial period	(542)	**—**
At end of financial period	(542)	**(542)**
Net book value at end of financial period	294	**192**

Goodwill and indefinite life intangible assets are not subject to amortisation. Instead, goodwill and indefinite life intangible assets are tested for impairment annually as part of the cash generating unit ("CGU") to which they relate, and are carried at cost less accumulated impairment losses.

The group's goodwill relates to the acquisition of eircom Limited in the prior financial period, pursuant to a Scheme of Arrangement of creditors approved by the High Court. eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited for consideration of €1. Further details of the acquisition are included in Note 6.

Goodwill arising on the acquisition of eircom Limited was allocated to the group's CGUs as follows:

	Acquisition Date
	€m
Fixed Line	836
Mobile	—

The recognition of the assets of the Fixed Line and Mobile CGUs was measured as at 11 June 2012 based on their fair values, as required by IFRS 3, *Business Combinations*, except for the defined benefit pension obligation which is measured under IAS 19, *Employee Benefits,* and deferred tax which is measured under IAS 12, *Income Taxes*. Goodwill of €836 million was recognised as the difference between the purchase consideration and the fair value of the individual assets and liabilities at the date of acquisition, 11 June 2012. Goodwill was allocated to the group's cash generating units, Fixed Line and Mobile, based on the allocation of net liabilities acquired and purchase consideration to each CGU, based on the factors giving rise to the goodwill. These include eircom's market position in the Irish telecommunications industry. eircom has a significant infrastructure base in Ireland and operates the third largest mobile carrier in Ireland (Meteor). The goodwill also arises in part because eircom Limited was acquired for a nominal amount pursuant to the Scheme of Arrangement and because the pension obligation and the deferred tax balances were recognised in accordance with the measurement requirements of IAS 19 and IAS 12 respectively and not at fair value. No goodwill was allocated to the Mobile CGU.

An impairment test of the Fixed Line CGU was undertaken as of 30 June 2012, resulting in the recognition of an impairment of €542 million of goodwill. No test for impairment of the Mobile CGU was undertaken as of 30 June 2012.

An impairment test of the Fixed Line and Mobile CGUs has been undertaken as of 30 June 2013. No impairment has been identified.

13. Goodwill (Continued)

Any adverse changes in a key assumption underpinning the fair value less costs to sell calculation as at 30 June 2013 may cause a further impairment loss to be recognised in future periods.

Impairment test of Fixed Line and Mobile CGUs as at 30 June 2013

An impairment test of the Fixed Line and Mobile CGUs was performed as at 30 June 2013 in accordance with IAS 36, *Impairment of Assets*. The impairment test has been undertaken at the year end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested together with the goodwill.

An impairment test of the Fixed Line CGU is required annually as it contains goodwill. An impairment test of the Mobile CGU is required as at 30 June 2013 as it holds intangible assets in respect of acquired wireless spectrum access rights, part of which is not yet available for use. The group acquired the spectrum access rights for €144 million during the year.

The wireless spectrum access rights do not generate cash flows independently of the Mobile network assets and therefore are tested for impairment as part of the CGU to which they belong.

Impairment testing methodology

The recoverable amount of each CGU is determined on the basis of the higher of the fair value less costs to sell and value-in-use, using the discounted cash flow (DCF) method. Cash flows for the years beyond the approved business plans are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

The impairment test was based on fair value less costs to sell which is higher than value in use because of the significant restructuring and investment in infrastructure development required by the group's CGUs. The cash flows and assumptions used as of 30 June 2013 for the impairment test are consistent with the assumptions that would be made by a market participant acquiring the CGUs.

Key assumptions

The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of fair value less costs to sell include management's estimates of future operating cash-flows, capital expenditure requirements, tax considerations, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were benchmarked against external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy and consistent with the assumptions that would be used by a market participant. Adjustments are made to the business plan cashflows to take account of possible variations in the amount or timing of cashflows, which can be affected by factors such as increased competitor activity, the roll-out of new technologies and the timing of the introduction of new services, pricing trends, termination rates, customer acquisition costs, margin levels and restructuring programmes, such that the estimated cashflows reflect the range of possible outcomes for each CGU's future trading performance.

Fair Value less Costs to Sell—cash flow projections

At 30 June 2013, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2017.

13. Goodwill (Continued)

The other key assumptions used for fair value less costs to sell calculations for the Fixed Line and Mobile CGUs are as follows:

	Fixed Line 30 June 2013	Mobile 30 June 2013
Long-term growth rates	**−0.75%**	**0.75%**
Discount rates (Post-tax)	**9.00%**	**10.00%**

Long Term Growth Rates

The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGUs operate, and reflect an assessment of the long-term growth prospects of the sectors. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used reflect specific risks relating to the CGUs. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2013, the yield on ten-year Irish government bonds provided the basis for the risk free rate, which was then adjusted to take account of market risks specific to the CGUs. The group has reverted to the use of Irish government bond yields as the basis for the risk-free rate in the current year in keeping with its observations of practices applied by external market analysts in determining appropriate weighted average costs of capital for Irish companies. In estimating the discount rate under CAPM, in addition to the risk-free rate, other inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment factor known as beta is applied to reflect the risk of the specific CGU operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies. Year-on-year, the discount rates used have decreased primarily as a result of reductions in the yields on long term sovereign bonds, as well as the stabilisation in the Irish macroeconomic environment.

Impairment sensitivity analysis

The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2013	
	Fixed Line %	Mobile %
Discount rates (post-tax) (absolute increase)	**1.97%**	**1.65%**
Long-term growth rates (absolute decrease)	**2.62%**	**1.87%**
Terminal business plan EBITDA (relative decrease)	**10.48%**	**5.90%**
Terminal capital expenditure (relative increase)	**39.59%**	**18.09%**

Impairment test of Fixed Line CGU as at 30 June 2012

An impairment test of the Fixed Line CGU was performed as at 30 June 2012 in accordance with IAS 36, *Impairment of Assets*. The impairment test was undertaken at the period end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested

13. Goodwill (Continued)

together with the goodwill and indefinite life intangible assets. The group identified an impairment of €542 million of the goodwill related to the Fixed Line CGU. The trading performance of the CGU did not decline subsequent to the acquisition, but the impairment charge arose because the goodwill recognised in accordance with IFRS 3 would not be recovered from future cash flows.

The impairment loss recognised in the consolidated income statement, as a separate line item within operating loss, in respect of the Fixed Line CGU was as follows:

	30 June 2012
	€m
Fixed line goodwill	542
	542

The goodwill arising on the acquisition of eircom Limited has been allocated to the group's Fixed Line CGU. Fixed Line trademark intangible assets with an indefinite useful life are also recognised in the balance sheet.

Impairment testing methodology

At 30 June 2012, the recoverable amount of the CGUs was determined on the basis of the higher of the fair value less costs to sell and value-in-use, using the discounted cash flow (DCF) method. Cash flows for the years beyond the approved business plans were extrapolated using the estimated long-term growth rates stated below. The cash flows were discounted using the discount rates stated below.

The impairment test was based on fair value less costs to sell which is higher than value in use because of the significant investment in infrastructure development required by eircom Limited. The cash flows and assumptions used as of 30 June 2012 for the impairment test are consistent with those used as of 11 June 2012 for determination of the fair value of the assets acquired and reflect the assumptions that would be made by a market participant acquiring the CGU.

Key assumptions

The key assumptions were based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of fair value less costs to sell include management's estimates of future operating cash-flows, capital expenditure requirements, tax considerations, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were benchmarked against external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy and consistent with the assumptions that would be used by a market participant.

Fair Value less Costs to Sell—cash flow projections

At 30 June 2012, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2016.

13. Goodwill (Continued)

The other key assumptions used for fair value less costs to sell calculations for the Fixed Line CGU are as follows:

	30 June 2012
Long-term growth rates	−0.75%
Discount rates (Post-tax)	12.00%

Long Term Growth Rates

The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGU operates, and reflect an assessment of the long-term growth prospects of the sector. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used reflect specific risks relating to the Fixed Line CGU. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2012, the yield on ten-year German government bunds provided the basis for the risk free rate, which was then adjusted to take account of country and market risks specific to the CGU. In estimating the discount rate under CAPM, in addition to the risk-free rate, other inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment factor known as beta is applied to reflect the risk of the specific CGU operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies.

Impairment sensitivity analysis

The changes in the following assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease in the fair value less costs to sell valuation of the fixed line CGU as at 30 June 2012 and would reduce/(increase) the impairment charge by the same amount:

	Fixed Line	
	Increase by 200bps	Decrease by 200bps
	€m	€m
Long-term growth rates (increase/decrease of 2% in absolute rate)	**261**	**(189)**
Discount rates (Pre-tax) (increase/decrease of 2% in absolute rate)	**(283)**	**392**
Terminal business plan EBITDA (change of 2%)	**69**	**(69)**
Terminal capital expenditure (change of 2%)	**(27)**	**27**

14. Other intangible assets

	Computer software	Monitoring contracts	Trademarks	Contracts and related customer relationships	Licence	Total
	€m	€m	€m	€m	€m	€m
Cost						
At beginning of financial period	—	—	—	—	—	—
Arising on acquisition (Note 6)	86	4	127	49	53	319
Additions	4	—	—	—	—	4
At 30 June 2012	**90**	**4**	**127**	**49**	**53**	**323**
Additions	**68**	**3**	**—**	**—**	**144**	**215**
Transfer from tangible assets	**4**	**—**	**—**	**—**	**—**	**4**
Disposals/retirements	**—**	**(7)**	**—**	**(2)**	**(2)**	**(11)**
At 30 June 2013	**162**	**—**	**127**	**47**	**195**	**531**
Amortisation						
At beginning of financial period	—	—	—	—	—	—
Charge for the financial period	2	—	—	2	—	4
At 30 June 2012	**2**	**—**	**—**	**2**	**—**	**4**
Charge for the financial year	**35**	**2**	**—**	**24**	**10**	**71**
Disposals/retirements	**—**	**(2)**	**—**	**(1)**	**(1)**	**(4)**
At 30 June 2013	**37**	**—**	**—**	**25**	**9**	**71**
Net Book Value at 30 June 2013	**125**	**—**	**127**	**22**	**186**	**460**
Net Book Value at 30 June 2012	88	4	127	47	53	319

Capital expenditure for the year ended 30 June 2013 includes €144 million in respect of the purchase of spectrum licences, which will allow for the rollout of 4G.

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €140 million (30 June 2012: €29 million).

Computer software relates to internal and external capitalised software development costs.

Monitoring contracts related to purchased monitoring contracts in the group's residential security systems operating subsidiary, which was exited during the year.

15. Property, plant and equipment ("PPE")

	Land and Buildings	Network, Plant And Equipment	Total
	€m	€m	€m
Cost			
At beginning of financial period	—	—	—
Arising on acquisition (Note 6)	261	1,396	1,657
Additions	—	9	9
At 30 June 2012	**261**	**1,405**	**1,666**
Additions	**—**	**209**	**209**
Transfer to intangible assets	**—**	**(4)**	**(4)**
Disposals/retirements	**(3)**	**(1)**	**(4)**
At 30 June 2013	**258**	**1,609**	**1,867**
Accumulated Depreciation			
At beginning of financial period	—	—	—
Charge for financial period	1	16	17
At 30 June 2012	**1**	**16**	**17**
Charge for financial year	**22**	**244**	**266**
At 30 June 2013	**23**	**260**	**283**
Net Book Value at 30 June 2013	**235**	**1,349**	**1,584**
Net Book Value at 30 June 2012	260	1,389	1,649

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. The review for the year ended 30 June 2013 resulted in no material adjustments to asset lives.

Assets in the course of construction included in property, plant and equipment are €91 million (30 June 2012: €61 million).

16. Investments

Investments in associates

The group share of the results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit	Interest held
	€m	€m	€m	€m	%
As at and for the year ended 30 June 2013					
Altion Limited	**—**	**—**	**—**	**—**	**31.3%**
Buy4Now Limited	**1**	**1**	**—**	**—**	**32.2%**
	1	**1**	**—**	**—**	
As at and for the period ended 30 June 2012					
Altion Limited	—	—	—	—	31.3%
Buy4Now Limited	1	1	—	—	32.2%
	1	1	—	—	

17. Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The group has no material unrecognised deferred tax assets at 30 June 2013.

Recognised deferred tax assets

	Assets 30 June 2013	Liabilities 30 June 2013	Net 30 June 2013
	€m	€m	€m
Intangibles	—	(24)	(24)
Property, plant and equipment	—	(98)	(98)
Deferred revenues	2	—	2
Leases	17	—	17
Provisions	2	—	2
Pensions	106	—	106
Derivative financial instruments	—	(1)	(1)
	127	(123)	4

Recognised deferred tax assets

	Assets 30 June 2012
	€m
Tax loss carry forward, net of other timing differences	1
	1

The movement in deferred tax assets during the year ended 30 June 2013 is as follows:

	1 July 2012	Reclass from deferred tax liabilities (Note 26)	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2013
	€m	€m	€m	€m	€m
Tax loss carry forward	1	—	(1)	—	—
Intangibles	—	(28)	4	—	(24)
Property, plant and equipment	—	(103)	5	—	(98)
Deferred revenues	—	2	—	—	2
Leases	—	18	(1)	—	17
Provisions	—	3	(1)	—	2
Pensions	—	81	6	19	106
Derivative financial instruments	—	—	—	(1)	(1)
	1	(27)	12	18	4

17. Deferred tax asset (Continued)

The movement in deferred tax assets during the prior period ended 30 June 2012 is as follows:

	Beginning of financial period	Arising on acquisition	Recognised in income credit/(charge)	30 June 2012
	€m	€m	€m	€m
Tax loss carry forward, net of other timing differences	—	1	—	1
	—	1	—	1

18. Other assets

	30 June 2012	30 June 2013
	€m	€m
Deposits and other non-current assets	6	**5**
	6	**5**

19. Inventories

	30 June 2012	30 June 2013
	€m	€m
Network development and maintenance stocks	7	**8**
Consumable and other stocks	7	**4**
	14	**12**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €104 million (30 June 2012: €6 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2013, the group recognised a loss for impaired inventories of €Nil (30 June 2012: €Nil), reversed previous recognised impaired inventories of €Nil (30 June 2012: €Nil), and utilised provisions for impaired inventories of €Nil (30 June 2012: €Nil). The creation and reversal of provisions for impaired inventories have been included in "operating costs" in the income statement.

20. Trade and other receivables

	30 June 2012	30 June 2013
	€m	€m
Current assets:		
Trade receivables	174	**175**
Less: Provision for impairment of trade receivables	(1)	**(11)**
Trade receivables—net	173	**164**
Prepayments and accrued income	63	**59**
Amounts due from joint ventures	1	**2**
Other amounts receivable (net) (Note 40)	3	**1**
	240	**226**

The fair values of trade and other receivables approximate to their carrying amounts.

20. Trade and other receivables (Continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 30 June 2013, trade receivables of €13 million (30 June 2012: €4 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered. Provisions for impaired receivables of €27 million were incorporated in determining the fair value of trade receivables arising on the acquisition of eircom Limited on 11 June 2012; €11 million of the fair value adjustment for provisions for impaired receivables is included at 30 June 2013 as the related trade receivable balances have not yet been written off.

Total additional provisions of €10 million (30 June 2012: €1 million) relate to individual impairments of €1 million (30 June 2012: €Nil) and collective impairments of €9 million (30 June 2012: €1 million).

The group uses estimates based on historical experience and customer specific information in determining the level of debts which may not be collected. The estimates include such factors as the current state of the economy and particular industry issues. The level of provision required is reviewed on an ongoing basis.

Provision for impairment of trade receivables

The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2012	30 June 2013
	€m	€m
At beginning of financial period	—	**1**
Charged to income statement:		
—Additional provisions	1	**10**
Utilised in the financial year	—	**—**
At end of financial period	1	**11**

The creation and reversal of provisions for impaired receivables are included in ''operating costs'' in the income statement.

21. Restricted cash

The restricted cash of €22 million (30 June 2012: €32 million) is in relation to cash lodged for performance guarantees of €20 million (30 June 2012: €30 million) and €2 million (30 June 2012: €2 million) security in respect of ancillary facilities. The interest earned on these deposits, after deduction of any taxation payable, is due to the group.

Performance guarantees

Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. At 30 June 2013, these include €6 million (30 June 2012: €14 million) in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €10 million (30 June 2012: €10 million) in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO'') and €4 million (30 June 2012: €6 million) in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €22 million (30 June 2012: €32 million).

22. Cash and cash equivalents

	30 June 2012	30 June 2013
	€m	€m
Cash at bank and on hand	41	**43**
Short-term bank deposits	308	**281**
Cash and cash equivalents	349	**324**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2013, the effective interest rate on short term bank deposits was 0.14% (30 June 2012: 0.34%). These deposits have a weighted average maturity of 65 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	30 June 2012	30 June 2013
	€m	€m
Cash and cash equivalents	349	**324**
Bank overdraft (Note 24)	(1)	**—**
Cash, cash equivalents and bank overdrafts	348	**324**

23. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	Derivatives used for hedging	Loans and receivables	Total
	€m	€m	€m
Derivative financial instruments	**5**	**—**	**5**
Other assets	**—**	**4**	**4**
Trade receivables	**—**	**164**	**164**
Amounts due from joint ventures	**—**	**2**	**2**
Other amounts receivable	**—**	**1**	**1**
Restricted cash	**—**	**22**	**22**
Cash and cash equivalents	**—**	**324**	**324**
At 30 June 2013	**5**	**517**	**522**
Other assets	—	5	5
Trade receivables	—	173	173
Amounts due from joint ventures	—	1	1
Other amounts receivable	—	3	3
Restricted cash	—	32	32
Cash and cash equivalents	—	349	349
At 30 June 2012	—	563	563

23. Financial instruments by category (Continued)

Liabilities as per balance sheet	Liabilities at fair value through profit or loss	Loans and other liabilities	Total
	€m	€m	€m
Borrowings	**—**	**1,986**	**1,986**
Derivative financial instruments	**1**	**—**	**1**
Trade payables	**—**	**114**	**114**
Interest payable	**—**	**7**	**7**
Accruals	**—**	**229**	**229**
TIS Liabilities	**—**	**42**	**42**
At 30 June 2013	**1**	**2,378**	**2,379**
Borrowings	—	1,846	1,846
Derivative financial instruments	2	—	2
Trade payables	—	124	124
Interest payable	—	5	5
Other amounts payable	—	8	8
Accruals	—	235	235
TIS Liabilities	—	53	53
At 30 June 2012	2	2,271	2,273

Fair value hierarchy

The table below shows for the group's financial assets and liabilities that are recognised and subsequently measured at fair value their classification within a three-level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets at the balance sheet date. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on going basis. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Financial assets held at fair value	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Derivative financial instruments	**—**	**5**	**—**	**5**
At 30 June 2013	**—**	**5**	**—**	**5**
Derivative financial instruments	—	—	—	—
At 30 June 2012	—	—	—	—

23. Financial instruments by category (Continued)

Financial liabilities held at fair value	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Derivative financial instruments	—	1	—	1
At 30 June 2013	**—**	**1**	**—**	**1**
Derivative financial instruments	—	2	—	2
At 30 June 2012	—	2	—	2

24. Borrowings

	Carrying Value		Fair Value	
	30 June 2012	30 June 2013	30 June 2012	30 June 2013
	€m	€m	€m	€m
Non-current liabilities				
Bank borrowings (Facility B)	2,346	**2,005**	1,806	**1,825**
Unamortised fair value difference on borrowings (Facility B)	(536)	**(384)**	—	**—**
	1,810	**1,621**	1,806	**1,825**
9.25% Senior Secured Notes due 2020	—	**350**	—	**327**
Debt issue costs	—	**(12)**	—	**—**
	—	**338**	—	**327**
Joint venture borrowings	27	**18**	27	**18**
Borrowings	1,837	**1,977**	1,833	**2,170**
Current liabilities				
Joint venture borrowings	8	**9**	8	**9**
Overdraft	1	**—**	1	**—**
Borrowings	9	**9**	9	**9**
Total Borrowings	1,846	**1,986**	1,842	**2,179**

Bank borrowings (Facility B)

At 30 June 2013, the group has Senior Bank borrowings of €2,005 million with a maturity date of 30 September 2017. The borrowings are subject to a Senior Facilities Agreement, which, amongst other things, requires the eircom Holdings (Ireland) Limited Group to comply with financial covenants on a quarterly basis. Further details of these financial covenants are set out in Note 2 to the financial statements.

During the year, the group undertook a permitted bond refinancing. In accordance with the terms of the Senior Facilities Agreement, €339 million of the net proceeds from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement at an average price of €0.933 per €1.00, with an equivalent reduction in the group's borrowings under the Senior Facilities Agreement.

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 was being amortised over the expected life of

24. Borrowings (Continued)

the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 30 June 2013 was €384 million (see Note 11).

The interest payable on the Senior Bank borrowings includes 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. A three-month interest period is in force at the balance sheet date and at the date of signing of these financial statements. An interest period of one-month, three-months or six-months may be selected at each roll-over date.

Senior Secured Notes

During the year, the group issued €350 million in Senior Secured Notes, due for repayment in full on 15 May 2020. The Notes were issued by the group's wholly owned subsidiary, eircom Finance Limited. The Notes rank equally in priority of payment with the existing borrowings subject to the Senior Facilities Agreement. The Notes are subject to fixed rate cash-pay interest at 9.25% payable in semi-annual instalments in May and November each year. Total costs directly attributable to the transaction incurred by the group were €12 million.

Transaction costs are initially deferred and are subsequently amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

Joint venture borrowings—Tetra securities

The security provided in respect of joint venture borrowings is set out in Note 37 to the financial statements.

Fair values

The fair value of borrowings are based on observable market prices where available and an active market exists. Where market prices are not available or are considered unreliable, fair values are obtained using valuation techniques including discounted cash flow models, which to the extent possible use observable market inputs.

24. Borrowings (Continued)

Maturity of financial borrowings

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

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
	€m	€m	€m	€m	€m
Bank borrowings (Facility B)	**—**	**—**	**2,005**	**—**	**2,005**
Unamortised fair value difference on borrowings (Facility B)	**—**	**—**	**(384)**	**—**	**(384)**
	—	**—**	**1,621**	**—**	**1,621**
9.25% Senior Secured Notes due 2020	**—**	**—**	**—**	**350**	**350**
Debt issue costs	**—**	**—**	**—**	**(12)**	**(12)**
	—	**—**	**—**	**338**	**338**
Joint venture borrowings	**9**	**9**	**9**	**—**	**27**
At 30 June 2013	**9**	**9**	**1,630**	**338**	**1,986**
Bank borrowings (Facility B)	—	—	—	2,346	2,346
Fair value difference on borrowings (Facility B)	—	—	—	(536)	(536)
	—	—	—	1,810	1,810
Joint venture borrowings	8	9	18	—	35
Overdraft	1	—	—	—	1
At 30 June 2012	9	9	18	1,810	1,846

Borrowing facilities

The Senior Facilities Agreement entered into in June 2012 includes provision to allow the group to seek a revolving credit facility of €150 million in the markets. At the date of signing of these financial statements, there is no revolving credit facility in place and there are no current plans to obtain any revolving credit facilities.

Our joint venture, Tetra, has a €49 million term loan facility, which has been fully drawn down at 30 June 2013 to finance the activities of Tetra.

Currency

All of the group's borrowings are denominated in euro.

25. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2012	30 June 2013	30 June 2012	30 June 2013
	€m	€m	€m	€m
Non-current assets				
Interest rate swaps—cash flow hedges	—	**4**	—	**4**
Current assets				
Interest rate swaps—cash flow hedges	—	**1**	—	**1**
Total assets	—	**5**	—	**5**
Non-current liabilities				
Interest rate swaps—not designated as hedges	1	**—**	1	**—**
Current liabilities				
Interest rate swaps—not designated as hedges	1	**1**	1	**1**
Total liabilities	2	**1**	2	**1**

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps—cash flow hedges

The notional principal amount of the active interest rate swap contracts designated and eligible for hedge accounting was €1,200 million at 30 June 2013. The swaps cover the period from 11 December 2012 to 11 June 2015.

At 30 June 2013, the fixed interest rate on our interest rate swaps was between 0.241% and 0.258% and the floating rate was based on 3-month Euribor.

Gains recognised in the cash flow hedging reserve in equity (see Note 30) on interest rate swaps as of 30 June 2013 will be released to the income statement when the hedged interest expense is recognised over the period from 1 July 2013 to 11 June 2015. The ineffective portion of the change in the fair value of the derivatives recognised in the income statement that arises from qualifying cash flow hedges amounts to a loss of €Nil.

Interest rate swaps—not designated as hedges

The group's share of the fair value of the Tetra derivative in the accounts is a liability of €1 million (30 June 2012: €2 million). The group's share of the notional principal amount of the active interest rate swap contracts used to cover our joint venture borrowings was €20 million at 30 June 2013 (30 June 2012: €26 million). The unrealised gain recognised in the income statement during the year that arises from derivatives not designated as hedges is €1 million (30 June 2012: €Nil). These amounts have been classified in the income statement within 'finance costs'.

26. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The group has no material unrecognised deferred tax assets at 30 June 2013.

26. Deferred tax liabilities (Continued)

Recognised net deferred tax liabilities

Net deferred tax liabilities for the prior period ended 30 June 2012 are attributable to the following:

	Assets 30 June 2012	Liabilities 30 June 2012	Net 30 June 2012
	€m	€m	€m
Intangibles	—	(28)	(28)
Property, plant and equipment	—	(103)	(103)
Deferred revenues	2	—	2
Leases	18	—	18
Provisions	3	—	3
Pensions	81	—	81
	104	(131)	(27)

The movement in net deferred tax liabilities during the year ended 30 June 2013 is as follows:

	1 July 2012	Reclass to deferred tax asset (Note 17)	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2013
	€m	€m	€m	€m	€m
Intangibles	**(28)**	**28**	**—**	**—**	**—**
Property, plant and equipment	**(103)**	**103**	**—**	**—**	**—**
Deferred revenues	**2**	**(2)**	**—**	**—**	**—**
Leases	**18**	**(18)**	**—**	**—**	**—**
Provisions	**3**	**(3)**	**—**	**—**	**—**
Pensions	**81**	**(81)**	**—**	**—**	**—**
	(27)	**27**	**—**	**—**	**—**

The movement in net deferred tax liabilities during the prior period ended 30 June 2012 is as follows:

	Beginning of financial period	Arising on acquisition	Recognised in income credit/(charge)	Recognised in other comprehensive income	30 June 2012
	€m	€m	€m	€m	€m
Intangibles	—	(28)	—	—	(28)
Property, plant and equipment	—	(103)	—	—	(103)
Deferred revenues	—	2	—	—	2
Leases	—	18	—	—	18
Provisions	—	3	—	—	3
Pensions	—	78	—	3	81
	—	(30)	—	3	(27)

27. Provisions for other liabilities and charges

	TIS Annuity Scheme	Restructuring Costs	Onerous Contracts	Other	Total
	€m	€m	€m	€m	€m
At 1 July 2012	**53**	**49**	**51**	**100**	**253**
Charged to consolidated income statement:					
—Additional provisions	—	—	2	8	**10**
—Unused amounts reversed	—	—	(7)	—	**(7)**
—Unwinding of discount	—	—	1	1	**2**
—Change in discount rate	1	—	—	—	**1**
Transfer to retirement benefit obligations	—	(9)	—	—	**(9)**
Decrease in provision capitalised as asset retirement obligation	—	—	—	(2)	**(2)**
Utilised in the financial year	(12)	(40)	(16)	(5)	**(73)**
At 30 June 2013	**42**	**—**	**31**	**102**	**175**

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

	30 June 2012	30 June 2013
	€m	€m
Non-current	152	**133**
Current	101	**42**
	253	**175**

Temporary income stream ("TIS") annuity scheme

The eircom Limited group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The group estimates the annuity liability as the present value of the fixed payment stream due to employees. At 30 June 2013, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of eight years.

Onerous Contracts

The group has onerous contracts in relation to leases on vacant properties and leasehold disposals relating to relocations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflects current economic conditions and judgements in respect of sub lease income on certain properties. If the group were unable to sublet the properties for the duration of the lease an additional provision of €2 million would be required in the financial statements. The group also has onerous contracts in relation to the settlement of certain legal matters. At 30 June 2013, the liabilities are expected to be discharged over a period of one to five years.

Restructuring costs

The provision comprised the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact. The provision was fully utilised during the year ended 30 June 2013 (see Note 9).

Additional costs will be incurred in future years to achieve additional headcount reductions. However, as at 30 June 2013, there was no constructive obligation in respect of additional

27. Provisions for other liabilities and charges (Continued)

headcount reductions and therefore no additional provisions have been recognised as at 30 June 2013.

Other

The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to 30 June 2013, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled.

The group also has a provision for costs arising from certain compliance matters including certain obligations in relation to the retirement and decommissioning of assets, mainly certain poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2014 to 2025, and these anticipated cash flows are discounted using a real rate of return of between 2% and 4%.

28. Trade and other payables

	30 June 2012	30 June 2013
	€m	€m
Non-current liabilities:—		
Unfavourable lease contracts arising on acquisition	132	**121**
Trade payables	47	**49**
	179	**170**
Current liabilities:—		
Unfavourable lease contracts arising on acquisition	10	**11**
Trade payables	77	**69**
Interest payable	5	**7**
Other amounts payable (Note 40)	8	**—**
Other tax and social security payable	41	**35**
Accruals	235	**229**
Deferred income	114	**97**
	490	**448**

The carrying amounts of trade payables are denominated in the following currencies:

	30 June 2012	30 June 2013
	€m	€m
Euro	115	**110**
SDR	6	**5**
Sterling	2	**2**
US dollar	1	**1**
	124	**118**

29. Share Capital

The share capital at 30 June 2013 and 30 June 2012 is set out below:—

As at 30 June 2013 and 30 June 2012

Authorised		Nominal Value per Share	Issued	
Number and Class of Share	Amount €		Number and Class of Share	Amount €
10,000,000 Ordinary shares	10,000,000	€1.00 each	2 Ordinary shares	2
Equity share capital	**10,000,000**		**Equity share capital**	**2**

There were no alterations to the issued share capital of eircom Holdings (Ireland) Limited during the year ended 30 June 2013.

Rights attaching to the ordinary shares are as follows:

The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary shares carry the right to share in any surplus assets of the Company.

30. Reconciliation of total shareholders' equity

	Equity share capital	Share premium account	Cash flow hedging reserve	Retained earnings / (loss)	Total equity
	€m	€m	€m	€m	€m
At beginning of financial period	—	—	—	—	—
Loss for the financial period	—	—	—	(543)	(543)
Defined benefit pension scheme actuarial losses	—	—	—	(28)	(28)
Tax on defined benefit pension scheme actuarial losses	—	—	—	3	3
Balance at 30 June 2012	**—**	**—**	**—**	**(568)**	**(568)**
Loss for the financial year	**—**	**—**	**—**	**(115)**	**(115)**
Defined benefit pension scheme actuarial losses	**—**	**—**	**—**	**(155)**	**(155)**
Tax on defined benefit pension scheme actuarial losses	**—**	**—**	**—**	**19**	**19**
Cash flow hedges:					
—Fair value gains in year	**—**	**—**	**5**	**—**	**5**
—Tax on cash flow hedge movements	**—**	**—**	**(1)**	**—**	**(1)**
Balance at 30 June 2013	**—**	**—**	**4**	**(819)**	**(815)**

31. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

a) Cash generated from operations

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Loss after taxation	(543)	**(115)**
Addback:		
Income tax charge	1	**1**
Finance costs—net	10	**237**
Operating (loss)/profit	(532)	**123**
Adjustments for:		
—Exceptional gain on exit from subsidiary	—	**(17)**
—Goodwill impairment	542	**—**
—Depreciation and amortisation	21	**337**
—Non cash lease contracts	—	**(9)**
—Non cash retirement benefit charge	1	**37**
—Restructuring programme costs	—	**27**
—Other non cash exceptional items	—	**(11)**
—Other non cash movements in provisions	1	**8**
Cash flows relating to restructuring and provisions	(3)	**(96)**
Changes in working capital		
—Inventories	1	**1**
—Trade and other receivables	27	**14**
—Trade and other payables	(38)	**(40)**
—Inter-company payables to former group undertakings	—	**2**
Cash generated from operations	20	**376**

b) In the group cash flow statement, proceeds from sale of property, plant and equipment (PPE) and intangible assets comprise:

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Net book value of PPE disposals (Note 15)	—	**4**
Net book value of intangible disposals (Note 14)	—	**7**
	—	**11**
Net book value of intangible disposals on exit from subsidiary undertaking (Note 10)	—	**(6)**
Net book value of PPE disposals on exit from subsidiary undertaking (Note 10)	—	**(1)**
Net book value of PPE disposals on liquidation of subsidiary undertaking	—	**(2)**
Proceeds from sale of PPE and intangible assets	**—**	**2**

32. Post Balance Sheet Events

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

33. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2013	Business	Registered Office and Country of Incorporation
eircom Limited	100%	Provision of telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Finco Sarl	100%	Finance Company	46A Avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
eircom Finance Limited	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Irish Telecommunications Investments Limited	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
eircom Holdings Limited	100%	Investment Holding Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
GoFree Limited	100%	Property Investment Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

33. Principal Subsidiaries, Joint Ventures and Associated Undertakings (Continued)

	Interest in Ordinary Shares at 30 June 2013	Business	Registered Office and Country of Incorporation
Tetra Ireland Communications Limited (Joint venture)	56%	Build and Operate National Digital Radio Services Network	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Altion Limited (Associated undertaking)	31.3%	Telecommunications Software Solutions	7th Floor, O'Connell Bridge House, D'Olier Street, Dublin 2, Ireland.
Buy4Now Limited (Associated undertaking)	32.2%	E-commerce Software Developer	9 The Mall, Beacon Court, Bracken Road, Sandyford Industrial Estate, Dublin 18, Ireland.

Joint Venture

At 30 June 2013, eircom Holdings (Ireland) Limited has a joint venture in Tetra Ireland Communication Limited ("Tetra"). The following table presents, on a condensed basis, the effect on the consolidated financial statements of including Tetra using proportionate consolidation.

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Revenue	2	**19**
Operating costs excluding depreciation	(1)	**(10)**
Depreciation	(1)	**(7)**
Profit before finance costs	—	**2**
Finance costs—net	—	**(1)**
Profit before income tax	—	**1**
Income tax credit	—	**—**
Profit for the financial period	—	**1**

33. Principal Subsidiaries, Joint Ventures and Associated Undertakings (Continued)

	30 June 2012	30 June 2013
	€m	€m
ASSETS		
Non-current assets	37	**29**
Current assets	11	**12**
Total assets	48	**41**
LIABILITIES		
Non-current liabilities	31	**22**
Current liabilities	18	**19**
Total liabilities	49	**41**
EQUITY		
Total equity	(1)	**—**
Total equity	(1)	**—**
Total liabilities and equity	48	**41**

34. Employees

The average number of persons employed by the group for the year ended 30 June 2013 and for the period from 11 June 2012 to 30 June 2012 were as follows:—

	Period ended 30 June 2012	Year ended 30 June 2013
Fixed line		
Operations/Technical	3,335	**3,179**
Sales/Customer Support	1,221	**1,105**
Administration	398	**357**
Total	4,954	**4,641**
Mobile		
Operations/Technical	210	**197**
Sales/Customer Support	327	**333**
Administration	64	**63**
Total	601	**593**
Total fixed line and mobile	5,555	**5,234**

34. Employees (Continued)

The total number of persons employed by the group as at 30 June 2013 and 30 June 2012 were as follows:—

	30 June 2012	30 June 2013
Fixed line		
Operations/Technical	3,335	**2,983**
Sales/Customer Support	1,221	**885**
Administration	398	**321**
Total	4,954	**4,189**
Mobile		
Operations/Technical	210	**170**
Sales/Customer Support	327	**309**
Administration	64	**43**
Total	601	**522**
Total fixed line and mobile	5,555	**4,711**

Certain employees work in both the fixed and mobile businesses. The employee numbers are based on the entity that entered into the employment contract with the individual employees. The employee costs are recharged between the fixed and mobile segments based on estimates of the time spent by individual employees on fixed and mobile activities.

35. Pensions

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

The total group pension charge is split between the schemes as follows:

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Defined Benefit Schemes (the principal scheme)	2	**58**
Defined Contribution Schemes	—	**5**
Total	2	**63**

The total group defined benefit pension liability recognised in the balance sheet:

	30 June 2012	30 June 2013
	€m	€m
Defined Benefit Schemes (the principal scheme) (eircom Limited)	646	**848**
Defined Benefit Schemes (eircom Phonewatch Limited)	3	**—**
Total Liability recognised in the Balance Sheet	649	**848**

eircom Limited principal scheme

The actual contributions in respect of the principal scheme represent a rate of 9.4% of pensionable emoluments, as advised by the group's actuaries. The eircom Limited group committed to an annual employer contribution of €20 million for three years commencing 1 January 2011. The last Actuarial Valuation of the principal scheme was carried out using the

35. Pensions (Continued)

attained age method, as at 30 September 2010, by Mercer, who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 35 (b)) over the remaining working lifetime of the current members.

The actuarial valuation as at 30 September 2010 was determined by reference to the following critical assumptions: (1) an assumed rate of pensionable pay and pension inflation of 1.9% per annum with effect from 1 January 2014 (0% until 31 December 2013) and (2) an assumed rate of investment return of 6.25% per annum in the pre-retirement period and 5% per annum in the post-retirement period. The weighted average expected future return is approximately 5.3% per annum. At the date of the last actuarial valuation, the market value of the pension scheme assets was €2,578 million, and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions. The actuarial report is available for inspection by the members of the scheme at 1 Heuston South Quarter, St. John's Road, Dublin 8. The actuarial report is not available for public inspection. The next scheduled formal valuation of the scheme is as at 30 September 2013.

Mercer also perform all annual valuations required under IAS 19 "Employee Benefits". These valuations are performed on the projected unit basis.

Pension scheme obligation

The status of the principal scheme is as follows:

	Acquisition date	30 June 2012	30 June 2013
	€m	€m	€m
Present value of funded obligations	3,475	3,480	**3,930**
Fair value of scheme assets	(2,858)	(2,834)	**(3,082)**
Liability recognised in the Balance Sheet	617	646	**848**

Reconciliation of defined benefit obligation	30 June 2012	30 June 2013
	€m	€m
At beginning of financial period	—	**3,480**
Liabilities acquired in business combinations	3,475	**—**
Current service cost	1	**34**
Interest cost	7	**142**
Transfer from provisions for liabilities and charges [1]	—	**9**
Actuarial losses	—	**330**
Contributions by employees	1	**11**
Benefits paid	(4)	**(76)**
Total—Defined benefit obligation	3,480	**3,930**

[1] The amounts transferred from provisions relate to curtailment losses arising as a result of the group's restructuring programme. Provisions for restructuring include curtailment costs arising from restructuring programmes and the liabilities relating to curtailment are transferred to pension obligation at the time the individuals exit the business.

35. Pensions (Continued)

Reconciliation—Fair value of plan assets	30 June 2012	30 June 2013
	€m	€m
At beginning of financial period	—	**2,834**
Assets acquired in business combinations	2,858	**—**
Expected return on plan assets	6	**118**
Actuarial (losses)/gains	(28)	**175**
Contributions paid by group	1	**20**
Contributions by employees	1	**11**
Benefits paid	(4)	**(76)**
Total—Fair value of plan assets	2,834	**3,082**

The components of the amounts recognised in the income statement are as follows:

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Current service cost	1	**34**
Interest on obligation	7	**142**
Expected return on scheme assets	(6)	**(118)**
Total net charge included in the income statement	2	**58**
Actual return on scheme assets	(22)	**293**

The expected contribution level for the year ended 30 June 2014 for the defined benefit scheme is €20 million, though an actuarial valuation to be completed as at 30 September 2013 will determine the actual level of contribution.

Pension scheme assets

The fair value of scheme assets as at 30 June 2013 was €3,082 million (30 June 2012: €2,834 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2012	%	30 June 2013	%
	€m		€m	
Equities & other assets	1,020	36%	**1,092**	**35%**
Bonds	1,644	58%	**1,802**	**59%**
Property	113	4%	**176**	**6%**
Cash	57	2%	**12**	**—**
Total pension assets	2,834	100%	**3,082**	**100%**

The overall expected return on plan assets is based upon the weighted average of the assumed returns on the major asset classes. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

35. Pensions (Continued)

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	Acquisition Date	At 30 June 2012	At 30 June 2013
Rate of increase in salaries	1.90% (1)	1.90% (1)	1.90% (2)
Rate of increase in pensions in payment	1.90% (1)	1.90% (1)	1.90% (2)
Discount rate	4.10%	4.10%	3.60%
Expected return on scheme assets	4.20% (3)	4.20% (3)	3.70% (3)
Inflation assumption	2.00%	2.00%	2.00%
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old male	88 years	88 years	88 years
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old female	90 years	90 years	90 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	91 years	91 years	91 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	92 years	92 years	92 years
Increase in net assets/(decrease in net liabilities) at the balance sheet date assuming an increase in the discount rate applied of 0.25%		€(152m)	€(165m)
Reduction in net assets/(increase in net liabilities) at the balance sheet date assuming an increase in the salary and pension growth applied of 0.25%		€(138m)	€(149m)

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

(2) The assumptions at 30 June 2013 reflect the agreed freeze on pensionable pay up to 31 December 2013 and the imposition of a cap on the increases in pensionable pay thereafter to the lower of CPI, salary inflation or agreed fixed annual rates, as well as the group's expectation that no increase in pensionable pay will arise prior to 1 July 2014.

(3) The expected return on scheme assets is net of a pension levy of 0.6% payable on an annual basis for three years ended 30 June 2014.

The expected long term rate of return on scheme assets were:

	At 30 June 2012	At 30 June 2013
Equities	7.00%	**6.50%**
Bonds	3.50%	**3.00%**
Cash	1.00%	**2.00%**
Property	6.00%	**5.50%**

35. Pensions (Continued)

	Period ended 30 June 2012	Year ended 30 June 2013
Experience losses on scheme liabilities	—	**€(330m)**
Percentage of the present value of the scheme liabilities	—	**(8)%**
Difference between the actual and expected return on scheme assets—(losses)/gains	€(28m)	**€ 175m**
Percentage of scheme assets	(1)%	**6%**

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

36. Operating lease commitments

At 30 June 2013, the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:—

	30 June 2012		30 June 2013	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	€m	€m	€m	€m
Annual commitments				
Under non-cancellable operating leases expiring:				
No later than one year	4	—	**3**	**1**
Later than one year but no later than five years	26	2	**21**	**1**
Later than five years	22	—	**22**	**—**
	52	2	**46**	**2**

The total contracted payments due on operating leases are as follows:

	30 June 2012	30 June 2013
	€m	€m
Payable:		
No later than one year	54	**48**
Later than one year but no later than five years	141	**124**
Later than five years	267	**244**
	462	**416**

37. Credit guarantees and securities

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings.

37. Credit guarantees and securities (Continued)

Senior Credit Facility

At 30 June 2013, eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €2 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €2 billion term credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The guarantees rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Senior Credit Facility, including the guarantee of the Senior Secured Notes. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl, and fixed and floating charges over the assets of eircom Limited, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited, subject to certain exclusions specified in the security documents. The companies guaranteeing the Senior Credit Facility are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited, Meteor Ireland Holdings LLC, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Senior Secured Notes

eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €350 million of eircom Finance Limited, a subsidiary of the group, pursuant to the Senior Secured Notes issued in May 2013.

The guarantees are general senior obligations of each guarantor and rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Notes, including the guarantee of the Senior Credit Facility. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement.

The Senior Secured Notes are secured by pledges over the equity interests in eircom Finance Limited and each Guarantor, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl and fixed and floating charges over the assets of the guarantors, subject to certain exclusions specified in the security documents. The guarantors of the Senior Secured Notes are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited, Meteor Ireland Holdings LLC, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Hedging obligations

The group has entered into derivative financial instruments which are subject, amongst other things, to an Intercreditor Agreement. In accordance with this agreement, the liabilities to hedging counterparties rank in priority to liabilities arising under the Senior Credit Facility and Senior Secured Notes in the event of enforcement action. The derivative financial instruments held by the group's joint venture, Tetra, are not subject to the Intercreditor Agreement (see Note 25).

Tetra Securities

The Senior Credit Facility of Tetra of €49 million is secured by a first-priority pledge fixed and floating charges over the assets of Tetra and a first ranking pledge over all the shares of Tetra. The senior credit facility and derivative financial instruments held by Tetra are not subject to the Intercreditor Agreement in respect of the Senior Credit Facilities of the eircom Holdings (Ireland) Limited Group.

37. Credit guarantees and securities (Continued)

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group and the Senior Secured Notes of eircom Finance Limited are also secured by a second pledge over eircom Limited's shares of Tetra.

38. Contingent liabilities

Hearing loss claims

As of 30 June 2013, eircom has received notice of personal injury claims for alleged hearing loss from one hundred and sixteen current and former employees, fifteen of which have been withdrawn, and six of which have been discontinued. Of the ninety-six remaining claims, fifty-five have become prima facie statute barred, and therefore eircom consider these cases to be closed. Of the remaining cases, twenty-six individuals have issued but not served court proceedings alleging hearing loss, and fourteen sets of proceedings have been served and are active. eircom has denied liability in all of the claims and intends to vigorously defend all proceedings issued in respect of hearing loss claims.

Performance guarantees

Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts (see Note 21). At 30 June 2013, these include €6 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €10 million in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO"), and €4 million in relation to other obligations under certain commercial contracts. No material losses are expected in respect of these obligations.

Allegations of anti-competitive practices

In October 2002, ComReg determined that eircom Limited was not in compliance with its obligations under the voice telephony regulations, as it provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom's discount schemes and published prices. No penalties were levied on eircom Limited as a result of this determination.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom Limited seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom Limited submitted its defence on 26 January 2004 and intends to defend the proceedings vigorously.

The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings: loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million), and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom's part under each of these headings, eircom's Directors do not believe that these figures represent damages which would be properly recoverable from eircom Limited.

38. Contingent liabilities (Continued)

No further action has been taken by the plaintiffs in the eight years since they amended the plenary summons and statement of claim.

Claims by Smart Telecom

On 8 June 2005, Smart Telecom instituted proceedings against eircom Limited in the Irish High Court, challenging the validity of a notice of termination issued by eircom Limited to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom Limited of its dominant position in the telecommunications market. Smart Telecom further alleged that eircom Limited was abusing its dominant position by refusing to provide network access in the form of Local Loop Unbundling ("LLU") in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid and an abuse of dominance, that eircom Limited was abusing its dominance by failing to meet Smart Telecom's LLU requirements, and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty. eircom Limited delivered its defence in the proceedings on 23 December 2005.

eircom's Directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom Limited provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's Directors do not believe that these figures represent damages that would be properly recoverable from eircom Limited.

In October 2006, eircom Limited terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom Limited introduced the LLU functionality that is the subject of Smart's claim in the proceedings.

No further action has been taken by Smart Telecom after the delivery of eircom's defence in December 2005. In December 2009, Smart Telecom went into liquidation.

Other

The Irish taxation authorities are querying the deductibility of expenses in one of the subsidiary undertakings within the former ERC Ireland Holdings Group, a former holding company of the eircom Limited group, the resultant taxation losses of which were in part surrendered to entities in the eircom Limited group by way of group relief deductions. The former holding company has been in liquidation since May 2012. The queries cover the fiscal years ended 31 March 2004 to 30 June 2012 inclusive. As a result of these enquiries, the taxation authorities have issued amended assessments restricting the group relief deductions claims for the periods from 31 March 2004 to 30 June 2010. The amended assessments have been appealed, though no date has yet been set for the Appeal Hearing. The taxation authorities are also separately undertaking an audit of other expense deductions taken by eircom Limited in the financial years ended 30 June 2007 to 30 June 2009 inclusive. Management are satisfied that all group relief claims and expenses have been appropriately deducted in the tax computation and do not believe that there is any liability in respect of these periods.

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory and taxation authorities have arisen in the normal course of business. While any litigation or dispute with regulatory and tax authorities has an element of uncertainty, the Directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

39. Commitments

Capital commitments of the group which have been contracted for were €49 million at 30 June 2013 (30 June 2012: €30 million). These amounts have been approved by the Board.

Network share agreement with O²

A network share agreement with O², another mobile operator in Ireland, was signed on 7 April 2011. This agreement sets out the terms under which the parties have agreed to the sharing and integration of certain aspects of the Radio Access Networks of both groups. The group recognises its own expenses, assets and liabilities in connection with the agreement. However, to the extent that the group's own operating and capital costs associated with shared assets exceed or amount to less than 50% of the total joint costs of the operation, a recharging mechanism exists which ensures equalisation of costs incurred by each party.

Each party has an unconditional right to terminate the agreement subject to a minimum period of prior notice. The agreement also contains standard rights for immediate termination for either party.

To the extent that the group expects to decommission existing assets in connection with the agreement, the related useful lives of the assets concerned and asset retirement obligations have been revised as appropriate, and provisions have been recognised for any decommissioning costs for which a legal or constructive obligation existed at the balance sheet date.

40. Related party transactions

The following transactions were carried out with related parties:

d) Key management compensation

	Period ended 30 June 2012	Year ended 30 June 2013
	€m	€m
Salaries and other short-term employee benefits	0.6	**10.3**
Other long-term employee benefits	0.1	**4.2**
Post-employment benefits	—	**0.7**
	0.7	**15.2**
Termination benefits	—	**3.3**
	0.7	**18.5**

Management Incentive Plan

The long term incentive plan for the management team for 2010 to 2014 provided for awards which were made for the years ended 30 June 2011 and 30 June 2012. In October 2012, the Remuneration Committee resolved to close the plan and replaced it with a new incentive plan, commencing August 2012. In accordance with the terms of the plan, amounts already awarded for years ended 30 June 2011 and 30 June 2012 are payable. Accruals at 30 June 2013 include €1.2 million (30 June 2012: €4.6 million) in respect of awards under the plan which have not yet been paid and are payable in the year ending 30 June 2014.

The new management incentive plan (''MIP'') introduced by the group's parent company, eircom Holdco SA, for certain directors and senior executives in the group incentivises the participants to deliver maximum returns to shareholders on a sale or other form of exit, and to achieve 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 MIP begins to accrue value from a stated threshold level of €1.8 billion (''MIP

40. Related party transactions (Continued)

Threshold") and the maximum permitted allocation for all participants in the scheme is an aggregate interest of up to 10% of the return above the MIP Threshold, which is subject to a cap in the event of a debt value event, of which 6.4% has been allocated at year end. The individual participants' entitlements under the MIP are subject to graded vesting on a time basis over a five year period commencing on the first anniversary of the scheme, 31 August 2013, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining vesting term of the awards is 2.9 years.

Under the MIP the participants are entitled to receive instruments in Eircom MEP S.A., which in turn hold instruments in eircom Holdco S.A.. The instruments held in Eircom MEP S.A carry no voting rights and are not transferable. Under the terms of the MIP there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

In the event that eircom Holdco SA has insufficient proceeds to discharge the amounts accruing to scheme participants under a debt value event, the discharge of such amounts will be dependent on funding from eircom Limited and/or Eircom Holdings Ireland Limited.

The group has recognised a total charge of €5.7 million in its income statement with a corresponding liability recorded on its balance sheet as at 30 June 2013.

e) Transactions and loans between related parties

The former group undertakings are former entities in the ERC Ireland Equity SPC Group which was the ultimate parent company of the eircom Limited group until 11 June 2012. From 11 June 2012, ERC Ireland Equity SPC Group no longer holds any beneficial interest in the group.

	30 June 2012	30 June 2013
	€m	€m
Other amounts payable (owed to former eircom Limited group undertakings):		
Beginning of financial period	—	**8**
Acquired in business combinations	8	**—**
Amounts owed by subsidiary undertaking derecognised on liquidation	—	**(8)**
End of financial period (Note 28)	8	**—**
Other amounts receivable (due from former eircom Limited group undertakings):		
Beginning of financial period	—	**3**
Acquired in business combinations	3	**—**
Loan repayments during the financial year	—	**(2)**
End of financial period (Note 20)	3	**1**

f) Other related parties transactions

During the year ended 30 June 2013, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.4 million (30 June 2012: €0.2 million). The amount outstanding in respect of these costs is €4.1 million at 30 June 2013 (30 June 2012: €2.8 million).

During the year ended 30 June 2013, the group income statement included a charge of €0.3 million paid in respect of the Employee Share Ownership Trust (ESOT) for the administrative

40. Related party transactions (Continued)

expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS) which have not been recharged to the ESOT.

On 11 July 2013, ESOP Trustee Limited (as trustee of the ESOT) and the APSS entered a member's voluntary liquidation. The residual assets not yet claimed by beneficiaries have been transferred to eircom Limited which will continue to administer the residual assets of the ESOT and the APSS in respect of untraced holders and unclaimed funds for a period of up to twelve years from the substantial winding-up of the trusts.

During the year ended 30 June 2013, the group paid €0.16 million (30 June 2012: €Nil), on normal commercial terms, to Prodigium Limited for strategic advice in relation to eircom Limited. All of these costs were expensed to the income statement. Mr. Hartery, an independent non-executive director of eircom Holdings (Ireland) Limited, is a controlling shareholder and a director of Prodigium Limited. The €0.16 million (ex VAT) covers all services provided to eircom Limited to date and eircom Limited will not require further services from Prodigium Limited at this stage.

41. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 July 2013 or later periods but which the group has not early adopted, as follows:

IFRS 9, 'Financial instruments'. (Effective for financial periods beginning on or after 1 January 2015, subject to EU endorsement). The new standard addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a model that has two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset host instruments and the cost exemption for unquoted equities. The group is currently reviewing the expected impact of this standard, which may change as a consequence of further developments resulting from the IASB's financial instruments project.

IFRS 10, 'Consolidated Financial Statements'. (Effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement). The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, replacing the consolidation requirements in SIC-12 *Consolidation*—'Special Purpose Entities' and IAS 27 Consolidated and Separate Financial Statements. This is not expected to have any significant impact on the group.

IAS 27, 'Separate Financial Statements'. (Effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement). This standard supersedes IAS 27 Consolidated and Separate Financial Statements following the issuance of IFRS 10, which replaced the consolidation requirements in IAS 27. Only accounting and disclosure requirements for the preparation of separate financial statements remain in IAS 27; the Standard was therefore renamed Separate Financial Statements. This is not expected to have any significant effect on the group.

IFRS 11, 'Joint Arrangements'. (Effective for annual periods beginning on or after 1 January 2014). The standard eliminates proportionate consolidation as a method to account for joint arrangements. IFRS 11 supersedes IAS 31 and SIC-13. The group has applied proportionate consolidation to its investments in joint ventures in accordance with IAS 31. Application of the new standard will result in the use of equity accounting for these investments in the future which will change how the results and net assets of joint ventures are presented in the financial statements.

41. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

IAS 28, 'Investments in Associates and Joint Ventures'. (Effective for annual periods beginning on or after 1 January 2014). The standard incorporates the accounting for joint ventures. An entity applies IFRS 11 to determine the type of joint arrangement in which it is involved. Once it has determined that it has an interest in a joint venture, the entity recognises an investment and accounts for it using the equity method in accordance with IAS 28 (as amended in 2011), unless the entity is exempted from applying the equity method as specified in the standard. As the group has heretofore applied proportionate consolidation to its investments in joint ventures, application of the new standard will result in the use of equity accounting for these investments in the future.

IFRS 12, 'Disclosure of Interests in Other Entities'. (Effective for annual periods beginning on or after 1 January 2014). IFRS 12 includes additional disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The group is currently assessing the impact of this standard, but there will be no impact of a recognition or measurement nature given the disclosure focus of the standard.

IFRS 13, 'Fair Value Measurement'. (Effective for annual periods beginning on or after 1 January 2013). IFRS 13 requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. Some of those disclosures, including the fair value hierarchy, were already introduced in March 2009 through an amendment to IFRS 7 'Financial Instruments: Disclosures'. Those disclosures have been relocated to IFRS 13. The group is currently assessing the impact of this standard, but no material effect on the measurement of the group's financial instruments is expected.

IAS 19 (Amendment), 'Employee Benefits'. (Effective for annual periods beginning on or after 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Of particular relevance to the group is the change in the presentation and measurement of interest cost and expected return on plan assets, which will be replaced with a net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, and is expected to result in an increase in the related cost included in the income statement. In addition, liability for a termination benefit will be recognised when the group can no longer withdraw the offer of the termination benefit or recognises any related restructuring costs. This might delay the recognition of provisions in respect of voluntary termination benefits.

Annual Improvements (2011). (Effective for financial periods beginning on or after 1 January 2013). The IASB has issued "annual improvements" which amends various standards. The group is currently assessing the impact of these improvements on its financial reporting, but does not anticipate that the improvements will have a material impact on the group's financial statements.

IAS 32 (Amendment), 'Financial Instruments: Presentation'. (Effective for financial periods beginning on or after 1 January 2014). The amendment does not change the current offsetting model in IAS 32, but clarifies that the right of set-off must be available at the balance sheet date and cannot be contingent on future events. Whilst it is expected that the amendment will primarily only affect financial institutions, the group is currently assessing the impact of the amendment on its financial reporting, but does not anticipate that amendment will have a material impact on the group's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. (Effective for financial periods beginning on or after 1 January 2013). The amendment requires more extensive disclosures

41. Standards, interpretations and amendments to published standards that are not yet effective (Continued)

about financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements regardless of whether or not they are offset. The group is currently assessing the impact of this standard, but there will be no impact of a recognition or measurement nature given the disclosure focus of the standard.

IFRIC 20 'Stripping costs in the production phase of a surface mine'. (Effective for financial periods beginning on or after 1 January 2013). This interpretation has no relevance to the group.

Amendments to IFRS 10, 12 and IAS 27 'Investment entities'. (Effective for financial periods beginning on or after 1 January 2014). The amendments are subject to EU endorsement. The guidance applies to an 'investment entity'. The amendment to IFRS 10 defines an investment entity and introduces an exception from consolidation. The amendments to IFRS 12 also introduce disclosures that an investment entity needs to make. eircom Holdings (Ireland) Limited is currently assessing the impact of these amendments on its financial reporting, but does not anticipate at this time that it will avail of this exception from consolidation.

42. Comparative amounts

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

43. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 26 September 2013.

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€350,000,000

% Senior Secured Notes due 2022

Joint Book-Running Managers and Joint Global Coordinators

Deutsche Bank

Credit Suisse

Joint Book-Running Managers

Barclays

BNP PARIBAS

DNB Markets

Goldman Sachs International

J.P. Morgan

Morgan Stanley

, 2016

OFFERING MEMORANDUM